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Mobile Telecommunications Co

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Annual Report 2005

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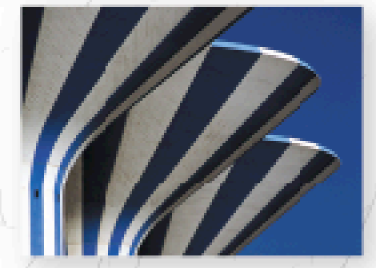
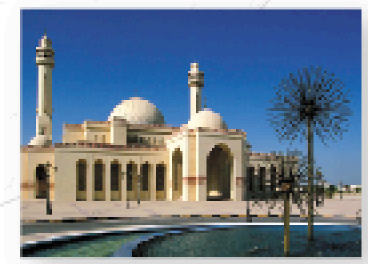
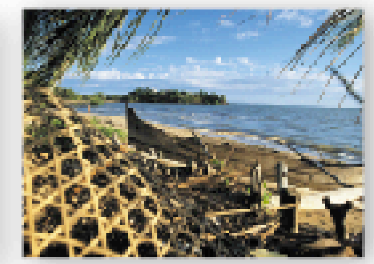
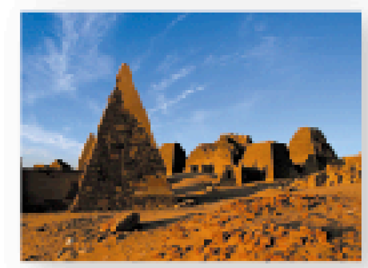


PROFILE

FINANCIAL REPORT







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"Our adherence to excellence is unshakeable"

MTC is founded upon three core values: *Excellence*, *Diversity* and *Benevolence*. These principles not only act as the fuel for the effectiveness and efficiency of our daily operations, they also serve to strengthen our global communal relationships.

Through a strict adherence to corporate *Excellence*, we have been able to achieve a market-leading position in the Middle East and Africa. Excellence drives our 3x3x3 strategy to become a global wireless operator by 2011. This value allows us to perform at the highest standards and to deliver exceptional products and services to customers, returns to shareholders, as well as first-rate working conditions and benefits for employees.

In a globalizing world, we understand the need for *Diversity* and flexibility to make our working environment more conducive for our employees who hail from different backgrounds and cultures. Our Diversity Policy promotes tolerance, harmony, understanding and openness among our staff across the different regions in which we choose to operate.

Benevolence acts as our guiding light toward creating a better world. We care for the future of humanity, and we make it our duty to focus on social responsibility, which means that we are constantly striving to create a better life, at every level, for the citizens we serve around the globe.

H.H. Sheikh Sabah Al - Ahmed Al - Jaber Al Sabah
AMIR OF THE STATE OF KUWAIT

H.H. Sheikh Nawwaf Al - Ahmed Al Sabah
CROWN PRINCE

H.H. Sheikh Nasser Al - Mohamed Al Sabah
PRIME MINISTER

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benchmarking to the highest international business standards


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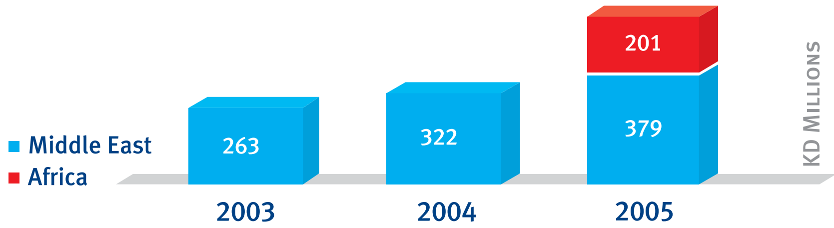
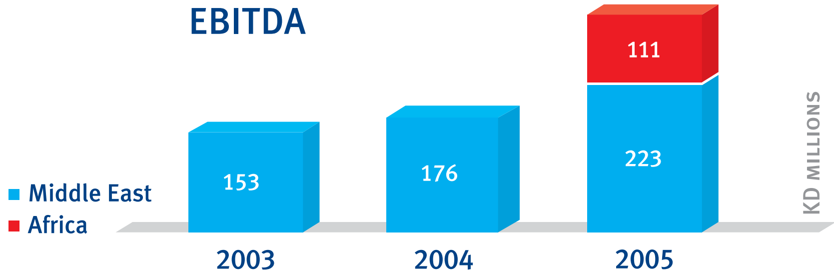
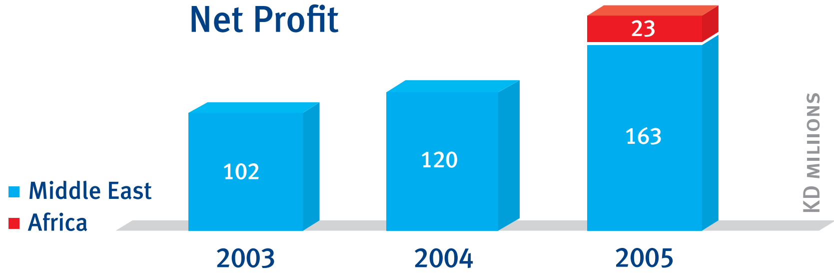


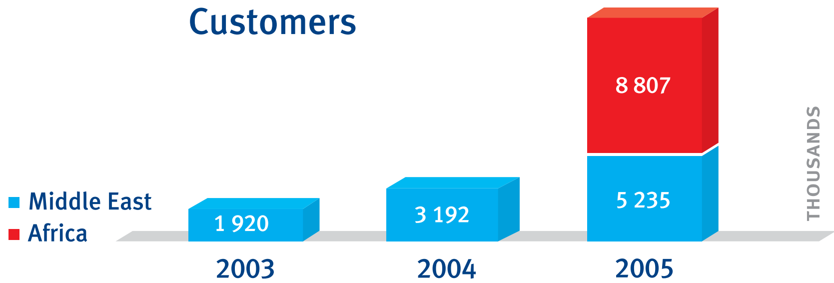
EBITDA



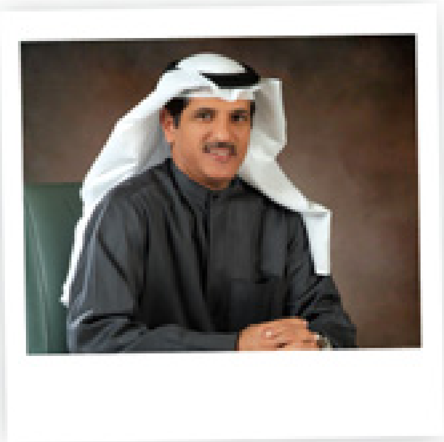
Net Profit



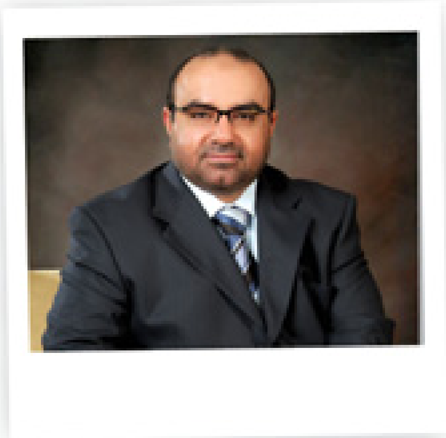
Customers



Board of Directors



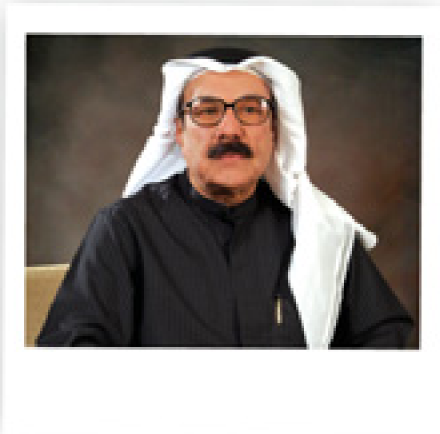
Mr. Asaad Ahmed Al Banwan
Chairman



Dr. Saad Hamad Al Barrak
Deputy Chairman and Managing Director (CEO)

Mr. Jamal Ahmed Al Kandary
Board Member

Mr. Mishal Al-Hama'ad
Board Member



Mr. Abdul Mohsen Al-Faris
Board Member

Mr. Abdulaziz Yacoub Al Nafisi
Board Member

Sheikh Khalifa Ali Khalifa Al Sabah
Board Member

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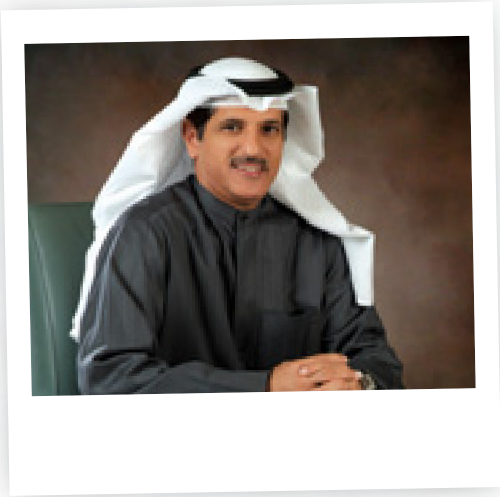


Chairman's Message

Dear Shareholders,

It gives me great pleasure to convene with you for our annual Ordinary General Assembly meeting of Shareholders. I am pleased to welcome you on behalf of the members of the Board of Directors and on behalf of all the Company's employees to review our achievements for the 2005 financial year.

We meet at a time when our Company's operational scope has expanded to cover 19 countries with an aggregate customer-base in excess of 14 million. This achievement is a direct result of the Board of Directors' endorsement of the geographical expansion policy launched in 2002. As a result, the Company achieved unique and distinguished successes. This strategy has been crowned by MTC's landmark acquisition of the African operator Celtel and its 13 operating licenses across the African continent. This was recently followed by the acquisition of a majority stake in Madagascar's Madacom and the increase of MTC's stake in Mobitel Sudan from 39% to 100% in February 2006.

Our objectives of profitable geographic expansion and new market penetration are being achieved through an ambitious strategic plan that we are implementing rigorously and methodically. We base our decisions on detailed feasibility studies and precise analysis to evaluate the necessary standards for selecting the best prospects that achieve the interests of shareholders and promote the Company's resources. We are continually evaluating foreign mobile telecommunication markets, and seeking the acquisition of promising high value-added operators as well as select new license opportunities.

Through the guidance of the Company's Board of Directors, and the dedicated efforts of its Executive Management and staff, many accomplishments were recorded during 2005. We currently operate in 19 countries compared to only five countries by the end of 2004.

Our customers grew from 3.2 million at the end of 2004 to 14.1 million at the end of 2005, representing an annual growth of 340%. This significant jump in our customer-base has made MTC one of the fastest growing telecommunications company in the region and possibly internationally.

Financial indicators for 2005 show that net profits reached KD185.9 million against KD120.2 million in 2004, representing an increase of 55% year-on-year. The accumulated operating revenues amounted to KD579.5 million against KD322 million in 2004, constituting an increase of 80% from the previous year. The total shareholders equity amounted to KD1.2 billion compared to KD389 million in 2004, an increase of 208%.

These statistics indicate a tremendous leap in achievements and a major jump in performance. These accomplishments are the result of systematic planning, sound management and great efforts.

We will continue maintaining our slogan, "Our customers are our first concern", and further reinforce it as the most important principle that we uphold. Through this principle, many new services were inaugurated in 2005, and these services were admired and appreciated by our customers.

Our customers recognize our continuous effort to promote and upgrade our communication networks, and providing them with the latest international innovations. By meeting the highest requirements and needs of our customers, we provide the company a high competitive edge while enhancing our position among the leading international companies.

After obtaining the necessary approval from the General Assembly, the Company completed the capital increase needed to finance its expansion strategy. The capital increase was completed successfully in November 2005, reflecting the strong financial position of the company and our shareholders' confidence in the company's strategy and performance.

Supporting the State policy to improve the role of national employment in the private and public sectors, MTC maintains a leading position among private sector employers in terms of employing Kuwaiti nationals. In addition, we continue to offer training and development programs to ensure that our recruits are fully qualified to perform the specialized tasks required by the company. Through our operations, we take it upon ourselves to optimize the local levels of employment.

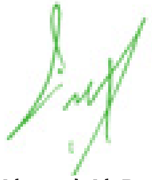
The Company will continue its contribution to society and serve it in various fields. Due to our active involvement, the Company's logo and name has become recognized at public and sports events, and conferences. Our solid presence is due to our firm commitment and duty towards society. We view ourselves as a main partner in further developing this society, and we also consider ourselves as one of the national economy's anchors as well as a fundamental element of social service in our country.

On this occasion, I would like to affirm my profound thanks and heartfelt appreciation for your support and trust. Your staunch conviction creates the motivation and incentives that enable us to launch projects and compete with great strength. In addition, I would like to thank the members of the Board of Directors whose directives were vital in guiding us towards achieving our objectives. The Executive Management of our Company also deserves a special 'thank you', as it played a key role in growing the Company to international levels. Our dedicated employees at all levels are also highly appreciated for their hard work, dedication, loyalty and continuous professionalism in the execution of their duties – thank you.

Through the will of God and through your continued support and encouragement, I am positive that we will continue to grow and expand. The Board of Directors will continue to put forward ambitious plans and objectives, and execute these plans to achieve the expectations of our company. Achievements are the result of ambitions, and success is the harvest of hard work.

Finally, on behalf of the members of the Board of Directors, the Executive Management and all the Company's staff, I wish to express our profound gratitude and highest respects to His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al Sabah, the Amir of the State, and to the honorable Crown Prince, His Highness Sheikh Nawaf Al- Ahmed Al-Jaber Al Sabah, as well as His Highness the Prime Minister Sheikh Nasser Al-Mohamed Al-Ahmed Al Sabah. May God in his infinite wisdom keep and guide them and the members of our prudent government for the continuous support they provide for the Kuwaiti national institutions and companies. Praying to God, the almighty, to keep our dear country and bless it with safety and security.

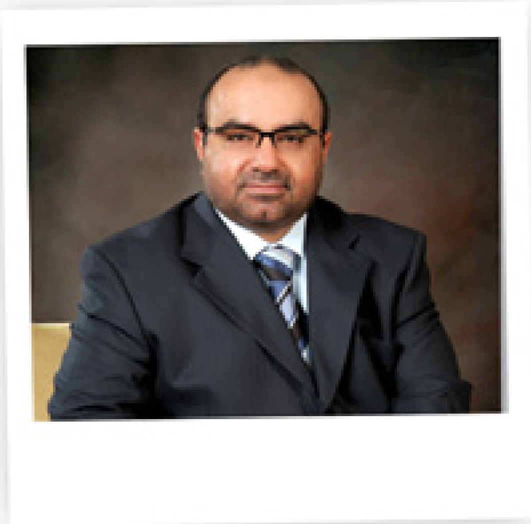
Peace be upon you!



Asaad Ahmed Al-Banwan
Chairman, Board of Directors

Commited to develop our people

Management Discussion and Analysis



The year 2005 was a great year for the MTC Group, as it saw the company's vision dynamically moving toward reality through the aggressive and systematic implementation of our strategy.

Our vision is simply to become a global wireless operator by 2011. Our mission is to grow MTC into a leading global mobile operator that provides world-class services to our customers wherever they are, with a primary focus on achieving excellent returns for our shareholders along with maintaining a high standard of corporate governance.

Our strategy consists of gradually growing MTC through a 3x3x3 strategy in motion that will see the company expand in three stages to regional, international and global status; our ambitions are bound only by our commitments to all stakeholders. This ambitious growth strategy made us evolve from a single operator in Kuwait at the end of 2002 to a company operating in 19 countries in the Middle East and Africa by the end of 2005.

We have been implementing our strategy throughout 2005 by combining value creation and internal growth from existing operations with expansion into new markets through acquisitions, partnerships and green-field opportunities. We believe our approach will help us achieve in nine years what other companies needed three times the period to achieve.

In turn, the success of our strategy is based on the pillars of mass market focus and market segmentation, competitive positioning and differentiation, high-value technology, and management.

MTC is focusing on the mass market by addressing at least 70% of the market in terms of both customers and segment value. We generate customer growth by aggressively targeting under-penetrated segments, and we stimulate value growth from our existing customer base. Our goal is to reach a 50 percent market share in markets where MTC is a "leader" and a minimum of 30 percent market share in markets where MTC is a "challenger."

Our differentiation approach is a combination of differentiated elements of our value proposition. Our competitiveness derives from the adoption of a fully segmented market approach. This approach clusters customers into value segments and addresses both high-end as well as low-end customers with distinguished offerings. We continue to selectively expand into new businesses within the wireless value chain while focusing on areas that generate value for MTC.

profitable expansion

We only invest in commercially viable wireless technologies that enable the provision of a full range of services and that add value both internally and to end-customers. While using technology as one of the key enablers of differentiation, we ensure that innovation is not only technology driven, but also an internal philosophy adopted throughout the organization.

We created a people-oriented culture and organization where we empower and reward employees in line with their performance, and support risk taking as long as the upsides are clearly measurable. We strongly believe in team output, as we promote collaboration among the Group, local operations and functional areas.

Financials

MTC's key performance indicators registered significant growth in 2005, reflecting the Group's successful implementation of its strategy and yielding substantial returns to shareholders.

For the year ending December 31, 2005, total revenues reached US$1.98 billion, up by nearly 80% from US$1.09 billion in 2004. This translates into earnings per share of US$0.76, representing a growth of 50% from the previous year.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) totaled US$1.14 billion in 2005, a rise of 90% compared to the previous year, and resulting in an EBITDA margin of 58% compared to 54.5% in 2004. [Operating expenses rose by 91% due to the absence of MTC Touch-Lebanon in the first five months of 2004 and Africa's Celtel, as well as due to an increase of other expenses across the Group].

In parallel, the Group's managed customer-base jumped 340% year-on-year to 14.04 million, driven mainly by the acquisition of Celtel that added about 8.81 million customers to our company.

The rise in profits, revenues, margins as well as the growth in the number of customer was largely driven by the acquisition of Celtel as well as the operating efficiencies' gain.

Key Events of 2005

Consistent with the group's vision to become a global telecommunications services provider, MTC acquired in April 2005 pan-African mobile telecommunications leader Celtel International BV.

As a leading mobile operator in sub-Saharan Africa, Celtel operates in 13 countries serving 8.81 million customers as of December 2005. Celtel offers telecommunications services in Burkina Faso, Chad, Democratic Republic of Congo, Republic of Congo, Gabon, Kenya, Malawi, Niger, Sierra Leone, Tanzania, Uganda and Zambia. Further, Celtel acquired in December 2005 Madacom, an operator based in Madagascar with over 200,000 customers. Celtel holds mobile

Dream.
Dare.
Deliver.

licenses over an area that covers 30% of the African continent and that includes an estimated population of 250 million. It has commited to invest over US$1.3 billion to develop its networks.

We plan to accelerate Celtel's program of investments in licenses and networks, and to devote our resources to roll out its mobile networks, providing new value-added services and attracting new customers.

Our acquisition of Celtel is the Middle East's largest private sector transaction in the telecommunications industry as well as the largest corporate transaction of African assets. It raised to over 14 million the aggregate number of our customers, of which 37% are now in the Middle East and 63% in sub-Saharan Africa. The acquisition also falls within the context of our strategy of targeting markets with low penetration, where we expect significant rise in demand for mobile services in Africa.

MTC acquired Celtel for a total consideration of US$3.36 billion. Initially, MTC acquired 85 percent of the issued and outstanding share capital of Celtel for US$2.88 billion, with a commitment to buy the remaining 15 percent over the next two years for US$ 520 million. Our relatively debt-free and excellent cash-flow situation allowed us to easily arrange a US$2.4 billion bridge loan from a syndicate of banks, with the loan fully repaid on December 22, 2005, ahead of time.

Since the purchase of Celtel in April 2005, MTC's market capitalization has increased from US$6 billion to exceed US$13 billion as at December 31, 2005, including a US$2.3 billion capital rights issue concluded in November 16, 2005.

MTC's capital increase represented a vote of confidence from our shareholders in our accelerated growth strategy. Indeed, Management submitted to the Board of Directors several alternatives to refinance the Celtel acquisition. The Board chose the capital increase via a rights offering, whereby current shareholders exercised their preemptive rights for a 1:1 offer, essentially providing them the opportunity to buy one share for each MTC share they already hold at KD1.250 per new share, when the stock price was trading at about KD5.600 at the time of the offering. The share issue was fully subscribed by our shareholders, demonstrating their faith in the company's future. The capital increase also shored up our balance sheet, allowing for future expansion.

Our Values

At MTC, we take great pride in ourselves, in our values, in our employees and in the way we operate, which revolve around Excellence, Diversity and Benevolence.

We are committed to excellence in all of our endeavors, which led MTC to achieve a market-leading position in the Middle East and Africa. We perform at the highest international business standards by delivering the most innovative products and services to our customers and superior returns to our shareholders. Our commitment to excellence is unshakeable, and our record of achievements has and will continue to earn the trust of everyone who relies on us. It is this approach that continues playing a significant role in developing our strength and dynamism.

World-class
services
without
exception

We believe in diversity, as we strive to better understand the inherent specificities in every community we operate in, delivering and catering to different needs. We promote tolerance and openness so that our employees of diverse backgrounds and thinking can work and express their views. With this philosophy, we aim to achieve the agility and the flexibility to adapt to the challenges of new markets, competition and the changing needs of expansion.

We define ourselves not only through our commitment to excellence, but by our ethos of corporate social responsibility, which translates into supporting all communities we serve.

We support communities by providing employment opportunities, donations and sponsorships; we focus on two interacting social responsibilities: education and youth. We consider education to be the source of our current and future success. By providing educational scholarships and support, we aim at developing young talented people so that they can positively contribute to society in the future.

Future Opportunities

We continue to look for future opportunities that will add value to the MTC Group and that will offer attractive returns to MTC's shareholders. As such, we are looking at future expansion opportunities in several markets that offer great potential for growth. We seek to acquire a majority stake in an operator and to have management control. Ideally, we look for a wireless service provider that has a leading position in its market.

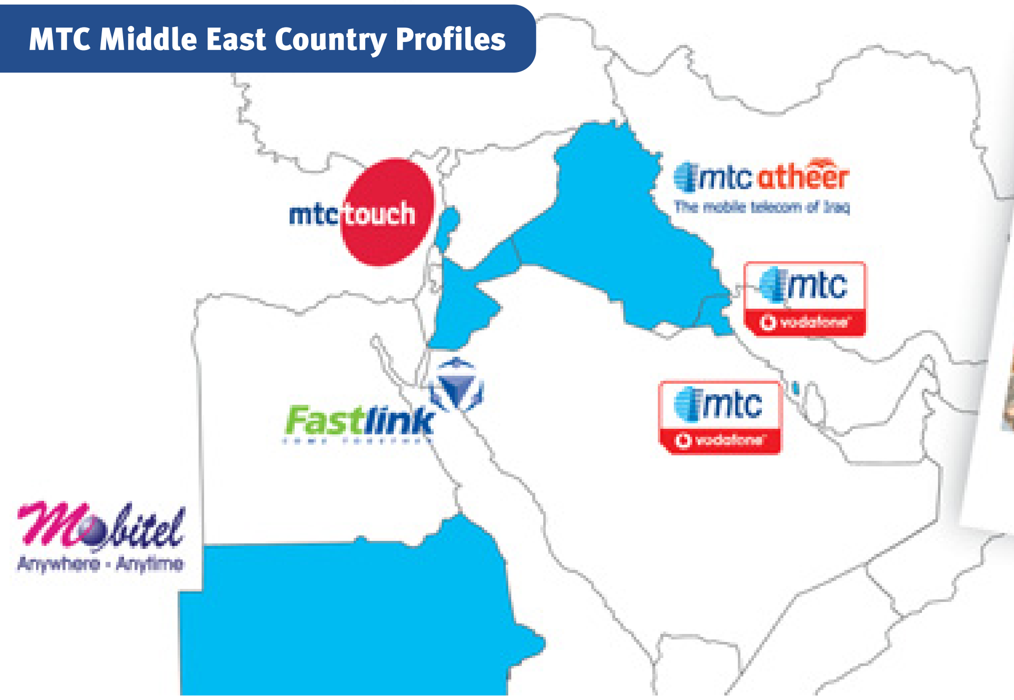
Our short-term primary focus is on bidding for a license in the rapidly growing Egyptian market that currently has two operators, with a third one being offered. We are also looking at bidding for a third license in the Kingdom of Saudi Arabia, one of the largest telecommunications markets in the Middle East, as well as to bid for a license in Iraq, which is a high growth market, where we are already present through MTC Atheer and where the government is expected to auction licenses later in 2006. We believe that our solid balance sheet, strong MTC brand name and overall track record will give us an advantage over newcomers in the upcoming bidding process in Egypt, Saudi Arabia, Iraq and other opportunities. We plan to integrate all future acquisitions into the MTC family and take advantage of group synergies.

We have come a very long way in a very short time from our modest but visionary beginnings. Today, MTC is a dominant brand in the Arab world, one of the fastest growing mobile markets in the world, and we have become a power to be reckoned with in Africa, the fastest growing mobile communications market in the world.

To our customers, we pledge to continuously reinforce MTC as a corporation that provides them with world-class services, quality and performance.

To our shareholders, we pledge to continue leveraging our resources across the group to maximize returns on their investment.

Vision to be
a leading Global
Telecommunication Company



Middle East Operations

The MTC Group's Middle East operations had a stellar performance in 2005, with impressive growth in all key indicators. The Group had a total of 5.24 million managed customers in the Middle East at the end of 2005, reflecting an increase of 64% from the previous year, and accounting for 37% of the MTC Group's total customer base. Net profits from our operations in the Middle East grew by 35% to US$555.77 million in 2005, representing 87% of the Group's aggregate profits for the year. Revenues totaled US$1.294 billion, a 17% increase over 2004 and representing 65% of the Group's total revenues. Earnings before interest, taxes, depreciation and amortization (EBITDA) were US$762.60 million compared to US$595.47 million in 2004, and accounted for 67% of the Group's EBITDA. The EBITDA margin was 59% in 2005 compared to 55% in 2004.

Today, MTC is a dominant brand in the Middle East, one of the fastest growing mobile markets in the world with a population of 300 million.

MTC-Vodafone, MTC's operation in Kuwait, is the group's flagship and its main source of revenues in the Middle East. It has a leading position in Kuwait, a market with an 85% mobile penetration rate. Its 1.43 million customers represent a 60% market share, of which 75% are pre-paid customers.

Further, Fastlink has more than 2 million customers in the competitive Jordanian market, accounting for a commanding 70% market share, of which 90% are pre-paid customers. Low fixed line penetration and new tariff structures raise the prospect of future market penetration in Jordan, which has a 55% penetration rate.

Bahrain is a well developed mobile market that has a 95% penetration rate. MTC-Vodafone is at the forefront of technological development in the Middle East. It has 202,000 customers in Bahrain, accounting for a 26% market share, of which 87% are pre-paid customers.

MTC Touch has 509,000 customers in Lebanon, representing a 51% market share of which 75% are pre-paid customers. MTC believes that the Lebanese market, with a cellular penetration rate of 26%, is one of the most promising markets in the region in terms of demand and quality.

MTC Atheer has 1.07 million customers in Iraq, of which 96% are pre-paid customers. MTC Atheer expects the mobile sector in Iraq to become one of the fastest growing mobile markets in the Middle East.

In terms of strategy, our short-term primary focus is on bidding for a license in the rapidly growing Egyptian market that currently has two operators, with a third one being offered. We are also looking at bidding a third license in the Kingdom of Saudi Arabia, one of the largest telecommunications markets in the Middle East, as well as to bid for a license in Iraq, a high growth market where we are already present through MTC Atheer and where the government is expected to auction three to five licenses later in 2006. We plan to integrate all future acquisitions into the MTC family and take advantage of group synergies.

We have continued to support communities through donations, sponsorships and employment opportunities, as we focus on the two interacting social responsibilities of education and youth.

For instance, the company financed the MTC-Vodafone E-learning Center in Bahrain through a donation of US$663,000. In Kuwait, MTC-Vodafone sponsored the KACCH summit organized by the Kuwait Association for Care of Children in Hospitals, a new and rapidly growing charity in Kuwait geared towards the welfare and care of children in hospitals. In February 2005, it supported the Al Salam Walkathon, an important event targeted at integrating children with physical challenges in a fun activity for everyone. In Jordan, Fastlink sponsored The National Children's Museum of Jordan, an initiative launched by Her Majesty Queen Rania. In Lebanon, MTC Touch was one of the main sponsors of The Lebanese Autism Society's Fifth Marathon 2005, which aims to create awareness about autism. In Iraq, MTC Atheer provided financial support to several humanitarian organizations such as Al-Hayat International Association for Aid and Development, Formal Iraqi Afflicted Relief Association and other non-governmental Iraqi Councils.

Education and youth at the core of our social responsibilities

Country: Kuwait

Introduction

MTC-Vodafone, MTC's operation in Kuwait, is the group's flagship and its main source of revenues in the Middle East. Established in 1983, MTC operates mobile services in Kuwait under a Vodafone branding agreement, which allows MTC to use the MTC-Vodafone brand and provide access to Vodafone's international roaming services as well as to its global products and services.

MTC-Vodafone Kuwait's customers totaled 1.43 million at the end of 2005 – an increase of 14% year-on-year. The company is the market leader in Kuwait with a significant 60% market share. The operation's customers accounted for 27% of MTC customers in the Middle East as well as for 10.2% of MTC's overall client-base in the Middle East and Africa.

Environment

The Kuwaiti market is a duopoly, as MTC-Vodafone was the incumbent operator until Wataniya received a license to operate a second GSM network in 1999 and started operations in 2000. The Kuwait Ministry of Communications is the industry regulator and the sole provider of fixed line services in Kuwait, while the government holds a minority stake in both mobile operators.

However, the government has started discussions with the World Bank to establish an independent body to regulate and oversee the communications market. In turn, the establishment of the latter is expected to facilitate further deregulation and liberalization of the cellular and data services market. In May 2004, the Financial Affairs Committee approved draft legislation to license a third GSM operator, but no concrete action has been taken thus far. MTC-Vodafone's 50-year GSM license expires in 2042.

Technical

The company first introduced ETACS services in 1986, built a GSM network, and launched GSM services in 1994. It offers 2G and 2.5G services throughout its network. It built out its EDGE network in 2004 and made its first test of High Speed Data Network (HSDN) call in February 2005, and the first video-call in December 2005. It plans to commercially launch its HSDN offering in the first half of 2006 based on its experience in Bahrain where it launched HSDN services in December 2003.

In parallel, the Communications Ministry is set to deregulate international voice and data traffic in 2006 to enhance the country's connectivity and provide higher capacity routes for traffic. As a result, MTC Vodafone plans to secure an international gateway license in 2006. MTC-Vodafone Kuwait expanded the footprint of its international roaming service to include 257 operators in 110 countries across six continents.

Commercial

MTC Vodafone is a leading brand in Kuwait and has built a reputation for pioneering new services, while it is reinforcing its leadership position in the country by adopting customer-driven marketing strategies. MTC-Vodafone competes on its differentiated prepaid and postpaid product offering, which allows the firm to maintain the value of its existing customer- base.

MTC has designed a wide range of prepaid products to cater to various usage manners of prepaid customers with scratch cards having a wide range of denominations and validity periods. This strategy helped MTC reinforce its leadership position in Kuwait.

Data services offered include SMS, MMS, mobile fax, mobile data, mobile connect cards, M Mail, WiFi Service, games, mobile chat service, and other third-party VAS and IVR based value-added services. In April 2005, the company launched MTC Menu, the first service of its kind in the world, combining all of MTC-Vodafone's products and services on one portal.

Financials

MTC-Vodafone Kuwait's revenues totaled US$714.55 million, up by 16% from the previous year. They accounted for 55% of the Middle East operations' proceeds and for 36% of the group's total revenues. EBITDA improved to US$427.35 million in 2005, implying an EBIDTA margin of 59.81%, which represents a 7% decline from 2004 mainly due to a 37% increase in expenditures.

Corporate Social Responsibility

MTC Vodafone has always been very active in social and community activities in Kuwait and has supported a wide number of initiatives and projects in 2005.

MTC-Vodafone supports a number of health care activities and proudly sponsors a key local hospital. MTC-Vodafone also sponsored the KACCH summit organized by the Kuwait Association for Care of Children in Hospitals, a new and rapidly growing charity in Kuwait geared toward the welfare and care of children in hospitals. In February 2005, the company supported the Al Salam Walkathon, an important event, which was targeted at integrating children with physical challenges in a fun activity for everyone. The event was held under the patronage of Sheikha Freiha Al Ahmed Al Sabah.

MTC-Vodafone was also very active in the social and educational areas. MTC-Vodafone worked hard to deliver many rewarding cultural events and experiences for their customers during the Holy Month of Ramadan, such as hosting two Iftar tents for the less fortunate, providing Al Afasi's daily inspirations through their mobile phones, and organizing Ramadan activities for MTC-Vodafone customers.

In parallel, MTC-Vodafone hosted a special open day in September 2005 to help children and youth transition back to school through the 'Back to School' campaign. Al-Shaab Park was open for all children and their families to help celebrate going back to school together. In addition, MTC-Vodafone sponsored the Kuwait English School Bus, because it realizes that its support helps make a big difference for the children at the Kuwait English School.

Additionally, MTC-Vodafone was once again the main sponsor of Kuwait's largest community festival, Hala Febrayer. The festival is held throughout the month of February and features many community events and special promotions from local companies.

MTC-Vodafone strongly supports athletics as well; it has sponsored several local sport tournaments and activities, such as the Democratic Club's three-day football tournament held in April 2005, and MTC's Jet Ski tournament with world champion Ali Shamali held in June 2005.

Country: Jordan

Introduction

Fastlink, MTC's operation in Jordan and the first operator in the country, exceeded the two-million customer mark in Jordan at the end of 2005, surpassing its target for the year, and representing a commanding 70% market share in a very competitive market.

The operation's customers grew by about 77% year-on-year to reach 2.016 million and accounted for 38.5% of MTC customers in the Middle East as well as for 14% of MTC's overall customer base in the Middle East and Africa. Customer growth in Jordan has been driven by an increase in population as well as by economic growth.

Environment

Jordan represents a very competitive cellular market with four cellular operators. Fastlink competes with MobileCom, Umniah and XPress in the local market. MobileCom, fully-owned by Jordan Telecom, started operations in 2000, while XPress began operations in June 2004, and Umniah launched its activities in June 2005. Jordan's telecommunications landscape enjoys fully liberalized fixed line, cellular and data markets and is regulated by a fully independent authority: the Telecommunications Regulatory Commission. Low fixed line penetration and new tariff structures raise the prospect of future market penetration growth despite relatively low levels of per capita GDP in Jordan.

Technical

Fastlink has invested US$93 million during 2004/2005 to upgrade and update the network to enable the company to provide high quality services that meet customers' needs. Pella Telecommunications, a Fastlink subsidiary, acquired a class license that enables it to provide international services for its subscribers.

Fastlink was the primary leader in Jordan to introduce GPRS and MMS, and one of the first in the Region to launch the EDGE technology, which ensures data transfer at 80kb/s. Live Video Streaming allows users to receive live TV programs on their mobile through the EDGE technology, while the Push E-mail enables customers to receive their email on their mobile phones. This automatic service is similar to a service enabled through a device named Blackberry, which is currently being used in the United States and Europe.

Commercial

Fastlink has introduced throughout the year a number of new mobile services aimed at meeting its customers' increasingly diverse mobile communication needs. Fastlink extended the validity of prepaid cards to one year, the first step of its kind on both the local and regional levels. It has also offered prepaid customers a new service that enables them to choose one of three options according to their talking needs.

Further, Fastlink introduced the Z Line, which provides prepaid card users reduced rates and a fixed tariff throughout the hours of the day. Another new product, Z WAP magazine, has been designed to provide entertainment to users and enable them to access a variety of content and services, as well as to download ring tones, games, video programs and screen savers. In order to meet the communications needs of the corporate sector and trade unions, Faslink launched an innovative product that combines a monthly subscription line with the prepaid card.

In parallel, Fastlink and the Palestinian mobile phone operator JAWWAL concluded an exclusive strategic partnership in order to provide customers on both ends with new services and reduced tariffs under the slogan "AHL" meaning family.

Further, Fastlink and Visa International launched a pioneering new payment solution that allows mobile phone users to recharge airtime or settle their mobile bill anytime, anywhere simply by sending an SMS text message.

Aware of the prerequisite to meet our investors’ needs to access and receive market information about the booming capital markets, Fastlink introduced a new service allowing customers to receive live and in real time, the latest updates on share prices from the Amman stock market on their mobile phones. The service was developed in cooperation with Amman Stock Exchange and MENAFN, a provider of financial and economic information in the Arab World.

Financials

Fastlink’s revenues totaled US$455.92 million, up by 8.3% from the previous year. They accounted for 35.2% of the Middle Eat operations’ proceeds and for 23% of the group’s total revenues. EBITDA improved by 27% to US$241.8 million in 2005, implying an EBIDTA margin of 53.05%, which represents a 7.75% rise from 2004.

Corporate Social Responsibility

Fastlink’s commitment toward Jordan goes beyond providing telecommunication services, as the company has supported a wide number of initiatives and projects in 2005 to enhance the capabilities and skills of Jordan’s youth in education, health, sports, art and culture.

Among its educational activities, Fastlink sponsored The National Children’s Museum of Jordan, an initiative launched by Her Majesty Queen Rania. The project is one of the first interactive museums of its kind in Jordan and is considered a breakthrough in early childhood education and learning.

In parallel, Fastlink launched a series of digital centers in Jordan and Palestine to enhance the ICT skills and capabilities of the young population, and provided state-of-the art equipment to the Mobile Communication Laboratory at the Jordan University for Science and Technology.

Also, Fastlink launched at several schools a new incentives program for excelling students in sciences, music, art and physical education. Further, the Fastlink Educational Fund doubled to 20 the number of its scholarships in 2005. Such scholarships aim at providing Jordanian students with access to quality education irrespective of their financial conditions.

In the health care sector, Fastlink continued its campaign to support King Hussein Cancer Center as part of its annual fundraising campaign aimed at assisting cancer patients, and donated US$71,000 to the center.

Fastlink’s social activities included the launch of its Emergency Aid Fund in cooperation with the Ministry of Social Development to provide support and assistance to underprivileged families and individuals who are not covered by the Ministry’s National Aid Fund.

During the Holy Month of Ramadan, Fastlink expanded the distribution of its annual “Rahman” meals to include five governorates across the Kingdom, serving about 30,000 free meals to Muslims when it was time to break their fast at sunset. Also, and as part of its second Winter Campaign, Fastlink visited around 100 families and distributed door-to-door winter packages.

The move was inspired by His Majesty King Abdullah’s response to the needy when he distributed winter coats to school students. Further, Fastlink and the Jordan River Foundation signed a cooperation agreement under which the company would support all activities and projects organized by the foundation. Finally, yet importantly, Fastlink has become the sole sponsor of the Jordan Football Association and two of the leading Jordanian football teams, Wihadat and Faisaly.

Country: Bahrain

Introduction

MTC was granted the license to develop the second GSM network in Bahrain in April 2003 and officially launched its services in December 2003 – the fastest deployment in the Middle East at the time. The company has a three-year co-branding agreement with Vodafone that includes a full branding deal and cooperation arrangement on products and services.

MTC-Vodafone Bahrain exceeded the 200,000-customer mark at the end of 2005, surpassing its target for the year and representing a 26% market share. The operation's customers grew by an impressive 92% year-on-year to reach 202,000 and accounted for 4% of MTC customers in the Middle East as well as for 1.4% of MTC's overall customer base in the Middle East and Africa.

Environment

MTC-Vodafone Bahrain and BATELCO are the only two mobile operators in Bahrain. The country's telecommunications landscape enjoys fully liberalized fixed line, cellular and data markets and is supervised by a fully independent regulator: the Telecommunications Regulatory Authority.

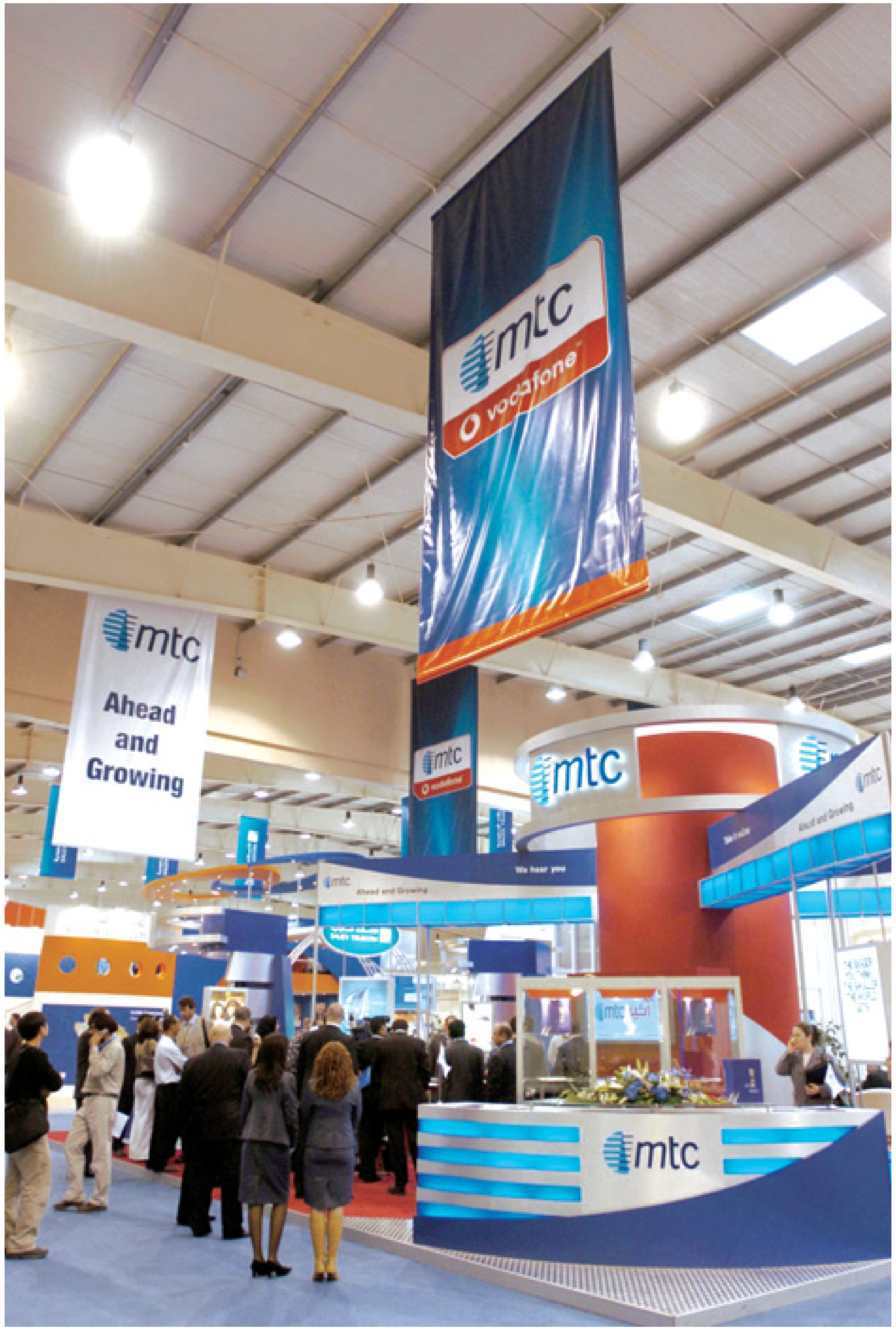
Technical

MTC-Vodafone Bahrain is at the forefront of technological development in the Middle East. In 2005, the company expanded its network capacity and enlarged its 3G network to cover 100% of Bahrain. It also signed 3G roaming service agreements with 13 global mobile operators and now has roaming contracts with 137 countries and 3G roaming with 6 operators and GPRS roaming with more than 32 operators in 24 countries. Further, MTC-Vodafone Bahrain and VeriSign started to work together to offer high-end security services to customers, while MTC-Vodafone was awarded ISO 9001:2000 and BS7799-2:2002 certifications in 2005.

Commercial

MTC-Vodafone Bahrain continued to launch new and innovative products and services to its clientele in Bahrain throughout 2005. It introduced a new prepaid calling plan named eeZee International, launched new post-paid Hewar calling plans with free minutes/ bundled MMS/ bundled 3G video calls, and enhanced its M-Chat service by adding new features. Moreover, it introduced special calling packages to Bahraini journalists, and offered for the first time in Bahrain a new method of seasonal greetings with its Talky Messages service, Wifi roaming and Bulk MMS messaging.

Also, MTC-Vodafone Bahrain teamed up with Smartner Information Systems to bring leading edge mobile office solutions to the enterprise and residential markets in Bahrain, while it partnered with Al Ayam newspaper to offer direct classified advertising via SMS messaging. Further, MTC-Vodafone and BBC World agreed to provide full time access to BBC World for all mobile customers via the Live TV service.



Financials

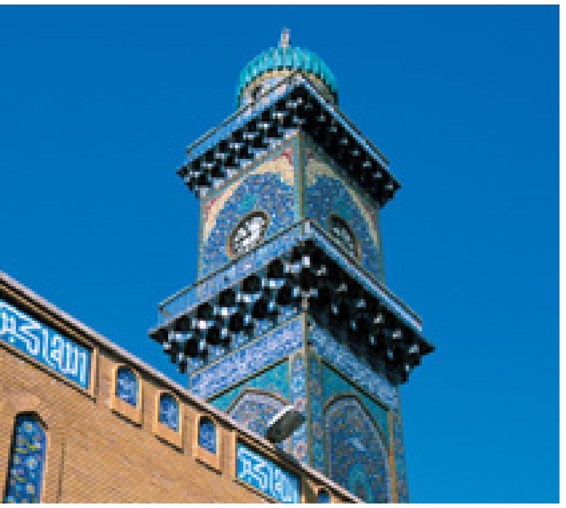
MTC-Vodafone Bahrain's revenues totaled US$69.6 million, up by 101% from the previous year. They accounted for 5.4% of the Middle East operations' proceeds and for 3.5% of the group's total revenues. EBITDA improved by 171.2% to US$15.9 million in 2005 compared to a negative EBIDTA of US$22.3 million in 2004. EBIDTA margin was 23% compared to EBIDTA margin of -64% in the previous year.

Corporate Social Responsibility

MTC-Vodafone Bahrain continued to solidify its deep commitment to Bahrain's society throughout the year. The company financed the MTC-Vodafone E-learning Center through a donation of US$663,000. The center, which will cater to more than 15,000 students and faculty on an annual basis, provides students with advanced web-based learning tools and promotes the culture and concepts of e-learning.

Also, MTC-Vodafone Bahrain donated US$257,000 for day care centers that provide services for children with special needs such as Al Wafa Center that assists children who suffer from autism, Al Rahma Center that provides comprehensive services and programs for severely mentally disadvantaged children, and the Bahrain Down Syndrome Society that provides direct and indirect support to individuals with Down Syndrome.

For the second consecutive year, MTC-Vodafone Bahrain distributed more than 30,000 school bags to students in the five governorates of Bahrain, and offered a complete communications package to university students and staff at a subsidized price.



Country: Iraq

Introduction

MTC won a license to install and operate a GSM network in Southern Iraq in December 2003 and launched its services in March 2004 under the brand name MTC Atheer. It completed its first-year requirements set by the Iraqi Telecommunications Ministry in a record time and launched its services in Baghdad in March 2005. The operation had 1.07 million customers at the end of 2005, up by 339% from 244,000 customers at the end of 2004. They accounted for 21% of MTC customers in the Middle East as well as for 8% of MTC's overall client-base in the Middle East and Africa. MTC Atheer expects the mobile sector in Iraq to become one of the fastest growing mobile markets in the Middle East in 2006.

Environment

Iraq has a growing and competitive market with three Telecom operators that received two-year licenses in December 2003 to cover three different regions in the country. Iraq's telecommunications sector is supervised by the Iraqi National Communications and Media Commission (NCMC). The government extended the licenses until June 2006 (short-term) upon their expiration in December 2005, and the government is expected to offer three to four (long-term) licenses in mid-2006.

However, Iraqi authorities are likely to defer the bidding process until the end of 2006 or early 2007 so improved conditions could attract new bidders. MTC Atheer has expressed interest in bidding for a license and believes it will have an advantage over newcomers in the bidding process as an incumbent operator that owns the network's infrastructure.

Technical

MTC Atheer has over 2,200-kilometer long mobile telecommunications network in Iraq, the widest reaching network in the country. It is currently expanding its infrastructure to a full GPRS network capable to support more than two million customers by mid-2006 and will have nationwide coverage by the end of 2006. The company has already invested aproximately US$250 million in network infrastructure by year-end 2005 and plans to spend more in 2006 to increase the capacity of the network.

Commercial

MTC Atheer continued to offer quality products and services to serve its individual and corporate customers in Iraq throughout 2005. It offers prepaid and postpaid services, with 96% of its customer base benefiting from prepaid services. Today, the company provides a range of services such as Voicemail, Call Barring, Caller ID, Call Diversion, Conference Call, local and international SMS, as well as GPRS services. The company also offers emergency call services, such as direct numbers to hospitals and police stations, and provides roaming services in most countries around the world at competitive rates.

Financials

MTC Atheer's 2005 revenues accounted for 9% of the Middle East operations' proceeds and for 6.2% of the group's total revenues. EBITDA reached US$65.34 million in 2005, leading to an EBITDA margin of 53% for the year.

Corporate Social Responsibility

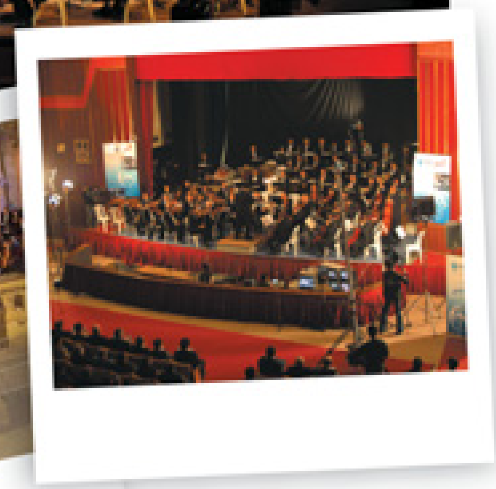
MTC Atheer continued to solidify its commitment to the development of Iraq's society, as the company's total contributions to the local community reached one million dollars by the end of 2005.

MTC Atheer sponsored the Iraqi National Symphony Orchestra, the Iraqi Olympic Football Team and supported a variety of sport teams in Iraqi Championships.

MTC Atheer provided financial support to several humanitarian organizations such as Al-Hayat International Association for Aid and Development, Formal Iraqi Afflicted Relief Association and other non-governmental Iraqi Councils. In April 2005, it sponsored, in coordination with Al Hayat International Association, a commemoration for orphans on the first day of the Holy Eid and on the International Day for the Orphans. Additionally, it donated medical supplies to the Iraqi Society for the Handicapped in Baghdad, and sponsored several Fast Breaking Banquets during the Holy Month of Ramadan in several mosques in Baghdad and Southern governorates.

In parallel, MTC Atheer launched a blood donation campaign in March 2005 in support of a number of Iraqi Hospitals, contributed to a polio vaccination campaign, and sponsored in April 2005 a carnival at the Institute for the Deaf and Mute on the occasion of Deaf and Mute Children's Day.

In line with its policy of supporting local talent, MTC Atheer has carried out the development of its network with a 100% Iraqi workforce and employs more than 700 Iraqis, with staff members receiving training in Kuwait, Jordan, Finland and the United States. Further, the firm has contributed to the creation of some 10,000 direct and indirect work opportunities in the country. It also helped to rebuild and renovate universities in Baghdad, Kufa and Basra.



Country: Lebanon

Introduction

On June 1st, 2004, MTC expanded its presence to Lebanon, the fifth regional market, in less than two years time, after Kuwait, Jordan, Bahrain and Iraq. Upon winning the management contract formally in April 2004, MTC Liban was established to handle the management handover of one of the two mobile networks.

However, the biggest challenge the company had to overcome in the first stage was to ensure the continuity of the services despite the mass resignation of the former operator's employees that reached over 70%, mostly due to very lucrative end of service packages. Nevertheless, the transition phase went smoothly with no interruption in service, due to the hard work of the new team.

According to the policy of MTC to employ a local force in most of the countries where it operates, 99% of MTC Touch staff is Lebanese and highly qualified especially that the Lebanese are known to be very service-oriented, flexible and multi-lingual, and considered to be the main asset of Lebanon.

MTC believes that the Lebanese market is one of the most promising markets in the region in terms of demand and quality, as well as a very strategic market for the group due to the natural geographic link between the Middle East and North Africa, as well as to the potential growth of the mobile phone penetration.

Environment

In April 2004, and following an international public tender for the management of Lebanon's two mobile networks, the Lebanese Cabinet selected MTC and Fal Dete Telecommunications, a joint German-Saudi company, to manage the existing two mobile phone networks for a four-year period. The government fully owns the two networks and sets identical price levels for both operators. The Cabinet canceled —in June 2001— the 10-year BOT contracts it awarded in 1994 to the former private operators.

The firms handed over their assets to the ministry on August 31, 2002 and revenues from the two networks reverted to the state starting September 2002, as the existing operators continued to run the networks for a fee until the launch of the tender. On June 1, 2004, MTC took over the management of one of the two mobile networks, Mobile Interim Company 2 – MIC2 and ensured the continuity of services through a smooth transition.

The government intends to privatize the sector through the auctioning of the existing licenses and plans to issue another license for a third generation mobile system known as Universal Mobile Telecom System. The four-year management agreement with the Lebanese government places MTC in an excellent position should the Lebanese government decide to privatize the assets upon the contract's expiration.

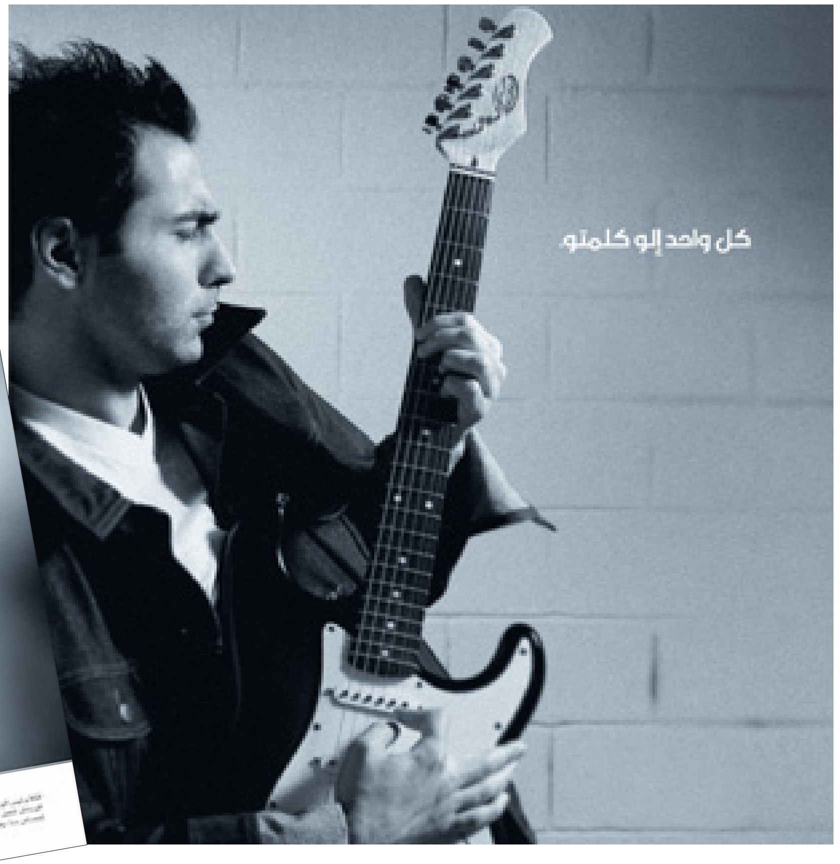
According to the contract, the government is responsible for the capital expenditure (CAPEX) that is needed for any network investment, while the managing company is responsible for operational expenditures (OPEX), which are covered by its management fee. Currently we are seeking the approval from the Lebanese government to further invest in the network.

Financial

MTC Touch's revenues accounted for 4% of the Middle East operations' proceeds and for 3% of the group's total revenues. EBITDA reached US$7.38 million, implying an EBIDTA margin of 14% for the year.

Technical

The Intelligent Network was launched on January 2005, allowing prepaid subscribers to enjoy new and advanced services, out of which are the free USSD services and the 2005 launch of Missed Call SMS Notification. MTC has submitted plans to the Ministry of Telecommunications requesting CAPEX to further develop the national GSM network that it manages. Its footprint of its international roaming service covers 199 operators in 102 countries across six continents.



Commercial

In November 2004, MTC touch brand name was launched as a co-branding between MTC (owned by MTC) and touch (owned by MIC2). The brand name was launched through a campaign called, ‘Everyone Has Something To Say’. From a commercial perspective, MTC touch has leveraged the group’s resources, expertise and know-how to provide its customers in Lebanon with a smooth transition from the old operator as well as full fledged enhancement of products and services within the limitations of the CAPEX. MTC touch's two main retail products are touch (Postpaid Lines) and Mag!c (Prepaid Lines), as well as a multitude of products ranging from corporate solutions to value added products. In October 2005, MTC touch launched GPRS Roaming with Fastlink - Jordan for the first time in Lebanon.

MTC touch is also jointly issuing new co-branded credit cards with leading banks. These cards offer a number of convenient and practical benefits to the holders.

MTC touch participated in two major telecommunication exhibitions: Saitech (MTC touch was also one of the two main sponsors of this exhibition), and Termium 2005, during which MTC touch launched the new services of Mag!c through a campaign called, ‘Mag!c for real!’

MTC touch has been very active in sport, by sponsoring the Al Riyadi and Annibal basketball teams during the Lebanese Basketball Championship, and it has created its own basketball team. It was especially rewarding to partner with Al Riyadi team as they won six other consecutive Arabic and regional tournaments, among were the Damascus International Tournament, Hussameddine Hariri Arab Tournament and Hamdan Bin Rached International basketball tournament.

Corporate Social Responsibility

MTC touch takes pride in its active participation in, and sponsorship of civic, social and cultural activities in Lebanon. MTC touch was one of the main sponsors of The Lebanese Autism Society’s Fifth Marathon 2005, which aims to create awareness about autism. MTC touch also joined in The Little Book of Love Quotes, a fundraising project to help needy children with Congenital Heart Disease. Half of the proceeds from each book sold go directly to the Brave Heart Fund at the American University of Beirut Medical Center.

During the Holy Month of Ramadan, MTC touch distributed gifts to the children of the Dar Al Aytam Al Islamiya, and it celebrated Christmas with the children through organizing parties at various welfare associations and orphanages all over Lebanon.

In its goal to nurture the Lebanese art and cultural scene, MTC touch sponsored two major cultural events: the Ballet d’Europe and the Byblos International Festival.

Mtc touch also launched three cause-related campaigns: Nationalistic campaign, one of which was in memory of the Prime Minister Rafic Al-Hariri and the Deputy Gebran Tueni.

Country: Sudan

Introduction

In February 2006, MTC reached an agreement with Sudatel to purchase 61% of Mobitel. Celtel already owned a 39% share of Mobitel, Sudan's principal mobile operator. MTC thus owns 100% of Mobitel. The impact of this acquisition will lead to the consolidation of Mobitel's results in 2006. MTC considers Mobitel the latest addition to its portfolio of Middle Eastern operations. Mobitel, jointly owned by Celtel and MTC Middle East will be managed as part of the Middle Eastern operations.

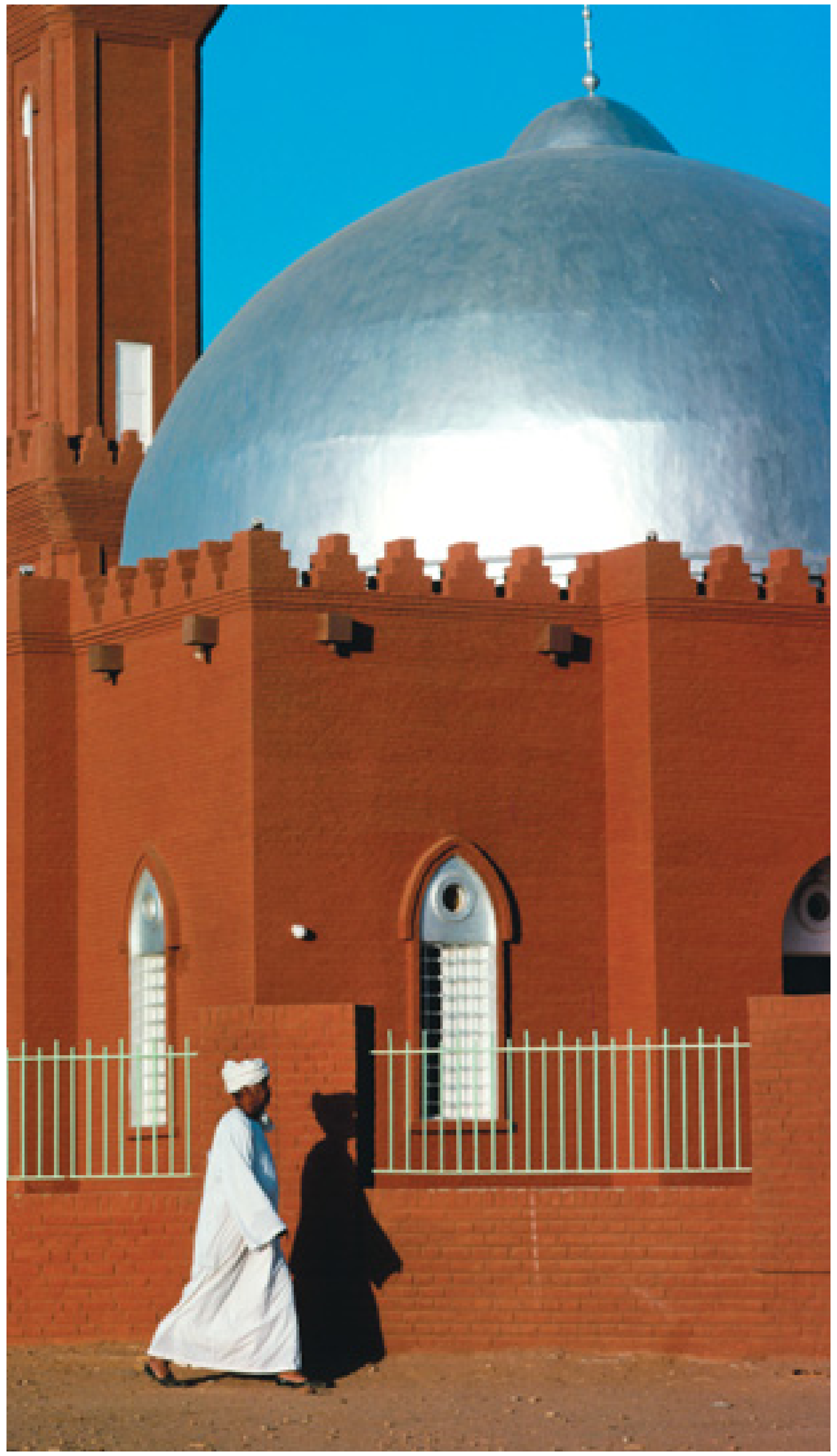
Mobitel
Anywhere · Anytime

Environment

Sudan covers an area of 2.4 million square kilometers and is the largest country in Africa. The current population stands at approximately 35.4 million. Currently the official language is Arabic; and under recently signed peace accords, English will become an official language. A number of other languages and dialects are also in use.

The principal industry in Sudan is agriculture, but oil production increasingly contributes to GDP. Increased petroleum production, revived light industry and the peace accord with the South, have contributed to an estimated GDP growth of approximately 8% in 2005. Enormous further potential exists in Sudan since the country's penetration rate is still only around 3.2% for mobile telecommunications services.

Uncompromising standards of excellence

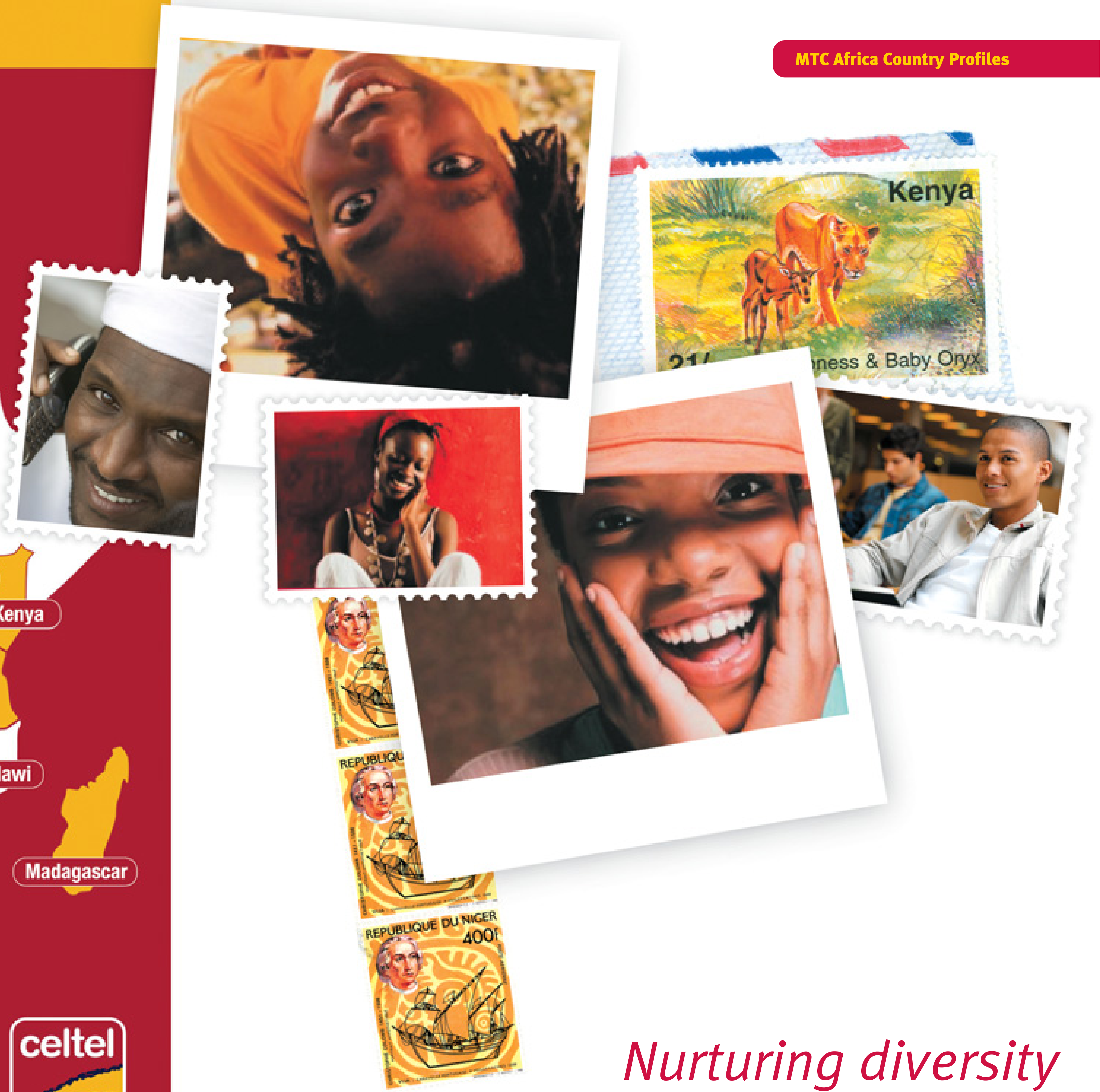


Operational Highlights

Mobitel is a prime acquisition target for MTC, especially considering its outstanding 2005 results. As of December 31, 2005, Mobitel had 2 million customers, an increase of 79% over 2004. This translated into an impressive 86% year-on-year revenue growth, with 2005 revenues totaling US$491.53 million. Mobitel's EBITDA increased by 102% from the previous year to reach US$334.36 million, a margin of 68%. Sudan is thus set to become a key financial growth driver for MTC in 2006.

Celtel.
Africa's favorite network.

celtel
Making life better



Nurturing diversity in a creative environment

working in harmony

Africa's leading mobile operator Celtel International joins the MTC Group in 2005

2005 is the year in which we welcomed Celtel and its current 13 African operations into the MTC family. Celtel itself had a remarkable history – founded in 1998 by visionary Chairman Dr. Mohamed Ibrahim, with only one small stake in an African country, it expanded both organically and by acquisition to become the biggest mobile company in Sub-Saharan Africa.

At the beginning of 2005, Celtel had 5.2 million customers across 13 countries with a combined population of more than 250 million – some 30% of all Africans. Celtel had established itself as the market leader in 10 of these countries and was growing at nearly 100% a year.

MTC had been monitoring Celtel's development for some years as it progressed towards a listing on the London Stock Exchange, and on March 29, 2005 MTC made a binding offer of US$3.36 billion for Celtel which was accepted by the Celtel's management and shareholders. Subsequently MTC paid US$2.88 billion for 85% of Celtel's shares on April 29, 2005, with a commitment to purchase the remaining 15% within 2 years for US$520 million.

In recognition of one of the largest corporate deals ever struck in sub-Saharan Africa, Celtel and MTC were awarded the Africa Investor Award 2005 for the Infrastructure Deal of the Year. Celtel proudly accepted the prize in Johannesburg recognizing the bold acquisition decision of MTC in April, 2005.

determined to overcome challenges

MTC promised to enable the Celtel management and staff to continue running the business and Celtel responded with an excellent performance in 2005. Delivering strong organic growth across all operations, the customer base reached 8.81 million by end of December 2005 and the footprint was strengthened by the acquisition of an increase in Celtel's existing stake in the Tanzanian mobile operation and then the majority acquisition of mobile operator Madacom in Madagascar with a customer base of over 200,000.

Notwithstanding Celtel's success, the African market still offers huge growth potential. For the past 2 years there have been more new mobile customers in Africa than in North America, yet the markets where Celtel operates typically have less than 10% penetration.

Another important move by MTC and Celtel that was prepared in 2005 and completed in early 2006 was the acquisition of the remaining 61% of Mobitel, Sudan's leading mobile operator. Previously, Celtel already owned 39% of Mobitel. By taking full ownership of Mobitel, the MTC Group is in an excellent position to take full advantage of Mobitel's promising growth potential.

Celtel's motto is 'Making life better'. The company's significant contribution towards the African economy and communities it operates in, is evident through its investment to date of over US$1.3 billion. This brings much needed mobile telecommunications to urban and remote areas, its many CSR activities and the employment of over 3,500 people.

Celtel's operations cover 13 countries – Burkina Faso, Chad, Democratic Republic of the Congo, Republic of the Congo, Gabon, Kenya, Madagascar, Malawi, Niger, Sierra Leone, Tanzania, Uganda and Zambia.

Since the announcement of the purchase of Celtel on March 29, 2005 for US$3.36 billion, MTC's market capitalization (on the Kuwait Stock Exchange) has increased from US $6 billion to over US$13 billion as of December 31, 2005, inclusive of a US$2.3 billion capital increase, an indication that the purchase was well evaluated by MTC's management.

As at December 31, 2005 Celtel recorded consolidated revenues of US$962.55 million and an EBITDA of US$406.92 million with a customer base of 8.81 million.

Burkina Faso

Burkina Faso covers an area of 274,000 square kilometers. Burkina Faso has a population of approximately 12.7 million. The capital, Ouagadougou, is the main urban center of Burkina Faso. The official languages are Moré, Dioula, Peul and French, and many other local languages and dialects are in use.

Mobile telephony in Burkina Faso has experienced outstanding growth in the past few years, and Celtel Burkina Faso is market leader with a market share of approximately 44 % against two competitors. Total customers were 300,000 as of December 31, 2005.

Chad

Chad covers an area of 1.28 million square kilometers. Chad has a population of around 9 million. The capital, N'Djaména and the surrounding area are the principal urban center of Chad. French and Arabic are the official languages, and over 100 local languages and dialects are in use.

Chad has a fast-growing and young population. GDP is growing from a low base benefiting from the new oil pipeline to Cameroon and the sea. In addition, the mobile telecom sector is growing fast. Market leader Celtel Chad had 222,000 customers as of December 31, 2005.

The authorities of Chad have just extended the license of Celtel Chad until 26 October 2019. This represents an additional 10 years beyond the original expiry date of 25 October 2009. The show of confidence by the Government comforts the Group in making long-term investments in a country whose economy is expected to grow exponentially in the coming years as the economy benefits from the investments of oil revenues.

embracing diversity and openess

Democratic Republic of the Congo (DRC)

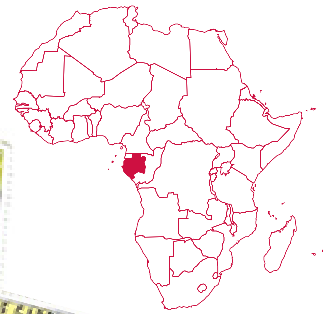
The DRC covers an area of approximately 2.3 million square kilometers. It is one of the largest countries in Africa by geography and is rich in minerals. The DRC has a population of approximately 63 million and over 10 million people live in the capital of Kinshasa, on the opposite bank of the Congo River from Brazzaville, the capital of the Republic of the Congo. French is the official and business language, and many local languages and dialects are also in use.

Celtel Congo (DRC) launched mobile telecommunications operations in December 2000, and within a month became the market leader in terms of customers. Benefiting from the relative stability, the company established network coverage of Kinshasa. Celtel Congo soon expanded its network coverage to include Lubumbashi and was the first mobile operator to cover the diamond mining area of Mbuji-Mayi. In December 2005, Celtel Congo had approximately 1.2 million customers, a growth of 39% over 2004. As market leader, Celtel Congo generated full year revenues of US$191 million, an increase of 26% over 2004 revenues.

Celtel Congo operates a direct microwave connection across the Congo river to Celtel Congo (Brazzaville), avoiding more costly satellite links and enabling Celtel to offer lower tariffs as well as a unique pre-paid roaming service between the two countries. This has contributed to increased traffic volumes.

Celtel Congo built a new technical center, which was recently inaugurated by DRC's Vice-President. Network coverage was expanded and reinforced in Kasai and in Bas Congo with 30 sites and an extension of the backbone as well as network improvements for better coverage in Eastern Congo.

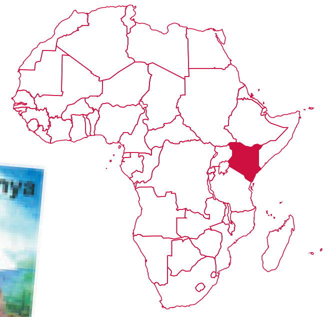
Celtel Congo celebrated its anniversary by taking care of all medical expenses for babies born on December throughout the DRC. In addition, a free line was launched for information on HIV in addition to other community projects.

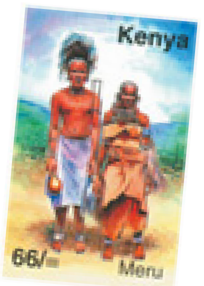


Gabon

Gabon covers an area of approximately 258,000 square kilometers. Gabon has a highly urbanized population of approximately 1.3 million. The capital, Libreville, and the cities of Port-Gentil, Oyem and Franceville are the main urban centers. French is the official and business language, but many local languages and dialects are also in use. The principal industry is petroleum production, which accounts for a significant proportion of GDP, followed by mining. Abundant natural resources and foreign private investment have contributed to Gabon having per capita income approximately 10 times that of most nations in sub-Saharan Africa and Gabon has the highest mobile penetration in sub-Saharan Africa.

Celtel Gabon launched mobile telecommunications operations in July 2000 and quickly became the largest mobile network in the country. Initially focusing on providing services in the Libreville and Port-Gentil areas, Celtel Gabon began opening its microwave backbone to other parts of the country. Celtel Gabon has the widest network coverage of any mobile telecommunications operator in Gabon and is the market leader with 365,000 customers as of December 31, 2005, a 60% increase over the previous year. Total revenues for the year were US$114 million, an increase of 41% over 2004.



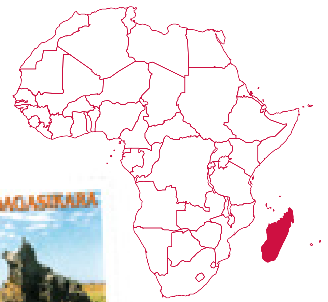


Kenya

Kenya covers an area of approximately 580,400 square kilometers. Kenya has a population of approximately 33 million and is the largest economy in Eastern Africa, and is one of the most politically stable countries in sub-Saharan Africa. Nairobi is the capital and main urban center of Kenya. English is the official and business language and Kiswahili is the national language, but many local languages and dialects are also in use. The economy is principally based on agriculture, but also benefits from a strong tourist industry.

Kenya's mobile market has witnessed phenomenal growth rates since its launch in 2000. To tap into the enormous potential the market offers Celtel Kenya intends to cover more than 80% of the country by the end of 2006. To support funding of its network expansion, the company successfully issued a US$ 60 million bond that trades at the Nairobi Stock Exchange. In addition, Celtel's position as the only operator in all three of the East African countries of Kenya, Tanzania and Uganda provides Celtel with the opportunity to offer preferential cross-border tariffs, preferential per-second billing and GPRS services between the three countries, pending receipt of required regulatory approvals.

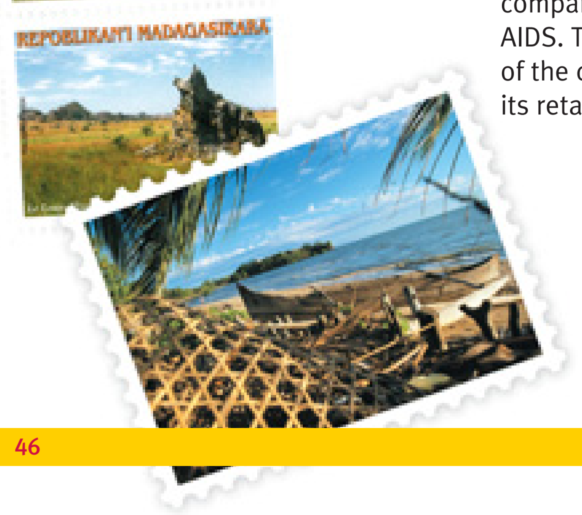
Celtel Kenya is 60 percent owned by Celtel with the remaining 40% being owned by the Kenyan Sameer Group. Customer numbers showed a healthy growth to 1.84 million, an increase of 52% over 2004. Revenues increased to US$ 156.4 million, more than double of 2004 revenues.



Madagascar

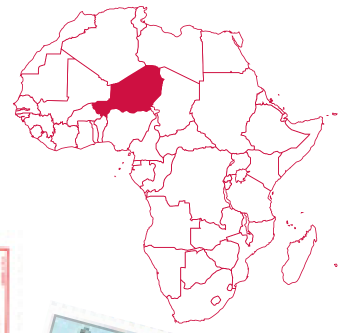
In December 2005, Celtel acquired a majority stake in Madacom, one of Madagascar's leading mobile operators. Madacom offers extensive coverage to more than 200,000 customers throughout the island and has an ambitious growth strategy to further increase coverage and provide enhanced services. In 2005, Madacom added 35 new areas covered by the network bringing the total number of areas covered to 59.

Madacom is actively involved in community work. It was the first private company to sign a partnership with the National Committee fighting AIDS. The committee supports education, training and public awareness of the disease. Madacom has also supported elementary schools near its retail outlets with 60,000 school books.



Malawi

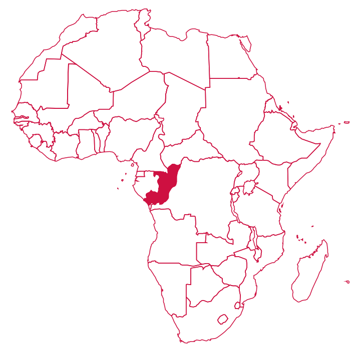
Malawi covers an area of 94,000 square kilometers. Malawi has a population of approximately 11.4 million and is a predominantly rural country. English and Chichewa are the official languages. The mobile sector has grown more than nine-fold over the last five years. Celtel Malawi is market leader with 200,000 customers as at December 31, 2005.



Niger

Niger covers an area of 1.27 million square kilometers. Niger has a population of approximately 12.4 million. Niger has a predominantly rural population with the capital Niamey located on the river Niger as the main urban area. French is the official language but Hausa and Djerma are widely spoken.

As of 31 December 2005, Celtel Niger had the widest coverage of any mobile telecommunications operator in Niger in terms of area and population and was the market leader with 220,000 customers.



The Republic of the Congo

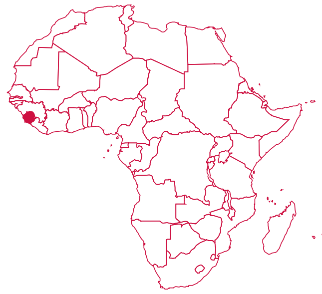
The Republic of the Congo covers an area of approximately 342,000 square kilometers. The country has a population of approximately 4 million, mostly centered around Brazzaville, the capital city, and Pointe Noire, the major port. French is the official and business language and Lingala and Munukutauba are the national languages. Many local languages and dialects are also in use.

Following its launch, Celtel Congo (Brazzaville) quickly became the market leader and now has a 65% market share.

In November 2004, Celtel Congo (Brazzaville) launched pre-paid roaming with Celtel Congo (DRC), allowing pre-paid customers who roam to the DRC pay local rates set by Celtel Congo (DRC) for outgoing calls and a separate fixed rate for incoming calls. Pre-paid roaming customers can also top-up their accounts in either country. Subject to regulatory approval, Celtel Congo (Brazzaville) intends to introduce pre-paid roaming with Celtel Gabon.

Revenues for 2005 grew to US$ 92 million, an increase of 29% over the previous year. The total number of customers increased to 380,000, an increase of 56% compared to the previous year.

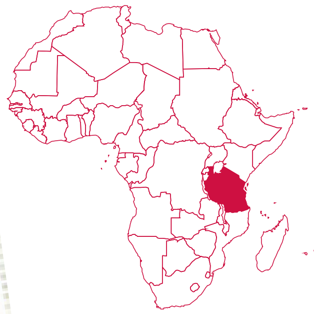
Sierra Leone



Sierra Leone covers an area of approximately 72,000 square kilometers. Sierra Leone has a population of approximately 5.5 million. The capital, Freetown, and the surrounding area is Sierra Leone's primary urban centre. The official language is English and other widely used languages are Mende, in the South; Temne, in the North; and Krio, an English-based Creole. The country has benefited from substantial economic growth driven by political stability, deregulation and foreign investment.

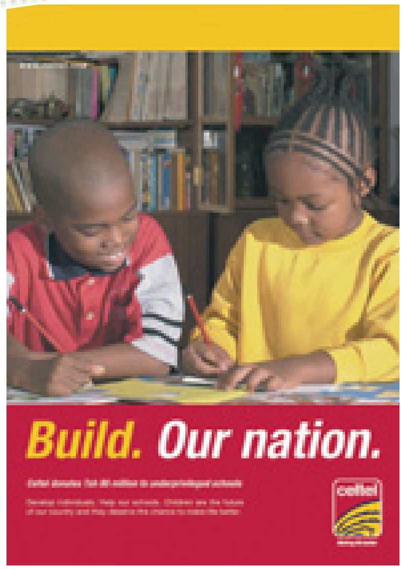
Celtel Sierra Leone was the first company to launch mobile services in Freetown and has since expanded its network to cover most major towns in Sierra Leone and is the market leader with the widest network coverage of any mobile telecommunications operator in the country. The company expanded coverage from 55 towns in 2004 to 86 in 2005. In 2005, Celtel Sierra Leone obtained an additional license for GSM 1800 and an international gateway thus ending the incumbent's monopoly.

Celtel Sierra Leone had 180,000 customers as of 31 December 2005, which represents a market share of 78 %. Sierra Leone was also actively involved in community projects. It launched the Celtel Fund for Education allocating over 200 scholarships to students from poor communities.



Tanzania

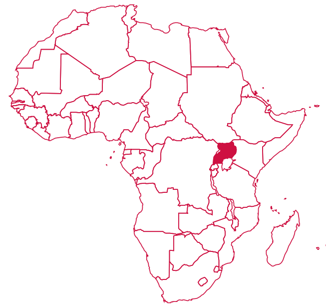
Tanzania covers an area of 945,000 square kilometers. Tanzania has a population of approximately 37 million and the capital Dar Es Salaam is the main urban center. Swahili and English are both the official and business languages and Kiswahili is the national language, and many local languages and dialects are also in use. Tanzania is one of the most stable countries in sub-Sahara Africa and has engaged on an ambitious program of economic liberalization.



Tanzania has a fully competitive mobile sector comprising 4 networks. In August 2005, the Government of Tanzania, the majority shareholder of TTCL, reached an agreement with Celtel whereby Celtel's indirect interest in Celtel Tanzania was transferred directly to Celtel. In addition, Celtel acquired a further 25% of Celtel Tanzania taking its shareholding to 60% with the remainder being held by the government. Celtel Tanzania saw a strong growth of its customer numbers to nearly 1 million, up 92% compared to the previous year giving the company a strong second position in Tanzania's mobile telecos market. Celtel is the only mobile operator with operations in all parts of the East African Community (Kenya, Tanzania and Uganda) resulting in an increased recognition of the Celtel brand.

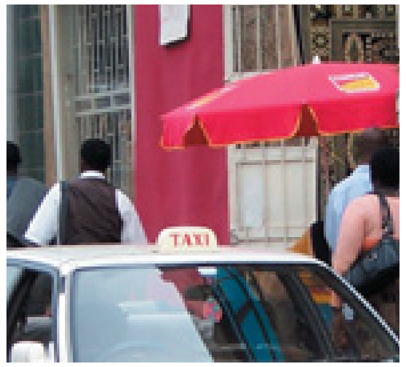
Uganda

Uganda covers an area of 241,000 square kilometers. Uganda has a population of 26.5 million. The capital, Kampala, and the surrounding area is the main urban center of Uganda. The official language is English, but the Niger-Congo languages of Ganda and Luganda are also widely used.



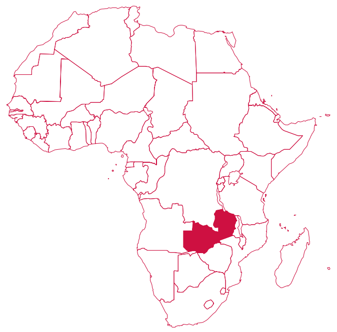
Celtel Uganda was the pioneer of mobile telephony in Uganda and is the only mobile operator with operations in all parts of the East African Community (Kenya, Tanzania and Uganda), which provides an opportunity to offer preferential cross-border tariffs, preferential per-second billing and GPRS services between the three countries pending regulatory approval. As of December 31,2005 Celtel Uganda had 291,000 customers.

Following the revival of the pay phone segment in 2005, Celtel Uganda realized a tremendous 100% growth in revenues, ARPU and service rollout. Today, the Celtel Pay Phone is visible in towns and trading centers across the country. Emphasis in 2006 will focus on continued rollout into villages, maintenance and further growth of ARPU.



The Celtel Pay Phone initiative has also contributed to the impressive penetration of the telecommunication sector that registered a growth of almost 50% between 2003 and 2005 alone.

Following the successful re-launch of the Celtel brand in November 2004, Celtel Uganda through various market-led initiatives grew its subscriber base by 100%. This also increased Celtel Uganda's market share by 3%. Critical to this growth were consistent Celtel Group lead marketing activities and a revamped team.



Zambia

Zambia covers an area of approximately 743,000 square kilometers. Zambia has a population of approximately 10.4 million and its capital, Lusaka, is the principal urban center. English is the official and business language, and many local languages and dialects are also in use.

The principal industry in Zambia is copper, cobalt, zinc and other mineral extraction. Tourism has grown in Zambia in recent years. Zambia is a politically stable country and is one of the fastest-growing markets for mobile telephony. Celtel Zambia is the market leader in Zambia and has a market share of approximately 82 % in a country with a mobile penetration rate of approximately 4%. Revenues for Celtel Zambia in 2005 were US$ 90 million, up from US$ 48 million in the previous year. This reflects the strong growth in customer numbers from 261,000 in 2004 to 700, 000 in 2005, an impressive increase of 168%.

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Independent Auditors' Report to the Shareholders

Bader & Co. PricewaterhouseCoopers

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We have audited the accompanying consolidated balance sheet of Mobile Telecommunications Company KSC (the Parent Company) and its subsidiaries (collectively called "the Group") as at 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the financial statements, together with the contents of the report of the Board of Directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations, that we required for the purpose of our audit and the financial statements incorporate all the information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association, that an inventory was duly carried out, and that, to the best of our knowledge and belief, no violation of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2005 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al Wazzan
Licence No. 62 A
PricewaterhouseCoopers

Nasser Abdullah Al Muqait
Licence No. 9 A
Al Ahli Bureau

Kuwait – 20 February 2006

Consolidated Balance Sheet as of 31 December 2005

	Note	2005	2004
			(KD'000)
ASSETS			
Current assets			
Cash and bank balances	4	292,879	151,472
Trade and other receivables	5	80,021	48,855
Inventories	6	7,025	1,568
Investment securities	7	14,566	11,818
Total current assets		**394,491**	**213,713**
Non-current assets			
Deferred tax assets	8	6,723	–
Investment securities	7	147,111	130,292
Investment in associates	9	45,458	5,362
Property and equipment	10	499,853	219,580
Intangible assets	11	942,752	80,734
Other financial assets	12	14,908	–
		1,656,805	**435,968**
Total assets		**2,051,296**	**649,681**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	240,956	132,028
Due to banks	14	248,417	26,525
		489,373	**158,553**
Non-current liabilities			
Due to banks	14	190,342	85,804
Deferred tax liabilities	8	5,879	–
Other non-current liabilities	15	9,523	13,952
Due to minority interest holders	16	142,647	–
		348,391	**99,756**
Equity			
Attributable to Parent Company's shareholders			
Share capital	17	109,723	51,796
Treasury shares	17	(15,576)	(4,028)
Share premium	17	624,465	–
Legal reserve	17	54,862	49,330
Voluntary reserve	17	54,862	44,733
Foreign currency translation reserve		2,352	(702)
Investment fair valuation reserve		55,540	30,080
Retained earnings		303,521	218,157
		1,189,749	**389,366**
Minority interest		23,783	2,006
Total equity		**1,213,532**	**391,372**
Total Liabilities and Equity		**2,051,296**	**649,681**

The accompanying notes are an integral part of these consolidated financial statements.
These consolidated financial statements have been approved for issue by the Board of Directors on 20 February 2006 and signed on its behalf by:

Asa'ad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Deputy Chairman and Managing Director

Consolidated Statement of Income - Year ended 31 December 2005

	Note	2005	2004
			(KD'000)
Revenue	18	579,496	322,327
Cost of sales		(90,741)	(47,521)
Gross profit		**488,755**	**274,806**
Distribution, marketing & operating expenses		(158,396)	(83,511)
General and administrative expenses		(56,079)	(24,194)
Depreciation and amortization	10,11	(63,673)	(41,251)
Provision for impairment - trade and other receivables		(7,075)	(2,393)
Operating profit		**203,532**	**123,457**
Interest income		4,613	2,519
Investment income	19	20,930	9,682
Share of profit of associates (net)		25,300	277
Other income		4,213	2,484
Finance cost		(50,224)	(5,309)
Gain/ (loss) from currency revaluation		5,191	(1,432)
Board of Directors' remuneration		(28)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences		(1,851)	(1,236)
National Labour Support Tax	20	(2,877)	(2,403)
Profit for the year before income tax		208,799	128,011
Income tax expense of subsidiaries	21	(28,912)	(10,747)
Profit for the year from continuing operations		179,887	117,264
Discontinued operations			
Profit for the year from discontinued operations	30	10,995	–
Profit for the year		**190,882**	**117,264**
Attributable to:			
Shareholders of the Parent Company		185,921	120,241
Minority interest		4,961	(2,977)
		190,882	**117,264**
		Fils	**Fils**
Earnings per share			
Profit from continuing operations		209	148
Profit from discontinued operations		13	–
Profit for the year	22	**222**	**148**

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

Consolidated Statement of Changes in Shareholders' Equity - 31 December 2005

	Equity attributable to 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		
										KD '000
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	–	–	–	–	–	3,054	–	–	(436)	2,618
Realised gain on available-for-sale investments (net)	–	–	–	–	–	–	(6,129)	(72)	–	(6,201)
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	31,589	–	–	31,589
Net income / (expense) recognised directly in equity	–	–	–	–	–	3,054	25,460	(72)	(436)	28,006
Profit for the year from continuing operations	–	–	–	–	–	–	–	174,926	4,961	179,887
Profit from discontinued operations	–	–	–	–	–	–	–	10,995	–	10,995
Transfer to reserve	–	–	–	5,532	10,129	–	–	(15,661)	–	
Total recognised income for the year	–	–	–	5,532	10,129	3,054	25,460	170,188	4,525	218,888
Issue of share capital	54,301	624,465	(11,548)	–	–	–	–	–	3,095	670,313
Business combinations	–	–	–	–	–	–	–	–	15,865	15,865
Issue of bonus shares (2004)	3,626	–	–	–	–	–	–	(3,626)	–	–
Cash dividends (2004)	–	–	–	–	–	–	–	(81,198)	(1,708)	(82,906)
Balance at 31 December 2005	**109,723**	**624,465**	**(15,576)**	**54,862**	**54,862**	**2,352**	**55,540**	**303,521**	**23,783**	**1,213,532**
Balance at 1 January 2004	49,330	–	(4,028)	49,330	44,733	(1,019)	24,108	173,837	2,927	339,218
Net exchange differences	–	–	–	–	–	317	–	–	60	377
Realised gain on available-for-sale investments (net)	–	–	–	–	–	–	(1,249)	(957)	–	(2,206)
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	7,221	–	–	7,221
Net income / (expense) recognised directly in equity	–	–	–	–	–	317	5,972	(957)	60	5,392
Profit for the year	–	–	–	–	–	–	–	120,241	(2,977)	117,264
Total recognised income for the year	–	–	–	–	–	317	5,972	119,284	(2,917)	122,656
Issue of bonus shares (2003)	2,466	–	–	–	–	–	–	(2,466)	–	–
Issue of share capital	–	–	–	–	–	–	–	–	3,131	3,131
Cash dividends (2003)	–	–	–	–	–	–	–	(72,498)	(1,135)	(73,633)
Balance at 31 December 2004	**51,796**	**–**	**(4,028)**	**49,330**	**44,733**	**(702)**	**30,080**	**218,157**	**2,006**	**391,372**

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

Consolidated Statement of Cash Flows - year ended 31 December 2005

	Note	2005	2004
			(KD'000)
Cash flows from operating activities			
Profit for the year before income tax		219,794	128,011
Adjustments for:			
Depreciation and amortization		63,673	41,251
Provision for contingencies		(4,541)	–
Profit on sale of subsidiary		(10,995)	–
Property and equipment disposed		(4)	(301)
Interest income		(4,613)	(2,519)
Investment income		(20,930)	(9,682)
Share of profit of an associate		(25,300)	(277)
Finance cost		50,224	5,309
(Gain)/loss from currency revaluation		(5,190)	1,432
Operating profit before working capital changes		262,118	163,224
Decrease/ (increase) in trade and other receivables		10,613	(6,284)
(Increase)/ decrease in inventories		(197)	1,586
Increase in trade and other payables		25,563	7,908
(Decrease)/ increase in other non-current liabilities		(113)	5,284
Cash generated from operations		297,984	171,718
Payments:			
Income tax		(10,833)	(2,656)
Board of Directors' remuneration		(28)	(28)
Kuwait Foundation for Advancement of Sciences		(1,239)	(1,054)
National Labour Support Tax		(2,403)	(2,109)
Net cash from operating activities		**283,481**	**165,871**
Cash flows from investing activities			
Acquisition of investment securities		(20,138)	(42,947)
Investment in associate		–	(5,312)
Proceeds from sale of investment securities		60,875	57,231
Proceeds from sale of subsidiaries		15,813	–
Acquisition of subsidiaries (Note 31)		(839,972)	–
Acquisition of property and equipment (net)		(130,186)	(36,682)
Acquisition of intangible assets		(13,616)	(57)
Interest received		4,062	2,519
Net cash used in investing activities		**(923,162)**	**(25,248)**
Cash flows from financing activities			
Proceeds from/(repayment) of bank borrowings		228,602	(12,701)
Dividends paid		(83,447)	(72,423)
Minority shareholder's capital contribution - Bahraini subsidiary		3,095	3,131
Proceeds from issue of share capital		667,218	–
Finance cost paid		(37,552)	(5,309)
Net cash from financing activities		**777,916**	**(87,302)**
Net increase in cash and cash equivalents		138,235	53,321
Effects of exchange rate changes on cash and cash equivalents		(375)	128
Cash and cash equivalents at beginning of year		151,472	98,023
Cash with Celtel Stichting International (Note 24)		3,547	–
Cash and cash equivalents at end of year (Note 4)		**292,879**	**151,472**

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

Notes to the Consolidated Financial Statements – 31 December 2005

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 18 other countries (2004 : Kuwait and 4 other 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. The principal subsidiaries and associates are listed in Note 3.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee. These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" or "available for sale". The financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

2.2 Changes in accounting policies

The accounting policies are consistent with those of the previous financial year, with the exception of the following changes in accounting policies as required by initial application of a new or revised Standard or on Interpretation that became effective during the current reporting period.

IFRS 2 - Share-based Payment/Standing Interpretation Committee 12 (SIC 12) - Consolidation of Special Purpose Entities

IFRS 2 requires the Group to recognize in its financial statements share based payment transactions that are settled in cash, other assets or equity instruments of the entity, and applies to all equity instruments granted after 7 November 2002 and not vested at 1 January 2005. An amendment to Interpretation SIC-12 removed the scope exclusion in SIC 12 for equity compensation plans when IFRS 2 became effective. This Standard and Interpretation have been applied to the Group's share based payment transactions with a subsidiary's employees and to a special purpose entity that holds compensation plan assets on behalf of employees of the subsidiary.

IFRS 3 - Business Combinations/IAS 36 - Impairment of Assets/IAS 38 - Intangible Assets

IFRS 3 requires identifiable assets, liabilities and contingent liabilities in a business combination (net assets acquired) to be stated at fair values and any excess of the cost of acquisition over the fair values of net assets acquired to be classified as goodwill. Goodwill on acquisition of subsidiaries is to be included in goodwill on consolidation and goodwill on acquisition of associates is to be included in the investment in the associates.

Revised IAS 36 requires goodwill acquired in a business combination to be allocated to each of the acquirer's cash generating units for impairment testing at any time during an annual reporting period.

Revised IAS 38 no longer requires intangible assets (including goodwill arising on a business combination) with an indefinite useful life to be amortised. Such assets must be tested annually for impairment and carried at cost less accumulated impairment losses.

These Standards have been applied to the business combinations that occurred during the year and to intangible assets.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 requires entities to be classified as discontinued operations when the criteria to be classified as held for sale has been met, or it has been disposed of. This Standard has been applied to assets disposed of by the Group during the current year.

IAS 1- Presentation of Financial Statements/IAS 27 - Consolidated and Separate Financial Statements

Revised IAS 1 and IAS 27 affect the presentation of minority interests and revised IAS 1 affects other presentations and disclosures. IAS 1 and IAS 27 require minority interests to be classified as equity in the balance sheet and the statement of changes in shareholders' equity and the minority's share of profit as an allocation between them and the equity holders of the Parent Company. These Standards have been applied to the Group's presentation of minority interests in subsidiaries.

IAS 21 - The Effects of Changes in Foreign Exchange Rates

Revised IAS 21 requires an entity to use its functional currency to record all transactions including foreign currency transactions and to translate its results and financial position to the presentation currency if that is different from the functional currency. The revised Standard is to be applied prospectively from the date of change with all items being translated into the new functional currency using the exchange rate at the date of the change. This Standard has been applied by subsidiaries who have adopted the local currency in place of the US dollar as their functional currency.

IAS 32 - Financial Instruments: Disclosure and Presentation

Revised IAS 32 requires minority interest to be classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest. This Standard has been applied to minority interest where the Group has such an obligation.

Other new or revised Standards or Interpretations that became effective during the current reporting period do not have a material effect on the financial position or results of the Group.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 32.

2.3 Business Combinations

The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired in a business combination is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

The Group separately recognizes the contingent liabilities of an acquiree at the acquisition date, if its fair value can be measured reliably.

On initial accounting of a business combination, if provisional values are used, the Group recognizes any adjustment to these provisional values within twelve months from the acquisition date.

2.4 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Minority interest in an acquiree is stated at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the original business combination and the minority's share of changes in the equity since the date of the combination. Equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income respectively. Minority interest is classified as financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements or audited financial information of the subsidiaries. Intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

2.5 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives.

In accordance with revised International Accounting Standard (IAS) 39, the Group classifies financial assets as "at fair value through profit or loss", "loans and receivables" or "available for sale". Management determines the appropriate classification of each instrument at the time of acquisition. All financial liabilities are classified as "other than at fair value through profit or loss".

Recognition/ de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized when the rights to the cash flows from the financial asset expires or where the Group transfers substantially all the risks and rewards of ownership and a financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial instruments
All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative financial instruments are also classified and carried as "at fair value through profit or loss" unless they are designated as effective hedging instruments. These are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are included in the statement of income.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale
These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any

resultant gains or losses are recognized in equity. When the "available for sale "asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the statement of income as gains or losses.

Financial liabilities
Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method.

Fair values

Fair values of quoted instruments are based on quoted closing bid prices. If the market for a financial asset is not active or the financial instrument is unquoted, fair value is derived from recent arm's length transactions, discounted cash flow analysis, other valuation techniques commonly used by market participants or determined with reference to market values of similar instruments.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the statement of income. Financial assets are written off when there is no realistic prospect of recovery.

2.6 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.7 Inventories

Inventories are stated at the lower of weighted average cost and net realizable value.

2.8 Deferred taxes

Deferred income tax on the net operating results is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

Deferred tax assets are recognized for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.9 Investments in associates

Associated companies are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting.

2.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Buildings	8 - 50
Cellular and other equipment	4 - 12
Furniture	1 - 12

These assets are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the statement of income.

2.11 Intangible assets

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of goodwill arising from business combinations, telecom license fees, brands, key money and software rights.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets acquired in a business combination or an associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets with indefinite useful lives such as brands are not subject to amortisation and are tested annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the statement of income and that relating to goodwill cannot be reversed in a subsequent period.

2.12 Provisions for liabilities

Provisions for liabilities are recognized when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.13 Share-based payment transactions

A subsidiary operates a cash settled share based compensation plan. The cost of the cash-settled share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. This fair value is expensed over the period until vesting with recognition of a corresponding liability.

2.14 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the balance sheet date. This basis is considered to be an approximation of the present value of the final obligation.

2.15 Treasury shares

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and rights issues. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.16 Accounting for leases

Where the Group is the lessee

Operating leases

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised as assets in the balance sheet at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the balance of liability outstanding.

2.17 Revenue

Airtime revenue is recognized based on actual usage. Subscription income is recognized on a time proportion basis. Other revenues primarily comprising of handset equipment and sim card starter pack sales are recognized upon delivery to customers. Interest income is recognized on a time proportion basis and dividend income is recognized when the right to receive payment is established.

2.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

2.19 Foreign currencies

The functional currency of the Parent Company is the Kuwaiti Dinar and the functional currency of a subsidiary is its national currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their balance sheets are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill and fair value adjustments arising on business combinations) and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the statement of income as part of the gain or loss on sale.

2.20 Discontinued operations

An entity is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations.

2.21 Contingencies

Contingent assets are not recognised as an asset till realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

3. Subsidiaries and Associates

The principal subsidiaries and associates are:

Subsidiary	Country of Incorporation	Percentage of ownership
Mobile Telecommunications Company International B.V. - "MTCI"	The Netherlands	100%
Pella Investment Company - "Pella"	Jordan	96.516%
MTC Vodafone Bahrain B.S.C (Closed) - "MTCB"	Bahrain	60%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%
Associate		
Atheer Telecom Iraq Limited - "Atheer"	Cayman Islands	30%

During 2005 the Parent Company acquired ownership of 84.986% of the equity of Celtel International B.V Netherlands (Celtel). The Parent Company incorporated MTCI on 28 April 2005 to hold the investment in Celtel.

In August 2005, Celtel increased its investment in the equity of Celtel Tanzania from 35% to 60% and in December 2005 acquired 100% of the equity of Madacom SA, Madagascar.

Celtel is a Dutch holding and finance company principally engaged in the business of operating cellular telecommunications networks in 14 countries in Africa.

Subsidiary	Country of Incorporation	Percentage of ownership
Celtel Burkina Faso S.A	Burkina Faso	95.71%
Celtel Tchad S.A	Chad	100%
Celtel Congo (DRC) SARL	Dem. Rep of Congo	100%
Celtel Congo S.A	Republic of Congo	98.12%
Celtel Gabon S.A	Gabon	84%
Celtel Kenya Limited	Kenya	60%
Celtel Malawi Limited	Malawi	100%
Celtel Niger S.A	Niger	70%
Celtel (S.L) Limited	Sierra Leone	100%
Celtel Limited	Uganda	100%
Celtel Zambia Limited	Zambia	88.88%
Celtel Tanzania Limited	Tanzania	60%
Madacom SA	Madagascar	100%
Associate		
Tanzania Telecommunications Company Limited (TTCL)	Tanzania	35%
Sudanese Mobile Telecommunications Company Limited ('Mobitel')	Sudan	39%
Special Purpose Entity		
Stichting Celtel International (Note 24)	The Netherlands	

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC - "JMTS".

JMTS, MTCB and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon.

Atheer's telecom license is valid until 30 June 2006 and may be renewed for a further period of three months. 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.

4. Cash and bank balances

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

	2005	2004
		KD'000
Cash on hand and at banks	91,788	43,018
Short-term deposits with banks with original maturities of less than three months	201,091	108,454
Cash and cash equivalents	292,879	151,472

The effective interest rate on short-term deposits as of 31 December 2005 was 3.625% to 5.25% per annum (2004 - 1.85% to 5.13%).

5. Trade and other receivables

	2005	2004
		KD'000
Subscribers	63,921	42,751
Distributors	12,373	13,673
Provision for impairment	(37,510)	(21,039)
	38,784	35,385
Accrued income	3,892	3,847
Staff	936	947
Ministry of Communication	–	639
Due from an associate	2,152	790
Prepayments, advances and deposits	34,257	7,247
	80,021	48,855

Reconciliation of provision for impairment of trade and other receivables:

	2005	2004
		KD'000
Opening balance – 1 January	21,039	19,238
On acquisition of subsidiaries	12,998	–
Recoveries/ Write back of provisions	(3,602)	(592)
Charge for the year	7,075	2,393
Closing balance – 31 December	37,510	21,039

6. Inventories

	2005	2004
		KD'000
Handsets and accessories	9,253	3,322
Provision for obsolescence	(2,228)	(1,754)
	7,025	1,568

7. Investment securities

	2005	2004
		KD'000
Current investments		
Investment securities at fair value through profit or loss		
Quoted equities	14,566	8,751
Funds	–	3,067
	14,566	11,818
Non current investments		
Available for sale		
Quoted equities	90,201	80,795
Funds	40,598	42,695
Unquoted equities	18,004	8,566
Impairment loss	(1,692)	(1,764)
	147,111	130,292

Available for sale investments include unlisted securities with original cost of KD 7,763,201 (2004 - KD 7,503,000) carried at cost less impairment since it is not possible to reliably measure its fair value.

During the year the Group recognized KD 31,588,773 (2004 - KD 7,221,000) in investment fair valuation reserve as net unrealized gain arising from fair valuation of 'available for sale' investments and transferred a profit of KD 6,128,560 (2004 - KD 1,249,000) from investment fair valuation reserve to the statement of income, arising from disposals.

8. Deferred tax assets/ liabilities

	2005	2004
		KD'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	4,449	–
Deferred tax assets to be recovered within 12 months	2,274	–
	6,723	–
Deferred tax liabilities:		
Deferred tax liability to be payable after more than 12 months	5879	–
Deferred tax liability to be payable within 12 months	–	–
	5879	–

9. Investments in associates

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

	2005	2004
		KD'000
Opening balance	5,362	–
On acquisition of subsidiaries	39,586	–
Capital contribution during the year	–	5,312
Share of profit for the year	25,300	277
On transfer of ownership of Celtel Tanzania (see note on page 66)	(4,524)	–
Transferred to goodwill	(14,255)	–
Foreign currency translation adjustment	3,715	–
Transferred to available-for-sale investment securities	(9,726)	–
Inter-company gains eliminated	–	(227)
Closing balance	45,458	5,362

Tanzania Telecommunications Company Limited (TTCL)

In August 2005, the Government of Tanzania, the majority shareholder in TTCL, reached an agreement with the Group whereby Celtel's indirect interest in Celtel Tanzania Limited, previously held through TTCL, was transferred directly to Celtel. At the same time Celtel's Board representation and involvement with TTCL was reduced to the extent that it no longer had significant influence over the financial and operating policy decisions of TTCL. Accordingly, from August 2005, the accounting treatment of TTCL has been changed from that of an associate company to an investment available-for-sale.

10. Property and equipment

	Land and buildings	Cellular & other equipment	Projects in progress	Total
				KD'000
Cost				
As at 31 December 2004	39,299	343,639	17,478	400,416
Additions	3,996	66,167	67,663	137,826
Transfers and adjustments	1,464	33,626	(35,090)	–
Disposals	–	(4,508)	–	(4,508)
On acquisition of subsidiaries	14,650	265,526	27,733	307,909
On disposal of subsidiaries	(370)	(2,894)	(11)	(3,275)
Exchange adjustment	(962)	7,820	(4,804)	2,054
As at 31 December 2005	58,077	709,376	72,969	840,422
Depreciation				
As at 31 December 2004	14,398	166,438	–	180,836
Charge for the year	4,494	56,511	–	61,005
Disposals	–	(3,220)	–	(3,220)
On acquisition of subsidiaries	4,076	98,727	–	102,803
On disposal of subsidiaries	(89)	(1,132)	–	(1,221)
Exchange adjustment	(1,407)	1,773	–	366
As at 31 December 2005	21,472	319,097	–	340,569
Net Book Value				
As at 31 December 2005	36,605	390,279	72,969	499,853
As at 31 December 2004	**24,901**	**177,201**	**17,478**	**219,580**

Amounts shown against acquisition of subsidiaries arise on acquisition of Celtel, Celtel Tanzania and Madacom and that shown against disposal of subsidiaries principally relates to the disposal of the LinkAfrica business.

Property and equipment include cellular equipment with a net book value of KD Nil (2004 - KD 4,535,000) held under a sale and lease back arrangement and vehicles with a net book value of KD 95,000 (2004 - KD280,000) acquired under a finance lease by JMTS - Jordan. It also includes buildings with a net book value equivalent to KD 870,000 (2004-KD 872,000) acquired under a finance lease by MTCB Bahrain.

Projects in progress comprise of:

	2005	2004
		KD'000
Buildings	–	108
Cellular & other equipment	72,969	17,370
	72,969	17,478

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11. Intangible assets

	Goodwill	Licence fees	Brands	Others	Total
					KD'000
Cost					
As at 31 December 2004	91,457	2,934	–	1,479	95,870
Additions	798,589	1,782	17,544	943	818,858
Of subsidiaries acquired	38,570	25,525	–	–	64,095
On disposal of subsidiaries	(3,826)	(299)	–	–	(4,125)
Exchange adjustments	–	480	–	(11)	469
As at 31 December 2005	924,790	30,422	17,544	2,411	975,167
Accumulated amortization					
As at 31 December 2004	11,940	2,022	–	1,174	15,136
Charge for the year	–	2,392	–	276	2,668
Impairment	777	–	–	–	777
Of subsidiaries acquired	7,822	9,653	–	–	17,475
On disposal of subsidiaries	(2,586)	(77)	–	–	(2,663)
Exchange adjustment	–	(969)	–	(9)	(978)
As at 31 December 2005	17,953	13,021	–	1,441	32,415
Net book value					
As at 31 December 2005	906,837	17,401	17,544	970	942,752
As at 31 December 2004	**79,517**	**912**	**–**	**305**	**80,734**

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.

In 2005, the main additions to goodwill arose from the acquisition of and by Celtel (refer Note 31).

The addition to brands in 2005 relates to the fair value attributed to the Celtel Tanzania brand measured at the date of acquisition.

12. Other financial assets

Other financial assets comprise the following:

	2005	2004
		KD'000
Cash held in a restricted foundation account - amount due to be settled after 12 months (note 24)	11,493	–
Import duties recoverable	2,699	–
Deferred consideration on sale of LinkAfrica business	668	–
Others	48	–
	14,908	–

13. Trade and other payables

	2005	2004
		KD'000
Trade payables	58,877	32,838
Deferred revenue	24,312	12,245
Due to roaming partners	4,346	1,999
Due to Government of Jordan	14,455	13,677
Provision for income taxes - foreign subsidiaries	33,263	10,822
Kuwait Foundation for the Advancement of Sciences	1,848	1,236
National Labour Support Tax	3,199	2,725
Dividend payable	4,288	4,829
Accrued expenses	64,978	42,689
Directors' remuneration	28	28
Unrealised losses on cash flow hedges	–	68
Other payables	31,362	8,872
	240,956	**132,028**

14. Due to banks

	2005	2004
		KD'000
MTC (the Parent Company)		
Short term loans - unsecured	17,569	–
Long term loans - unsecured	58,177	88,654
	75,746	88,654
JMTS - Jordan		
Long term loans	–	3,829
Notes payable	6,920	5,030
Finance lease obligations	100	3,469
	7,020	12,328
MTCB - Bahrain		
Bank overdraft	–	130
Long term loan	17,416	10,376
Finance lease obligations	748	841
	18,164	11,347
Celtel - The Netherlands		
Short term loan	20,386	–
Long term loan	98,143	–
	118,529	
MTCI - The Netherlands		
Islamic finance (Murabaha)	219,300	–
	219,300	–
	438,759	**112,329**

These dues mature as follows:

	2005	2004
		KD'000
Less than one year	248,417	26,525
Between one and two years	54,170	18,327
Between two and five years	111,891	61,549
Over five years	24,281	5,928
	438,759	**112,329**

The effective interest rates as at 31 December 2005 was 4% to 8.25% (2004 - 3.75% to 9.25%) per annum.

The Parent Company's borrowings are in US Dollars from a Kuwaiti bank and that of subsidiaries in US Dollars and in their respective local currencies from banks in their countries.

MTCB
MTCB's long term loan is secured by a mortgage of its freehold land and buildings.

Celtel
These facilities are secured by Celtel's interest in the shares held by Celtel in certain group companies and by a charge over all the bank accounts of Celtel, the bank accounts of the various intermediate holding companies, an assignment of the shareholder loans from Celtel to the various intermediate holding companies and an assignment of certain shareholder loans from the various intermediate holding companies to the Celtel operations.

These facilities include syndicated loans and medium term notes of KD 38,876,000 owed by Celtel Kenya Limited of which KD 21,672,000 is secured by the assets and shares of Celtel Kenya Limited and KD 12,904,000 is guaranteed by a Dutch financial institution.

The majority of the assets of Celtel are pledged and certain of its subsidiaries have entered into various financial covenants covering amongst others; minimal levels of cash repatriation and levels of profitability. Financial covenants include restrictions over dividend payments and asset disposals. Furthermore certain political risks require prepayment of the loans.

MTCI
In December 2005 MTCI obtained a US$ 750,000,000 (KD 219,300,000) Islamic murabaha financing from a consortium of local and foreign banks. This facility is secured by a guarantee given by the Parent Company. Financial covenants stipulate maximum debt of 4.5 times EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and minimum EBITDA of 3 times debt service on the group consolidated level.

15. Other non-current liabilities

	2005	2004
		KD'000
Subscribers' deposits	5,127	5,703
Post employment benefits	4,396	3,671
Provisions for claims against JMTS	–	4,578
	9,523	**13,952**

16. Due to minority interest holders

Under the terms of the purchase offer made to the shareholders of Celtel, the Parent Company has an irrevocable obligation to acquire at a fixed price of US$57.04 (KD 16.68) per share, the minority interest of 15.014% in the equity of Celtel for cash by 29 April 2007 - the second anniversary of the closing date of the purchase offer. The obligation amounts to KD 138,840,934 and is stated at amortised cost using an effective interest rate of 4.31%.

The equity instruments held by the minority interest holders are classified as financial liabilities other than at fair value through profit or loss rather than equity since there is an irrevocable obligation to deliver cash to settle the minority's interest.

17. Share capital and reserves

Share capital

The authorised, issued and fully paid up share capital as of 31 December 2005 consists of 1,097,234,427 shares of 100 fils each after the bonus and the rights issues during the year. (2004 -517,963,522 shares of 100 fils each).

Rights issue

In the extraordinary general assembly meeting held on 22 August 2005, the shareholders of the Parent Company approved to offer 543,013,460 shares of 100 fils each, by way of rights issue, at a premium of KD 1.150 per share to shareholders registered in the shareholders' register as on 15 November 2005. The rights issue opened on 16 November 2005 and closed on 30 November 2005. 533,775,072 shares were fully subscribed and paid up and the balance 9,238,388 unsubscribed shares were acquired by the Parent Company as treasury shares after obtaining approval from the Kuwait Stock Exchange.

Treasury shares	2005	2004
Number of shares	20,445,895	10,474,306
Percentage of issued shares	1.86%	2.02%
Market value (KD '000)	71,969	35,613
Cost (KD '000)	15,576	4,028

These shares were acquired based on an 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. Reserves equivalent to the cost of treasury shares held are not distributable.

Legal reserve

The Parent Company is permitted by its Articles of Association to maintain legal reserve up to a maximum of 50% of its share capital. Accordingly during the year legal reserve has been appropriated to the extent necessary to bring it to 50% of the share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

The parent Company is permitted to maintain voluntary reserve up to a maximum of 50% of its share capital. Accordingly, during the year voluntary reserve has been appropriated to the extent necessary to bring it to 50% of the share capital. There is no restriction on distribution of this reserve.

Proposed dividend

The Board of Directors, subject to approval of shareholders, recommends distribution of a cash dividend of 85 fils per share (2004 - 160 fils per share) and bonus shares in the ratio of 15 shares for every 100 shares (2004 - 7 shares for every 100 shares) to the registered shareholders as of the date of the Annual General Meeting.

18. Revenue

	2005	2004
		KD'000
Airtime and subscription	572,359	316,177
Trading income	7,137	6,150
	579,496	322,327

19. Investment income

	2005	2004
		KD'000
Gain from investments at fair value through profit or loss	7,003	2,993
Realised gains from available for sale investments	10,949	2,744
Dividend income	2,978	3,945
	20,930	9,682

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20. National Labour Support Tax

This is the tax payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000.

21. Income tax expense of subsidiaries

	2005	2004
		KD'000
JMTC	13,264	10,583
MTCL	531	164
Celtel	15,117	–
	28,912	10,747

22. Earnings per share

Basic earnings per share based on weighted average number of shares outstanding during the year and restated for the previous year are as follows:

	2005	2004
		KD'000
Net profit for the year from continuing operations	174,926	120,241
Net profit for the year from discontinued operations	10,995	–
	Shares	Shares
Number of shares issued and paid-up		
Weighted average number of shares outstanding	835,948,450	814,053,897
	Fils	Fils
Earnings per Share		
Profit from continuing operations	209	148
Profit from discontinued operations	13	–
Profit for the year	222	148

Earnings per share from operations reported for the year ended 31 December 2004 was 237 Fils, before retroactive adjustment relating to bonus shares and the rights issue.

23. Staff costs

	2005	2004
		KD'000
Wages and salaries	51,740	24,483
Share based compensation granted to employees	5,066	–
Post employment benefits	1,253	704
	58,059	25,187

This is allocated as follows:

	2005	2004
		KD'000
Distribution, marketing & operating expenses	33,012	16,917
General and administrative expenses	25,047	8,270
	58,059	25,187

24. Share-based compensation plan

Until March 2005 Celtel had an employee share incentive plan for the granting of non-transferable options to employees. This plan was modified to a cash settled share based compensation plan when Celtel was acquired in April 2005. The agreement provided for the holders of Celtel options to be given the opportunity to cash-out those options that had vested at the closing date for US$ 56.04 (KD 16.39) per share subject to option, less the exercise price of the option. It was also agreed that holders of options that had not vested at the closing date of the agreement would be able to cash-out their options at the same price as and when the vesting conditions provided for in the original plan are met.

To structure the adjustment to the option plan, Celtel issued letters to its option holders to cancel their options and to accept the terms of the revised plan. Celtel Stichting International (foundation) was created to take care of the option settlements. This included a direct cash payment of US$ 108,000,000 (KD 31,579,000) for all vested options in May 2005 and the recognition of a liability for all non-vested options. Funding of the foundation came from the Parent Company, which separated US$ 171,000,000 (KD 50,000,000) from the Celtel acquisition price and contributed that to the foundation upon incorporation.

A total amount of KD 5,066,400 (US$ 17,327,000) (2004 - Nil) was charged to the statement of income for this modified scheme in respect of the cash settlement liability arising from the options that vested in 2005.

In accordance with Interpretation (SIC-12 'Consolidation - Special Purpose Entities'), the foundation has been treated as a Special Purpose Entity ("SPE") as Celtel obtains the benefits of this foundation. This arises because the amounts paid by the foundation are remuneration to employees of Celtel who have to provide employee services to Celtel in order to obtain the benefits. Accordingly the cash balance held in the foundation together with the corresponding liability to pay the option holders has been included in these consolidated financial statements as follows:

	2005
	KD'000
Current assets	
Cash held in restricted foundation account - due to be settled within the next 12 months	3,547
Foundation receivables	3,340
Non-current assets	
Cash held in restricted foundation account - due to be settled after 12 months	11,493
	18,380
Current liabilities	
Accrued expenses and other liabilities	6,887
Non-current liabilities	
Liability to pay option holders	11,493
	18,380

25. Financial instruments, risk management and fair values

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk liquidity risk and political risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The significant risks that the Group is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other part to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds and receivables. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to dispersion across large number of customers and by using experienced collection agencies.

Market risk

Market risk, comprising of price risk, interest rate risk and currency risk arises due to movements in market prices of assets, interest rates and foreign currency rates. The Group manages market risk by setting limits on exposures to investments, currency and counterparty and transacting business in Kuwaiti Dinars and other major currencies with counterparties of repute.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations.

Political risk

Political risk arises due to the instability of regimes ruling in certain African countries in which the Group operates. The Group operates in countries where the regulatory regimes are less developed than in matured markets and where there are political risks. The Group minimizes these risks by maintaining a portfolio, which reduces exposure to specific country risk, as well as working with strong local partners and proactively engaging with the regulators of each country to develop a mutually satisfactory environment for its continuous investment.

Fair value of financial instruments

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values.

26. Parent Company - Financial position and results

The Parent Company's unconsolidated condensed financial position and operating results using the equity method of accounting is as follows:

	2005	2004
		KD'000
Assets		
Current assets	904,980	173,367
Non current assets	495,540	406,027
Total	**1,213,532**	**579,394**
Liabilities		
Current liabilities	120,798	105,460
Non current liabilities	66,190	82,562
Total	186,988	188,022
Net assets	**1,185,839**	**391,372**
Operating results - Income and expenses		
Revenue	208,933	180,207
Net profit of the parent	113,164	91,172
Profit of Kuwaiti subsidiaries	452	437
Profit of foreign subsidiaries	72,305	28,632
Net profit of the Group	**185,921**	**120,241**

27. Segment 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 foreign subsidiaries in Jordan, Bahrain, Lebanon and Africa. This forms the basis of the geographical segments.

2005	Kuwait	Jordan	Bahrain	Lebanon	Africa	Total KD'000
Revenues	208,933	133,312	20,355	15,906	200,990	579,496
Net Profit	113,616	45,691	817	2,381	23,416	185,921
Total assets	596,195	144,694	35,228	4,680	1,270,498	2,051,295
Total liabilities	172,424	62,357	25,313	2,631	575,038	837,763
Net assets	423,771	82,337	9,915	2,049	695,460	1,213,532
Capital expenditure incurred during the year	28,848	22,281	3,818	11	104,964	159,922
Depreciation and amortisation	19,706	15,823	3,562	1	24,581	63,673

2004	Kuwait	Jordan	Bahrain	Lebanon	Africa	Total KD'000
Revenues	180,207	123,129	10,243	8,748	–	322,327
Net Profit	91,609	33,546	(5,742)	828	–	120,241
Total assets	490,884	126,615	26,966	5,216	–	649,681
Total liabilities	164,026	65,346	25,408	3,529	–	258,309
Net assets	326,858	61,269	1,558	1,687	–	391,372
Capital expenditure incurred during the year	38,829	3,946	11,213	–	–	53,988
Depreciation and amortisation	23,319	14,864	3,068	–	–	41,251

28. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

	2005	2004 KD'000
Transactions		
Sale of equipment	–	1,801
Management fees (included in other income)	3,239	451

Balances outstanding with related parties are:

	2005	2004 KD'000
Balances		
Trade and other receivables	2,232	790
Trade and other payables	469	–
Key management compensation		
Salaries and other long term employee benefits	2,676	1,993
Post-employment benefits	109	87
Share based payments	162	–

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29. Commitments and contingencies

	2005	2004 KD'000
Capital commitments	72,008	22,444
Uncalled share capital of investee companies	2,057	2,606
Letters of credit	8,779	5,955
Letters of guarantee	274,429	5,936

JMTS is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 9,907,000 (31 December 2004 - KD14,567,000). 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 and the consolidated operations of the Group.

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

Under the terms of the license acquired in Zambia, Celtel is required to sell up to 41% of its shareholding in Celtel Zambia Limited to Zambian interests and accordingly it is in the process of arranging a private placement of 10% of the shares of Celtel Zambia Limited. In addition, Celtel has the obligation to acquire a further 10% interest in Celtel Zambia Limited from one of its local partners (also a shareholder in Celtel). The exercise period of this option ends should Celtel Zambia Limited be listed on a stock exchange.

In April 2005 Celtel sold its business of providing wholesale voice and data traffic to and from telephone networks in Africa, operated by LinkAfrica, for a total consideration of US$ 56,000,000 (KD 16,375,000) to Gateway. This consideration includes US$ 3,000,000 (KD 877,000) of deferred consideration, which is dependent upon future levels of business between Celtel and Gateway Communications Limited. As part of the sale Celtel gave certain undertakings to procure from Gateway voice and data traffic to the value of US$ 68,000,000 (KD 19,883,000) in the four years subsequent to the date of sale. If Celtel fails to meet its commitments it will be liable to compensate Gateway at the rate of between 65% and 75% of any shortfall. To date Celtel has significantly exceeded its minimum commitment levels to Gateway and expects this situation to continue.

30. Discontinued operations

This represents profit on disposal of a subsidiary of Celtel.

31. Business combinations

The Parent company's acquisition of Celtel and Celtel's acquisition of Madacom SA and its additional interest in Celtel Tanzania are business combinations and details of the acquisitions are shown below.

Acquisition of Celtel

Details of net assets acquired and goodwill are as follows:

	KD'000
Purchase consideration:	
- cash paid to shareholders	822,044
- direct costs relating to the acquisition	19,372
Post acquisition adjustments (Mobitel)	4,021
Post acquisition adjustments (Penhurst)	1,164
Call option liability	127,490
Total purchase consideration	974,091
Less: Provisional value of net assets acquired	(179,555)
	794,536
Adjustments:	
Write back of negative goodwill in Celtel	(805)
Foreign Currency Translation Reserve	(6,099)
Change in functional currency	1,124
Cost of share options	(350)
Celtel Tanzania - Assets revaluation reserve	(6,140)
Modified option scheme	(9,589)
Unrealised loss on TTCL investments (net)	1,785
Realised gain on sale of investments	249
Others	21
Goodwill arising on Celtel acquisition	774,732

The above goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquisition.

The provisional values assigned for initial accounting of the identifiable assets, liabilities and contingent liabilities are shown below. Provisional values on the date of acquisition have been assigned due to the time and effort required to gather information on fair values in operations spread over 14 countries in Africa which will be determined within the first anniversary of the acquisition.

The assets and liabilities arising from the acquisition are as follows:

	KD'000
Intangible assets	46,937
Property and equipment	175,000
Investments	40,021
Deferred tax asset	8,302
Inventories	4,580
Receivables	10,349
Other debtors and prepayments	31,279
Cash	14,590
Minority interest	(3,677)
Non current liabilities	(77,120)
Trade payables	(20,266)
Loans due within a year	(11,052)
Other liabilities and accruals	(39,388)
Provisional value of net assets	179,555
Purchase consideration settled in cash	822,044
Cash and cash equivalents in subsidiary acquired	(14,590)
Cash outflow on acquisition	807,454

From the date of acquisition Celtel contributed revenues of KD 200,990,000 and net profit of KD 58,924,000 to the net results of the Group for the period 29 April 2005 to 31 December 2005. If the acquisition had taken place on 1 January 2005, the Group revenue and net profits would have been higher by KD 80,458,000 and KD 21,208,000 respectively.

Acquisition of Celtel Tanzania Limited

Prior to August 2005 Celtel held an indirect interest of 35% in Celtel Tanzania Limited by means of its shareholding in TTCL. In August 2005, the Government of Tanzania, the majority shareholder in TTCL, reached an agreement with Celtel whereby Celtel's indirect interest in Celtel Tanzania Limited was transferred directly to Celtel. In addition, at this time, Celtel acquired a further 25% of Celtel Tanzania Limited for a total consideration of US$ 29,000,000 (KD 8,480,000) taking its total shareholding to 60%. As a consequence Celtel Tanzania, which was accounted for as an associate company up until August 2005, has been fully consolidated from the date the company obtained control.

From the date of acquisition Celtel Tanzania Limited has contributed US$ 8,976,000 (KD 2,625,000) profit to the net result of the Group. If the acquisition had taken place on 1 January 2005 the revenue and profit for the Group would have been higher by US$ 68,559,000 (KD 20,047,000) and US$ 7,034,000 (KD 2,057,000), respectively.

The fair value of the identifiable assets and liabilities of Celtel Tanzania Limited as at the date of acquisition are:

	KD'000
Intangible assets	17,739
Property and equipment	23,331
Deferred tax asset	773
Cash	3,406
Receivables	1,639
Inventories	616
	47,504
Shareholder loan with TTCL	(13,198)
Trade and network construction payables	(1,359)
Accrued expenses and other liabilities	(2,478)
Fair value of net assets	30,469
Less : Assets previously acquired	(10,664)
Less : Minority interests	(12,188)
Net assets acquired	7,617
Consideration	8,483
Goodwill arising on acquisition	**866**
Purchase consideration settled in cash	8,483
Cash and cash equivalents in subsidiary acquired	(3,406)
Cash outflow on acquisition	**5,077**

Acquisition of Madacom SA

In December 2005 Celtel acquired 100% of the shares of Madacom SA, an unlisted company in Madagascar operating a cellular telecommunication network within Madagascar, for a total consideration of US$ 99,000,000 (KD 28,948,000). As the acquisition of Madacom SA took place at the end of 2005 no results have been incorporated into the consolidated financial statements for 2005. If the acquisition had taken place on 1 January 2005 the revenue and net profit for the Group would have been higher by US$ 33,409,000 (KD 9,769,000) and US$ 10,300,000 (KD 3,012,000), respectively.

The provisional values assigned to the identifiable assets and liabilities of Madacom SA as at the date of acquisition, which will be reviewed during the course of 2006, are shown below:

	KD'000
Intangible assets	204
Property and equipment	6,773
Cash	1,456
Receivables	1,128
Inventories	77
	9,638
Trade and network construction payables	(1,583)
Accrued expenses and other liabilities	(2,149)
Fair value of net assets	5,906
Consideration	28,897
Goodwill arising on acquisition	22,991
Purchase consideration settled in cash	28,897
Cash and cash equivalents in subsidiary acquired	(1,456)
Cash outflow on acquisition	**27,441**

Business combination after the Balance Sheet date

On 6 February 2006 Celtel acquired an additional 61% in Mobitel, Sudan taking its effective ownership to 100% for a cash purchase consideration of US$ 1,332,000,000 (approximately KD 389,477,000). The provisional values assigned to the identifiable assets and liabilities of Mobitel, Sudan as at the date of acquisition, which will be reviewed during the course of 2006, are shown below:

	KD'000
Property and equipment	58,637
Cash	70,559
Receivables	46,175
Inventories	1,442
Other debtors and prepayments	1,439
	178,252
Trade and network construction payables	(9,870)
Accrued expenses and other liabilities	(11,823)
Fair value of net assets	156,559
Consideration	389,477
Goodwill arising on acquisition	**232,918**
Purchase consideration settled in cash	389,477
Cash and cash equivalents in subsidiary acquired	70,559
Cash outflow on acquisition	**318,918**

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

32. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management is required to make the following judgments and estimations that may affect the carrying values of assets and liabilities.

Judgments

Business combinations
To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured and to determine the amount of goodwill.

Classification of investments
On acquisition of an investment management decides whether it should be classified as held for trading or available for sale. The Group classifies investments as held for trading if they are acquired for the purpose of making short term gains. All other investments are classified as available for sale.

Substance of relationship with special purpose entities
Where the Group obtains benefits from a special purpose entity, management considers the substance of the relationship to judge if such an entity is controlled by the Group.

Impairment
When there is a significant or prolonged decline in the value of an "available for sale" quoted investment security management uses objective evidence to judge if it may be impaired.

At each balance sheet date, management assesses, whether there is any indication that inventories, property and equipment and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Sources of estimation uncertainty

Fair values- unquoted equity investments and business combinations

The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Accounts receivable

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the above assets.

33. Comparative figures

Certain prior year amounts have been reclassified to conform with current year presentation, but has no effect on previously reported net profit or shareholders' equity.

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