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2006 Half-year Consolidated Financial Statements

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2006 half-year consolidated financial statements as approved by the Management Board on July 14, 2006

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Consolidated Balance sheet at June 30, 2006 and December 31, 2005

ASSETS (in millions MAD)	Note	<u>30/06/2006</u>	<u>31/12/2005</u>
Goodwill		137	129
Other Intangible assets		1,484	1,392
Property, plant and equipment		12,590	12,584
Investments in equity affiliates		0	22
Non-Current financial assets		154	136
Deffered tax assets		499	525
Non-Current assets		14,864	14,788
Inventories		587	373
Trade accounts receivable and other		7,048	7,115
Short-term financial assets		23	17
Cash and cash equivalents		804	7,585
Currents assets		8,462	15,090
TOTAL ASSETS		23,326	29,878
EQUITY AND LIABILITIES (in millions MAD)	Note	<u>30/06/2006</u>	<u>31/12/2005</u>
Share capital		5,275	8,791
Retained earnings		4,264	4,595
Earnings for the fiscal year		2,998	5,809
Equity attributable to equity holders of the parent		12,537	19,195
Minority Interests		525	529
Total equity	3	13,062	19,724
Non-current provisions		37	35
Long-term borrowings and other financial liabilities	4	33	57
Deferred tax liabilities		178	172
Non-current liabilities		248	264
Trade accounts payable and other		9,461	9,380
Current tax liabilities		107	347
Current provisions	5	399	101
Short-term borrowings and other financial liabilities	4	49	62
Current liabilities		10,016	9,890
TOTAL EQUITY AND LIABILITIES		23,326	29,878

Consolidated Statement of earnings for the first half of the year 2006 and 2005

<i>(in millions MAD)</i>	<i>Note</i>	<u>2006</u>	<u>2005</u>
Revenues		10,888	9,752
Cost of purchases		-1,808	-1,809
Payroll costs		-1,037	-959
Sundry taxes and duties		-404	-266
Other operating expenses		-1,292	-1,365
Net depreciation, impairment and provisions		-1,858	-1,437
Earnings from operations		4,491	3,916
Other income from ordinary activities		2	
Income from equity affiliates		-9	5
Earnings before interest, other financial charges and income and income taxes		4,484	3,921
Income from cash and cash equivalents		98	58
interest on gross debt		-4	-7
Interest on net debt		94	51
Other financial income (Charges)		2	4
Net financial items		96	55
Income tax expenses	6	-1,552	-1,303
Net earnings from activities		3,028	2,673
Net earnings		3,028	2,673
Attributable to the equity holders of the parent		2,998	2,637
Minority interests		30	36
<i>Earnings per share (in MAD)</i>		<u>2006</u>	<u>2005</u>
Basic earnings per share		3.4	3.0
Diluted earnings per share		3.4	3.0

Consolidated statement of cash flows for the first half of the years 2006 and 2005

<i>(in millions MAD)</i>	2006	2005
Consolidated earnings (including minority interests)	3,028	2,673
Net depreciation, impairment and provisions	1,691	1,289
Non-Cash expenses	9	-5
Capital losses	-2	-23
Cash flow after interest on net debt and income tax	4,726	3,934
Interest on net debt	-94	-51
Income tax expenses (including deferred taxes)	1,552	1,303
Cash flow before interest on net debt and income tax (A)	6,184	5,186
Tax paid(B)	-1,757	-1,816
Change in WCR related to operating activities (C)	-42	-368
Net cash provided by operating activities (D) = (A+B+C)	4,385	3,002
Purchase of PP&E and intangible assets	-1,512	-1,317
Proceeds from disposals of PP& E and intangible assets	7	22
Purchase of non-consolidated investments	-10	
Proceeds from disposals of non-consolidated investments	13	43
Proceeds from long-term debt	-8	10
Effects of changes in scope of consolidation	-8	
Net cash used in investing activities (E)	-1,518	-1,242
Dividends paid during the year	-6,143	-4,425
Principal payments on borrowings	-35	-30
Net interest paid	58	67
Movements on the capital (capital decrease)	-3,516	0
Net cash used in financing activities (F)	-9,636	-4,388
Foreign currency translation adjustments (G)	-12	13
Change in cash and cash equivalents (D+E+F+G)	-6,781	-2,615

Consolidated statement of changes in Equity at June 30, 2006 and June 30, 2005

<i>(in millions MAD)</i>	Share capital	Earnings and retained earnings	Attributable to equity holders of the parents	Minority interests	Total
Balance at January 1, 2005	8,791	8,982	17,773	428	18,201
Dividends		-4,396	-4,396	-29	-4,425
Earnings for the year		2,637	2,637	36	2,673
Cumulative translation differences		26	26	35	61
Other adjustments		0	0	0	0
Changes in scope of consolidation		0	0	-4	-4
Balance at June 30, 2005	8,791	7,249	16,040	466	16,506
Dividends		0	0	0	0
Earnings for the year		3,172	3,172	76	3,248
Cumulative translation differences		-10	-10	-13	-23
Other adjustments		0	0	0	0
Changes in scope of consolidation		-8	-8	0	-8
Balance at December 31, 2005	8,791	10,403	19,194	529	19,723
Dividends		-6,119	-6,119	-24	-6,143
Earnings for the year		2,998	2,998	30	3,028
Cumulative translation differences		-24	-24	-7	-31
Capital decrease	-3,516	0	-3,516	0	-3,516
Changes in scope of consolidation		4	4	-4	0
Balance at June 30, 2006	5,275	7,262	12,537	525	13,062

At June 30, 2006, Maroc Telecom's share capital comprises 879,095,340 ordinary shares. Ownership of these shares is as follows:

- Kingdom of Morocco: 34% ;
- Vivendi : 51% via its wholly owned subsidiary Société Marocaine de Communications (SMC) ;
- Other : 15%

Capital decrease from MAD 8,790,953,400 to MAD 5,274,572,040, via a nominal share value reduction from MAD 10 to MAD 6 by refunding in cash MAD 3,516,381.60.

Note 1. Accounting principles and valuation methods

1/Significant events

In February 2006, CMC acquired 0.527% extra of Mauritel SA securities.

In March 2006, divestiture of 35% of GAM for an amount of MAD 13 million and a loss value of MAD 12 million.

In May 2006, Maroc Telecom paid out MAD 6,119 million in dividends.

In June 2006, Maroc Telecom launched TV on ADSL.

In June 2006, Maroc Telecom share capital reduction of MAD 3,516 million

In June 2006, Maroc Telecom launched a voluntary redundancy plan for a total cost of MAD 300 million.

At June 30, 2006, Mauritel SA implemented two voluntary redundancy plans involving 192 employees for a total cost of MAD 29 million.

2/ Accounting principles and valuation methods

The 2005 full-year consolidated financial statements of Maroc Telecom group have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved in European Union (EU) at June 30, 2006.

Accounting principles and valuation methods adopted for the preparation of half-year consolidated financial statements at June 30, 2006 are the same as those adopted for the year ended December 31, 2005.

The 2006 half-year consolidated financial statements were prepared in accordance with IAS 34 "Intermediary financial data" which allow to present appendix notes selection. The 2006 half-year consolidated financial statements do not comprise the entirety of information necessary for the annual financial statements and must be read jointly with the group 2005 consolidated financial statements.

The 2006 half-year consolidated financial statements and respective notes were approved by the Management Board on July 14, 2006.

Note 2. Scope of consolidation at June 30, 2006 and December 31, 2005

Company name Address	Legal form	% group interest	% capital held	Consolidation method
MAROC TELECOM Avenue Annakhil Hay Riad Rabat - Morocco	SA	100%	100%	FC
Compagnie Mauritanienne de Communication (CMC) June 30, 2006 December 31, 2005 Avenue Roi Fayçal Nouakchott - Mauritania	SA	80.0% 80.0%	80.0% 80.0%	FC FC
MAURITEL SA June 30, 2006 December 31, 2005 Avenue Roi Fayçal 7000 Nouakchott - Mauritania	SA	41.2% 40.8%	51.5% 51.0%	FC FC
MAURITEL MOBILES June 30, 2006 December 31, 2005 Av Charles De gaulle ilot 37-38 Nouakchott -Mauritania	SA	41.2% 40.8%	51.5% 51.0%	FC FC
GSM Al Maghrib (GAM) June 30, 2006 December 31, 2005 17, Immeuble la Régence, Lotissement la Colline II, sidi Maârouf - 20190 Casablanca - Morocco	SA	- 35.0%	- 35.0%	EM

Maroc Telecom is a Moroccan corporation, its main activity being the sale of telecommunications goods and services. Its registered office is located at Avenue Annakhil Hay Riad Rabat, Morocco.

Maroc Telecom held a 35% stake in GSM Al Maghrib since 2003. In March 2006, Maroc Telecom sold its participation in GSM Al Maghrib for an amount of MAD 13 million. GAM has been consolidated until March 30, 2006.

Note 3. Dividends paid at June 30, 2006 and December 31, 2005

(in millions of Moroccan dirhams)	June 30, 2006	December 31, 2005
Dividends paid by consolidated companies to their minority shareholders (a)		
- Mauritel	24	28
- Other		
	24	28
Dividends paid by Maroc Telecom to shareholders (b)		
- Moroccan government	2,087	1,499
- Vivendi	3,120	2,241
- Other	912	655
	6,119	4,395
Total dividends paid out (c) = (a)+(b)	6,143	4,423

Note 4. Borrowing and other financial liabilities at June 30, 2006 and December 31, 2005

4.1 Net cash position

<i>(in millions of Moroccan dirhams)</i>	June 30, 2006	December 31, 2005
Borrowing due within less than one year	49	62
Borrowing due within more than one year	33	57
Facilities and overdrafts		
Borrowing and other financial liabilities	82	119
Cash and cash equivalents	804	7,585
Net cash position	722	7,466

4.2 Net cash flow by maturity

The break down by maturity is based on the contractual terms of debts.

At June 30, 2006

<i>(in millions of Moroccan dirhams)</i>	< 1 year	1 - 5 years	> 5 years	TOTAL
Borrowing	49	33		82
Facilities and overdrafts				
Borrowings and other financial liabilities	49	33		82
Cash and cash equivalents	804			804
Net cash position	755	-33		722

At December 31, 2005

<i>(in millions of Moroccan dirhams)</i>	< 1 year	1 - 5 years	> 5 years	TOTAL
Borrowings	62	57		119
Facilities and overdrafts				
Borrowings and other financial liabilities	62	57		119
Cash and cash equivalents	7,585			7,585
Net cash position	7,523	-57		7,466

4.3 Table of analysis

<i>(in million of Moroccan dirhams)</i>	Interest rate %	Maturity	June 30, 2006	December 31, 2005
ABCI EUR7,2m 09/96 03/07	7.41%	28/03/2007	3	7
KFWF EUR18,7m 01/97 04/06	8.07%	09/04/2006		5
Mauritanian government	8.00%	18/01/2008	78	103
Others	8.00%		1	4
Borrowings and other financial liabilities			82	119

Note 5. Restructuring provisions at June 30, 2006 and December 31, 2005

At June 30, 2006, Maroc Telecom noted a provision of MAD 300 million for a voluntary redundancy plan. In addition, Mauritel recorded a restructuring change of MAD 29 million related to two voluntary redundancy plans implemented in 2006 first half.

The total costs of Maroc Telecom group restructuring provisions amounted to MAD 329 million at June 30, 2006.

Note 6. Income tax for 2006 half-year and 2005 half-year

<i>(in millions of Moroccan dirhams)</i>	June 30, 2006	December 31, 2005
Corporate income tax	1,519	1,323
Deferred taxes	33	-20
Income taxes	1,552	1,303
Consolidated effective tax rate*	34%	33%

* Income taxes/earnings before tax

At June 30, 2006, the income tax is based on the average effective rate considered for the annual period, applied to earnings before tax of the intermediate period.

Note 7. Segment data for 2006 half-year and 2005 half-year

Breakdown of segment earnings by business segment

2006 half-year

(in millions of Moroccan dirhams)

	Fixed-line	Mobile	Eliminations	Total
Consolidated revenue	6,145	6,957	-2,214	10,888
Earnings from operations	1,428	3,063		4,491
Net depreciation and impairment	-679	-712		-1,391

2005 half-year

(in millions of Moroccan dirhams)

	Fixed-line	Mobile	Eliminations	Total
Consolidated revenue	5,786	5,978	-2,012	9,752
Earnings from operations	1,493	2,423		3,916
Net depreciation and impairment	-663	-626		-1,289

Note 8. Contractual obligations and contingent assets and liabilities

8.1 Contractual obligations and commercial commitments recorded in the statement of financial position

(in millions of Moroccan dirhams)

	Total	Due within less than 1 year	Due within 1-5 years	Due within more than 5 years
Long-term debts				
Financial lease obligations				
Operating leases*	77	45	32	-
Irrevocable purchase obligations				
Other long-term commitments				
Total	77	45	32	-

* Long-term vehicle leases (excluding tax)

8.2 Other commitments given and received relating to operations

Commitments given:

- Guarantees on equipment sale contracts. At June 30, 2006, these commitments amounted to MAD 276 million compared with MAD 236 million at the end of 2005, and are mostly current.
- Supplier orders, which amounted to MAD 1,183 million at June 30, 2006, compared with MAD 613 million at the end of 2005, and are mostly current. These orders mainly relate to investments in property, plant and equipment.

- Operating leases with terms of between 2 and 15 years and in an amount of MAD 9 million at June 30, 2006. The amount recorded corresponds to one month's expense to take into account the termination clause, which includes a one-month notice period.
- Sindibad investment fund in an amount of MAD 2 million at June 30, 2006 compared with MAD 2 million in 2005.
- Stake acquired in Medi-1-sat for MAD 42 million.
- CMC group commit to resell to Socipam, a company constituted by employees of Mauritel subsidiaries, the share capital fraction of Mauritel SA acquired in February 2006, i.e. 0.527%.
These commitments clauses are:
 - o During a period of 5 years, Socipam can request for the resell of the 5,592 shares sold to CMC at 8 millions of dirhams;
 - o By portion of 100 shares;
 - o At a share price that will increase each year from 2007.

Commitments received:

- Guarantee of MAD 885 million at June 30, 2006, compared with MAD 705 million at December 31, 2005.
- Moroccan government guarantee on Maroc Telecom S.A. loans in an amount of MAD 3 million at June 30, 2006, compared with MAD 11 million at the end of 2005. This guarantee matures at the same time as the loans.
Maroc Telecom is exempt from customs duty for all capital good imported, due to an investment agreement with the public authorities of the Kingdom of Morocco, whereby Maroc Telecom agreed to carry out capital expenditure program over three years from 2006 to 2009 in an amount of MAD 7.4 billion and to create 150 new jobs.

8.3 Contingent assets and liabilities

In the event of transfer, in one or more time, of more than 65% of GAM securities together with an increase in value, AIR TIME is committed transferring to IAM the share of the increase in value carried out exceeding the transfer of 65% of GAM securities. This engagement is valid if the transfer takes place in the two years following the date of transfer of GAM securities by IAM to AIR TIME.

8.4 Collateral and pledges

- Engagement of AIR TIME on GSM AI MAGHRIB receivables for the payment of arrears amounted to MAD 45 million at June 30, 2006.
- Mortgages received for MAD 75 million at June 30, 2006, compared to MAD 80 million at the end of 2005.

Note 9. Post-statement of financial position event

- July 2006, attribution by decree to Maroc Telecom of a 3G licence for 25 years. The cost amounted to MAD 300 million excluding taxes to which MAD 72 million of contribution to spectrum arrangement is added.
- July 2006, awarding to Mauritel SA of a 3G licence for an amount of nearly MAD 10 million.