annual report **2006**

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annual report 2006

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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key objectives

Strategic Objectives

Combine value creation & growth from existing operations

Expand aggressively into viable adjacent markets

Become the market leader in all of our operations

Own a majority stake or management control in any of our operations

Create synergy across our operations

Future Objectives

through ACE [Accelerate, Consolidate and Expand] by end of 2011

Become one of the **Top-10 mobile operators** in the world

growth of mtc

MTC aspires to become a **global** player and one of the **top-10** mobile operators in the world by 2011

Seamless roaming, One Network

$1 billion+ in Net Profit

1st Middle Eastern operator to launch 3.5G

X4 customers increase in Iraq

12,700+ telecom professionals

99 nationalities

78% increase in EBITDA

13 million+ square kilometers under license, or 30% larger than the USA

#1 operator in 14 of the 20 markets

X2 in revenues

470 million people under license

X2 Customers

210 million+ number of calls made daily

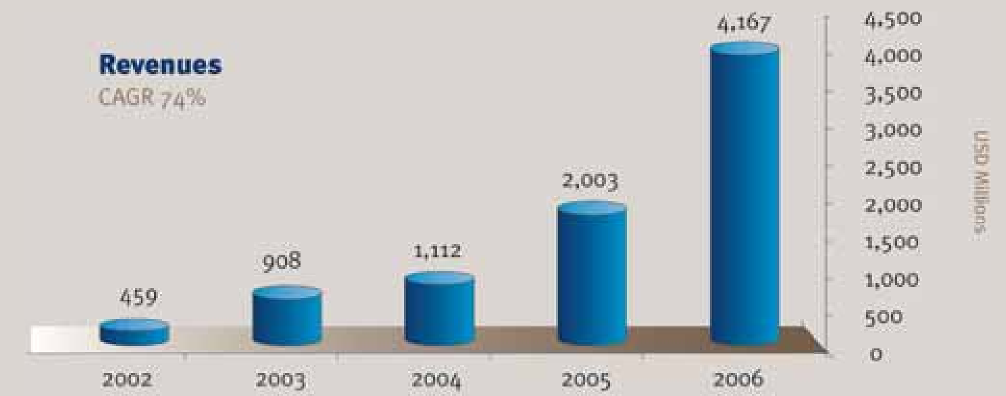
18 million+ SMS sent daily

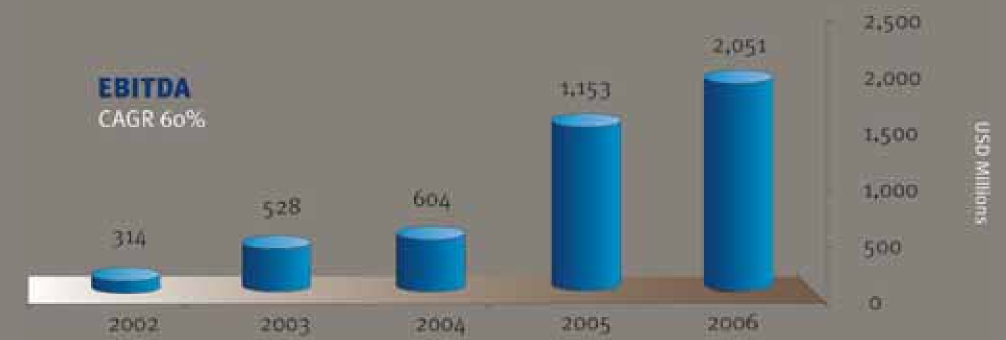
All growth figures are between 2005 and 2006. All figures represent 2006. Demographic and geographic figures exclude Saudi Arabia.

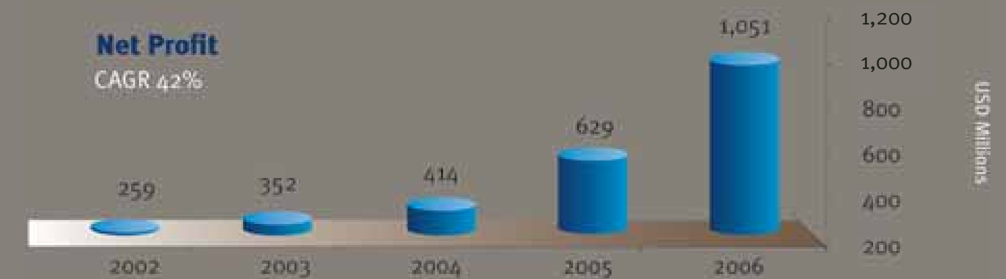
group highlights

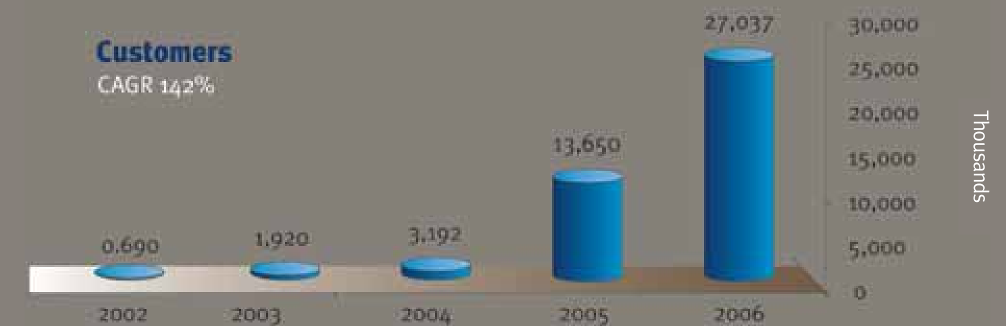
share price evolution

[KSE Ticker: TELE, RIC:TELE.KW; Bloomberg Code: TELE.KK]



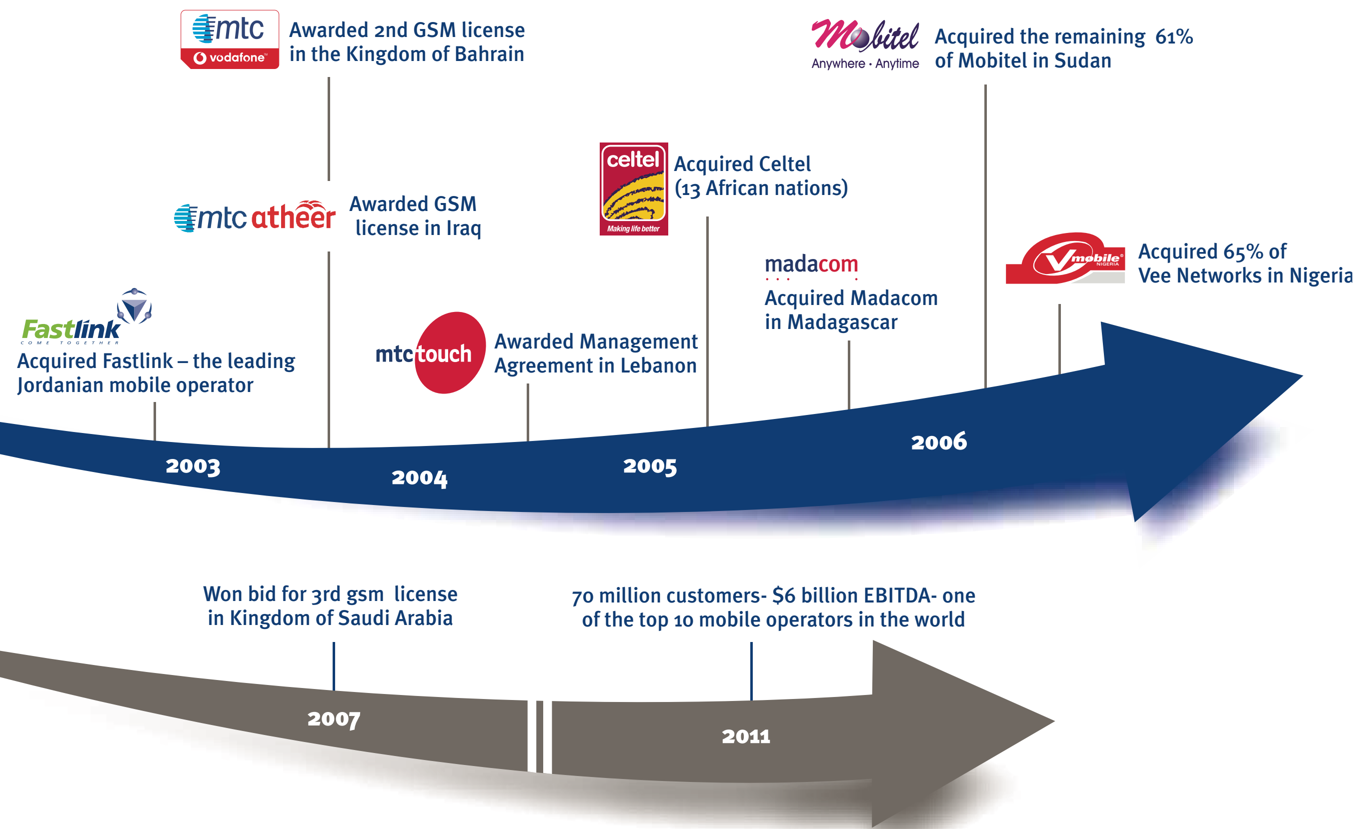






CAGR: Compound Annual Growth Rate
US$1= KD 0.289

milestones & highlights



mtc has evolved from its kuwaiti roots into a leading international mobile company through the **"3x3x3"** vision.

1983 MTC established as the first mobile telecom company in the region

1985 Listed on the Kuwait Stock Exchange (KSE)

1986 Introduced ETACS in Kuwait: a predecessor of the GSM network

1994 Introduced GSM in Kuwait. One of the 1st to do so in the region

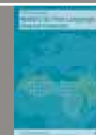
1999 Among the 1st to introduce prepaid services in the region

2000 Kuwait mobile market opened up to competition

2001 Government of Kuwait reduces stake from 49% to 25%

Sept., 2002 Branding agreement with Vodafone in Kuwait-operation branded as MTC-Vodafone

Feb. 15, 2005 MTC launches a first of its kind research report "Socio-Economic Impact of Mobile Phones in the Arab World"



Nov. 16, 2005 MTC completes 100% capital increase through rights issue raising US$2.3 billion to fund future expansion

May 21, 2006 MTC 1st in the region to launch 3.5G (HSDPA) commercially in Bahrain

July 27, 2006 MTC signs the general syndication agreement for a US$ 4 billion credit facility that will be used to fund MTC's future acquisitions and general corporate needs

Sept. 27, 2006 Celtel International launched One Network in Tanzania, Kenya and Uganda – the first ever borderless mobile network in the world allowing customers in East Africa to move freely across geographic borders using local tariff rates and recharge cards without paying for incoming calls.

Oct. 21, 2006 MTC market capitalization exceeds US$15 billion

Dec. 13, 2006 MTC raises US$1.2 billion in Murabaha facility from 29 leading international financial institutions

Jan. 30, 2007 MTC launches ACE -an implementation strategy to realize the target of the 3x3x3 vision. ACE seeks to extract superior value from existing assets through three main thrusts: Accelerating the growth in Africa; Consolidating the existing assets; and Expanding into adjacent markets.

mtc presence: middle east & africa

MTC FACTS (End of Year 2006)

- MTC operates in ***20 countries*** in the Middle East and Africa
- MTC has more than ***27,037,000 active managed customers***
- Consolidated Revenues ***KD 1.210 billion (USD 4.167 billion)***
- EBITDA ***KD 593.96 million (USD 2.045 billion)***
- Net Income ***KD 305.3 million (USD 1.051 billion)***

27.037 million active customers (December 31, 2006)

5th largest mobile company in terms of geographic footprint in the world by 2006

*MTC will start operations in the Kingdom of Saudi Arabia as of first quarter of 2008

board of directors

Mr. Asaad Ahmed Al Banwan
Chairman

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

Mr. Mishal Al-Hama'ad
Board Member

Mr. Abdul Mohsen Al-Faris
Board Member

Mr. Abdulaziz Yacoub Al Nafisi
Board Member

Mr. Jamal Ahmed Al Kandary
Board Member

Sheikh Khalifa Ali Khalifa Al Sabah
Board Member

chairman's message

Dear Shareholders,

It gives me great pleasure to convene with you anew for our annual Ordinary General Assembly meeting of Shareholders. I am pleased to welcome you on behalf of my colleagues the members of the Board of Directors and all the Company's employees to review MTC's performance during the fiscal year ended on December 31, 2006.

Our meeting today comes at a time when our Company's geographical presence has expanded to cover 20 countries in the Middle East and sub-Saharan Africa with an active customer base in excess of 27 million. This impressive increase in our customer base is a direct result of the Board of Directors' constant adoption of effective strategies that primarily aim at transforming the company's scope from a regional one into a global one. Our vision is to see our Company share ranks with leading international mobile telecommunications companies – a goal that was set by the Board of Directors at the end of 2002.

In 2006, MTC has successfully expanded its geographic footprint in low-penetration rate and high population markets, namely those of the sub-Saharan region. The Company has reinforced its presence in those markets through the acquisition of 100% of Sudan's Mobitel and 65% of Nigeria's V-Mobile. These strategic acquisitions will in turn generate great growth opportunities for MTC; which will undoubtedly lead to further our Company's operational performance and, in turn, generate better returns for our Shareholders.

Our objectives of profitable geographic expansion and new market penetration are being achieved through ambitious strategic planning 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.

Through the guidance of the Company's Board of Directors, the dedicated efforts of its Executive Management and employees, as well as the support of our Shareholders, many accomplishments were recorded during 2006. As an example, MTC's customer base reached 27 million at the end of 2006, compared to 13.7 million at the end of 2005 – a remarkable 98% increase. By the end of 2006, MTC was operating in 20 different countries, making it the fifth biggest telecom company in the world in terms of geographic footprint. This significant increase in our customer base has once again made MTC one of the fastest growing telecommunications company in the region and possibly internationally.

Financial indicators for 2006 show that net profits reached KD305 million compared to KD182 million in 2005; representing an annual increase of 68%. Additionally, the accumulated operating revenues amounted to KD1.2 billion in 2006 compared to KD580 million the previous year, constituting a 109% year-on-year increase.
These record results indicate a tremendous leap in the operational performance of our Group and its affiliates. These accomplishments are, again, the result of systematic planning, sound management and dedicated efforts by our Board of Directors, Executive Administration and the Company's employees respectively.

In order to achieve further value to its Shareholders, MTC is highly determined to continue its efforts to increase its revenues and profits by continually evaluating foreign mobile telecommunications markets, and seeking the acquisition of promising high value-added operators as well as select new license opportunities. Currently, the Company is weighing several available opportunities that would yield impressive returns to its Shareholders.

MTC's performance and accomplishments over the years have enabled the Company to build a solid relationship with local, regional and international financial and banking institutions. This close association has allowed MTC to obtain a US$4 billion (KD1.2 billion) credit facility from a group of international banks, reflecting the Company's enviable financial position. The landmark credit facility was also closely followed by a US$1.2 billion (KD347 million) Murabaha facility, showcasing MTC's intent to diversify its sources of financing.

On the human resources level, MTC continues to offer and implement career development programs that are designed in accordance with the most up-to-date international standards in order to keep on attracting national cadres both in Kuwait and the other markets the Company operates in. MTC's accomplishments in this field has allowed it to be rated as one of the best private sector companies compared to the ratio of employed national labor. To help develop the skills of its employees, the Company has also launched career programs that aim at increasing the levels of performance to its maximum. At last, through well thought out incentive programs linked to employees' performance, MTC is attempting to secure and embed the loyalty of its staff in order to maintain its prominent position locally, regionally and internationally.

While adopting a clearly-defined strategy, MTC has confidently looked to the future and has been able to deal with variables as if they were established facts. As we move forward, we will continue maintaining our slogans, "Our customers are our first concern and "Comprehensive Quality of Services."

In 2006, MTC has also won several prestigious awards. For example, one the awards won by the Company considered it to be the best mobile telecom services operator in the region. Such awards are regarded as certificates of recognition of MTC's accomplishments over the last four years.

In parallel with its geographical expansion, MTC – as a leading economic entity in Kuwait and all other countries it operates in – has continued increasing its direct and indirect contributions to social, educational, cultural and health events to meet its high standards of a socially responsible corporation. The Company is sparing no efforts in its attempts to engrave a place for itself in the hearts of all the citizens it reaches.

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 MTC 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.

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 the Amir of the State of Kuwait, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, to His Highness the honorable Crown Prince, His Highness Sheikh Nawaf Al-Alhmed Al-Jaber Al-Sabah, and to His Highness the Prime Minister Sheikh Nasser Al-Mohamed Al-Ahmed Al-Sabah, may God bless them all. We would also like to express our gratitude and respect to the prudent members of our government for their continuous support to the Kuwaiti national institutions and companies. Hoping that God the Almighty would bless us with safety and security.

Peace be upon you all!

Asaad Ahmed Al-Banwan
Chairman of the Board

management discussion & analysis

Management Discussion & Analysis

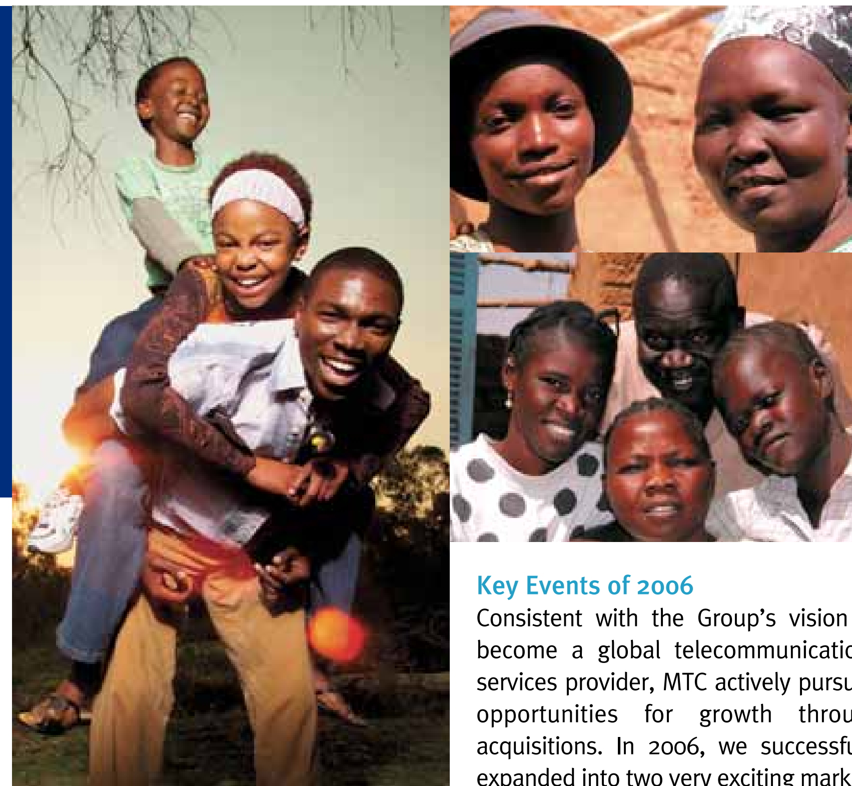
2006 was a record breaking year for the MTC Group: we exceeded US$4.17 billion in revenues, US$2 billion in EBITDA, US$1 billion in net profit and surpassed the 27 million active customers mark – thus exceeding all the targets we set ourselves for the year. These remarkable numbers could only be achieved through the loyalty of our customers and the continuous dedication of our 12,700 employees across all the countries we operate in.

Our vision is to become one of the world's Top-10 mobile operators by 2011. We have set out to achieve this through three consecutive stages of three years dubbed "3x3x3" which aims at expanding our scope from a regional to an international and, finally, to a global presence. In nine years we hope to accomplish goals that took other companies far longer to attain. This ambitious growth strategy, which was adopted in 2003, allowed us to evolve from a single mobile service provider in Kuwait to a truly international company currently operating in 20 countries in the Middle East and Africa with 470 million people under license.

MTC aims at capturing 70% of the addressable market in terms of customers and segment value. We generate customer growth by providing our services to under-penetrated segments in our markets and create value by offering modern solutions to our existing customers. Our goal is to reach at least 50% market share in the countries where MTC has a leadership position and obtain a minimum 30% market share in those where MTC is a challenger.

In 2006, we continued our expansion strategy by exploiting organic growth in our existing operations and by exploring new markets through acquisitions. As part of our ongoing strategy, we have also considered partnerships and green-field opportunities. Our Middle Eastern operations have continued to provide stable high ARPUs while our sub-Saharan African operations have spearheaded our growth ambitions.

Becoming a truly global mobile player is more than just size and geographical presence. This is why we aim at becoming a global leader by providing world-class services to all our customers, while offering excellent returns to our shareholders and maintaining a high standard of corporate governance. We achieve all this while upholding our good relations with our communities through the development of a global corporate social responsibility strategy. Additionally, within MTC we have created a people-oriented culture by empowering and rewarding our employees in line with their performance. We encourage and value our employees' new ideas as long as the upsides are clearly measurable. We strongly reward team output, as we promote collaboration among the Group, local operations and functional areas.



Key Events of 2006

Consistent with the Group's vision to become a global telecommunications services provider, MTC actively pursued opportunities for growth through acquisitions. In 2006, we successfully expanded into two very exciting markets in Africa, namely Sudan and Nigeria.

In February 2006, MTC announced the full acquisition of Mobitel in Sudan in a US$1.3 billion transaction, thus increasing its stake from 39% to 100%. Mobitel is Sudan's leading mobile operator providing mobile services to close to 2 million customers at the time of the acquisition. This important step allowed us to gain equity majority and full management control of Mobitel and to incorporate the company's operations into the Group's consolidated results. Sudan is a competitive, dynamic but underserved market and we look forward to offering the people of Sudan the mobile services they deserve.

The second deal occurred in May 2006, when we acquired a controlling stake of 65% in Nigeria's third mobile operator, Vee Networks for US$1.005 billion. It increased MTC's number of customers by some 5.4 million customers at the time of acquisition while allowing us to tap into Africa's most populous nation with some 140 million people. Prior to MTC's Nigeria acquisition, there had been substantial underinvestment in the company's network. Throughout 2006 we aggressively invested in network expansion and within a hundred days re-branded the company to Celtel Nigeria thus putting it on a successful path for rapid growth. By the end of 2006 we had welcomed approximately 1 million new customers.

After these two landmark acquisitions, MTC was present in 20 countries, making it the 5th largest mobile company in the world in terms of geographic footprint – a noteworthy milestone that confirms MTC's commitment to become one of the Top-10 players in the world.

On the technology front, we were the first in the region to launch the 3.5G service – one of the world's fastest wireless broadband access - in Bahrain in May 2006. Once again, our Bahrain operation has proven itself to be MTC's laboratory for new technologies. In Kuwait, we also introduced HSDPA/3G which allowed us to offer many value-added services. In East Africa, we launched One Network, the world's first ever borderless mobile network allowing customers in Uganda, Kenya and Tanzania to move freely across geographic borders using local tariff rates and recharge cards without paying for incoming calls. Response by our customers to this new service has been extremely positive, thus keeping our promise to making their lives better.

Financial & Operational Results

MTC's key performance indicators registered significant growth in 2006, reflecting the Group's successful implementation of its strategy to yield substantial returns to its shareholders.

For the year ending December 31, 2006, the company recorded consolidated revenues of US$ 4.167 billion, an increase of 109% compared to 2005. During the same period, the consolidated EBITDA increased by 78% to reach US$2.045 billion, resulting in an EBITDA margin of approximately 50%. The company's net profit reached a record US$1.051 billion, a 69% increase compared to 2005, representing earnings per share (EPS) of US$0.85, a 36% increase. It is important to note that MTC Vodafone Kuwait represented over 30% of MTC's total net profit, showcasing the importance of the Group's first operation. However, by 2011, 70% of MTC's revenues will emerge from the African continent, again showcasing the importance of our expansion into Africa.

In 2006, MTC Group's strong financial performance was spearheaded by its more mature Middle Eastern operations and an impressive 113% increase in the company's African revenues, reaching US$2.05 billion.

One of the main drivers to the strong financial results of 2006 was the acquisition of the remaining stake in Mobitel and a controlling stake in Vee Networks (V-Mobile). From the date of the acquisition of Mobitel (6 February 2006) and V-Mobile (31 May 2006) the Sudanese and Nigerian operations contributed total revenues of US$1,271 million and a net profit of US$380 million to the net results of the Group. If both acquisitions had taken place on 1 January 2006, the Group revenue and net profit would have been higher by US$415 million and US$57 million, respectively.

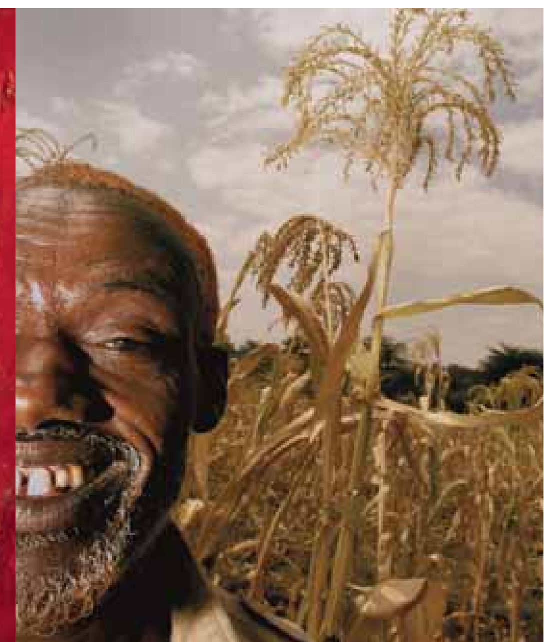
In terms of financing activities, it is noteworthy to state that MTC was successful in arranging a general syndication agreement in July 2006 for a US$4 billion credit facility to be used to fund the company's future acquisitions and general corporate needs. In December 2006, the Group also arranged a US$1.2 billion Murabaha facility which was successfully syndicated and oversubscribed.

In parallel, the Group's managed customer-base increased by 98% compared to 2005 to reach more than 27 million active customers. In 2006, MTC's operation in Iraq – MTC Atheer – was once again the fastest growing operator of the group, registering a remarkable 198% increase in customers. All in all, MTC's African operations, through Celtel International, registered a 147% increase in customers while its Middle Eastern operations registered a 49% increase compared to 2005.

Out of the 20 countries where MTC operates in, 14 subsidiaries are consistently the leading operators while 5 are in second position; reflecting the company's core strategy to be the leader in the markets it serves.

Future Opportunities

In the first quarter of 2007, MTC along with its consortium partners placed the highest bid (US$6.1 billion) for Saudi Arabia's third mobile license which also includes 3G and international gateway opportunities. We are confident that this new market will offer substantial growth and financial potential for the Group in the years to come, especially since the license has a 25-years time span. We expect the company to be operational in the first quarter of 2008 subject to the official award of the license by the Council of Ministers of the Kingdom of Saudi Arabia. In accordance with legal requirements by the Kingdom, MTC will undertake an IPO in the Kingdom's stock market eventually reducing the company's ownership stake to 25% while retaining management control. We are also keenly looking to bid for a permanent license in Iraq - where we already have



a leading presence through MTC Atheer. It is expected that the Iraqi Government will auction licenses in 2007. Additionally, we are looking forward for the Lebanese Government to move ahead on its privatization program in order to acquire a license in Lebanon where we already run MTC Touch under a management contract since 2004.

The MTC Group, through its international subsidiary MTC International, is working towards a primary listing on the London Stock Exchange by the first quarter of 2008. This move will transform MTC to a truly global company by welcoming additional international shareholders, while allowing it to tap into new financial resources. MTC K.S.C.'s stock will continue to be listed on the Kuwait Stock Exchange.

At last, MTC will fully implement its new strategy known as "ACE" which will drive the company's "3x3x3" vision. "ACE" seeks to extract superior value from existing assets through three main thrusts: Accelerating the growth in Africa; Consolidating the existing assets; and Expanding into adjacent markets.

Based on organic growth and through "ACE", MTC's new goals by end of 2011 are to serve 70 million customers, attain a US$6 billion EBITDA and become one of the top 10 mobile operators in the world.

Dr. Saad Hamad Al Barrak
Deputy Chairman – Managing Director

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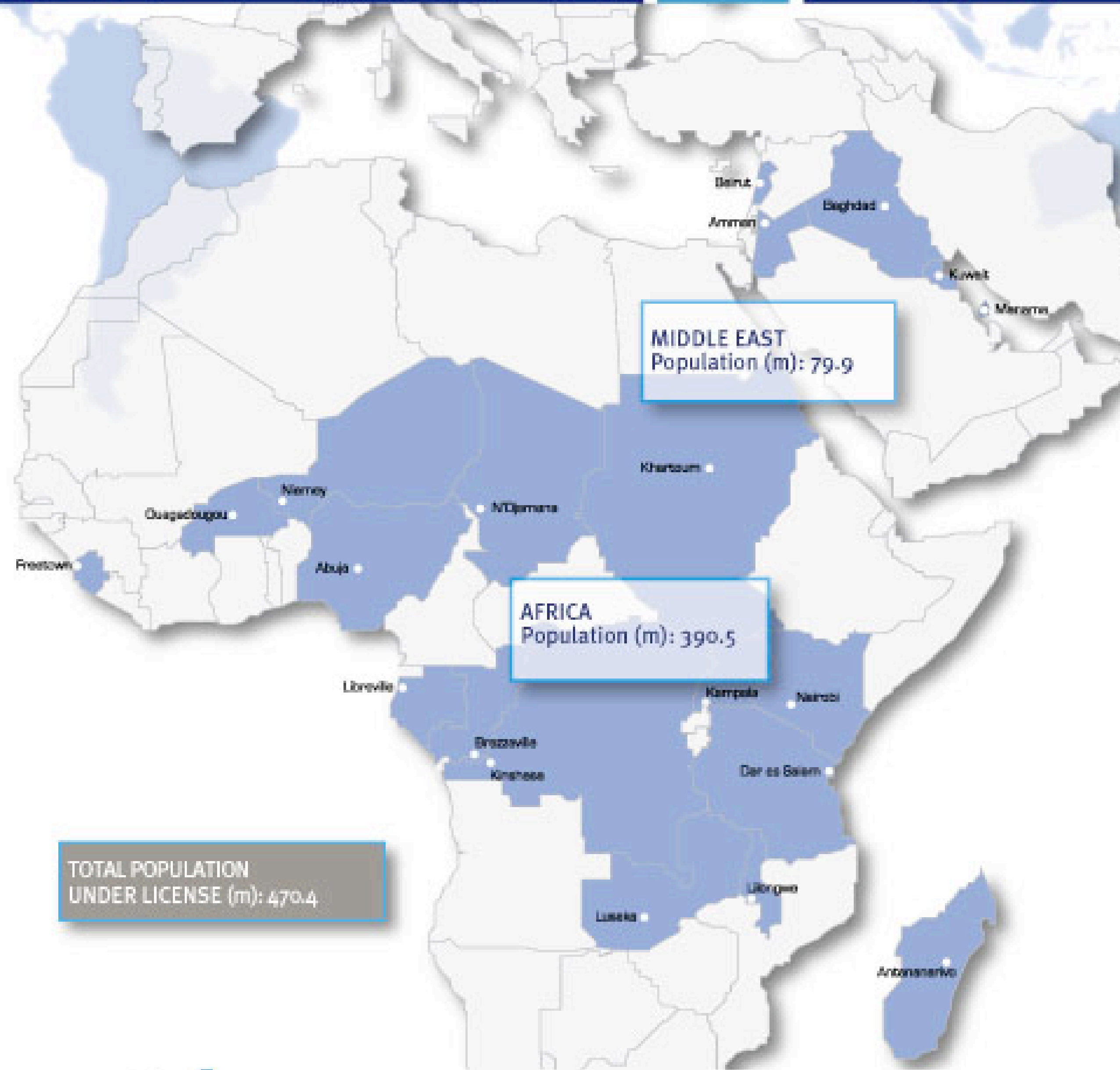
diversity

2006 overview
mtc group



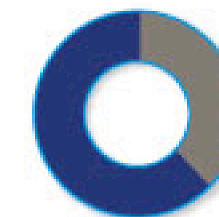
MTC Group - As of December 2006

Operational	Active Customers 2006 (000s)	Postpaid% Prepaid%	Active Customers 2005 (000s)	Customers Growth 2005-2006
Middle East	10,167	9/91	6,805	49%
Africa	16,870	1/99	6,845	146%
MTC Group	27,037	4/96	13,650	98%

Financials	Revenues 2006 (USD m)	Revenues 2005 (USD m)	EBITDA 2006 (USD m)	EBITDA 2005 (USD m)	EBIDTA%	Net Profit 2006 (USD m)	Net Profit 2005 (USD m)
MTC Group	4,167	1,982	2,045	1,142	49%	1,051	622
	growth 109%		growth 78%			growth 69%	

Active Customers 2006

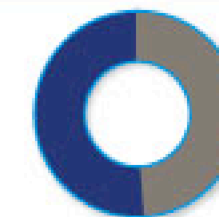
Total active customers: **27.037 million**



37% Middle East
63% Africa

Revenues 2006

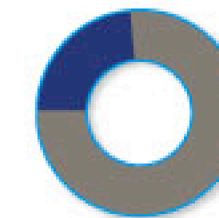
Total revenues: **US$4,167 million**



49% Middle East
51% Africa

Net Profit 2006

Total net profit: **US$1,051 million**

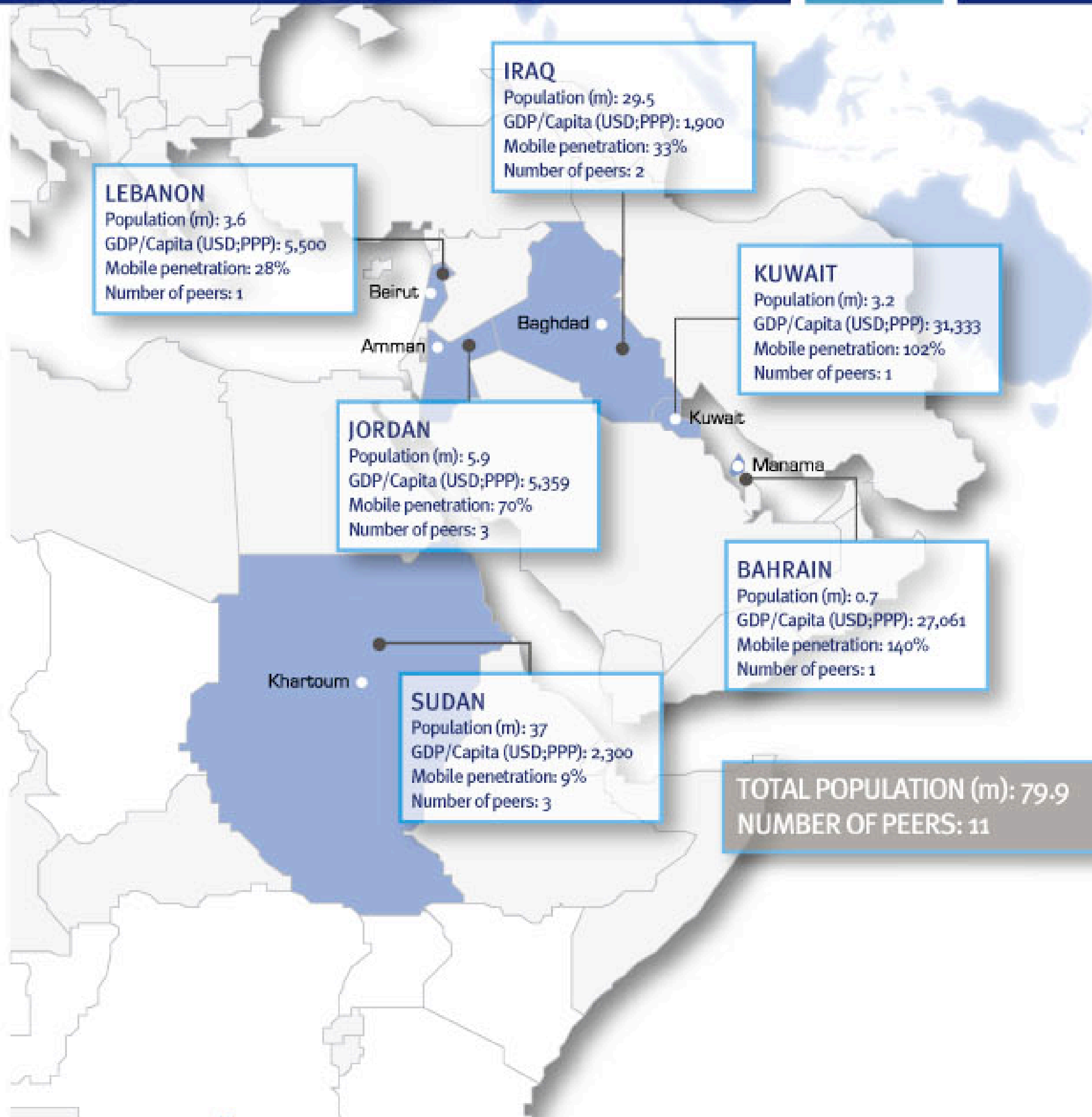


71% Middle East
29% Africa

2006 overview

middle east

2006 overview
middle east



MTC Operations *[Middle East]* - As of December 2006

Operational	Ownership	Customers 2006 (000s)	Postpaid % Prepaid %	Customers 2005 (000s)	Customers Growth 2005-2006	Market Share	ARPU ($)
Kuwait	100%	1,461	26/74	1,331	10%	59%	65
Jordan	96.5%	1,961	11/89	1,757	12%	53%	17
Bahrain	60%	233	20/80	173	35%	30%	31
Iraq	30%	3,198	1/99	1,073	198%	36%	14
Lebanon	MC*	560	24/76	509	10%	50%	n/a
Sudan	100%	2,754	2/98	1,962	-	59%	25
MTC Middle East	-	10,167	9/91	6,805	49%	-	-

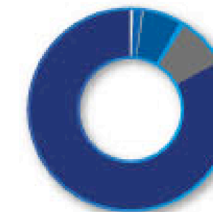
*Management Contract

Financials	Revenues 2006 (USD m)	Revenues 2005 (USD m)	Revenues Growth 2005-2006	EBITDA 2006 (USD m)	EBITDA 2005 (USD m)	EBITDA Growth 2005-2006	EBIDTA%
Kuwait	809	715	13%	540	427	26%	67%
Jordan	485	456	6%	254	242	5%	52%
Bahrain	107	70	53%	36	16	125%	33%
Lebanon	58	54	7%	11	7	57%	19%
Sudan	657	-	-	369	-	-	59%
MTC Middle East	2,116	1,295	63%	1,210	757	76%	-

MTC Atheer's [Iraq] financials are not consolidated

Population 2006

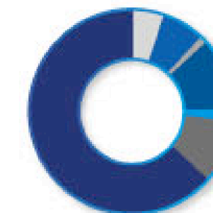
Total population: **470 million**



1% Kuwait
1% Jordan
0% Bahrain
6% Iraq
1% Lebanon
8% Sudan
83% Africa

Active Customers 2006

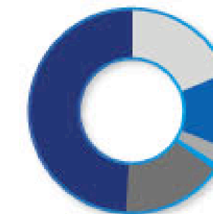
Total active customers: **27.037 million**



5% Kuwait
7% Jordan
1% Bahrain
12% Iraq
2% Lebanon
10% Sudan
63% Africa

Revenues 2006

Total revenues: **US$4,167 million**



19% Kuwait
12% Jordan
3% Bahrain
1% Lebanon
16% Sudan
49% Africa

2006 overview
middle east

colors

Middle East Region:

MTC's Middle Eastern region is the company's core. The company has evolved from its Kuwaiti roots in the Gulf region and has underwent its preliminary expansion process by acquiring Fastlink in Jordan and by winning the second license in Bahrain, a license in Iraq and a management contract in Lebanon. Later on, in 2006, MTC further expanded its presence in the region by acquiring the full stake in Mobitel in Sudan.

MTC Group had a total of 10.167 million customers in the Middle East at the end of 2006, reflecting an increase of 49% compared to the previous year. The customers in the Middle Eastern region accounted for 37% of MTC's total customer base of 27.037 million. The largest contributor to the region's customer base was Iraq (32% of region), followed by Sudan (27%), Jordan (19%), Kuwait (14%), Lebanon (6%) and Bahrain (2%). The market with the highest postpaid ratio was Kuwait (26%) followed by Lebanon (24%) and Bahrain (20%).

MTC's Middle East region raked in revenues totaling US$2,116 million at the end of 2006, an increase of 63% compared to 2005. The revenues of the Middle East region accounted for 51% of MTC's total revenues of US$4,167 million. The largest source of revenues of the region was Kuwait (37%), followed by Sudan (33%), Jordan (22%), Bahrain (5%) and Lebanon(3%). Revenues of MTC Atheer in Iraq are not consolidated with the Group.

MTC-Vodafone [Kuwait]

MTC-Vodafone Kuwait, the group's flagship operation and its main source of revenues, was established in 1983. Currently there is only one peer in Kuwait – Wataniya – which received a GSM license in 1999 and started operations in 2000. However, the government of Kuwait has announced its intentions to further liberalize the market by issuing a license for a 3rd entrant most likely during 2007. Such a decision follows a draft legislation approved by the Financials Affairs Committee which was approved in May 2004.

MTC's Kuwait operation had a total of 1.46 million active customers by year end 2006, representing a 10% increase in active customers compared to 2005. The operation's customers accounted for 5% of MTC's total customer base in the Middle East and Africa regions. MTC-Vodafone Kuwait's 2006 revenues reached a record US$809 million, an increase of 13% compared to 2005. The operation's revenues accounted for 19% of MTC's total – the largest single source of revenues. Additionally, EBITDA increased by 26% compared to 2005 and reached US$540 million. MTC-Vodafone Kuwait had a high ARPU of $65 in 2006.

In 2006, MTC-Vodafone Kuwait was covering 100% of the population and 99% of the Kuwaiti territory. The operation added coverage to Qairawan, Saad Al Abdullah and Abdullah Al Mubarak districts by adding 123 new Microcells, 52 Macro sites (2G), TRM sites and 542 (3G) sites.

The operation began offering brand new services such as video call. The service was launched at the 4th annual distributors' exhibition and more than 50,000 subscribed to the video call service in the first launching week, thus further branching out MTC-Vodafone Kuwait's revenue stream into various value-added services. Additionally, MTC-Vodafone Kuwait launched Wiyana (With Us) in February, PC Data Card in November and HSDPA in December 2006.

Fastlink [Jordan]

Jordan's Fastlink, is the group's first regional operation, and was acquired in January 2003 for US$423.9 million. Currently there are three other peers in Jordan in what is considered to be one of the most liberalized telecom markets in the Middle Eastern region. It is important to note that the Telecommunications Regulatory Commission (TRC) of Jordan has issued a consultation paper on introducing Mobile Virtual

Network Operators (MVNOs); has begun auctioning and awarding Wi-Max licenses; and is aggressively pushing for the implementation of Mobile Number Portability, Carrier Selection and Career Pre-Selection.

In February 2006, Fastlink signed an amended license agreement with the TRC extending its operations for another 15 years. The renewal came as part of measures to transfer non-category licensees to the integrated regulatory and licensing framework, whereby application becomes an optional choice.

MTC's Jordan operation had a total of 1.961 million active customers by year end 2006, representing a 12% increase in active customers compared to 2005. The operation's customers accounted for 7% of MTC's total customer base in the Middle East and Africa regions. Fastlink's 2006 revenues reached US$485 million, an increase of 6% compared to 2005. The operation's revenues accounted for 12% of MTC's total consolidated revenues. Additionally, EBITDA increased by 5% compared to 2005 and reached US$254 million. Fastlink had an ARPU of $17 in 2006. The operation was able to hold the lion market share in subscribers (53%) and revenues (62%) even though the 4th new mobile operator fully integrated into the market in 2006.

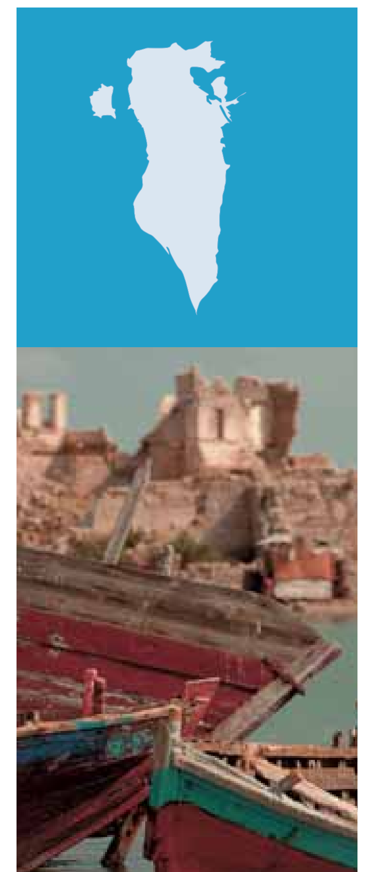
Fastlink has maintained its coverage of 99% of populated areas and has the best quality indicators in the market through its 1,430 base stations across the country. The company deploys GSM 2, 2.5 (GPRS) and 2.75 G (EDGE) technologies. Fastlink has started the deployment of Fiber Optic transmission technology in the backbone and is offering international voice services.

MTC-Vodafone [Bahrain]

MTC-Vodafone Bahrain, the group's second regional operation, won the license to develop the second GSM network in April 2003 and launched its services in December 2003 – at the time the fastest deployment in the Middle East. Currently there is only one peer in Bahrain – the incumbent company. Bahrain has the highest mobile penetration rate in the region and is leading the way in offering triple play and Wi-Max services. 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.

MTC's Bahrain operation had a total of 233,000 active customers by year end 2006, representing a 35% increase in active customers compared to 2005. The operation's customers accounted for a mere 1% of MTC total customer base in the Middle East and Africa regions. MTC-Vodafone Bahrain's 2006 revenues reached a record US$107 million, an increase of 53% compared to 2005. The operation's revenues accounted for 3% of MTC's total consolidated revenues. Additionally, EBITDA increased by an amazing 125% compared to 2005 and reached US$36 million. MTC-Vodafone Bahrain had an ARPU of $31 in 2006.

Regardless of its population size, the Bahraini operation is of high importance to MTC due to its potential to test-pilot new technologies and opportunities. The operation has so far led the way in terms of technological innovations. As an example, MTC-Vodafone Bahrain launched the region's first new high speed 3.5G service in May 2006 and acquired the US$14.58 million license for nationwide Wi-Max deployment, which is expected to be in service by the second half of 2007. Previously, the operation was the first to launch 3G and an EDGE nationwide network in the Middle East (December 2003), first to launch Live TV to Mobile in the Middle East (July 2004) and the first to launch Ring Back Tune in the Middle East (2005). MTC's Bahraini operation also offers other pioneering services such as Location Based Services (LBS), Blackberry, SMS & MMS Information Channels and B*Life* Bulk Messaging.



MTC Atheer [Iraq]

The 2-year license for MTC Atheer was acquired in December 2003 to initially cover the Southern region of Iraq. Two other peers had won similar licenses to cover the central and northern parts of Iraq. Later on, the coverage of MTC Atheer was expanded to the whole country and it is expected that the CMC will award four 15-year GSM licenses in 2007. However, these licenses were expected to be awarded by end of 2006, but due to the security situation in Iraq, Iraqi authorities have so far deferred the bidding process until conditions settle in order to attract more bidders. In any case, MTC will remain in Iraq as it has clearly expressed its interest in bidding for a long-term license.

MTC's Iraq operation had a total of 3.198 million active customers by year end 2006, representing a record 198% increase in active customers compared to 2005 – or

2.125 million additional customers. It is noteworthy to state that in 2006 MTC Atheer has become the leading operator in Iraq, holding a market share of 36%. The operation's customers accounted for 12% of MTC total customer base in the Middle East and Africa regions. MTC Atheer's 2006 revenues reached a record US$351 million, an increase of 142% compared to 2005. The operation's revenues are not consolidated with MTC's total revenues. EBITDA increased by 75% compared to 2005 and reached US$114 million. MTC Atheer had an ARPU of $14 in 2006.
MTC Atheer covered over 60% of the Iraqi population by end of 2006 and is rolling out to cover four main governorates in Northern Iraq. The operation has added 238 sites in 2006, extending its network to 1,004 sites. With 99% of its customers being prepaid, the operation has the highest prepaid ratio of customers in the Middle East. MTC Atheer will soon be launching GPRS and MMS services to all its customers.

MTC Touch [Lebanon]

In June 2004, MTC won a 4-year management contract to operate one of Lebanon's two GSM operations. Rebranded as MTC Touch, MTC has developed the Lebanese operation to its full potential in hope that it will be added to the Group's portfolio as soon as the Government undergoes the process of privatization and liberalization. The first step to this process was taken when the Regulatory Authority Board was announced. However, this board has not yet started its official involvement in the telecom sector of Lebanon.
MTC's Lebanon operation had a total of 560,000 active customers by year end 2006, representing a 10% increase in active customers compared to 2005. The operation's customers accounted for some 2% of MTC's total customer base in the Middle East and Africa regions. MTC Touch's 2006 revenues reached US$58 million, an increase of 7% compared to 2005. The operation's revenues accounted for 1% of MTC's total

revenues. Additionally, EBITDA increased by 57% compared to 2005 and reached US$11 million. MTC Touch has one of the highest ARPU's in the region. All the disclosed revenues are those from the management contract and not the total revenues of the operation which are collected by the Government of Lebanon.
In 2006, MTC Touch faced a month-long war which affected the entire nation, people, network and employees. However, the entire network was up and running throughout the conflict thanks to the determination of MTC Touch's employees. In terms of geographic coverage, MTC Touch was able to fill coverage gaps in 15 sites according to budget approval by the Ministry of Telecommunications of Lebanon. The 15 sites covered several towns on the coastal road in the North and South, a couple towns in the Bekaa valley, some areas in Beirut and a few towns in Mount Lebanon.

MTC Touch introduced several new services in 2006, namely Credit Transfer in November, Prepaid SMS Roaming for the Kingdom of Saudi Arabia in December and GPRS Roaming and International MMS agreements with Fastlink in May and December.

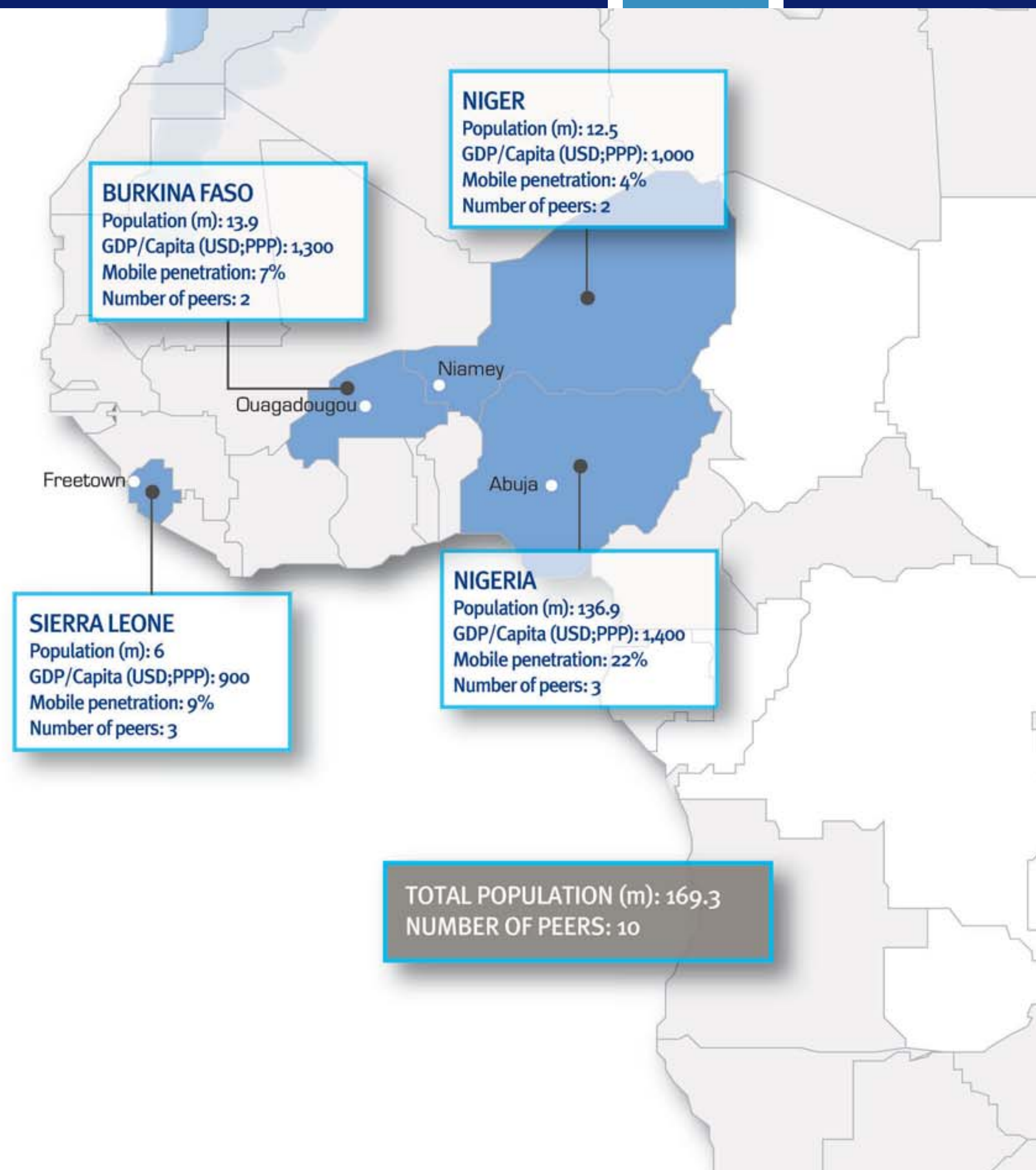
Mobitel [Sudan]

In February 2006, MTC acquired 100% of Mobitel in a deal valued at US$1.332 billion. Initially, Celtel owned 39% of Mobitel when it acquired the stake in March 2001. Sudan is considered one of Africa's strategic countries with massive potential, high economic growth and a large population of some 40 million. As an example, it is expected that the penetration of Sudan will reach 50% by 2011. Sudanese authorities have licensed three other peers to operate mobile networks, one of which has solely a CDMA license

(Sudani), another which has solely a GSM license (Areeba) and the last which now has both (Canar). Even though the 3rd peer entered the market in 2006, Mobitel was able to keep a significant leading position with nearly 60% market share.
MTC's Sudan operation had a total of 2.754 million active customers by year end 2006, accounting for over 10% of MTC's total customer base in the Middle East and Africa regions. The operation was able to add some 950,000 customers in 2006. Mobitel's 2006 revenues reached US$708 million. The operation's revenues accounted for 16% of MTC's total revenues. Additionally, EBITDA reached US$415 million. Mobitel also had an ARPU of $25 in 2006.
MTC will develop the Mobitel operation by expanding its network capacity and coverage – one of the current weak points of Sudan's mobile sector. In 2006, Mobitel completed over 30 projects to upgrade infrastructure, expand coverage, improve customer service, restructure the management team and overhaul the company's commercial offers. Throughout the year, Mobitel increased its population coverage from 32% in 2005 to 45% in 2006 through the addition of 257 new sites.
In the third quarter of 2006, Mobitel introduced several new packages including eeZee, a validity prepaid service which alone attracted over 750,000 new customers; and handset bundles with 10 leading handset models which attracted an additional 150,000 customers in quarter four. Mobitel also launched GPRS in 2006 and underwent significant price reductions on all packages as well as international pricing.
It is important to note that Mobitel hired 300 new employees in Sudan, increasing headcount from 580 in 2005 to 870 in 2006. Additionally, the company increased revenues of private sector partners including distributors, subcontractors, media and other telecom carriers by more than 92%. Similarly, government revenues from Mobitel increased by 34% during 2006, thus significantly enhancing community income and the country's GDP.

2006 overview
africa

2006 overview
western africa



Celtel *[Western Africa]* - As of December 2006

Operational	Ownership	Customers 2006 (000s)	Prepaid %	Customers 2005 (000s)	Customers Growth 2005-2006	Market Share
Nigeria*	65%	6,396	99.5%	-	-	23%
Burkina Faso	95.7%	518	99.9%	299	73%	57%
Niger	80%	397	99.9%	223	78%	74%
Sierra Leone	100%	243	99.5%	178	37%	56%
MTC Western Africa	-	7,554	99.7%	700	979%	-

*Nigeria was acquired in May 2006

Financials	Revenues 2006 (USD m)	Revenues Growth 2005-2006	EBITDA 2006 (USD m)	EBIDTA%
Nigeria	610	-	221	36%
Burkina Faso	61	45%	28	46%
Niger	61	43%	29	48%
Sierra Leone	45	2%	13	30%
MTC Western Africa	777	-	292	-

Population 2006

Total population: **470 million**

28% Nigeria
3% Burkina Faso
3% Niger
1% Sierra Leone
65% Remaining MTC Group

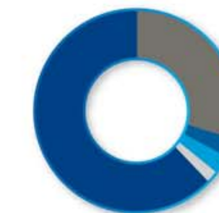
Active Customers 2006

Total active customers: **27.037 million**

24% Nigeria
2% Burkina Faso
1% Niger
1% Sierra Leone
72% Remaining MTC Group

Revenues 2006

Total Celtel revenues: **US$2,050 million**



30% Nigeria
3% Burkina Faso
3% Niger
2% Sierra Leone
62% Remaining Celtel

2006 overview

western africa

variety

WESTERN AFRICA

MTC's West Africa region is key to the Group's aspirations of becoming Africa's leading mobile operator. With a population of more than 169 million people living in the four countries of this region and a low average penetration rate of approximately 10%, the Group has the opportunity to offer the people in West Africa what they want: access to modern telecommunications services. When MTC added Nigeria to its West Africa portfolio in May of 2006 it entered Africa's most populous country of 136 million people with a huge pent-up demand for mobile telecommunications services. By rebranding the organization to Celtel within 100 days and bringing much needed investment to Nigeria's third mobile operator, Celtel got off to a flying start in what will soon be Africa's largest market for telecommunications. On average Celtel added approximately 100,000 new customers a week. In Niger, Burkina Faso and Sierra Leone, Celtel continued to increase coverage and provision new services in these three countries with a low average mobile penetration of approximately 7%.

MTC Group had a total of 7.5 million active customers in Western Africa at the end of 2006, reflecting an incredible 980% increase compared to 2005. This was due to the landmark acquisition of the third operator in Nigeria, which alone added 5.4 million customers at the time of the purchase. The customers in the Western African region accounted for 28% of MTC's total customer base of 27.037 million. By far the largest contributor to the region's customer base was Nigeria (85%), followed by Burkina Faso (7%), Niger (5%) and Sierra Leone (3%). The market which witnessed the highest growth in 2006 was Niger, with a 78% increase in customers over 2005. Niger is also the nation in the West Africa region which has the highest market share at 74%, followed by Burkina Faso and Sierra Leone, at 57% and 56% respectively.

MTC's West African region recorded revenues totaling US$777 million at the end of 2006. The revenues of the West African region accounted for 19% of MTC's total revenues of US$4,167 million. The largest source of revenues of the region was Nigeria (79%), followed by Burkina Faso and Niger at 8% each and Sierra Leone at 5%. Burkina Faso registered the highest increase in revenues at 45%, followed by Niger with 43% growth.

Celtel Burkina Faso

Celtel Burkina Faso began operations on 1st of January 2001 using the GSM 900 technology. Currently the company is the leading operator in the country, holding a 56% market share even though there are two other peers offering mobile services. MTC's Burkina Faso's operation is considered the country's pioneer since it was the first to offer international roaming, national and international SMS, 24-hour client services and communal mobile phone service.

In 2006, Celtel Burkina Faso had a total of 517,000 active customers, representing an increase of 73% compared to 2005. The operation's customers accounted for some 2% of MTC's total customer base in the Middle East and Africa regions. Celtel Burkina Faso's revenues reached US$61.2 million by end of 2006, an increase of 45% compared to the previous year. EBITDA reached US$28 million and ARPU $13.
The operation's 2006 success was the result of several product and service launches such as the loyalty program (May), Per Second billing (June), Web2SMS (August), and low denomination and electronic vouchers (October). The biggest event of the year was the 'win a car' promotion in December which enabled the company to boost acquisition and usage by 55% and 25%, respectively, compared to the monthly average.

Population network coverage was extended from 60% to 73% during 2006. This corresponds to an additional 81 localities and 74 sites. By the end of 2006, Celtel Burkina Faso's network was available in 167 localities – the most widely available network in the country with 55% of the geographic area covered.

Celtel Niger

Celtel Niger, launched in October 2001, is the market leader in the West African country with 397,000 customers by end of 2006 – a 75% market share. The remaining 25% of the market share is split between the country's two other mobile operators. Niger's customers represent approximately 1% of MTC total customer base.

Niger has one of the lowest penetration rates in Africa, reaching a mere 4% out of a population of 12.5 million. In 2006, Celtel Niger offered coverage to over 7.8 million people – an increase of nearly 780,000 compared to 2005. The company added 40 base stations to achieve this. Celtel Niger introduced these new services in 2006: Friends&Family in March, Mobile Top-Up in April and Web 2 SMS by end of January.

In 2007, it is possible that there will be one or two new and low-cost entrant(s) in the market, following the telecom regulator of Niger's ambition to allow for new licenses.

Celtel Nigeria

Celtel Nigeria is MTC's largest operation by number of customers. In May 2006, the MTC Group acquired a majority stake of 65.7% of V-mobile, Nigeria's third largest mobile operator with a customer base of 5.4 million at the time. Within 100 days the company was re-branded to Celtel Nigeria. Celtel Nigeria has three other peers. In December 2006, the government of Nigeria offered Mubadala Development (UAE) a Spectrum License for 900 and 1800 Mhz. It is expected that the company will commence operations no later than end of 2007, increasing the number of peers to four.

In addition, the Nigerian Communications Commission (NCC) introduced the Unified Access Service License (UASL). To maximize this opportunity, Celtel Nigeria applied for and obtained a UASL which authorizes it to provide fixed telephony, national long distance, international gateway and International data access services. Additionally, the NCC has auctioned spectrum in the 2 Ghz bands which can allow for the deployment of 3G. Celtel Nigeria has acquired the spectrum and is expected to selectively launch 3G services soon.

Celtel Nigeria had a total of 6.4 million active customers by year end 2006, which represents an increase of 900,000 customers following the acquisition in May of that year. The operation which accounts for 24% of MTC's total customer base recorded record revenues of US$608.8 million. The operation's revenues accounted for close to 15% of the Group's total revenues. 2006 EBITDA for Celtel in Nigeria came to US$221 million since the same time of acquisition. Celtel Nigeria's average ARPU over 2006 was US $14.

By year end 2006, Celtel Nigeria had covered 69% of the population and 35% of the country. This represents coverage of major towns and communities across all 36 states and the six geo-political regions of the vast country. In particular, coverage in the oil-producing state of Bayelsa was significantly expanded during the year, with seven new sites added. At the end of 2006, Celtel Nigeria had 1,951 operational base stations compared with 1,137 the previous year, which represents an increase of 72%.

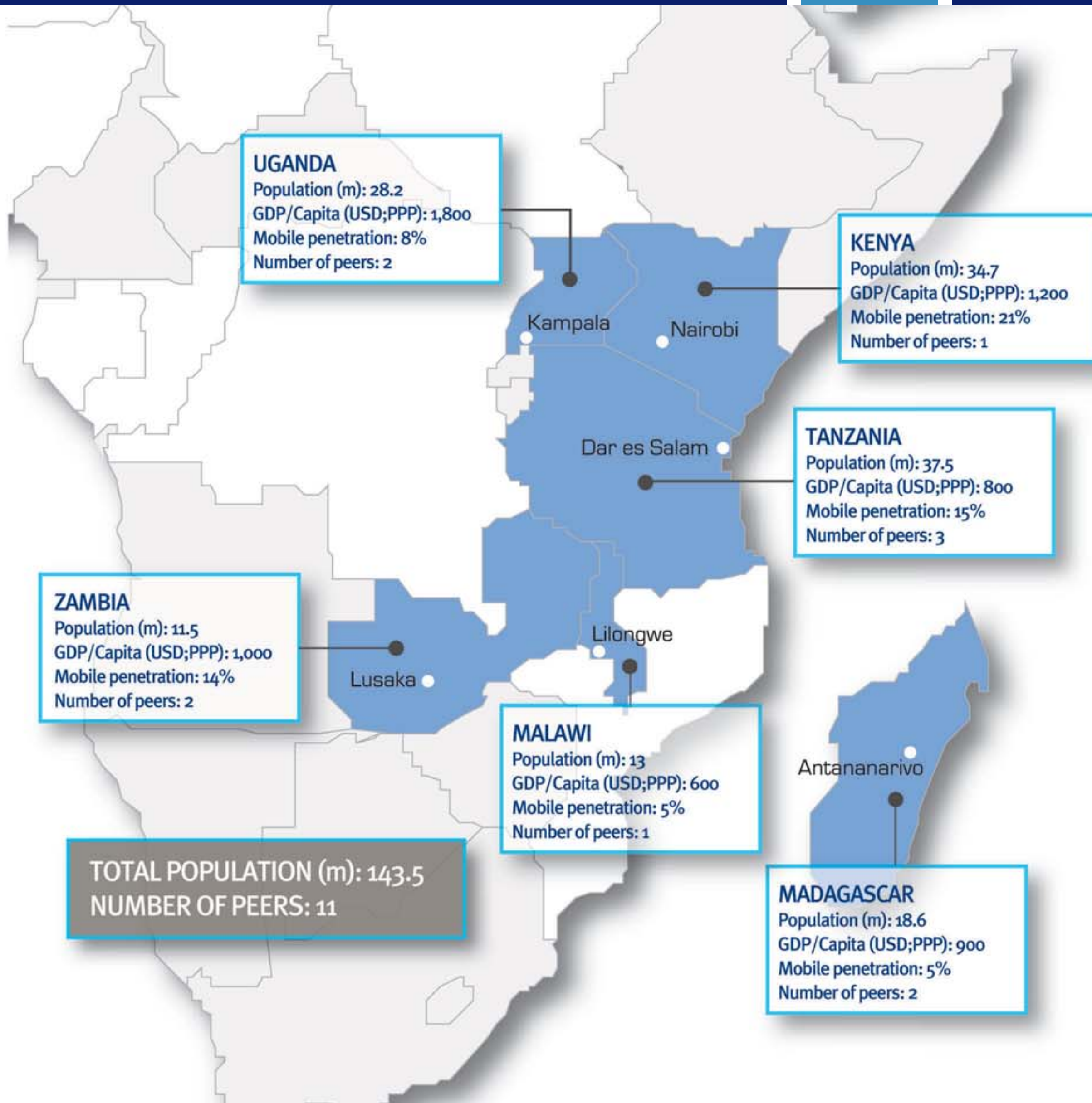
After the acquisition of the company by MTC, the operation embarked on an ambitious integration and transformation processes that led to changes in organizational structure, re-branding and a reorganization project culminating in a regionalized structure. The main objective of this re-organization was to increase market share and financial performance through the provision of strong leadership and commercial capability at the local level. This would enable Celtel Nigeria to provide its products and services more efficiently to customers across the country and quickly build awareness of the new Celtel brand.

Celtel Sierra Leone

Celtel Sierra Leone, launched in September 2000, is the market leader in the West African nation with 243,000 active customers by end of 2006 – a 56% market share. The remaining 44% of the market share is split between three other peers.

Sierra Leone's customers represent less than 1% of MTC total customer base.
Sierra Leone has a low penetration rate, reaching 9% out of a population of 6 million. In 2006, Sierra Leone's Telecom Act was passed and a new regulatory body was created. This promises to help further develop the telecom market of the country. Celtel Sierra Leone added 22 new base stations during the year, allowing for a coverage of 74% of the population.

2006 overview
eastern & southern africa



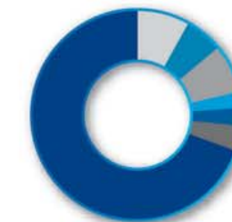
Celtel *[Eastern & Southern Africa]* - As of December 2006

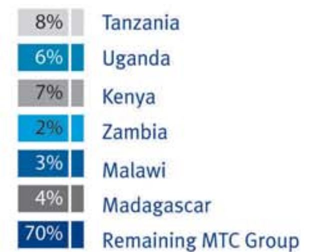
Operational	Ownership	Customers 2006 (000s)	Prepaid %	Customers 2005 (000s)	Customers Growth 2005-2006	Market Share
Tanzania	60%	1,517	99.6%	971	56%	33%
Uganda	100%	470	99.5%	291	62%	20%
Kenya	60%	1,939	98.1%	1,840	5%	28%
Zambia	88.8%	1,325	99.6%	700	89%	79%
Malawi	100%	357	99.0%	199	79%	61%
Madagascar	100%	331	95.8%	-	-	41%
Eastern & Southern Africa	-	5,939	-	4,001	48%	-

Financials	Revenues 2006 (USD m)	Revenues Growth 2005 - 2006	EBITDA 2006 (USD m)	EBIDTA%
Tanzania	170	27%	62.9	37%
Uganda	40	35%	0.2	1%
Kenya	174	11%	51.1	29%
Zambia	190	111%	84.6	44%
Malawi	42	43%	17.9	42%
Madagascar	36	-	11.7	33%
Eastern & Southern Africa	652	-	228	-

Population 2006

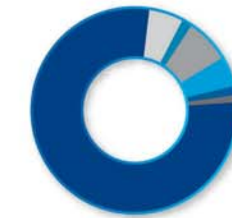
Total population: **470 million**





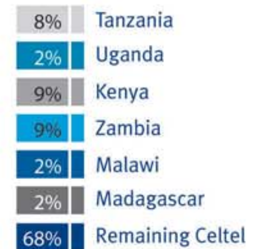
Active Customers 2006

Total active customers: **27.037 million**



Revenues 2006

Total Celtel revenues: **US$2,050 million**



flavors

EASTERN & SOUTHERN AFRICA

MTC's Eastern and Southern Africa region is where the company, through Celtel, first offered mobile services. With over 143 million people located in the six countries of this region and a low penetration rate, Eastern Africa not only has a major potential for future growth, but is also a pioneer of new technologies such as the One Network. The economies of the region, especially those of Kenya and Tanzania, have been rapidly increasing due to a budding tourism sector and trade from the agricultural and horticultural sectors. Additionally, Uganda, with a GDP per capita at US$1,800, witnessed impressive economic growth of 5%. The region's most populous nations are Tanzania and Kenya, representing half of the total population of the area.

MTC Group had a total of 5.93 million active customers in Eastern and Southern Africa at the end of 2006, reflecting an increase of 48% compared to the previous year. The customers in the region accounted for 22% of MTC's total customer base of 27.037 million. The largest contributor to the region's customer base was Kenya (33% of the region), followed by Tanzania (25%), Zambia (22%), Uganda (8%), Malawi (6%) and Madagascar (6%). The market which witnessed the highest growth in 2006 was Zambia, with an 89% increase in customers over 2005, closely followed by Malawi (79%) and Uganda (62%). Celtel Madagascar, which was acquired by end of 2005, will experience high growth in 2007 after the strategic development set in place by the management bears fruit. Zambia had the region's highest market share at 79%.

MTC's Eastern and Southern African region recorded revenues totaling US$652 million at the end of 2006. The revenues of the region accounted for approximately 16% of MTC's total revenues of US$4,167 million. The largest source of revenues of the region was Zambia (29%), followed by Kenya (27%), Tanzania (26%), Malawi (7%), Uganda (6%) and Madagascar (5%). Zambia registered an impressive increase in revenues in 2006, registering a 111% year-on-year growth in revenues.

Celtel Kenya

Celtel Kenya was acquired in November 2004 following the takeover of a majority interest in the mobile operator Kencel. There is only one other peer operating in the country and as of December 2006, Celtel's market share stood at 28% in Kenya. In 2006, a third mobile license was awarded to a consortium which were unable to raise the required license fee. The license will be retendered by the Communications Commission of Kenya (CCK). In 2006, Celtel Kenya and its peer were issued an international gateway licenses, allowing the companies to offer integrated services.

Celtel Kenya's customer base grew to 1.9 million by end of 2006, a 5% increase over 2005. The operation accounted for 7% of MTC's total customer base in the Middle East and Africa regions. Celtel Kenya's revenues reached a record US$174 million, an 11% increase over 2005. Average ARPU in Kenya is US$7, the lowest number of any Celtel operation in Africa. This was reflected in the EBITDA of US$51 million. Coverage by the Celtel network was increased by 15.7%, covering 79% of Kenya's population. This was achieved through the addition of 169 new base stations.

A customer campaign was launched under the slogan "Uhuru, the freedom to communicate without price discrimination." This campaign helped remove perceptions that Celtel Kenya's rates are higher than that of the competition. With the ambitious plans Celtel Kenya has set in motion, the operation is confident they can further drive growth in 2007.

Celtel Madagascar

Celtel Madagascar joined the group's portfolio in December 2005 when Madacom was acquired. The company was rebranded to Celtel Madagascar as of June 2006. Celtel Madagascar, with 331,000 customers, is the island's second largest mobile operator holding a 41% market share. The remaining 59% market share is shared between two other peers.
Celtel Madagascar's primary strategic objective is to dramatically increase network access and coverage of the local population. By end of year 2006, geographic and population coverage stood at 7% and over 25%, respectively. With short-term plans set in motion, Celtel Madagascar expects to cover 15% of the country and over 55% of the population by year end 2007 – thus significantly increasing its market positioning. Another key strategic initiative is to rapidly reinforce network quality, especially in provinces, as well as boost existing capacity and improve indoor coverage in dense urban areas such as the capital, Antananarivo, and provincial capitals.

Celtel Malawi

Celtel Malawi, launched in October 1999, is the country's leading mobile operator, holding a 61% market share. The remaining market is held by the country's only other peer. Celtel Malawi had more than 357,000 customers at the end of 2006, representing a 79% increase in customers over the previous year. Total revenues increased by 43% to US$42.2 million.
In November 2006, Celtel Malawi launched the new One4all mobile payphone service enabling street vendors to use a normal mobile handset as a public payphone and prepaid airtime recharge terminal. With offices in both the capital Lilongwe and Blantyre the company is continuing to offer quality services to the people of Malawi.

Celtel Tanzania

Celtel Tanzania, launched in November 2001, is the second largest operator in the Eastern and Southern African country with a 33% market share. The remaining market share is spread amongst Tanzania's three other operators. All of Tanzania's mobile operators were very active throughout 2006, introducing new services, reducing tariffs or launching customer promotions. The fixed line operator TTCL also launched mobile services in 2006. During the year, the government further liberalized the fixed and mobile telecom sectors including licensing CDMA services.
In this highly competitive environment, Celtel Tanzania launched a range of new services during the year to meet customer requirements. These services included GPRS EDGE (April), MMS (September), a low denomination top-up vouchers (July), Me2U service which allows transfer of airtime from one person to another (August), One Network (September), One4all Payphone Service (September) and Missed Call Alert service (September). In addition, population coverage was increased from 56% in 2005 to 64% in 2006. This was achieved by installing 191 extra base stations connecting an additional 55 towns throughout Tanzania now covered by the Celtel network.

Celtel Tanzania was the first mobile company to offer GPRS services in the country and the One Network platform was well received by the many customers travelling to the neighboring states of Uganda and Kenya. The customer promotion 'Win Your Dream' was well received.

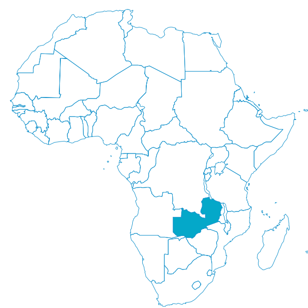
By year end 2006, Celtel Tanzania had 1.51 million active customers, an increase of 56% over the previous year. Average ARPU in 2006 was US$12 and EBITDA was US$62.9 million, an increase of 27% over the previous year. Revenues of Tanzania's operation reached a record US$169.5 million, an increase of 27% over 2005.

Celtel Uganda

Celtel Uganda, launched in 1995, was Celtel's first operation in Africa. With 470,000 customers by end of 2006, Celtel Uganda was the runner up in one of the most competitive

markets in the region. In addition to three existing operators, two new entrants were licensed in 2006, making Uganda a very competitive market.
To meet this new challenge, Celtel Uganda engaged its customers through various brand building activities such as the *"Build. Our Nation."* corporate social responsibility

program, donating books to schools in 56 districts, customer loyalty programs and the immensely popular "Win a House" promotion. As a result of adjusting the cost of getting connected, making SIM packs even more affordable, the introduction of lower denomination scratch cards and improved availability of top-up cards, customer numbers increased by 62% compared to 2005. Total revenues increased by 35% to US$39.7 million. Owing to these excellent results in 2006, Celtel Uganda became the country's second largest mobile operator. Celtel's One Network was also well received and improved customer loyalty from existing customers as well as winning over many new ones from our peers.



Celtel Zambia

Celtel Zambia, launched in 1998, was the best performing African operation of the Group. It registered record growth in all areas and was recognized by the Group's leadership as the African 'Operation of the Year' 2006. Celtel further strengthened its leadership position in Zambia by securing an 80% market share despite increased competition from its main competitor MTN. The company's strong performance in 2006 was underpinned by improved coverage which was extended to each of the countries' 72 districts in 2006, with accelerated rollout in the Eastern, Northern, and Copperbelt provinces. In addition, existing capacity in the main towns of Lusaka, Kitwe, Ndola, Solwezi, Chipata, Kasama and Mansa was expanded.

During the year under review, Celtel added 203 new base stations, up from 145 to a total of 358 base stations – a 147% increase. By the end of 2006, 65% of the Zambia's population of 11 million was under coverage, a 10% increase over the previous year. The number of customers adhered to Celtel Zambia remarkably increased from 700,000 in 2005 to 1.32 million in 2006, representing an 89% year-on-year increase. Total revenues were up by 111% from US$90.1 million to US$190.1 million. EBITDA also improved by 114%, from US$39.5 million to US$84.6 million. Finally, average ARPU for the year was US$16.

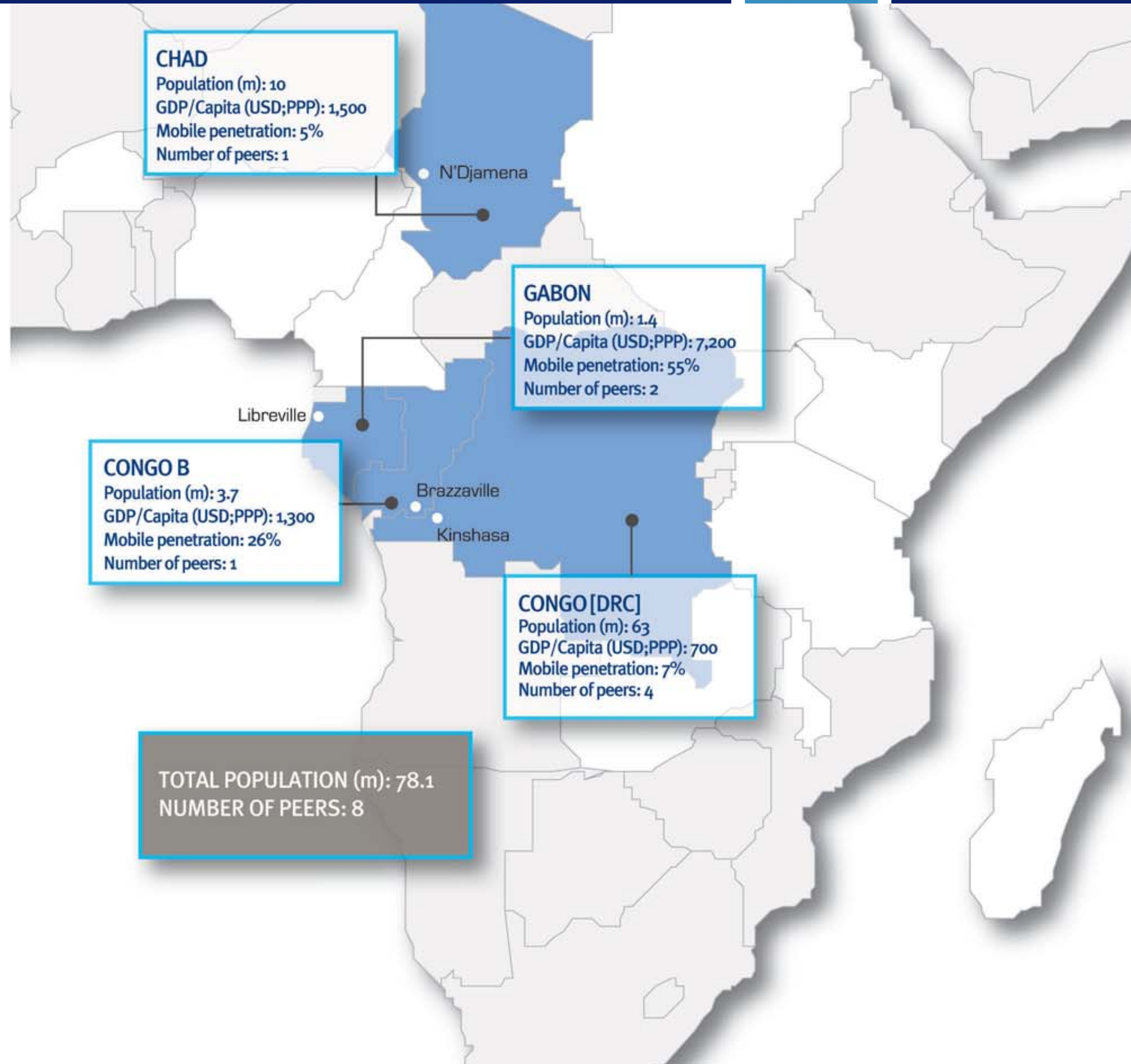
Celtel Zambia's success rests heavily on brand loyalty from the company's customers. The company actively supports community initiatives such as the promotion of music, art and culture as well as the sponsoring of 9 traditional community ceremonies. Additionally, Celtel was involved in the first Zambian Idols program, called Star Search. In 2006, Celtel Zambia introduced ME2U in February, Mobile Top Up in October and GPRS/EDGE in December.

One Network

Celtel is the only mobile operator in East Africa with a presence in Kenya, Uganda and Tanzania. The Group's aim is to be the leading mobile network operator by capitalizing on our unmatched presence across the region and provide customers with the same user experience throughout East Africa.

For generations communities that live across the national borders in East Africa have moved between all three countries. One Network is the first ever borderless mobile network offering a cost-effective, convenient solution suited to customers' regional communications needs. By taking advantage of Celtel's unique regional presence, Celtel customers can use any Celtel SIM card across all 3 countries in East Africa, receive incoming calls for free and make calls at local rates whichever East African country they are in. The One Network service was launched by Celtel in September 2006 and was praised internationally.

2006 overview
central africa



Celtel *[Central Africa]* - As of December 2006

Operational	Ownership	Customers 2006 (000s)	Prepaid %	Customers 2005 (000s)	Customers Growth 2005-2006	Market Share
Gabon	84%	514	99.3%	365	41%	67%
Congo [DRC]	98.5%	1,833	99.9%	1,178	56%	49%
Congo B	90%	683	99.8%	378	81%	71%
Chad	100%	348	99.8%	222	57%	67%
Central Africa	-	3,378	-	2,143	58%	-

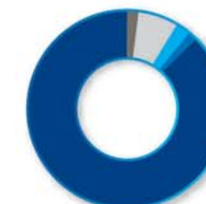
Financials	Revenues 2006 (USD m)	Revenues Growth 2005 - 2006	EBITDA 2006 (USD m)	EBIDTA%
Gabon	165	44%	89	54%
Congo [DRC]	253	33%	91	36%
Congo B	144	56%	57	39%
Chad	65	31%	26	40%
Central Africa	627	-	263	-

Population 2006

Total population: **470 million**

Active Customers 2006

Total active customers: **27.037 million**



Revenues 2006

Total Celtel revenues: **US$2,050 million**

2006 overview
central africa

vision

CENTRAL AFRICA

MTC's Central Africa region is of prime importance for the Group. With over 78 million people located in the four countries of this region and a low penetration rate , Central Africa has a major potential for future growth. Additionally, MTC can learn from valuable experiences in Gabon, a low-population country which stands out from other African nations since it has one of the highest GDP per capita and penetration rates on the continent. On the other extreme, MTC can also showcase its knowledge of mobile telecommunications in Congo DRC – a high populated country with a low penetration rate and a highly competitive atmosphere.

MTC Group had a total of 3.38 million active customers in Central Africa at the end of 2006, reflecting an increase of 58% compared to the previous year. The customers in the Central African region accounted for 12% of MTC's total customer base of 27.037 million. The largest contributor to the region's customer base was Congo DRC (54% of the region), followed by Congo Brazzaville (20%), Gabon (15%) and Chad (11%). The market which witnessed the highest growth in 2006 was by far Congo Brazzaville, with an 81% increase in customers over 2005. Congo Brazzaville is also the Central African nation with the highest market share at 71%, closely followed by Gabon and Chad, both at 67%.

MTC's Central African region recorded revenues totaling US$627 million at the end of 2006. The revenues of the Central African region accounted for 15% of MTC's total revenues of US$4,167 million. The largest source of revenues of the region was Congo DRC (40%), followed by Gabon (26%), Congo Brazzaville (23%) and Chad (11%). Congo Brazzaville registered the highest increase in revenues at 56%, followed by Gabon at 44%.

Celtel Congo Brazzaville

Celtel Congo Brazzaville, launched in December 1999, is the premier operator of the country with a 71% market share. However, competition in Congo Brazzaville is set to become very aggressive with peers launching operations soon. In 2006, a 3G license was awarded to Celtel Congo's peer Warid Telecom.

2006 was a very successful year for Celtel Congo Brazzaville, showcasing its willingness to consolidate its leading market position. The company welcomed more than 300,000 new customers to its network, an 80% increase compared to the previous year thus bringing the total number of active customers to 683,000. Additionally, the operation significantly increased the population coverage by 12% - reaching 77% coverage – by adding 59 base stations. A number of semi-urban and rural communities were added during the year including Zanaga, Kimongo, Sembe, Hinda and Mindouli.

Celtel Congo Brazzaville's total revenues increased by 56% reaching US$144 million in 2006, up from US$57 million the previous year. EBITDA also increased by 56% to US$ 56.6 million. In 2006 Celtel Congo Brazzaville added a number of services including Me2U (May), Know it All (June), M voucher (November) and low denomination top-up cards (October).

Celtel Gabon

Celtel Gabon, launched in June 2000, is the undisputed leader in the prosperous Central African nation, holding a 67% market share. The remaining market share is

split between two peers. In 2006, Gabon's regulator stimulated the nascent market for data communications by awarding 5 Wi-Max licenses. Additionally, the incumbent fixed line state owned operator and its mobile subsidiary underwent a privatization process in 2006 and were privatized in the first quarter of 2007, further supporting the development of the nation's telecommunications industry.

Celtel Gabon further expanded the coverage of the local population, increasing it from 67% in 2005 to 76% in 2006. In practical terms this means that all villages with 1,000 inhabitants or more now have access to Celtel Gabon's mobile services – making Gabon the country with the highest population coverage in Africa within the MTC Group. The increase in population coverage was achieved through the installation of 74 new base stations.

Celtel Gabon recorded a 41% increase in customers, reaching 514,000 in 2006 compared to 365,000 in 2005. Celtel Gabon's customers represent some 2% of MTC's total customer base in the Middle East and Africa regions. Total revenues increased by 44% to US$164.6 million and EBITDA was up by 55% to US$88.7 million for the full year.
Celtel Gabon developed a number of initiatives to support customer demand which

included distribution of Celtel-branded low cost handsets as payphones and a sharp discount on SMS service which resulted in a tenfold increase of SMS traffic. Celtel Gabon also launched GPRS services in December 2006, making it the country's first mobile operator to offer mobile internet.

Celtel DRC

Celtel Democratic Republic of Congo (DRC) first launched its services in December 2000. The Central African operation is the country's market leader with a 49% market share. The remaining market share is spread amongst the country's four other peers. Celtel DRC's market share slightly dropped in 2006 due to the emergence of the Congo Chinese Telecom, an ultra low cost mobile operator, whose market share increased from 3.5% to 7%.
Celtel DRC worked diligently to increase population coverage from 30.6% to 35.5%. This is no small accomplishment when one considers that DRC is bigger in size than Western Europe. Celtel erected 65 additional base stations adding 20 cities to its footprint.

The company deployed strategies to strengthen its appeal in the mass market, corporate and pay phone segments. In 2006, Celtel DRC's customer base increased by 56% to 1.8 million customers – a net addition of 655,000. Celtel DRC's customer base represented some 7% of MTC's total customer base in the Middle East and Africa regions. Total revenues increased by 33% to US$253.2 million and Celtel DRC's total EBITDA in 2006 reached US$91 million, an increase of 30% compared to the previous year.

With a special focus on corporate customers, Celtel DRC was able to increase revenues from this segment by more than 300%. Additionally, a restructured pay phone offer also yielded strong results, registering an impressive 700% jump in revenues for this segment compared to 2005.

It is noteworthy to state that in November 2006, the DRC held its first democratic Presidential elections since the country's independence in 1960. The overall process was considered to be a historical milestone for the third largest country in Africa and sets the stage for a more prosperous future after a decade of war and insecurity.

Celtel Chad

Celtel Chad, launched in October 2000, is the clear mobile leader in Chad with an approximate market share of 67%. The company invested heavily in expanding network coverage in 2006: geographical coverage increased by 44% during 2006 and the population under coverage increased by 25% to 3.6 million. More than 43% of the country's population now has access to Celtel's network. During 2006 Celtel Chad added 29 towns to its coverage including Mao, Bol and Bitkinde. With the exception of the Eastern part of the country, Celtel Chad now covers all of the major regions. The Eastern region will be added when security concerns can be adequately addressed. Towards the end of the year Celtel Chad ran a major brand building campaign, the highlight of which was a concert by a well-known local artist Magic System.

Celtel Chad added 126,400 active customers in 2006, bringing the total customer number to 348,400 – an increase of 57% compared to 2005. Total revenues increased by 31% to US $65.4 million and EBITDA was up by 30% to reach US$26.3 million.

marketing

middle east

kuwait

bahrain

iraq

jordan

marketing

sudan

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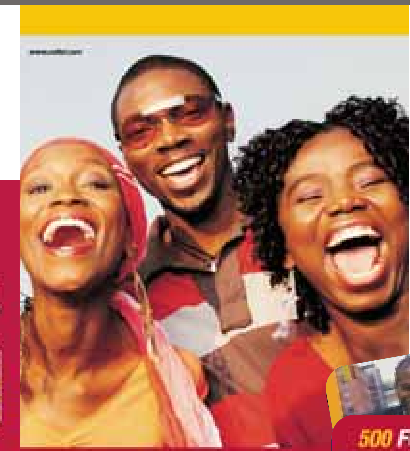
celtel



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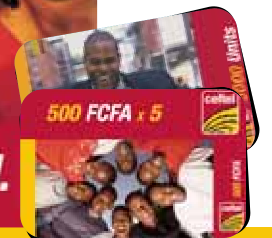

Join. Our world.

celtel

Build. Our nation.

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Amorcer. L'innovation.

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corporate social responsibility

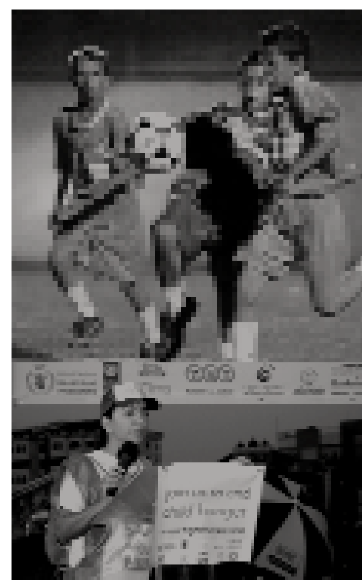
Moving Forward

MTC believes that a well-focused Corporate Social Responsibility (CSR) strategy is the hallmark of a truly great company. Currently, all our CSR related activities are undertaken at the level of the operating companies across Africa and the Middle-East. With the recent launch of CSR at a Group level, we will be able to have an even greater impact by acting as one team, by clarifying our priorities and communicating them even more effectively.

The first step to this new strategy will be to listen and learn from the experience and knowhow of our existing CSR departments, while unifying our approach to reach shared goals. The aim for 2007 will be to focus on a single comprehensive CSR strategy for the Group and its operations in order to enhance the effectiveness of the resources and finances allocated to MTC's CSR program.

In 2006, MTC's Middle Eastern operations focused their CSR activities in the fields of Health, Education, the Community and the Environment. MTC's African subsidiary, Celtel International, primarily focused on Education and Health through its successful *Build.Our Nation.* program.

Here is what each of our operators' CSR activities achieved:



MTC-Vodafone [Kuwait]

MTC Kuwait's aim in 2006 was to form a bond with the community and sponsor programs that would create a sustainable impact on society and establish a legacy of goodwill for MTC across Kuwait. Underpinning all the activities that were undertaken was the desire to have a meaningful and sustainable impact. A key activity in 2006 was the partnership with Loyac and Injaz, the Middle Eastern arm of the world renowned Junior Achievement Program, a non-profit economic education organization teaching youth about free enterprise, business, and employment. The program encompasses sustainability which is key to corporate responsibility.

As part of its endeavor to support health care, MTC Kuwait supported the "Beit Abdallah" a home for children with cancer. In doing so, MTC Kuwait was able to bring attention to the plight of children with cancer and the efforts to alleviate their suffering something that is uncommon in Kuwait.

Fastlink [Jordan]

Fastlink's CSR strategy aims at helping develop Jordan and its citizens. Fastlink strongly believes in reaching out to communities, supporting national initiatives and launching projects that contribute to the development of several sectors through education, sports, health, art and culture.

Among Fastlink's CSR activities in 2006 were several initiatives in the educational sector such as the increase in educational grants to 41 annual grants benefiting 20 poverty pockets around Jordan. This initiative was the continuation of Fastlink's Education Fund launched in 2004 which provides educational grants to gifted, underprivileged students. 2006 also witnessed the launch of a series of digital centers in Jordan and Palestine with the aim of advancing economic and social reforms through introducing technology into all segments of society. The digital centers are aimed at developing human resources and enhancing skills of individuals in the ICT sector. Fastlink also sponsored the National Children's Museum of Jordan, one of the first interactive museums in the Kingdom providing a breakthrough in early childhood learning and education. Fastlink also opened a Mobile Communication Laboratory at the Jordan University for Science and Technology.

In the health field, Fastlink continued to dispatch its highly successful Mobile Clinic to rural areas. This program - launched in 2002 - provides rural children with free medical care and consultation. Fastlink also continued its annual fund raising campaign in support of the King Hussein Cancer Center.

In the fields of Youth and Sports, Fastlink has become one of the main sponsors of football in Jordan. As part of an on-going initiative to enhance the skills and talents of the young launched in 2004, Fastlink has sponsored football tournaments known as "Harat Fastlink". Fastlink also continued its support for basketball through the Jordanian basketball team which reached the prestigious Asian Cup in June 2006.

In support of social development and the community, Fastlink launched an emergency aid fund in cooperation with the Ministry of Social Development which provides assistance to underprivileged families. Fastink also continued its annual tradition of serving iftar meals to the poor during the holy month of Ramadan in five of the Kingdom's governorates.

MTC-Vodafone [Bahrain]

MTC Vodafone Bahrain's principal activity was the extremely successful sponsorship (BD 310,000) and support of the branded MTC Vodafone e-learning center at the University of Bahrain – a highly advanced technological center developed in cooperation with the University of Bahrain. The centre's purpose is to provide students with advanced web-based learning tools and to promote the culture and concepts of e-learning. The centre will cater to nearly 17,000 students and faculty on an annual basis.

Additionally, more than BD 200,000 was allocated for various day care centers that are sustaining support services for children with special needs. For example, Al Wafa Center assists the development of children who suffer with autism; Al Rahma Center provides comprehensive services and programs for severely mentally disadvantaged children in the form of regular day care. Bahrain Down Syndrome Society provides direct and indirect support to individuals with Down Syndrome plus their parents and families, Sneha Centre, Prince Sultan for Children with hearing impairment and much more.

Under the banner of Back to School Festival, MTC-Vodafone distributed for the third consecutive year more than 50,000 school bags to students in the 5 governorates of the Kingdom of Bahrain.

MTC Atheer [Iraq]

Under very difficult security circumstances in 2006, MTC Atheer was able to conduct numerous CSR activities in support and aid of Iraq and the Iraqi people through cultural development, sports and humanitarian support.

For the development of culture, MTC Atheer provided sponsorship for the Iraqi National Symphony Orchestra and supported the National Acting group. MTC Atheer supported the Iraqi Music Group's participation in the 15th Arab Music Festival held in Cairo in November 2006. MTC's Iraqi operation also sponsored the summer course of the Iraqi Music & Ballet School.

In sports, the company has been supporting the Iraqi Olympic Football team on an on-going basis since 2004 and in 2006 it sponsored the team's participation in the Doha Asian games held in Qatar. The company also sponsored several local teams and sports clubs.

In addition, financial support was awarded to several humanitarian organizations operating in Iraq. For example, sponsorship of the International Day for Orphans as well as a blood drive was conducted in 2006. On a medical level, MTC also sponsored the medical treatment of several patients outside of Iraq.

In the field of education, MTC Atheer sponsored the rebuilding and renovation of several universities and also distributed academic material to schools and universities in need of such donations.

MTC Touch [Lebanon]

MTC Touch Lebanon's support of health care was achieved through its sole sponsorship of a book of children's quotes named "The Little Book of Love Quotes" which contributed to treating 200 children, through generating US$22,695 from sale proceeds which went to the Brave Heart Fund at the AUB Medical Center, a fund to help children who have Congenital Heart Disease (CHD). In addition, MTC Touch's community support activities in 2006 included support for several sports events with humanitarian natures; the Tyre International Half Marathon, the 5km "Run for a Mine-Free Lebanon", and the annual "Walk with Al Younbouh" event organized by Al Younbouh Center for the rehabilitation of mentally disabled young adults. The Al Younbouh event also witnessed the actual participation of several MTC Touch employees, further implementing CSR activities through encouraging employees to participate in community benefiting events.

Mobitel [Sudan]

In January 2006, Mobitel supported the dispatch of a medical convoy to Darfur by a local NGO known as Darfur Organization. Mobitel's support was in the form of a cash payment. In late 2005, Mobitel launched the "Mobitel Ambulance Project" which saw the distribution of 8 branded ambulances to state hospitals. In the education field, Mobitel donated 6 wide plasma screens to 6 nationwide universities. Mobitel also participated in several community care projects in 2006. Among these projects were: a water project, a project to construct artesian wells, a minibus donation to the Deaf and Mute Rehabilitation Center in Khartoum, and support for Iftar meals during the holy month of Ramadan in student dorms in Khartoum and the North Kordfan States.

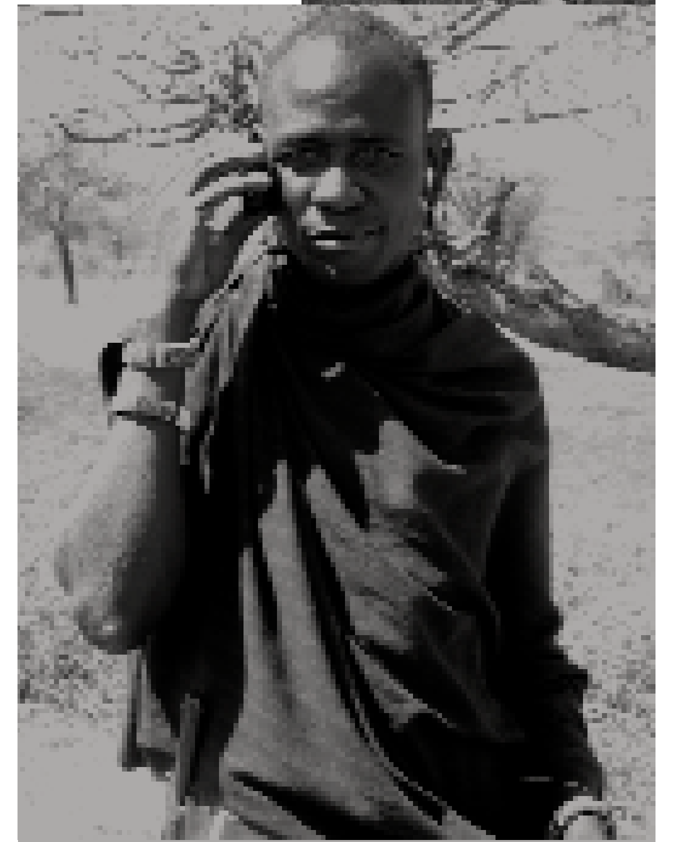
Celtel [14 African nations]

Two years ago Celtel's *Build.Our Nation.* programme started in Tanzania and since then it has been expanded into Burkina Faso, Chad, Democratic Republic of Congo, Gabon, Kenya, Malawi, Niger, Republic of Congo, Sierra Leone, Uganda and Zambia. The programme supports government-owned and community schools through the donation of books and educational supplies as support for under privileged students. This is now Celtel's flagship corporate social responsibility programme and in 2006 the company spent more than US$ 1,000,000 across Africa donating books and other school supplies. In some countries our African operations have assisted with the improvement of school buildings and facilities.

In Tanzania, the *"Build. Our Nation."* program started a scholarship program to 8 students giving them admission to Tanzanian universities. In 2006, this scholarship program was expanded to 16 students majoring in engineering or arts.

Education was selected to be the focus of the Group's African corporate social responsibility programme because we believe that the future of Africa depends on the children of today and giving them access to educational tools is the best investment for the future. By donating books and educational supplies, the *"Build. Our Nation."* programme directly supports the United Nations Millennium Development Goal of ensuring that by 2015, all children everywhere will be able to complete primary education.

Additional corporate social responsibility programmes in 2006 included providing neonatal and paediatric equipment to DRC's largest hospital, the General Hospital of Kinshasawhere previously there had been insufficient medical equipment to handle the number of babies born. Celtel invested US$315,000 in the country to refurbish roads surrounding the National Technical Centre and to build a bridge across the Bitshakutshaku River which has made people's lives better.



In Kenya we were among the first companies to donate emergency relief following the famine and floods which ravaged many parts of the country, which had left an estimated one third of the population without food. With the assistance of the Kenya Red Cross Society Celtel donated relief food worth Kshs 20 million (US$ 290,000) to assist 6 million people in 10 districts that were hard hit by the famine. Celtel also donated mobile phone handsets and airtime to assist the relief workers in co-ordinating the food distribution exercise. Kenya's President Mwai Kibaki received the cheque to fund relief activities from Celtel Kenya at his official residence, State House, in Nairobi. When receiving the cheque he commended Celtel and urged other companies to follow its example. As an additional part of the famine relief effort, Celtel donated a further Kshs 16 million (US$ 230,000) towards the drilling of boreholes and shallow wells to ease the water shortage in the three worst effected districts where 71% of households have no access to safe drinking water. Celtel worked in partnership with the African Medical Relief Foundation (AMREF) to drill the boreholes.

In Madagascar and Nigeria we made donations worth more than US$ 350,000 of medicines, food and school equipment to communities and children's charities in the capital city and the main cities in the provinces through non-governmental associations and local authorities.

We have sponsored toll free lines providing free education on HIV/AIDS in Madagascar and Tanzania which has enabled young people to get health information on a confidential basis. In Nigeria we sponsored a toll free line for a national charity for guidance and counselling on Breast Cancer.

In the aftermath of Sierra Leone's civil war, we donated sports equipment, farming and cleaning tools to youth organisations in the main towns in four districts Kabala, Kailahun, Moyamba and (Pujehun) Zimmi. The tools enabled the youth in these towns to engage in farming and to make environmental improvements to their villages. In addition, we donated money for the purchase of a mammogram screening machine at the Connaught Hospital, one of the oldest hospitals in Sierra Leone. The machine is the first of its kind in the country.

mtc awards

2005

March Dr. Saad Al Barrak chosen as Middle East ICT CEO of the Year [Middle East Excellence Awards Institute]

May MTC Group and Connectiva win Best Revenue Assurance Project Award [Institute for International Research]

Nov. MTC wins the Infrastructure Deal of the Year award for the MTC/Celtel transaction [Africa Practice]

2006

Jan. MTC wins the 2005 Emerging Markets Deal of the Year award for the Celtel acquisition [Telecom Finance]

May Dr. Saad Al Barrak receives Lifetime Achievement Award [Arab Economic Forum]

Sept. MTC wins 4 prestigious awards from regional telecom magazine [CommsMEA]:
- Best Middle East Mobile Operator of the Year
- Best Telecom Deal of the Year
- Best Non-Voice Service
- Lifetime Achievement Award [Dr. Mohamed Ibrahim of Celtel]

2007

Feb. Dr. Mohamed Ibrahim receives 2007 GSM Association Chairman's Award for helping the world to hear Africa's voice [GSMA]

Feb. MTC wins Best Murabaha Deal award [Euromoney]

March MTC Touch Chief Technical Officer Roula Abu Daher wins Middle East ICT Woman of the Year [Middle East Excellence Awards Institute]

March MTC Kuwait wins ITP's 2007 Best Operator of the Year award in Kuwait [Arabian Business Magazine]

financial report

Mobile
Telecommunications
Company KSC
and subsidiaries
Kuwait

Consolidated Annual
Financial Statements and
Independent Auditors'
Report

31 December 2006

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financial report

Mobile Telecommunications Company KSC
Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Report on the Financial Statements

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PricewaterhouseCoopers

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hlbkuwait.com

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company KSC ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2006, the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Group and the consolidated 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 that the consolidated financial statements incorporate all information that is required by 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 violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association have occurred during the year ended 31 December 2006 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. 62A
PricewaterhouseCoopers

Adel Mohammed Al Sanea
Licence No. 86A
Kuwaiti Accountant Auditing
A member of HLB International

Kuwait
18 February 2007

Consolidated Balance Sheet as of 31 December 2006

	Note	2006	2005(Restated) (KD'000)
ASSETS			
Current assets			
Cash and bank balances	4	474,322	292,879
Trade and other receivables	5	184,485	80,021
Inventories	6	14,791	7,025
Investment securities	7	18,455	14,566
Total current assets		692,053	394,491
Non-current assets			
Deferred tax assets	8	40,618	6,723
Investment securities	7	134,842	147,111
Investment in associates	9	8,026	236,383
Property and equipment	10	1,090,029	499,853
Intangible assets	11	1,504,773	756,838
Other financial assets	12	6,648	14,908
		2,784,936	1,661,816
Total assets		3,476,989	2,056,307
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	426,605	240,915
Due to banks	14	460,721	248,417
Due to minority interest holders	16	155,262	–
		1,042,588	489,332
Non-current liabilities			
Due to banks	14	921,117	190,342
Deferred tax liabilities	8	9,980	5,879
Other non-current liabilities	15	16,022	21,016
Due to minority interest holders	16	–	131,154
		947,119	348,391
Equity			
Attributable to Parent Company's shareholders			
Share capital	17	126,182	109,723
Treasury shares	17	(15,576)	(15,576)
Share premium	17	624,465	624,465
Legal reserve	17	63,091	54,862
Voluntary reserve	17	63,091	54,862
Foreign currency translation reserve		(24,352)	2,352
Investment fair valuation reserve		41,778	55,540
Share based compensation reserve		5,736	–
Retained earnings		480,367	299,512
		1,364,782	1,185,740
Minority interest		122,500	32,844
Total equity		1,487,282	1,218,584
Total Liabilities and Equity		3,476,989	2,056,307

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

Asa'ad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Deputy Chairman – Managing Director

Consolidated Statement of Income – Year ended 31 December 2006

	Note	2006	2005(Restated) (KD'000)
Revenue	18	1,210,407	579,496
Cost of sales		(187,721)	(90,741)
Gross profit		1,022,686	488,755
Distribution, marketing & operating expenses		(336,515)	(158,396)
General and administrative expenses		(115,829)	(56,079)
Depreciation and amortization	10,11	(150,652)	(66,326)
Goodwill written off on disposal of shares in subsidiaries	3	(5,785)	(1,663)
Provision for impairment – trade and other receivables		(2,921)	(7,075)
Operating profit		410,984	199,216
Interest income		18,254	4,613
Investment income	19	7,810	20,930
Share of profit of associates (net)		5,825	25,300
Other income		9,505	4,213
Finance cost		(88,084)	(50,224)
Gain from currency revaluation		3,396	5,191
Board of Directors' remuneration		(28)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences		(3,045)	(1,811)
National Labour Support Tax	20	(4,319)	(2,877)
Profit for the year before income tax		360,298	204,523
Income tax expense of subsidiaries	21	(34,972)	(28,912)
Profit for the year from continuing operations		325,326	175,611
Discontinued operations			
Profit for the year from discontinued operations		–	10,995
Profit for the year		325,326	186,606
Attributable to:			
Shareholders of the Parent Company		305,298	181,912
Minority interest		20,028	4,694
		325,326	186,606
		Fils	Fils
Basic earnings per share	22		
From continuing operations		247	171
From discontinued operations		–	11
For the year		247	182
Diluted earnings per share	22	246	182

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

Consolidated Statement of Changes in Shareholders' Equity - 31 December 2006

	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	Share based compensation on reserve	Retained earnings		
											KD '000
Balance at 1 January 2006	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	–	299,512	32,844	1,218,584
Net exchange differences		–	–	–	–	(26,704)	–	–	–	(742)	(27,446)
Realised loss on available- for-sale investments (net)	–	–	–	–	–	–	39	–	–	–	39
Changes in fair value of available-for-sale investments	–	–	–	–	–	–	(13,801)	–	–	–	(13,801)
Share based compensation (Note 24)	–	–	–	–	–	–	–	5,736			5,736
Net income / (expense) recognised directly in equity	–	–	–	–	–	(26,704)	(13,762)	5,736	–	(742)	(35,472)
Profit for the year from continuing operations		–	–	–	–	–	–	–	305,298	20,028	325,326
Total recognised income/(loss) for the year		–	–	–	–	(26,704)	(13,762)	5,736	305,298	19,286	289,854
Transfer to reserves	–	–	–	8,229	8,229	–	–	–	(16,458)	–	
Business combinations	–	–	–	–	–	–	–	–	–	74,281	74,281
Sale/ Purchase of shares to/ from minority interest (net)	–	–	–	–	–	–	–	–	–	854	854
Share of put option liability - Zambia	–	–	–	–	–	–	–	–	–	(1,827)	(1,827)
Issue of bonus shares (2005)	16,459	–	–	–	–	–	–	–	(16,459)	–	–
Cash dividends (2005)	–	–	–	–	–	–	–	–	(91,526)	(2,938)	(94,964)
Balance at 31 December 2006	126,182	624,465	(15,576)	63,091	63,091	(24,352)	41,778	5,736	480,367	122,500	1,487,282
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 (as restated) Note 31	–	–	–	–	–	–	–	170,917	4,694	175,611	
Profit from discontinued operations	–	–	–	–	–	–	–	–	10,995	–	10,995
Total recognised income for the year	–	–	–	–	–	3,054	25,460	–	181,840	4,258	214,612
Issue of share capital	54,301	624,465	(11,548)	–	–	–	–	–	–	3,095	670,313
Transfer to reserves	–	–	–	5,532	10,129	–	–	–	(15,661)	–	–
Business combinations	–	–	–	–	–	–	–	–	–	25,193	25,193
Issue of bonus shares (2004)	3,626	–	–	–	–	–	–	–	(3,626)	–	–
Cash dividends (2004)	–	–	–	–	–	–	–	–	(81,198)	(1,708)	(82,906)
Balance at 31 December 2005 (restated)	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	–	299,512	32,844	1,218,584

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

Consolidated Statement of Cash Flows - year ended 31 December 2006

	2006	2005 (Restated)
		(KD'000)
Cash flows from operating activities		
Profit for the year before income tax		
(2005 - includes profit from discontinued operations)	360,298	215,518
Adjustments for:		
Depreciation, and amortization and goodwill written off	156,437	67,989
Provision for contingencies	–	(4,541)
Finance cost	88,084	50,224
Interest income	(18,254)	(4,613)
Investment income	(7,810)	(20,930)
Share of profit of an associate	(5,825)	(25,300)
Gain from currency revaluation	(3,396)	(5,190)
Gain on sale of property and equipment	1,062	(4)
Profit on sale of subsidiary	(268)	(10,995)
Operating profit before working capital changes	**570,328**	**262,158**
Decrease in trade and other receivables	177,980	10,613
Increase in inventories	(5,145)	(197)
Increase in trade and other payables	85,804	30,219
Increase/ decrease in other non-current liabilities	2,287	(4,809)
Cash generated from operations	831,254	297,984
Payments:		
Income tax	(31,146)	(10,833)
Board of Directors' remuneration	(28)	(28)
Kuwait Foundation for Advancement of Sciences	(1,851)	(1,239)
National Labour Support Tax	(2,877)	(2,403)
Net cash from operating activities	**795,352**	**283,481**
Cash flows from investing activities		
Proceeds from sale of investment securities	4,144	60,875
Acquisition of investment	(8,136)	(20,138)
Proceeds from sale of subsidiaries	268	15,813
Acquisition of subsidiaries (Note 29)	(529,441)	(839,372)
Acquisition of property and equipment (net)	(441,764)	(130,186)
Acquisition of intangible assets	(37,292)	(13,616)
Interest received	15,879	4,062
Net cash used in investing activities	**(996,342)**	**(923,162)**
Cash flows from financing activities		
Proceeds from/(repayment) of bank borrowings (net)	545,451	228,602
Minority shareholder's capital contribution - Bahraini subsidiary	–	3,095
Proceeds from issue of share capital	–	667,218
Dividends paid	(93,321)	(83,447)
Finance cost paid	(92,136)	(37,552)
Net cash from financing activities	**359,994**	**777,916**
Net increase in cash and cash equivalents	159,004	138,235
Effects of exchange rate changes on cash and cash equivalents	11,272	(375)
Cash and cash equivalents at beginning of year	292,879	151,472
Cash with Celtel Stichting International (Note 24)	11,167	3,547
Cash and cash equivalents at end of year (Note 4)	**474,322**	**292,879**

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

Notes to the Consolidated Financial Statements - 31 December 2006

1. Incorporation and activities

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 19 other countries (2005: Kuwait and 18 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.

These consolidated financial statements have been approved for issue by the Board of Directors of the Parent Company on 18 February 2007 and are subject to approval of the shareholders at the forthcoming Annual General Meeting.

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 (IFRIC). 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” and revaluation of previously held interests arising from a business combination achieved in stages. These consolidated financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

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 30.

In 2005 the Group used provisional values to account for business combinations that took place in that year and completed the purchase price allocation (PPA) in 2006. Previous year figures have been restated as disclosed in Note 31 to give effect to adjustments arising from the PPA.

2.2 Changes in accounting policies

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 7 Financial Instruments: Disclosures
- IFRIC Interpretation 8 Scope of IFRS 2
- IFRIC Interpretation 9 Reassessment of Embedded Derivatives
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment
- IFRIC Interpretation 11 IFRS 2 – Group and Treasury Share Transactions

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. The application of IFRIC 8, 9, 10 and 11, which will be effective for the year ending 31 December 2007, is not expected to have a material impact on the financial statements of the Group.

Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The purchase method of accounting is used to account for business combinations. 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.

When a business combination is achieved in stages, each exchange transaction is treated separately and the cost of the transaction and fair value information at the date of transaction is used to determine the amount of goodwill associated with the transaction. An adjustment is made to recognise previously held interests at their fair values on the date of the latest exchange transaction which is accounted for as a revaluation.

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

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within twelve months from the acquisition date.

2.3 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.

2.4 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 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”. 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 (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

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

Financial assets “carried at fair value through profit or loss” are divided into two sub categories: financial assets held for trading, and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments, in which case they are classified as “at fair value through profit or loss”.

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/ equity

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

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. For available for sale equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

2.5 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.

2.6 Inventories

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

2.7 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws in each jurisdiction.
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.

2.8 Investments in associates

Associates 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 initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognises in the statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.9 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
Aircraft	10
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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.10 Intangible assets and goodwill

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 telecom license fees, customer contracts and relationships, key money and software rights. Intangible assets with indefinite useful lives are not subject to amortisation and are tested at least 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. Customer contracts and relationships are amortised over a period of three years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable 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 at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

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.

2.11 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.

2.12 Share-based payment transactions

The Group operates both an equity settled and a cash settled, share based compensation plan. The cost of these 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. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in equity in the case of equity settled plans and in liability in the case of cash settled plans. The cost of equity settled plan is measured with reference to the fair value at the date on which they are granted using an option pricing model, which is then recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any in the statement of income, with a corresponding increase or decrease in equity.

2.13 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.

2.14 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.

2.15 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.

2.16 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 using the effective yield method and dividend income is recognized when the right to receive payment is established.

2.17 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.

2.18 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is generally their respective national currencies. 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.

2.19 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.

2.20 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	
		2006	2005
Mobile Telecommunications Company International B.V. - "MTCI"	The Netherlands	100%	100%
Pella Investment Company - "Pella"	Jordan	96.516%	96.516%
MTC Vodafone Bahrain B.S.C (Closed) - "MTCB"	Bahrain	60%	60%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%	100%
Associate			
Atheer Telecom Iraq Limited - "Atheer"	Cayman Islands	30%	30%

MTCI holds 100% of Celtel International B.V Netherlands (Celtel) which is a Dutch holding and finance company principally engaged in the business of operating cellular telecommunications networks in 15 countries in Africa.

Subsidiary	Country of Incorporation	Percentage of ownership	
		2006	2005
Celtel Burkina Faso S.A	Burkina Faso	95.71%	95.71%
Celtel Tchad S.A	Chad	100%	100%
Celtel Congo (DRC) SARL	Dem. Rep of Congo	98.50%	98.50%
Celtel Congo S.A	Republic of Congo	90%	98.12%
Celtel Gabon S.A	Gabon	84%	84%
Celtel Kenya Limited	Kenya	60%	60%
Celtel Malawi Limited	Malawi	100%	100%
Celtel Niger S.A	Niger	80%	70%
Celtel (S.L) Limited	Sierra Leone	100%	100%
Celtel Limited Uganda	Uganda	100%	100%
Celtel Zambia Limited	Zambia	88.88%	88.88%
Celtel Tanzania Limited	Tanzania	60%	60%
Madacom SA	Madagascar	100%	100%
Vee Networks Limited (trading as Celtel Nigeria)	Nigeria	65%	-
Sudanese Mobile Telephone Company Limited	Sudan	100%	39%
Special Purpose Entity			
Stichting Celtel International (Note 24)	The Netherlands		

On 6 February 2006, the Group obtained control of Sudanese Mobile Telephone Company Limited, Sudan (Mobitel) by acquiring an additional 61% of its ordinary shares taking its effective ownership to 100% for a purchase consideration of US$ 1.332 billion (approximately KD 389 million).

On 31 May 2006 the Group obtained control of Vee Networks Limited, Nigeria (V Mobile) by acquiring 65% of its ordinary shares for a purchase consideration of US$ 1.005 billion (approximately KD 293 million) from the shareholders of V Mobile (the vendors). The business which was trading as V Mobile is now trading as Celtel Nigeria.

The vendors of V Mobile were obliged under the pre-emption right provision of a shareholders agreement to first offer the shares to each other and then to a third party. The vendor offered to the third party its right of use of its pre-emptive rights under the above provisions, but it lapsed since they were unable to provide the finance within the 30 days deadline as specified in the shareholders agreement. The third party has filed a suit in Nigerian Courts to uphold its pre-emption status but Group management believes that it has meritorious defenses. During the year a number of court decisions have been in the Group's favour but a final decision has not been issued.

Details of these transactions are disclosed in Note 27.

During the year, the Group sold 8.12% of its equity holding in Celtel S.A., Congo for a total deferred consideration of Congolese Francs 5 billion (KD 2.7 million), bringing down its holding to 90%, at a loss of KD 6.6 million. The consideration is to be settled against future dividends from Celtel S.A Congo. In 2005, the Group transferred 1.5% of its equity holding in Celtel Congo (DRC) SARL to the Government of the Democratic Republic of Congo. During the year, the Group increased its ownership in Celtel Niger S.A. from 70% to 80% by acquiring additional equity shares.

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 has been renewed since 30 June 2006 for further periods of up to three months at a time. 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 included in these financial statements have been prepared on a going concern basis as it expects to retain the licence due to its service capabilities and the commitment of its shareholders to provide financial support.

4. Cash and balances

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

	2006	2005
		KD'000
Cash on hand and at banks	371,731	91,788
Short-term deposits with banks with original maturities of less than three months	102,591	201,091
Cash and cash equivalents	**474,322**	**292,879**

The effective interest rate on short-term deposits as of 31 December 2006 was 5.15% to 7.25% per annum (2005 - 3.625% to 5.25%).

5. Trade and other receivables

	2006	2005
		KD'000
Subscribers	100,972	63,921
Distributors	31,231	12,373
Provision for impairment	(39,038)	(37,510)
	93,165	38,784
Accrued income	7,485	3,892
Staff	1,833	936
Due from an associate	11,512	2,152
Prepayments, advances and deposits	70,490	34,257
	184,485	**80,021**

Reconciliation of provision for impairment of trade and other receivables:

	2006	2005
		KD'000
Opening balance – 1 January	37,510	21,039
On acquisition of subsidiaries	8,787	12,998
Recoveries/ Write back of provisions	(10,180)	(3,602)
Charge for the year	2,921	7,075
Closing balance – 31 December	**39,038**	**37,510**

6. Inventories

	2006	2005
		KD'000
Handsets and accessories	17,094	9,253
Provision for obsolescence	(2,303)	(2,228)
	14,791	**7,025**

7. Investment securities

	2006	2005
		KD'000
Current investments		
Investment securities at fair value through profit or loss		
Quoted equities	12,165	14,566
Funds	6,290	–
	18,455	**14,566**
Non current investments		
Available for sale		
Quoted equities	78,546	90,201
Funds	38,408	40,598
Unquoted equities	19,580	18,004
Impairment loss	(1,692)	(1,692)
	134,842	**147,111**

Available for sale investments include unlisted securities with original cost of KD 7,678,000 (2005 - KD 7,763,000) carried at cost less impairment since it is not possible to reliably measure its fair value. During the year the Group recognized unrealized loss of KD 13,801,000 (2005 - unrealized gain of KD 31,589,000) in investment fair valuation reserve arising from fair valuation of “available for sale” investments and transferred a loss of KD 39,000 (2005 - profit of KD 6,129,000) from investment fair valuation reserve to the statement of income, arising from disposals.

8. Deferred tax assets/ liabilities

	2006	2005
		KD'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	1,939	4,449
Deferred tax assets to be recovered within 12 months	38,679	2,274
	40,618	6,723
Deferred tax liabilities:		
Deferred tax liability to be payable after more than 12 months	9,980	5,879
Deferred tax liability to be payable within 12 months	–	–
	9,980	5,879

9. Investments in associates

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

	2006	2005 (Restated)
		KD'000
Opening balance	236,383	5,362
On acquisition of subsidiaries	–	39,586
Capital contribution during the year	450	–
Share of profit for the year	5,825	25,300
On transfer of ownership of Celtel Tanzania	–	(4,524)
Transferred to goodwill	(515)	(14,255)
Foreign currency translation adjustment	761	3,715
Dividend received	(34,126)	–
Transferred to available-for-sale investment securities	–	(9,726)
Adjustments to identifiable assets and liabilities	(189,096)	190,925
Adjustment - Mobitel, Sudan (Note 3)	(11,656)	–
Closing balance	8,026	236,383

10. Property and equipment

	Land and buildings	Cellular & other equipment	Projects in progress	Total
				KD'000
Cost				
As at 31 December 2005	58,077	709,376	72,969	840,422
Additions	8,974	226,800	206,526	442,300
Transfers and adjustments	252	62,097	(62,349)	-
Disposals	(1,105)	(13,624)	(40,407)	(55,136)
On acquisition of subsidiaries	7,491	301,621	144,507	453,619
Exchange adjustment	569	(20,441)	(1,645)	(21,517)
As at 31 December 2006	**74,258**	**1,265,829**	**319,601**	**1,659,688**
Depreciation				
As at 31 December 2005	21,472	319,097	-	340,569
Charge for the year	5,395	133,506	-	138,901
Disposals	(168)	(13,456)	-	(13,624)
On acquisition of subsidiaries	869	108,890	-	109,759
Exchange adjustment	457	(6,403)	-	(5,946)
As at 31 December 2006	**28,025**	**541,634**	**-**	**569,659**
Net Book Value				
As at 31 December 2006	46,233	724,195	319,601	1,090,029
As at 31 December 2005	**36,605**	**390,279**	**72,969**	**499,853**

Amounts shown against acquisition of subsidiaries arise on acquisition of V Mobile, Nigeria and Mobitel, Sudan.

Property and equipment include vehicles with a net book value of KD 367,000 (2005 - KD 95,000) acquired under a finance lease by JMTS - Jordan. It also includes buildings with a net book value equivalent to KD 843,000 (2005-KD 870,000) acquired under a finance lease by MTCB Bahrain.
Projects in progress comprise of cellular and other equipment.

11. Intangible assets

	Goodwill	Licence fees	Others	Total
				KD'ooo
Cost				
At 31 December 2005 (as previously reported)	924,790	30,422	19,955	975,167
Adjustment to provisional values of business combinations effected in 2005 (Note 27)	(210,870)	22,750	6,523	(181,597)
Disposal adjustment	(1,663)	-	-	(1,663)
At 31 December 2005 (as restated)	712,257	53,172	26,478	791,907
Additions	1,483	37,780	2,029	41,292
Adjustments to identifiable assets and liabilities	19,157	-	-	19,157
On subsidiaries acquired	458,088	76,672	18,926	553,686
Transferred from investment in associate relating to Mobitel, Sudan	174,165	3,346	12,100	189,611
Disposals/adjustments	6,827	(2,889)	(17,901)	(13,963)
Exchange adjustments	(8,799)	(386)	(394)	(9,579)
As at 31 December 2006	1,363,178	167,695	41,238	1,572,111
Accumulated amortization				
At 31 December 2005 (as previously reported)	17,953	13,021	1,441	32,415
Amortisation pertaining to 2005	-	1,784	870	2,654
At 31 December 2005 (as restated)	17,953	14,805	2,311	35,069
Charge for the year	-	9,779	1,972	11,751
Of subsidiaries acquired	-	23,790	-	23,790
Disposals/adjustments	(575)	(2,469)	(307)	(3,351)
Exchange adjustment	(56)	166	(31)	79
As at 31 December 2006	17,322	46,071	3,945	67,338
Net book value				
As at 31 December 2006	1,345,856	121,624	37,293	1,504,773
As at 31 December 2005 (Restated)	694,304	38,367	24,167	756,838

The residual amortisation period of licenses range from 2.5 to 14 years.

The adjustments recognised during the current period arise from completion of the purchase price allocation of the business combinations that were effected in 2005 as the initial accounting for those business combinations was determined only provisionally in that year.

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. Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to generate the benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

The additions to goodwill during the year are from the acquisitions of V Mobile Nigeria and Mobitel Sudan.

Goodwill and the CGU to which it has been allocated are as follows:

	2006
	KD 000s
Pella Investment Company, Jordan	79,516
Celtel Burkina Faso S.A	28,030
Celtel Tchad S.A	28,326
Celtel Congo (DRC) SARL	108,140
Celtel Congo S.A	67,922
Celtel Gabon S.A	92,961
Celtel Kenya Limited	106,599
Celtel Malawi Limited	22,517
Celtel Niger S.A	24,577
Celtel (S.L) Limited	41,764
Celtel Limited Uganda	7,571
Celtel Zambia Limited	65,409
Celtel Tanzania	18,231
Madacom SA, Madagascar	24,809
Vee Networks Limited, Nigeria	152,594
Sudanese Mobile Telephone Company Limited	476,890
	1,345,856

The goodwill of KD 152.59 million allocated to Vee Networks Limited, Nigeria and KD 305.49 million included in Sudanese Mobile Telephone Company Limited, Sudan are provisional values. The allocation between goodwill and fair values of identifiable assets and liabilities including contingent liabilities will be finalised in 2007 on completion of the purchase price allocation within one year of the date of acquisition.

Impairment testing

The Group determines whether goodwill or intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	Average market share in the period immediately before budget period increased each year for anticipated growth in market share of (14) % to 13%. Value assigned reflects past experience and changes in economic environment. Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration. Cash flows beyond the five year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long term average growth rate of the market in which the CGU operate.
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external source of information.
Discount rate	Discount rates range from 12% per annum to 17.3% per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the analysis performed, there are no indications that an impairment of goodwill related to any of its cash generating units is required at the year end.

12. Other financial assets

Other financial assets comprise the following:

	2006	2005
		KD'000
Cash held in a restricted foundation account – amount due to be settled after 12 months (note 24)	3,321	11,493
Import duties recoverable	2,826	2,699
Deferred consideration on sale of LinkAfrica business	471	668
Others	30	48
	6,648	14,908

13. Trade and other payables

	2006	2005 (Restated)
		KD'000
Trade payables	55,407	58,877
Deferred revenue	55,955	24,312
Due to roaming partners	19,454	4,346
Due to Government of Jordan	17,858	14,455
Provision for income taxes – foreign subsidiaries	50,422	33,263
Kuwait Foundation for the Advancement of Sciences	3,004	1,807
National Labour Support Tax	4,319	3,199
Dividend payable	5,364	4,288
Accrued expenses	156,385	64,978
Directors' remuneration	28	28
Other payables	58,409	31,362
	426,605	240,915

14. Due to banks

	2006	2005
		KD'000
MTC (the Parent Company)		
Short term loans – unsecured	17,569	17,569
Long term loans – unsecured	40,038	58,177
	57,607	75,746
JMTS – Jordan		
Long term loans	32,672	-
Notes payable	3,078	6,920
Finance lease obligations	319	100
	36,069	7,020
MTCB – Bahrain		
Long term loans	15,634	17,416
Finance lease obligations	650	748
	16,284	18,164
Celtel – The Netherlands		
Short term loan	90,392	20,386
Long term loan	244,360	98,143
	334,752	118,529
MTCI – The Netherlands		
Islamic finance (Murabaha)	347,520	219,300
Long term loan	589,606	-
	937,126	219,300
	1,381,838	438,759

These dues mature as follows:

	2006	2005
		KD'000
Less than one year	460,721	248,417
Between one and two years	143,481	54,170
Between two and five years	776,400	111,891
Over five years	1,236	24,281
	1,381,838	438,759

The effective interest rates as at 31 December 2006 was 4% to 6.85% (2005 – 4% to 8.25%) 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.

JMTS
JMTS's loan agreements contain covenants relating to compliance of financial ratios and foreclosure of loans in the event of non-compliance.

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

Celtel - Netherlands
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 38,504,000 owed by Celtel Kenya Limited of which KD 21,464,000 is secured by the assets and shares of Celtel Kenya Limited and KD 12,780,000 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 June 2006 MTCI obtained a revolving financing with a limit of US $ 4 billion (KD 1. 58 billion) from a consortium of local and foreign banks. This facility is secured by a guarantee given by the Parent Company and JMTS. Financial covenants stipulate maximum net borrowings of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA of not less than 3 times annualized consolidated net interest payable.

In December 2006 MTCI obtained a US $ 1,200 million (KD 347 million) Islamic Murabaha financing from a foreign bank. This facility is secured by a guarantee given by the Parent Company. Financial covenants stipulate maximum debt of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA to annualized net financial charges of not less than 1.

15. Other non-current liabilities

	2006	2005
		KD'000
Subscribers' deposits	4,946	5,127
Post employment benefits	7,756	4,396
Employee share option liability	3,320	11,493
	16,022	21,016

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$57.04 (KD 16.52) per share, the minority interest of 15.014% in the equity of Celtel for cash by 29 April 2007 - the second anniversary of the closing date of the purchase offer. The obligation amounts to KD 135.66 million and is stated at amortised cost using an effective interest rate of 4.31%.
The Group has an obligation to acquire a further 10% interest in Celtel Zambia Limited from one of its local partners (also a shareholder in Celtel). The exercise period of this option ends should Celtel Zambia Limited be listed on a stock exchange. The Group has accounted for this put option as if it had acquired the 10% interest. The assumed purchase price is US$ 67.7 million (KD 19.6 million). This assumed price is based on a multiple of EBIDTA that is in the put option contract. This created goodwill US$ 61.4 million (KD 17.8 million) after deducting minority interest from the assumed purchase price.
The equity instruments held by such minority interest share 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 2006 consists of 1,261,819,591 shares of 100 fils each after the bonus issue during the year (2005 – 1,097,234,427 shares of 100 fils each).

Treasury shares

	2006	2005
Number of shares	23,512,779	20,445,895
Percentage of issued shares	1.86%	1.86%
Market value (KD '000)	78,062	71,969
Cost (KD '000)	15,576	15,576

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.

Dividend for the year 2005

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

Proposed dividend

The Board of Directors, subject to approval of shareholders, recommends distribution of a cash dividend of 100 fils per share (2005 - 85 fils per share) and bonus shares in the ratio of 50 shares for every 100 shares (2005 – 15 shares for every 100 shares) to the registered shareholders as of the date of the Annual General Meeting.

18. Revenue

	2006	2005
		KD'000
Airtime and subscription	1,201,613	572,359
Trading income	8,794	7,137
	1,210,407	579,496

19. Investment income

	2006	2005
		KD'000
(Loss)/gain from investments at fair value through profit or loss	(2,888)	7,003
Realised gains from available for sale investments	6,054	10,949
Dividend income	4,644	2,978
	7,810	20,930

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

	2006	2005
		KD'000
JMTS	12,841	13,264
MTCL	1,223	531
Mobitel	1,668	-
Celtel	19,240	15,117
	34,972	28,912

22. Earnings per share

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

	2006	2005 (Restated)
		KD'000
Net profit for the year from continuing operations	305,298	170,917
Net profit for the year from discontinued operations	-	10,995
Total net profit	305,298	181,912
	Shares	Shares
Number of shares issued and paid-up	1,261,819,591	1,017,638,940
Weighted average number of treasury shares	(23,512,779)	(20,172,209)
	1,238,306,812	997,466,731
Effect of dilution (Note 24)	2,514,662	-
Weighted average number of shares, less treasury shares outstanding during the year adjusted for the effect of dilution	1,240,821,474	997,466,731
	Fils	Fils
Basic earnings per share		
Profit from continuing operations	247	171
Profit from discontinued operations	-	11
Profit for the year	247	182
Diluted earnings per share	**246**	**182**

Earnings per share from operations reported for the year ended 31 December 2005 was 222 Fils, before retroactive adjustment relating to bonus shares and the effect of the restatement carried out during the year for business combination accounting (Note 27).

23. Staff costs

	2006	2005
		KD'000
Wages and salaries	92,796	51,740
Share based compensation granted to employees	11,206	5,066
Post employment benefits	5,542	1,253
	109,544	58,059

This is allocated as follows:

	2006	2005
		KD'000
Distribution, marketing & operating expenses	52,051	33,012
General and administrative expenses	57,493	25,047
	109,544	58,059

24. Share-based compensation plans

Kuwait

At an Extraordinary General Meeting held on 29 March 2006 the Parent Company's shareholders approved amendment of the Parent Company's articles of association to permit issue of employee stock options in accordance with a scheme to be approved by its Board of Directors.

The total number of shares to be granted under the scheme or Employee Share Option Plan (ESOP) is not to exceed 10% of the issued shares over ten years. The shares to be allotted under the scheme shall be provided through a capital increase and issue of new shares or through treasury shares held by the Parent Company.

The ESOP scheme is available only to employees who hold certain specified posts within the Group. Eligible employees are granted the option to purchase a predetermined number of Parent Company's shares at a specified exercise price. The exercise price of the granted options is the closing share price as of 1 January 2006 less a discount of 50%. The options vest over three years at the rate of 25%, 35% and 40% each year, beginning 1 January 2006, exercisable from the date of vesting, up to five years from the service date.

Under the ESOP the Parent Company has granted 5,485,000 options at an exercise price of KD 1.760 per share. The fair value of options granted during the period determined using an option pricing model was KD 1.873 per share (2005-Nil). The significant inputs into the model were a share price of KD 3.220 - the market price at the grant date, the exercise price shown above, volatility of 10%, dividend yield of nil (due to the ESOP terms), option life of 5 years and an annual interest rate of 5.5%.

The number of outstanding options under the ESOP as of 31 December 2006 was 5,485,000 shares (2005 – Nil).

The Parent Company recognised total expenses of KD 5,736,000 (2005 – Nil) related to equity settled share-based compensation during the year.

Celtel – Netherlands

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) 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 2006.

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:

	2006	2005
		KD'000
Current assets		
Cash held in restricted foundation account – due to be settled within the next 12 months	11,167	3,547
Foundation receivables	-	3,340
Non-current assets		
Cash held in restricted foundation account – due to be settled after 12 months	3,286	11,493
	14,453	18,380
Current liabilities		
Accrued expenses and other liabilities	11,167	6,887
Non-current liabilities		
Liability to pay option holders	3,286	11,493
	14,453	18,380

25. 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 its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Sub-Saharan Africa. This forms the basis of the geographical segments.

	31 December 2006						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Total
							KD '000
Segment revenues	235,070	141,017	30,973	16,910	190,835	595,602	1,210,407
Net profit	141,097	37,944	3,320	2,733	95,876	24,328	305,298
Segment assets	1,537,944	199,960	48,182	5,813	150,553	2,614,726	4,557,178
Consolidation adjustment							(1,080,189)
Consolidated assets							3,476,989
Segment liabilities	173,162	94,121	34,783	3,470	84,980	2,085,263	2,475,779
Consolidation adjustment							(486,072)
Consolidated liabilities							1,989,707
Net assets							1,487,282
Capital expenditure incurred during the period	27,065	52,691	3,254	41	49,936	345,801	478,788
Depreciation &amortisation	21,680	21,100	4,230	6	15,876	87,760	150,652

	31 December 2005						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Total
							KD '000
Segment revenues	208,933	133,312	20,355	15,906	-	200,990	579,496
Net profit/(loss)	119,409	41,026	206	1,904	-	19,367	181,912
Segment assets	1,358,865	144,761	35,904	4,680	-	1,275,510	2,819,720
Consolidation adjustment							(763,413)
Consolidated assets							**2,056,307**
Segment liabilities	173,127	64,221	28,044	2,949	-	1,231,768	1,500,109
Consolidation adjustment							(662,386)
Consolidated liabilities							**837,723**
Net assets							**1,218,584**
Capital expenditure incurred during the period	28,848	22,281	3,818	11	-	104,964	159,922
Depreciation and amortisation	19,706	15,823	3,562	1	-	27,234	66,326

26. 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:

	2006	2005
		KD '000
Transactions		
Management fees (included in other income)	5,095	3,239
Balances outstanding with related parties are:		
Balances		
Trade and other receivables	490	2,232
Trade and other payables	27,203	469
Key management compensation		
Salaries and other short term employee benefits	5,002	2,676
Post-employment benefits	675	109
Share based payments	7,974	162

27. Business combinations

The Parent Company's acquisition of additional interest in Mobitel Sudan and its acquisition of V Mobile are business combinations and details of the acquisitions are shown below.

Mobitel, Sudan

The provisional values assigned to the identifiable assets and liabilities of Mobitel, Sudan as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below. The adjustments to fair values of previously held 39% interest will be given effect to on completion of the purchase price allocation.

	Book values	KD '000 Provisional values
Cash and bank	8,868	8,868
Short term deposits	34,183	34,183
Trade and other receivables	4,183	4,183
Inventories	879	879
Property, plant and equipment	35,769	35,769
Trade and other payables	(16,151)	(16,151)
Post employment benefits	(262)	(262)
Intangible assets – customer list	-	18,926
Intangible assets – Licence	-	5,235
Value of net assets	67,469	91,630

Purchase consideration settled in cash	382,869
Cash & cash equivalents in subsidiary acquired	(70,575)
Cash outflow on acquisition	312,294

Details of net assets acquired and goodwill are as follows:

	Book values	KD '000 Provisional values
Purchase Consideration		
- Cash paid	375,222	375,222
- Adjustment for cash dividend	14,255	14,255
- Direct cost relating to acquisition	7,647	7,647
Total purchase consideration	397,124	397,124
Less: Provisional value of net assets acquired	(67,469)	(91,630)
Goodwill arising on acquisition	329,655	305,494

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

From the date of acquisition (6 February 2006), Mobitel contributed revenues of KD 190.8 million and net profit of KD 95.9 million to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 14.72 million and KD 5.76 million respectively.

Vee Networks Limited, Nigeria (V Mobile)

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

	KD '000
Cash and bank	51,601
Trade and other receivables	24,838
Deferred tax asset	15,191
Inventories	687
Property, plant and equipment	185,546
Intangible assets	31,003
Trade and other payables	(160,339)
Due to banks	(9,517)
Provisional value of net assets	139,010
Purchase consideration settled in cash	294,647
Cash and cash equivalents in subsidiary acquired	(79,388)
Cash outflow on acquisition	215,259

Details of net assets acquired and goodwill are as follows:

	KD '000
Purchase Consideration	
- Cash paid	292,327
- Direct cost relating to acquisition	2,571
Total purchase consideration	294,868
Less: Provisional value of net assets acquired	(139,010)
Less : Post acquisition adjustments	(3,264)
Goodwill arising on acquisition	152,594

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

From the date of acquisition (31 May 2006), V Mobile contributed revenues of KD 177.18 million and net profit of KD 14.22 million to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 105.45 million and KD 10.74 million respectively.

28. Commitments and contingencies

	2006	2005
		KD '000
Capital commitments	244,469	72,008
Uncalled share capital of investee companies	1,003	2,057
Letters of credit	4,318	8,779
Letters of guarantee	15,056	55,129

JMTS is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 3,267,000 (31 December 2005 – KD 949,000). 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.
The Parent Company is liable for a claim filed by the Ministry of Communications (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006, the Commercial Civil court issued a verdict in favour of MoC, but the Parent Company has filed an appeal against the verdict. The Parent Company believes that the verdict is currently unenforceable as it has not stipulated either the number of subscribers or the applicable period. The court returned the matter to the Expert's department for a new report and recommendation. The management has taken all steps necessary to ensure that the above claim will not materially affect the financial statements.
The regulator of a subsidiary has demanded US$ 36 million (KD 10.4 million) based on revenue sharing agreement, whose validity has been disputed by the Group's management. Discussions are ongoing with that regulator and the Group's management believes that the outcome will be in its favour.
Under several local license agreements, certain subsidiaries are committed to build local GSM networks reaching specified local coverage at agreed rates.

Operating lease commitments – Group as lessee
The Group leases various branches, offices and transmission sites under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	KD '000	
	2006	2005
Not later than 1 year	14,088	3,180
Later than 1 year and no later than 5 years	25,831	5,635
Later than 5 years	10,389	1,256
	50,308	10,071

29. 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 party 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.

30. 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, to determine provisional values on initial accounting of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

Classification of investments
On acquisition of an investment, management has to decide whether it should be classified as carried at fair value through profit or loss, available for sale or as loans and receivables. In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

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, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management’s judgment.

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.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These

calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 11. Based on analysis performed there are no indications that the carrying value of any CGU exceeds its recoverable amount.

Share based compensation

The fair valuation of ESOP requires significant estimates regarding the expected volatility of the share price, the dividends expected on the shares, the market interest rate for the life of the plan and the expected term of the option.

31. Comparative figures

Certain prior year amounts have been reclassified to conform to current year presentation and to give effect to matters stated in Notes 3, 11 and 15 as follows:

Statement of Income	**KD’000**
Profit for the year 2005 as previously reported	185,921
Adjustments for accounting of business combinations of 2005 based on PPA – amortisation of intangible assets	(4,050)
KFAS adjustments	40
NLST adjustments	1
Net profit for the year 2005 – restated	181,912

Balance Sheet	**KD’000**
Investment in associates as of 31 December 2005 as previously stated	45,458
PPA adjustments – transfer from intangible assets	190,925
Investment in associates – 2005 restated	**236,383**
Intangible assets as of 31 December 2005 as previously stated	942,752
PPA adjustments – transfer to investments in associates	
Amortisation pertaining to 2005	(2,654)
Adjustments to provisional values	9,328
Adjustment – investment in associate	(190,925)
Goodwill - write of on disposal	(1,663)
Intangible assets – 2005 restated	**756,838**

glossary

GSM [Global System for Mobile Communications]
The most popular standard for mobile phone in the world used by over 2 billion people across more than 212 countries and territories.

HSDPA [High Speed Downlink Packet Access]
Upgraded UMTS technique that considerably increases downlink packet data rates. Current HSDPA deployments support 1.8Mbit/s, 7.2Mbit/s and 14.4Mbit/s. Further speed grades are planned for the future.

UMTS [Universal Mobile Telecommunications Systems]
3rd generation wireless communications system which support high-speed mobile multimedia services.

3G [3rd Generation]
Mobile telephone network based on the UMTS standard.

EDGE [Enhanced Data rates for GSM Evolution]
Digital mobile phone technology that increases data transmission rate and reliability to accommodate Internet and multimedia services at four times the speed of GPRS.

MMS [Multimedia Messaging Services]
Standard for a telephony messaging systems that allow wireless phone users to send messages containing rich text, images, audio and video content.

MVNO [Mobile Virtual Network Operator]
Company without its own telecommunications network that offers public mobile telephony services by buying the right to use part of its infrastructures from an already established company.

SMS [Short Message Service]
A telecommunications protocol that allows the sending of “short” (160 characters or less) text messages via mobile phones.

WAP [Wireless Application Protocol]
Open international standard for mobile phone applications enabling access to the Internet.

Wi-Max [Worldwide Interoperability for Microwave Access]
A standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL.

Mobile Top Up
Distribution of scratch cards via SMS instead of physical recharge vouchers.

Me2U
Account balance sharing instrument. Powered by user friendly Sim Tool Kit (STK) application via SMS command.

SuperSIM
User friendly STK application to all Celtel services. This is to include SMS content, Me2U, Who-Called? and Celtel Info. All in a multilingual environment.

Know.It all.
Meaningful SMS based content services offered through the Celtel Branded SIM card.

Who-called?
Missed Call Alerts (MCA) notifies subscribers about calls that they don’t know about as their handsets were powered off or outside network coverage.

Web2SMS
Web2SMS is a mass messaging product that will enable Celtel customers to send SMS messages from a website. They can generate SMS messages and send them to individual numbers and distribution lists of numbers, using a web interface.

One4all
SIM card based Enhanced Payphone Solution.

One Network
Service designed to develop to sustain user experience, functionality and visiting network tariffs for all Celtel East Africa customers while traveling within East Africa.

Portal
GPRS/EDGE WAP portal to Celtel Infotainment services.

Access
GPRS/EDGE based Internet access service.

Picture Messaging
Person-to-person Picture Messaging enables customers to take pictures with their camera phones and send them to other customers.

Friends & Family
This option allows prepaid customers to define up to 5 Celtel numbers and get a discount for calls made to these numbers.

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