



annual report



communicate from the heart

the wider the coverage ... the narrower the distance



what's inside

- 1 message from the Chairman
- 3 message from the President and CEO
- 6 market close-up
- 26 our commitment
- 44 our coverage
- 48 about us
- 77 financial statements and analysis
- 118 the road ahead
- 121 glossary



We communicate with clarity and simplicity. We are always direct and easy to understand. We exert an effort to satisfy our customers in the most simple and convenient style. We say simply and clearly what we do and we ensure that we do what we say.

message from the Chairman



"I look forward to continued growth and enhanced customer and shareholder value."

As Mobinil celebrates its eighth year as Egypt's first and leading mobile operator, I am pleased to report solid results for 2006 and an exciting outlook for the future. The company's results in 2006 have confirmed our vision that the market still holds profitable segments that are to be further developed.

With our continuous ventures to invest in new technologies and services, I look forward to continued growth and enhanced customer and shareholder value by utilizing the potential of this rapidly evolving market.

Sincerely,
Naguib Sawiris

A handwritten signature in black ink, consisting of a stylized 'N' followed by a long, sweeping horizontal line.



message from the President and CEO



*"I am assured that we
are on the right track
in fulfilling our vision
and mission."*

I am pleased with the overall 2006 performance especially with the solid subscriber growth of 2.571 million, which is comparable to 2005 additions to confirm our success in leading a growth business model in a balanced profitable mode.

2006 was a year of many firsts for Mobinil, as the company continued its leadership in the Egyptian mobile market by being the first operator to offer mobile TV on Mobinil Life for specific satellite channels. We were first to eliminate administrative fees from all scratch cards and the first to introduce innovative services such as Mobinil Messenger and Voice SMS to name a few.

As we continue with the diversity and richness of our service offerings, I am assured that we are on the right track in fulfilling our vision and mission.

On behalf of the Mobinil family, I thank you for your continued trust and support.

Sincerely,
Alex Shalaby

A handwritten signature in black ink, appearing to be 'A. Shalaby', written over a horizontal line.

our mission statement

"to be the leading mobile service provider in Egypt, providing the best quality service to our customers, the best working environment for our employees, top value for our shareholders and proudly contributing to the development of our community."



market close-up



the Egyptian market

competitive environment

An increased level of competitiveness was the highlight of the Egyptian telecommunications market in 2006. Telecommunications has been increasing in terms of both diversity and number of players within each of its industries.

There are currently around ten million fixed lines in Egypt, representing a 14% penetration rate. They are served by Telecom Egypt (TE), which was partially privatized at the end of 2005. The waiting list to install a phone has been reduced to zero from a peak of 1.2 million in 1999. TE's expansion on both local and international fronts comes in conjunction with the 2005 privatization of 20% of the company through an IPO, generating enough cash flow to invest in various communication fields.

Over 50,000 payphones from three different service providers have been installed throughout Egypt over the past few years, offering voice connectivity and prepaid cards services. Nonetheless, the rapid expansion of mobile services, reaching even the most remote areas, has given payphone operators more competition than they had originally bargained for.

Further indirect competition for the mobile industry stems from fixed Internet connectivity to homes and businesses, as it gives users access to Voice over IP services. This area has realized moderate growth, but is still awaiting a breakthrough. Currently there are four class A, eight class B, and over 208 class C licenses in the Egyptian market, with all providers serving a total of 5.3 million users.

In addition to all of this, different voice and data providers have developed and enhanced their services by offering Value Added Services (VAS), the most popular of which include Interactive Voice Response systems (IVR), e-bill inquiry and e-payment.

Thus, the Egyptian market witnessed phenomenal progress in the telecommunication industry over the past few years.



- Vodafone Egypt is the second entrant to the mobile market. In 2006, Vodafone changed the structure of its ownership and acquired 51% of Raya Telecom, which specializes in providing business solutions as well as Internet connectivity. The newly formed structure is as follows:
 - Vodafone International: 54.9%
 - Telecom Egypt: 44.7%
 - Free Float: 0.4%
- The seeds that would bring about the end of the dual competition in the Egyptian mobile market were sown in 2006, when Etisalat purchased a 3G license from the National Telecommunication Regulatory Authority (NTRA) for EGP 16.7 billion (US\$ 2.9 billion) to operate as the third competitor in the Egyptian mobile market. The Etisalat Misk consortium represents a joint partnership between Etisalat UAE (66%), Egypt Post (20%), National bank of Egypt (10%) and CIB Bank (4%).
- A monopoly on fixed lines remains with Telecom Egypt as the sole provider, which is still a public entity despite its partial liberalization at the end of 2005. Nonetheless, Telecom Egypt, after its inability to obtain the third mobile license, has expanded its share of ownership in Vodafone Egypt.

We understand our business principles clearly and we believe in the responsibility we owe to our community. We have a responsibility to balance the needs of our stakeholders with our social, ethical and environmental obligations. This means ensuring that we have clear principles of corporate social responsibility, which is an integral part of our strategic planning and daily activities.

the regulatory environment

The NTRA guarantees the unbiased provision of high quality services to all citizens at reasonable prices, while trying to achieve an optimum use of national resources and still protect the national security of the state. NTRA's role ensures that all services rendered to customers shall be in compliance with the key principles stated in Law 10/2003:

- Publicity of information.
- Protection of free competition.
- Protection of users' rights.
- Provision of universal services by ensuring that all citizens have access to basic telecom services at affordable prices.

key 2006 regulatory highlights

- Incumbent operators signed License Annex (3) with NTRA which commits them to:
 - Offer national roaming to the new mobile entrant.
 - Introduce the necessary changes to their systems to be ready for mobile number portability by the time 3rd entrant launches their services.
 - Allow infrastructure sharing between the mobile operators on commercial basis.
- The third Mobile license was awarded to Etisalat on 21/8/2006 (3G License + 2G License).
- The 15-year third license indicated the commercial date of Etisalat to be within six months from the award of the license.
- NTRA has divided the new license fees to be 80% 2G and 20% 3G. Thus, if any incumbent operator would like to obtain a 3G license, they will have to pay 20% of the total third license fees in addition to annual fees of 2.4% of total revenue.
- NTRA have adamantly rejected Mobinil's request to apply EDGE technology, under the pretext that EDGE is classified 3G and not 2G.



developing the Egyptian market

The Egyptian Company for Mobile Services (ECMS) continues to lead the mobile industry in Egypt, of which the overall penetration rate reached approximately 25% by the end of 2006 from a low of 1.3% in 1999.

The mobile market grew by 38% in 2006, reaching 18 million subscribers as compared to 13 million in 2005. The rapid growth in the market witnessed in 2005 and 2006 is attributed to ECMS' strategic decisions in aggressive market expansion, which were soon emulated by the competition. This was initiated in Q4 2004, a time when penetration rate was a mere 11%.

ECMS has revolutionized and influenced telecommunications in Egypt. The network capacity has expanded through 900 and 1800 MHZ frequencies, and coverage has increased to reach 99% of all total populated areas. The most remote regions are now connected, and all socio-economic classes in Egypt are served. Hence, the market has not only developed and grown, but was in fact transformed through softening entry barriers, diversifying tariff plans to suit all needs and budgets, and more importantly, making a real difference in people's daily lives.

Since the commencement of its operations, ECMS has maintained its leadership of the duopolistic Egyptian market. As of December 31, 2006, ECMS market share was 51.6%. Retaining a long-term relationship with its customers has always been a major objective of ECMS. This, along with brand equity gained throughout the years, and a number of key strategic tactics, have supported this leadership:

- Segmented offers and promotions to fulfill unique usage patterns of different customers.
- Development of service offerings to include bouquets of different mobile services to satisfy customers' various needs.
- Constant expansion and enhancement of network quality and coverage area.
- Upgrading and diversifying customer contact points.
- Increasing the intimate bond created with the subscribers by facilitating their daily lives.

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a promise of prosperity to Egypt

ECMS continues to offer a large array of diversified services to the Egyptian mobile user using different technologies. Services offered range from local voice connectivity to international data roaming on GPRS networks and 2.5G technology.

An ongoing interactive study of customer needs and behavior over the years has allowed ECMS to develop and fulfill the wants and needs of the truly diversified Egyptian customer base. This is done through the features offered, and the ways in which they are offered, such as:

- Latest technological solutions and offers for both the business and personal user, including BlackBerry® Microsoft solutions, Voice SMS and Business-in-a-box.
- Additional assistance given to customers during their everyday lives through further development of functions provided under services such as Mobinil 8000.
- Expanding sales channels through partnership deals with major retailers such as Carrefour, Metro, Hyper One and Spinney's.
- The tariffs and data services that were introduced and modified in 2006 to cater to all segments of the market, and resulted in a constantly changing environment.
- Seizing the Prepaid market through implementation of four main tariffs, giving customers advanced power of choice based on individual usage patterns and needs. These include: Alohat targeting the youth, which are the largest portion of the population, ALO Regions targeting, as the name suggests, customers residing in different regions, ALO Sehry "Magic" targeting moderate to high users, and ALO Business for high users with a preference for the Prepaid proposition as opposed to the Postpaid one.
- Extending handset financing and availing low-priced handsets to the market.
- Canceling all administrative fees on scratch cards for both Prepaid and Postpaid customers: This was a bold move taken by ECMS to enhance customer intimacy and experience as well as to increase usage.
- The introduction of Star bucket tariffs to both personal and business Postpaid users, reflecting a need for essential change in the Postpaid market. Buckets are in the form of bouquets of voice and messaging services, as well as data

packages, presenting a more realistic offer for the demands of today's mobile customer.

- Serving customers 24 hours a day, seven days a week, based on advanced Customer Relationship Management technology and applications.
- Increasing the reach to customers from 7,800 Point of Sales in 2005 to 14,000 Point of Sales in 2006.

With strengthened trust over the years, ECMS was able to introduce long term commitment products to the market, which have presented a win-win situation for both the company and customers. These include different time period commitment packages (6 months, 1 year, 2 years) which are cost-saving to the customer. This was offered to both the personal and corporate markets, achieving great success, and could have only been possible with strong customer confidence in our offerings.

In a continued effort to expand our customers' connectivity wherever they are in the world, ECMS increases the number of its roaming partners worldwide every year. 2006 ended with a total of 298 operators covering 120 countries around the world. For simplicity and to further customer satisfaction, flat roaming rates were introduced for five respective zones in 2006. Visitors and tourists can roam on our network enjoying the highest quality roaming service, at the best prices, upon their arrival.



creating value for our customers

2006 was a year of many firsts in the Egyptian market, since it witnessed the launch of several propositions that garnered Mobinil market leadership.

Coupled with a strong perception of innovation and offering the best value for money, Mobinil introduced products and services that are in line with the Egyptian consumer's needs and wants. Valuable propositions were made on all market fronts; Prepaid, Postpaid and Business.

In 2006, Mobinil's market strategy revolved around maintaining market share leadership while working to increase value share. The highlights of 2006 can be summed up in strong, non-stop propositions for the Prepaid market elevating the image of the Postpaid brand and the launch of value added services that are the first of their kind in the market.

ALO Prepaid

On the Prepaid front, Mobinil took the lead by offering more value to customers through a brand new tariff plan tailored to meet the dynamic lifestyle of the Egyptian youth. With the launch of Alohat, customers receive a wide range of features such as per second billing, off-peak call rates and much more.



Also on the Prepaid front, Mobinil was the first mobile service provider to take the lead in waiving administrative fees from all scratch cards. By offering customers the face value of all denominations of cards, more value for money was provided in order to live up to our promise of placing the customer at the heart of our operations.

Other previous Prepaid propositions continued to perform successfully in 2006 like ALO Magic, especially in light of the re-pricing it went through.

Postpaid

Mobinil's Postpaid brand received a facelift by re-branding to Star, the new brand name for the personal Postpaid brand. It gives the consumer the choice of five buckets which offer inclusive minutes of usage, SMS, MMS and megabytes of GPRS usage. Each of the allocated buckets is designed to meet the varying needs and usage patterns of each individual Postpaid consumer.

Also on the Postpaid front, the Primo line continues to provide a feasible option for the consumer who wants the benefits of a Postpaid line coupled with the ease and control of Prepaid. Through an offer for double the validity on all Primo lines, Mobinil was able to keep Primo fresh and valuable.

Business

In the very competitive market of wireless communication for the business sector in Egypt, Mobinil managed to breathe new life into the market through the introduction of the BlackBerry®, a comprehensive communication solution, that



By offering customers the face value of all denominations of cards, more value for money was provided in order to live up to our promise of placing the customer at the heart of our operations.



places the office in the palm of the consumer and allows him/her to run their business smoothly no matter when or where. Mobinil Business also offered customers a range of Push e-mail options including BlackBerry® and Microsoft solutions to meet their needs to stay in touch regardless of time or place.

The introduction of the Mobinil Business-in-a-box also offered more incentives for companies to acquire all they need for their business in one comprehensive box. The Business-in-a-box comes in two options, both very reasonably priced to offer tangible value for money.

Mobinil 8000

One of Mobinil's most successful services, Mobinil Personal Guide 8000 has continued to expand since its 2004 launch to offer an increasing amount of unique features and services, and has become truly indispensable for the consumer. The service that started by offering directory assistance features and driving directions now offers a limitless range of services including cinema and restaurant bookings, the prices of cars and mobiles, roaming assistance and much more.

Mobinil Life

The wealth of knowledge placed in the palm of the consumer also continues to expand to offer more fun and information resources. Mobinil Life expanded its categories to offer more entertainment and convenience. In 2006, Mobinil Life added new categories like Video Tones, where customers may download their favorite music videos to their mobiles and

In 2006, Mobinil Life added new categories like Video Tones, where customers may download their favorite music videos to their mobiles and enjoy them every time they receive a call.

enjoy them every time they receive a call. Highlighting complete albums of popular celebrities is also a new addition to Mobinil Life, in addition to the latest sports scores for the most popular sporting events both locally and internationally.

International Roaming

2006 was the year Mobinil launched its "Global Rate" roaming rates to offer customers a convenient roaming service for reasonable prices. The Mobinil Global Rate divides the world into five zones, each with a defined flat rate.

Mobinil also launched the flat incoming roaming rate unifying the rate of incoming calls throughout the world to EGP 4 (EGP 2.5 from Saudi Arabia).

Value Added Services

In 2006, Mobinil added a wide range of value added services to its already extensive portfolio, and it is proud to continue to be a pioneer offering such services for the first time to the Egyptian market. The emergence of services like E-recharge, Mobilist, Mobinil Messenger and Voice SMS provided customers with convenience and value for money. E-recharge enables customers to recharge their lines without the need for physical scratch cards giving them flexibility as to location and amount. Mobilist is a unique service that enables customers to utilize many services by clicking a few simple codes, even when they run out of credit. Mobinil Messenger is the most recent chat service that enables customers to stay in touch with friends and family from their handsets or PCs. Voice SMS is a service that allows customers to send expressive messages that say it all.

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advertising campaigns

Jan 06



African Cup of Nations



Mothers' day



Nokia handset offer



Million pound promotion

Mar 06

Feb 06



Periodic bonus on ALO



Per second billing on ALO



Star launch



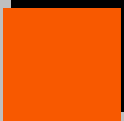
Primo



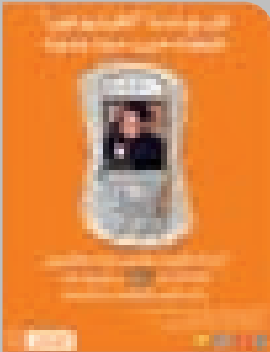
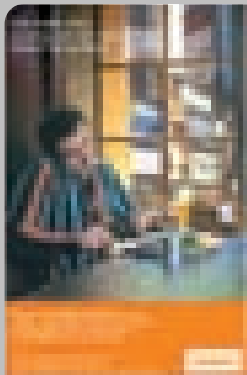
E-Recharge

Apr 06

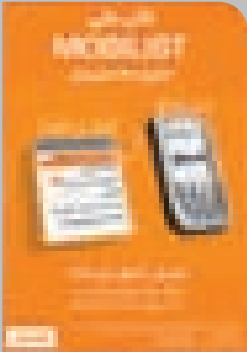
May 06



Roaming flat rate



Video tone



Mobilist



Aywa launch

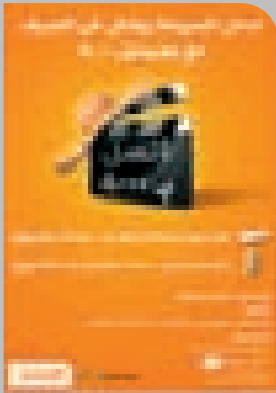
Jun 06



Handset financing



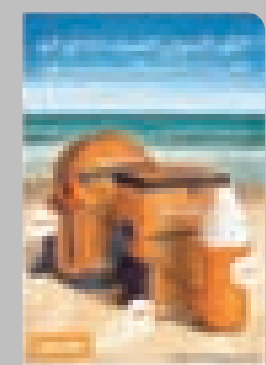
Sports Life on Mobinil Life



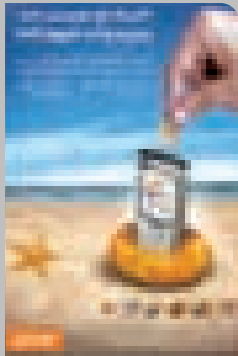
8000 cinema offer



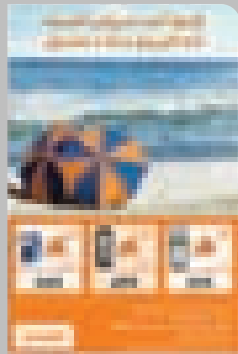
BlackBerry® launch



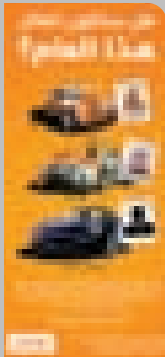
Summer promotion on ALO



Mobinil Life 1 EGP promotion



Primo summer promotion



Inbound roaming



Alohat launch

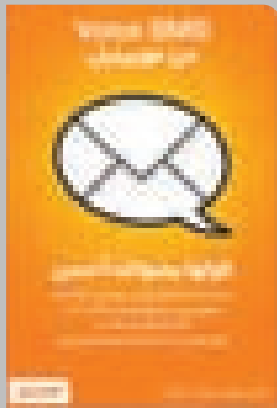
Jul 06



Jun 06



Aug 06

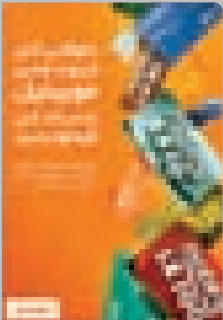


Voice SMS launch



Sehry repricing

Sep 06



No admin fee on ALO



Omra roaming



Mobinil Messenger

Oct 06

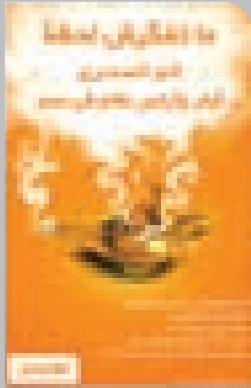


Business-in-a-box

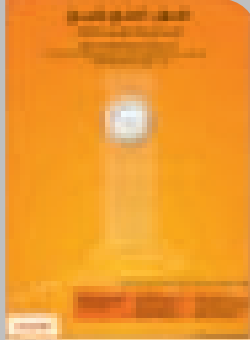
Nov 06



Sagem bundle delivery



Sehry attack



Roaming point scheme

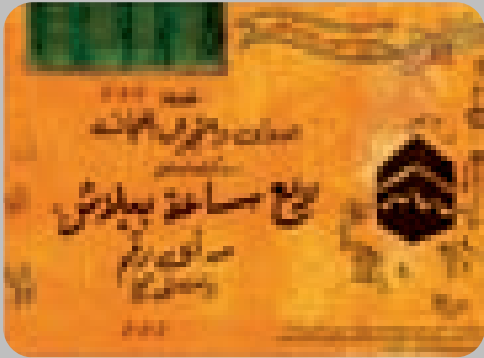
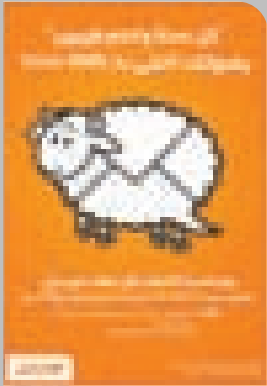


Primo double validity

Dec 06

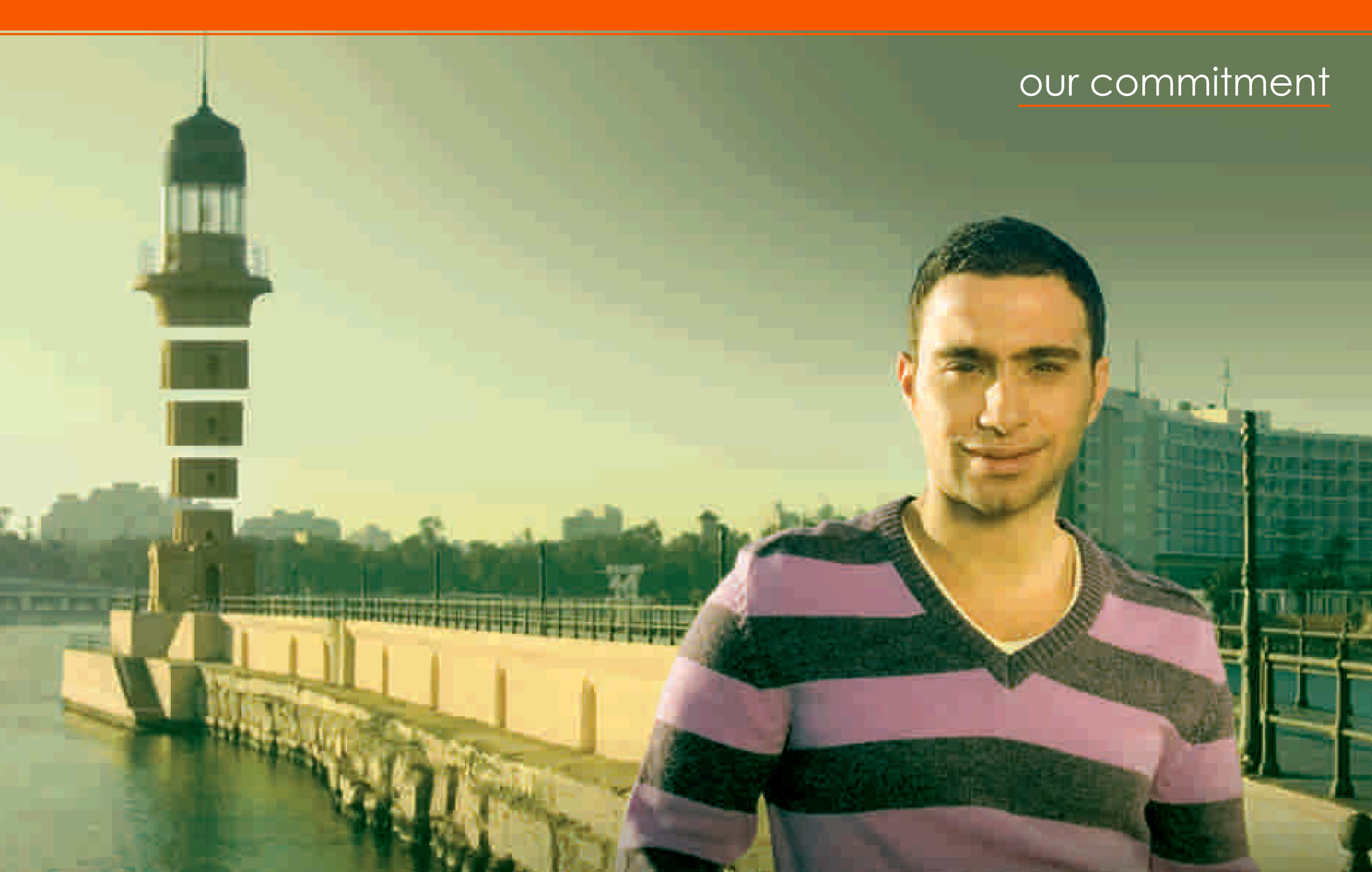


Holiday offer on Voice SMS



Hajj promotion

our commitment



commitment to our customers, employees, shareholders, community and suppliers

commitment to our customers

Our business objective is to maintain our leadership in providing the best quality service and best value for money to our customers. We are committed to the highest levels of customer satisfaction by meeting our customers' needs, providing superior network quality and the widest network coverage, and offering a great customer service experience.

being customer oriented

Our ultimate aim is not only to increase revenues, but also to build long-term relationships and loyalty with our customers in order to sustain our success in the future. To do so, we provide customers with accurate, truthful, complete and consistent information concerning our products and services.

protecting customer information

Customer information is strictly confidential. We safeguard customer information stored in our records and information systems in compliance with the Telecommunication Law no (10) for the year 2003.

commitment to our employees

Our employees are our most valued asset. Our ability to succeed depends on the integrity, knowledge, skills, diversity, and teamwork of our employees. We are shaping a challenging, fair, firm, and productive work environment, which emphasizes mutual respect and teamwork. We strive to reward high performance and we promise to be responsive to the needs of our employees. The company is committed to providing equitable compensation, excellent working conditions, and a fair atmosphere with great opportunities for professional growth.

equal employment opportunity

Mobinil is an equal opportunity employer and we pride ourselves with the Equal Employment Opportunity policy (EEO). All employment applications are considered without regard to age, gender, religion, disability, or marital status.

Our ultimate aim is not only to increase revenues, but also to build long-term relationships and loyalty with our customers.



tolerance and diversity

We respect others, tolerate our differences, and believe in the power of diversity. We strive to create a culture where tolerance and respect exist between employees. The diversity of people brings strength to our Mobinil team. Regardless of our differences in backgrounds, roles, age, gender, religion, or physical ability we all bring value to our company through our work. We shall tolerate and respect our diversity and differences and treat each other fairly.

respect for people

We should respect each and every person we interact with during our business dealings including customers, employees, suppliers, and all parties that have a business relationship with the company. We should consistently treat others with the respect and dignity which we desire for ourselves.

commitment to our shareholders

Our commitment to our shareholders is to maximize our earnings and build long-term success responsibly. Maintaining a strong financial position depends on providing the best service to our customers. It is our responsibility to provide our shareholders with honest and accurate information about our financial position based on Egyptian Stock Exchange laws and regulations. All of us, as Mobinil employees, are committed to preserving our company's assets, information and resources.

protecting company resources and assets

We should treat and handle all of our assets and resources with extreme care as if they were our own. We are all expected to make every effort to ensure that intellectual property and Mobinil's know-how and projects are protected. We are accountable to our shareholders for safeguarding our company's assets.

accurate financial reporting

As part of our commitment to having accuracy in communication, we record all financial transactions according to the proper accounting rules and standards as required by Egyptian laws and regulations. All of our financial books and records properly account for all assets, liabilities, revenues, and expenses. Our financial statements reflect our financial position accurately and honestly. Mobinil complies with the rules and regulations of the Capital Market Authority and the Egyptian Stock Exchange.

complying with laws and regulations

Mobinil is committed to adhering to the highest standards of business practices and abiding by all laws and regulations that we are subject to. Mobinil is also committed to complying with all corporate governance and internal control rules that we are subject to as well as all legal obligations as required by our shareholders.

commitment to our community

We are a responsible corporate citizen not only in creating job opportunities and contributing to the growth of the national economy, but also by adhering to the highest standards of business practices, and abiding by all laws and regulations in Egypt. We believe, Mobinil plays a leadership role in our community by acting as a role model in its commitment to excellent customer service and to a comfortable and healthy work environment. In addition, we are committed to following all Egyptian safety and environmental standards, which are set in accordance with international standards to guarantee the health and safety of our community. We are certified as an ISO 14001 company, that is committed to providing maximum environmental protection to the local community. Mobinil promises that it will remain active in supporting many social and cultural activities in the Egyptian society.

community activities

Mobinil plays a leadership role in serving the community in which it operates. We have sponsored many charitable events to aid the disabled and disadvantaged, and funded a number of social activities including sports events to support public interest. We will continue to make contributions toward development programs in Egypt.

environment

We are committed to producing high quality and safe services that comply with Egyptian regulations as well as international telecommunication standards. We will work to understand people's concerns about the environment and health. We are committed to responsibly managing and minimizing our impact on the environment. We are committed to the ISO 14001 standards by establishing, implementing, and maintaining an environmental management system that complies with its requirements. We are keen to provide maximum environmental protection for the local community, and we consider it one of our main responsibilities.

commitment to our suppliers

We are committed to following the highest standards of purchasing and contracting practices, that are based on quality, service, timeliness, and cost when selecting our suppliers, contractors, agencies, and consultants. The purchase of supplies, materials, and services must preserve the integrity of Mobinil's procurement process. We adopt no favoritism when selecting a vendor or any third party with whom we establish a business relationship.



proudly contributing to the
development of our community

corporate social responsibility

educational

June

Mobinil's partnership with the French University in Egypt

Mobinil was proud to have two seats on the advisory board of the French University in Egypt. Mobinil seats were held by Mobinil Chairman Naguib Sawiris and Corporate Governance Director, as members of the Executive Office.

July

Thanaweya Amma [secondary schools' top achievers]

In line with Mobinil's philosophy of encouraging distinguished students by awarding excellence and outstanding achievements, Mobinil honored Thanaweya Amma's top achievers for the sixth consecutive year. It was also the fifth consecutive year that Mobinil co-sponsored the top achievers' trip to Europe, in order to reward them for their perseverance as well as to broaden their scope of experience.

October

Injaz – 4th year

Injaz is better known worldwide as Junior Achievement International. It is the world's largest single partnership linking the private sector with education to train young people on business, economics and free enterprise. Over 24,000 businesses and corporations around the world support the organization's goals of economic literacy.

special packages for school children

For the second year in a row, Mobinil distributed stationeries and bags to millions of poor children in different public schools.



health

April

World Hemophilia Day

Mobinil, in collaboration with the National Blood Transfusion Center and Motorola, organized a day to increase awareness of Hemophilia and other bleeding disorders, and to focus attention on the needs of the patients and concerned government bodies.

polio vaccination campaign in coordination with the UNICEF

Mobinil organized a series of immunization campaigns for polio eradication as a follow up to Mobinil's successful polio partnership with UNICEF. The Ministry of Health and Population (the Polio Eradication Unit) was another key collaborator. Mobinil sent voice messages to all subscribers between the ages of 25 to 40 residing in Cairo, Giza, Alexandria, Menia, and Assiut, one day before, and on the first two days of each campaign.

community

January

Charity Hotline 139

By establishing a new charity hotline in cooperation with El Gomhouria newspaper, Mobinil sponsored the charity cases that called in for a whole year.

Mobinil Traffic Rescue Project (4th Year)

For the fourth year, Mobinil continued its Traffic Rescue Project in coordination with the Egyptian Ministry of Interior (Traffic Department). Mobinil provides a 24-hour hotline for car drivers to call in cases of emergency on highways.

The Mobinil Traffic Rescue signs and flyers were distributed at all toll stations. One face of the flyer included the same message on the street signs, and the other face included some useful information for car drivers like: speed limit, seat belt, and tire tips/regulations, and the most updated traffic information.

inspiring faith in the face of tragedy

In light of the tragic accident of the "Al Salam 98" ferry, Mobinil donated EGP 1 million to the victims and their families, in an effort to alleviate some of the pain and suffering caused by this terrible tragedy.

May

"listen to their silence" project

Mobinil, in collaboration with the Egyptian Society for developing skills of special needs children, gave children and adults with special needs a wide range of life span remedial, educational, vocational, and rehabilitative services necessary for these individuals to proceed towards independence and better integration into the local community.

Rotary Al Orouba Club of Cairo

Mobinil sponsored the annual event of Rotary Al Orouba Club to raise funds for eye operations, in collaboration with the Ministry of Health Eye National Center at Rod El Farag. This event featured more than 1100 well known organizations and guests.

Masters International swimming competition

The primary goals of the Rotary club are to serve country, community and society by confronting major problems and trying to find psychological, financial, economical and healthy solutions for them. As part of their goals, the Rotary Metropolitan Club of Alexandria, with the help of the Alexandria Sporting Club, held an international swimming competition in order to help children with leukemia increase their chances of living a normal life.

building awareness against the threat of the Avian flu

When the Avian flu (bird flu) hit Egypt, Mobinil stepped up with a nationwide awareness campaign by dedicating:

- Ten phone lines, which individuals can call to report suspected cases of bird flu and a special free of charge short number for customers to get information and tips (obtained directly from the Egyptian Ministry of Health) about the bird flu.

"roof agriculture" project

Mobinil, in collaboration with Boulaq El Dakroul District, supported poor families who were affected by the Avian flu.



Mobinil's main role in this project was to:

1. Assist 100 families that had their poultry destroyed in replacing their lost income.
2. Disseminate the concept of roof agriculture at Boulag El Dakrour, as informal housing and a low income area.
3. Encourage unemployed youth to start their own enterprises
4. Make information available, and address the needs of roof agriculture upon demand.
5. Improve the overall environmental quality by reducing air and visual pollution.

June

support for Geziret Mohamed village

Geziret Mohamed Village is an undeveloped Egyptian village, whose residents live below the poverty line with no access to the minimum necessities. Supported by Mobinil, the Green Land Charity Association (GLCA) educated and assisted the residents of this village to elevate their awareness levels and enhance their standard of living.

To preserve the well-being of the village inhabitants, Mobinil and GLCA initiated a project for the removal of solid waste and paving a planted road to link the village to the Ring Road.

Rotary International, District 2450 conference

In line with the Rotaract mission for the last 28 years, Mobinil sponsored the Rotaract Clubs of District 2450 and organized an annual conference to discuss, evaluate, and raise awareness for the projects they are undertaking. It was also a channel to strengthen the communication between these different chapters of the multinational organization.

Mobinil Club D'ete 2006 - summer program

Mobinil sponsored the AFCA – Mobinil Club D'ete 2006. AFCA held their first summer program in 2004, and every year since then the program has witnessed new developments. AFCA summer school stresses on arts which develop the children's creativity and on the French language (whether it is the first or second language taught at school) which strengthens the children's conversational skills. The AFCA summer program includes such types of artistic activities like drama, music, visual arts, culinary, game creation, outings, etc.

a smile on a child's face during Ramadan

Every day throughout Ramadan, Mobinil shared the joy of hosting special Iftar meals at Cairo Sheraton Hotel, featuring an exciting entertainment program to put a smile on the face of underprivileged children.





July

Aftal Abtal festival

Mobinil, in collaboration with the Kayan Association, organized an entertainment day for children with special needs in Azhar Park. More than 30 associations and 300 children participated in this event.

the cataracts surgery donation

Mobinil and the Cairo Rotary in cataracts surgery contributed aid for children who need such optical operations.

September

supporting poor families

Mobinil sponsored needy families with monetary donations during the holy month of Ramadan after Amr Diab Doaa aired on Channel 1 of Egyptian TV.

a smile on a child's face

Every day throughout the month of Ramadan, Mobinil shared the joy of hosting special Iftar meals at Cairo Sheraton Hotel, featuring an exciting entertainment program to put a smile on the face of underprivileged children.



Ramadan "Iksar Seyamak" with Mobinil

For the first time and throughout the blessed holy month of Ramadan, Mobinil distributed packs of juice and dates "Tamr" for Iftar in the streets at the time of El Maghreb prayers.

October

goodwill caravan campaign

Mobinil's strong CSR efforts continued throughout Ramadan, spreading joy in the community by giving away necessary food supplies to deprived families from the Goodwill Caravan throughout Egypt.

The Caravan began its tour at the start of the holy month, from Cairo on to Alexandria, stopping at Damanhour, Tanta, Zagazeeg, Kotor, Banha, Bahteem, Mansoura, Port Said, Suez, Arish, Fayoum, Bany Suef, Menia, Malawy, Sohag, Massara, Sembelawen, Meet Ghamr, Kafr El Sheikh, and other governorates.

culture, sports and entertainment

January

Gezira Sporting Club sponsorship

The Gezira Sporting Club is a top notch sporting and social club in Cairo, covering the downtown area, and hosting more than 80,000 families. Mobinil participated in all the club's social and athletic activities, as well as branded this high exposure area.

Heliopolis Sporting Club sponsorship

The Heliopolis Sporting Club is host to more than 75,000 families. Mobinil participated in the entire club's social and sports activities, as well as using the club's prime location to display various branding signs and light boxes, including useful directional signs and courts branding.

M 99 Café (Mido Sports Café)

The event was named after the Egyptian Football star Ahmed Hossam (also known as Mido). The Café was held during the African Cup of Nations in Cairo, with a capacity of 400 persons in the prestigious Cairo Marriott Hotel. It gathered "A Class" football fans to watch the A.C.N matches in a stadium-like setup with 10 huge plasma screens. Many famous Egyptian and African players were invited to the Café.

March

Mobinil and Marriott's invitational corporate Golf challenge

The Mobinil and Marriott Golf Tournament is held annually for Mobinil corporate clients as well as those of Marriott's. The event was held in the JW Marriott Golf course. After the tournament, guests enjoyed a BBQ lunch at the terrace followed by a presentation and distribution of prizes.

April

Mobinil hosted an exclusive concert in El Gouna

Mobinil invited all El Gouna residents and visitors to a special night at Marina Abu Tig, featuring the famous singers Hossam Habib and Mai Selim.



May

Ricky Martin concert

Mobinil presented Latin pop star Ricky Martin's first concert in Egypt, held at the Media Production City.

July

Squash World Championship

Mobinil sponsored this international sports event, held at a world-class glass court overlooking the Great Pyramids. Fans from all over the world came to support their favorite players, and the tournament was a great success.

September

sponsoring rising music stars

Mobinil, always on the lookout for new faces, has sponsored a number of young talents in the Arab music industry. Some of these stars include Joanna Malah, Mohamed Nour, Hossam Habib, and Haitham Said.

honoring literary legend Naguib Mahfouz

Mobinil held a special commemorative ceremony for the late literary legend Naguib Mahfouz. The event was held in association with El Sawy Culture Wheel. Keynote speakers during the event included writer Youssef El Sharouni, actor Nour El Sherif, publisher Hagg Madbouli, Naguib Mahfouz's assistant.

October

Ramadan football tournaments

Mobinil sponsored all major football tournaments during Ramadan. The tournaments were host to both amateur and professional players, and arenas were packed all over Cairo and Alexandria. Mobinil branded all the courts and clubs and distributed various giveaways during the tournaments.

Future Youth Ramadan tournament

For the 8th year, the Future Youth Club arranged a Ramadan football tournament In Cairo Stadium's Covered Hall. Around 2000 people attended per day in addition to several celebrities participating in friendly skills matches.

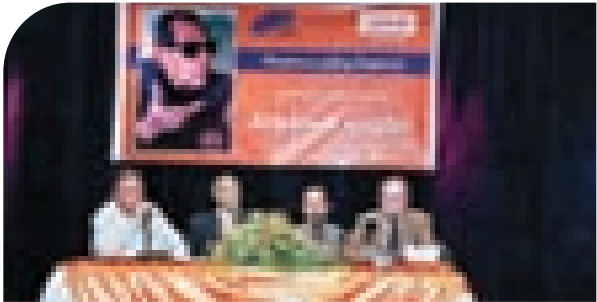
Mobinil CEMEX Youth Soccer Tournament in Upper Egypt

A 15-day soccer tournament was held during Ramadan in El-Menia, Assiout, Souhag, & Qena among the youth centers.

December

Cairo's 30th International Film Festival

With Egypt's position as the Middle East's Hollywood, Mobinil continues to support Arabic cinema, never missing an opportunity to promote the development of the industry and paying tribute to local and regional movie stars. This marks the third year for Mobinil to support this important international entertainment event.



Commemorative Ceremony Honoring Literary Legend Naguib Mahfouz



Ramadan Football Tournaments



Future Youth Ramadan Tournament

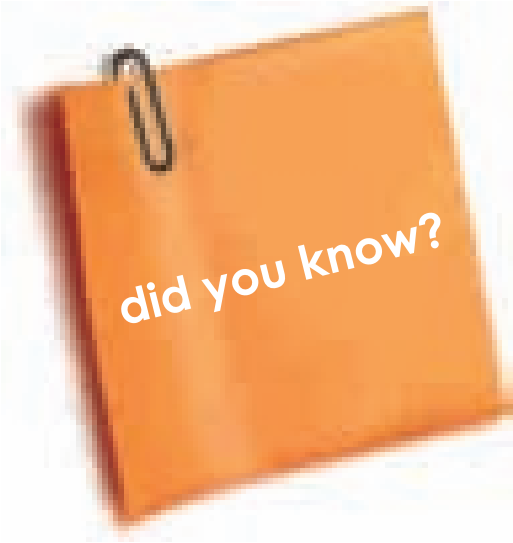


Cairo's 30th International Film Festival

our coverage



Mobinil coverage



Mobinil provides exclusive coverage to major oil fields

Mobinil provides exclusive coverage to agricultural farms in remote areas

Mobinil's coverage extends to reach 17.45 % of Egypt's surface area (up from 7.8 % in 2005)

Mobinil covers more than 99.05 % of the Egyptian population (up from 91 % in 2005)

Mobinil added 338 sites during 2006
Total sites in 2006: 2570
Total sites in 2005: 2232

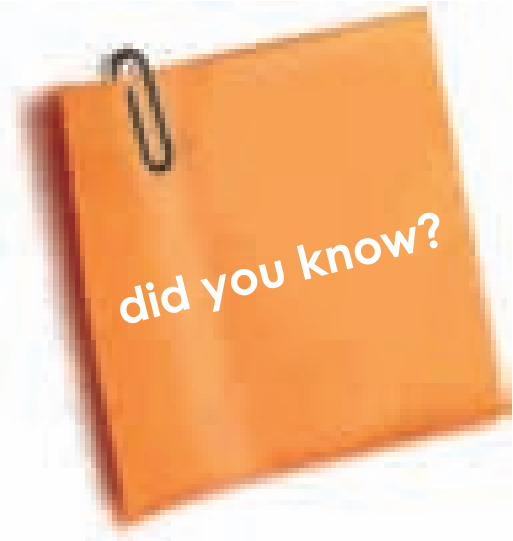
Mobinil has extended coverage to six additional travel roads during 2006

- 1) El Wahat El Kharga-El Wahat El Dakhla
- 2) Cairo-Asyout W. Desert Road (370 km)
- 3) Cairo-Asyout E. Desert Road (33 km)
- 4) Asyout-Sohag Desert Road (100 km)
- 5) El Arish-El Auga (77 km)
- 6) El Sheikh Zwayed-El Barth (45 km)

| | 2005 | 2006 | % increased |
|--------------------|-------|--------|-------------|
| covered population | 91% | 99.05% | 8.05% |
| area covered | 7.80% | 17.45% | 9.65% |
| number of sites | 2,232 | 2,570 | 15.14% |



Mobinil coverage



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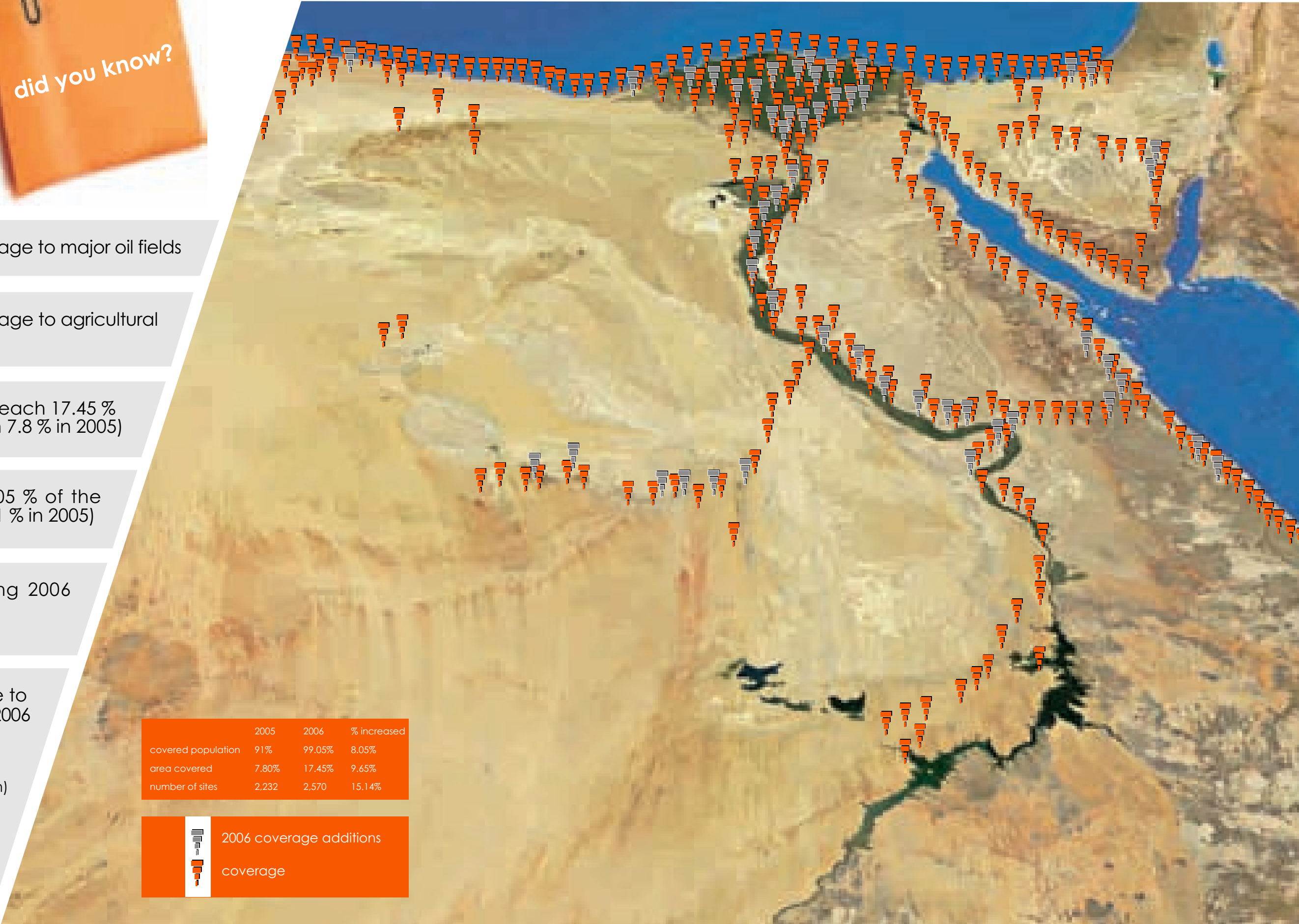
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2006 coverage additions



coverage



about us

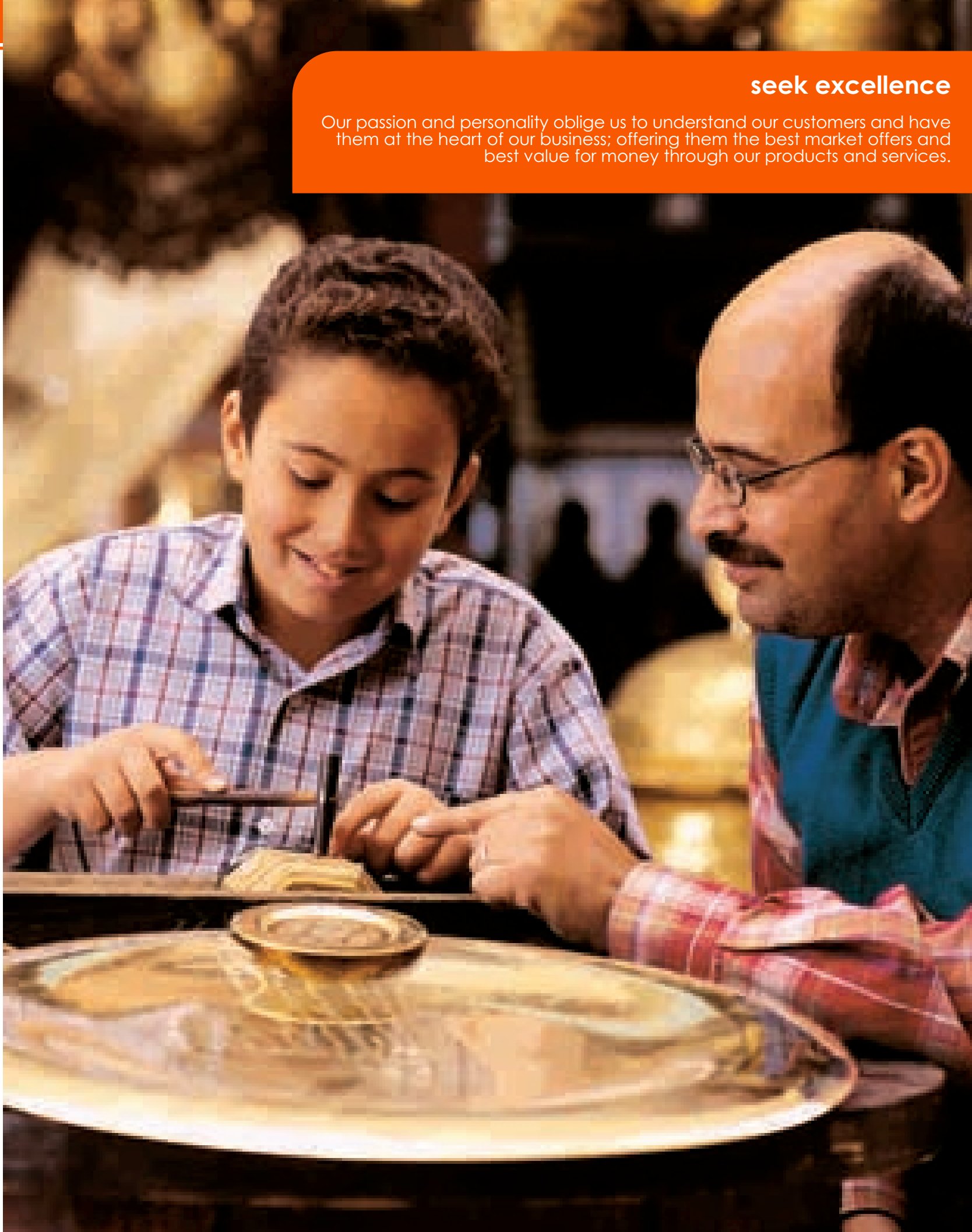
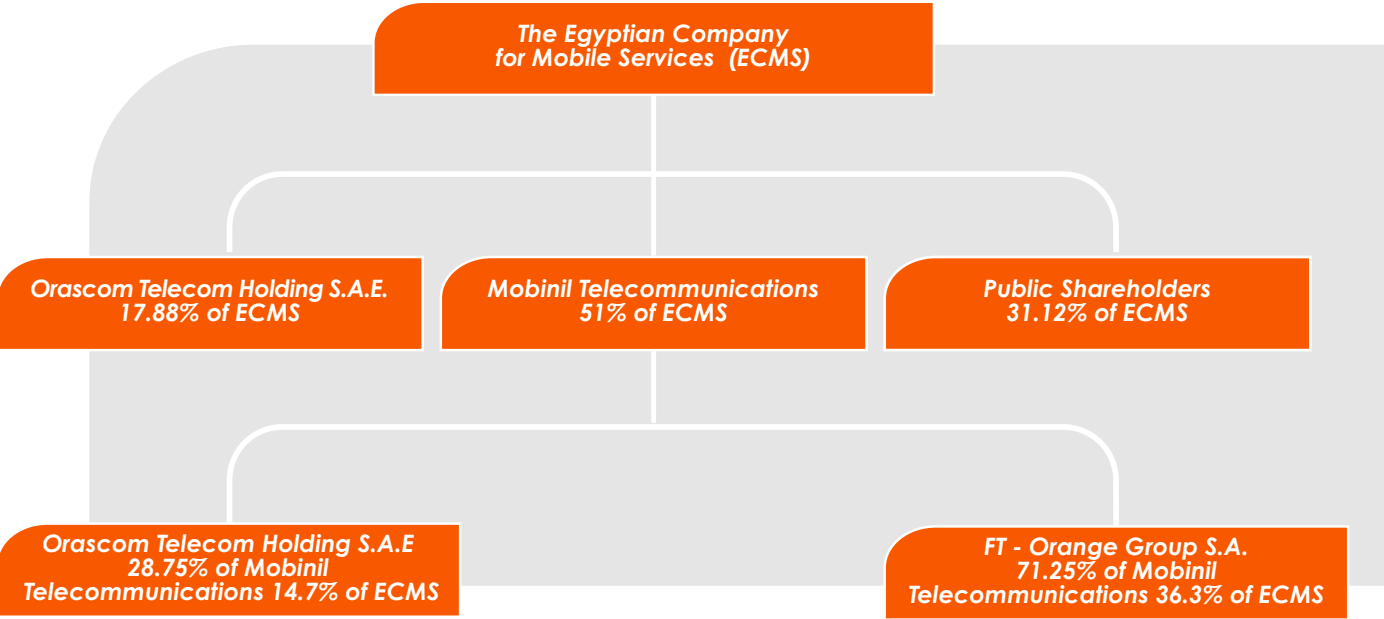


Our passion and personality oblige us to understand our customers and have them at the heart of our business; offering them the best market offers and best value for money through our products and services.

our shareholders

Our shareholders, France Telecom - Orange Group S.A. and Orascom Telecom Holding S.A.E., are both international telecommunication leaders.

ECMS ownership structure





FT-Orange Group

The Orange Group, a subsidiary of France Telecom, is one of the world's largest mobile communications companies, with operations in 19 countries across Europe and beyond.

France Telecom's ambition is to be the first integrated telecoms operator in Europe and the leader for convergence, delivering a 'New Experience of Telecoms' for its customers.

This includes the rebranding of Equant and Wanadoo in 2006 - forming part of an international strategy to use the Orange brand commercially for mobile, fixed-line, broadband, multi-play and business offerings. This means a simple, single-company experience for customers as well as an exciting new generation of enhanced communications and converged services.

By fully integrating the strengths of France Telecom, Equant and Orange, Orange Business Services can provide a unique, comprehensive and converged portfolio of solutions to help companies of all sizes and in all industries open up new ways of doing business successfully:

- **professional services:** evaluating current business needs and future business goals
- **networks:** accessing best-of-breed fixed, data and mobile networks
- **mobility:** exploiting the full potential of mobile working
- **telephony:** bringing simplicity, economy and control to corporate telephony
- **security:** ensuring company information remains safe
- **collaboration:** improving the way people interact
- **applications:** enhancing internal processes

key figures from FT-Orange full year earnings release 2006

- **total revenues:** €51.7 billion, up 1.2% on a comparable basis and 7.5% on a historical basis

Orange Business Services can provide a unique, comprehensive and converged portfolio of solutions to help companies of all sizes.

- **gross operating margin rate:** 35.9%, in line with the company's targets, compared with 37.3% in 2005 on a comparable and historical basis, a decline of 1.4 points year on year. This is in line with the company's announced objective of 1 to 2 points.
- **organic cash flow:** is €7.15 billion (€6.8 to 6.9 billion excluding Pages Jaunes), ahead of the company's objective of €6.95 billion. This is due to the company's management of CAPEX.
- **net income:** is expected to be between €4.0 and €4.2 billion, compared to €5.7 billion in 2005, which on a comparable basis remains stable.
- **CAPEX/revenues ratio:** 13% in line with the target ratio of "around 13%", compared with 12.5% in 2005.
- **debt-equity ratio** (net debt/GOP): strong reduction to around 2.27 at 31 December 2006 versus 2.48 at 31 December 2005.

In June 2006, as part of the France Telecom integrated operator strategy (NExT programme) to deliver simple, convergent products, Orange became the single brand for mobile, Internet and TV offerings in France, the United Kingdom, the Netherlands, and Spain, strengthening Orange's position as the number two mobile and Internet services brand in Europe.

France Telecom (NYSE: FTE) is listed on Euronext Paris Eurolist market and on the New York Stock Exchange. On September 30, 2006, the group had 92.59 million mobile customers, 12.09 million Internet customers and 48.59 million fixed line customers.





Giving the World a Voice

Orascom Telecom Holding S.A.E.

Orascom Telecom operates GSM networks in Algeria ("OTA"), Pakistan ("Mobilink"), Egypt ("Mobinil"), Iraq ("IraQna"), Tunisia ("Tunisiana") Bangladesh ("Banglalink"), and Zimbabwe ("Telecel Zimbabwe"). Orascom Telecom subscriber number reached 51 million subscribers as of December, 2006.

Orascom Telecom's operation in Pakistan, Mobilink, started its operations in 1994, and until early 2001, had a market share of 40%. In April 2001, OTH took over management control of the company, and as of December, 2006, Mobilink served over 22 million subscribers, representing a market share of approximately 46.3% of total mobile subscribers in Pakistan.

Orascom Telecom's North African success continued in Algeria and Tunisia as well. OTA, OTH's network in Algeria, was granted a license in July 2001 to operate a nationwide GSM telecommunications network to provide a range of mobile services in Algeria. Djezzy's network serves over 10 million subscribers, as of December, 2006, representing a market share of 63.8% of total mobile subscribers in Algeria. Orascom Telecom's Algerian operation was the second GSM telecommunication network to operate in Algeria. It grew to become the market leader in terms of both subscriber number as well as the quality of telecommunications services provided.

Orascom Telecom Tunisie - Limited Company Tunisiana was granted a license in May 2002. Tunisiana exceeded the three million subscribers, representing a market share of approximately 46.5% of total mobile subscribers in Tunisia, as of December, 2006.

Banglalink was the last addition to the GSM companies when Orascom Telecom purchased 100% of the shares of Sheba Telecom in Bangladesh in September 2004. Orascom Telecom re-branded and launched its services under "Banglalink" in February 2005. Immediately after the launch, OTH started its aggressive plans to develop it into a leader in the mobile sector. It rapidly expanded its GSM network to provide high quality communications services at affordable prices. Banglalink had 15.6% market share of total mobile subscribers in

One of Orascom Telecom's main strategies is to create its own non-GSM subsidiaries to act as a support for its regional GSM operations.

Bangladesh with over three million subscribers as of December 2006.

Continuing its success OTH reached over 51 million subscribers as at December 31, 2006. OTH has positioned itself as a leader in the region for its diverse GSM operations with various GSM support and Internet operations.

One of Orascom Telecom's main strategies is to create its own non-GSM subsidiaries to act as a support for its regional GSM operations. OTH has achieved this by dedicating financial, technical, and management resources for its subsidiaries. This includes network support and installation of GSM operations, equipment procurement, handset procurement and distribution companies, Value Added Services, and Internet operations.

OTH is dedicated to providing the best quality services to its customers, value to shareholders, and a dynamic working environment for its over 20,000 employees.

OTH established a strong presence in the GSM Association (the world's leading wireless industry representative body), only five years after its inception. OTH's Chairman and CEO, Mr. Naguib Sawiris, was selected to join the GSM Association's CEO Board in 2002.

OTH's shares are traded on the Cairo and Alexandria Stock Exchange (CASE), under the symbol ORTE.CA, ORAT EY and London Stock Exchange, where its GDR is traded under the symbol ORTEq.L, OTLD LI. OTH is the largest capitalized company on the Cairo and Alexandria Stock Exchange.

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the board of directors



Naguib Sawiris



Iskander Shalaby



Sanjiv Ahuja



Brigitte Bourgoïn



Claude Benmussa



David Hobley



Bertrand du Boucher



Onsi Sawiris



Aldo Mareuse



Nadia Makram Ebeid



Sheikh Fahd El Shobokshi



Ahmed El Bardai

Naguib Sawiris

Chairman, the Egyptian Company for Mobile Services (Mobinil)
Chairman, Orascom Telecom Holding S.A.E.
Representing Mobinil Telecommunications in the ECMS Board of Directors

Iskander Shalaby

President and Chief Executive Officer, the Egyptian Company for Mobile Services (Mobinil)
Representing Mobinil Telecommunications in the ECMS Board of Directors

Sanjiv Ahuja

Chief Executive Officer, Orange Group S.A.
Representing Mobinil Telecommunications in the ECMS Board of Directors

Brigitte Bourgoïn

Executive Vice President International, Orange Group S.A.
Representing Mobinil Telecommunications in the ECMS Board of Directors

Claude Benmussa

Senior Vice President, Deputy Chief Financial Officer and Controller, France Telecom Group
Representing Mobinil Telecommunications in the ECMS Board of Directors

David Hobley

Managing Director, Deutsche Bank AG, London
Representing Mobinil Telecommunications in the ECMS Board of Directors

Bertrand du Boucher

International Chief Financial Officer, Orange Group S.A.
Representing Mobinil Telecommunications in the ECMS Board of Directors

Onsi Sawiris

Chairman, Orascom Group of Companies and Honorary Chairman in ECMS

Aldo Mareuse

Group Chief Financial Officer (CFO)
Representing Orascom Telecom Holding S.A.E. in the ECMS Board of Directors

Nadia Makram Ebeid

Executive Director, Center for Environment and Development for the Arab Region and Europe
Former Egyptian Minister of Environment
Representing Public Shareholders on the ECMS Board of Directors

Sheikh Fahd El Shobokshi

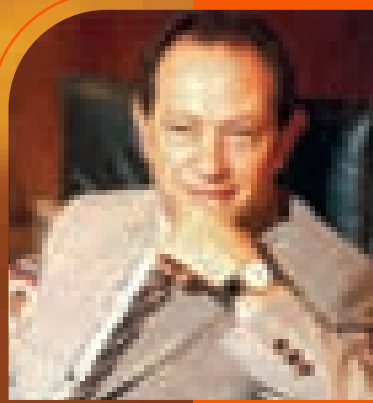
Chairman of Nile City
Representing Public Shareholders on the ECMS Board of Directors

Ahmed El Bardai

ECMS Board Member
Representing Public Shareholders on the ECMS Board of Directors

Naguib Sawiris

Mobinil Telecommunications S.A.E.



Naguib Sawiris is Chairman of the Egyptian Company for Mobile Services (Mobinil). He is also Chairman and Chief Executive Officer of Orascom Telecom Holding (OTH), Mobinil's shareholder, and one of the leading international players in telecommunications, GSM operations, Internet services, satellite and related communication services.

As Chairman of OTH, Sawiris has led the growth of the company in a dynamic pace, now operating GSM networks in various countries in the Middle East, Africa, and the Indian Subcontinent, in addition to a number of Internet Service Providers (ISPs), and satellite service providers serving approximately 500 million people around the globe. In May 2005, Sawiris also acquired "Wind Telecommunications", the third largest mobile operator and second largest fixed line operator ("Infostrada") in Italy.

Naguib Sawiris is a member of both the Board of Trustees and the Board of Directors of the Arab Thought Foundation, a Board of Trustees' member and Head of the Financial Committee of the French University in Cairo, a board member of the Egyptian Counsel for Foreign Affairs, the Consumer Rights Protection Association and the Cancer Society of Egypt. He holds a Bachelor of Science Degree in Mechanical Engineering with a Masters in Technical Administration from the Swiss Institute of Technology, ETH Switzerland and a Diploma from the German Evangelical School, Cairo, Egypt.

Sanjiv Ahuja

Mobinil Telecommunications S.A.E.



Sanjiv Ahuja is a member of France Telecom's Group Management Committee, and Chief Executive Officer of Orange. Ahuja joined Orange in April 2003 as Chief Operating Officer and since March 2004 was Executive Vice President of France Telecom's Personal Communication Services, and Chief Executive Officer of Orange Group S.A.

Before joining Orange, Ahuja was Chief Executive Officer of Comstellar Technologies, a California-based company focused on creating and bringing to market innovative communications technologies. He was previously President of Telcordia Technologies (formerly Bellcore), and led the growth of Telcordia into European markets.

He began his career at IBM in 1979 as a software engineer. From 1987 to 1990 he managed IBM's strategy for transaction processing, and from 1990 to 1994 he was responsible for IBM's distributed network and systems business, leading IBM into the telecommunications software market globally.

Ahuja has a degree in Electrical Engineering from Delhi University, India, and a Masters Degree in Computer Science from Columbia University in New York.

Iskander (Alex) Shalaby

Mobinil Telecommunications S.A.E.



Alex Shalaby was elected President and CEO of the Egyptian Company for Mobile Services effective November 1st, 2005. He has been with Mobinil since its inception in 1998 as Board Member and Chief Regulatory and Legal Affairs Officer. In his position, he was involved in all operational aspects of the company.

Prior to his appointment as Chief Regulatory and Legal Affairs Officer for ECMS, Alex Shalaby was the Director for Government Affairs for AT&T in Washington, DC. From 1980 to 1993 he was the Managing Director for AT&T in Egypt and General Manager for the MENA Region.

Between 1993 and 1995, Shalaby was the Regional Director for International Public Affairs for AT&T based in Cairo, where he was responsible for the interface with key agencies within the governments in the region on matters impacting AT&T operations.

He also served on a number of boards including AmCham Egypt (where he also served as President between 1991 and 1993), the bi-National Fulbright Commission and the National US-Arab Chamber of Commerce in Washington, DC. Mr. Shalaby holds a B. S.C. in Electrical Engineering from Alexandria University and a Masters of Science Degree in Electrical Engineering and Computer Science from San José State University, California.

Brigitte Bourgoïn

Mobinil Telecommunications S.A.E.



Brigitte Bourgoïn joined Orange in 2000 and is currently responsible for the management of all country operations outside France and the UK and contributing to the future expansion of the Orange footprint. She holds different positions as Director in Orange subsidiaries.

Before joining Orange, Bourgoïn launched and developed France Telecom's international mobile activities from 1990 to 1999. In 1993 she was appointed General Manager of France Telecom Mobile International, the group company in charge of France Telecom's international mobile business development and operations (which consisted of 15 subsidiaries, most of which were transferred to Orange in 2000). In 1985, she opened and then managed the France Telecom UK office, before being appointed Head of Staff to the Director of Industrial and International Affairs of France Telecom in 1987.

A graduate of ENST Paris (the Telecom Paris Engineering School), Bourgoïn began her career at France Telecom in 1977 in Ile de France Operations with different assignments in network management and commercial.

Claude Benmussa

Mobinil Telecommunications S.A.E



Claude Benmussa is currently Senior Vice-President & Deputy CFO at France Telecom Group in charge of Controlling since December 1992. His career in the France Telecom group started in 1991, as a Financial Director at France Telecom EGT.

From 1994 to June 1996 he was Deputy General Manager at FTMS France Telecom Mobile Services (FTMS), in charge of Finance and International Development. At the same time, he remained a Director of EGT with a consulting role at the side of the President for Financial Control and Legal Affairs.

From 1996 to 2007, he was Group Controller in charge of accounting, consolidation and controlling for France Telecom Group.

He started his career as an Auditor at Coopers & Lybrand. Later he worked as Financial Director in a subsidiary of Thomson CSF.

Benmussa is also a board member with TPSA, Mobistar, Telmex, Transpac, Orange, and Pages Jaunes.

Bertrand du Boucher

Mobinil Telecommunications S.A.E.



Bertrand du Boucher is Chief Financial Officer of Orange International since September 2000.

Before joining Orange, du Boucher was at France Telecom Mobiles Services, a holding company dedicated to developing France Telecom service provider activity through Europe. He was appointed Director of Information Technology and member of the Executive Committee of the Company. In 1998, du Boucher was appointed Director of Information Technology of FTMI, a holding company dedicated to developing France Telecom's activities in the wire-free sector outside France.

Du Boucher began his career in 1979 at Unilog Group, a French company providing consultancy services for the integration of information technologies. He graduated from the Institute Supérieur du Commerce de Paris.

David Hobley

Mobinil Telecommunications S.A.E.



David Hobley is Chairman, Central Europe, covering Eastern and Central Europe for Deutsche Bank's investment banking business.

Hobley has had 35 years of investment banking experience, first at SG Warburg & Co. /SBC Warburg (now UBS) and Deutsche Bank.

He has had substantial experience in all types of investment banking - equity capital markets, debt capital markets, government and corporate advisory, and over 25 privatizations.

For four years, Hobley has been on the board of Orange SA, in Paris, and sits as an independent director on the boards of numerous other Orange companies including Orange Romania.

Onsi Sawiris

Orascom Telecom Holding S.A.E.



Onsi Sawiris serves as Chairman of Orascom for Hotels and Development (OHD), Orascom Technology Systems, Orascom Trading Co., Orascom Construction Industries (OCI), the Egyptian Cement Co. (ECC) and Orascom Telecom (OT).

He founded Orascom in 1976 as a general contracting and trading company. By the early 1990s, Sawiris had established Orascom as a leading private sector contractor by working in partnership with international companies pursuing projects in Egypt. He then diversified the business by venturing into Telecom and Tourism. Now the Orascom Conglomerate has transpired into three major groups OCI, OT and OHD.

Sawiris is chairman of the Board of Directors for Misr Exterior Bank, Pharaonic AIG Insurance Co and YMCA in Cairo. He holds a Bachelor of Science Degree in Engineering from Cairo University.

Aldo Mareuse

Orascom Telecom Holding S.A.E.



Aldo Mareuse brings over 15 years of experience in international finance, having held various positions in New York, London and Paris. Prior to joining Orascom Telecom, he was Managing Director of Credit Suisse First Boston, and Investment Banking Division Telecommunications Group, where he was the head of European & Middle East wireless sector providing advisory services on substantial IPO's, financing & acquisitions in the sector.

Fahd El Shobokshi

Public Shareholder



Fahd Shobokshi is Chairman of Nile City Investments, owner of the Nile City Project. It is one of the most ambitious urban development projects ever undertaken in Egypt, combining a business address, shopping venue, hotel and residence.

Shobokshi founded the Shobokshi Group in 1965, now a diversified Saudi Arabian conglomerate with interests including publishing, real estate, airlines contracting, building materials, furniture, maritime, catering, banking, transportation, and automotive industries. Shobokshi is the Chairman of El Shams Pyramids Company for Hotels & Touristic Projects, and owner of Meridian Pyramids Hotel.

He also sits on the board of numerous companies such as Golden Pyramids Plaza company owner of City Stars Project, Egyptian Fertilizer Company, and the Egyptian Saudi Development Company. He holds a BA in business and Masters in Economics from Whittier College, California.

Nadia Makram Ebeid

Public Shareholder



Nadia Makram Ebeid is the Executive Director of the Center for Environment and Development of the Arab Region and Europe (CEDARE), an international diplomatic position she assumed in January 2004. Previously, as the first Special Peace Envoy of the Secretary General of the Arab League to Sudan (2002-2003), her efforts contributed to the signature of Sudan's subsequent Peace Agreement.

Ebeid was formerly Egypt's first Minister of the Environment to head the newly created Ministry in 1997, for a period of 5 years, and the first female minister to hold this position in the Arab world. One of her most noticeable achievements was the initiation of a US\$100 million River Nile Pollution Prevention Program. As a result, and for the first time, she declared the river Nile free from polluted industrial wastewater discharge.

Ebeid has also a long-standing professional record with the United Nations System in the field of international development cooperation. She also has academic pursuits, as she was a visiting professor at George Washington University, USA.

Ahmed El Bardai

Public Shareholder



Ahmed El Bardai is an international executive with over 30 years of financial sector experience in the Middle East and North America. He started his career in 1974 as a consultant for Price Waterhouse, later moving to Crocker National Bank in San Francisco, U.S.A. In 1986 he was recruited by Citibank in Athens, Greece, as their Financial Controller for the Middle East and North Africa.

During his tenure with Citibank, El Bardai held several positions, culminating with the position of Citibank Regional Head for North Africa. He moved to Arab African International Bank in 1996, where he held the position of Vice-Chairman and Managing Director for three years. In 2000, he was appointed Chairman of Banque du Caire– Egypt's third largest public sector bank, becoming the first ever private sector banker to hold such a position.

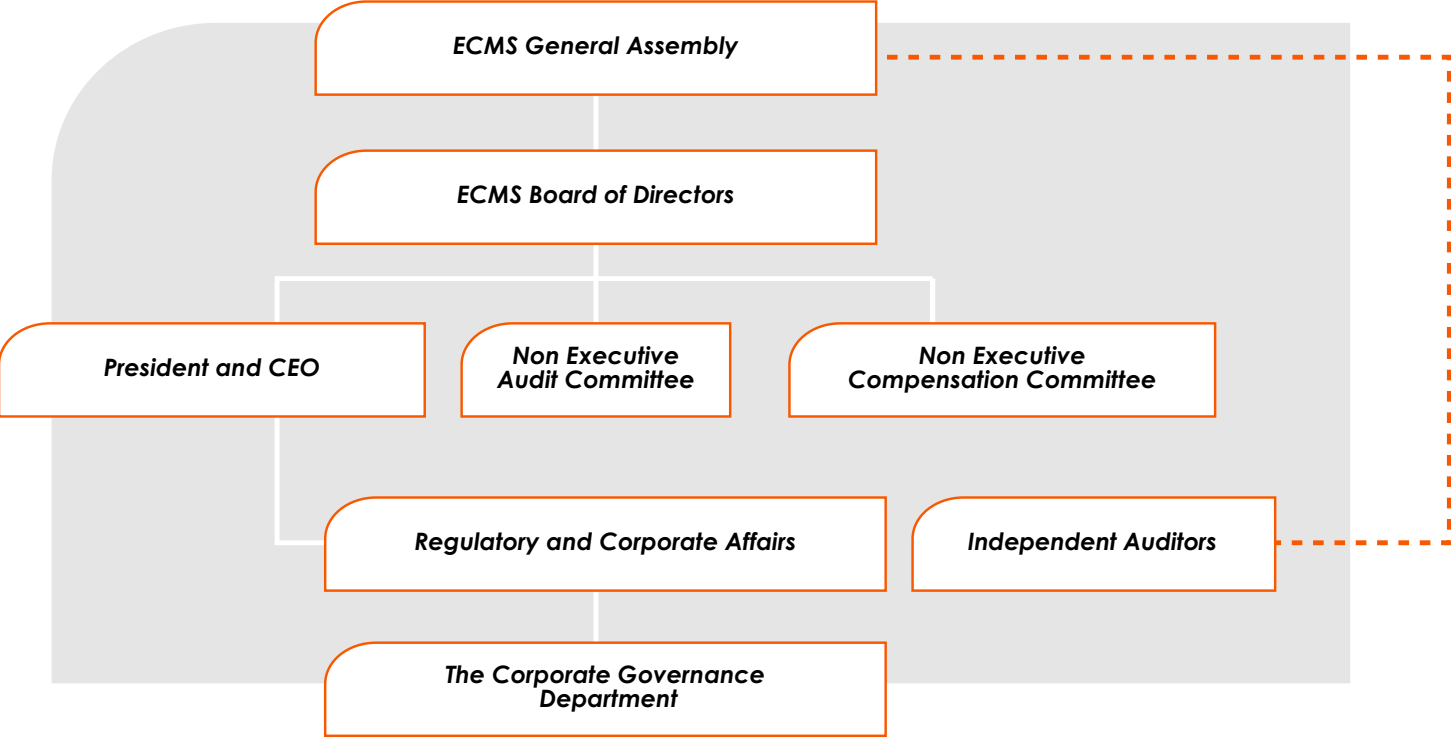
El Bardai was head of the Egyptian Bankers' Association from 2001 to 2005, and was a board member of the Institute of International Finance, UBAF in Paris, New York and Hong Kong, and is currently a member of the board of Egyptair.

El Bardai received a Bachelor of Arts in Business Administration from Cairo University in 1974, and gained a Masters of Arts in International Management from Thunderbird, Arizona in 1977.

We want to make a difference in the lives of our customers and the community at large. Our sense of confidence and optimism is communicated with passion in a fast-moving market and state-of-the-art technology. We are passionate about our business and we have absolute confidence in our employees.

Corporate Governance

the ECMS Corporate Governance structure



Corporate Governance mission

ECMS adopts the highest standards of business conduct: delivering on our promise of providing the best quality service to our customers, the best working environment for our employees, top value for our shareholders, and proudly contributing to the development of our community, reporting results with accuracy and transparency and maintaining full compliance with the laws, regulations and rules which govern our business.

Corporate Governance principles

ECMS is governed by its general assembly of shareholders, abiding by investment law number 8/1997, capital market authority law number 95/1992, and corporate law number 159/1981.

The general assembly of shareholders elects a Board of Directors of 12 persons representing shareholders as follows: seven members for Mobinil Telecommunications, one person representing Orascom Telecom Holding S.A.E., and three representing Public Shareholders in addition to one Honorary Chairman. As per this composition, the ECMS Board of Directors has 11 independent members and one executive member.

Its main role is to provide effective governance over the company's activities for the benefit of its shareholders and to balance the interests of its mainstakeholders: customers, employees, shareholders, and the community.

The development of our community, reporting results with accuracy and transparency and maintaining full compliance with the laws.

Currently the ECMS Board of Directors is in its second term for three years, which started in 2004. For the purpose of good governance practices, the board has formed two sub-committees; the Audit Committee and the Compensation Committee. Each committee has independent board directors as members with an elected chairperson. The board meets at least four times a year and the committees meet at least four times a year.

the Audit Committee

The ECMS Audit Committee is composed of:

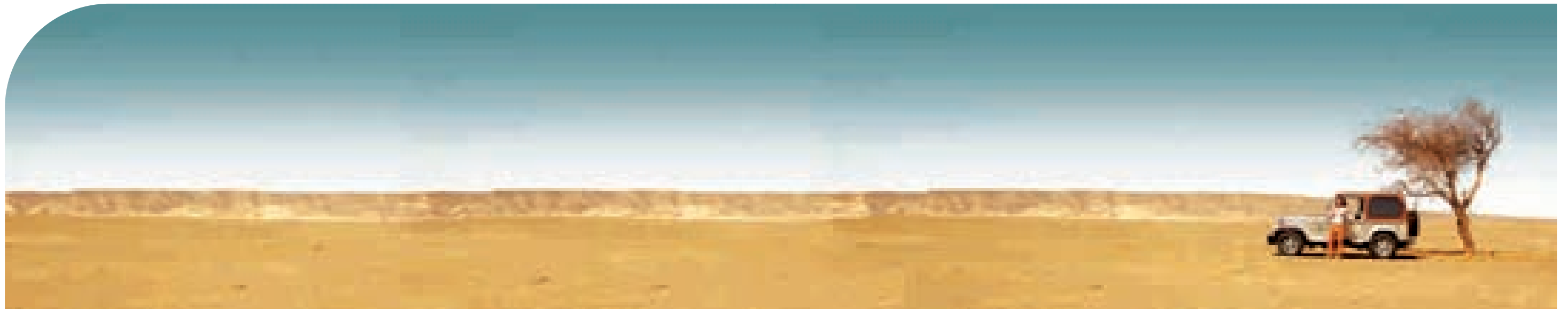
Chairman: Claude Benmussa

Members: Naguib Sawiris - Aldo Mareuse - Bertrand du Boucher.

The Audit Committee is mandated by the board to approve quarterly financial statements and Earnings Releases. This approval is, however, subject to ratification by the Board of Directors.

The Committee also takes different tasks including the bi-annual risk review, the approval and follow up of implementation of internal audit plan, and the review of management responses to external auditors' reports.

The Audit Committee holds at least four meetings and four conference calls a year. In addition, the A.C. holds executive



meetings with external auditors at least once a year.

The Audit Committee also proposes the external auditors' fees which are presented to the GA for approval. They ensure the proper balance of audit / non-audit fees paid to external auditors.

In addition, the Committee appoints and removes the head of Internal Audit who reports to it on all issues related to its activities.

The Internal Audit Department acts as the technical arm of the Audit Committee.

the Compensation Committee

The ECMS Compensation Committee is composed of:

Chairwoman: Brigitte Bourgoïn

Member: Naguib Sawiris

The Compensation Committee reviews and approves all the issues related to executive's pay and bonus, in addition to reviewing and updating on a periodical basis the employees' benefits schemes and stock option plans.

Corporate Governance Bodies Inside ECMS

In applying good corporate governance practices, ECMS has established two important departments:

The Corporate Governance Department

The Corporate Governance Department is responsible for achieving the Corporate Governance mission of the company. It serves also as the secretariat to the Board of Directors.

The Risk Management & Internal Audit Department

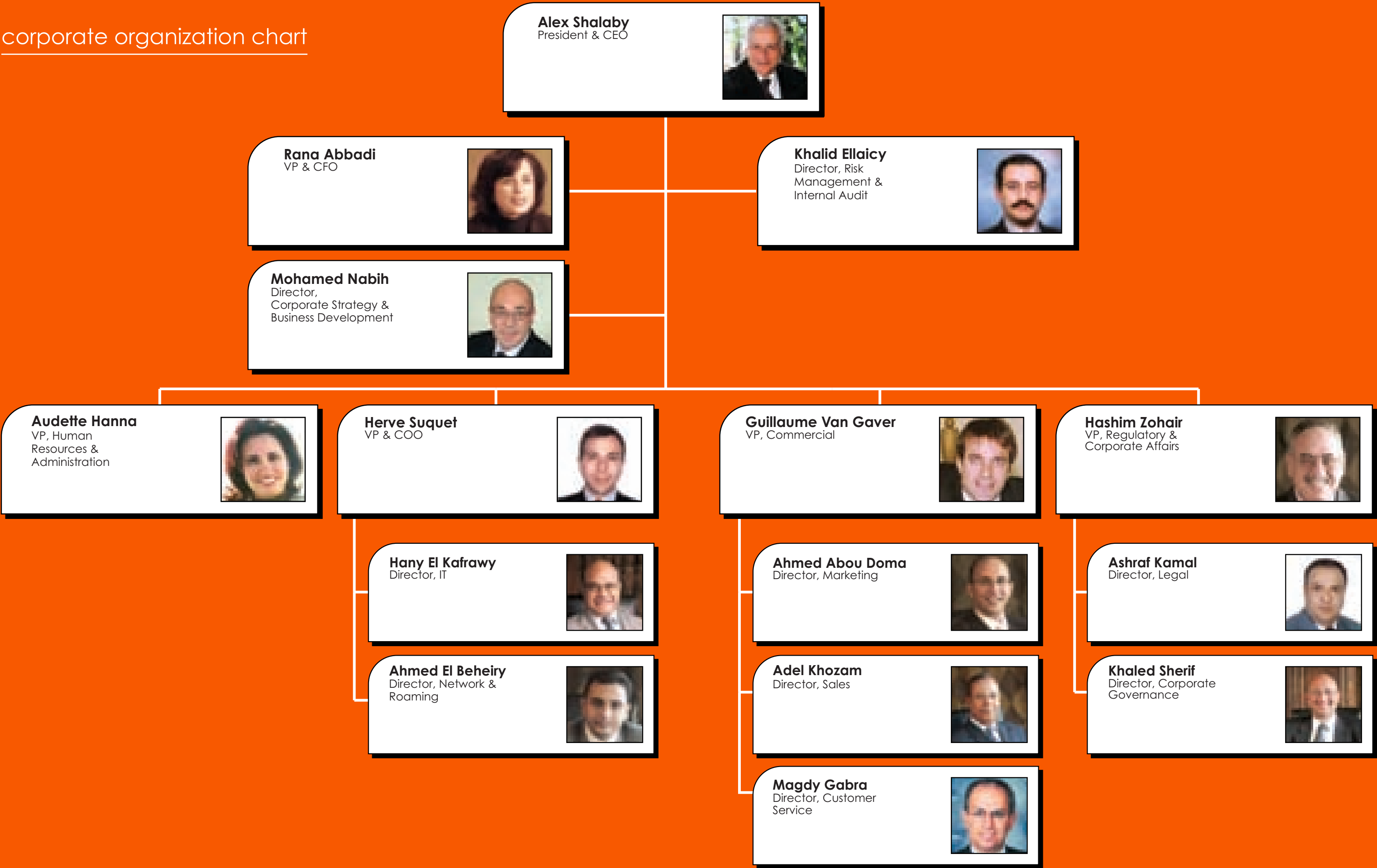
This department is composed of two sub-departments which play an important role in the company's Corporate Governance framework, and have been combined under one Director in July 2005 due to the large degree of interaction between the two sub-departments and in line with international best practice.

friendly

We enjoy working and succeeding together by building close relationships. While we have a sense of professionalism, we also have a sense of wit. We consider the needs of both our customers and our employees.



corporate organization chart



Iskander N. [Alex] Shalaby
President & Chief Executive Officer

Alex Shalaby has been the President and CEO of ECMS effective November 1st, 2005. With an extensive experience of over 37 years in the telecommunication field, Shalaby joined Mobinil since its inception in 1998 as Board Member and Chief Regulatory and Legal Affairs Officer. In his position, he was involved in all operational aspects of the Company. Prior to his appointment as Chief Regulatory and Legal Affairs Officer for ECMS, Alex Shalaby was the Director for Government Affairs for AT&T Washington, DC. Shalaby has led several successful operations for AT&T through several managerial positions. Between 1980 to 1993, he was the Managing Director for AT&T in Egypt and General Manager for the MENA Region.

During this period, Shalaby established and secured a solid foothold for AT&T in Egypt and a number of markets in North Africa and the Gulf Region. Between 1993 & 1995, Shalaby was the Regional Director for International Public Affairs for AT&T based in Cairo, where he was responsible for the interface with key agencies within the governments in the region on matters impacting AT&T operations. This was a critical period preceding the current wave of privatization within the telecommunications sector.

Shalaby established the first presence for AT&T in South Africa, and in 1995 was appointed Regional Director of Government Affairs for the company in the Middle East. He also served on a number of boards including AmCham Egypt (where he also served as President between 1991 and 1993), the Bi-National Fulbright Commission and the National U.S.-Arab Chamber of Commerce in Washington, DC.

Alex Shalaby holds a B.S.C. in Electrical Engineering from Alexandria University and a Masters of Science in Electrical Engineering and Computer Science from San José State University, California.

Audette Hanna
VP, Human Resources & Administration

Audette Hanna was appointed Human Resources Director in June 1999. She has over 13 years of intercultural experience in the fields of recruitment and selection, compensation and benefits, training and development, and employee relations.

She joined the Orascom Group as a Human Resources Manager responsible for building up the HR infrastructure of 43 member companies with 16,000 employees. Hanna holds a Bachelor's Degree in Commerce and several postgraduate diplomas in Human Resources and Personnel Management.

Guillaume van Gaver
VP, Commercial

Guillaume van Gaver has been appointed Commercial Vice President in August 2006. Before joining Mobinil, van Gaver had more than 14 years of experience in the telecommunications industry with the France Telecom Group and Arianespace. Guillaume van Gaver's last position was Director of Direct Sales in Orange UK. He started his career back in 1993 with Arianespace, Washington DC, USA, as Marketing Analyst. In 1995, he joined France Telecom Mobile Business Unit as Large Account Sales Manager and then became Business to Business Senior Manager. He then joined Orange France as Distribution Sales Director followed by a three-year role as Business Development Director. Guillaume van Gaver holds a Management Degree in Finance from Institut Supérieur du Commerce de Paris. He also received Erasmus Certificate at University of Hertfordshire [Courses in International Marketing] and graduated from IEP, Insead 2003.

Hashem Zohair
VP, Regulatory & Corporate Affairs

Mohamed Hashem Zohair was appointed Government Affairs and Telecom Authorities Director in August 2000. He has over 32 years of experience developing and implementing Business Management Techniques in the Information Technology and Telecommunications fields. Prior to Mobinil, he spent 20 years at NCR – Egypt, holding various positions including Managing Director, General Manager, Sales and Marketing Director, and System Services Director for the Near East Area. He also led several national projects, one of which was for Telecom Egypt. Zohair holds a Bachelor's Degree in Electronics Telecommunications.

Hervé Suquet
VP & COO

Hervé Suquet has been appointed Chief Operating Officer in March 2005. Before joining Mobinil, Suquet had over 14 years of experience in the telecommunications industry with France Telecom Group. Hervé Suquet's last position was Vice President Transformation and Performance, leading the France Telecom Group IT Transformation and Network Transformation Program. In 2002, he joined Equant as Head of Access Technology and Planning where he successfully launched a new access strategy, reducing the Access Unit cost by nearly 13% while supporting over 25% activity growth. He holds a Graduate Engineering Degree from Ecole Polytechnique in Paris 1988 and a Masters of Science in Telecoms from the National Institute of Telecommunications in Paris 1990.

Rana Abbadi
VP & CFO

Rana Abbadi was appointed Chief Financial Officer in July 2003. Abbadi is an experienced Finance and Operations professional with over 15 years of multinational experience across various industries. Throughout her career, Abbadi held different management positions in Jordan's Fastlink and the Welfare Association, and Deloitte and Touche to name a few. Abbadi joined Mobinil in June 1998 as Financial Controller, then moved to Finance and Administration Director in May 2000. She then joined Orascom Telecom Holding S.A.E. in June 2000, and returned to Mobinil in June 2001 as Finance Director. She holds a Bachelor's Degree in Accounting with a minor in Business Administration from the University of Jordan.

Adel Khouzam
Director, Sales

Adel Khouzam was appointed Sales Director in April 2000. He has more than 30 years of domestic and international management experience in the field of sales and sales development, with telecommunication as a focal point. Prior to joining Mobinil, Khouzam was the Sales and Marketing Director in Saudi Ericsson Communications Company Ltd. [Ericsson GSM mobile phones] for the whole of the Kingdom of Saudi Arabia. He holds a Bachelor's Degree in Mechanical

Engineering. Khouzam has recently been awarded membership and accredited certification by the "Who's Who" International Organization.

Ahmed Abou Doma
Director, Marketing

Ahmed Abou Doma has been appointed Marketing Director in October 2003. He has been working with Mobinil since August 1998 in the Market Development Department, then as Senior Market Planning and Development Manager in 2000, and Senior Market Strategy and Analysis Manager in 2001. Prior to Mobinil, he developed some of IBM business verticals. In 1996, he led the Business Development team in Datum IDS, establishing their Internet Business Unit. He holds a Bachelor of Science degree in Electronics and Communications Engineering from Cairo University in 1992.

Ahmed El Beheiry
Director, Network & Roaming

Ahmed El Beheiry has been appointed Products and Technology Development Director in June 2004. Since 2001, he was Senior Manager for Engineering and Development, in charge of the Core Network, Transmission, Value Added Services Development, and Network Budgeting. Prior to Mobinil, El Beheiry was in the GSM Radio Team in Alcatel Egypt. He holds a Bachelor of Science Degree in Electrical Engineering from Alexandria University and a Masters of Science degree in Mobile Communications (1997). He has several research publications in IEEE for Mobile Communications.

Ashraf Kamal
Director, Legal

Ashraf Kamal joined Mobinil in 1998 as Legal Director, bringing more than 30 years of experience in legal management spanning over various industries including petroleum, banking,

foods, and telecommunications. He started his career as lawyer in 1975 at Esso Standards. From 1981 to 1987, he managed the Legal Department of Kuwait Food Company (Americana). He played a major role in studying banking and commercial laws and their effects on companies. Kamal holds a License of Law from the Faculty of Law at Cairo University, 1974.

Hany El Kafrawy
Director, IT

Hany El Kafrawy was appointed Director of Technology Management in July 2000. He has over 20 years of intercultural experience in the fields of Information Systems and Technologies; he has worked with Mobinil since October 1998 as Senior Manager of Information Technology Services. Prior to working with Mobinil, El Kafrawy has been working for IBM World Trade Corporation for 20 years at several locations around the world. He holds an Honors Bachelor's Degree in Electronics and Electrical Engineering from Manchester University, UK.

Khalid Ellaicy
Director, Risk Management & Internal Audit

Khalid Khairy Ellaicy has been appointed Director of Risk Management and Internal Audit effective July 1st, 2005. He has over 17 years of business experience in the fields of Finance, Auditing, and Accounting. His last position was Director of Finance at the Mobile Telecommunications Company – Kuwait (MTC Vodafone). Ellaicy is a Certified Public Accountant (CPA) and holds a Bachelor of Commerce Degree from Ain Shams University. He currently maintains professional memberships at the American Institute of Certified Public Accountants and the Egyptian Society of Accountants and Auditors.

Khaled Sherif
Director, Corporate Governance

Khaled Sherif was appointed Corporate Affairs Director in April 2004. He has over 10 years of multidisciplinary experience in Technology Development, Corporate Management, Corporate Governance and Marketing Management. In 1997, he joined Orascom IT group where he established two IT companies and was later assigned the management of Orascom Distribution for a turn around. He is an active member in a number of business development projects. He holds a PhD in Telecommunications and Microelectronics from Lille University in France.

Magdy Gabra
Director, Customer Service

Magdy Gabra was appointed Customer Service Director in May 2003. Gabra has over 23 years of multinational experience in the fields of Marketing, Sales and Customer Service. He joined Mobinil in January of 2002 as the National Sales Senior Manager. In May 1978, Gabra joined Trans World Airlines Inc. (TWA) in the Customer Service Department and held various managerial positions in the Middle East and Europe responsible for Sales, Marketing and Operational activities. Gabra holds a Bachelor's Degree in Pure Mathematics and Mathematical Statistics.

Mohamed Nabih
Director, Corporate Strategy & Business Development

Mohamed Nabih joined the Mobinil family in August 1999 as Senior Manager for the Commercial Strategy Department, now called Corporate Strategy and Anticipation. He was appointed Corporate Strategy Director in October 2005. Nabih has over 11 years of experience in business development and strategy in the telecommunications industry. He studied Economics in Sweden. In 1993, he received his Masters of Science in Economics from the Stockholm School of Economics, Sweden. He received his PhD in Economics from the Catholic University of Tilburg, Netherlands.

financial statements and analysis

auditors' report

consolidated financial statements

financial analysis

management discussion & analysis



Ernst & Young
Allied for Accounting & Auditing
37 El Ahsar St., Mobina Tower
Mokattam

KPMG Hazem Hassan
Public Accountants & Consultants
Pyramids heights office park - Km 22
Cairo/Mokattam

Auditors' Report To The Shareholders Of The Egyptian Company For Mobile Services S.A.E.

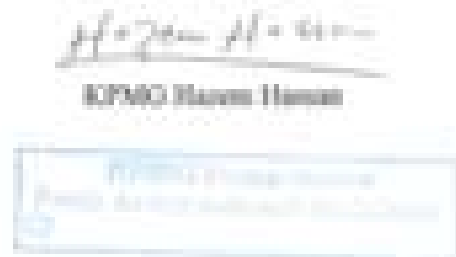
We have audited the consolidated financial statements of The Egyptian Company For Mobile Services S.A.E. and its subsidiaries represented in the consolidated balance sheet as at December 31, 2006, the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Egyptian Standards on Auditing and in light of the provisions of applicable Egyptian laws. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statements presentation. We have obtained the information and explanations, which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the company as at December 31, 2006, the results of its operation and its consolidated cash flows for the financial year then ended, in accordance with Egyptian Accounting Standards and in compliance with the related Egyptian laws and regulations.



Cairo February 4, 2007



Consolidated Balance Sheet as at December 31, 2006

| | Note No. | 31/12/2006 EGP | 31/12/2005 EGP |
|---|-----------|------------------------|------------------------|
| Long Term Assets | | | |
| Fixed assets (net) | (2d,3) | 4 036 599 529 | 3 201 622 677 |
| Fixed assets under construction | (6) | 1 123 627 154 | 875 455 420 |
| Licenses fees (net) | (2f,5,23) | 1 241 298 740 | 1 436 250 408 |
| Deferred charges (net) | (4) | - | 3 074 434 |
| Investments | (2g,7) | 900 000 | 900 000 |
| Rent deposits | | 5 208 754 | 4 771 279 |
| Total long term assets | | 6 407 634 177 | 5 522 074 218 |
| Current Assets | | | |
| Inventory | (2h,8) | 55 229 993 | 42 737 112 |
| Accounts receivable | (9) | 232 412 695 | 176 569 208 |
| Other debit balances | (10) | 312 894 611 | 194 599 913 |
| Prepaid expenses | | 82 460 383 | 69 062 162 |
| Cash at banks and on hand | (11) | 285 326 517 | 440 048 509 |
| Total current assets | | 968 324 199 | 923 016 904 |
| Current Liabilities | | | |
| Provision for contingent liabilities | (12) | 492 098 417 | 389 158 385 |
| Banks facilities | (13) | 152 812 627 | 45 924 249 |
| Current portion of long term loans | | - | 408 491 962 |
| Creditors | (14) | 1 052 786 371 | 905 812 738 |
| Other credit balances | (15) | 1 075 300 662 | 891 455 788 |
| Dividends payable | | 86 789 779 | 82 784 826 |
| Accrued expenses | | 382 515 765 | 433 781 296 |
| Bonds | (18) | 340 000 000 | - |
| Total current liabilities | | 3 582 303 621 | 3 157 409 244 |
| Excess of current liabilities over current assets | | (2 613 979 422) | (2 234 392 340) |
| Net Investments | | 3 793 654 755 | 3 287 681 878 |
| Financed as follows: | | | |
| Shareholders' Equity | | | |
| Paid up capital | (19) | 1 000 000 000 | 1 000 000 000 |
| Treasury shares | (26) | (18 959 534) | (41 720 245) |
| Reserve (gains from Treasury Shares) | | 50 913 839 | - |
| Legal reserve | | 200 000 000 | 197 080 781 |
| Retained earnings | | 36 292 189 | 24 260 280 |
| Net profit for the year | | 1 525 889 998 | 1 443 696 042 |
| Interim distribution | | (1 163 614 309) | (1 087 090 470) |
| Total shareholders' equity | | 1 630 522 183 | 1 536 226 388 |
| Minority Interest | | 2 092 100 | 746 554 |
| Long Term Liabilities | | | |
| Sales tax installments | | - | 1 399 373 |
| Long term creditors-license fees | (29) | 269 133 659 | 368 168 206 |
| Long term loans | (2L,17) | 1 775 575 704 | 980 706 882 |
| Bonds | | - | 340 000 000 |
| Deferred tax liabilities | (2k,21) | 116 331 109 | 60 434 475 |
| Total long term liabilities | | 2 161 040 472 | 1 750 708 936 |
| Total shareholders' equity & long term liabilities | | 3 793 654 755 | 3 287 681 878 |

The accompanying notes form an integral part of these financial statements and are to be read herewith.

Chief Financial Officer

Chief Executive Officer

Chairman

Ernst & Young
Allied for Accounting & Auditing

Auditors' report "Attached"

KPMG Hazem Hassan

Consolidated Income Statement for the Financial Year Ended December 31, 2006

| | Note No. | Financial year ended 31/12/2006 EGP | Financial year ended 31/12/2005 EGP |
|--|-------------|---|---|
| Operating Revenues | (2e) | 6 362 100 725 | 5 363 765 662 |
| Expenses & cost of operation | | | |
| Cost of services (excluding depreciation & amortization) | | 1 208 350 529 | 966 710 958 |
| Other operating cost | | 686 050 477 | 754 240 605 |
| Depreciation & amortization | | 1 113 934 326 | 857 251 837 |
| Selling, general and administrative expenses | | 1 093 128 052 | 728 394 658 |
| Remuneration, allowances and salaries of board members | | 3 184 287 | 4 772 892 |
| Impairment losses of accounts receivable | | 45 583 738 | 54 463 445 |
| Provisions | (12) | 110 191 727 | 100 813 564 |
| Total operating costs | | 4 260 423 136 | 3 466 647 959 |
| Net operating profit | | 2 101 677 589 | 1 897 117 703 |
| Add/(Less): | | | |
| Interest income | | 34 738 444 | 27 524 294 |
| Interest expense | | (165 927 885) | (129 239 967) |
| Capital loss | | (1 462 807) | (5 605 665) |
| Net foreign currencies exchange differences | (2c) | (4 841 621) | 21 753 486 |
| Net profit for the year before income tax and minority interest | | 1 964 183 720 | 1 811 549 851 |
| Income tax and minority interest | | | |
| Current tax | (2k) | (381 051 542) | (307 058 388) |
| Deferred tax | (2k,21) | (55 896 634) | (60 434 475) |
| Income tax | (20) | (436 948 176) | (367 492 863) |
| Net profit for the year before minority interest | | 1 527 235 544 | 1 444 056 988 |
| Less: | | | |
| Minority interest | | 1 345 546 | 360 946 |
| Net profit for the year | | 1 525 889 998 | 1 443 696 042 |
| Earnings per share | (22) | 14.18 | 13.14 |

The accompanying notes form an integral part of these financial statements and are to be read herewith.

Consolidated Cash Flows Statement for the Financial Year Ended December 31, 2006

| | Note No. | Financial year ended 31/12/2006 EGP | Financial year ended 31/12/2005 EGP |
|--|-------------|---|---|
| Cash flows from operating activities | | | |
| Net profit for the year before income tax | | 1 962 838 174 | 1 811 188 905 |
| Adjustments to reconcile net profit to cash flows from operating activities | | | |
| Depreciation & amortization | | 1 113 934 326 | 857 251 837 |
| Net change in provisions | (12) | 102 940 032 | 86 510 504 |
| Write-off of accounts receivable | | (47 669 381) | (97 308 604) |
| Impairment losses of accounts receivable | | 45 583 738 | 54 463 444 |
| Write-down of inventory | | 1 508 734 | 10 327 |
| Interest income | | (34 738 444) | (27 524 294) |
| Interest expense | | 165 927 885 | 129 239 967 |
| Capital loss | | 1 462 807 | 5 605 665 |
| Gain of foreign currencies exchange differences (related to loans) | | - | (16 281 361) |
| Income tax paid | | (283 772 472) | (377 192 105) |
| Changes in working capital | | | |
| Rent deposits | | (437 475) | (182 468) |
| Inventory | | (14 001 615) | (25 706 109) |
| Accounts receivable | | (53 757 844) | 39 974 802 |
| Other debit balances | | (117 825 464) | (5 270 666) |
| Prepaid expenses | | (13 398 221) | 61 312 329 |
| Creditors | | 246 300 395 | 1 409 744 |
| Other credit balances | | 92 937 728 | (103 806 966) |
| Accrued expenses | | (42 221 114) | 109 936 180 |
| Interest paid | | (259 790 914) | (246 741 142) |
| Net cash provided from operating activities | | 2 865 820 875 | 2 256 889 989 |
| Cash flows from investing activities | | | |
| Payments for the purchase of fixed assets and fixed assets under construction | (31) | (1 959 494 256) | (1 440 896 338) |
| Payments for licenses fees | | (160 000 000) | (200 000 000) |
| Proceeds from sale of fixed assets and fixed assets under construction | | 2 292 405 | 798 375 |
| Interest received | | 34 706 272 | 31 875 111 |
| Net cash used in investing activities | | (2 082 495 579) | (1 608 222 852) |
| Cash flows from financing activities | | | |
| Banks facilities | | 106 888 378 | 45 924 249 |
| Proceeds from loans | | 789 800 000 | 979 100 000 |
| Payments of loans | | (408 491 962) | (630 934 468) |
| Proceeds from sale of treasury shares | | 73 674 550 | - |
| Dividends paid | | (1 501 263 800) | (1 915 296 586) |
| Minority interest | | 1 345 546 | 364 696 |
| Net cash used in financing activities | | (938 047 288) | (1 520 842 109) |
| Net changes in cash and cash equivalents | | (154 721 992) | (872 174 972) |
| Cash and cash equivalents at beginning of the year | | 440 048 509 | 1 312 223 481 |
| Cash and cash equivalents at end of the year | (11) | 285 326 517 | 440 048 509 |

The accompanying notes form an integral part of these financial statements and are to be read herewith.

Consolidated Statement of Changes in Shareholders' Equity for the Financial Year Ended December 31, 2006

| | Capital | Treasury Shares | Reserve of gains from treasury shares | Legal reserve | Retained earnings | Net profit for the year | Interim distribution | Total |
|--|---------------|-----------------|---------------------------------------|---------------|-------------------|-------------------------|----------------------|---------------|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| Balance as at 1/1/2005 | 1 000 000 000 | (41 720 245) | - | 118 368 026 | 28 708 790 | 873 127 214 | (396 727 565) | 1 581 756 220 |
| Profit of 2004 transferred to retained earnings | - | - | - | - | 476 399 649 | (873 127 214) | 396 727 565 | - |
| Amount transferred to legal reserve | - | - | - | 23 938 382 | (23 938 382) | - | - | - |
| Dividends during 2005 | - | - | - | - | (457 106 208) | - | - | (457 106 208) |
| Interim dividends according to ordinary general assembly resolution on September 6, 2005 | - | - | - | - | - | - | (638 945 222) | (638 945 222) |
| Amount transferred to legal reserve | - | - | - | 33 819 157 | (1 583 232) | - | (32 235 925) | - |
| Interim dividends according to ordinary general assembly resolution on December 4, 2005 | - | - | - | - | - | - | (393 174 444) | (393 174 444) |
| Amount transferred to legal reserve | - | - | - | 20 955 216 | - | - | (20 955 216) | - |
| Amount transferred to retained earnings | - | - | - | - | 1 779 663 | - | (1 779 663) | - |
| Net profit for the financial year ended December 31, 2005 | - | - | - | - | - | 1 443 696 042 | - | 1 443 696 042 |
| Balance as at 31/12/2005 | 1 000 000 000 | (41 720 245) | - | 197 080 781 | 24 260 280 | 1 443 696 042 | (1 087 090 470) | 1 536 226 388 |
| Profit of 2005 transferred to retained earnings | - | - | - | - | 356 605 572 | (1 443 696 042) | 1 087 090 470 | - |
| Amount transferred to legal reserve | - | - | - | 2 919 219 | (2 919 219) | - | - | - |
| Dividends during 2006 | - | - | - | - | (341 654 444) | - | - | (341 654 444) |
| Interim dividends according to ordinary general assembly resolution on August 27, 2006 | - | - | - | - | - | - | (650 245 556) | (650 245 556) |
| Interim dividends according to ordinary general assembly resolution on December 13, 2006 | - | - | - | - | - | - | (513 368 753) | (513 368 753) |
| Sale of treasury shares | - | 22 760 711 | 50 913 839 | - | - | - | - | 73 674 550 |
| Net profit for the financial year ended December 31, 2006 | - | - | - | - | - | 1 525 889 998 | - | 1 525 889 998 |
| Balance as at 31/12/2006 | 1 000 000 000 | (18 959 534) | 50 913 839 | 200 000 000 | 36 292 189 | 1 525 889 998 | (1 163 614 309) | 1 630 522 183 |

The accompanying notes form an integral part of these financial statements and are to be read herewith.

Notes To The Consolidated Financial Statements for the Financial Year Ended December 31, 2006

1- Company Background

- The Egyptian Company for Mobile Services S.A.E. is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and registered in the commercial registry under No. 312032 on 4/3/1998 later modified to No. 2231 on 14/1/1999. The purpose of the company is to execute, manage, operate, develop and maintain a digital cellular mobile telecommunication system (G.S.M). The company provides its services to subscribers inside and outside the Arab Republic of Egypt.
- The company's duration is 25 years starting from the date of registration in the commercial registry.
- The company started its operation on May 21, 1998.

2- Significant Accounting Policies

a) Basis of Financial Statements Preparation

The consolidated financial statements are prepared in accordance with Egyptian Accounting Standards (E.A.S).

b) Basis of Consolidation

The accompanying consolidated financial statements include the assets, liabilities and results of operation of the company (Egyptian Company for Mobile Services) and its subsidiaries (hereafter referred to as "the Group") which are controlled by the company. The basis of the consolidation are as follows:

- All intra-group balances and transactions have been eliminated.
- Minority interest in the equity and results of operation of the subsidiaries controlled by the company is shown as a separate item in the consolidated financial statements and is calculated based on their share in the assets and liabilities of the subsidiaries.
- There was no goodwill arising from the acquiring of the subsidiaries as the company is the founder of the subsidiaries.

As at December 31, 2006, the company directly owns the following consolidated subsidiaries:

- | | |
|--|-----------|
| | Ownership |
| Mobinil Services (Egyptian Joint Stock Company) | 96% |
| Mobinil Invest (Belgium Company) | 98% |
| Mobinil Telecom the principal shareholder of the company owns 2% in Mobinil Invest and Mobinil Services. | |

c) Foreign Currency Translation

The group maintains its books of accounts in Egyptian Pounds. Transactions denominated in foreign currencies are recorded at the prevailing exchange rates at the date of transactions, while balances of monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are retranslated at the prevailing exchange rates at that date. Exchange differences are recorded in the income statement.

d) Fixed Assets and Depreciation

Fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. The assets are depreciated using the straight-line method over the estimated

useful lives of each type of assets as follows:

| | |
|------------------------|-------------|
| Buildings | 50 years |
| Network equipments | 2 - 8 years |
| Computers | 2 - 5 years |
| Office equipments | 5 years |
| Furniture & fixtures | 10 years |
| Vehicles | 5 years |
| Leasehold improvements | 5 years |

e) Revenue Recognition

Revenues are recognized when services are rendered to customers or goods are sold.

f) Licenses Fees

- The existing licenses fees are accounted for as follows:
- a- The license fee is recorded at cost and amortized over the period of license.
 - b- The fee to access the 7.5 MHz of the 1,800 MHz spectrum is recorded at the cash price using its net present value and amortized over the period of the access agreement.

g) Investments

Long term investments are recorded using the cost method. In case of any permanent decline in its values, the amount of the decline is charged to the income statement.

h) Inventory

Inventory is valued at the lower of cost or if applicable recoverable amount. Cost is determined using the weighted average method.

i) Capitalization of Borrowing Cost

The company capitalizes the borrowing costs related to the acquisition or establishment of an eligible asset.

j) Impairment

- The carrying amounts of the company's assets - other than (inventory 2h) and (deferred tax assets 2k) - are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
- An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Loans and Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

m) Cash Flows Statement

Cash flows statement is prepared using the indirect method.

3- Fixed Assets (net)

| | Land | Buildings | Network Equipments | Computers | Office Equipments | Furniture & Fixtures | Vehicles | Leasehold Improvements | Total |
|---|--------------|----------------|--------------------|-------------|-------------------|----------------------|-------------|------------------------|---------------|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| Cost | | | | | | | | | |
| Cost as at 1/1/2006 | * 6 676 380 | ★ 290 230 270 | 5 224 312 654 | 357 253 910 | 31 562 708 | 47 006 095 | 20 182 749 | 84 241 042 | 6 061 465 808 |
| Additions for the year | ** 2 995 468 | *** 92 190 732 | 1 391 129 742 | 146 394 495 | 6 639 077 | 10 159 921 | 21 526 755 | 1 141 826 | 1 672 178 016 |
| Capitalized interest during the year | - | - | 82 534 735 | - | - | - | - | - | 82 534 735 |
| Disposals | - | - | (5 445 787) | (117 595) | (50 050) | (14 097) | (3 490 575) | - | (9 118 104) |
| Total cost as at 31/12/2006 | 9 671 848 | 382 421 002 | 6 692 531 344 | 503 530 810 | 38 151 735 | 57 151 919 | 38 218 929 | 85 382 868 | 7 807 060 455 |
| Accumulated depreciation | | | | | | | | | |
| Accumulated depreciation as at 1/1/2006 | - | 2 689 818 | 2 470 789 942 | 251 396 880 | 23 812 419 | 20 859 490 | 10 141 059 | 80 153 523 | 2 859 843 131 |
| Depreciation for the year | - | 6 400 354 | 821 590 770 | 73 742 170 | 3 450 940 | 5 002 349 | 4 183 256 | 1 975 447 | 916 345 286 |
| Accumulated depreciation of disposals | - | - | (2 653 670) | (68 048) | (50 050) | (12 748) | (2 942 975) | - | (5 727 491) |
| Accumulated depreciation as at 31/12/2006 | - | 9 090 172 | 3 289 727 042 | 325 071 002 | 27 213 309 | 25 849 091 | 11 381 340 | 82 128 970 | 3 770 460 926 |
| Net book value as at 31/12/2006 | 9 671 848 | 373 330 830 | 3 402 804 302 | 178 459 808 | 10 938 426 | 31 302 828 | 26 837 589 | 3 253 898 | 4 036 599 529 |
| Net book value as at 31/12/2005 | 6 676 380 | 287 540 452 | 2 753 522 712 | 105 857 030 | 7 750 289 | 26 146 605 | 10 041 690 | 4 087 519 | 3 201 622 677 |

* This item includes :

- 1- An amount of EGP 3 250 000 which is represented in the purchase price of a piece of land (2 500 square meters) in the Smart Village according to a preliminary contract. The registration in the notarization office is in process.
- 2- An amount of EGP 1 374 720 represents the purchase price of a piece of land (2 345 square meters) from 6th of October Development Agency according to an assigned contract on 6/2/2005 which has not yet been registered in the notarization office.
- ★ This item includes an amount of EGP 190 335 404 which is represented in the purchase price of the administrative offices in the Nile City building acquired through exercising the lease contract purchase option as at July 1, 2005. The registration at the notarization office is in process.
- ** This amount represents the purchase price of a piece of land (3 098 meters square) in El Obour City according to a preliminary contract which has not yet been registered in the notarization office.
- *** This item includes an amount of EGP 51 233 312 which is represented in the purchase price of an additional 2 floors in the Nile City building which has not yet been registered in the notarization office.

4- Deferred Charges (net)

| | Loans agreement expenses EGP | Bond subscription costs EGP | Total deferred charges EGP |
|---|------------------------------|-----------------------------|----------------------------|
| Cost as 1/1/2006 | 24 075 373 | 4 624 000 | 28 699 373 |
| Less: | | | |
| Accumulated Amortization as at 1/1/2006 | 22 016 001 | 3 608 938 | 25 624 939 |
| Amortization for the year | 2 059 372 | 578 000 | 2 637 372 |
| Accumulated for the year as at 31/12/2006 | 24 075 373 | 4 186 938 | 28 262 311 |
| Balance as at 31/12/2006 | - | 437 062 | 437 062* |
| Balance as at 31/12/2005 | 2 059 372 | 1 015 062 | 3 074 434 |

* This amount is included in other debit balances item.

5- Licenses Fees (net)

| | Licenses fee EGP | Fees to access the 7.5 MHz of the 1,800 MHz spectrum EGP | Total Licenses fees EGP |
|---|------------------|--|-------------------------|
| Cost as 1/1/2006 | 1755 000 000 | 643 101 265 | 2 398 101 265 |
| Less: | | | |
| Accumulated Amortization as at 1/1/2006 | 890 395 161 | 71 455 696 | 961 850 857 |
| Amortization for the year | 117 000 000 | 77 951 668 | 194 951 668 |
| Accumulated for the year as at 31/12/2006 | 1 007 395 161 | 149 407 364 | 1 156 802 525 |
| Balance as at 31/12/2006 | 747 604 839 | 493 693 901 | 1 241 298 740 |
| Balance as at 31/12/2005 | 864 604 839 | 571 645 569 | 1 436 250 408 |

6- Fixed Assets under Construction

This item includes network equipments, letters of credit and advance payments related to fixed assets in addition to the capitalized borrowing cost directly related to the acquisition of these assets as stated in note (2-i, 31).

7- Investments

This item represents investment in The Egyptian French Company for Finance Lease with percentage shareholding 14.17%.

8- Inventory

Inventory is represented in postpaid and prepaid SIMs and scratch cards in addition to other cell phone sets and telecommunication equipments.

9- Accounts Receivable

| | 31/12/2006 EGP | 31/12/2005 EGP |
|-------------------------|-------------------|-------------------|
| Postpaid receivables | 172 897 350 | 143 245 565 |
| Roaming receivables | 52 217 030 | 32 977 534 |
| Installment receivables | 6 962 355 | - |
| Other receivables | 335 960 | 346 109 |
| | 232 412 695 | 176 569 208 |

10- Other Debit Balances

| | 31/12/2006 EGP | 31/12/2005 EGP |
|-------------------------------|-------------------|-------------------|
| Suppliers - advance payments | 11 868 057 | 6 567 415 |
| Accrued revenues | 226 735 720 | 147 020 304 |
| Orascom Telecom companies | - | 2 354 442 |
| Mobinil For Telecommunication | - | 1 037 700 |
| Others | 74 290 834 | 37 620 052 |
| | 312 894 611 | 194 599 913 |

11- Cash at Banks and on Hand

| | 31/12/2006 EGP | 31/12/2005 EGP |
|--------------------------------------|-------------------|-------------------|
| a- Cash on hand | 136 508 | 6 847 958 |
| b- Cash at banks | | |
| * Current accounts | 201 342 905 | 187 871 706 |
| Treasury bills | - | 14 884 814 |
| Cheques under collection | 55 451 431 | 57 360 391 |
| * Time deposits | 28 395 673 | 172 995 640 |
| Margins against letters of guarantee | - | 88 000 |
| | 285 326 517 | 440 048 509 |

* An amount of EGP 4 million included in current accounts and time deposits is blocked against margins for letters of credit.

12- Provision for Contingent Liabilities

| Description | Balance as at 1/1/2006 EGP | Additions EGP | Used EGP | Balance as at 31/12/2006 EGP |
|--------------------------------------|----------------------------------|------------------|-------------|------------------------------------|
| Provision for contingent liabilities | 389 158 385 | 110 191 727 | (7 251 695) | 492 098 417 |

13- Banks Facilities

| Bank | Facility amount EGP | Currency | Contract duration | Interest | Balance used as at 31/12/2006 |
|---------------|---------------------------|-------------------|--------------------------------------|---|-------------------------------------|
| Banque Misr | 125 000 000 | Egyptian pound | One year starting from 14/10/2006 | 10.5% including highest over drawn balance commission | 23 534 585 |
| BNP Paribas | 71 000 000 | Egyptian pound | One year starting from 31/7/2006 | 10% + 0.05% highest over drawn balance commission | 65 429 397 |
| Barclays Bank | 78 501 000 | Egyptian pound | One year starting from 10/8/2006 | 9.85% including highest over drawn commission balance | 63 848 645 |
| | | | | | 152 812 627 |

14- Creditors

| | 31/12/2006 EGP | 31/12/2005 EGP |
|---------------------------|-------------------|-------------------|
| Fixed assets suppliers | 485 630 986 | 582 972 019 |
| Trade suppliers * | 497 959 345 | 274 577 694 |
| Creditors - Roaming | 1 396 615 | 10 028 596 |
| Orange Group | 22 328 867 | 9 141 773 |
| Orascom Telecom companies | 42 176 502 | 26 733 976 |
| Others | 3 294 056 | 2 358 680 |
| | 1 052 786 371 | 905 812 738 |

* Trade suppliers include EGP 158 243 631 representing the short term part of the amortized cost for license fees installments to access the 7.5 MHz of the 1 800 MHz spectrum (Note 29).

15- Other Credit Balances

| | 31/12/2006 EGP | 31/12/2005 EGP |
|---------------------------|-------------------|-------------------|
| Taxes and stamps * | 180 047 718 | 158 918 094 |
| Deposits from customers | 40 154 117 | 41 961 806 |
| Deferred revenue | 446 301 510 | 367 176 817 |
| Interest payable on bonds | 10 383 972 | 10 269 862 |
| Income tax | 381 846 412 | 307 337 121 |
| Others | 16 566 933 | 5 792 088 |
| | 1 075 300 662 | 891 455 788 |

* Taxes and stamps include EGP 964 804 representing sales tax installments on network equipments.

16- Related Party Transactions

Transactions during the year with related parties are represented in buying network equipments, providing technical and accounting assistance for network operation and maintenance, network equipments construction activities, supplying computers to the company providing advertising campaigns, paying and collecting the roaming revenues on behalf of related parties. The following is a summary of the related parties, the type and amount of transactions with the company and their outstanding balances at the end of the year.

| Description | Transaction type | Total transactions during the financial year ended | |
|-------------------------------|---|--|-------------------|
| | | 31/12/2006 EGP | 31/12/2005 EGP |
| Orascom Telecom companies | Management fees / Roaming collection | 487 976 476 | 286 099 592 |
| Rest of Orascom Group | All above mentioned transactions | 281 478 434 | 227 040 840 |
| Orange Group | Technical and accounting assistance | 84 895 991 | 46 025 449 |
| Nile City Investment | Purchase of administrative offices / Rent | 6 527 670 | 215 506 520 |
| Mobinil For Telecommunication | Payments on behalf of the company | 12 539 | 1 037 700 |

The outstanding balances as at 31/12/2006 are as follows:

| Description | Balance type | 31/12/2006 | 31/12/2005 |
|-------------------------------|---|------------|-------------|
| | | EGP | EGP |
| Orascom Telecom companies | Creditors / Fixed assets under construction - advance payments / Other receivables | 27 167 830 | 16 255 705 |
| Rest of Orascom Group | Suppliers-advance payments / Creditors / Fixed assets under construction - advance payments | 27 855 825 | 4 802 937 |
| Orange Group | Creditors / Suppliers-advance payments / Other receivables | 22 181 229 | 8 579 344 |
| Nile City Investment | Creditors / Suppliers-advance payments | 115 000 | 124 119 679 |
| Mobinil for Telecommunication | Other credit balances / Other debit balances | 12 539 | 1 037 700 |

The nature of the relationships is as follows:

- **Mobinil for Telecommunication**
Direct shareholder with 51.03 % in the company.
- **Orascom Telecom Holding**
Direct shareholder with 17.5 % and holds 28.75 % in Mobinil for Telecommunication the principal shareholder in the company.
- **Orange**
Principal shareholder with 71.25 % in Mobinil for Telecommunication the principal shareholder in the company.
- **France Telecom**
The principal shareholder in Orange.
- **Orascom Group**
Sister companies to Orascom Telecom as some of its shareholders are members of the board of directors of the company.

- **Nile City Investment**
Sister company as some of its shareholders are members of the board of directors of the company.

17- Loans

The company was granted loans to finance its capital expenditure and working capital. The terms of the loans are summarized as follows.

Loan agreements conducted in 1999

Based on an agreement with a group of foreign and local banks on July 7, 1999, a senior secured long-term loan amounting to U.\$ 570 million was granted to the company. An amount of EGP 408 491 962 representing the last 3 installments was repaid during the financial year ended in December 31, 2006. Therefore this loan has been fully settled during December 2006.

Loan agreements conducted in 2005

On April 17, 2005 an agreement with a group of local banks was signed to underwrite an amount of EGP 1 800 million as a medium term loan and/or bonds for a period of 8 years which will be used within 2 years. The final payment is due on April 30, 2013. The loan is divided into 4 tranches and will be paid over 11 semi-annual installments. The first installment will be due upon the end of the grace period that expires on April 30, 2008. The tranches of the loan are as follows:

| Tranch | Type of Tinance | Million EGP |
|--------|------------------|-------------|
| First | Medium Term Loan | 800 |
| Second | Medium Term Loan | 400 |
| Third | Medium Term Loan | 300 |
| Fourth | Medium Term Loan | 300 |

The interest and the payment method for the Medium Term Loan is summarized as follows:

- Interest

Interest on 50% of each facility tranche will be fixed at 11.5% for the first 5 years and 11.75% for the next 3 years.
Interest on the remaining 50% in each facility will be calculated based on a margin of 1.4% over the Central Bank of Egypt prevailing discount rate which is 2 business days prior to the interest period.
- Interest payment

Interest is paid every 6 months starting from the date of the first withdrawal and is due on April 30 and October 30 of every year.
- Payment of Installments

A semi-annual installment that starts after the grace period and due on April 30 and October 30 of every year.

The company had withdrawn the loan amount of EGP 1 800 million. The last tranche which was due on March 20, 2007 has already been withdrawn during April and May 2006 and the transaction costs were paid.

The classification of the loan balance according to the years of repayment is as follows:

Long term loans

| Years | Currency | Amount |
|-------------|-----------------|---------------|
| 2008 / 2013 | Egyptian Pounds | 1 775 575 704 |

18- Bonds

According to the Company's Extraordinary General Assembly approval dated February 21, 1999 3.4 million bonds, with an amount of EGP 340 million, were issued. The bonds prospectus specifies the following:

| | |
|----------------------|--|
| Type of Issuance: | Par value bonds (first issuance) with a fixed interest rate, marketable but non-convertible into shares. |
| Interest rate: | 12.25% fixed annual interest rate due every 6 months. |
| Purpose of issuance: | Financing company's expansions and the investments required to increase the company's network capabilities. |
| Issuance price: | 100% of bonds par value, which amounts to EGP 100 each. |
| Payment: | The bonds will be repaid in one installment at the final maturity date of the bonds (October 1, 2007). The issuer has the right to repay the bonds before their final maturity date. |

19- Capital

The company's authorized share capital amounts to EGP 1500 million divided into 150 million shares with a nominal value EGP 10 each. The company's issued and fully paid up capital amounts to EGP 1000 million. On October 12, 2003, the company's Extraordinary General Assembly approved the increase of the authorized capital to EGP 3 000 million. This increase was recorded in the commercial registry on February 23, 2004.

20- Reconciliation of Effective Tax Rate

| | 31/12/2006 EGP | 31/12/2005 EGP |
|--|--------------------|--------------------|
| Net profit for the period before income tax | 1 964 183 720 | 1 811 549 851 |
| Income tax using the domestic corporation tax rate | 20% 392 836 744 | 20% 362 309 970 |
| Non-deductible expenses | 47 392 671 | 43 348 529 |
| Tax exemption | (2 972 704) | (2 193 354) |
| Effect of the realized forex from loans | - | (35 894 914) |
| Effect of tax rate in Mobinil Invest | (308 535) | (113 368) |
| | 22.25% 436 948 176 | 20.29% 367 492 863 |

21- Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

Deferred tax

| | Assets | | Liabilities | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2006 EGP | 31/12/2005 EGP | 31/12/2006 EGP | 31/12/2005 EGP |
| Property, plant and equipment | - | - | 102 391 756 | 54 397 752 |
| Intangible assets | - | - | 19 242 578 | 10 270 886 |
| Provisions | 5 303 225 | 4 234 163 | - | - |
| Total deferred tax asset / liability | 5 303 225 | 4 234 163 | 121 634 334 | 64 668 638 |
| Net deferred tax liabilities | | | 116 331 109 | 60 434 475 |

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

| | 31/12/2006 EGP | 31/12/2005 EGP |
|----------------------------------|-------------------|-------------------|
| Deductible temporary differences | 7 569 655 | 7 986 784 |

Deferred tax assets have not been recognized in respect of this item because of the uncertainty associated with the recoverability of this deferred tax asset.

22- Earnings per Share

| | Financial year ended 31/12/2006 | Financial year ended 31/12/2005 |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Net profit for the year | 1 525 889 998 | 1 443 696 042 |
| Less: | | |
| Employees dividends | (116 888 889) | (138 111 110) |
| Board of directors remuneration | (1 925 000) | (3 850 000) |
| | 1 407 076 109 | 1 301 734 932 |
| Weighted average number of shares | 99 238 556 | 99 100 000 |
| Earnings per Share | * 14.18 | ** 13.14 |

* Earnings per share were calculated after deducting the employees' share and board of directors' remuneration for the first nine months of the financial year only after being approved by the Ordinary General Assembly.

** Earnings per share were calculated after deducting the employees' share and board of directors' remuneration for the financial year ended December 31, 2005 according to the Ordinary General Assembly resolutions on September 6, December 4, 2005 and March 19, 2006.

23- License Agreement

- A license agreement was signed between the company and National Telecommunication Regulatory Authority. This agreement gives the company the right to establish and operate a digital cellular mobile telephone network in Egypt, for a duration of 15 years starting from May 21, 1998 subject to renewal. The company paid EGP 1755 million as a license fee for this agreement for the 15 years period. In addition, the company is liable to pay annual fees to the National Telecommunication Regulatory Authority.
- See note 29 and 30 for details of the license agreement of the 7.5 MHz of the 1,800 MHz spectrum.

24- Capital Commitments

Capital commitments represent the fixed assets contracts entered into and not yet executed at the balance sheet date which amount to EGP 715 million as at December 31, 2006 (EGP 679 million as at December 31, 2005).

25- Contingent Liabilities

Contingent liabilities amount to EGP 17 million as at December 31, 2006. These contingent liabilities represent the uncovered amounts of letters of guarantee issued for the benefit of third parties as at December 31, 2006. The company is a party in a number of legal cases which resulted from carrying out its activities. Based on the legal advice obtained, the company's management believes that the outcome of these lawsuits - individually or in aggregate - would not be material to the group's results.

26- Employees Stock Option Plan (Treasury Stock)

Previously, the company had a plan (first wave plan) to provide some of its employees with stock options in the company's shares through Mobinil Invest (a subsidiary company with a 98% shareholding) and financed by the company. During the first half of 2006, the company's board of directors decided to cancel the first wave of the stock option plan at ECMS. Based on the board of directors' recommendation, the group's management has compensated the impacted employees.

27- Financial Instruments and Management of Related Risks

The financial instruments of the company are represented in the financial assets, (cash at banks and on hand, accounts receivable, some of the accounts in debtors and other debit balances), the financial liabilities (loans, banks facilities, bonds, some of the suppliers balances, some of the accounts in creditors and other credit balances).

a- Credit Risk

This risk is represented in the inability of customers to pay their debts. The group retains deposits from them and may suspend services for delinquent customers.

b- Foreign Currencies Exchange Risk

The foreign currencies risk is represented in the fluctuations in exchange rates, which in turn affect the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As at the date of the balance sheet the company has foreign currency assets and liabilities equivalent to EGP 131 195 432 and EGP 543 286 786 respectively. The company's net exposure in foreign currencies is as follows:

| | Short |
|------|------------|
| USD | 26 822 393 |
| Euro | 33 843 909 |
| GBP | 128 293 |

As disclosed in note (2-b), the company has used the prevailing exchange rates at the balance sheet date to retranslate monetary assets and liabilities.

c- Interest Rate Risk

The interest rate risk is represented in the fluctuations in the interest rates which in turn affects the related monetary assets and liabilities.

d- Fair Value

Based on the valuation basis used for the group's assets and liabilities described earlier, the fair value of the financial instruments does not materially differ from the book value as at the balance sheet date.

28- Tax Status

- The Egyptian Company For Mobile Services

a- Corporate Tax

- The company was exempted from corporate taxes for a period of 5 years ended 31/12/2003.
- **From inception till 2002**
Based on a tax inspection, a corporate tax form no. (19) was received which the company has appealed to within the allowed legal period. The dispute is currently being discussed at the internal committee.
 - **Years 2003 and 2004**
Tax inspection for these years is currently in process.
 - **Year 2005**
This year has not yet been inspected

b- Payroll Tax

- **From inception till 2000**
A tax inspection was performed for this period and the resulting differences were paid according to the resolution of the appealing committee except certain items which were transferred to the preliminary court which decided to transfer the dispute to the experts in the Ministry of Justice.
- **Years 2001 and 2002**
A tax inspection was performed for these years and resulted in differences which are currently being discussed at the internal committee.
- **Years 2003 to 2005**
These years have not yet been inspected.

c- Stamp Tax

- **From inception till 1999**
A tax inspection was performed and disputes were settled in the internal committee and differences were paid except for tax on Alo connection fees and in-kind tax which were transferred to the preliminary court but not yet resolved.

- **Years 2000 and 2001**
These years have been inspected. Most of the disputes were settled in the Internal Committee and differences were paid except for tax on Alo connection fees and in-kind tax. The dispute was transferred to the preliminary court which decided to transfer the dispute to the experts in the Ministry of Justice.
- **Years 2002 and 2003**
Based on a tax inspection, a stamp tax form no. (3) was received and most of the disputes were settled in the Internal Committee except for tax on Alo connection fees and in-kind tax and the dispute was transferred to the appealing committee.
- **Year 2004**
Tax inspection is currently in process
- **Year 2005**
This year has not yet been inspected.

d- Sales Tax

- **From inception till 2004**
This period has been inspected and differences were paid.
- **Year 2005**
This year has not yet been inspected.

e- Withholding Tax

- **From inception till 2003**
A tax inspection was performed and the company received a preliminary claim from the central collection department. The resulting disputes are currently being discussed with the responsible tax department in the tax authority.
- **Years 2004 and 2005**
These years have not yet been inspected.
- Mobinil Services Company (a subsidiary)

a- Corporate Tax

- **From inception till 2003**
Tax inspection was performed and a corporate tax form no. (19) was received and the dispute is currently being discussed at the internal committee.
- **Years 2004 and 2005**
The company has not been inspected by the tax authority.

b- Stamp Tax

- **From inception till August 31, 2002**
This period has been inspected and settled with the tax authority.
- **From September 1, 2002 till July 31, 2005**
This period has been inspected and the dispute is currently being discussed at the internal committee.
- **From August 1, 2005 till September 30, 2006**
The company has not been inspected by the tax authority.

c- Sales Tax

- **From July 1, 2001 till December 31, 2002**
The company was subject to sales tax laws during the second and third stage of implementation of sales tax laws. Therefore, the company is obligated to collect sales tax and transfer it to the responsible tax department starting from July 1, 2001 the first day of implementing second and third stage of sales tax laws.

A tax inspection was performed for these periods and sales tax form no (15) was received and disputes were settled.
- **Years 2003 and 2004**
These periods have been inspected and settled with the tax authority.
- **Year 2005**
This year has not yet been inspected.

d- Withholding Tax

- **From inception till 2002**
The company was inspected and settled with the tax authority.
- **Years 2003 to 2005**
The company has not yet been inspected by the tax authority.
- Mobinil Invest - Belgium Company - (a subsidiary)

Subject to Belgiam laws. The financial periods since inception till the given date have not yet been inspected.

29- Creditors - license fees

This item is represented in the amortized cost of the license fees installments to access the 7.5 MHZ of the 1 800 MHZ spectrum.

The classification of the license fees balance according to the years of repayment is as follows:

| | Short term During the year 2007 EGP | Long term During the years 2008 - 2009 EGP | Total EGP |
|--------------------------|--|---|--------------|
| Liability balance | 1 60 000 000 | 320 000 000 | 480 000 000 |
| Less: | | | |
| Unamortized discount | 1 756 369 | 50 866 941 | 52 622 710 |
| Balance as at 31/12/2006 | 158 243 631 | 269 133 659 | 427 377 290 |

The income statement has been charged with EGP 61 099 460 the amortized discount from the principal liability of license fees based on the imputed interest rate for the financial year ended December 31,2006.

30- Agreement With Telecom Egypt

The Company signed an agreement with both Vodafone Egypt and Telecom Egypt. Based on this agreement, the company and Vodafone Egypt have committed to make total payments of EGP 1 240 million each over 4 Periods to the National Telecommunication Regulatory Authority (NTRA) Accordingly, each company was granted access to 7.5 MHZ of the 1,800 MHZ spectrum that will be supplied by Telecom Egypt, which surrendered its 1,800 MHZ GSM license.

In addition, various changes to the commercial terms between the companies and NTRA have been agreed with the objective of a broader development of the entire telecommunication industry in Egypt

On January 27, 2005 the appendices related to the above mentioned agreement were signed which include the following:

- Amendments of the interconnection agreement between the company and Telecom Egypt.
- Special settlement agreement of the method of calculation for international calls between the company and Telecom Egypt.
- Telecom Egypt hereby unconditionally and irrevocably undertakes not to establish, operate or provide, whether directly or indirectly, fully mobile cellular telephony services in Egypt up to November 30, 2007. This restriction does not limit Telecom Egypt from providing any services currently supplied by Telecom Egypt and any form of third generation. However, Telecom Egypt may continue to be engaged in the field of mobile telephony business in Egypt through its acquisition of shareholding in the incumbent Egyptian mobile operators whether directly or indirectly.
- Special settlement agreement of microwave unit fees between the company and the NTRA.
- Telecom Egypt waived its right to obtain telecommunication license from the NTRA up to November 30, 2007.
- License agreement between the company and NTRA through allocation of GSM frequency of 1800 MHZ.

31- Payments for the purchases of fixed assets and fixed assets under construction

For the purpose of the preparation of the cash flows statement, the fixed assets additions and net movement of fixed assets under construction are reconciled to the cash outflow resulting from these transactions as follows:

| Description | EGP |
|---|---------------|
| Fixed assets additions during the year | 1 672 178 016 |
| Net movement of fixed assets under construction | 248 171 734 |
| Non cash reconciliations | |
| Interest capitalized during the year on fixed assets under construction | (61 004 767) |
| Disposals of fixed assets under construction | 364 599 |
| Fixed assets and fixed assets under construction suppliers | 91 899 268 |
| Sales tax on fixed assets | 7 885 406 |
| Payments for the purchase of fixed assets and fixed assets under construction | 1 959 494 256 |

32- Significant events

With reference to note no. (30) of the accompanying notes to the financial statements, the agreement between The Egyptian Company for Mobile Services and the National Telecommunication Regulatory Authority (NTRA) which was signed in January 2005 includes the following:

- 1- The Egyptian Company for Mobile Services is liable to pay an amount of EGP 200 million within one week from the signing of this agreement, in addition to an annual amount of EGP 260 million on January 27 of the years 2006:2009.
- 2- The Egyptian Company for Mobile Services shall be entitled to deduct an amount of EGP. 100 million from each subsequent payments due, in the event that the Board of Directors of NTRA grants, before November 30, 2007 any other entity a license to establish and operate a GSM network and/or CDMA 2000 1* (2*G) for mobile telephones (as a mobile service) (a "2G network") in Egypt or any part thereof.

Since the NTRA has granted the license to third operator in Egypt during August 2006, the Egyptian Company for Mobile Services has the right to deduct an amount of EGP 100 million from each subsequent payment due on January 2007, 2008 and 2009 according to the agreement terms, so that the annual liability will be EGP 160 million instead of EGP 260 million. Therefore, The Egyptian Company for Mobile Services has reversed the accrued expenses charged to the income statement in the financial year ended December 31, 2006.

33- Comparative figures

Some of the comparative figures in the consolidated financial statements have been reclassified to be consistent with the classification of the consolidated financial statements as at December 31, 2006.

Financial Analysis

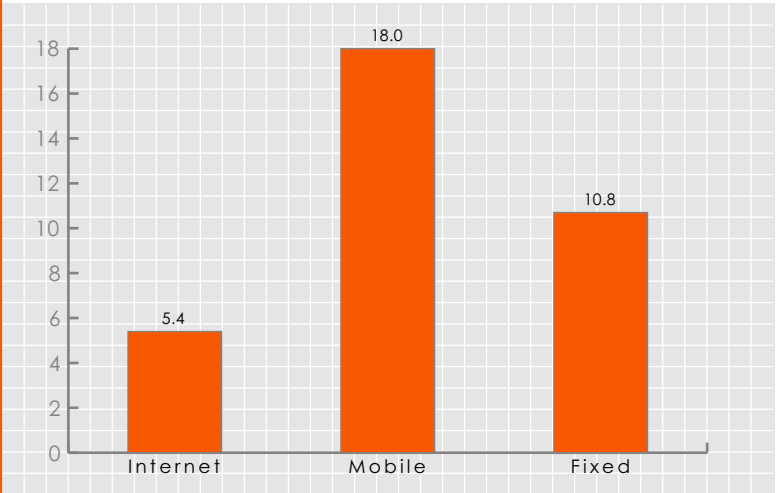
Global Market

Economic Indicators and Country Performance

| | 03 - 04 | 04 - 05 | 05 - 06 E |
|--------------------------------|---------|---------|-----------|
| Population (M) | 69 | 70 | 72 |
| GDP per capita [USD] | 1,130 | 1,274 | 1,498 |
| Real GDP growth % | 4.3 | 5.6 | 6.9 |
| Nominal GDP [Bn USD] | 78 | 90 | 107 |
| Balance of payment [M USD] | (158) | 4 | 3,253 |
| Gross investment / GDP (%) | 16 | 18 | 19 |
| Gross domestic saving /GDP (%) | 16 | 16 | 16 |

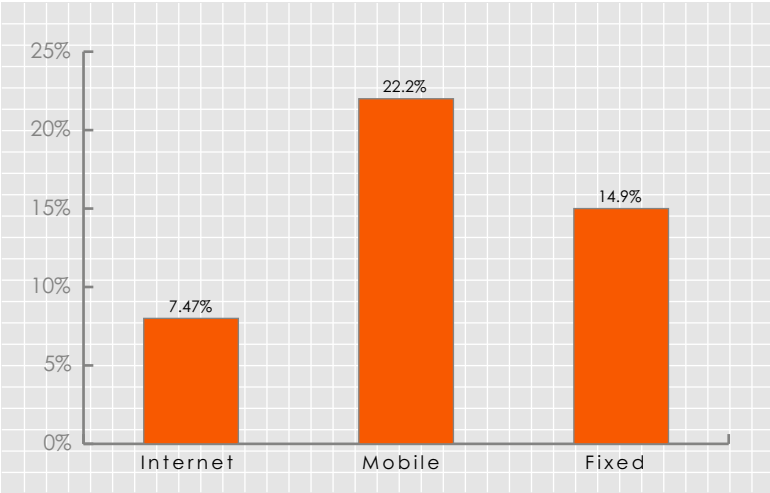
Source: World Bank Reports, Moody's Reports

Egyptian Telecom Market Subscriber

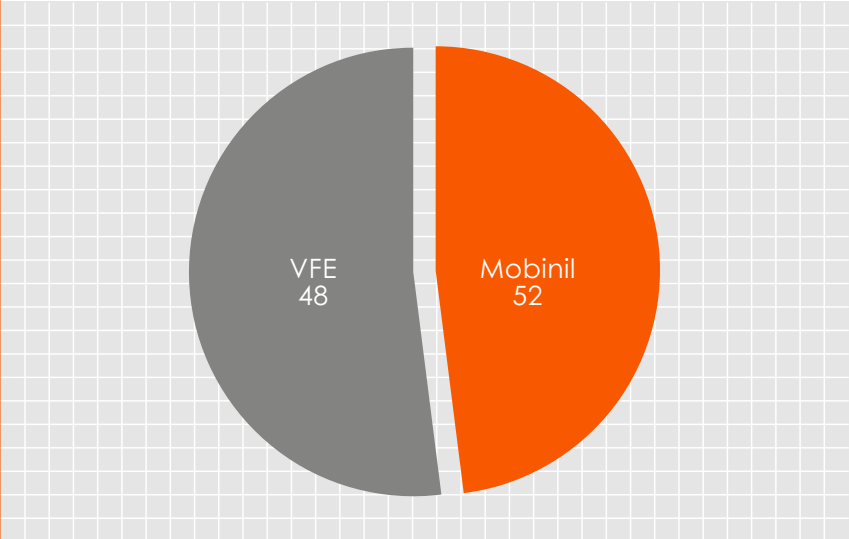


Source: Companies data; NTRA as of 4Q 2006

Penetration %



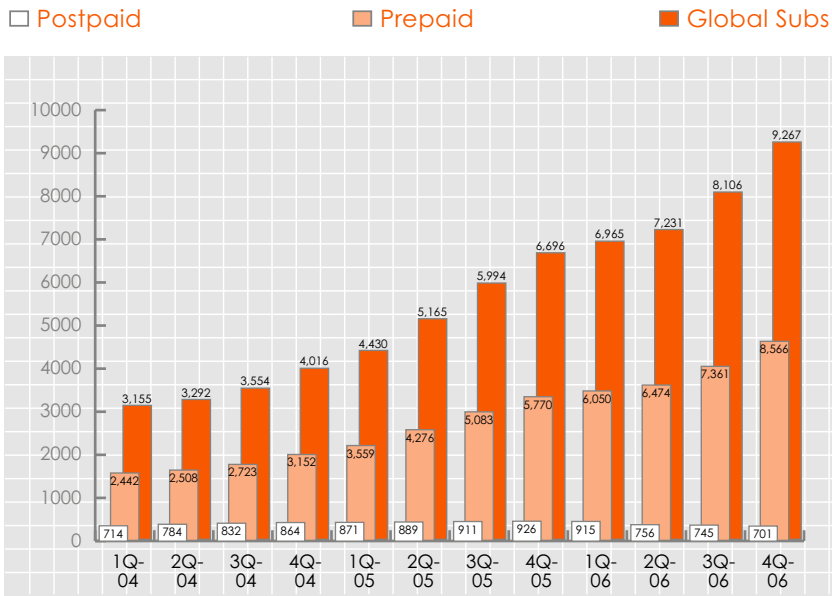
Source: Companies data; NTRA as of 4Q 2006



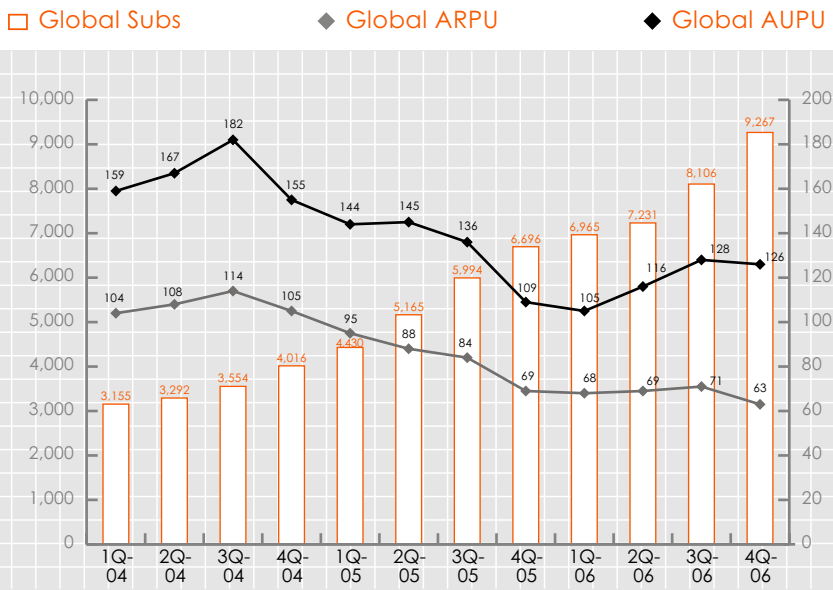
Source: Companies data

Growth Story

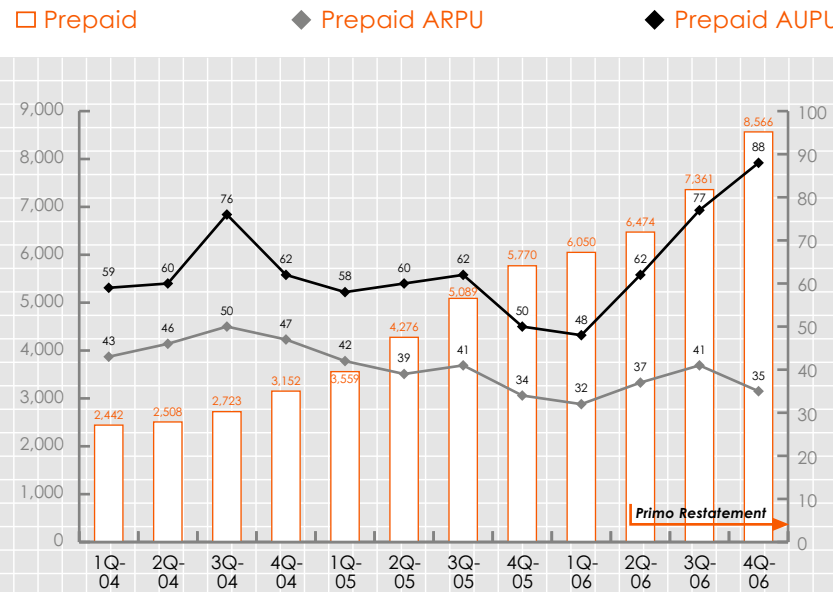
- Mobinil has led the growth of the Egyptian mobile telecommunication market since the beginning of 2005.
- Global base has increased by 2.68 million subs (68%) in 2005 followed by an increase of 2.57 million subs (38%) in 2006.



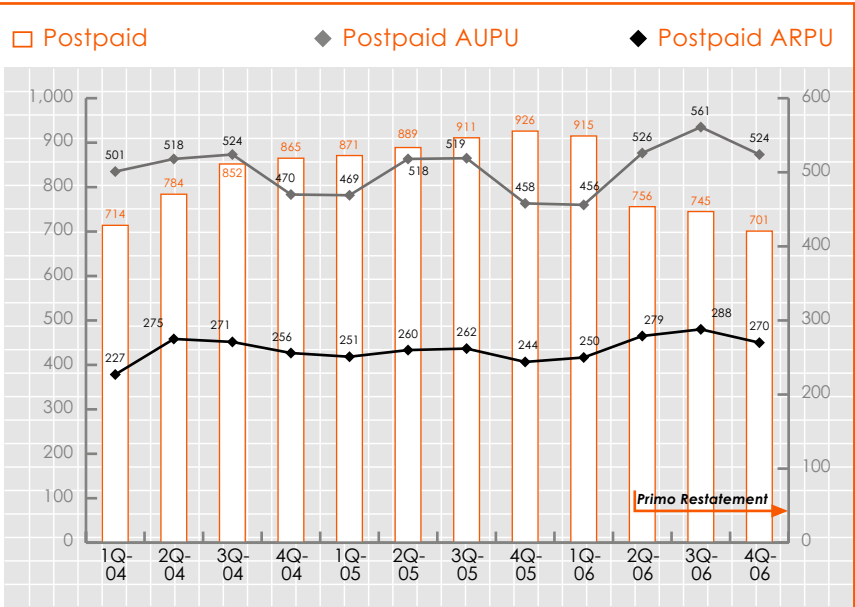
- Global usage is witnessing continuous increase since 4Q 2005.
- Global ARPU decline in a healthy manner in relation to the change in the subscribers' mix where prepaid base has increased to reach 92.5% of global base in 4Q 2006 up from 77% in 1Q 2004.



- Prepaid usage has reached peak since inception as a result of our consistent strategy to develop low end market usage pattern.
- Prepaid quarterly ARPU has been retained at 2Q 2005 levels despite doubling the prepaid base by adding 4.29 million subs.

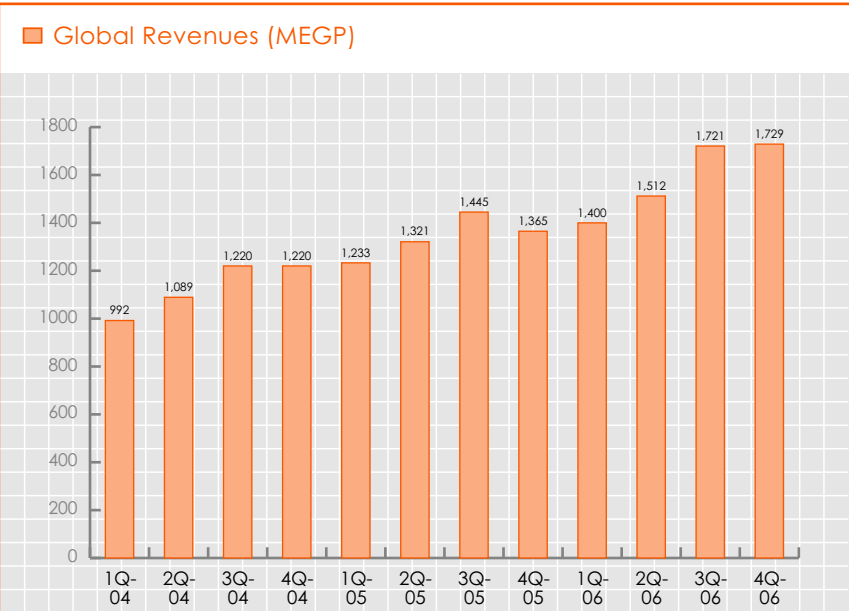
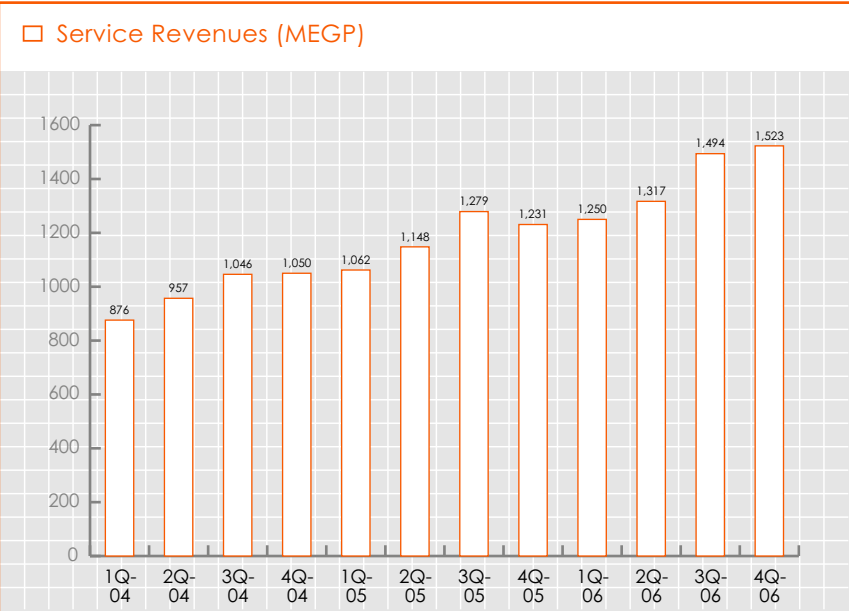


- Postpaid usage has reached peak since inception in the past two quarters as a result of the clean up exercise that took place since the beginning of 2006.
- Postpaid quarterly ARPU has been strongly stable over the past three years.

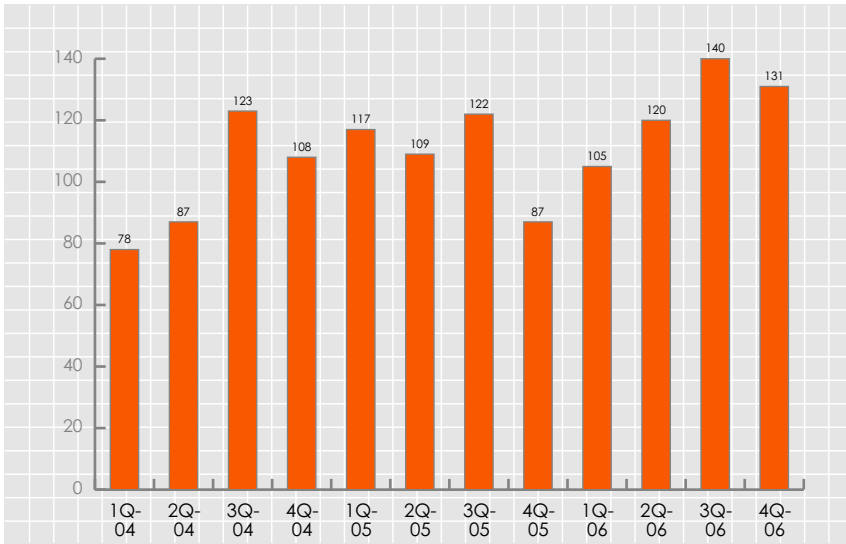


Revenue Evolution

- Global quarterly revenues have reached a peak in 4Q 2006 of the seasonality pattern and the tariff restructuring that took place in 3Q 2006.
- Service revenues reflect (+1) usage elasticity on the prepaid front.
- Roaming revenues are under special focus from management.



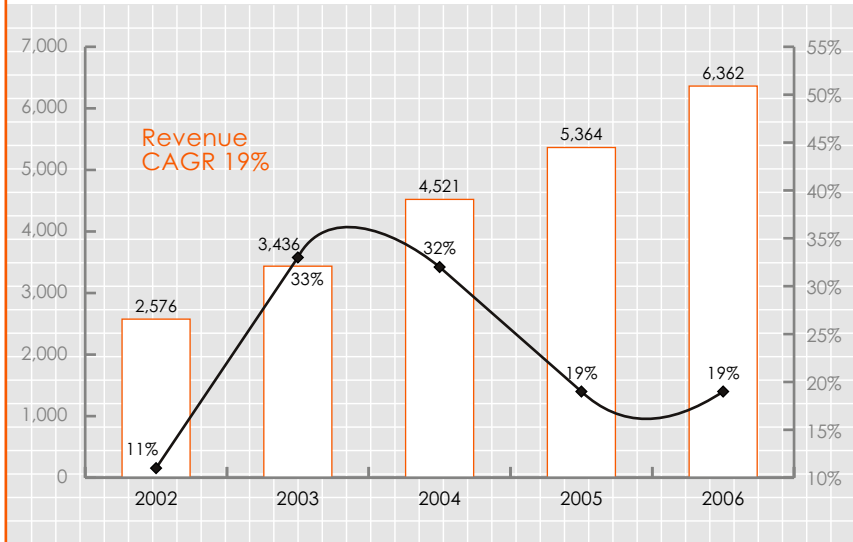
■ Roaming (MEGP)



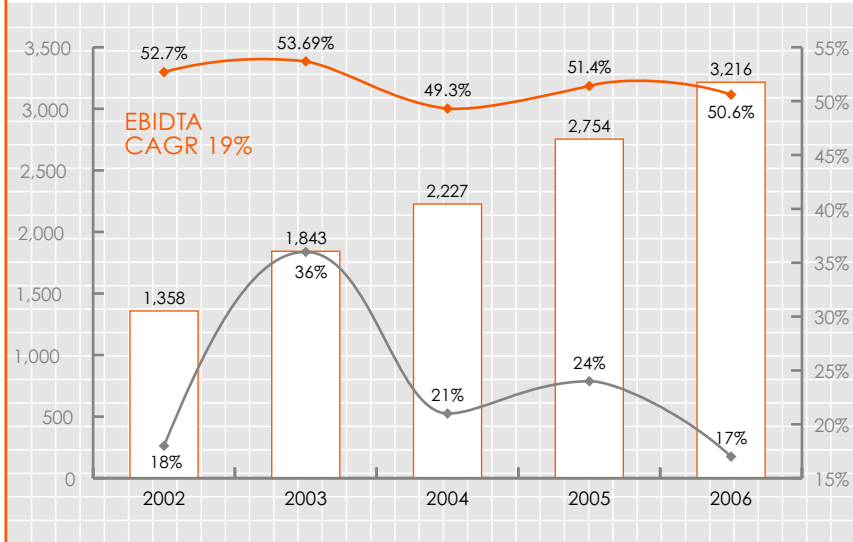
Financial Performance

- Revenue and profitability CAGR of 20% for the past five years as a reflection of the proper cost controls in place.
- EBITDA margin remained strongly stable in the 50% range over the past five years.

□ Revenue (MEGP) ◆ Revenue Growth %

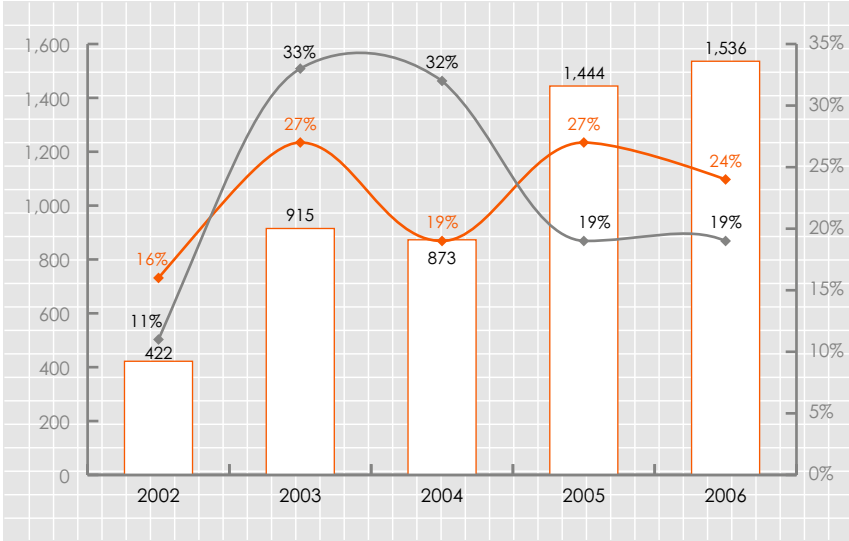


□ EBITDA (MEGP) ◆ EBITDA % ◆ EBITDA Growth



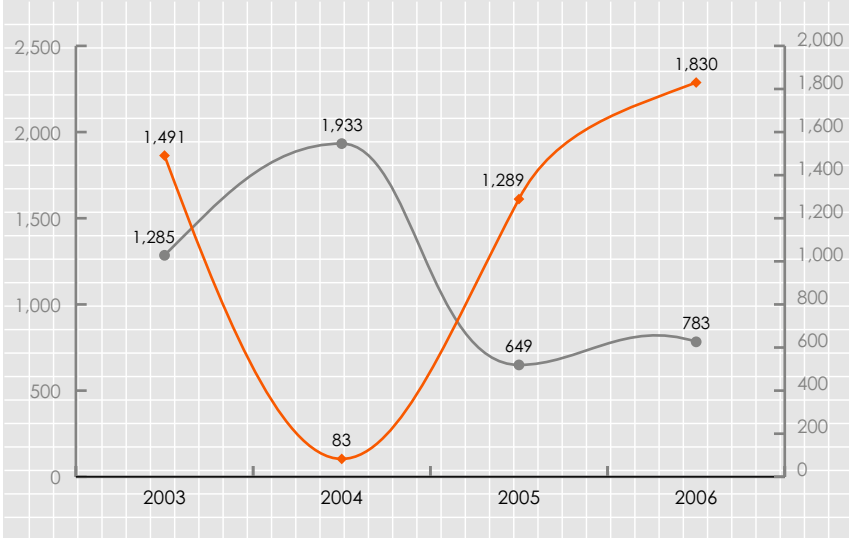
- Net profit CAGR of 29% for the past five years in spite of ending the tax holiday in 2004.

Net Income (MEGP)
Net Income %
Net Profit Growth



- Free cash flow remains healthy in spite of the increase in CAPEX levels in 2005 and 2006.
- 2004 decrease in net debt has been mainly due to delay in dividends payment resulting in cash balance of 1.3BnEGP.

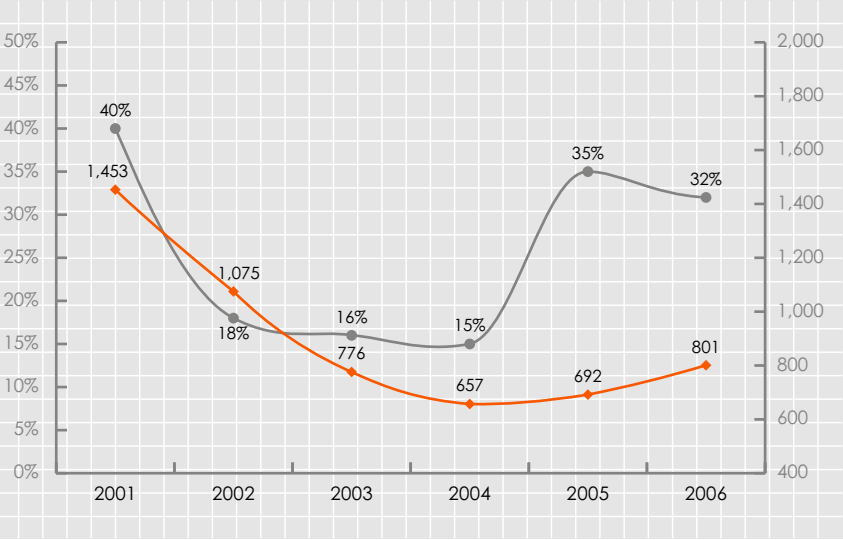
FCF (MEGP)
Net Debt (MEGP)



Investing Into the Future

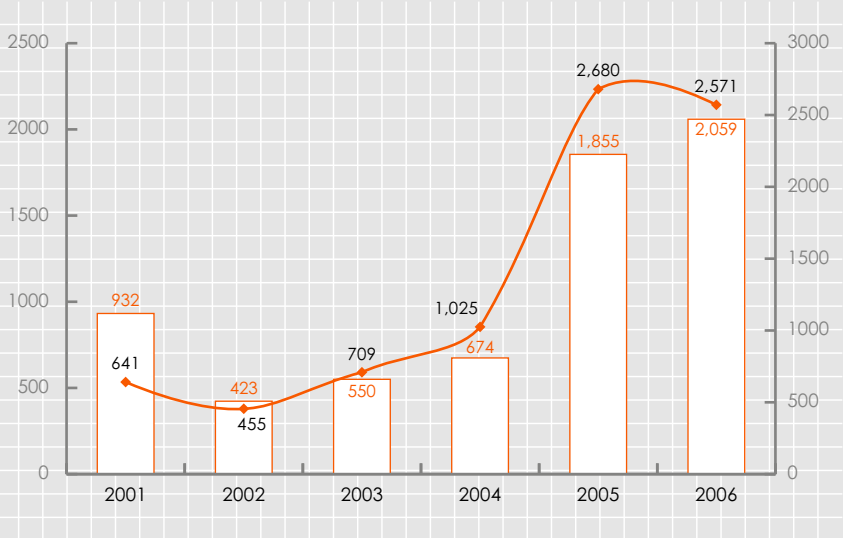
- Mobinil has shifted gears starting 2005 towards investing in the future in light of its declared growth strategy.

CAPEX/Net Add
CAPEX/Revenue



- 2005 and 2006 spending on CAPEX reflect early and persistent preparation for the new competitive environment.
- 2005 and 2006 reflect relatively high spending on the new headquarter and call center.

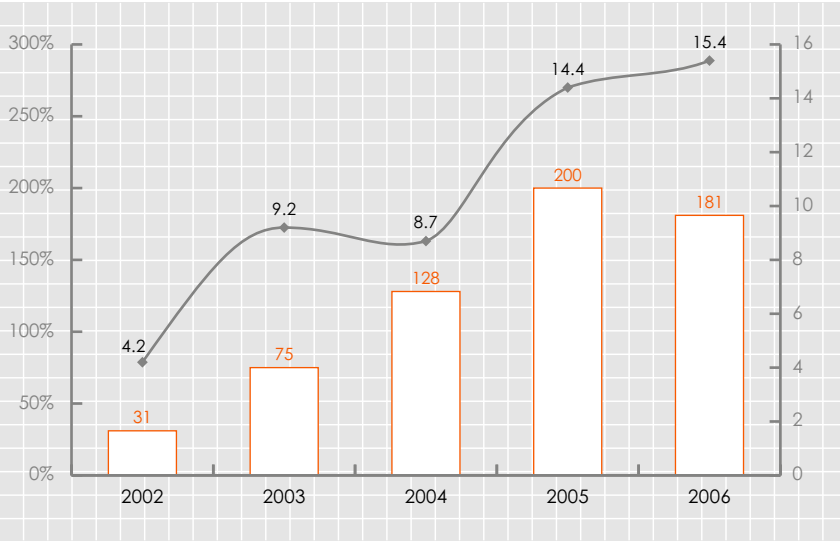
CAPEX (MEGP)
Subscriber's Addition



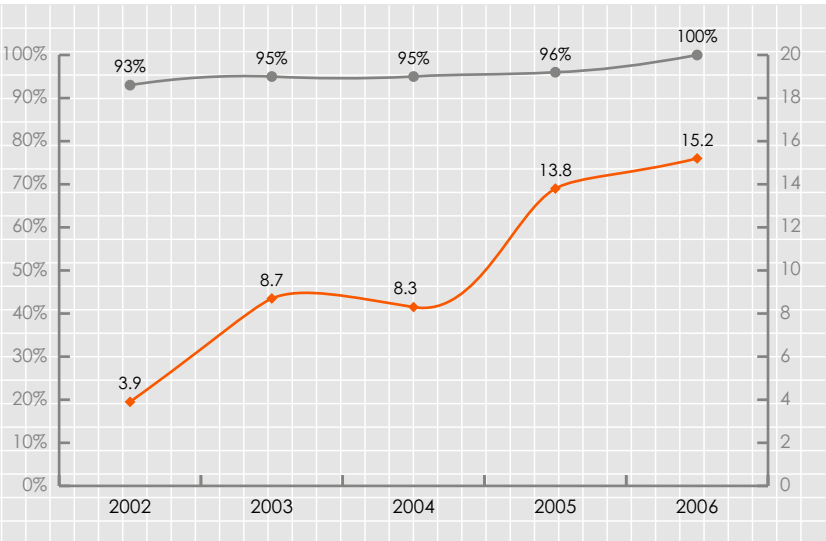
Financial Ratios

Mobinil has maintained a very high dividends payout ratio (DPO) during the past 5 years where it has reached almost 100% in 2006.

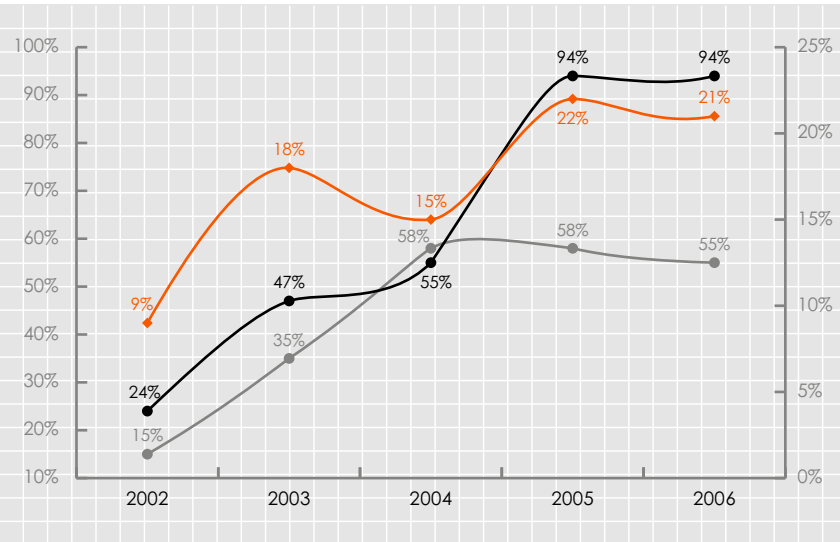
Share / Price EPS



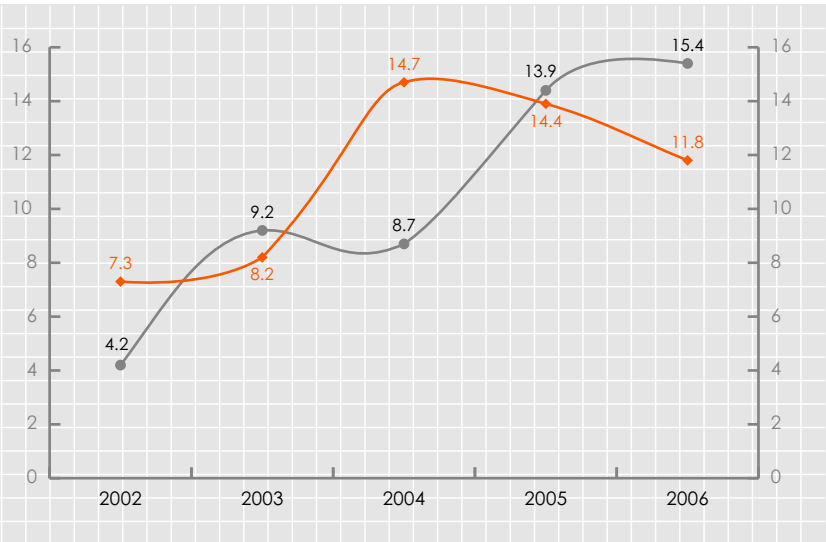
DPO DPS



ROCE ROE ROA

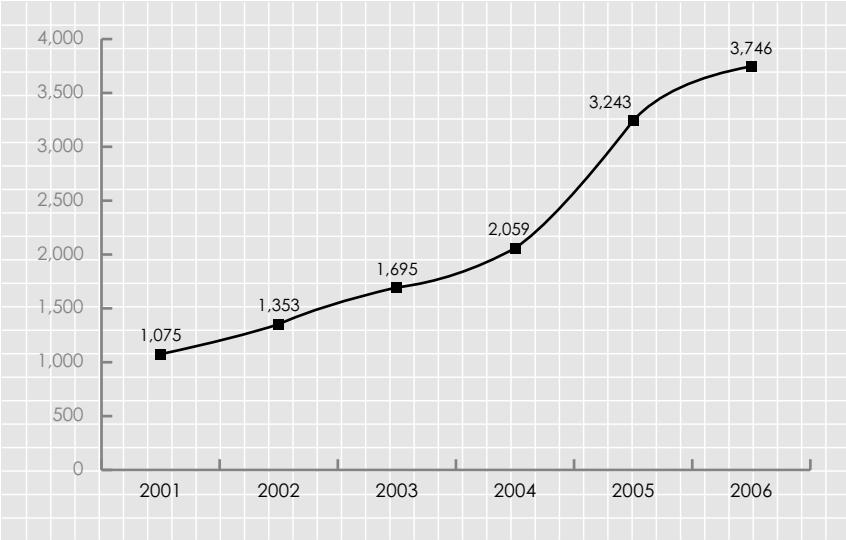


EPS P/E

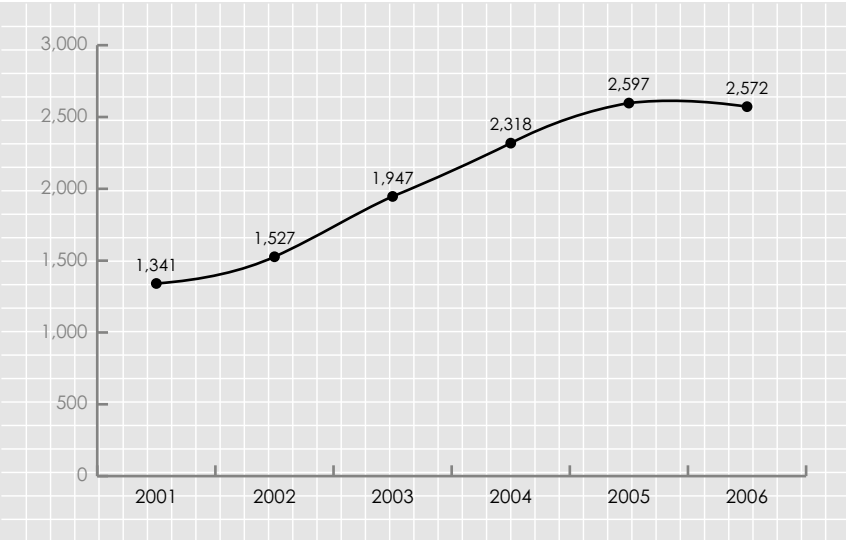


Operational KPIs

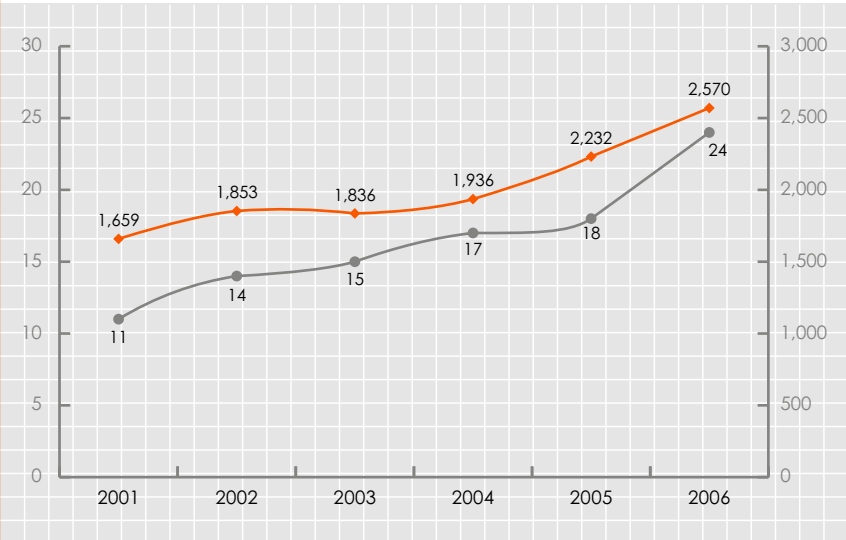
■ Subs/Headcount



● Revenue/Headcount



◆ Number of Sites ● Number of Switches & Gateways



Management Discussion & Analysis

Summary of major Events

- The company's five-year tax holiday has ended in the 2004 fiscal year and the company has paid its first corporate income taxes at 40% tax rate. The tax regime has been reduced to 20% starting 2005 among a number of financial restructuring milestones completed by the government.
- The company adopted a growth strategy in 2005, which was continued in 2006, aiming to accelerate the mobile penetration rate in the Egyptian market, which marked around 10% by the end of 2004. Moreover, the company has started in May 2005 to adopt the IFRS revenue recognition standards, which entail a direct netting off of revenues from related discounts.

Results of Operations

Subscribers

- Global active subscriber's base has increased by 2.68 million subs (68%) in 2005 followed by an increase of 2.57 million subs (38%) in 2006. This was coupled by a change in the subscribers' mix, where prepaid base has increased to reach 92.5% of global base in 4Q 2006 up from 77% in 1Q 2004, which is clearly reflecting the nature of the mobile telecommunication market in Egypt.

Revenues

- Revenue has witnessed a CAGR of 20% over the past five years to reach 6.362 BnEGP in 2006 up from 2.576 BnEGP in 2002. Strong seasonality peaks have always been witnessed along the years during the 3Q of each fiscal year. This year, we have witnessed an increase of 4Q revenues over 3Q as we have seen a continuous increase of revenues QoQ as a preliminary result of our strategy to continuously grow the market at an accelerating rate, knowing that short term impacts might arise from pushing the market faster than its regular pace still driven by long term value strategy.

EBITDA Margin

- EBITDA Margin has been maintained in the 50% range over the past five years with a CAGR of 19% along those past five years, in spite of the rapid subscriber and usage growth and their associated cost increase. Cost management has reflected a successful management of the growth strategy and related cost as revenue CAGR of 20% & EBITDA CAGR of 19% over the past five years.

CAPEX

- Mobinil has shifted gears since the beginning of 2005 towards investing in the future in light of its declared growth strategy. 2005 and 2006 spending on CAPEX reflect early and persistent preparation for the new competitive environment in the Egyptian market and its projected growth in the upcoming couple of years.

the road ahead



2007 outlook and beyond

Globally, all the players in the telecommunications and media fields, are having to learn and adapt to a whole new game. Extremely rapid developments in communication technologies are changing the mobile communications value chain, creating new trends for multimedia convergence. Mobile broadband and broadcasting will allow more dynamic and rich content to reach a wider audience. At the same time, mobile operators will have to drive growth, by broadening the mobile ownership base among lower income users, as well as by stimulating usage. There will be many challenges and opportunities ahead. Companies that cannot adapt, transform and adjust will fail to survive.

The Egyptian telecom sector is one of the healthiest and fastest growing sectors, with a consistently high performance level. It is also perhaps the most liberalized, competitive and dynamic sector in Egypt. The local environment is changing just as rapidly as the global telecommunications market, with the entry of new players, the introduction of new technologies and increasing pressure on profitability margins. There is a huge and growing demand for both fixed line and mobile communications. At the same time, data traffic is booming.

Over the last two years, the Egyptian mobile market has experienced explosive growth, expanding by 38% in 2006. With the expected entry of a third mobile player early in 2007, we expect the market to expand even more rapidly. There will be great challenges moving ahead, as well as much more intense competition.

Mobinil has been at the forefront of this change, driving the market forward with pioneering and creative breakthroughs. In the future, we intend to maintain our market leadership and to protect our value share through: continuing to improve our efficiency and productivity, maintaining our focus on value strategy and customer intimacy, and continuing to add value to the daily lives of our customers while delivering excellent financial results.

Mobinil is committed to being part of this enfolding future, by working to bring the latest and most efficient technologies to our customers, and by expanding the community of mobile

In the future, we intend to maintain our market leadership and to protect our value share through: continuing to improve our efficiency and productivity, maintaining our focus on value strategy and customer intimacy, and continuing to add value to the daily lives of our customers while delivering excellent financial results.



users through innovative, attractive and affordable offers. Our strategy is to deliver unrivalled integrated communication services to customers, efficiently and cost-effectively. A key part of our strategy is to provide our customers with affordable technologies that meet their needs.

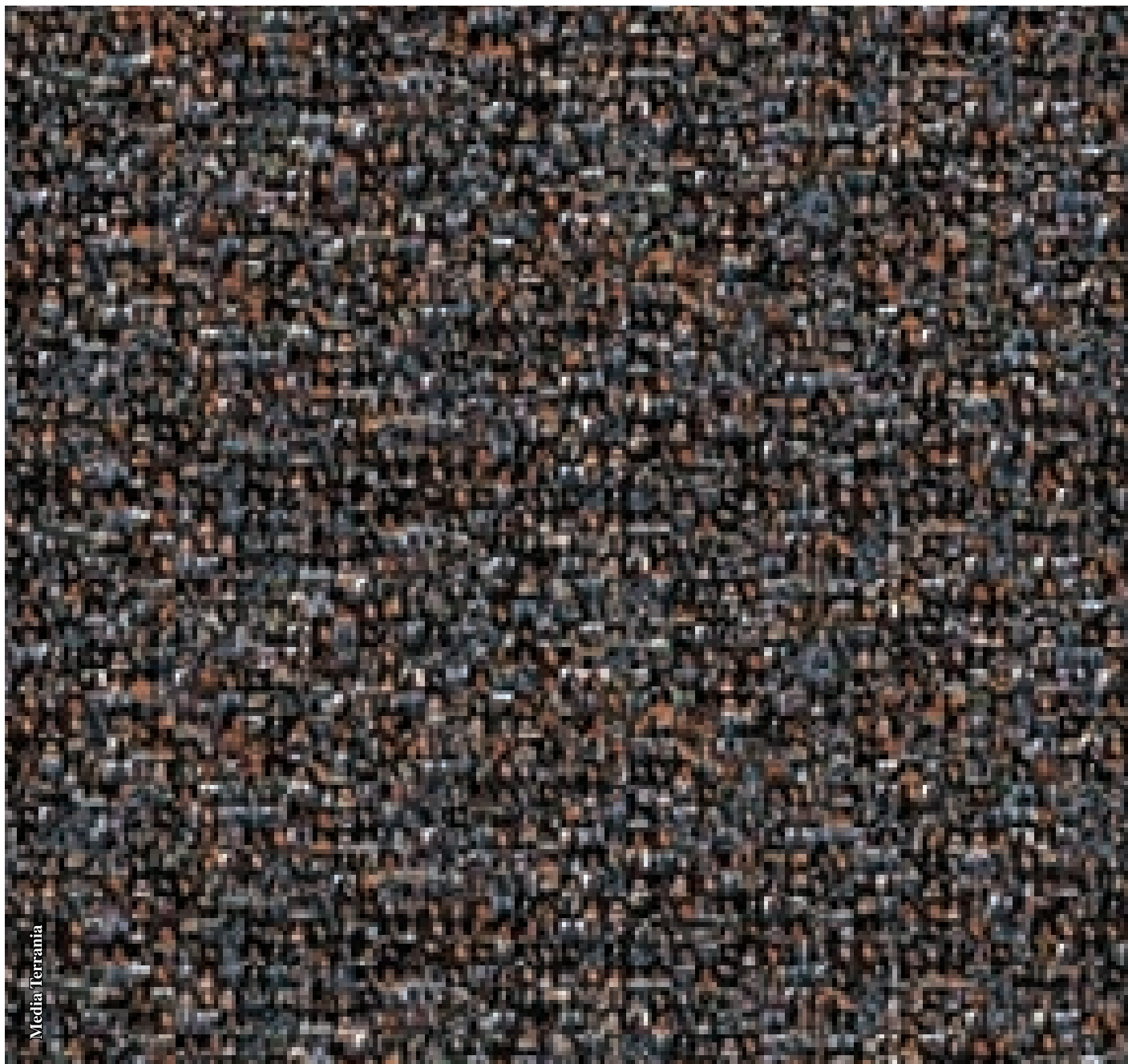
While growing, we will continue to have our customers at the heart of our operations by providing them with the finest quality and most innovative services, to place our shareholders interest first by providing them with the greatest return on their investments, and to provide our employees with the best working environment while playing an active and socially aware role in our community. Our focus is to improve operating performance and to manage our business by balancing our value and growth objectives. Mobinil will work to become even closer to its customers, providing them with relevant, affordable and efficient services.

glossary

[illegible]



notes



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