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Annual Report 2006

His Majesty King Abdullah II

"In a dynamic, diverse world,
success requires more.

To thrive throughout your life, you must be prepared to think your way through change and growth and challenge."

May 28th, 2006

Contents:

Letter from the Chairman

The year 2006 has been a dynamic year for Jordan Telecom Group. In June, after seven years of working closely with the Government of Jordan on the privatization of the Jordan Telecommunication Corporation, we became almost fully privatized following a secondary offering and private placement of the majority of the government's ownership in the Group. We are now a model for successful privatization, which we are proud to carry.

Today, France Telecom Group is the majority shareholder with 51% ownership, Jordan's Social Security Corporation now owns 17.6% and Al Noor Investment Company of Kuwait owns 10%. The government also offered shares to Jordanians. Today, the government owns 14.6% of which 3% is allocated to various military retirement funds.

I welcome this further investment as it highlights the achievements and the belief in the mission and vision we have for Jordan Telecom Group. I also welcome the very many individual investors who took up the secondary offering and assure all shareholders that we will work hard to uphold their belief in their Group and that Jordan Telecom Group will always remain the reliable leading provider of fixed, mobile, internet, content and wholesale communication services in Jordan.

Profits in 2006 were solid despite effective competition entering the marketplace in 2005. We offer full comprehensive offers in fixed, mobile, internet and data services. In posting revenues of JD 362.9 million, Jordan Telecom Group exceeded its 2005 revenues by 3%, with resulting profits for the year hitting a healthy JD 87 million. Whilst profits were maintained, the board of directors approved further investment in the network, aimed at maintaining high levels of customer satisfaction, with the Group's capital expenditure reaching JD 47.1 million in 2006.

With France Telecom Group's increased investment in Jordan Telecom Group, our long and fruitful relationship with them as one of the world's leading telecommunication carriers, has now come into its own. The real benefit to our customers will shine even brighter during 2007 and onwards.

As one of the world's leading telecommunications and IT operators, France Telecom Group's revenues in 2005 exceeded Euro 51 billion; of which 2% was invested back into research and development in 2006. France Telecom Group's high-level strategic plan, in meeting the demands of its customers, will continue to drive efficiencies through their business. France Telecom Group owns Orange worldwide and is introducing the Orange brand as its overall commercial brand bringing together fixed, mobile, internet and data services -operating as one- with over 153 million customers, across five continents, serving 220 countries and territories. During 2007, Jordan Telecom Group will re-brand all products and services as Orange. Needless to say that the value added to the Group, and indeed to the sector, will be tremendous. We will always be proud to carry our Jordanian name, Jordan Telecom Group, whilst labeling all our products and services Orange.

I would like to annotate our excitement and energy in driving 2007 to be one of our best years in terms of providing quality and innovative services. There is a lot to do in taking that final leap into living as a fully privatized business, and as a fully integrated operator; the first in the region. I encourage my Franco-Jordanian colleagues to remain committed to bridging any remaining knowledge gaps, embracing the know-how of France Telecom Group and pushing up the standards across the business.

With the transparency, confidence, credibility and dedication that are shared across and between the French and Jordanian teams, it is clear that we are Jordanian with international standards. Our management teams are working closely with shareholders, employees, the media and government officials to ensure that what we do is clear and understandable and also always related back to our vision and strategies.

Apart from heavy investment of some JD 300 million in telecommunications and IT over the past six years, we have heavily invested in Jordan through a wide range of social activities; in total we have invested over JD 11 million. Jordan Telecom Group has led and will continue to lead Jordanian companies in the commitment to social responsibility, a commitment that we will always honor and fulfill.

On behalf of the board of directors and the management, I hereby extend gratitude to all our shareholders, new and old, especially France Telecom Group and the Government of Jordan, whose vision and support continue to drive us forward. Bringing His Majesty King Abdullah II's vision for a fully communicating and IT driven Jordanian population and economy to life remains at the top of our agenda, as we believe Jordanians deserve the best in all that we have to offer.

In conclusion, I would like to reiterate and summarize much of what I have said already: Jordan Telecom Group, in being proud to represent France Telecom Group in the Middle East, will remain Jordanian in every way; always caring for Jordan; investing in Jordan and its people; contributing heavily to the economy through transfer of know-how and through services and of course providing quality training and employment. Customers will be centric to everything we do and therefore will be at the top of our every consideration.

Dr. Shabib Farah Ammari (PhD Econ)
Chairman of the board of directors

Letter from the CEO

The year 2006 was a very important year for the Group in terms of reorganization and the bedding in of the transformation process, with the creation of individual business units (fixed, mobile, internet, content and wholesale) and in the streamlining of our core service support functions. All the essential legal necessities were put in place to bring together the Group's operating units under one mandate, thus placing the Group companies on a new strategic edge.

The initial stages of our transformation were very evident in our new branding for Jordan Telecom Group and the introduction of the ampersand (&), signifying our move into the extended France Telecom Group family. Very early in 2006 we also adopted France Telecom Group's international change program, entitled NExT, which is bringing forward a vital framework that the Group will operate, enabling the many ambitious steps we wish to take in driving our business forward. The vision of NExT is to offer customers a New Experience in Telecommunications (NExT), giving them access to a new generation of telecommunication services that will change their everyday life.

With our new management structure in place, and reflecting our integrated process, we have brought in significant operational benefits such as greater cost control and reduced expenditures, all aimed at increasing our customer-centric approach to offers and services to fulfill our customers' communication needs, any time and any place.

Despite increased competition in 2006 in our marketplace, the Group increased its revenues by JD 11 million. The mobile business unit put in a quality performance by leveraging emerging sectors and effectively managing its costs and doubling both its revenue and customer base. The internet and data business unit witnessed 134% growth in the ADSL segment, while the fixed business unit managed to exceed its 50,000 target of ADSL lines to reach 56,503 lines; meanwhile its revenues witnessed an anticipated decline. As a Group, we are now providing services to over 2 million customers and signing a new customer every 30 seconds; all indicating our growing flexibility and agility in forecasting the needs and demands of the marketplace in what is widely recognized as the most competitive market for telecommunications and IT in the entire region.

As with the now global trend across many sectors including telecommunications, we are extending our customer-centric platform to enable further growth across all business units. This was kick-started in mid 2006 with the first ever bundled services for the Kingdom: Surf and Talk bringing together fixed and internet for both business and residential customers, and Family Talk: A smart service combination consisting of fixed plus pre-recognized one mobile number -to a maximum of four mobile numbers- resulting in unlimited talk mileage day and night over these lines, while paying one fixed subscription fee.

In working with our corporate customers to establish their future communication needs, we have extended our full-integrated services to numerous major corporations, banks, ministries and organizations such as the Nuclear Energy Commission, the Ministry of Foreign Affairs and ASEZA.

During the year, with integration clearly coming into place at the head office, transformation was increasingly evident in our commercial operations: A one-stop shop and one customer contact. Midyear saw the official opening of our first Jordan Telecom Group sales shop in Mecca Mall, offering the total scope of our services from fixed, mobile and internet subscriptions, handset purchases and recharging, with more locations in the pipeline.

Whilst we have been implementing a lot of change within our business, we have sustained our long history of working within our community. Jordan Telecom Group is widely admired for its corporate social responsibility and recognized as being committed to the people of Jordan. During 2006, we were heavily involved in the community on various projects that amounted to around JD 2 million primarily through our continued support of His Majesty King Abdullah II's vision with regards to e-Learning. Our internet bus, which has been operating for several years bringing awareness and adoption of the full range of communication tools available today, has visited some 44 cities, towns and villages across the Kingdom giving some 20,554 citizens exposure to the range of communication tools available in today's market.

Jordan Telecom Group remains committed to supporting and sponsoring projects that are a true reflection of the real partnership between the private sector and civil society institutions, paying special attention to the continuity and sustainability of the projects that are selected. A fine example of this is the fruition this year of an e-Learning initiative that started in 2004 between France Telecom and the Ministry of Education. In reinforcing the initiative, the company both managed and financed the computerization of the Arabic language curricula for schools in the Kingdom.

A further cooperation agreement saw the Group setting up a Telemarketing Center on the University of Jordan campus with the intention of supporting the Jordanian youth, eliminating unemployment by providing them with work opportunities - a translation of His Majesty the King's long-term vision of economic, social and technological development of the Jordanian population. Overall, the Group's community activities focused on youth, sports, music and humanitarian aid.

In looking ahead at 2007, whilst the Jordanian marketplace is acknowledged as the most aggressively competitive in the region, the telecommunications industry will only get more competitive; recognizing this, however, we have risen to the challenge by differentiating ourselves through our integration, transformation, investments and relationships. In leveraging our membership of the France Telecom Group family, it is our intention to remain the leader and telecommunications provider of choice in the Jordanian marketplace and in turn provide France Telecom Group with a springboard entry into the region, by creating a hub in Jordan that focuses on new markets.

In conclusion, Jordan Telecom Group joins a worldwide family that brings an international dimension to the Group; a dimension that enables us to reap the benefits of being a member of France Telecom Group, to leverage its know-how and expertise, and to bring additional value to our Jordanian customers. We look forward to embracing France Telecom Group's global brand – Orange.

Mickael Ghossein

Chief Executive Officer

Board of directors

H.E. Faris Abdul Hameed Sharaf
Social Security Corporation

Mr. Marc Rennard
Vice Chairman
France Telecom Group

Mr. Hugues de Verdalle
France Telecom Group

Dr. Hamzeh Jaradat
Jordanian Ministry of Finance

Dr. Shabib Farah Ammari
Chairman of the board of directors
France Telecom Group

Mr. Gilles Vaillant
France Telecom Group

Eng. Abdel Rahman Al-Khatib
Jordanian Government
Executive Privatization Commission

Mr. Mickael Ghossein
Jordan Telecom Group

GroupCom

In order from top, left to right:

Raslan Deiranieh, Alain Bridard, Nicolas Baudin, Tamouh Khauli
Philippe Vogeleer, Jacques Ambrosia, Ahmed Salah

Clement Charron, Sami Smeirat, Amer Sunna, Francois de Loynes
Wassilla Zitoune, Mickael Ghossein, Majd Shweikeh, Ramzi Abu Ghazaleh

Group Chief Executive Officer

Mr. Mickael Ghossein

Executive Vice President

Mr. Francois de Loynes

Business units

Mr. Nicolas Baudin

Vice President Jordan Telecom Group
General Manager Fixed Business Unit (Jordan Telecom)

Mr. Clement Charron

Vice President Jordan Telecom Group
General Manager Wholesale Business Unit

Mr. Tamouh Khauli

Vice President Jordan Telecom Group
Chief Executive Officer Content Business Unit (e-Dimension)

Mrs. Majd Shweikeh

Vice President Jordan Telecom Group
Chief Executive Officer Mobile Business Unit (MobileCom)

Mr. Sami Smeirat

Vice President Jordan Telecom Group
Chief Executive Officer Internet and Data Business Unit (Wanadoo)

Mrs. Wassilla Zitoune

Vice President Jordan Telecom Group
Vice President Transversal Projects

Corporate services

Mr. Ramzi Abu Ghazaleh

Chief Human Resources Officer

Mr. Jacques Ambrosia

Chief Sourcing and Logistics Officer

Mr. Alain Bridard

Chief Technical Officer

Mr. Raslan Deiranieh

Chief Finance Officer

Mr. Ahmed Salah

Chief Quality Assurance and Processes Officer

Mr. Amer Sunna

Chief Information Officer

Mr. Philippe Vogeleer

Chief Strategy Officer
Secretary General

Legal Advisor: Amosh Legal Advisor & Arbitration
Auditors: Ernst & Young

A glance at 2006

A glance at 2006

The telecommunication sector in Jordan went through many changes in the year 2006 in response to local and international trends that highly impacted the local scene with increased competition, regulatory issues and entry of new technologies - resulting in impacts on tariffs, improved services, operational restructuring and new players in the market.

Being a major player in the local market and in anticipation of such global trends, Jordan Telecom Group instigated changes on its business and structure to set a different stage that impacted the market.

In 2006, Jordan Telecom Group embarked on an integration process that streamlined the operations of its four affiliates to work as one operation. Jordan Telecom Group local and regional model soon became recognized as the direct response to the growing and changing demands of the customers and telecom sector at large.

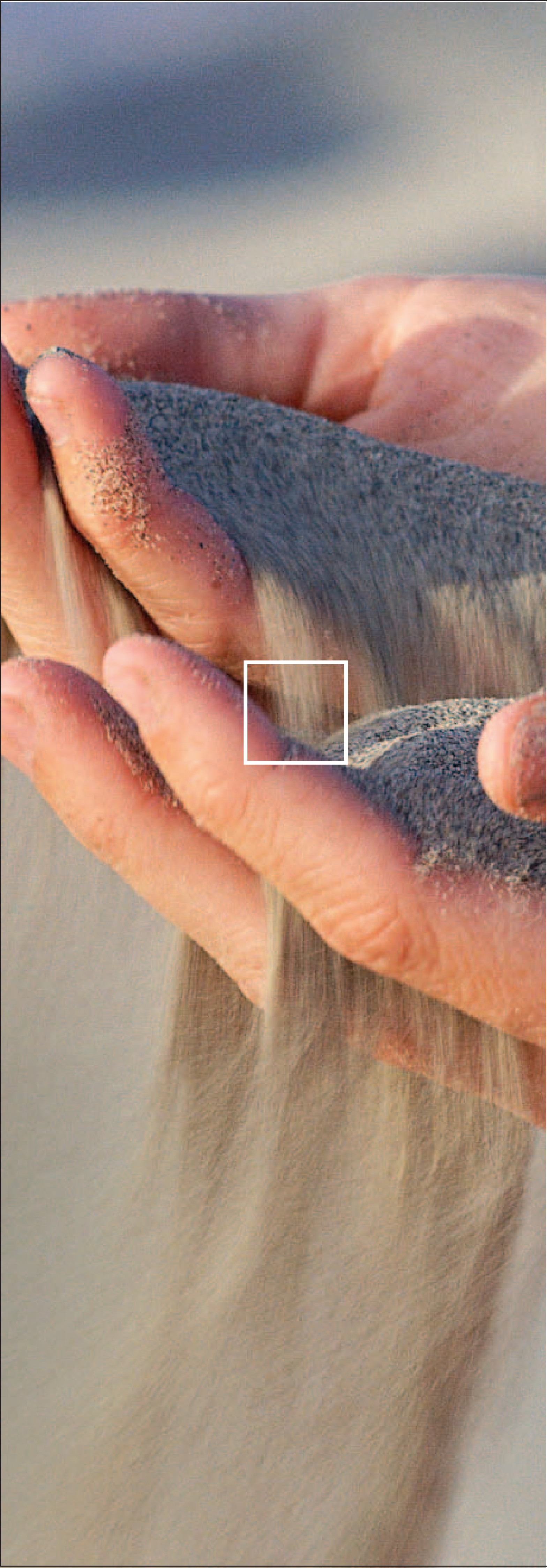
The Telecommunications Regulatory Commission (TRC), who plays a major role in keeping the tabs on the telecom market in Jordan, issued in 2006 four new individual licenses additional to the two issued the year before. The TRC also granted the first two fixed broadband wireless access frequency licenses during the year.

On the other hand, telecom operators in Jordan agreed to sign a standard interconnection agreement that would put them on equal footing as far as network infrastructure. Twenty-two interconnection agreements got approved by the TRC.

Although the year 2006 witnessed a drop in international call rates, an increase in traffic led Jordan Telecom, the fixed business unit, to maintain its 98% share of the fixed market, with a slight increase in the number of subscribers from 663.7k in 2005 to 677.4k by end of 2006. In addition, there was a 95% growth in ADSL lines in 2006 reaching up to 56,503 in comparison to 29,000 by end of 2005.

Despite the crushing level of competition and growth that took their toll on the cellular ARPU in Jordan; MobileCom, the mobile business unit, still managed to achieve the highest growth in market share to reach 30% in 2006, compared to 23.9% in 2005, with a customer base of one million in the year 2006.

Wanadoo, the internet and data business unit, also succeeded in raising its subscriber base by 40% from 27,600 by end of 2005 to 38,000 by end of 2006, mainly due to the increase in ADSL subscribers from 12,800 in 2005 to 30,000 by end of 2006; a 134% growth.



The significant strategic partnership with France Telecom Group has enabled Jordan Telecom Group to open up wider perspectives with new wholesale services as the wholesale business unit was created in 2006 to address the business requirements of the existing and newly licensed service providers in a consistent, regulatory compliant and time effective manner. The wholesale business unit stimulated new revenue sources for the Group, resulting in an increase in the Group's revenues amounting to 30% generated solely by this unit.

As 2006 drew to a close, trends started to unfold in 2007, and the logic that demanded business and structural changes is proving its merits. Jordan Telecom Group's integrated operations has been wisely steered resulting in increased market share.

Best of 2006

Jordan Telecom Group announces the full integration of operations between Jordan Telecom, MobileCom, Wanadoo and e-Dimension into one organization with a single management structure.

France Telecom, through JITCO (wholly-owned by France Telecom), becomes the majority shareholder owning 51% of Jordan Telecom; making it its gateway in the Middle East region.

Jordan Telecom Group Foundation responds timely to the Governorate of Aqaba's call for assistance, by providing financial support to alleviate the suffering of families badly affected by the floods that overtook the city at the beginning of the year.

France Telecom Group's logo (&) is adopted as the new corporate identity for Jordan Telecom Group, reflecting the relationship with its parent international company.

The Group launches its first set of bundled offers bringing together fixed, mobile and internet services with Family Talk, a combination of fixed and mobile; Surf and Talk, which integrates internet and fixed; and Ahlan prepaid fixed line, which can be recharged with MobileCom's scratch cards.

The Group's first one-stop shop offering integrated services of fixed, mobile and internet opens in Mecca Mall inviting customers to enjoy the convenience of concluding all their telecommunication needs, easily, quickly, comfortably and in one location.

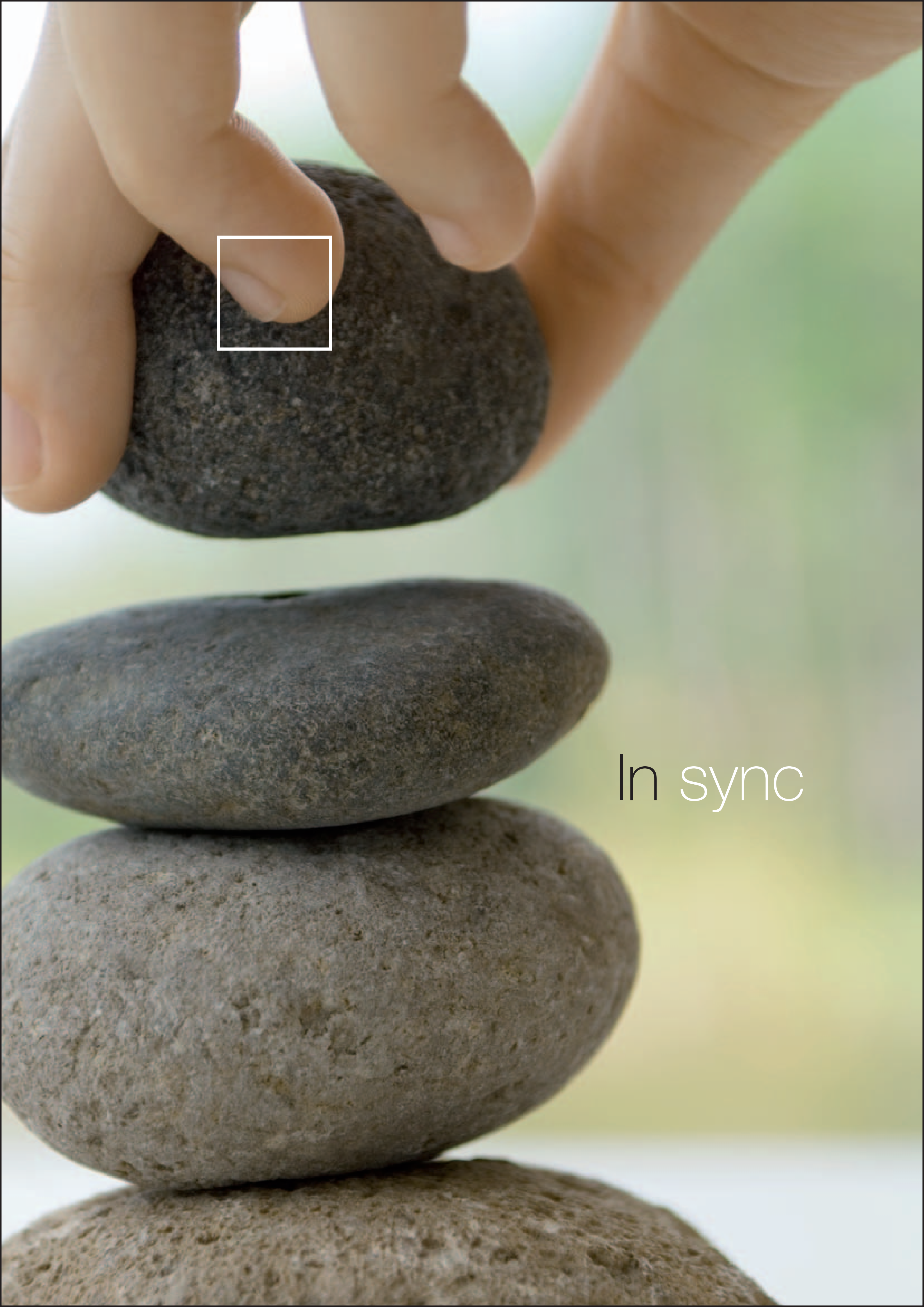
Jordan Telecom Group's customer database reaches two million subscribers, with a new customer added every 30 seconds.

Jordan Telecom, the fixed business unit, launches the latest ADSL full option, which is wireless connection with a routing option for new and existing ADSL customers.

Jordan Telecom Group opens a Telemarketing Sales Center on the University of Jordan campus, in a bid to fight unemployment amongst the youth through skill-building and training, by introducing university students to telemarketing skills.

Wanadoo, the internet and data business unit, launches for the first time ever in Jordan, the 2 mega ADSL speed asserting its leading position in the market while decreasing its 1 mega prices.

MobileCom, the mobile business unit, reaches the one million-customer milestone with network coverage reaching over 99% of the Jordanian population.



In sync

In sync

Integration of operations

Jordan Telecom Group announced in February 2006 the integration of its operations, thus bringing under one management its five business units – Jordan Telecom as its fixed business unit, MobileCom as its mobile business unit, Wanadoo as its internet and data business unit, e-Dimension as its content business unit and wholesale as its wholesale business unit.

The reasoning behind transformation is to become a fully customer-oriented operator focusing on the maintenance of sustainable growth and cost optimization to differentiate products and services. Jordan Telecom Group derived from the experiences and expertise of its strategic partner, France Telecom Group, who has led a similar process, being an altogether new global experience of telecommunications.

To realize this drive, Jordan Telecom Group adopted an international framework introduced to France Telecom Group's subsidiaries to enable itself to pursue its strategic objective. The program known as NExT, New Experience in Telecommunications, tackles all aspects of business such as strategic marketing, products & services, distributions, human resources, internal processes as well as financial results.

In moving to integrate the various companies to become business units of one Group under one management with a single strategy, the benefits are coming to fruition. With alignment and removal of duplication, today the Group has streamlined its corporate services into state-of-the-art networks, information systems, human resources, sourcing, finance, strategy and quality, resulting in greater efficiencies. The subsequent drive down of costs resulted in increasing margins and the creation of unique offers.

If integration is in reality working for one company, selling different products and optimizing support services, Jordan Telecom Group is the best positioned to deliver on different market levels, and under one strategy. In adopting integration, Jordan Telecom Group differentiated itself through bundled qualitative services, while coping with the prices, and upholding its pioneering position as a leader in the market.

The Group's integration strategy in 2006 focused mainly on customers by bringing synergies and integrated offers together from across the various sectors of the Group. Jordan Telecom Group is now able to have simpler, standard processes resulting in a faster and slicker business – all to the benefit of customers.

The region closely watched Jordan Telecom Group transform itself into an integrated operator. Soon, facts on the ground rated the integration model high, as a far more stable, farsighted and responsive move that caters well to the ever-changing rules of the telecom industry.

France Telecom becoming a major stakeholder

After six years of a successful strategic partnership, France Telecom decided to acquire further shares in Jordan Telecom, and to become 51% stakeholder through JITCO, (wholly-owned by France Telecom). Jordan Telecom Group's affiliation to the global player meant its belonging to a bigger global family and its becoming France Telecom Group's gateway to the Middle East.

The power of France Telecom Group's presence in 220 countries and territories enhances Jordan Telecom Group's operations by facilitating its timely acquisition of new technologies, developed by the already present competencies at the mother company and allowing its affiliate, Jordan Telecom Group, to offer the broadest portfolio of telecom services in the country and the region.

Furthermore, belonging to a larger global telecom player will enable Jordan Telecom Group to derive upon the benefits of the globally renowned brands France Telecom Group embodies, exemplified by the Orange brand. Orange services will go on, within Jordan, and across the Middle East, to be fully implemented in due course.

A new corporate identity

Jordan Telecom Group's evolution as a France Telecom Group affiliate carries the banner of the (&) logo, synonymous with France Telecom Group, marking a first public acknowledgement of the relationship it shares with its parent company, France Telecom Group, the international owner and bearer of a long history of power and quality of service in telecommunications.

The adoption of the ampersand reflected a new corporate identity that conveys a message of guarantee and a symbol of convergence, innovation and best practice that will bring to Jordan Telecom Group's customers faster and easier services, to a better world through better communication.

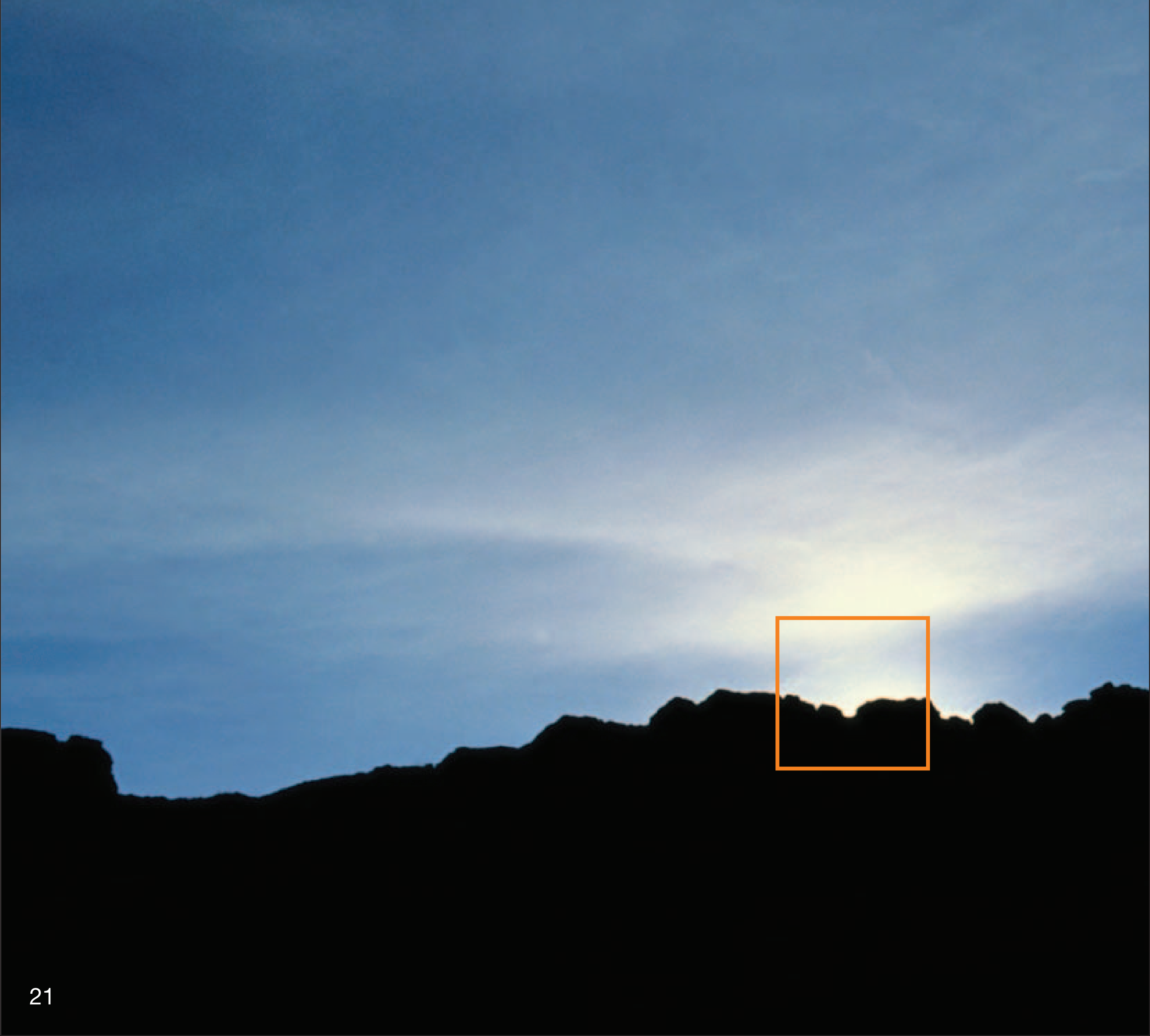
Tomorrow's vision

If the future were to sum up the global trend in the telecom industry in one word, that of integration, Jordan Telecom Group could substantially claim being the sole and only integrated operator in Jordan as well as the first in the region. Today, customers want simple, easy-to-use services -in every aspect of their lives- and 2007 will see the Group expanding its integrated service offerings in fixed, mobile, internet, content and wholesale.

As we eye tomorrow with ambitions for more regional investments, we will continue to provide the Jordanian market with even more comprehensive and innovative services that cover the evolving needs of our customers. Our customers are and shall continue to be the pivot of our business units, as a customer centric operation. All our sales points will reflect and showcase these trends.

2007 shall bear witness to the gradual introduction of product and service offerings under the international Orange brand, bringing more simplicity and customer-centric innovative products and services to the local market. Jordanians will also experience and enjoy the fun and excitement that Orange brings.

We will also continue to be cost conscious, to ensure we maintain qualitative services at appropriate prices. The integration will best manifest its positive rewards when we continue to offer value for money services to our customers and extending these to include branded handsets and services that are already offered in other markets where the Orange brand is live. In leveraging Orange World portal and IPTV, we will be delivering differentiated communication services and solutions for

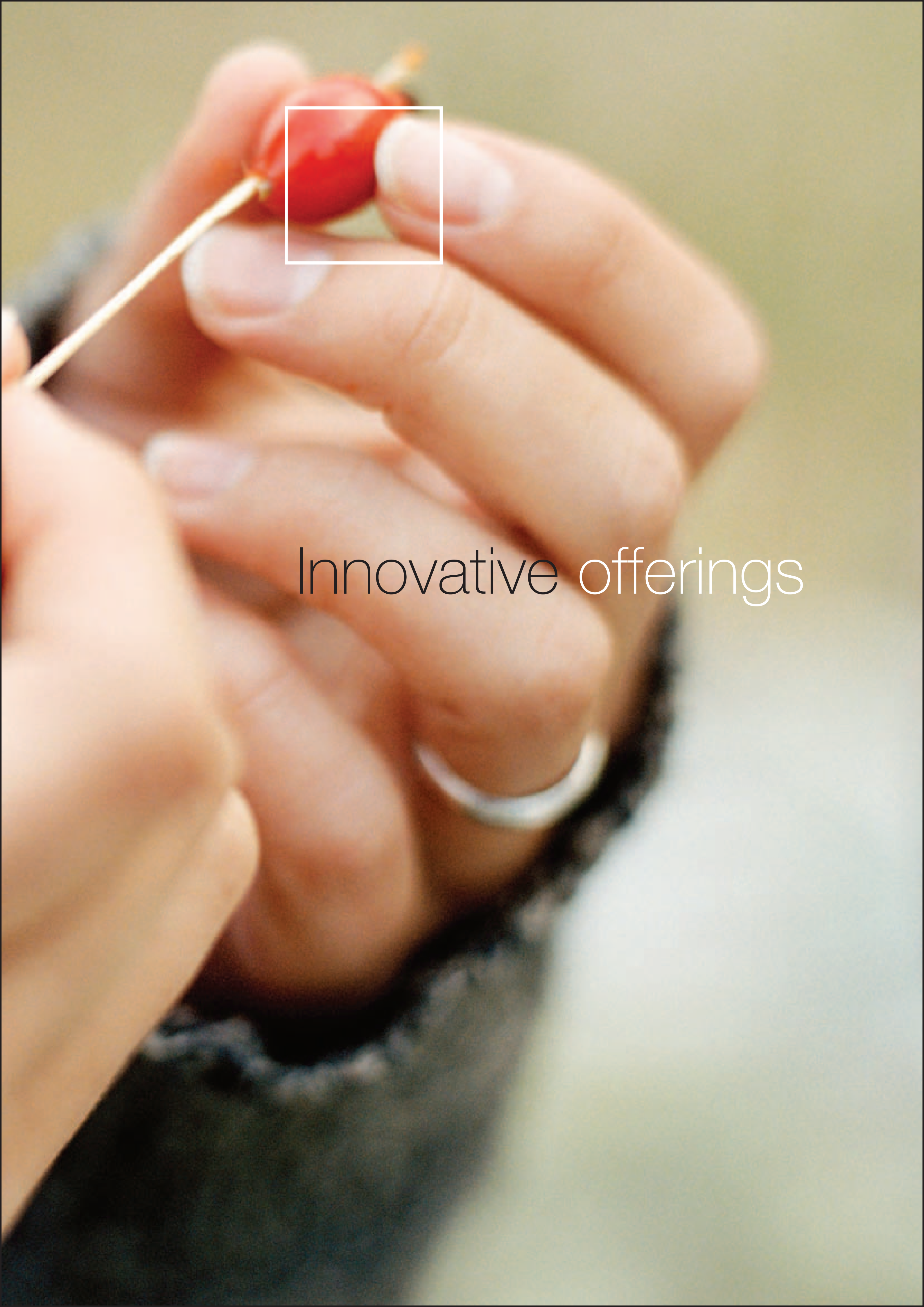


residential, business and operator customers, everywhere in the Kingdom and in the region, at competitive prices.

An even greater emphasis and focus in 2007 will be brought to bear while driving our competitive edge and putting our understanding of the Middle East market to good use, at the same time we will be leveraging France Telecom Group's global know-how and their extensive research and development processes (an investment amounting to 2% of France Telecom Group's annual revenues). From within Jordan and across the wider Middle East market, we will be seeking new sources of growth, while injecting local and regional markets with new creative and innovative services whenever appropriate.

The regional marketplace is one of the most dynamic in the world with demands for even greater and better services being made everyday. New licenses are being awarded for simple and converged services and networks. We will make sure we are considered ahead of other integrated operators at the right time, in the right place. Every opportunity will be a new business, and each new business will be a rewarding partnership, either with existing regional operators or new ones.

Innovative offerings



Innovative offerings

As integration continues in full force, offers for qualitative products and services continue to be simultaneously launched, reflecting changes of Jordan Telecom Group and its close association with its strategic partner, France Telecom Group. And while transforming to become more customer oriented, the Group remains very conscious to focus on the 'time to market' and speed in delivering results.

Personal offerings

2006 began with a special promotion to the fixed residential customers with lower installation rates, installment payments and free services as well as various tariff reduction offers throughout the year. Jordan Telecom, the fixed business unit, also offered customers who have subscribed for a year or more the opportunity to buy mobile sets available in 10 Jordan Telecom shops, with the facility to install payment of the handsets over a six-month period. And while expanding its Weinak prepaid card network due to high demand, Jordan Telecom launched the Weinak account enabling customers to recharge their account through MobileCom scratch cards and continued to provide this service at affordable rates. In Ramadan, Jordan Telecom also put forward an offer for fixed residential customers, which included a wireless telephone set.

Early in 2006, MobileCom, the mobile business unit, revamped all its pay as you go offers in order to simplify its offers and make it easier for the end user to choose the package that best suits his/her needs. The revised offers included a new tariff structure, with rates as low as 1 piaster per minute (10 fils) and an extended validity period of one year. As a result, MobileCom achieved the 1 million customer milestone and celebrated by providing bonus credit to customers upon recharge and pay monthly subscribers with bonus loyalty points.

MobileCom was also active during the summer period, launching a new service that allows customers with prepaid lines to roam in Jordan and abroad, thus becoming the first mobile operator in Jordan to broaden roaming to prepaid users. MobileCom also re-launched its Yalla WAP portal, a bilingual portal for news and information in an effort to boost multimedia technology, a global trend in telecommunications. MobileCom, as the official provider to the Armed Forces also revamped its Armed Forces offer with longer validity periods, reduced monthly rates, handset offers and incentives.

In an aggressive move to market ADSL lines, Wanadoo, the internet and data business unit, launched the 2 mega ADSL speed, the first in the Kingdom, and joined Jordan Telecom's fixed line promotion of offering free setup fees for ADSL lines.

Wanadoo was also active in increasing its Wi-Fi service across the Kingdom by installing wireless internet connectivity (Wi-Fi) at the King Hussein International Airport in Aqaba and by providing Jordanian universities with wireless internet services.

The summer period witnessed a highlight for Jordan Telecom Group in its 2006 offerings with the unique launch of the first set of bundled offers, merging fixed, mobile and internet services in three separate offers. Family Talk, a convergent platform from mobile and fixed gave the

opportunity for subscribers to have unlimited talk time between 5 numbers. Surf and Talk combined internet with fixed in two offers: The Gold and Silver bundles. Subscribers to the bundles can make unlimited local and national calls while browsing the internet via ADSL. The prepaid Ahlan fixed line offer targeting expatriates and visitors was upgraded to allow subscribers to recharge the lines using MobileCom scratch cards.

Corporate offerings

Jordan Telecom Group offered its corporate customers a new networking solution; point-to-multi-point service using the ATM network. A new definition of prices was made for high bandwidth leased lines with speeds reaching up to STM-16 on optical fiber. Jordan Telecom Group also offered networking customer premises equipment and provided full installation, configuration and management services.

Additionally, numerous wholesale services have been launched or updated in order to meet the operators' requirements and stimulate the growth of the Jordanian market, such as the segmented international outgoing offers based on the differentiated quality of service criteria, the broadband traffic collection enabling 2 mega ADSL retail service or traffic origination and transit from Jordanian operators extending the offers to Jordanian end users from network operators.

In addition to standard internet services, Wanadoo re-launched its hosting services packages to offer different hosting solutions to small, medium and large businesses as well as individuals. These hosting services deliver solutions at competitive and affordable prices with packages that include web hosting bundles in a flexible variety of web space.

Customer care

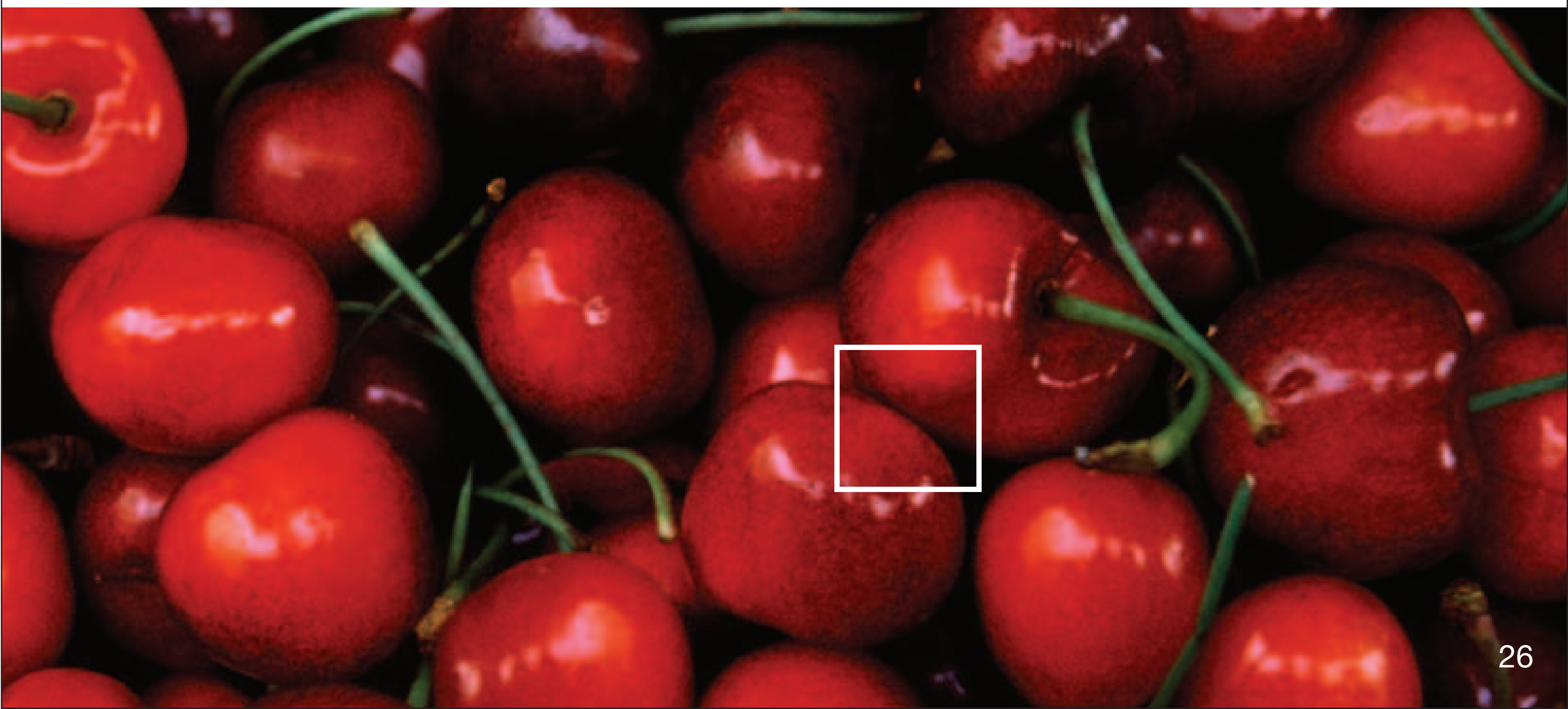
Being the ultimate goal of the integration exercise in its entirety, 2006 witnessed a heavy Jordan Telecom Group involvement in its customer care services, products and activities.

To showcase the integration process in action, the Group opened its first integrated sales shop in Mecca Mall giving customers the chance to fulfill all their telecommunication needs, easily, quickly and conveniently in one spot.

Jordan Telecom Group launched a telemarketing sales center on the University of Jordan campus, in a step to actively participate in the local labor market, to be run by students in preparation for their future careers and professional undertakings.

Moving closer to its customers, Jordan Telecom Group devoted a field sales workforce to serve customers at their premises, and dedicated a number (1214) to ensure that customers' inquiries on all Jordan Telecom's products and services are answered. On the other hand, MobileCom laid the framework to renovate its customer call center to accommodate the substantial growth it has been witnessing.

The ISO 9001:2000 Quality Management Systems Certification was achieved by Jordan Telecom, MobileCom, Wanadoo and the Group's technical sector, establishing yet another success for the Group as a whole.



Partnerships

Public and private sectors in Jordan continue to rely heavily on telecommunication solutions that serve their business interests. The year saw engagements between Jordan Telecom Group and various business sectors such as banks, airports, public entities, tourist resorts, schools, universities, unions, companies and others.

Some agreements provided safe data transfer between head offices and branches through leased lines and frame relay services. Entities such as banks, e.g. Arab Bank, the Central Bank of Jordan, the Ahli Bank and others, benefited mostly from the safe and timely e-connections for data transfer crucial for banking operations. The Arab Bank agreement consisted of linkage through fiber optics, while the Central Bank engaged Jordan Telecom Group in its e-teller project.

Similar agreements were held with businesses whose nature of work demand linkage between headquarters and branches spread over the Kingdom, such as the Free Markets Company and Electricity Distribution Company, through the frame relay service, which installs a local network for secure data transfer.

An agreement of mutual exchange of benefits was signed between the Jordan Post Company and Jordan Telecom Group whereby each facilitated the delivery of the other's services offered in their respective centers. The Professional Union also agreed with Jordan Telecom Group to market its offers for the benefit of union members.

Wanadoo, the internet and data business unit, pursued its promotion of the wireless internet connectivity, popularly known as Wi-Fi, and held agreements to install this technology in King Hussein International Airport in Aqaba to serve visitors and travelers through this airport. Wanadoo extended a similar agreement to public and private universities such as the University of Jordan, Princess Summaya University for Technology, as well as others.

In Aqaba, Jordan Telecom Group signed a long-term Memorandum of Understanding with Saraya Aqaba Co., whereby Jordan Telecom Group supported the company's infrastructure for its present and future projects, in the Special Economic Aqaba Zone, including an element of various IT training courses for company employees. Wanadoo also provided Tala Bay resort in Aqaba with Wi-Fi coverage for the benefit of the resort's tourists and visitors.

The Ministry of Industry and Trade contracted Jordan Telecom Group Regional Call Center, to facilitate procedures and add new value to its services offered to the public, thus facilitating access of information 24 hours a day, 7 days a week. Jordan Telecom Group also signed an agreement with the Greater Amman Municipality to exchange geographic data for the benefit of both parties.


One with society

One with society

The welfare of all Jordanians continues to feature high on Jordan Telecom Group's agenda for social responsibility. The Group continues to reach out wherever need lies or arises, promptly and timely. It also continues to respond and embrace immediate requirements for assistance throughout the year, as events unfold.

In moving to become the corporate social responsibility arm of Jordan Telecom Group, Jordan Telecom Group Foundation reassessed its policies, mandate and criteria when selecting just causes for support. Putting in place a newly developed info kit, the Foundation readied to partner with NGOs working in the Kingdom to sponsor projects that aim at a better life for all Jordanians.

Jordan Telecom Group Foundation spearheaded many initiatives such as extending immediate financial assistance to the families of Aqaba who were most affected by the heavy flooding in the governorate in early 2006. The Foundation teamed up with the Aqaba governorate who identified the families eligible for immediate assistance.

Direct and spontaneous input was also manifested through MobileCom, the mobile business unit, in its contribution towards Operation Smile, which seeks to improve the quality of life for children who suffer from facial deformities. MobileCom further supported the Jordanian Hashemite Fund for Human Development (JOHUD), by renewing its long-term support agreement for the fifth year running, during which they hosted a recreational event for around 400 children from different orphanages across the Kingdom.

Jordan Telecom Group initiated a joint donation campaign with the Red Crescent to raise funds to back the Lebanese people in the summer 2006 crisis that befell Lebanon. MobileCom also contributed with JD 10 free credit for all its subscribers in Lebanon to facilitate their communication needs and help them stay in contact with their families and loved ones, at a time when contacts and communications were battered and severed.

Input in the cultural arena witnessed the Group's involvement in Opera Abu Hassan, which linked Jordanian heritage with modern cultures through music. The event took place at the Southern Amphitheatre, Jerash, and was held in cooperation with Jordan Telecom Group Foundation, the French Embassy and the French Cultural Centre. The operatic play performed jointly by Jordanian, European and Lebanese artists brought to life the heritage of Arab Civilization with the stories of One Thousand and One Nights.

Part of its annual community involvement during the Holy month of Ramadan, Jordan Telecom Group and France Telecom Group, in partnership with Tkiyyet Um Ali, set out to fight hunger. Tents were set in three regions in the Kingdom offering iftar meals to needy individuals, families and travelers. The relationship with Tkiyyet Um Ali moved on to facilitate Zakat Al Fitr payments by calling 090099111 from any fixed or MobileCom line.

The elderly were also granted due attention by the Foundation, with a visit paid by the Foundation's Volunteers Club to the Golden Age Home for the Elderly and a staged play -Lillah ya Muhsineen- created to put a smile on the faces of the elderly residents. Furthermore, liver patients, especially those deprived of health insurance, received assistance through Friends of the Liver Patients Society from a fundraising luncheon and lecture entitled 'Lifestyle and Liver Disease', under the Patronage of HRH Princess Rym Ali. The raised funds helped in buying Hepatitis B vaccine to be distributed for free to susceptible family members, particularly newborns.

Youth continue to merit holding a focal attention point in the Group's sponsorship activities acknowledging that 60% of the Jordanian society is below the age of 21. The Group leveraged its sports activities with an agreement with the Jordan Basketball Federation, to take in a wider range of high school, university and professional tournaments as well as a national talent scout initiative. This agreement sitting alongside a renewed relationship with the Jordan Youth Football Club, gave today's youth an outlet for their pent up energies after long hours spent in the classroom.

Jordan Telecom Group Foundation's internet bus and tent continued to roam the Kingdom's governorates spreading internet culture and offering training services to those who needed it and were unable to access it. Students and teachers in remote areas were able to experience the technology at their doorstep, thus aiding their first and early steps into the race and spin of technology. Forty four cities, towns and villages across the Kingdom were exposed to this endeavor and 20,554 citizens benefited from the Foundation's internet bus and tent tour.

MobileCom, the mobile business unit, continued to work closely with the Ministry of Education and Intel, on an ambitious program set out to encourage research and development in schools across the Kingdom. Competitions for young scientists were launched with fairs to select a group of innovative students to take part in the final stages of the Intel International Science and Engineering Fair (Intel ISEF) held in Indiana, USA. The returning students were recognized in a ceremony held under the Patronage of Her Majesty Queen Rania Al Abdullah. In a further step that encourages younger children to express themselves through creative and innovative development, MobileCom sponsored the Wire Car Exhibition. Children were encouraged to design toy cars using wires and available products found in many small towns and villages across the Kingdom. The exhibition was held under the Patronage of Her Majesty Queen Rania Al Abdullah and exhibited at the Royal Automobile Museum.

In the sponsorship arena, the Group invested in business and knowledge sharing forums as the golden sponsor of the Jordan ICT Forum held under the Patronage of His Majesty King Abdullah II in November, and was also a sponsor of the Media and Telecommunications Convergence Conference. Both well-attended gatherings looked at the future of communications tackling issues facing the sector within the region and encouraging open and frank discussion.

Jordan Telecom Group Foundation also supported the World Family Summit +2, held under the Patronage of Her Majesty Queen Rania Al Abdullah at the Dead Sea as a follow-up on the development goals of the new millennium aimed at reducing poverty, hunger and enhancing learning. The summit was organized and attended by NCFA, WFO and UNDESA.

Jordan Telecom Group's interaction with the civic society shall continue to highlight its commitment to the social, economic and technological fabrics of Jordan. Direct input and careful attention will continue to drive Jordan Telecom Group to fulfill its mission of promoting social responsibility, community involvement, and sustainable development targeting all segments of the society across the Kingdom.

Our family

Our family

Adopting a single brand and coming together as one team working towards the same goals, within one culture and with the same attitudes to work and delivery is a significant part of Jordan Telecom Group's transformation. However, if transformation is to materialize, it should start at grass-roots.

In managing the change carefully, the Group has introduced simultaneous change management programs that its parent company, France Telecom Group, is also applying at home and in other countries. The first step came when employees volunteered to become ambassadors of change in support of the integration by cascading information to their colleagues in a proactive manner.

France Telecom Group's Anticipation and Competencies for Transformation (act) program contained a human resources component, customized to meet Jordan Telecom Group's specific needs in supporting the process of integration. It introduced new effective human resources practices and solutions that include a revamping process of competencies, grading systems, simplified compensation and benefits, and policies which paved the ground for the workforce to operate in accordance with new standards that take on board the new integration structure, and deliver accordingly.

To enhance procedures further, the Group's human resources have started to place a leadership program entitled Management School, allowing those who can lead the transformation process to take the lead and promote the performance of others, by creating a common managerial culture in accordance with good international standards, to reinforce and develop skills, competencies and behaviorisms.

Training and development were re-engineered to focus better on tailored training that responds best to the new integrated structure, new outlooks, and new ways of delivery. The Group's human resources main indicators managed to increase female percentage of the Jordan Telecom Group workforce to 17.9%, decrease average employee age to 37 years, and improve average employee salary. The new integrated Jordan Telecom Group structure facilitated the movement of employees amongst the Group's companies, to best serve the business and integration needs. For new recruits, a Group Orientation Program entitled "Welcome to Jordan Telecom Group" has been designed to ensure that new recruits are set on the right track, with a clear perception and understanding of their future within the Group. Ultimately the main objective of the human resources is to have the right employees in the right place, with the right pay.

And all along, channels of communications between higher management and staff were kept wide open. The introduction of the "Contact the CEO" initiative has enabled staff members to communicate directly with the Group CEO, Mickael Ghossein, through e-mail, to share any information they believe is important to the success of the company. The e-mail is strictly confidential with responses from the CEO being posted on the Group's intranet to ensure the Group in its entirety is exposed to the same information. Also, a competition was launched for employees who can come up with innovative ideas on how to best market re-branding activities, responses to which were astounding.

The newly introduced concepts and the corresponding change in attitudes it needed to instigate, demanded closer molding of the work culture. To accommodate such needs, other programs were tailored to help staff understand the evolving vision of the company and advise them on ways to embrace the changes and benefit both personally and professionally from them.
All staff were given induction training on the new vision and values the Group is adopting.

Efforts continue to identify competencies, to conduct timely performance evaluation, and reviews in line with the Group strategy while implementing all it takes in support of the full transformation process. The intention is to continue to invest heavily in the Group's workforce as they are the pillars of the company's success.

Financial report

Financial highlights 2006

Year 2006 was an extraordinary year for Jordan Telecom Group by all means, against a backdrop of competitive market conditions, shifting economic circumstances, major advances in technology and the emergence of new players, Jordan Telecom Group was able to maintain its financial position and market share, and improve customer base and product capabilities.
We are pleased to put between your hands our financial and non-financial results for 2006, where the healthy increase in recurring revenues was a notable feature of this year, in addition to improved profitability and good cash flow due to the wise financial management. This continues to pursue Jordan Telecom Group's mission and policy, and as evidence not only of our good product and support capabilities, but also that our stability and long-term investment plans are seen as a benefit for our business. While operating under one integrated operator (the first to be locally & regionally) this remains one of the great strengths for the company to ensure that existing customers remain satisfied and assure their loyalty.
We believe that constant effort to improve our products, hard work by our dedicated support teams, and good communications with customers, ultimately all made it possible.

Consolidated financial & statistical highlights

Presented below is a summary of the consolidated data for 2006 against 2005.

Income statement data

(MJD)	2005	2006	Change %
Revenues	**352,2**	**362,9**	**3%**
Operating expenses			
Cost of services	115,6	123,3	6,7%
Selling and distribution expenses	39,3	39,3	0%
Administration expenses	16,3	17,8	9,2%
Government revenue share	8,0	10,3	28,8%
Management fees	2,9	3,1	6,9%
Total operating expenses	**182,1**	**193,8**	**6,4%**
Profit from operations (EBITDA)	**170,1**	**169,1**	**(0,6)%**
EBITDA margin %	48,3%	46,6%	(3,5)%
Depreciation, amortization and impairment	(70.6)	(56,1)	(20,5)%
Net foreign exchange differences, finance cost, finance revenues, gain on sale of available for sale investments & other income	5,5	10,5	90,9%
Other fees	(3,1)	(3,2)	3,2%
Profit before income tax	**101,9**	**120,3**	**18,1%**
Income tax	(15,5)	(33,3)	114,8%
Profit for the year	**86,4**	**87,0**	**0,7%**
Profit margin %	24,5%	24,0%	(2,0)%
Basic and diluted earnings per share	0,345	0,348	0,9%
Weighted average number of shares during the year	250	250	0%

Summary of balance sheet data

(MJD)	2005	2006	Change %
Assets			
Total current assets	**279,6**	**350,9**	**25,5%**
Property, plant & equipment	244,5	230,7	(5,6)%
Other non-current assets	24,5	15,1	(38,4)%
Total non-current assets	269	245,8	(8,6)%
Total assets	**548,6**	**596,7**	**8,8%**
Liabilities and equity			
Total current liabilities	104,4	149,6	43,3%
Total non-current liabilities	44,5	45,4	2,0%
Total equity	399,7	401,7	0,5%
Total liabilities and equity	**548,6**	**596,7**	**8,8%**

Summary of cash flow statement

(MJD)	2005	2006	Change %
Net cash from operating activities	175,0	184,6	5,5%
Net cash (used in) investment activities	(26,4)	(28,3)	7,2%
Net cash (used in) financing activities	(44,8)	(84,5)	88,6%
Net increase in cash and cash equivalent	103,9	71,9	(30,8)%
Cash & cash equivalents	217,5	289,4	33,1%

Financial ratio analysis

	2005	2006	Change %
Profitability ratios			
Return on total assets (ROI)	16,7%	15,2%	(9,0)%
Return on total equity	22,7%	21,7%	(4,4)%
Liquidity ratios			
Current ratio	2,68	2,35	(12,3)%
Cash ratio	2,08	1,93	(7,2)%
Leverage ratios			
Total liability to equity ratio	37,2%	48,5%	30,4%
Interest – bearing debt ratio*	7,7%	7,8%	1,3%
Total debt ratio**	27,1%	32,7%	20,7%
Assets coverage ratio***	164,2%	118,3%	(28,0)%
Assets management ratio			
Total assets turnover ratio	68,2%	63,4%	(7,0)%
Fixed assets turnover ratio	134,3%	152,7%	13,7%
Total capital turnover ratio	81,3%	83,3%	(2,5)%
Growth ratios			
Dividends per share (JD)	0,34	0,34	-
Dividends payout ratio	98%	98%	-
Dividends yield ratio	6,18%	8,25%	33,5%
Valuation ratios			
Book value per share	1,60	1,61	0,5%
Market to book value ratio	3,44	2,56	(25,5)%
Price – earning ratio	15,9	11,8	(25,6)%

* Debts/(debts + total equity)
** Total liabilities/total assets
*** Total tangible assets/total liabilities

Revenues

Consolidated revenues posted an increase of 3.0% from JD 352.2 million in year 2005 to JD 362.9 million in year 2006. This growth can be linked to 21.0% superior boost in the mobile segment's revenues (pre intercompany eliminations), hitting JD 140.0 million, and a 41.6% increase in data communications segment revenues, recording JD 10.9 million. This respective increment was more than enough to offset the 3.6% decline in the fixed line segment's revenues where it reached JD 244.1 million in year 2006.

Operating expenses

The term operating expenses (OPEX) consists of cost of services, selling and distribution expenses, administration expenses, government revenue share and management fees.

Operating expenses witnessed an increase of 6.4% to reach JD 193.8 million in year 2006 against JD 182.1 million in year 2005; this increase can basically be attributed to the increase in cost of services that is primarily led by the growth in revenues.

The main component of operating expenses is cost of services, which consists of interconnection fees paid to operators of other telecommunication networks, certain license fees, technical costs such as network operating and maintenance expenses, expenses related to technical personnel, costs of SIM cards, prepaid scratch cards and the cost of subsidized handsets.

Cost of services increased by 6.7% reaching JD 123.3 million in year 2006 over JD 115.6 million in year 2005. This increase was heavily pushed by higher interconnection cost from the mobile segment due to higher traffic volume and higher transmission cost from the data segment.

Selling and distribution expenses uphold a steady level in year 2006 against year 2005, where in both periods selling & distribution expense posted JD 39.3 million.

Administration expenses increased by 9.2% to reach JD 17.8 million in year 2006 compared to JD 16.3 million in year 2005, due to higher staff expenses mainly from the customized offer.

Government revenue share equals to 10% of net revenue that MobileCom is required to pay to TRC pursuant to the mobile license agreement.
Government revenue share reached JD 10.3 million in year 2006 compared to JD 8.0 million in year 2005, showing a 28.8% increase, pushed by the net mobile revenues growth.

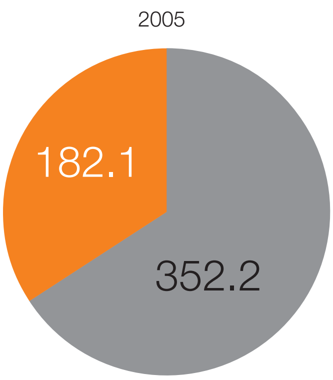
Management fees are what the group is required to pay to France Telecom pursuant to the business support agreement, management fees of the group increased by 6.9% to reach JD 3.1 million in the year 2006 as compared to JD 2.9 million in year 2005.

EBITDA

Earning Before Interest, Tax, Depreciation & Amortization (EBITDA) consists of revenues less operating expenses. EBITDA in year 2006 has maintained almost a stagnant status against year 2005, where it stood in year 2006 at JD 169.1 million from JD 170.1 million, showing 0.6% disregard drop. For further clarification, this slight drop is attributable to the higher OPEX that was not fully offset by the growth in revenues.

Hence, EBITDA has its impact on EBITDA margin causing it to go down by 1.7 points to reach 46.6% in year 2006 opposed to 48.3% in year 2005.

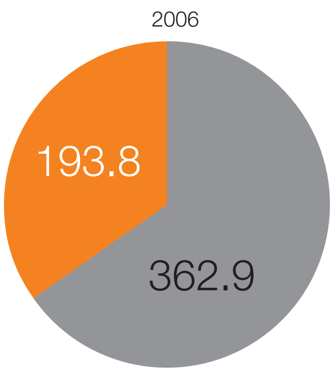
MJD



EBITDA JD 170.1 million

EBITDA margin 48.3%

MJD



EBITDA JD 169.1 million

EBITDA margin 46.6%

Revenues
OPEX

Depreciation, amortization and impairment

Consolidated depreciation, amortization and impairment expense, dropped by 20.5% in year 2006, from JD 70.6 million to JD 56.1 million in year 2005, this result is what Jordan Telecom Group reaped from testing impairment on fixed assets two years ago. This as well, will have its significant impact on the bottom line.
In 2006, the company recognized an amount of JD 4 million, which represents a write down of certain assets to its recoverable amount, which is based on the revised estimated useful lives of certain telecommunications equipment.

Net foreign exchange differences

Consolidated net foreign exchange differences consist of changes in valuations of deposits and loans arising from changes in foreign exchange rates. For the year 2006, it recorded gain on exchange of JD 0.2 million due to the decrease in average foreign currency exchange rate compared to JD 0.1 million in year 2005.

Finance costs

Consolidated finance costs consist of the interest and other charges, which are paid on our financial indebtedness. Finance costs dropped by 17.4% to reach JD 1.9 million in year 2006 from JD 2.3 million in year 2005.

Finance revenues

Consolidated finance revenues consist of revenues earned on cash deposits in various currencies. Finance revenues increased noticeably by more than double digit, reaching JD 12.0 million in year 2006 from JD 4.3 million, due to increase in cash balances.

Gain from sale of available for sale investments

In the year 2005 we had a JD 3.2 million gain from the sale of our investment in Intelsat.

Other income

Other income consists of gains and losses on dispositions of fixed assets and other miscellaneous income. Other income was in 2006 around JD 0.17 million gain opposed to JD 0.21 million in year 2005, showing a 19.0% decrease.

Other fees

Jordan Telecom Group is subject to the Jordanian universities fees, scientific research and vocational training fees, each of which amounts to 1.0% of net profit before income tax. In addition to the vocational and technical training fund fees, which are equal to 1.0% of our net profit available for distribution.

The Group paid JD 3.2 million as other fees in year 2006 compared to JD 3.1 million in year 2005.

Income tax

Jordan Telecom Group is subject to corporate income tax at a rate of 25% on a non-consolidated basis; in year 2006 the Group posted JD 33.3 million as income tax, with an increase of 114.8% from year 2005 which used to be JD 15.5 million. As in 2005 MobileCom recorded for the first time the deferred income tax, due to time differences in accepting the expenses, in addition to the increase in profit before income tax by 18% compared to last year.

Profit for the year

Jordan Telecom Group was able to maintain a solid bottom line in year 2006, where it stood at JD 87.0 million opposed to JD 86.4 million in year 2005.

Liquidity and capital resources

The primary source of liquidity is net cash from operating activities. Net cash from operating activities in year 2006 reported JD 184.6 million over JD 175.0 million in year 2005, revealing a boost by 5.5%, principally led by the higher profit before income tax.

Net cash used in investing activities witnessed an increase of 7.2%, where it reached JD 28.3 million in year 2006 from JD 26.4 million in year 2005. This can be directly linked to higher purchase of property, plant & equipment in 2006 than 2005, in order to manage to keep a high quality state-of-the-art network and to serve the increasing number of mobile & data subscribers. Netted by higher interest on deposits, which reached JD 12 million in 2006 compared with JD 4.3 million in 2005.

For the year 2006, our net cash used in financing activities reached JD 84.5 million in year 2006 compared to JD 44.8 million, chiefly driven by the elevated dividends that were paid to shareholders for year 2005.

Cash and cash equivalent

The Group was able to sustain a strong cash status, where it reached to JD 289.4 million in 2006, compared to JD 217.5 million in year 2005, revealing 33.1% raise up.

Capital expenditures

Capital expenditures for the year 2006 increased by 22.3%, reporting JD 41.7 million against JD 34.1 million in year 2005, as Jordan Telecom Group has invested heavily in mobile network in order to be able to bear the increasing demand from its growing subscribers, and in addition to the expansions that took place during the year on data network to enhance the quality of services and to be able to tolerate the increasing demand as well.

Free cash flow

Free cash flow is the difference between net cash from operating activities and net cash used in investing activities. The free cash flow in year 2006 reached JD 156.4 million compared to JD 148.6 million in year 2005, giving a positive push by 5.2%.

Group subscribers

Jordan Telecom Group extensive efforts during the year had a great outcome at the end, where the Group subscribers in year 2006 hit 2 million subscribers compared to 1.4 million in year 2005. Illustrated below is the breakdown of the Group's subscribers per entity.

Human resources

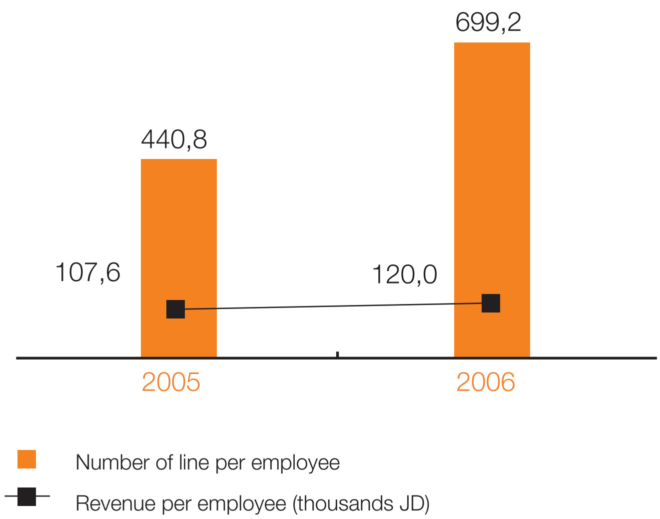
Jordan Telecom Group went on with its strategy to reach the optimized level of staff, which will push the efficiency indicators positively. Group staff in year 2006 reached 3,034 employees compared to 3,272 which reflects a 7.3% drop in headcount.

Staff efficiency

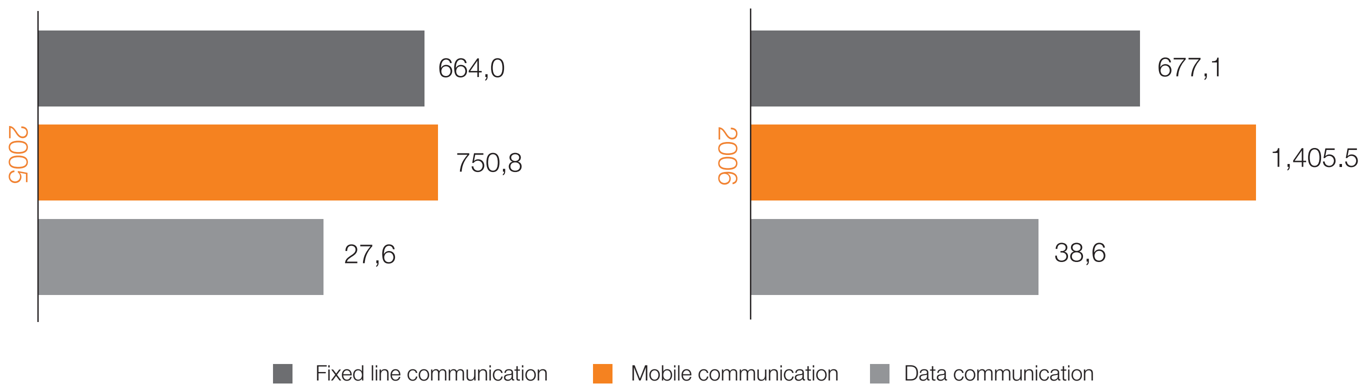
Consequently, Group efficiency indicators improved positively in year 2006, as revenues per employee increased by 11.5% posting JD 120 thousand in year 2006 over JD 107.6 thousand in year 2005. This growth was generated from the dual effect of higher revenues & lower staff.

Additionally, the number of lines per employee stood at 699.2 lines in year 2006 revealing a strong robust by 58.4% against year 2005, where it reached 440.8 line at that time in year 2005. The boost was affected by the growth in number of lines that coincide with the drop in staff.

Group efficiency indicators



Jordan Telecom Group subscribers



Segment analysis

Presented below is the detailed analysis of results of operations for each of the three business segments of Jordan Telecom Group.

- Fixed line communication (Jordan Telecom).
- Mobile communication (MobileCom).
- Data communication (Wanadoo) & (e-Dimension).

The following table presents revenues, operating expenses and EBITDA by business segment for the periods indicated:

(MJD)	2005	2006	Change %
Revenues			
Fixed line communication	253,1	244,1	(3,6)%
Mobile communication	115,7	140,0	21,0%
Data communication	7,7	10,9	41,6%
Intercompany	(24,3)	(32,1)	32,1%
Total revenues	**352,2**	**362,9**	**3,0%**
Operating expenses			
Fixed line communication	125,8	130,2	3,5%
Mobile communication	75,6	87,3	15,5%
Data communication	5,0	8,4	68,0%
Intercompany	(24,3)	(32,1)	32,1%
Total operating expenses	**182,1**	**193,8**	**6,4%**
EBITDA			
Fixed line communication	127,3	113,9	(10,5)%
Mobile communication	40,1	52,7	31,4%
Data communication	2,7	2,5	(7,4)%
Total EBITDA	**170,1**	**169,1**	**(0,6)%**

Fixed line communication:

Backdrop of vigorous competition

The fixed line segment's services are the Group's largest business segment and currently dominate more than 60% of total Group revenues, which consist of the activities of Jordan Telecom. Along with the second year of opening the market for competition; Jordan Telecom still occupies about 98% market share, with competition on international traffic to and out of Jordan.

Revenues

Jordan Telecom revenues dropped by 3.6% in year 2006 to reach JD 244.1 million against JD 253.1 million in year 2005. The revenues were harmfully affected by the vigorous competition from mobile communications, where customer orientation nowadays is shifting from fixed lines to mobiles, this from one aspect. And, continued with the market opening which was emerged, since Jordan Telecom monopoly was ceased as of 31 December 2004, causing the revenues from international traffic volume to plunge poorly, and international rates to drop.

The following table points up a detailed analysis regarding revenues from our fixed line segment:

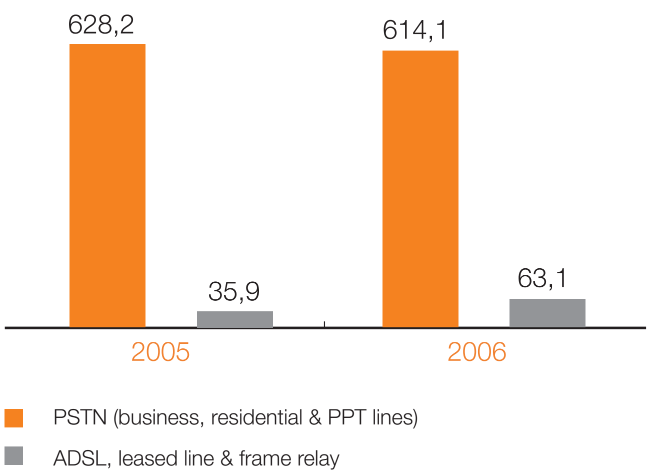
(MJD)	2005	2006	Change %
Traffic revenues	180,4	151,5	(16)%
Connection, subscription & others	49,6	58,2	17,3%
Leased lines & other data	23,1	34,4	48,9%
Total revenues	253,2	244,1	(3,6)%

Traffic revenues: Traffic revenues consist of all revenues generated from outgoing calls (local, national, internet, mobile & international) and all revenues from incoming calls (mobile or international), it occupies around 62% of total fixed line revenues. Sales from traffic revenues witnessed a major drop in year 2006 to reach JD 151.5 million compared to JD 180.4 million in year 2005, which shows a drop by 16%. This expected decline in our traffic revenues can be explained by the drop in total traffic volume mainly from international due to the vigorous competition from the new entered operators.

Connections, subscriptions & others: In the fixed line segment, revenues from connections and subscriptions consist of revenues from monthly subscription fees, one time connection fees and other tailored supplementary services fees. Others include telex and telegraph services and value added and supplementary services such as premium services "0900" telephone numbers, "1212" directory services, prepaid calling cards, and our toll free "call free 0800" number service.

Connections, subscriptions & other revenues reached JD 58.2 million in year 2006, compared to JD 49.6 million in years 2005. The growth was mainly led by higher revenues from other fixed line services, mainly due to the popularity of value added services, such as premium "0900" number internet services, and higher revenues from prepaid cards. While connections & subscriptions revenues stood at a sustained level in year 2006, where no major variations were recognized.

Jordan Telecom evolution chart is illustrated below



Total fixed lines by the end of year 2006 grew by 2%; stood at around 677.2k lines in year 2006 on aggregate PSTN (includes analogue & ISDN equivalent lines) contributes by 614.1k lines approximately, while ADSL, leased lines & frame relay reached around 63.1k lines. With customers' orientation to shift towards mobile & internet services from fixed line, PSTN lines witnessed a drop during year 2006 by 2.2% compared to year 2005, the drop was compensated outstandingly by 75.9% boost in ADSL, leased lines & frame relay over year 2005, proving Jordan Telecom's strategy to focus on such services as a key contributor to growth in the near future.

Leased line & other data services posted JD 34.4 million in year 2006 from JD 23.1 million in year 2005, showing 48.9% growth. This was substantially dragged by the massive growth in ADSL revenues which concur with Jordan Telecom's plans to achieve its target by the end of 2007 and the growth in leased lines, which was justified through the increasing demand on high speed broadband services among governmental and business customers. In addition to the growth in ISPs' revenues that are mainly attributed to the more increasing usage of such services.

Operating expenses

Fixed line segment operating expenses shot up by 3.5% backed by the higher services costs due to higher cost of service.

Illustrated below is a detailed analysis of the fixed line segment operating expenses and percentage changes for the periods indicated:

(MJD)	2005	2006	Change %
Cost of service	84,1	90,0	7,0%
Selling & administration expenses	39,1	38,4	(1,8)%
Government revenue share & management fees	2,6	1,8	(30,8)%
Total fixed line communication operating expenses	125,8	130,2	3,4%

Cost of services: Cost of services for our fixed line voice and data service segment consists of interconnection fees paid to operators of other telecommunications networks and expenses related to technical personnel, together with satellite and cable expenses, network operating and maintenance expenses, the operating license and spectrum license fees payable to the TRC pursuant to the PSTN license agreement, fees paid to municipalities for rights of way for our network and certain other expenses. Cost of services increased by 7.0% in the year 2006 to reach JD 90.0 million from JD 84.1 million in year 2005. Such increase is mainly ascribed to 15.4% increase in interconnection costs led by the higher international traffic volume terminated at mobile operators and Transit Plus (it's the traffic transit between mobile operators through Jordan Telecom network).

Selling and administrative expenses: Selling expenses for our fixed line segment consist of advertising and marketing expenses, provisions for bad debts, billing and distribution costs, advertising and promotions, and marketing staff salaries. Administration expenses consist of information technology, finance and human resources expenses. Selling and administrative expenses for the fixed line and data services segment stayed at a steady trend over the corresponding period in year 2005, where it reached JD 38.3 million in year 2006 against JD 39.1 million in 2005.

Government revenue share and management fees: The government revenue share and management fees continued their declining trend in 2006, where they decreased by 30.8% to reach JD 1.8 million in year 2006 from JD 2.6 million in year 2005, of course following the ending of fixed line exclusivity in December 31, 2004. From another aspect, it's due to the reduction of management fees that Jordan Telecom pays to France Telecom pursuant to the business support agreement, to be a fixed sum plus an incentive bonus of 30.0% of the fixed sum if certain financial targets are met at the end of the year.

EBITDA

Decline in revenues by JD 9.1 million that coincides with the higher operating expenses by JD 4.3 million led to 10.5% drop in EBITDA which reached to JD 113.9 million in year 2006 over JD 127.3 million in year 2005.

As a result, EBITDA margin in 2006 was driven drastically by the decline in EBITDA, causing it to drop by 3.6 points, posting 46.7% as an EBITDA margin compared to 50.3% in 2005.

Mobile communication:

A key contributor to growth

The Group mobile communication segment consists of the mobile communication products and services offered by MobileCom, which was registered on September 1st, 1999. With an aim to build a new, highly advanced, mobile communication network to serve the Kingdom. MobileCom began commercial operations in September 2000. It holds place as the second provider of mobile services in Jordan. Nowadays, the competition has emerged with the entrance of other mobile operators causing intense price competition, and has been a factor causing increases in the number of mobile telecommunications subscribers throughout Jordan.

Revenues

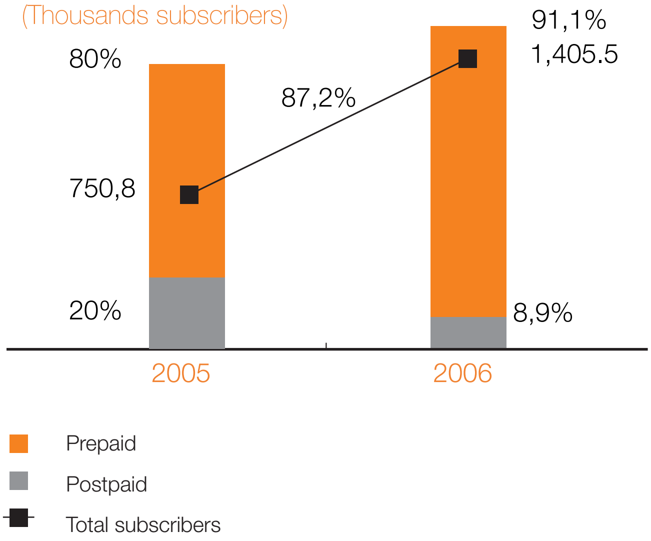
Revenues in our mobile communication segment consist of traffic revenue (both incoming and outgoing), roaming revenue, connection and subscription charges, value added services, equipment sales and discounts. Mobile communication generated JD 140.0 million in year 2006 as revenues, representing a sizeable growth by 21% opposed to JD 115.7 million in 2005. The growth was achieved through maximizing traffic revenues by attracting more users.

Here are the details of mobile communication revenues:

(MJD)	2005	2006	Change %
Revenues			
Traffic revenues	84,5	108,4	28,3%
Other mobile revenues	31,2	31,6	1,3%
Total mobile communication revenues	**115,7**	**140,0**	**21%**

Traffic revenues: Traffic revenues consist of sales of services earned in connection with incoming and outgoing traffic carried on MobileCom's network. Traffic revenues vary depending on the total number of subscribers, traffic volume, the mix of prepaid and postpaid subscribers and tariff packages. MobileCom has witnessed a remarkable expansion in its subscriber base by 87.2% to reach 1,405.5k subscribers in 2006 compared to 750.8k subscribers in year 2005; MobileCom has exerted an extensive effort to attract new customers through introducing distinguished new offers, and providing them with a high quality of service. MobileCom is highly benefiting from its prepaid subscribers which contribute by 91.1% of its total subscribers in year 2006 compared to 80% in year 2005, while the postpaid proportion of total subscribers reached 8.9% in year 2006 against 20% in year 2005, marking a drop by 55.5%, which of course can be explained by the affordable prices that prepaid lines can offer, and the high usage flexibility, in addition to the impact of the re-classification of pre-corporation subscribers that took place in year 2006, revenues grew enormously by 28.3%, where they hit JD 108.4 million in year 2006 against JD 84.5 million in year 2005. This enviable increase was largely driven by the boost in MobileCom's subscriber base, which dragged the demand positively to be reclassified from

The following chart presents the numbers of mobile communication subscribers:
(Thousands subscribers)



postpaid to prepaid. MobileCom's market share in year 2006 reached 30% compared to 24.1% in year 2005.

Other mobile revenues: Other mobile revenues consist of roaming revenues, connection and subscription charges, value added services and equipment sales and also include upfront discounts that MobileCom offers distributors as an incentive to increase revenues. Other mobile revenues maintained their level in year 2006, where they reached JD 31.6 million in year 2006, as opposed to JD 31.2 million in year 2005. Value added services are likely to be a key driver of growth going forward for the mobile segment, across customers as new technologies and facilities are expected to be introduced in the future.

Operating expenses

The mobile segment recorded JD 87.3 million as operating expenses in year 2006, over JD 75.6 million in year 2005, revealing a 15.5% increase. The major impact was from cost of service which was affected by the growth in mobile revenues.

The operating expenses of the mobile communication segment are presented in details in the table below:

(MJD)	2005	2006	Change %
Cost of service	52,5	59,4	13,1%
Selling & administration expenses	14,7	16,3	10,9%
Government revenue share & management fees	8,4	11,6	38,1%
Total mobile communication operating expenses	**75,6**	**87,3**	**15,5%**

Cost of services: In the mobile communications segment, cost of services consists of expenses relating to the cost of subsidized handsets, interconnection fees paid to operators of other telecommunication networks, expenses related to technical personnel, network operating and maintenance expenses, the operating license and spectrum license fees payable to the TRC pursuant to the mobile license agreement and fees related to SIM cards, prepaid scratch cards and network.

Cost of services in our mobile communications segment posted an increase of 13.1% in year 2006, to stand at JD 59.4 million compared to JD 52.5 million in year 2005. This increase was mostly attributed to the high interconnection cost, pushed by the boost in revenues.

Selling and administration expenses: In our mobile communications segment, selling and administration expenses consist primarily of advertising and marketing expenses, provisions for bad debts, staff and consultant costs, billing and distribution costs, and commissions paid to the distributors of MobileCom's products.
Selling and administration expenses reached JD 16.3 million in year 2006 over JD 14.7 million in year 2005, showing an increase by 10.9%, this is caused by the higher advertising cost from one aspect and higher bad debt expenses from the other.

Government revenue share and management fees: In our mobile communications segment, government revenue share consists of the revenue share that MobileCom is required to pay to the TRC under the mobile license agreement equal to 10.0% of MobileCom's net revenue. And the management fees that should be paid to France Telecom pursuant to the business support agreement, to be a fixed sum plus an incentive bonus of 30% of the fixed sum if certain targets are met at the end of the year.
Government revenue share & management fees in year 2006 increased by 15.5% to reach JD 11.6 million against JD 8.4 million in year 2005, mainly due to higher fees paid to the government as net revenues are higher compared with last year.

EBITDA

MobileCom's EBITDA grew by 31.4% in 2006 to reach JD 52.7 million, implying an EBITDA margin of 37.6% in year 2006, compared to JD 40.1 million in year 2005 and 34.7% as EBITDA margin. Improvement in EBITDA came as a result of an increase in revenues that coincides with the increase in operating expenses. Nevertheless, the increasing margin in operating expenses was slower than the growth margin in revenues.

Data communication:

The group data communication segment consists of the international data services and ISP services provided by Wanadoo and the internet content provider services provided by e-Dimension.
Wanadoo is the leading internet service provider in Jordan, in 2001, Jordan Telecom acquired Global One Communications (Jordan) Ltd. Wanadoo entered into a brand license agreement with Wanadoo Interactive fully owned by France Telecom. Pursuant to this agreement, France Telecom will be paid a fee equal to 1.0% of the gross revenue of the ISP service revenue. This partnership features various services such as prepaid and postpaid internet dial-up, the 09000700 internet dial up service whereby a customer connects to the internet without a subscription or a prepaid card and the charge will appear on the customer's regular PSTN line invoice by Jordan Telecom, corporate internet leased lines, ADSL service for residential and corporate, web-hosting and mail-hosting solutions, internet roaming through dial-up and wireless internet (Wi-Fi) connectivity at airports, cafes and restaurants in Jordan.
Additionally, e-Dimension was established in December 2000, it's a company for Digital Development of Data. The company introduces a new advanced e-solution to the market. It also offers an array of services from basic web development to specialized high end PSP (Payment Service Provider) service, ICP (Internet Content Provider) service, and ICDN (Internet Content Delivery Network) technology.

Revenues

In the discussion that follows, the comparison combines the results of operations of Wanadoo and e-Dimension for the year 2005 and 2006:

(MJD)	2005	2006	Change %
Revenues			
ISP services and content	5,7	8,7	52,6%
International data service	2,0	2,2	10%
Total data communication revenues	**7,7**	**10,9**	**41,6%**

Data communications revenues increased by 41.6% to reach JD 10.9 million in year 2006 compared to JD 7.7 million in year 2005, due to the 52.6% increase in ISP services revenues and the10% increase in international data services.

ISP services and content increased by 52.6% to reach JD 8.7 million in year 2006, from JD 5.7 million in year 2005, this case is due to the increasing demand on ADSL which provides internet connectivity at high speeds, and increasing awareness of the internet, which is supported by government-sponsored initiatives, such as the “PC @ Every Home” initiative as well as a drop in bandwidth costs that directly impacted the end user price.

Revenues from international data services increased 10% to reach JD 2.2 million in year 2006 compared to JD 2.0 million in the year 2005, due to increasing sales of international IPVPN services to multinational customers.

Wanadoo is the first and the leading ISP provider in Jordan and during 2006 was able to expand its subscribers base by 40% where it reached to 38.6k subscribers over 27.6k subscribers in year 2005. Wanadoo provides services to residential customers on a postpaid and prepaid basis; it also provides them with faster and higher quality data communications services, at reduced prices. Wanadoo was the first ISP to launch ADSL at a speed of 2048Mbps for residential and corporate customers in 2006. Wanadoo provides business customers with an advanced data solution, to facilitate and speed up their operations.

Operating expenses

Operating expenses stood at JD 8.4 million in year 2006, posting an increase over 2005 by 68%, which stood at JD 5.0 million in year 2005, chiefly caused by 87.1% increase in cost of services impacted by the boost in revenues.

The operating expenses of the data communication segment are presented in details in the table below:

(MJD)	2005	2006	Change %
Cost of service	3,1	5,8	87,1%
Selling & administration expenses	1,8	2,5	38,9%
Government revenue share & management fees	0,1	0,1	0%
Total data communications operating expenses	**5,0**	**8,4**	**68%**

Cost of service for data communication in the year 2006 increased by 87.1% reaching to JD 5.8 million compared to JD 3.1 million in the year 2005, mainly driven by the boost in revenues.

Selling & administrative expenses reached JD 2.5 million in year 2006 compared to JD 1.8 million in year 2005, revealing an increase by 38.9% due to a higher advertising cost.

Government revenues share & management fees in year 2006 maintained the same level as year 2005.

EBITDA

EBITDA in the data communication segments posted JD 2.5 million in year 2006, a 7.4% drop compared to JD 2.7 million in year 2005. This decline was primarily caused by higher operating expenses that have not been offset by the growth in revenues.
EBITDA margin stood at 22.9% in year 2006 opposed to 35.1% in 2005 pointing a decline by 12.2 points.

Disclosure schedule report pursuant to Jordan Securities Commission instructions for the year 2006

1. The services rendered by Jordan Telecom:

- Fixed telephone service
- Service for internet services providers (ISPs)
- ADSL service
- Call free service
- Leased line service
- Telex and telegraph services
- Value added services
- Information and marketing services
- IP connectivity service
- International calls

Company's locations and number of employees of each location:

Governorate	No. of locations	No. of employees
Amman	76	1646
Ajloun	13	19
Irbid	60	262
Jarash	14	26
Al-Mafraq	40	40
Al-Balq'a	28	64
Madaba	11	41
Al-Zarqa	20	83
Al-Aqaba	24	48
Al-Karak	41	126
Ma'an	24	32
Al-Tafilah	18	31
Total	**369**	**2418**

- Further, the amount of capital investment in 2006 was JD 12,656,290.

2. Subsidiaries:

Name of the subsidiary	Nature of business
Petra Jordanian Mobile Telecommunication Co. Ltd. (MobileCom)	GSM operator
Jordan Data Communication Co. Ltd. (Wanadoo)	Internet service provider
Dimensions Company for Digital Development of Data Ltd. (e-Dimension)	Content

3.a Members of the board of directors:

Dr. Shabib Farah Ammari (Chairman)

Dr. Shabib Ammari is Chairman of the board of directors. He has held this position since January 2000, representing originally the Government of Jordan. Dr. Ammari was re-elected as the Chairman of the board of Jordan Telecom Group in June 2006, representing France Telecom Group. Dr. Ammari is also the General Manager of Al-Daman for Investments (plc.) and represents the private sector in the board of directors of Electricity Distribution Co. He is also a Board Member of Arab Jordan Investment Bank and a Board Member of Al-Sharq for Investment Projects (plc.) He is also on the board of trustees at Princess Sumaya University for Technology. Dr. Ammari holds a PhD Degree in Economics (1980) from the University of Southern California (USA), where he was a senior lecturer until 1985.

Mr. Marc Rennard (Vice Chairman)

Mr. Marc Rennard is Vice Chairman of the board of directors. He is also Executive Vice President of France Telecom Orange Group, in charge of Africa, the Middle East and Asia since 2006. He is also Chairman, and/or Board Member of several international fixed, mobile and internet subsidiaries of France Telecom Group since 2004.
He was formerly Vice President of International Operations at the International Division of France Telecom. Prior to that, he was Chairman and Chief Executive Officer of UNI2 Telecommunications Operator, a France Telecom subsidiary in Spain (03/04). Before that, Mr. Rennard was Deputy Managing Director of TDF (96/02), Chairman of TDF Video Service (96/02), Chairman of TDF Câble (92/96 and 01/03), and Commercial Director of TDF (92/96).
Mr. Rennard graduated from EM Lyon (France), and holds a Postgraduate Degree in Management Science.

Mr. Hugues de Verdalle (Board Member)

Mr. de Verdalle is a Board Member. He is also Manager Subsidiary Financing and Treasury at France Telecom Orange Group. Since 1997 he has held several positions in France Telecom Group including Group Financing and Financial Control. Prior to that, Mr. de Verdalle worked between 1990-1995 at Sofinasia, Paris; a consulting and investment company before moving to become an Investment Manager in DEG, a German Investment and Development Bank. Mr. de Verdalle graduated from Sciences Po. Paris in 1980 and holds a Master's Degree in Political Sciences from La Sorbonne Paris (France) and an MBA from ISA (France).

Eng. Abdel Rahman El-Khatib (Board Member)

Engineer Abdel Rahman El-Khatib has been a Board Member since Jordan Telecom was privatized in 2000. He is the Chairman of the Technical Committee for the Restructuring of the Jordan Civil Aviation Authority and the Privatization of the Jordanian Airports, and the Head of the Technical Team tasked to restructure and privatize Royal Jordanian Airlines. As a Transaction Manager at the Government of Jordan's Executive Privatization Commission (EPC) since 1999, Engineer El-Khatib has participated in the privatization of the telecommunications sector in Jordan. He is currently also in charge of the privatization of the air transport sector in Jordan. During the years 1994-1998, he occupied the position of Electronic Warfare Director in Royal Jordanian Air Force.
Engineer Abdel Rahman El-Khatib achieved his BSc Degree in Electronic Engineering in 1972, a Master's Degree in Electronic Telecommunications Engineering in 1980, and a Master's Degree in Strategic Studies in 1994.

Dr. Hamzeh Jaradat (Board Member)

Dr. Jaradat has been a Board Member since November 2004. Dr. Jaradat serves as an Economic Advisor to the Minister of Finance of the Government of Jordan. Previously, he worked for the Central Bank of Jordan and taught at different universities in the United States.
Dr. Jaradat holds a BSc Degree in Economics and Computer Science from Yarmouk University (Jordan), a Master's Degree in Economics from the University of Jordan (Jordan), and a PhD Degree in Economics from the University of Tennessee (USA).

His Excellency Faris Sharaf (Board Member)

Mr. Sharaf was appointed a Board Member in July 2006. He is also Deputy Governor of the Central Bank of Jordan. Before his appointment as Deputy Governor, he held the position of Executive Director of Banking Supervision at the Central Bank of Jordan. Prior to joining the Central Bank, he was the Managing Director for Investment Banking, Capital Markets and Research at the Export and Finance Bank in Jordan. Mr. Sharaf also held positions as an investment analyst with the International Finance Corporation in Washington DC and an Economic Researcher with the Amman Financial Market.
Mr. Sharaf holds a Master's Degree in Economics, a Master's Degree in Money and Banking and a BA in Economics and Political Science.

Mr. Gilles Vaillant (Board Member)

Mr. Vaillant is a Board Member. He is also Vice President of the International Division of France Telecom Group since 2001, with a supervisory role for the Middle East (including Jordan), the Indian Ocean, Asia and the Pacific.
His extensive experience in the telecom industry started when he joined France Telecom in 1973. Since then he has held various positions at a regional level in both technical and management roles and as Regional Director between 1984 and 1991; when he moved to the international arena as Managing Director of France Telecom's venture in Indonesia from 1995 to 2000; in addition to various board level roles of ventures established in Jordan, Lebanon, Mauritius and Singapore.
Mr. Vaillant graduated from the French Polytechnique School as an Engineer in High School for Telecommunications (France). Mr. Vaillant is also an Officer of National Order of Merit (France).

3. b Top management (executives):

The management is in charge of managing the work of Jordan Telecom Group and its subsidiaries.

Mr. Mickael Ghossein (Group Chief Executive Officer)

Mr. Ghossein has been the Chief Executive Officer of Jordan Telecom Group since September 2006. Prior to taking up this position, Mickael was Executive Vice President of Jordan Telecom Group (January 2006); Chief Executive Officer of MobileCom, the mobile business unit (August 2002 - December 2005); Chief Executive Officer of Orange Reunion, the subsidiary of France Telecom in La Reunion (2000 - 2002); Commercial Chief Officer of Mobilerom; and Marketing and Communications Chief Officer of Mobilerom, the subsidiary of France Telecom in Romania (1997 - 2000). Mickael also worked for France Telecom, EGT and Thomson in France and Iraq. He graduated in Engineering from University of Valenciennes (France - Radio), Institut Superieur Electronique Nord ISEN (France – Telecommunications), and University of Lyon (France – Master Electrotechnics Automatisation), and in Marketing from HEC Paris (France – Services Marketing) and IFG Paris (France – Products Marketing), and in Sales from Learning International.

Mr. Francois de Loynes (Executive Vice President)

Mr. de Loynes joined the Group in September 2006 as Executive Vice President. From the late 70s, Mr. de Loynes has held various positions within France Telecom Group, primarily in the domains of Marketing and Sales, Budget and Finance. From 2001 until prior to his appointment at Jordan Telecom Group, he was responsible for the Pays de la Loire, a region in the west part of France, handling all local France Telecom activities as network, sales through distribution channels, customer care and after sales activities.

Mr. Ramzi Abu Ghazaleh (Chief Human Resources Officer)

Mr. Abu Ghazaleh has been the Chief Human Resources Officer since January 2006. Mr. Abu Ghazaleh began his career with National Center for Human Resources Development, and international projects NGOs. His experience has covered a range of industries, including human resources development and training, a wide involvement in consultancy with small and medium-sized businesses and general advisory roles. He holds a Master's Degree in Economy from Yarmouk University.

Mr. Jacques Ambrosia (Chief Sourcing and Logistics Officer)

Mr. Ambrosia has been the Chief Sourcing and Logistics Officer since July 2006. Before joining the Group, he held the role of Corporate and Wholesale Director in Ivory Coast Telecom, a France Telecom subsidiary.
Mr. Ambrosia graduated from the Ecole Polytechnique (class of 1977) and the Ecole Nationale Superieure des Telecommunications (class of 1982) - France.

Mr. Nicolas Baudin (Vice President Jordan Telecom Group/General Manager Fixed Business Unit (Jordan Telecom))

Mr. Baudin has been the General Manager of the fixed business unit since January 2006. Prior to that, he worked as Chief Marketing Operation Officer for Jordan Telecom since 2003, in charge of Marketing, Sales and Customer Care. He has worked in the international telecom sector since the beginning of 1990s, and has held positions of Deputy Director Sales Support Corporate Market at Telmex, Mexico; Commercial Director, eBusiness at France Telecom; and Business Development Director and Cooperations Director at France Telecom.
Mr. Baudin graduated in Engineering from ENSEEIHT (Toulouse - France) in 1983.

Mr. Alain Bridard (Chief Technical Officer)

Mr. Bridard has been the Chief Technical Officer since July 2006. He joined Jordan Telecom Group in mid 2004 as MobileCom's CTO. Mr. Bridard joined France Telecom in 1990 and after holding several positions as a System Department Manager in the Group; he has worked as CTO in various international locations (Reunion Island, Luxembourg) since 2000. Mr. Bridard graduated in Engineering from CESI (France).

Mr. Clement Charron (Vice President Jordan Telecom Group/General Manager Wholesale Business Unit)

Mr. Charron has been the General Manager of the wholesale business unit since July 2006. Prior to that, he worked as Manager for the wholesale business unit since 2004, bringing with him extensive international experience from his days with France Telecom Group. In 1997, Mr. Charron led France Telecom's Representative Office in Jakarta, Indonesia (1997-1998) before moving to hold Sales and Business Development positions within the Wholesale Market at France Telecom Long Distance (1998-2000) and at Mobistar's (Belgium) Roaming and Interconnect department (2000-2004).

Mr. Raslan Deiranieh (Chief Finance Officer)

Mr. Deiranieh has been the Chief Financial Officer since May 2001. He joined Jordan Telecom in 1998 as Manager of the Treasury Department. Prior to this, Mr. Deiranieh held the role of Foreign Investment Section Head for the Central Bank of Jordan.
Mr. Deiranieh holds a BA Degree in Accounting and Computer from Al-Yarmouk University (1985) and a Master's Degree in Accounting from the University of Jordan in (1992).

Mr. Tamouh Khauli (Vice President Jordan Telecom Group/Chief Executive Officer Content Business Unit (e-Dimension))

Mr. Khauli has been the CEO of e-Dimension since 2002. Prior to that, he worked for 23 years in various positions in the USA, including Senior Vice President of Operations at Novell USA, and spent four years working at the United States Department of Defense (USDOD) where he worked on the Class 3 Public Key Infrastructure (PKI). During his career, Mr. Khauli led several research teams from various foremost companies and universities in the US including the MIT. His research included telecommunication network infrastructure, communication platform security, e-commerce, e-payment, e-government and other related topics.

Mr. Khauli holds a Bachelor's Degree in Business Administration and Computer Science from Oxford University (UK), and a Master's Degree from New York University (USA). He is also certified by Novell as a Certified Network Engineer (CNE) since 1990. In 1994 he was awarded his Microsoft CNE certification, which he combined with a third certification from Lucent USA as Platform Security Engineer (PSE).

Mr. Ahmed Salah (Chief Quality Assurance & Processes Officer)

Mr. Salah has been the Chief Quality Assurance and Processes Officer since January 2006. Prior to that, he was the Chief Quality Assurance & Processes Officer for MobileCom since 2003. During his tenure with Jordan Telecom Group, he also acted as the Chief Sales Officer for MobileCom as well as the Chief Human Resources Officer for both MobileCom and Jordan Telecom. Mr. Salah studied, lived and worked in the UK for 32 years and worked for British Telecommunication (BT) in various senior technical, management and commercial roles for 16 years. Mr. Salah also acted as a Senior Consultant to the International Telecommunications Union and the Commonwealth Telecommunication Organisation. He graduated in Computer Science.

Mrs. Majd Shweikeh (Vice President Jordan Telecom Group/Chief Executive Officer Mobile Business Unit (MobileCom))

Mrs. Shweikeh has been the CEO of MobileCom since January 2006 and the Vice President of Jordan Telecom Group. Mrs. Shweikeh is also a Board Member in the Investment Unit – Social Security Corporation.

Prior to becoming CEO of MobileCom, she was Chief Financial Officer and Member of the Operating Committee of MobileCom since 2000; the Finance Manager at DHL, the international carrier service, since 1992; Project Accountant for budgeting and project planning at the American International Contractor Inc. (AICI) from 1988 to 1992; and an Auditor with Arthur Anderson.

Mrs. Majd Shweikeh holds a first class Honors Bachelor's Degree in Finance from Yarmouk University (Jordan) in 1987. In 1999, she received the Certified Management Accountant certification from the USA.

Mr. Sami Smeirat (Vice President Jordan Telecom Group/Chief Executive Officer Internet & Data Business Unit (Wanadoo))

Mr. Smeirat has been the CEO of Wanadoo since 2003. He also led the exclusive partnership with Equant as their distributor in Jordan, and the re-branding of Global One to Wanadoo. Prior to that, he was the co-founder of Cyberia Jordan in 2001, in which he worked as the deputy CEO and Chief Commercial Officer; the Corporate Sales Manager at Global One since 1996, before moving to manage Consumer and Corporate Sales from 1999; and an Assistant of Teaching and Research at the University of Jordan for two years. Mr. Smeirat holds a Bachelor's Degree in Electrical Engineering from the University of Jordan (Jordan), a Master's Degree in Electrical Engineering and an MBA from NYIT (Jordan).

Mr. Amer Sunna (Chief Information Officer)

Mr. Sunna has been the Chief Information Officer since January 2006. Prior to that, he worked since 2000 as IT Director and then Chief Information Officer for MobileCom. Before joining the Group, he worked as a Technical Analyst at Emirates Telecommunication Corporation (ETISALAT/UAE).

Mr. Sunna holds a BSc Degree in Electrical Engineering from the University of Jordan (Jordan - 1992).

Mr. Philippe Vogeleer (Chief Strategy Officer/Secretary General)

Mr. Vogeleer is Chief Strategy Officer and Secretary General of Jordan Telecom Group. He joined Jordan Telecom Group in March 2006. Prior to that, he has notably been working as General Counsel and Head of the Program Office for the Open Seamless Alliance™, an alliance coordinating the activities of the fixed and mobile affiliates of France Telecom and their partners in the field of international wholesale and retail products and services. He also worked as Head of Regulatory Affairs for Mobistar, the Belgian subsidiary of France Telecom. Prior to joining France Telecom, he worked as Manager for Deloitte & Touche Tohmatsu International, where he provided consulting services to various media and telecommunications companies. Mr. Vogeleer is trained in Management from Insead (France) and Stirling University (Scotland), and in Law from King's College London (England), KUL (Belgium), Universita di Padova (Italy), and UCL (Belgium).

4. The names of shareholders who own 5% or more of the capital as of 31/12/2005, 31/12/2006:

Shareholders	No. of shares 31/12/2005	No. of shares 31/12/2006	Percentage of shareholding (2006)
Government of Jordan	103,784,366	36,631,991	14,65%
Joint Investment Telecommunications Co.	100,000,000	127,499,999	51%
Social Security Corporation	31,030,000	43,953,260	17,58%
Noor Telecom	-	25,000,000	10%
Total	**234,814,366**	**233,085,250**	**93,23%**

5. The competitive situation of the company:

After the exclusive rights termination in 1/1/2005, the TRC issued individual and class licenses for fixed line services to several companies. Additionally, the mobile telecommunication service has affected the company's market share in the local market.

6. The degree of dependence on specific resources:

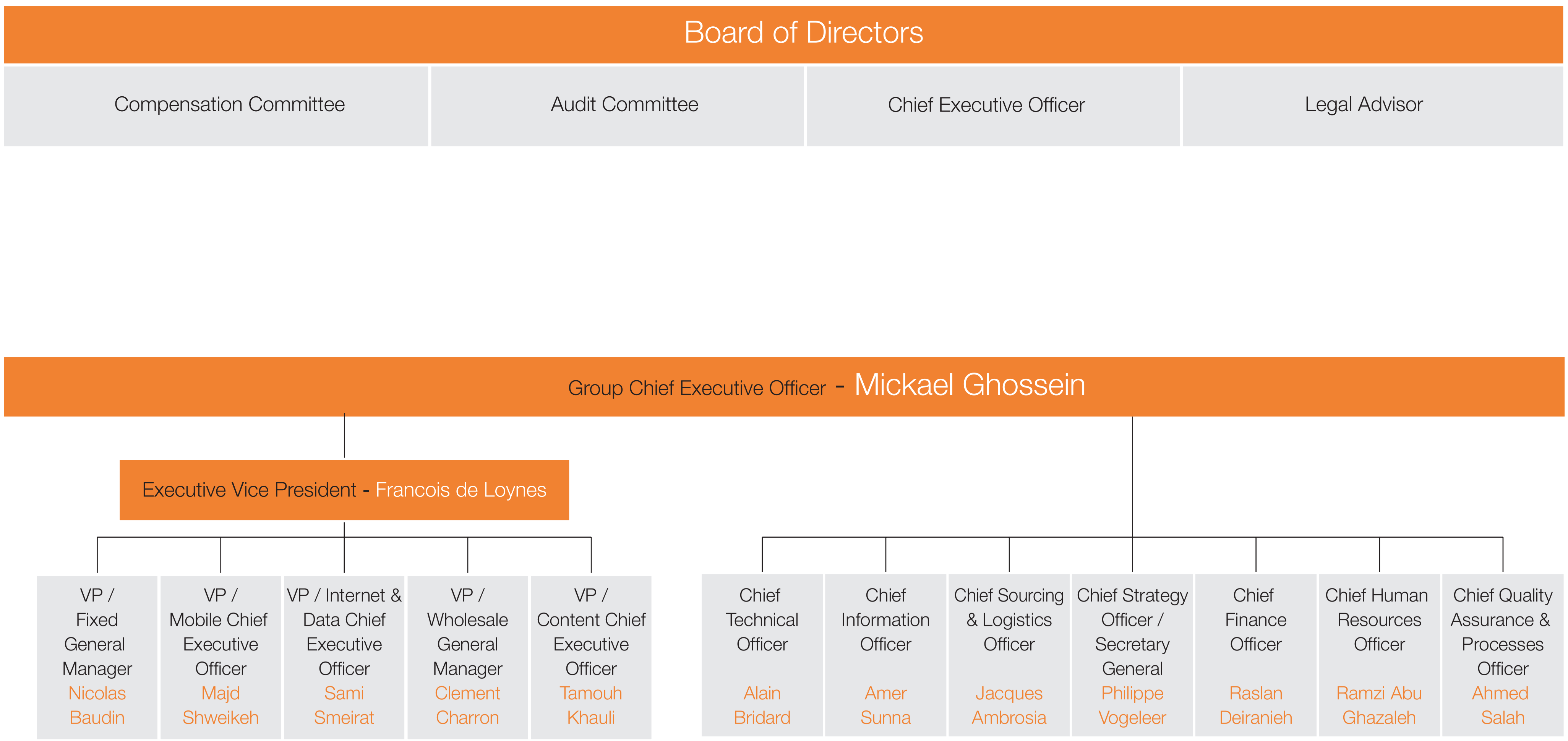
The company purchased more than 10% of its total purchases from Alcatel, which were supplies of the telephone network.

7. The privileges enjoyed by the company:

Jordan Telecom does not enjoy any privileges and does not hold any patent or franchise.

8. There are no decisions issued by the government or international organizations or others which have material effect on the company's business, products or competitive ability. Pursuant to the license issued to it, the company complies with international quality standards.

9.a The organizational structure of the company:



9.b Number of employees and type of qualifications:

- The number of employees at the end of 2006 was 2,418.

Qualification	Number
Doctorate (PHD)	4
Master's	50
BA	772
Diploma	736
General certificate of education and below	856
Total	**2418**

- The total sum of the salaries of the employees for 2006 amounted to JD 17,239,778.

9.c Training programs during 2006:

Description	Training institute of Jordan Telecom	Training inside the Kingdom	Training outside the Kingdom	Total
Number of trainees	2811	260	105	3176
Number of days of training	5205	3272	479	8956

10. The risks to which the company is exposed to:

The company faces risks of competition from mobile telecommunications and other telecom companies who serve fixed line services. However, its performance in 2006 was impressive as mentioned in the consolidated financial statements.

11. The achievements realized by the company:

The achievements were mentioned in group results.

12. The operations of infrequent nature during 2006:

The Government of Jordan sold part of its shares in the company through public and private offering. As a result, the government share percentage decreased to 14.65% while JITCO share percentage increased to 51%.

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

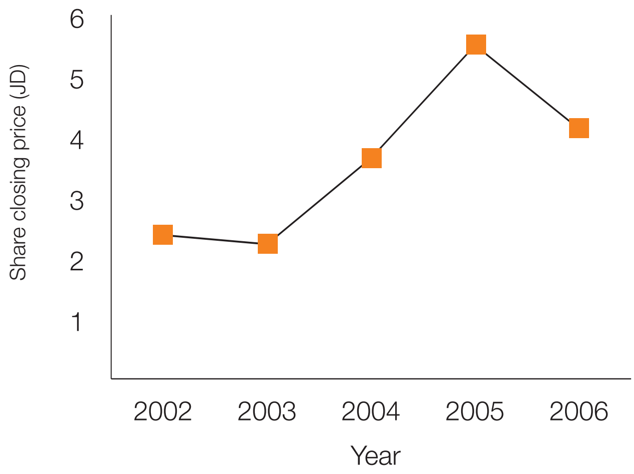
Description	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006
Profits in (JD)	30,119,590	34,627,805	46,145,972	86,361,691	86,986,351
Distributed dividends (JD)	35,000,000	45,000,000	45,000,000	85,000,000	85,000,000
Shareholders' equity in (JD)	358,708,335	359,311,525	360,520,507	399,709,253	401,703,981

Shares and bonds prices issued by the company

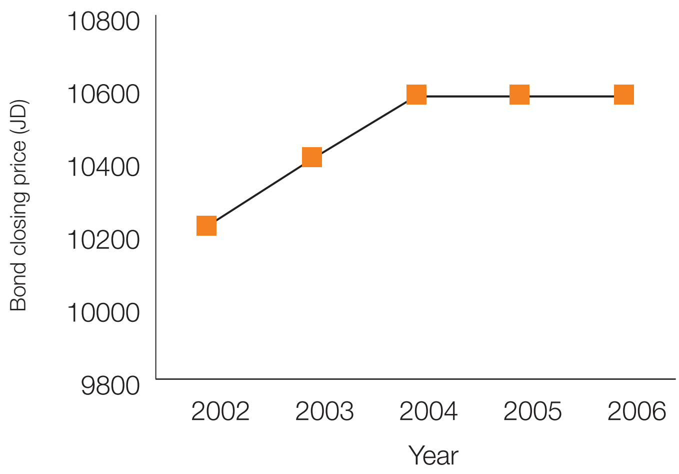
Year	Share closing price
2002	JD 2,37
2003	JD 2,22
2004	JD 3,64
2005	JD 5,50
2006	JD 4,12

Year	Bond closing price
2002	JD 10,150
2003	JD 10,400
2004	JD 10,600
2005	JD 10,600
2006	JD 10,600

Share price trend



Bond price trend



14. The analysis of the financial position of the company:

The financial analysis was included in the consolidated financial statements.

15. Future outlook:

This part is mentioned in page 21 under tomorrow's vision.

16. The remuneration of the external auditor of the company and its subsidiaries during 2006:

The company	Auditing remuneration	Other remunerations
Jordan Telecommunications Co.	JD 35,000	JD 17,000
Petra Jordanian Mobile Telecommunication Co. Ltd. (MobileCom)	JD 25,000	JD 8,500
Jordan Data Communication Co. Ltd. (Wanadoo)	JD 4,000	JD 3,500
Dimension Company for Digital Development of Data Ltd. (e-Dimeneion)	JD 2,000	JD 1,500

17. The shares owned by the members of the board of directors and top management:

No shares are owned by any of the members of the board of directors, nor by any top management members and their relatives nor by any company controlled by them.

18. The remunerators and rewards in 2006 for the members of the board of directors were JD 79,334 and for the top management members were JD 1,005,317.

19. Donations and grants:

- The company allocated an amount of JD 250,000 as a donation to the teachers housing project. This amount will be paid in 2007.
- The company donated JD 25,000 to the flood victims families in south Jordan.
- The company donated JD 10,000 to the families of two MobileCom employees who died during the terrorist bombings in Amman.
- The company donated JD 4,500 to the Islamic Center Association. This amount represent the cost of Eid brochures printing.
- The company donated JD 2,000 to Irbid Municipality for the occasion of the 125 year anniversary of establishment of the Municipality.
- The company donated JD 2,000 to the Hashemite Charity of the special needs of military.
- The company donated JD 1,000 to the Society of International Affairs.
- The company donated JD 990 to M'uta university in the occasion of the fifth scientific day for electrical engineering section.
- The company donated JD 200 to the Evangelical Free Church to support Jela'ad Festival.
- The company donated JD 550 to support a purchase of Electric chair to a disabled person.
- The company donated JD 500 to support a bazaar in Mabaret Um Al Hussein.

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

A management agreement was signed between Jordan Telecom and France Telecom on 23/5/2005 for three years.

21. Major contributions by the company for the environment and the local community:

Victims of the flood

Jordan Telecom Group Foundation provided financial support for the victims of the floods that burst into the Aqaba Governorate, to decrease the effect of the disaster, to make them feel that we are being aware of them, responsible for them and as an evidence of solidarity. The financial aid was distributed according to lists prepared by the Governorate of Aqaba for this purpose. They included specific data about the size of the damage which the citizens were exposed to.

International Union of Communication

Jordan Telecom Group Foundation in cooperation with / *Jordan* sponsored the election campaign of H.E. Muna Najem in Qatar. She was a candidate for the position of Secretary General for the International Union of Communication. The sponsoring was through Rum Tareq Al Nasser Group where they played several traditional musical pieces throughout the days of the campaign.

Opera Abu Hassan

In cooperation with the French Embassy and the French Cultural Centre, Jordan Telecom Group Foundation sponsored Opera Abu Hassan; a play produced jointly by Jordanians, Lebanese and Europeans. The opera which tackled the popular heritage of Arab Civilization through the stories of One Thousand and One Night, was performed at the Southern Amphitheatre in Jerash. Through this Opera, Jordan Telecom Group Foundation contributed to connecting the cultural heritage with modern culture in the field of music.

Golden Age Home

Jordan Telecom Group Foundation Volunteers' Club spent a day at the Golden Age Home for the Elderly to consolidate the role of the employees in community service. The voluntary day included several activities including the play (Lillah Ya Muhsineen) to spread hope and happiness among the elderly.

Ramadan iftar

Jordan Telecom Group in partnership with Takiyyet Um Ali sponsored Ramadan iftar project throughout the Holy month of Ramadan. Jordan Telecom Group set up Ramadan tents in the Kingdom's three regions where it offered iftar meals to the needy and wayfarers who filled the tents.

Zakat Al-Fitr project

Jordan Telecom Group Foundation in cooperation with Takiyyet Um Ali sponsored paying Zakat Al-Fitr by calling 090099111 from any land line or MobileCom to facilitate Zakat Al-Fitr payment process by the citizens. According to its surveys which cover all regions of the Kingdom, Takiyyet Um Ali then pays Zakat Al-Fitr to the beneficiaries.

Jordan ICT forum

Under the Patronage of His Majesty King Abdullah II Ibin Al Hussein, the 4th ICT forum entitled "The Future in Your Hands", was held at the Dead Sea for two days.
Following the opening ceremony, His Majesty opened the accompanying exhibition where He visited Jordan Telecom Group booth.
Jordan Telecom Group supported the forum as a gold sponsor. In addition to that Dr. Shabib Ammari, Jordan Telecom Group Chairman, Mr. Philippe Vogeleer, Chief Strategy Officer and Mr. Sami Smeirat, Chief Executive Officer Internet and Data Business Unit (Wanadoo) participated in the panel sessions discussions over the two days.

World Family summit +2

Under the Patronage of Her Majesty Queen Rania Al Abdullah, World Family summit +2 which was organized by NCFA, WFO and UNDESA – NGO was held at the Dead Sea to follow up the development goals of the new millenium comprising decreasing poverty, hunger and enhancing learning which, if achieved will improve the level of human life.
Jordan Telecom Group Foundation support came through providing them with all communication tools necessary for its success.

Liver Patients and Life Style

Under the Patronage of H.R.H. Princess Rym Ali, Jordan Telecom Group Foundation sponsored a fundraising luncheon and a lecture entitled "Life Style and Liver Disease" held at Hyatt Amman Hotel. The purpose of this event was to raise funds for buying the vaccine for hepatitis B and make it available free of charge to susceptible family members, particularly newborns. Friends of the Liver Patients Society contributes in supporting researches specialized in Liver diseases, receives needy patients with no health insurance and has several awareness activities for the various community sectors.

Jordan Telecom Group Foundation also sponsored several activities and events at the national level namely:

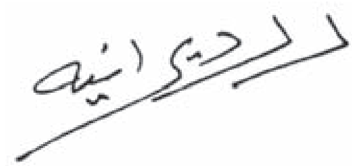
- The Sixth Annual Conference on Education/Yarmouk University.
- Arab Children Conference/Performing Arts Centre.
- The Sixth International Exhibition for Electrical and Electronic Engineering.
- General Federation of Jordanian Women/Conference.
- Web Pages Designing and Developing Competition/Jubilee School.
- Hashemite Charitable Society for Soldiers with Special Needs.
- The Fourth International Scientific Conference for Computer Science and Information Technology.

Confirmation

The board of directors confirms that there are no substantial matters which may affect the continuation of the company in the next fiscal year.

The board of directors confirms its responsibility for the preparation of the financial statements and the provision of an effective control system in the company.

The company confirms the accuracy and completion of the information and statements set out in the report.

Chairman of the board	Chief Executive Officer	Chief Financial Officer
Dr. Shabib Farah Ammari	Mr. Mickael Ghossein	Mr. Raslan Deiranieh
		

Auditors' report to the shareholders of Jordan Telecommunications Company (Jordan Telecom) public shareholding company

We have audited the accompanying financial statements of Jordan Telecommunications Company (Jordan Telecom) - public shareholding company, which comprise the consolidated balance sheet at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year that ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2006 and its financial performance and its cash flows for the year that ended in accordance with international financial reporting standards.

Regulatory requirements

The company maintains proper books of accounts and the accompanying consolidated financial statements and financial information in the board of directors report are in agreement with.

Amman – Hashemite Kingdom of Jordan
8 February 2007

Jordan Telecommunications Company (Jordan Telecom)
Public shareholding company
Consolidated balance sheet
As of 31 December 2006

	Note	2006 JD	2005 JD
Assets			
Non-current assets			
Property, plant and equipment	4	230,704,061	244,439,331
Intangible assets	5	9,534,583	10,536,638
Deferred tax assets	6	5,572,932	13,963,117
		245,811,576	268,939,086
Current assets			
Inventories	7	4,452,700	4,050,126
Trade receivables and other current assets	8	50,122,664	43,988,922
Balances due from telecom operators	9	6,850,371	12,593,128
Held to maturity investments		-	1,500,000
Cash and short-term deposits	10	289,427,704	217,501,479
		350,853,439	279,633,655
Total assets		**596,665,015**	**548,572,741**
Equity and liabilities			
Equity			
Paid in capital	11	250,000,000	250,000,000
Statutory reserve	12	62,500,000	62,500,000
Cumulative changes in fair values		-	(8,377)
Retained earnings		89,203,981	87,217,630
Total equity		**401,703,981**	**399,709,253**
Non-current liabilities			
Interest-bearing loans	14	8,678,900	8,250,375
Bonds	15	25,000,000	25,000,000
Employees' end of service benefits	16	11,675,800	11,266,479
		45,354,700	44,516,854
Current liabilities			
Trade payables, accruals and other current liabilities	17	126,029,380	89,352,051
Balances due to telecom operators	9	23,118,145	14,756,296
Interest-bearing loans	14	458,809	238,287
		149,606,334	104,346,634
Total equity and liabilities		**596,665,015**	**548,572,741**

The attached notes 1 to 26 form part of these consolidated financial statements.

Jordan Telecommunications Company (Jordan Telecom)
Public shareholding company
Consolidated income statment
For the year ended 31 December 2006

	Note	2006 JD	2005 JD
Net revenues		362,856,757	352,181,852
Cost of services		(123,258,873)	(115,581,265)
Gross margin		**239,597,884**	**236,600,587**
Administrative expenses		(17,838,590)	(16,292,964)
Selling and distribution expenses		(39,272,876)	(39,259,290)
Government revenue share	18	(10,308,157)	(8,061,033)
Management fees	19	(3,072,127)	(2,875,481)
Depreciation, amortization and impairment		(56,108,436)	(70,632,092)
Operating profit		**112,997,698**	**99,479,727**
Net foreign exchange differences		241,297	118,399
Finance costs		(1,918,834)	(2,301,581)
Finance revenue		12,019,626	4,265,268
Gain on sale of available for sale investments		-	3,244,240
Other income		174,387	212,332
Other fees	20	(3,198,428)	(3,075,175)
Profit before income tax		**120,315,746**	**101,943,210**
Income tax expense	6	(33,329,395)	(15,581,519)
Profit for the year		**86,986,351**	**86,361,691**
Earnings per share for profit for the year attributable to the equity holders of Jordan Telecom • Basic and diluted	21	0.348	0.345

The attached notes 1 to 26 form part of these consolidated financial statements.

Jordan Telecommunications Company (Jordan Telecom)
Public shareholding company
Consolidated statement of changes in equity
For the year ended 31 December 2006

	Capital JD	Statutory reserve JD	Cumulative changes in fair values JD	Retained earnings JD	Total JD
At 1 January 2006	250,000,000	62,500,000	(8,377)	87,217,630	399,709,253
Profit for the year	-	-	-	86,986,351	86,986,351
Movement in the cumulative changes in fair values	-	-	8,377	-	8,377
Dividends (note 13)	-	-	-	(85,000,000)	(85,000,000)
Balance at 31 December 2006	**250,000,000**	**62,500,000**	**-**	**89,203,981**	**401,703,981**
At 1 January 2005	250,000,000	62,500,000	2,164,568	45,855,939	360,520,507
Profit for the year	-	-	-	86,361,691	86,361,691
Movement in the cumulative changes in fair values	-	-	(2,172,945)	-	(2,172,945)
Dividends (note 13)	-	-	-	(45,000,000)	(45,000,000)
Balance at 31 December 2005	**250,000,000**	**62,500,000**	**(8,377)**	**87,217,630**	**399,709,253**

The attached notes 1 to 26 form part of these consolidated financial statements.

Jordan Telecommunications Company (Jordan Telecom)
Public shareholding company
Consolidated statement of cash flows
For the year ended 31 December 2006

	2006 JD	2006 JD
Operating activities		
Profit before income tax	**120,315,746**	**101,943,210**
Adjustments to reconcile profit before tax to net cash flows		
non-cash:		
Finance costs	1,918,834	2,301,581
Finance revenue	(12,019,626)	(4,265,268)
Bad debts expense	4,679,324	5,888,688
Provision for slow moving inventory items	33,582	990,000
Depreciation and impairment of property, plant and equipment	55,067,880	69,351,420
Amortization of intangible assets	1,040,555	1,280,672
Employees' end of service benefits	409,321	(401,035)
Gain on sale of property, plant and equipment	(175,501)	(208,376)
Gain on sale of available for sale investments	-	(3,244,240)
Net foreign currency exchange differences	908,919	(1,099,496)
Deferred tax assets	8,390,185	(386,797)
Working capital adjustments:		
Inventories	(291,703)	530,447
Trade receivables and other current assets	(10,204,474)	(4,395,742)
Balances due from telecom operators	5,587,757	(1,221,655)
Trade payables, accruals and other current liabilities	14,390,901	9,349,654
Balances due to telecom operators	8,361,849	5,700,549
Finance costs paid	(1,918,834)	(2,444,595)
Income tax paid	(11,847,507)	(4,620,374)
Net cash flows from operating activities	184,647,208	175,048,643
Investing activities		
Maturity (purchase) of held to maturity investments	1,500,000	(1,500,000)
Purchase of property, plant and equipment	(41,630,953)	(33,890,778)
Proceeds from sale of property, plant and equipment	329,392	508,092
Proceeds from sale of available for sale investments	-	4,425,674
Increase in intangible assets	(38,500)	(189,892)
Finance revenue received	11,574,411	4,265,268
Net cash flows used in investing activities	(28,265,650)	(26,381,636)
Financing activities		
Repayment of interest bearing loans	(259,872)	(950,657)
Dividends paid	(84,195,461)	(43,841,468)
Net cash flows used in financing activities	(84,455,333)	(44,792,125)
Net increase in cash and cash equivalents	71,926,225	103,874,882
Cash and cash equivalents at 1 January	217,501,479	113,626,597
Cash and cash equivalents at 31 December	**289,427,704**	**217,501,479**

The attached notes 1 to 26 form part of these consolidated financial statements.

1. Corporate information

Jordan Telecom was registered as a public shareholding company on 8 October 1996.

The consolidated financial statements of Jordan Telecommunications Company (Jordan Telecom) - public shareholding company for the year ended 31 December 2006 were authorized for issue in accordance with a resolution of the board of directors on 8 February 2007.

The principle objectives of the company and its subsidiaries are described in note 3.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Jordanian Dinars.

Statement of compliance

The consolidated financial statements of Jordan Telecommunications Company – public shareholding company have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of consolidation

The consolidated financial statements comprise the financial statements of Jordan Telecom and its wholly-owned subsidiaries, which are: Petra Jordanian Mobile Telecommunications Company (MobileCom), Jordan Data Communications Ltd. (Wanadoo) and Dimension Company For Digital Development Of Data (e-Dimension) as at 31 December each year. The financial statement of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-company balances, transactions, income and expenses, profits and losses resulting from intra-company transactions that are recognized in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date Jordan Telecommunications Co. obtains control, and continue to be consolidated until the date that such control ceases.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The company has adopted the following amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretation did not have any effect on the financial statements of the company. They did however give rise to additional disclosures.

- IAS 19 amendment-employee benefits
- IAS 21 amendment-the effects of changes in Foreign Exchange Rates
- IAS 39 amendment-financial instruments: recognition and measurement
- IFRIC 4 determining whether an arrangement contains a lease
- IFRIC 5 rights to interest arising from decommissioning, restoration and environmental rehabilitation funds

2.3 New and amended standards and interpretations issued but not yet effective

Amendments to IAS 1 – capital disclosures

Amendments to IAS 1 presentation of financial statements were issued by the IASB as capital disclosures in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the company's objectives, policies and processes for managing capital.

IFRS 7 financial instruments: disclosures

IFRS 7 financial instruments: disclosures were issued by the IASB in August 2005, becoming effective for periods beginning on or after 1 January 2007. The new standard will require additional disclosure of the significance of financial instruments for the company's financial position and performance and information about exposure to risks arising from financial instruments.

IFRIC interpretations

During 2006 IFRIC issued the following interpretations:

- IFRIC interpretation 8 scope of IFRS 2
- IFRIC interpretation 9 reassessment of embedded derivatives
- IFRIC interpretation 11 IFRS 2 – group and treasury share transactions

Management does not expect these interpretations to have a significant impact on the company's financial statements when implemented.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements and applying the accounting polices requires the company's management making judgments and estimates that may affect the amounts of financial assets and liabilities and disclosing contingent liabilities. Those judgments and estimates also affect the revenues, expenses and provisions and also the changes on cumulative fair value that appears as part of equity. It's required also from the company to do significant judgments to estimate the amounts and timing of future cash inflows to determine the level of the allowance for doubtful accounts and the impairment of financial assets. Those judgments and estimates are based on different assumptions and factors that have different degrees of uncertainty, and the actual results could materially differ from estimates due to changes in the future.

The company's management uses significant assumptions relating to future and other sources to assess the degree of uncertainty at the end of each year which could have significant effect on the amounts recognized in the current and subsequent financial statements.

2.5 Summary of significant accounting policies

Accounts receivable
Trade receivables are stated at original invoice amount less any allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

Interest bearing loans and bonds
All loans and bonds are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

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

Gains and losses are recognized in the income statement when liabilities are derecognized as well as through the amortization proceeds.

Available-for-sale investments
Available for sale investments are recorded at cost at acquisition and measured subsequently at fair value. Gains and losses resulted from revaluating the investment at fair value are reported as a separate component of equity until the investment is derecognized or determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is recognized in the income statement for the year.

Held-to-maturity investments
Held for sale investments are initially recognized at cost, premium or discount is amortized using the effective interest rate method, gains and losses are recognized in income when the investments are derecognized or impaired. Those investments are classified as held to maturity when they have fixed or determinable maturity and the company has the positive intention and ability to hold it to maturity.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

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

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

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

Finance costs
Finance costs are recognized as an expense when incurred.

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

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

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

Trade and other payables

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

Employees' end of service benefits

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

Taxation

Current income tax:
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used are those that are enacted or substantially enacted by the balance sheet.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected 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 substantially enacted at the balance sheet date.

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Impairment and unrecoverability of financial assets

The company at each balance sheet date assesses whether there is an indication that a financial asset or group of financial assets may be impaired. If such indications exist, the estimated recoverable amount of that asset is determined and any losses resulted from the impairment is calculated as the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the statement of income.

Provisions

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

Revenue recognition

Revenues from Jordan Telecom activities are recognized as follows:

Service revenues:
Telephone service and Internet access subscription fees are recognized in revenue on a straight-line basis over the service period.

Charges for incoming and outgoing telephone calls are recognized in revenue when the service is rendered.

Revenue-sharing arrangements (premium rate numbers, audiotel, special numbers for Internet dial-up) are recognized gross, or net of content or service provider fees when the provider is responsible for the service rendered and for setting the price to be paid by subscribers.

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

When the equipment is sold by a third-party retailer (indirect distribution channel) who purchases it from the company and receives a commission for signing up the customer, the related revenue is recognized when the equipment is sold to the end-customer in an amount reflecting the company’s best estimate of the retail price.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

Foreign currencies

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

3. Segment information

The primary segment reporting format is determined to be business segments as the company's risks and rates of return are affected predominantly by differences in the products and services produced.

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

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

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

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

The following tables present revenue and profit and certain asset and liability information regarding the company’s business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006

	Fixed line voice JD	Mobile communication JD	Data services JD	Total JD
Net revenues				
Net revenues to external customers	219,950,866	132,444,008	10,461,883	362,856,757
Inter-segment revenue	24,118,504	7,526,902	447,349	32,092,755
Total net revenues	**244,069,370**	**139,970,910**	**10,909,232**	**394,949,512**
Segment results				
Operating profit before depreciation, amortization and impairment of assets	96,865,098	66,584,941	5,656,095	169,106,134
Depreciation, amortization and impairment				(56,108,436)
Net foreign exchange differences				241,297
Finance costs				(1,918,834)
Finance revenue				12,019,626
Other income				174,387
Income tax expense				(33,329,395)
Other fees				(3,198,428)
Profit for the year				**86,986,351**
Assets and liabilities				
Segment assets	**423,184,390**	**162,201,802**	**11,278,823**	**596,665,015**
Segment liabilities	**132,627,140**	**57,653,768**	**4,680,126**	**194,961,034**
Other segment information				
Property, plant and equipment	153,007,244	76,779,320	917,497	230,704,061
Intangible assets	4,410,585	5,123,998	-	9,534,583

3. Segment information (continued)

Year ended 31 December 2005

	Fixed line voice JD	Mobile communication JD	Data services JD	Total JD
Net revenues				
Net revenues to external customers	234,681,470	110,242,109	7,258,273	352,181,852
Inter-segment revenues	18,404,234	5,427,297	485,655	24,317,186
Total net revenues	**253,085,704**	**115,669,406**	**7,743,928**	**376,499,038**
Segment results				
Profit from operations before depreciation, amortization and impairment of assets	114,328,292	51,844,725	3,938,802	170,111,819
Depreciation, amortization and impairment				(70,632,092)
Net foreign exchange differences				118,399
Finance costs				(2,301,581)
Finance revenue				4,265,268
Gain on sale of available for sale investments				3,244,240
Other income				212,332
Income tax expense				(15,581,519)
Other fees				(3,075,175)
Profit for the year				**86,361,691**
Assets and liabilities				
Segment assets	**424,855,755**	**114,988,275**	**8,728,711**	**548,572,741**
Segment liabilities	**112,856,345**	**32,596,352**	**3,410,791**	**148,863,488**
Other segment information				
Property, plant and equipment	173,117,242	70,290,949	1,031,140	244,439,331
Intangible assets	4,755,947	5,780,691	-	10,536,638

4. Property, plant and equipment

	Land and buildings JD	Telecommunications equipment JD	Other property and equipment JD	Projects in progress JD	Total JD
Cost:					
At January 1, 2006	80,030,808	469,161,753	67,158,573	12,568,456	628,919,590
Additions	105,781	28,808,667	1,543,721	11,172,784	41,630,953
Completed projects transferred to property, plant and equipment	232,111	7,979,472	3,235,346	(11,446,929)	-
Disposals	(208,330)	(7,330,377)	(997,622)	-	(8,536,329)
Transfers to materials and supplies	-	-	-	(144,452)	(144,452)
At 31 December 2006	80,160,370	498,619,515	70,940,018	12,149,859	661,869,762
Depreciation:					
At 1 January 2006	24,785,612	303,813,929	55,880,718	-	384,480,259
Depreciation and impairment of assets	2,144,187	48,942,015	3,981,678	-	55,067,880
Disposals	(128,618)	(7,270,435)	(983,385)	-	(8,382,438)
At 31 December 2006	26,801,181	345,485,509	58,879,011	-	431,165,701
Net book value					
At 31 December 2006	**53,359,189**	**153,134,006**	**12,061,007**	**12,149,859**	**230,704,061**
At 31 December 2005	**55,245,196**	**165,347,824**	**11,277,855**	**12,568,456**	**244,439,331**

Land and buildings include land amounting to JD 481,138 (2005: JD 481,138) owned by the Government of Jordan, which is used by the company for the public benefit.

In 2006, an amount of JD 4,039,067 (2005: 819,143) was reported as impairment in property, plant and equipment which represents a write down of certain property, plant and equipment in the fixed line segment of JD 2,076,787 and JD 1,962,280 (2005: 819,143) in the mobile segment to the recoverable amount. The recoverble amount was estimated based on revised estimated useful lives of certain telecommunications equipment as the company has a plan to upgrade part of the existing telecommunications equipment.

5. Intangible assets

	2006 JD	2005 JD
FLAG access rights	5,238,507	5,238,507
Mobile operating license and frequency rights	8,997,657	8,997,657
Other intangibles	565,122	526,622
	14,801,286	14,762,786
Accumulated amortization	(5,266,703)	(4,226,148)
Net book value	**9,534,583**	**10,536,638**
Movement		
Net book value at 1 January	10,536,638	11,627,418
Additions	38,500	189,892
Amortization	(1,040,555)	(1,280,672)
Net book value at 31 December	**9,534,583**	**10,536,638**

FLAG access rights, mobile operating license and frequency rights and other intangibles are being amortized over their useful economic lives of 20 and 15 years respectively.

6. Income tax

Major components of income tax expenses for the years ended 31 December 2006 and 2005

	2006 JD	2005 JD
Consolidated income statement		
Income tax charge – current year	24,939,210	15,653,852
Income tax charge – prior years	-	9,514
Deferred income tax income expense (benefits)		
Accumulated losses	2,078,350	(4,345,377)
Allowance for doubtful accounts	4,156,398	2,148,343
Impairment of property, plant & equipment	2,402,729	1,494,923
Legal cases provision	(418,141)	-
Interest capitalized	175,000	(175,000)
End of service benefits	(61,856)	665,587
Others	57,705	129,677
Income tax expense reported in the consolidated income statement	**33,329,395**	**15,581,519**

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 31 December 2006 and 2005 is as follows:

	2006 JD	2005 JD
Accounting profit before income tax	120,315,746	101,943,210
At statutory income tax rate of 25%	30,078,937	25,485,802
Subsidiaries' losses (profit)	52,294	(4,372,389)
Accumulated losses	(2,078,350)	-
Debts written off	(5,202,993)	(5,312,078)
Allowance for doubtful accounts	1,131,081	1,689,317
Impairment of property, plant & equipment	490,570	(1,235,984)
Previous years' tax returns differences	(437,018)	(618,295)
Expenses and provisions not allowable for income tax purposes	904,689	991,943
Discount	-	(660,000)
Deferred tax assets	8,390,185	(386,797)
Income tax expense reported in the consolidated income statement at effective income tax rate of 28% (2005: 15%)	**33,329,395**	**15,581,519**

Deferred income tax asset at 31 December relates to the following:

	2006 JD	2005 JD
Consolidated balance sheet		
Accumulated losses	-	2,078,350
Allowance for doubtful accounts	1,083,893	5,240,291
Impairment of property, plant and equipment	695,356	3,098,084
Legal cases provision	418,141	-
Interest capitalized	250,000	425,000
End of service benefits	3,125,542	3,063,687
Others	-	57,705
	5,572,932	**13,963,117**

Income tax assessments have been agreed with the Income Tax Department for all the years up to 31 December 2004. Currently the Income Tax Department is reviewing the company income tax position for 2005.

7. Inventories

	2006 JD	2005 JD
Materials and supplies	4,547,873	3,884,987
Handsets and others	1,450,150	1,273,779
Provision for damaged and slow moving materials and supplies	(1,875,649)	(1,845,416)
	4,122,374	3,313,350
In transit materials and supplies	330,326	736,776
	4,452,700	**4,050,126**

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

8. Trade receivables and other current assets

	2006 JD	2005 JD
Trade receivables	71,959,751	79,765,874
Unbilled revenue	12,176,112	13,796,248
	84,135,863	93,562,122
Allowance for doubtful accounts	(46,930,824)	(61,574,970)
	37,205,039	31,987,152
Amounts due from related parties	906,174	1,412,785
Other current assets	12,011,451	10,588,985
	50,122,664	**43,988,922**

9. Balances due from/to telecom operators

The company has agreements with local and foreign telecom operators, whereby amounts due from and to the same operator are subject to the right of set-off. The net balances as of 31 December 2006 and 2005 are as follows:

	2006 JD	2005 JD
Balances due from telecom operators	10,608,475	16,196,232
Allowance for doubtful accounts	(3,758,104)	(3,603,104)
Balances due from telecom operators	**6,850,371**	**12,593,128**
Balances due to telecom operators	**23,118,145**	**14,756,296**

10. Cash and short-term deposits

	2006 JD	2005 JD
Cash at banks and on hand*	(2,430,214)	7,794,838
Short-term deposits	291,857,918	209,706,641
	289,427,704	**217,501,479**

Short term deposits represent deposits with commercial banks in Jordan for periods between one day and three months in Jordanian Dinars, Euro and US Dollars with an effective interest rate of 6%, 2.9% and 4.8% respectively (2005: JD 3.57%, Euro 1.99% and US $ 3.68%).

* Credit balance at cash at banks and on hand has resulted from outstanding checks delivered to suppliers and not cleared as of the date of the balance sheet.

11. Paid in capital

Jordan Telecommunications Company (Jordan Telecom) capital consists of 250,000,000 shares with par value of one Jordanian Dinar each.

12. Statutory reserve

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

The statutory reserve is not available for distribution to the shareholders.

13. Dividends paid and proposed

During the year, dividends of JD 0.34 per share totalling JD 85,000,000 relating to 2005 were declared and paid.

The board of directors in its meetings held on 8 February 2007 proposed a cash dividends for 2006 of JD 0.34 per share totalling JD 85,000,000 which is subject to the approval of the general assembly.

14. Interest-bearing loans

	2006 JD	2005 JD
Current		
French government protocol/second loan	328,788	131,661
French government protocol/third loan	130,021	106,626
	458,809	**238,287**

	2006 JD	2005 JD
Non-current		
French government protocol/ second loan	6,903,743	6,530,202
French government protocol/ third loan	1,775,157	1,720,173
	8,678,900	**8,250,375**

French government protocol/second loan

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

The repayment of this loan started on 31 March 2006.

French government protocol/third loan

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

The repayment of this loan started on 31 March 2005.

15. Bonds

On 9 July 2002, the company issued bonds for a total of JD 25 million. The purpose of the issue is to finance MobileCom's (fully owned subsidiary) operations. The bonds were listed on Amman Stock Exchange and bear a fixed interest rate of 7.25% for the first five years and the average of prime lending rates of reference banks minus 0.25% will apply for the remaining period. The interest is payable on 9 January and 9 July of each calendar year. The bonds are due on 9 July 2010.

16. Employees' end of service benefits

In accordance with the company's by-laws, the company provides end of service benefits for its employees. The amounts recognized in the balance sheet in respect of end of service benefits are as follows:

	2006 JD	2005 JD
Provision at 1 January	11,266,479	11,667,514
Expenses recognized in the income statement	1,930,981	2,162,875
End of service benefits paid	(1,521,660)	(2,563,910)
Provision at 31 December	**11,675,800**	**11,266,479**
The principal actuarial assumptions used:		
Discount rate at 31 December	5.5 %	5.0 %
Expected rate of increase of employee remuneration	4.0 %	3.5 %
Average length of employee service	15.9 years	17.6 years
Present value of end of service provision	**11,675,800**	**11,266,479**

There are no material unrecognized actuarial gains or losses.

17. Trade payables, accruals and other current liabilities

	2006 JD	2005 JD
Accrued expenses	71,367,385	43,772,222
Subscribers' deposits	17,740,629	17,538,026
Deferred revenues	15,460,927	11,979,805
Amounts due to related parties	920,673	934,392
Government revenue sharing	7,037,085	5,658,369
Trade creditors	13,039,842	8,791,787
Contracts retentions	462,839	677,450
	126,029,380	**89,352,051**

18. Government revenue share

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

19. Management fees

The company calculates and pays management fees to France Telecom, in accordance with the agreement signed between the company and France Telecom.

20. Other fees

	2006 JD	2005 JD
Jordanian universities fees	1,151,084	1,093,524
Scientific research and vocational training fees	1,151,084	1,093,524
Vocational and technical training fund fees	896,260	888,127
	3,198,428	**3,075,175**

21. Earnings per share

	2006	2005
Profit for the year	86,986,351	86,361,691
Weighted average number of shares during the year	250,000,000	250,000,000
Basic earnings per share	**0.348**	**0.345**

No figure for diluted earning per share has been calculated as there is no dilutive potential ordinary share outstanding.

22. Related parties disclosures

The financial statements include the financial statements of Jordan Telecommunications Company and the subsidiaries listed in the following table:

	Country of incorporation	% of equity interest	
		2006	2005
Petra Jordanian Mobile Telecommunications Company (MobileCom)	Jordan	100 %	100 %
Jordan Data Communications Ltd. (Wanadoo)	Jordan	100 %	100 %
Dimension Company for Digital Development of Data (e-Dimension)	Jordan	100 %	100 %

Related parties include shareholders' key management of the company and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the company's management.

The following table provides the total amount of transactions, which have been entered into with related parties:

	2006 JD	2005 JD
Management fees	3,072,127	2,875,481
Operating expenses	3,278,689	2,505,865
Key management salaries, wages and compensations	1,007,994	521,565
Revenues	26,963,468	24,563,947
Government revenue share	10,308,157	8,061,033

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

23. Commitments and contingencies

Operating lease commitments

The company has entered into operating leases on land and building. These leases have an average life between 1 to 3 years.

	2006 JD	2005 JD
Within one year	3,212,507	3,133,068
After one year but less than five years	42,417	32,951
	3,254,924	**3,166,019**

Capital commitments

The company enters into commitments during the ordinary course of business for major capital expenditures, primarily in connection with network expansion projects. Outstanding capital expenditure amounted to JD 5,611,374 as of December 31, 2006 (2005: JD 7,886,774).

Legal claim

The company is a defendant in a number of lawsuits with a value of JD 12,202,270 (2005: JD 13,202,270) representing legal actions and claims incident to its ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Accordingly, a provision of JD 1,672,567 has been made.

Guarantees

The Group has given letters of guarantee limited to JD 376,217 (2005: JD 319,982) in respect of legal claims and performance bonds.

24. Risk management

A. Interest rate risk

Interest rate risk results from the changes that could happen to interest rates that might affect the value of the financial instruments. The company continuously reviews and monitors the fluctuations on interest rates to manage the company's resources in a more efficient and effective manner. The company manages its cash flows by controlling the timing between cash inflows and outflows. Surplus cash is invested in short-term and long-term bank deposits, however the related interest rate risk is not considered to be significant. Consequently, the company has not used derivative financial instruments to mitigate the exposure to interest rate risk.

B. Credit risk

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

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

C. Liquidity risk

It is the risk that the company will encounter difficulties in raising funds to meet its commitments at maturity dates. The company manages the liquidity risk by periodically analyzing and monitoring the financial needs of the company through the treasury department, in addition to monitoring the budgeted monthly liquidity needs.

D. Currency risk

It is the risk that the value of financial instruments will fluctuate due to the change in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the company is not exposed to significant currency risk since the majority of the company's sales are billed in Jordanian Dinars, except for certain revenues and expenses with foreign parties which are settled in USD and Euros.
The Jordanian Dinar is pegged to US dollar.

25. Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of interest bearing loans, payables and accruals.

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

26. Comparative figures

The 2005 figures have been reclassified in order to conform with the presentations in 2006. Such reclassification does not affect previously reported profit or equity.

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