2011 Annual Report

mobinil

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Chairman's Statement

In a year marked with exceptional events and difficult conditions, Egypt was exposed to adverse and serious challenges. Mobinil was subjected to the same challenges. In fact, the pace of the events took everybody by surprise, and for Mobinil, no quarter passed without facing peculiar challenges, affecting the company's operations and impacting its financial performance.

> We serve millions of customers and each one of them provides an opportunity to strengthen our relationship with him/her.

> I would like to pay tribute to our employees for their tireless efforts over the past year. I appreciate their deep sense of responsibility towards the Egyptian community, particularly those who put their lives on the line to keep the business up and running during very critical conditions.

> Today, I can confidently say that we are much stronger than we were six months ago.

Consequently, we took important steps to safeguard our leading position and defend our subscriber base. Some of these actions cost us revenue and impacted our margins. However, we are working to mitigate the revenue and margin loss, firmly believing that our efforts will pay off in the future.

Due to the intense competition and the turbulent operating environment, our full-year 2011 consolidated revenues were clearly affected, recording 10,182 MEGP (-3.7% YoY). Consolidated EBITDA was also affected by the decrease of revenues, the different accounting treatment of employees' bonus and the increasing commercial costs. As a result, FY 2011 consolidated EBITDA reached 3,258 MEGP (-24.3% YoY). Similarly, net income was burdened by additional interests charges, increase in depreciation and amortization, change in the corporate tax rate from 20 to 25%, and reclassification of employees' bonus, which resulted in a net loss of 253 MEGP. Excluding these exceptional items below the EBITDA line, consolidated net income would have been 111 MEGP for FY 2011.

Financially, this was a difficult year for Mobinil. As a result, the Board viewed as prudent not to recommend a dividend payout to our shareholders.

Operationally however, we were able to maintain our commercial performance, which allowed our subscriber base to reach 32.9 Million subscribers, a 9% growth rate YoY. We also succeeded to distinguish ourselves on the technical front by relentlessly focusing on our network enhancement. Thus, we were ranked the best network operator in Egypt for two consecutive quarters, according to the National Telecommunications Regulatory Authority's (NTRA) regular performance quality report.

With the advent of 2011, we were committed to uphold our leading position in terms of governance and social responsibility. We were able to keep our promise, and for the second year in a row, we ranked first among all Egyptian listed companies on the ESG index for the level of disclosure regarding governance, social, and environmental practices. Moreover, Mobinil launched a major CSR initiative in 2011, aiming to train and prepare 100,000 Egyptians to obtain suitable job opportunities.

I firmly believe that in times of crisis, it is essential that we keep our sights fixed on the future, and that is why we decided to redefine our strategy. Today, I can confidently say that we are much stronger than we were six months ago. We have a clear vision for our company and have defined the operating principles that will help us achieve it.

On September 21, 2011, the Board announced the appointment of Yves Gauthier as our new CEO, replacing Hassan Kabbani whose employment contract came to an end. I would like to thank Hassan for his contribution over the past three years, and I would like to express my warmest welcome to Yves who comes to Mobinil with a long and rich experience in telecommunications.

Going forward, we will continue the initiatives that distinguish Mobinil in the eyes of our customers. The work is well underway and we are making progress. With a leading position in the competitive market in which we operate, I see endless opportunities for Mobinil to grow and prosper. I believe we are on the right path and that we have a CEO and a solid management team with a vision and a strategy that are appropriate and achievable.

Our success in realizing our vision will be measured by our customers, by our own employees and by our shareholders. We will know we are succeeding when Mobinil becomes the operator of choice in the Egyptian market; when employees choose to pursue their careers here, confident they can achieve their dreams; and when shareholders realize the long-term value Mobinil can deliver.

I have no doubts that 2012 will be as much challenging as it will be dynamic, but we have made tough decisions aiming to put all adverse circumstances behind us. We serve millions of customers and each one of them provides an opportunity to strengthen our relationship with him/her. We are leaving nothing to chance in our efforts to pursue this opportunity and hence, secure long-term growth.

I would like to pay tribute to our employees for their tireless efforts over the past year. I appreciate their deep sense of responsibility towards the Egyptian community, particularly those who put their lives on the line to keep the business up and running during very critical conditions. I would like to thank our customers for giving us the opportunity to serve their needs and respond to their requests. I thank my fellow members of the board for their wisdom and counsel, and finally, I would like to extent my gratitude to our shareholders for their continued faith in Mobinil and its capability to achieve a bright future, and for the trust they have put in us all.

Sincerely yours,

Alex Shalaby, Chairman

I would like to thank Hassan for his contribution over the past three years, and I would like to express my warmest welcome to Yves who comes to Mobinil with a long and rich experience in telecommunications.

I believe we are on the right path and that we have a CEO and a solid management team with a vision and a strategy that are appropriate and achievable.

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CEO Interview

Mobinil Chief Executive Officer (CEO), Yves Gauthier, answers some of the questions most frequently asked about the Company's performance throughout 2011. He explains his interpretation of Mobinil's results given the turbulent and difficult environment.

Egypt has been through a tough year in 2011; what new challenges came about from these events, affecting the Telecom market in general and Mobinil in particular?

No doubt, the country's efforts towards economic growth have been disrupted by the current national unrest, political uncertainty and unfavorable security conditions. Let's face it, the revolution weakened the general macroeconomic environment (i.e. the GDP was almost flat, the inflation rate reached a double digit level, pressure on the EGP, increase of interest rates), which pushed customers to reduce spending on mobile services. It also emphasized structural economic weaknesses that already existed.

So the initial concern of the three mobile operators was to react to the lowered spending behavior. Therefore, they induced an intense price competition in the market, hoping it would help them attract the residual subscribers and hence increase their market share. This resulted in ARPU dilution and revenue erosion, which are normal outcomes in such a case. Moreover, the momentous contraction of Egyptian tourism activity significantly brought down roaming revenues throughout the year, which in turn affected overall results.

Just as the other operators, Mobinil was heavily pressured in 2011 by the overall turbulent conditions. However, it had to face additional pressures following the unfair boycott campaign led against it in the second half of the year, which heavily affected its financial performance.

Then, in light of all the exceptional events Mobinil experienced in 2011, how can you assess the company's performance during the year?

It is clear from our results that Mobinil experienced a very difficult and exceptional year in 2011. Revenues were pressured by various major factors; EBITDA was affected by the decrease in revenues (in addition to the different accounting treatment of employees' bonus and the increase of commercial cost related to high competitive pressure); and finally, net income was heavily contracted due to the increase of depreciation and amortization, the application of a new tax regime and the reallocation of our employees' bonus. All these exceptional factors influenced the overall performance and financial results of the company.

How stable is Mobinil now? Will it overcome the negative impact the new challenges have had on the business and the operating environment?

Actually, the short period I've spent as the new CEO of Mobinil confirmed my conviction in the solidity of the business fundamentals and the company's potential to return to growth, which are definitely dependent on the recovery of the Egyptian economy. I am certain that Mobinil has all the capabilities to fulfill the requirements of our

> I am certain that Mobinil has all the capabilities to fulfill the requirements of our customers, and in the meantime meet the expectations of our shareholders.

> You must believe that the future will be better; that is my message to my employees.

> We are making business decisions by listening to our customers and fulfilling their needs. Getting it right for our customers every time is how we will build and secure customer loyalty.

customers, and in the meantime meet the expectations of our shareholders. We are more prepared today to face the challenges that came up in 2011 and we remain committed to deploy several initiatives to stimulate growth and improve the operational efficiency of the company.

What do you feel will be the biggest challenges for Mobinil in 2012? And how are you tackling them?

I can't deny that I expect 2012 to be challenging and dynamic, but we are determined to tackle all the new challenges head on! The unstable and uncertain general environment, if not improved, is definitely one of the major threats to Mobinil and the other companies' performance. More so, the complex regulatory situation and the possible introduction of a Mobile Virtual Network Operator (MVNO) constitute serious challenges to the mobile industry at large. Finally, the market saturation and the stiff competition, if not normalized, are certainly sources of risk for our business.

Nevertheless, let me assure you that Mobinil has the assets to distinguish itself from the other operators. It is privileged with the full support of its major shareholders and the vast knowledge and experience they can offer. It has also the technical resources and human expertise that can allow it to lead the technology transformation that is underway. Broadband and wireless continue to converge onto increasingly integrated IP platforms. We will be setting the stage for more and more ways of interacting, engaging and consuming information, communications and entertainment. This will enable future growth opportunities for Mobinil and exciting new experiences for our customers.

How did you change your strategic direction for 2012 to cope with the effects the Egyptian events have had?

We decided to focus on driving operational excellence for our customers. This will be done by upgrading technology, increasing training, and improving the effectiveness and efficiency of all the company's core functions. We are making business decisions by listening to our customers and fulfilling their needs. Getting it right for our customers every time is how we will build and secure customer loyalty. Our strategy is a multi-approach strategy that will be built on three main pillars: “Get”, “Keep” and “Grow”. We will be leveraging on the potential of data services (i.e. mobile internet, mobile broadband and fixed broadband) while increasing demand and appetite for value added services (VAS).

As we go forward, we know that our revenue growth will be derived in larger part from our existing customers and not new customers. Therefore we will continually develop newer, better, and faster ways to deliver what customers really want.

Do you think that your ISP vehicle LINKdotNET can contribute to future growth?

Undoubtedly! LINKdotNET will enhance our ability to compete. The demand for internet services is significantly rising in Egypt. This has been reflected in the significant growth of LINKdotNET's business in the last few years. In fact, this growth will be maintained and we are determined to deepen and enhance the already existing cooperation between Mobinil and LINKdotNET. This will result in a more dynamic and comprehensive operator that is committed to providing best-in-class mobile voice, mobile data, fixed internet and state-of-the-art convergent services to its consumer and the enterprise market. I firmly believe that combining the knowledge and resources of the two companies will allow “Mobinil Group” to compete more effectively by providing unique and innovative services to our customers at more competitive prices.

Do you believe that your business will, in the long run, see positive outcomes as a result of your immediate responses to the new challenges?

Under normal business circumstances, I believe it will. The Egyptian telecom sector has proven to be resilient compared to other industries in Egypt. Moreover, we have taken important steps to balance between short-term actions and long-term goals. We knew that the telecom business had matured and revenue growth moderated. Therefore, we had concentrated on managing costs and operating more efficiently. We have put in place a prudent cost efficiency management aiming to strengthen our capital and in parallel, we focused on increasing our active base and serving customers, which will eventually secure revenue growth for the company in the future.

We believe that executing these steps will lead to less volatile earnings per share and steady capital generation on the long run.

From the vast experience you have in the telecom sector, what would you be bringing to Mobinil that could differentiate it from other companies?

From all my previous experience, I have come to realize that the difference made by a company lies in the relationship the company is able to build with its customers. Customers want the best operator. The best operator to them means the one that can offer the best customer experience. Consequently, the best customer experience is all about coverage, pricing, quality of service, and the way the company communicates with its customers.

Internally, what's the biggest challenge YOU feel your company faces, and how do you inspire your employees to meet it head on?

When you come across difficult times, you must have confidence in the future. You must believe that the future will be better; that is my message to my employees. They have to know where the company wants to go; they have to have a clear vision of the strategy for the coming years; and to reinforce their confidence. They need to be aware of the quick wins. Mobinil's employees are very dedicated and proud of their company; hence, they are, indeed, the key to the company's success.

What are your commitments for 2012, in particular to shareholders, and what is your vision for the Company in the coming years?

In 2012, I expect Mobinil to capture all the opportunities that will be offered by the market. Our customers will remain at the very heart of our business, no matter how severe the conditions we face. We will capitalize on our customer base to secure future growth through the provision of broadband and other innovative products and services.

It must be noted that Mobinil is not just concerned about financial achievements, but it is also concerned with the way we achieve them. Therefore, we will continue generating the initiatives that have always distinguished Mobinil in the eyes of its customers. We will provide the best customer experience, be a desired employer, create value for our shareholders, and proudly contribute to the development of our country.

> I can't deny that I expect 2012 to be challenging and dynamic, but we are determined to tackle all the new challenges head on!

> Our strategy is a multi-approach strategy that will be built on three main pillars: "Get", "Keep" and "Grow".

> I have come to realize that the difference made by a company lies in the relationship the company is able to build with its customers. Customers want the best operator! The best operator to them means the one that can offer the best customer experience

Board of Directors

Alex Shalaby

Chairman, The Egyptian Company for Mobile Services (Mobinil).

Mobinil for Telecommunications S.A.E representative,

Non-Executive Member.

The Chairman holds a non-executive role in Mobinil. He heads the Board and in doing so he represents a pivotal role in creating the conditions for the overall and individual Board effectiveness. The Chairman has also a key role in the relationship with governmental bodies and authorities.

Michel Monzani

Vice Chairman, The Egyptian Company for Mobile Services (Mobinil).

Senior Vice-President - Africa, Middle East and Asia Division - France Telecom Group.

Mobinil for Telecommunications S.A.E representative,

Non-Executive Member.

The Vice-Chairman has the same rights and powers as the Chairman to the extent permitted under applicable laws. He also holds a non-executive position within Mobinil.

Yves Gauthier

CEO, The Egyptian Company for Mobile Services (Mobinil).

Mobinil for Telecommunications S.A.E representative,

Executive Member .

The CEO is the only executive member within the Board. He leads the Company's executive team and is accountable for the supervision and management of the day-to-day operations. He is also responsible to steer profitability in accordance with the policies, strategies and objectives set in agreement with the Board.

Ahmed Bardai

Chief Executive Officer-REEFY Company.
The Egyptian Company for Mobile Services (Mobinil), Public Shareholders Representative,
Non-Executive Member.

Aldo Mareuse

OTH Group Chief Financial Officer (CFO).

The Egyptian Company for Mobile Services (Mobinil),

Orascom Telecom Holding Representative,

Non-Executive Member.

Claude Benmussa

Senior Advisor PricewaterhouseCoopers (PwC).

The Egyptian Company for Mobile Services (Mobinil),

Mobinil for Telecommunications S.A.E Representative,

Non-Executive Member.

Fahd Shobokshi

Chairman of Nile City.

The Egyptian Company for Mobile Services (Mobinil),

Public Shareholders Representative,

Non-Executive Member.

Gérard Ries

Senior Vice President International Operations of France Telecom Orange.
The Egyptian Company for Mobile Services (Mobinil),
Mobinil for Telecommunications S.A.E Representative,
Non-Executive Member.

Henri de Joux

Deputy General Secretary of France Telecom Group.

The Egyptian Company for Mobile Services (Mobinil),

Mobinil for Telecommunications S.A.E Representative,

Non-Executive Member.

Jean-Michel Thibaud

Group Treasurer, France Telecom Group.

The Egyptian Company for Mobile Services (Mobinil),

Mobinil for Telecommunications S.A.E Representative,

Non-Executive Member.

Marc Rennard

Executive Vice President International - in charge of Africa, Middle East & Asia - France Telecom Group.

The Egyptian Company for Mobile Services (Mobinil),

Mobinil for Telecommunications S.A.E. Representative,

Non-Executive Member.

Nadia Makram Ebeid

Executive Director, Center for Environment and Development for the Arab Region and Europe.

The Egyptian Company for Mobile Services (Mobinil),

Public Shareholders Representative,

Non-Executive Member

Naguib Sawiris

Executive Chairman - Orascom Telecom Media and Technology Holding S.A.E (Under Establishment)

Founder - Orascom Telecom Holding S.A.E.

The Egyptian Company for Mobile Services (Mobinil), Mobinil for Telecommunications S.A.E Representative,

Non-Executive Member.

Onsi Sawiris

Chairman, Orascom Group of Companies.

Honorary Chairman – The Egyptian Company for Mobile Services (Mobinil),

Non-Executive Member

*See full BOD biographies on www.mobinil.com

The Executive Committee

The Executive Committee is the main unit responsible for strategic planning and objective-setting. It is responsible for determining the long-term strategic decisions and plans for Mobinil. Consequently, it resolves major strategic issues, and follows up on the company's global objectives. More so, it ensures management's alignment with the corporate strategy and plans set forth, while making decisions based on the best interest of both the organization and its shareholders.

Yves Gauthier

Chief Executive Officer.

Ashraf Halim

Vice President, Commercial.

Kais Ben Hamida

Vice President, Finance.

Magdy Gabra

Vice President, Customer Service.

Mohamed Nabih

Vice President, Strategy and Business Development.

Rana Abbadi

Vice President,

Regulatory and Wholesale.

Sherif Hanna

Vice President,

Human Resources and Administration.

Yasser Shaker

Vice President,

Technology.

Waseem Arsany

Chief Executive Officer,

LINKdotNET.

*See full VPs biographies on www.mobinil.com

Our Vision

Become the preferred communication services provider in Egypt.

Our Mission

Providing the best customer experience, being a desired employer, creating value for our shareholders and proudly contributing to the development of our country.

Telecommunications in **Egypt**

Market and Business Overview

The Egyptian Revolution

In January 2011, Egyptians rose up against torture, corruption and destitution; they demanded the old regime to step down and social justice to prevail. The year witnessed many lives lost, insecurity, trials of the old regime's figureheads, and elections; it witnessed moments of despair and moments of hope.

Following the former president's stepping down, the Supreme Council of Armed Forces (SCAF) became the interim government. However, amidst the continuing political and social instability, it has been increasingly criticized. In late 2011, parliamentary elections took place paving the way for a sort of political multiplicity, never seen before in Egypt. Consequently, political polarization arose between SCAF supporters, Islamic parties and Liberal wings.

Stability for the Egyptian society is subject to political reform and a gradual transition to a civilian government. According to the SCAF, by July 2012, Egypt is expected to have an elected president and a draft new constitution.

Impact of the 2011 events on the Egyptian Mobile Market

In the early days of the 2011 events, the former Egyptian government greatly interfered with the operations of mobile and internet service providers. On January 28, 2011, the authorities forced operators to disconnect mobile and internet networks across the country. The interruption of services lasted for one, five and seven days respectively for the voice traffic, data and internet service.

This action illustrated the extent to which the telecom sector was vulnerable to political influence. In fact, the unprecedented disconnection of network did not only disturb the telecom sector, but the country as a whole. Nevertheless, the events also demonstrated the vitality and importance of the telecommunications sector; social networking and mobile communications played a significant role in disseminating ideas and rallying people. Consequently, the demand for mobile data and video streaming services appeared to have grown substantially.

Throughout the January 25th revolution and amidst the turbulent events of January 28 and 29, a team of Mobinil heroes continued to operate fearlessly at the call center, though at minimum capacity, to ensure the continuity of crucial services. In parallel, other employees were busy protecting shops, maintaining the network and processing salaries. Our main focus was to primarily ensure the safety of our employees, and secondly the security of assets.

Upon resuming voice traffic, Mobinil's team efficiently handled the situation, which was far from expected. We were the first operator to resume normal

customer service operations; we also offered free daily credit for Prepaid users and ensured the supply of products, air time and scratch cards to the market. In the meantime, Mobinil played an important role in raising national and security awareness while maintaining neutral and impartial position.

Market characteristics and competitive landscape

The Egyptian Mobile market is a vibrant and constantly evolving one. Despite mobile market penetration that has reached 119% (calculated based on figures from the Central Agency for Public Mobilization and Statistics 'CAPMAS', and the operators' official published releases) as a result of the multi-SIM phenomenon, the sector is still considered to offer growth potential. In fact, this potential lies in the penetration of rural areas and new demographic segments, in the growth of higher-value contract customers, and in the proliferation of mobile broadband services. It must be noted however that voice continues to steer market revenues, while data revenues are growing. By succeeding at these growth segments, Egypt's mobile operators will be able to secure relatively stable revenue growth rate.

The telecom sector in Egypt continues to be dominated and driven by the prepaid market. Due to the low income levels, the penetration of smartphones is relatively low, which affects the growth of data revenues. Operators largely depend on voice revenues and they offer products and services at affordable prices to low-end users.

In 2011, mobile operators introduced highly aggressive promotions aiming to secure a higher intake of the residual market and to increase their market share, which led to ARPU dilution and revenue contraction.

On the other hand, postpaid subscribers are usually concentrated in the enterprise market. Operators contested fiercely the post-paid segment in 2011 as they realized its potential for being a source of high

Mobinil's Challenges

For Mobinil, many challenges arose in 2011, challenges that the company is still dealing with today.

Although the overall Mobile market prospects remained positive after the 2011 uprising, most market players suffered from a downward ARPU trend and reduced revenues. Hence, a revision of market forecasts was introduced in order to absorb the volatile economic climate which affected customers' spending on telecom services The political uncertainties that led to flat GDP and limited FDI, and the shrinkage in revenues due to a turbulent economic environment and reduced returns on international and roaming calls (following the deterioration of the tourism sector) had a significant negative impact on revenues and profitability.

In 2011, mobile operators were indeed pressured by the highly challenging macroeconomic environment, which was coupled with stiff and fierce competition.

Just as the other operators, Mobinil was heavily pressured in 2011 and its revenue growth rate declined compared to 2010. This was the result of various factors, among which we can mention the effect of the national unrest that weakened the macroeconomic environment, and the interruption of the telecommunication services that had a negative effect on the company, particularly on the first quarter's results.
Moreover, in the second half of 2011, Mobinil was the target of an aggressive and unfair boycott campaign, which had serious consequences on the company's overall performance. In order to maintain our position in the market, we did our best to defend our subscriber base and reacted by introducing aggressive offers and promotions to counter the boycott campaign, which normally cost us revenue and impacted our margins.

On the other hand, we endeavored to improve our subscriber base management by increasing customer loyalty, reducing churn levels, and developing an effective strategy to create value for our customers.
We aggressively addressed the challenges that we were confronted with, and are confident that our efforts will pay off in the future and will better position Mobinil in the years to come.

2012 Market Projections

The telecom industry will be exposed to further challenges in 2012. The market structure is transforming due to the potential entry of new players. If Mobile Virtual Networks (MVNOs) and/or a fourth Mobile Network Operator (MNO) enter the market, they will stir-up the market, and lead to an even more aggressive competition. Voice over IP (VoIP) certainly represents we seem to be heading towards a world where voice will be offered for free. However, "quality" and "content" are increasingly converging and will undoubtedly be the distinguishing factors between operators.

We seem to be heading towards a world where voice will be offered for free. However, "quality" and "content" are increasingly converging and will undoubtedly be the distinguishing factors between operators.

The events of 2011 showed an increased appetite for data services, both fixed and mobile broadband.

On the other hand, the market has relatively matured and the penetration rate has exceeded 100%. However, rural areas remain well below the national average, paving the way for growth potential on the long-run. Therefore, the outlook for the economy remains viable despite being closely linked to the evolution of the political situation.

On a positive note, the events of 2011 showed an increased appetite for data services, both fixed and mobile broadband. To meet this new demand, affordable devices, local content and adequate coverage must be provided to customers, which is certainly a direction mobile operators are expected to take in the coming year.

Furthermore, as the market matures, operators are expected to change their spending habits by increasing the efficiency of commercial expenses related to advertising and promotions. Network and site sharing solutions are also expected to increase in this newly-shaped market.

In Mobinil, we are fully aware of the risks we face and have taken the needed measures to tackle them. The new management team is now in place and is focused on driving operational excellence through the effectiveness and efficiency of the company's core functions. We expect a return to growth, depending on the stabilization of the general environment and normalization of the competitive landscape. We aspire to contain the erosion of margins and we will continue investing in our network anticipating capex levels to be slightly higher than 2011.

Mobinil will leverage on its strongest assets, which are its technical resources and human expertise. By doing so, we anticipate that we will be setting the stage for innovative means of interaction, communications, information consumption, and entertainment for our customers to enable future growth opportunities for the company and exciting new experiences for our customers.

Innovation and People

2011 focuses

Throughout 2011, Mobinil had focused to guide the business while protecting and increasing shareholders' value. Some focuses were simply a national response to the year's events, while others were implemented to steer the business towards profitability and excellence.

We started by developing Mobinil's national corporate communication campaign "Proud to be Egyptian". The campaign was launched in the spirit of the revolution, to celebrate the new found sentiment of hope and aspiration for a better life, a sentiment that sprung amongst Egyptians in 2011.

On a different note, after treading lightly for the first quarter on the commercial and technical fronts, which was due to the conditions of the country, Mobinil was able to resume full operations in the second quarter. The company geared its focus towards its existing customers by successfully launching propositions for all segments (prepaid, postpaid and business). Our goal was to maintain our subscriber base by improving the quality of our services and enhancing our customer experience. Focusing on data evolution and data availability, we also launched a wide range of broadband and value added services. Moreover, we aimed for coverage and regional boosts by implementing an aggressive rollout to compensate for the slow activity that marked the first quarter. Nevertheless, Mobinil was able to approach all these initiatives while taking into account cost optimization.

Business Innovation

Maintaining our Subscriber Base

Our customers are the focal point of our business. In 2011, one of Mobinil's goals was to maintain its existing subscriber base. We did so by encouraging our customers to increase their usage levels through the SPECIAL Rewards Program. SPECIAL was launched to award customers for their loyalty by granting points in return for the usage of Voice, SMS, Data and VAS. Secondly, to drive our customers to use and recharge their prepaid lines and in light of addressing the dual SIM phenomenon, recharge promos were launched throughout the year. The Happy Friday Promo, on the other hand, was launched in order to reach the widest range of customers possible. It entailed a different promotion every Friday which was tailored to celebrate special occasions in the lives of Mobinil customers. Offers ranged from free minutes to discounts on devices, free calls, free SMS, free call tones and great discounts on a range of Value Added Services. Finally, to encourage prepaid customers to re-use their deactivated lines, an exclusive retention promotion, Talk, was launched offering free minutes to any Mobinil number.

Enhancing customer experience

Many technologies were introduced to enhance Voice calls and Data usage across the network in light of providing customers with an enhanced experience. Moreover, on the commercial front, many steps were taken to further customer experience and satisfaction.

Consumer market

Prepaid

For the prepaid market, Mobinil sought to offer its customers affordable and appealing services. It launched the first complete entertainment platform with a prepaid tariff titled Ghanily. It also launched the strongest value proposition of the year, ElKol 14, which allowed customers to enjoy a unified minute rate in addition to daily free minutes.

Postpaid

To address the various needs of postpaid customers, new especially-tailored Star tariffs were introduced: Star Global (the most all-inclusive tariff in Egypt), Star Online (conveniently combines unlimited calls, ADSL and mobile internet), Star Smartphone (designed for smartphones), Star Etkalem (combines free minutes with unlimited calls), and Star Control (the best minute rate in Egypt and the ability to control spending with the added convenience of using Mobinil scratch cards).

Business market

On the enterprise market front, Mobinil aimed to enhanced customer experience by creating offers that would give customers the tools needed to boost business connectivity while providing greater efficiency and savings. Therefore, Mobinil collaborated with LINKdotNET to launch the Virtual Office Go Business, the first tailored business solutions for the Egyptian enterprise market.

i-Control was also launched, offering a monthly pool of credit and closed user group minutes. These tariffs provided account owners the flexibility to distribute credit to their employees as per each employee's business needs and consumption.

In light of widening our customer base even further, Mobinil launched promotions to address the needs of the new prepaid segment within the Business market. Corporate prepaid buckets, such as the Industrial Zone Tariff, were launched offering free monthly intercompany minutes in addition to inclusive minutes to any mobile or fixed line in Egypt, as well as other tailored services.

Value Added Services

On the value added services (VAS) front, Mobinil introduced new services and enhanced existing ones to offer its customers a new level of convenience. Customers, for example, were able to track all international and internal flight arrivals and departures including terminal numbers through the **Mobinil 8000** directory, which continues to be the leading directory assistance service in Egypt.

The **MyCopy** application was also developed in order to address the issue of data loss. The application allows subscribers to backup and restore handset contacts in addition to other important data without having to connect their handsets to any hardware. Additionally, the **Felsaree3** application was developed to help customers update their contacts with the new numbering plan introduced in Egypt. Further, Mobinil launched a service called **i-answer** which prompts users to send a predefined SMS to rejected calls.

Finally, Mobinil and Google collaborated to offer a first of its kind service in Egypt that allows customers to chat in real time with online Gmail users via SMS. With this new feature, social network fans were able to stay updated with all Facebook and Twitter notifications and therefore staying connected at all times.

Digital Customer Support

Among the biggest achievements of 2011 was the digital customer support, offered to our customers through social media networks. The support service, led by a dedicated and knowledgeable customer service team, offers its services 24/7. Mobinil is the only operator that offers continuous customer support online.

Improving quality

Modernization is a key element for Mobinil. Our technology team was able to complete an IP Microwave network modernization project which secures for the company support for potential network growth over the next years. The migration of legacy elements, the swapping of the current systems for a superior one, and the upgrading of software releases will enable for Mobinil the latest technologies and features.

Data Evolution and Availability

Mobinil had two goals with regards to mobile Broadband (MBB). First it aimed to expand its MBB customer base by rewarding customers for higher usage of MBB plans; and secondly, it aimed to enhance the services that were already offered to existing customers.

Mobinil also made smartphones more available by launching a series of upscale and affordable devices bundled with attractive promotions. The devices varied from RIM BlackBerry handsets to iPhones. Not only so, but Mobinil also launched its Android smartphones at competitive prices in order to address a wider market.

Additionally, in order to cater to the various needs of personal and business postpaid customers, Mobinil launched promotions that allowed its customers to enjoy data usage while traveling, at affordable prices. Roaming Data Traveler Buckets and the Unified Data Global Rate were amongst the offers launched by Mobinil in 2011.

Aggressive rollout

In early 2011, amidst the lack of security, site theft incidents and public resistance to building new sites negatively impacted our rollout rates. However, we picked up the pace in the second quarter by implementing an aggressive rollout. Throughout the year, we successfully rolled out sites to support higher data rates, enhance 3G data user experience, and boost coverage. By doing so, Mobinil strengthened its coverage in the areas where it already exists, and stimulated its coverage in regions where it has low-penetration.

Cost Optimization

The company's technological OPEX was contained throughout 2011. Moreover, our technology team worked on transforming the company's legacy network to a state of the art modern network which allowed for the improvement of quality and coverage while reducing environmental footprint, power consumption and OPEX.

Furthermore, the IP Microwave network modernization project is expected to save technological OPEX by optimizing frequency fees and increasing BW efficiency.

Mobinil ended the financial year 2011 with a very active fourth quarter on the commercial front making up for the slow start in the beginning of the year. Our main aim was to appease our customers through offering higher value for their spending, and to provide the market with new and innovative propositions that would allow us to be highly competitive amongst the other mobile operators in Egypt.

Mobinil ended the financial year 2011 with a very active fourth quarter on the commercial front making up for the slow start in the beginning of the year.

For three consecutive quarters in 2011, Mobinil was ranked the best network in Egypt by the NTRA.

Awards

For three consecutive quarters in 2011, Mobinil was ranked the best network in Egypt by the National Telecommunicats Regulatory Authority (NTRA) through its regular performance quality report on Mobinil and the other two operators' networks. We are proud to say that Mobinil was found to be the only operator with zero violations in voice and data; and for two consecutive quarters, the best operator in terms of Call blocking, Call Drop Rate, Data Session Block Rate, and Average Setup time to start data session.

Moreover, our IN Swap project received an award for its remarkable performance at Orange's Networks, Carriers and Information Technology (ITN) Awards. Mobinil also achieved smooth migration of 32 million subscribers in 2011 through its New Numbering Plan Project which received the Board's recognition.

LINKdotNET ("LDN")

Mobinil acquired LINKdotNET in September 2010 in light of expanding the scope of its services, providing better experience to its customers, and catering to the increasing demand for broadband services.

Throughout 2011, LINKdotNET was faced with the challenges that impacted the market as a whole. The unstable political and security conditions that marked the beginning of the year had an impact on LDN's normal operations. It was also challenged with maintaining its market position amidst the highly competitive market and the declining ARPU. Finally, LINKdotNET had to scale its operational capabilities in order to cater to the increasing demand for broadband services.

In response to these challenges, LINKdotNET set for itself a clear strategic direction in 2011. First, it focused on maintaining its position as the most innovative ISP in the market. Secondly, it aimed to offer the best technical know-how as well as customer services in Egypt. And finally, it launched a wide range of value added services that guaranteed it a competitive edge in the market.

On the technical front, LINKdotNET successfully launched LINK-Conferencing, a high-end video conferencing service, dedicated to the corporate segment. It was also able to offer ADSL services at the broadband speed of 48Mbps, the first in the country, under the name of LINKDSL-PLUS. Finally, LINKdotNET acquired the right to stream the English Premiere League on its portal. This allowed customers exclusive and free access to all the EPL matches.

On the commercial front, LINKdotNET aspired to focus on the acquisition of new ADSL consumers by launching competitive promotions. In that spirit, it bundled ADSL offers with Mobinil data plans, an undertaking which proved to be successful for both companies. Moreover, LINKdotNET availed consumer services such as bill payments and new subscriptions at Mobinil shops, franchises and distributors. Also and in light of exceeding customer expectations, LINKdotNET launched unconventional offers and benefits for its customers.

With regards to the corporate segment, the company's main focus was to retain the existing enterprise clients. Consequently, its strategy was to push for downgrades rather than cancellations, knowing that this strategy would pay off in the near-future.

On the CSR front, LINKdotNET launched the Egypt 2011 campaign aimed at engaging the community in sharing ideas on how to build, save and clean Egypt. Engagement was done through LINKdotNET's social network pages. More than 400 ideas were shared and filtered in light of turning them into actual projects for the coming year.

2012 Projections for LINKdotNET

For LINKdotNET, its 2012 goals are to become a faster, more strategic and more unified company by enhancing its organizational efficiency. Moreover, it seeks to maintain its position in the Egyptian market as the leading service provider in terms of quality, customer satisfaction and competitive prices. Furthermore, LINKdotNET acquired the triple-play license in 2011 which it believes will enable it to explore new promising opportunities within the residential compounds market.

People

Mobinil is home to 4,685* talented and dedicated people whom we consider to be our most valued asset. Investing in the wellbeing, security, and both personal and professional growth of our people is one of our top priorities. Mobinil continued to focus throughout 2011 on the development of its employees' business skills by rewarding and encouraging excellence, in light of capitalizing on their future growth. We also enhanced our HR programs and policies in our efforts to ensure our employees' satisfaction and deliver on our promise "People at the Heart: Nurturing Talent, Building Partnerships."

*This figure includes LINKdotNET and Link Egypt employees.

Investing in our most valued asset

In order to make the enhancement of our customer experience possible, Mobinil saw that it needed to invest in its employees by offering them the know-how necessary to achieve this goal. Two major programs were developed to support this direction: Sales Academy and Customer Centricity.

The Sales Academy was put in place to empower our sales employees to deliver superior customer experience by offering the tools to develop the required skills, knowledge and performance. The Sales Academy offers one-year programs with learning paths tailored to each employee based on his/her job profile.

The Customer Centricity program, which was actually launched in 2010, continued running throughout 2011. The idea behind the program is to create a customer-centric culture that goes beyond employees handling our customer interface to employees at all levels and in all departments. The program entails hands-on workshops for all company executives and senior management, with the goal of setting the roadmap for the following year. In 2011, the sessions were extended to cover the Commercial and Customer Service Middle Management as well as the Front liners. Our plan for 2012 is to expand to the Non-Commercial Management.

Mobinil's Code of Conduct

Mobinil's Code of Conduct communicates to all employees and to the public its ethical commitments to all stakeholders including our customers, employees, shareholders, suppliers, and the Egyptian community. It highlights the company's core values which guide employees' day-to-day actions and decisions.

In 2011, we launched the Ethics E-Challenge, part of our efforts to promote Mobinil's professional standards of conduct. The program aims to guide employees at all levels to develop sound ethical reasoning when faced with ethically-challenging situations. The initiative comes in a contest form: mini-case studies are posted on the company's Intranet describing a scenario with an ethical dilemma, participants are expected to pick the correct answer out of multiple choices. A total of 1692 employees took 7678 quizzes covering the 15 mini case studies.

> Investing in the wellbeing, security, and both personal and professional growth of our people is one of our top priorities.

> In order to make the enhancement of our customer experience possible, Mobinil saw that it needed to invest in its employees by offering them the know-how necessary to achieve this goal.

Our Values

Seek Excellence

Our passion to excel makes our customers at the heart of our business, offering them the best services and the best value for money.

We work professionally, push for quality, value loyalty and never settle for anything less.

We adopt the highest standards of service to each and every customer, internally or externally.

We continuously advance our professional knowledge and capabilities to maintain the competence required to provide top-quality results.

Friendly

We enjoy working and succeeding together by building good working relationships in a friendly and positive work environment.

We enjoy serving our customers and we are delighted when we make them happy and satisfied.

We treat everyone with the respect and dignity we desire for ourselves.

Dynamic

We are passionate about our business and we are committed to meeting the changing needs of our customers.

We are trend-setters in everything we do and we work passionately to bring the future to the hands of our customers in a fast-moving, state-of-the-art telecommunications market.

Simple

We communicate with clarity and simplicity.

We are always direct and easy to understand.

We satisfy our customers in the most simple and convenient style.

We are committed to ensuring utmost efficiency in all our processes, to ensure we work smoothly and effectively.

We say simply and clearly what we do and we ensure that we do what we say.

Humane

We genuinely believe in our role to help create a brighter reality for our community.

We are proud to be a responsible corporate citizen caring for the public good.

The aim of our Corporate Social Responsibility programs is to give back to our community, provide a sense of hope, and bring out the human face behind our leadership

We have a responsibility to balance the needs of our stakeholders as well as meeting our social, ethical and environmental obligations.

Corporate responsibility is an integral part of our strategic planning and daily activities.

Governance

Corporate Governance

Mission Statement

We aspire to promote best-in-class governance practices, to attain the highest level of transparency, accountability and integrity and consequently, to ensure that the interests of the Board and management are aligned with those of the Company and the shareholders.

We are responsible to:

- Promote and strengthen transparency, accuracy and efficiency as the governing drivers of Mobinil;
- Protect and facilitate the exercise of shareholders' rights;
- Ensure equitable treatment of all shareholders;
- Ensure that timely and accurate disclosure is made on all material matters, including the financial situation, performance, ownership and governance;
- Recognize the rights of stakeholders established by law or through mutual agreements;
- Encourage active co-operation between Mobinil and its stakeholders in creating wealth, jobs, and the sustainability of financially sound and profitable enterprise.

Policies

Related Parties Transactions

- Any Related Parties Transactions where the amount included exceeds EGP 1 million requires the Board's review, approval or ratification.
- Conflicted Board members cannot participate in discussions on transactions in which they are a conflicted party and must abstain from voting on such issues.
- Approval on any related party transaction involving a Board member occurs in the absence of that member.

Insider transactions

- The Board and/or Permanent Insiders are required to register any Mobinil shares they hold at the time of their appointment, as well as any shares acquired during their tenure as Board Members
- They are prohibited from performing transactions on their shares in Mobinil during "blackout" period.
- The Corporate Secretary confirms the start and end dates of "blackout" periods and notifies the Board and/or Permanent Insiders in timely fashion.

External Auditors

The principle role of the external auditors is to report that the financial accounts, produced by the BOD for the shareholders, truly reflect the state of the company finances.

Ernst and Young

2011 Annual audit fees: EGP 200K

KPMG (Hazem Hassan)

2011 Annual audit fees: EGP 200K

> We ensure equitable treatment of all shareholders.

> We are responsible to encourage active co-operation between Mobinil and its stakeholders in creating wealth, jobs, and the sustainability of financially sound and profitable enterprise.

> We ensure that timely and accurate disclosure is made on all material matters, including the financial situation, performance, ownership and governance.

General Assembly

The final decision-making authority of the Company is exercised at the assembly of its shareholders during their general meetings, "the GA". The GA is the forum where shareholders meet Mobinil Board and senior management to, among others, discuss the Company's performance, voice, opinions and concerns, and review/approve accounts and reports.

Throughout 2011, Mobinil held three ordinary GA meetings (OGAM) and one extraordinary meeting (EGAM). Shareholders had effective participation and exercised their voting rights freely (each share carries one vote).

The most significant decisions adopted by the shareholders during the Ordinary GA meetings were:

- The approval of FY 2010 accounts, balance sheet, Board and External Auditors reports;
- The declaration of 2010 year-end dividend payout;
- The renewal of the Board mandate term and the determination of its remuneration and allowances;
- The appointment of External Auditors and the determination of their fees;
- The approval of 2011 donations budget;
- The authorization for the Board to undertake related parties transactions.

The Extraordinary GA meeting covered mainly the following particular matter:

The approval of adding activities to the company's purpose to include:

- Producing, manufacturing and selling magnetic, non-magnetic cards and all cards related to mobiles in addition to bills and printings productions.
- Establishing an audio, video and written information transfer network and offering value added services after obtaining a license from the concerned authorities according to the rules and regulations applied in Egypt.

(OGAM and EGAM summary of resolutions on Mobinil website www.mobinil.com)

Description	Date	Attendance Percentage
Ordinary General Assembly Meeting (Annual)	January 5, 2011	71. 36%
Extraordinary General Assembly Meeting	January 5, 2011	71.21%
Ordinary General Assembly Meeting	March 22, 2011	71.21%
Ordinary General Assembly Meeting	May 19, 2011	71.31%

Our Board of Directors

The Board of Directors is the body that represents all shareholders and acts in the best interest of the company as a whole. The Board manages its affairs based on the General Assembly's authorization; however, full responsibility for the company remains under the Board.

The Board is responsible to:

- Provide entrepreneurial leadership within a framework of prudent and effective controls, enabling risk to be assessed and managed;
- Ensure that our obligations towards our stakeholders are understood and met;
- Ensure the integrity of our accounting and financial reporting systems;
- Oversee and assesses the company performance;
- Uphold responsibilities towards our environment, community, employees, customers, government authorities, media bodies and suppliers.

The Board is composed of thirteen (13) members - a majority of whom are non-executive directors who meet the rules and requirements of the Egyptian Financial Supervisory Authority (EFSA) and the Egyptian Exchange (EGX) - and an honorary Chairman who has no voting rights.

The Board's members are representatives nominated from various shareholders and in accordance with the capital ownership structure.

Shareholder	ECMS Capital Ownership	Representatives
Mobinil for Telecommunications S.A.E	51%	9
Orascom Telecom Holding	20%	1
Public Shareholders	29%	3

*The current BOD was elected in March 2010 for a 3-year term.

Board meetings

The Board meets a minimum of four times a year (at least once each quarter), on a schedule adopted by the members, and as many additional times as it deems necessary.

In 2011:

- The Board held a total of ten sessions, a few of which were held via conference call or by circulation.
- Yves Gauthier was appointed Chief Executive Officer by Mobinil Board of Directors on September 21, 2011.

Board Members names	Attendance in person	Attendance in proxy	Total Attendance
Onsi Sawiris (Honorary Chairman)	7	-	7/10
Alex Shalaby (non-executive chairman)	10	-	10/10
Michel Monzani (non-executive Vice-Chairman)	10	-	10/10
Hassan Kabbani (CEO)	8	-	8/8
Yves Gauthier (CEO) ▲	2		2/2
Marc Rennard	10	-	10/10
Naguib Sawiris	6	3	9/10
Gérard Ries	9	1	10/10
Claude Benmussa	10	-	10/10
Jean-Michel Thibaud	8	2	10/10
Aldo Mareuse	10	-	10/10
Henri de Joux	10	-	10/10
Nadia Makram Ebeid	9	1	10/10
Sheikh Fahd Shobokshi	8	2	10/10
Ahmed Bardai	10	-	10/10

▲ Appointed on September 21, 2011

Board Remuneration

Board Remuneration throughout 2011	Description
Annual Compensation to Chairman	EGP 600,000
Annual Compensation to Board Members	EGP 100,000
Board Attendance fee per member	EGP 20,000
Profit Share remuneration limit per member	--

*Attendance fee is granted only to Board sessions either held by physical meeting or conference call

NB: BOD representing FT/Orange and currently working within the Group decline from receiving personally such remuneration and relinquish it to FT/Orange.

Board Committees

The Board sets up committees, with specific charters, to assist the Directors in carrying out their role. The Board appoints the Committee's Chairman and members, and defines its scope of responsibilities. Within this scope, each committee is to formulate proposals and recommendations. Mobinil currently has two board committees.

Audit Committee

The Audit Committee assists the Board in, among others, the oversight of both the internal and external audit functions. It receives its authority and its assignments from the Board which holds the final decision-making authority and action.

Audit Committee meetings

The Audit Committee meets at least four times per year (once each quarter), physically or via conference call, on a schedule adopted by the Committee, and as many additional times as deemed necessary.

During 2011, the Audit Committee held eight meetings/conference calls. It also held a closed meeting with the external and internal auditors, i.e. without management.

Audit Committee remuneration

ECMS Audit Committee members do not have a remuneration plan. However, at the Annual General Assembly held on March 22, 2011, the Shareholders approved an attendance fee per meeting and/or conference call.

Audit Committee Composition

Claude Benmussa Senior Advisor PricewaterhouseCoopers (PwC). Mobinil for Telecommunications S.A.E Representative.	Chairman
Ahmed Bardai Chief Executive Officer – REEFY. Public Shareholders Representative.	Member
Aldo Mareuse Group Chief Financial Officer, Orascom Telecom Holding. Orascom Telecom Holding Representative	Member
Jean-Michel Thibaud Treasurer, FT/Orange Group. Mobinil for Telecommunications S.A.E Representative.	Member

Audit Committee Members	Ateendance in person	Attendance by proxy	Attendance
Claude Benmussa (Chairman)	8	-	8/8
Ahmed Bardai	8	-	8/8
Aldo Mareuse	8	-	8/8
Jean-Michel Thibaud	6	2	8/8

Audit Committee attendance fee for 2011	Description
Attendance fee for Chairman	EGP 25,000
Attendance fee per member	EGP 20,000

Compensation Committee

The Compensation Committee was created to, among others; benchmark Mobinil as an employer against other companies in the Egyptian market. It receives its authority and its assignments from the Board which holds the final decision-making authority and action.

Compensation Committee meetings

The Committee meets at least two scheduled times per year, and as many additional times as deemed necessary.

During 2011, the Compensation Committee held two meetings.

Compensation Committee composition

Marc Rennard Executive Vice President International, Africa, Middle east and Asia– France Telecom. Mobinil for Telecommunications Representative.	Chairman
Naguib Sawiris Executive Chairman – OTMT (Under Establishment) Founder – OTH Mobinil for Telecommunications S.A.E Representative.	Member

*The Compensation Committee Members do not have a remuneration package nor attendance fee.

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 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.

France Telecom-Orange

France Telecom-Orange is one of the world's leading telecommunications operators with 172,000 employees worldwide, including 105,000 employees in France, and sales of 45.3 billion euros in 2011. Present in 35 countries, the Group had a customer base of 226 million customers at December 31, 2011, including 147 million customers under the Orange brand, the Group's single brand for internet, television and mobile services in the majority of countries where the company operates. At December 31, 2011, the Group had 167 million mobile customers and 14 million broadband internet (ADSL, fibre) customers worldwide. Orange is one of the main European operators for mobile and broadband internet services and, under the brand Orange Business Services, is one of the world leaders in providing telecommunication services to multinational companies.

With its industrial project, "conquests 2015", Orange is simultaneously addressing its employees, customers and shareholders, as well as the society in which the company operates, through a concrete set of action plans. These commitments are expressed through a new vision of human resources for employees; through the deployment of a network infrastructure upon which the Group will build its future growth; through the Group's ambition to offer a superior customer experience thanks in particular to improved quality of service; and through the acceleration of international development

France Telecom (NYSE:FTE) is listed on Euronext Paris (compartment A) and on the New York Stock Exchange.

For more information (on the internet and on your mobile): www.orange.com , www.orange-business.com , www.orange-innovation.tv

Orascom Telecom Holding

Orascom Telecom is a leading international telecommunications company that operates GSM networks in high growth markets in the Middle East, Africa and Asia. It has a total population under license of approximately 415 million, with an average mobile telephony penetration of approximately 48% as of December 31, 2011. Orascom Telecom operates GSM networks in Algeria ("OTA"), Pakistan ("Mobilink"), Bangladesh ("banglalink"), as well as Canada ("Wind Mobile") through its indirect equity shareholding in Globalive Wireless. In addition, it has an indirect equity ownership in Telecel Zimbabwe (Zimbabwe) and through its subsidiary Telecel Globe. OTH also operates in Burundi and the Central African Republic. Orascom Telecom reached over 78 million subscribers as of December 31, 2011.

Orascom Telecom is traded on the Egyptian Exchange under the symbol (ORTE.CA, ORAT EY), and on the London Stock Exchange its GDR is traded under the symbol (ORTEq.L, OTLD LI). For more information visit www.orascomtelecom.com

N.B Following the demerger of OTH into two entities - Orascom Telecom Media and Technology Holding (OTMT) S.A.E. and Orascom Telecom Holding (OTH) S.A.E., OTH's interests and shares in Mobinil have been transferred to OTMT as of December 29, 2011.

Control Environment

Driven by its determination to promote best-in-class governance practices and to ensure a fraud-free and well controlled environment within Mobinil, the Board established clear processes to monitor the systems of internal audit, internal control and risk management.

Internal audit

The objectives of the Internal Audit are to provide assurance that the controls needed for effective operational continuity are in place. It is also responsible to address any risk issues and to define mitigation plans, business improvements and operational enhancements.

The Internal Audit provides unbiased, objective, risk-based audits and investigations for operational and financial activities, in both scheduled and unplanned manners. Whenever significant weaknesses are identified throughout the year, appropriate remedial actions are taken.

It also promotes consistent corporate integrity, honesty and ethical behavior with zero-tolerance to fraud. To achieve this mission, the Internal Audit organized throughout the year several fraud awareness trainings for Mobinil's staff aiming to promote a sound fraud control environment.

Moreover, during 2011, the Internal Audit conducted audits such as Supply chain and Treasury Management, Customer Retention, Business Continuity, and Physical Security of Data Centers and Switches. Starting Q4 2011, the Internal Audit extended its activities to cover LINKdotNET.

Internal Control

Mobinil has a dynamic internal control system which contributes, with other governing activities, to the production of reliable and transparent financial information while protecting physical and intellectual property.

Using one of the best in class controls framework, Mobinil continues to review its control systems. Furthermore, a compliance certification process is conducted yearly in accordance with Sarbanes-Oxley Act (SOX) requirements.

The Internal Control aims to provide reasonable assurance vis-à-vis the reliability of documentation and financial reporting, the effectiveness of operations, and the compliance with laws and regulations. It also ensures that responses to risks are carried out through continuous monitoring and mitigation.

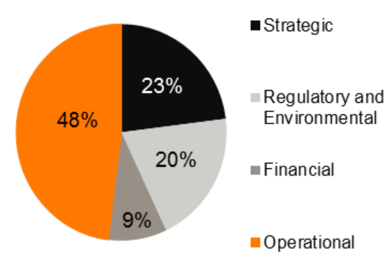
In 2011, Mobinil achieved, for the sixth consecutive year, compliance on both the Financial Reporting and Closing Process and Control Environment levels. The Internal Control also succeeded in the coverage of significant "Prepaid Revenue" risks to allow for better risk coverage.

Risk management

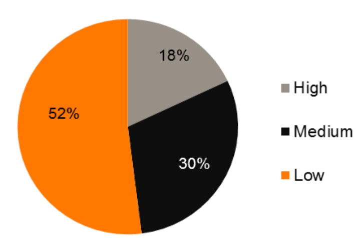
Mobinil's Risk Management is a management sounding board that identifies and monitors risks. It actively participates in all Orange risk management related forums, leading specifically the Mobinil Business Continuity Program and Corporate Information Security Forum.

A semiannual update of the risk list is presented in June and December. The exercise is aligned with the group risk forum directions. Its purpose is to mainly address events that may impede Mobinil from attaining its strategic objectives and yearly plans and priorities. It is conducted in one-to-one interviews will all executives, in which updates are given on the progress of the mitigation plan, risk value is assessed, and potential risks are identified. There are two methods of categorizations for Mobinil's risks: 1. by type: strategic, financial, operational, or regulatory and environment; 2. by magnitude: low, medium, or high. The findings are presented at the Board level, and it is the Audit Committee's role to ensure that the required attention is given by Mobinil's Executives to deal with such risks/opportunities.

Breakdown of 2011 risks by categories



Breakdown of 2011 risks by magnitude



Social Responsibility

Corporate Social Responsibility

Mobinil is a responsible corporate citizen that is keen on giving back to the community and protecting the environment. It does that by supporting social and cultural activities and by launching initiatives promoting sustainable development of our communities.

Ongoing initiatives

Amongst Mobinil's ongoing CSR initiatives is the "Polio Vaccination Campaign", organized under its partnership with UNICEF and the Ministry of Health and Population. This initiative has been going on since 2006, as a series of immunization campaigns for polio eradication. By October 2011, more than 12 million children, under the age of five, were successfully vaccinated.

Moreover, one of Mobinil's objectives is to positively stimulate the research and development culture in Egypt. Consequently, it has sponsored the 'Young Innovators' Awards program , which was created to recognize the most innovative university graduation projects as well as the respective groups of students who were responsible to accomplish such projects. Mobinil supported a number of telecom-centered projects and also participated in the evaluation of the presented projects. To-date, more than 3,000 young scientists, researchers and engineers from different universities have received the YIA awards or scholarships to support their graduate education.

However, because 2011 was an exceptional year, Mobinil decided to launch additional initiatives to live up to the local, as well as global, events of the year.

The Right of Every Egyptian Hand to Work

The major initiative that Mobinil launched this year was called "The Right of Every Egyptian Hand to Work." It was organized in cooperation with five large charity foundations and organizations in Egypt. The purpose of this CSR initiative was to train and prepare 100,000 Egyptians to obtain suitable jobs that would allow them to support their families.

The first phase of the initiative entailed working with 2000 beneficiaries in need of micro-projects such as sewing, handcrafts, and trade garments. The second phase aimed to empower and find job opportunities for people with disabilities. The third phase involved the rehabilitation and empowerment of 120 blind people within 24 months, using information technology services and communicating with braille. In the fourth phase, as part of Mobinil's continued effort to help the Egyptian youth, Mobinil and Injaz Egypt sponsored the launch of ten small companies by student groups from different universities. The fifth phase contributed to economic development through field programs and a network dedicated to support low-income artisans. The initiative to employ 100,000 Egyptians will keep going on for the coming years and will continue to expand in both scope and depth, in order to reach its ambitious goal of improving the lives of the Egyptian people. To express its solidarity with Egypt and with the victims of the 2011 events, Mobinil, in collaboration with New Kasr El Aini Hospital Blood Transfusion Center, started a blood donation campaign in which all employees had the opportunity to donate blood and help save lives.

"Give Blood and Help Save lives"

To express its solidarity with Egypt and with the victims of the 2011 events, Mobinil, in collaboration with New Kasr El Aini Hospital Blood Transfusion Center, started a blood donation campaign in which all employees had the opportunity to donate blood and help save lives.

Tweetback

In 2011, Mobinil was in the lead among local and multinational companies contributing to Egypt's first social media-driven humanitarian fundraising project called "Tweetback." This initiative managed to raise over EGP 1.3 million in funds for Ezbet Khairallah, a sprawling unplanned community.

Mobinil supports Somalia

As a responsible corporate citizen, Mobinil participated in a nationwide initiative to support Somalia by launching an SMS donation campaign. SMSs were sent to all Mobinil customers encouraging them to donate EGP 5 to the Somali people by sending an empty SMS to 9596. By the end of this initiative, a net amount of EGP 414,964.47 was collected from the Mobinil SMS donation campaign for Somalia.

Environmental Sustainability

Mobinil constantly inspects all of its new and existing cell sites to ensure they comply with the Egyptian protocol for site construction and operation. This activity is supervised by the National Telecom Regulatory Authority; part of the ministry of ICT. The rate of Electro-Magnetic emission compliance for our sites in 2011 was 100%; a success rate that we're proud to maintain through the years.

Mobinil's environmental management system was ISO 14001 certified since 2001. The certification's perimeter covers all of company's premises.

To ensure the right information is properly communicated, Mobinil held public dialogue and awareness sessions all over Egypt; and in an attempt to 'Bridge the digital divide', we established a special program to refurbish our obsolete computers and donating them to charity.

Mobinil has several ongoing programs to reduce consumption and raise operational efficiency. The savings address all resources; energy, water, paper and more. In 2011; we had 118 sites operating solely on clean, renewable, solar energy. The amount of power generated was 1.1GWh thus saving 5900 Tons of potential carbon emissions…. We also recycled 39 Tons of paper and cardboard, 5800 fluorescent bulbs and 40,000 plastic bottles.

Mobile recycling for Mobinil employees

Keeping in line with our shareholders' directions, Mobinil started in 2011 an internal mobile recycling initiative. An online tool was developed to make the collection process of used handsets easier for recycling purposes.

Towards "Safer Internet"

The GSM Association launched a multiyear research project with industry groups and mobile operators across the world aiming to provide a picture of the societal effects of mobile phone use in order to discover similarities and differences between geographic markets at various stages of development.

This year Egypt was selected for the research and Mobinil was the local sponsor. A survey covering 1014 couples of children and guardians, in four urban areas, was launched. The field work required collaboration between the Ministry of ICT, GSMA teams, and local NGO partners and the results were quite interesting.

*View the report at http://www.gsma.com/myouth-export-data-sets/

A pilot program to diagnose dermatology patients

Mobinil, in collaboration with Qualcomm, Click Diagnostics, and the Egyptian Ministry of Health and supported by the Ministry of ICT, launched a pilot program to test the use of Mobinil's 3G mobile network in the field of dermatology to diagnose skin conditions remotely.

The program aims to provide patients living in low income areas with expert medical services, spreading benefits of 3G technologies and providing better training opportunities for junior doctors.

Financials

Results of Operations

Expenses and Cost of Operation

Mobinil evidenced 12.8% increase in total operating costs amounting to EGP 9,332 million by year-end 2011 compared to EGP 8,274 million for year-end 2010. This increase has mainly resulted from the increase of cost of services, selling, general and administrative expenses (SG&A), depreciation and amortization (D&A).

- **Cost of services** increased by 5.9 % reaching EGP 2,543 million for year-end 2011 vs. EGP 2, 401 million in year-end 2010. This increase was mainly due to the cost of LINKdotNET and Link Egypt (our ISP vehicle) that was consolidated on FY 2011 compared to only 4 months in 2010.
- **Other operating costs** amounting to EGP 1,768 million for FY 2011 with no change compared to FY 2010, which was due to efficiency in managing the operating cost.
- **Depreciation and amortization** increased by 20.3% reaching EGP 2,408 million in FY 2011 compared to EGP 2,001 million in FY 2010, mainly due to the increase of GSM network equipment depreciation, which resulted from
  - The new capital expenditures;
  - The 1.1 BEGP 3G license amortization (which was added by the end of 2010); and
  - The full year amortization related to the ISP intangible assets vs. only 4 months amortization in 2010.
  - The accelerated depreciation resulting from swapping part of the network from 2G to 3G.
- **Selling, general and administrative expenses** reached EGP 2,358 million, 27.5% increase YoY compared to EGP 1,849 million in year-end 2010. This increase was mainly driven by the application of different accounting treatment to employees' bonus in addition to consolidating ISP expenses on FY 2011 compared to only 4 months in 2010.
- **Provisions** no longer required decreased by 3.5% reaching EGP 191 million in year-end 2011 compared to EGP 198 million in 2010. This decrease resulted mainly from the settlement of certain contingent liabilities related to prior years.

Net Operating Profit

Mobinil's net operating profit reached EGP 850 million, a decrease of 63.1% YoY vs. EGP 2,302 million in year-end 2010. This decrease was primarily attributable to the erosion in revenue coupled with the increase in expenses and cost of operation during 2011.

Other Income

Other income reached EGP 20 million, representing a decrease of 42.9% YoY, compared to EGP 35 million in 2010, which was due to non-recurring compensation received from suppliers for the late delivery of equipment in 2010.

Interest Expense

Interest expense rose by 32.6% reaching EGP 841 million in year-end 2011 compared to EGP 634 million in 2010 due to the increase in 2011 average debt balance mainly attributable to the funding of the license and the acquisition of LDN.

Capital Loss

Capital loss reached EGP 37 million in 2011, a loss increase of 117.6 % YoY compared to EGP 17 million in 2010, mostly driven by the increase of fixed assets retirements in 2011 compared to 2010. The latter resulted from the network upgrade exercise that was introduced to provide customers with high quality services.

Net Foreign Currencies Exchange Differences

Differences from net foreign currencies exchange reached a loss of EGP 10 million in FY 2011 compared to a gain of EGP 21 million in 2010, which was attributable to the fluctuation of Euro and USD during 2011 vs. 2010.

Net Profit for the Year

Mobinil recorded a net loss of EGP 253 million for FY 2011 compared to a net profit of EGP 1,359 million in 2010. The net loss is mainly due to the erosion of mobile revenues, the application of different accounting treatment to employees' bonus and the new tax regime.

Unconsolidated Financial Statements

Ernst & Young
Allied for Accounting & Auditing
Ring road , Zone # 10A-Rama Tower,
kattameya

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

Auditors' Report to the Shareholders of
The Egyptian Company for Mobile Services S.A.E.

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of The Egyptian Company For Mobile Services S.A.E., which comprise the unconsolidated balance sheet as at December 31, 2011, and the unconsolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the unconsolidated Financial Statements

These unconsolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the Egyptian Accounting Standards and applicable Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the unconsolidated financial statements referred to above present fairly, in all material respects, the unconsolidated financial position of The Egyptian Company For Mobile Services S.A.E. as at December 31, 2011, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these unconsolidated financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (28) to the unconsolidated financial statements, the Company filed a lawsuit against the National Telecommunication Regulatory Authority (NTRA) to cancel NTRA's decision relating to the amendments of the interconnect prices between the fixed and mobile networks.

The Company and its external legal counselor believe that the possibility of winning the lawsuit is probable as NTRA's decision does not have legal or contractual ground, therefore the Company continued to recognize interconnect revenue and costs from and to Telecom Egypt and the other mobile operators based on the existing agreements.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the unconsolidated financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

Ernst & Young
Allied for Accounting & Auditing

KPMG Hazem Hassan

Cairo February 21, 2012

Unconsolidated Balance Sheet as at December 31, 2011

	Note No.	31/12/2011 L.E	31/12/2010 L.E
Long term assets			
Fixed assets (net)	(2c,3)	9 046 350 400	9 531 337 780
Assets under construction	(5)	891 210 909	588 864 619
Licenses fees (net)	(2e,4,21)	3 502 862 596	3 826 139 262
Investments in subsidiaries	(2f,6)	306 865 366	306 436 482
Rent deposits		18 801 407	18 100 416
Total long term assets		**13 766 090 678**	**14 270 878 559**
Current assets			
Inventory	(2g,7)	117 275 432	133 082 599
Accounts and notes receivable	(8)	524 643 743	398 171 927
Other debit balances	(9)	965 460 650	863 713 643
Prepaid expenses		195 244 604	215 560 064
Cash at banks and on hand	(10)	1 208 032 808	546 295 769
Total current assets		**3 010 657 237**	**2 156 824 002**
Current liabilities			
Provisions	(2m,11)	432 643 725	419 290 161
Banks facilities	(12)	376 738 934	202 174 959
Short term loans	(2k,16)	1 734 453 333	814 986 667
Creditors	(13)	2 234 712 667	1 853 547 705
Other credit balances	(14)	953 470 089	908 871 603
Accrued expenses		1 157 934 600	1 044 494 565
Total current liabilities		**6 889 953 348**	**5 243 365 660**
Excess of current liabilities over current assets		**(3 879 296 111)**	**(3 086 541 658)**
Net Investments		**9 886 794 567**	**11 184 336 901**
Financed as follows:			
Equity			
Paid up capital	(17)	1 000 000 000	1 000 000 000
Legal reserve		200 000 000	200 000 000
Equity settled share based payments	(2L,24)	12 810 269	15 958 132
Retained earnings		1 598 649 291	1 632 995 517
Net (loss) / profit for the year		(170 955 760)	1 378 012 462
Total equity		2 640 503 800	4 226 966 111
Long term liabilities			
Fixed assets suppliers		45 706 225	302 088 016
Loans	(2k,16)	4 825 294 236	4 498 948 930
Bonds	(29)	1 475 459 420	1 469 209 839
Deferred tax liabilities	(2j,19)	899 830 886	687 124 005
Total long term liabilities		7 246 290 767	6 957 370 790
Total equity and long term liabilities		**9 886 794 567**	**11 184 336 901**

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

Unconsolidated Income Statement for the financial year ended December 31, 2011

	Note No.	Financial year ended 31/12/2011 L.E	Financial year ended 31/12/2010 L.E
Operating revenue	(2d)	9 767 996 233	10 450 073 347
Expenses & cost of operation			
Cost of services (excluding depreciation & amortization)		(2 339 885 394)	(2 350 063 447)
Other operating costs		(1 766 450 167)	(1 778 551 299)
Depreciation & amortization		(2 324 771 240)	(1 970 923 444)
Selling, general and administrative expenses		(2 167 841 927)	(1 782 759 245)
Remuneration, allowances and salaries of board members		(9 461 593)	(10 000 146)
Impairment losses of accounts receivable		(45 938 658)	(42 434 470)
Provisions	(2m,11)	(245 217 980)	(210 146 934)
Provisions no longer required	(2m, 11)	52 124 483	14 105 011
Total operating costs		(8 847 442 476)	(8 130 773 974)
Net operating profit		**920 553 757**	**2 319 299 373**
Add / (Less)			
Interest income		42 584 069	43 526 987
Other income		19 361 469	34 825 683
Interest expense		(838 816 525)	(631 516 110)
Capital loss		(36 592 310)	(17 357 777)
Net foreign currencies exchange differences	(2b)	(6 067 836)	23 649 170
Net profit for the year before income tax		**101 022 624**	**1 772 427 326**
Current tax	(2j)	(59 271 503)	(246 206 269)
Deferred tax	(2j,19)	**(212 706 881)**	**(148 208 595)**
Income tax	(18)	**(271 978 384)**	**(394 414 864)**
Net (loss) / profit for the year		**(170 955 760)**	**1 378 012 462**
(Losses) / Earnings per share	(20)	**(1.71)**	**12.01**

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

Unconsolidated Cash Flows Statement for the financial year ended December 31, 2011

	Note No.	Financial year ended 31/12/2011 L.E	Financial year ended 31/12/2010 L.E
Cash flows from operating activities			
Net profit for the year before income tax		101 022 624	1 772 427 326
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation & amortization		2 324 771 240	1 970 923 444
Net change in provisions	(2m,11)	13 353 564	20 293 273
Write-off of accounts receivable		(9 302 036)	(32 521 480)
Impairment losses of accounts receivable		45 938 658	42 434 470
Write-down of inventory		8 804 189	10 714 690
Interest income		(42 584 069)	(43 526 987)
Interest expense		838 816 525	631 516 110
Capital loss		36 592 310	17 357 777
Equity settled share based payments transactions		(3 147 863)	22 641 003
Income tax paid		(266 786 311)	(336 364 754)
Unrealized foreign exchange differences		5 838 259	(11 905 046)
Changes in working capital			
Rent deposits		(700 991)	(4 650 660)
Inventory		7 002 978	(19 573 714)
Accounts and notes receivable		(161 999 532)	(105 743 466)
Other debit balances		9 658 402	(91 793 170)
Prepaid expenses		14 215 460	(37 455 617)
Creditors		4 374 033	(186 584 199)
Other credit balances		139 265 214	(116 412 236)
Accrued expenses		93 167 740	67 031 875
Interest paid		(825 278 077)	(641 651 188)
Net cash provided from operating activities		**2 333 022 317**	**2 927 157 451**
Cash flows from investing activities			
Payments for the purchase of fixed assets and fixed assets under construction	(27)	(1 707 727 891)	(1 919 363 641)
Payments for licenses		–	(1 850 000 000)
Proceeds from sale of fixed assets and fixed assets under construction		9 605 597	10 671 805
Paid on behalf of subsidiaries		–	(278 981 986)
Payments in investments		(428 884)	(305 951 482)
Interest received		44 026 739	41 770 951
Net cash used in investing activities		**(1 654 524 439)**	**(4 301 854 353)**
Cash flows from financing activities			
Proceeds from loans		2 621 100 000	2 190 000 000
Payments of loans		(1 386 386 667)	(1 307 200 000)
Proceeds from bonds	(29)	–	1 464 316 225
Dividends paid		(1 412 358 688)	(889 271 682)
Net cash (used in) / provided from financing activities		**(177 645 355)**	**1 457 844 543**
Effect of exchange rate on cash and cash equivalents		(13 679 459)	16 388 060
Net changes in cash and cash equivalents		487 173 064	99 535 701
Cash and cash equivalents at beginning of the year		344 120 810	244 585 109
Cash and cash equivalents at end of the year	(2p,10)	**831 293 874**	**344 120 810**

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

Unconsolidated Statement of Changes in Equity for the financial year ended December 31, 2011

	Capital	Legal reserve	Equity settled share based payments	Retained earnings	Net profit / loss for the year	Interim Distribution	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Balance as at 31/12/2009	1 000 000 000	200 000 000	(6 682 871)	573 347 139	2 171 562 282	(222 642 222)	3 715 584 328
Profit of 2009 transferred to retained earnings	—	—	—	1 948 920 060	(2 171 562 282)	222 642 222	—
Dividends during 2010	—	—	—	(889 271 682)	—	—	(889 271 682)
Equity settled share based payments	—	—	22 641 003	—	—	—	22 641 003
Net profit for the financial year ended December 31, 2010	—	—	—	—	1 378 012 462	—	1 378 012 462
Balance as at 31/12/2010	**1 000 000 000**	**200 000 000**	**15 958 132**	**1 632 995 517**	**1 378 012 462**	**—**	**4 226 966 111**
Balance as at 31/12/2010	1 000 000 000	200 000 000	15 958 132	1 632 995 517	1 378 012 462	—	4 226 966 111
Profit of 2010 transferred to retained earnings	—	—	—	1 378 012 462	(1 378 012 462)	—	—
Dividends during 2011	—	—	—	(1 412 358 688)	—	—	(1 412 358 688)
Equity settled share based payments	—	—	(3 147 863)	—	—	—	(3 147 863)
Net loss for the financial year ended December 31, 2011	—	—	—	—	(170 955 760)	—	(170 955 760)
Balance as at 31/12/2011	**1 000 000 000**	**200 000 000**	**12 810 269**	**1 598 649 291**	**(170 955 760)**	**—**	**2 640 503 800**

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

Notes to the unconsolidated financial statements for the financial year ended December 31, 2011

Note 1 Company's Background

- 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 was registered in the commercial registry under No. 312032 on 4/3/1998 which was modified to No.2231 on 14/1/1999. The purpose of the company is to execute, manage, operate, develop, maintain a digital cellular mobile telecommunication system (G.S.M), selling and distributing mobile lines, scratch cards, mobile equipments and mobile maintenance and accessories. 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 operations on May 21, 1998.

Note 2 Significant Accounting Policies

a) Basis of financial statements preparation

- The Unconsolidated financial statements are prepared in accordance with Egyptian Accounting Standards (E.A.S) and related Egyptian laws and regulations.
- The company has subsidiaries and in accordance with Egyptian Accounting Standard No.17 (Consolidated and Separate Financial Statements) and article 188 of the executive regulations of law 159 of 1981, the company prepares consolidated financial statements for the group that present the financial position, results of operation and cash flows of the group as a whole.

b) Foreign currency translation

The company maintains its books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction, while balances of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. Exchange differences are recorded in the income statement.

c) 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.
- The estimated useful lives are as follows:

Buildings	50 years
Network equipments	5-15 years
Computers	2-5 years
Office equipments	5 years
Furniture and fixtures	10 years
Vehicles	5 years
Leasehold improvements	5 years

- Subsequent cost is recognized if it is probable that the future economic benefits embodied and can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

d) Revenue recognition

Revenue from the sale of goods or services rendered in the course of ordinary activities is recorded at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue recognition for major revenue streams are as follows:

1- Airtime, SMS and other value added services are recognized when services are rendered.

- For postpaid subscribers revenue is recorded based on billed services, and an accrual is recorded for services rendered and unbilled at period end.
- For prepaid subscribers initial sale of scratch cards is recorded as deferred revenue, revenue is recorded based on usage of Airtime and other services.

2- Interconnect and roaming revenue is recognized based on the terms and conditions agreed with other operators and when services are rendered and billed. Accruals are recorded for unbilled revenue resulting from services rendered until the period end.

3- Handsets and accessories revenue is recognized upon delivery and when persuasive evidence exists, in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably.

4- Connection fees are recognized based on activation.

e) Licenses fees

The existing licenses fees are accounted for as follows:

- The license fee is recorded at cost and amortized over the period of license.
- The fees to access the 7.5 MHZ of the 1 800 MHZ spectrum are recorded at the cash price using its net present value and amortized over the period of the access agreement.
- The fees to acquire the 3G license and the 10 MHZ of the 2 GHZ spectrum is recorded at cash price of the license agreement and amortized over the period of the license agreement.
- All licenses agreements are extended to October 2022.
- Amortization commences at the commercial launch date.

f) Investments

- Investments in subsidiaries

  Investments in subsidiaries 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.

- Investments available for sale

  Investments available for sale are stated at fair value (except investments in unquoted equity securities), with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in income statement. Investments in unquoted equity securities are stated at cost less impairment losses (2i).

g) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

h) Capitalization of borrowing cost

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

i) Impairment of assets

- The carrying amounts of the company's assets - other than (inventory 2g) and (deferred tax assets 2j) - 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.

j) 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.

k) 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 rate basis.

l) Share based payments

The Company has equity settled share based compensation plan. Equity settled share based payments are measured at fair value determined at the grant of the equity settled share based payments. The fair value of the share based payment is charged over the vesting period based on the company's estimate of awards that will eventually vest.

m) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

n) Employee pension plan

The Company operates a defined contribution pension plan for its employees, in addition to the statutory social insurance scheme required by law. Employees who choose to subscribe to this plan pay 3% of their basic salary into the plan. The Company will then contribute an amount equal to 10% of that employee's basic salary to the plan.

The Company has no liability or commitment to the plan beyond its defined contribution. Employees who leave through resignation or retirement receive their entitlements for the pension plan according to its terms based on years of service.

o) Lease

Lease payments under operating lease are charged to the income statement on a straight-line basis over the period of the lease, commencing on the date of the lease.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less and cheques under collection (draft cheques or certified cheques). Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

q) Cash flows statement

Cash flows statement is prepared using the indirect method.

Note 3 Fixed assets (net)

	Land	Buildings	Network Equipments	Computers	Office Equipments	Furniture & Fixtures	Vehicles	Leasehold Improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost									
Cost as at 1/1/2011	* 19 709 612	** 549 904 982	15 978 771 679	1 232 856 010	61 331 547	84 293 971	88 140 020	156 636 257	18 171 644 078
Adjustment on 1/1/2011	—	—	(11 062 791)	—	—	—	—	—	(11 062 791)
Additions for the year	# 107 000	11 212 703	1 352 204 214	177 897 601	3 152 492	4 612 808	11 230 707	13 302 367	1 573 719 892
Disposals	—	—	(99 866 236)	(17 244 512)	(959 576)	(5 722 887)	(4 644 891)	(2 872 936)	(131 311 038)
Total cost as at 31/12/2011	**19 816 612**	**561 117 685**	**17 220 046 866**	**1 393 509 099**	**63 524 463**	**83 183 892**	**94 725 836**	**167 065 688**	**19 602 990 141**
Accumulated depreciation									
Accumulated depreciation as at 1/1/2011	—	43 082 231	7 594 456 408	750 411 973	42 426 978	49 490 495	43 721 130	116 717 083	8 640 306 298
Adjustment on 1/1/2011	—	—	(11 062 791)	—	—	—	—	—	(11 062 791)
Depreciation for the year	—	10 801 007	1 789 439 502	166 102 300	8 214 413	6 041 091	15 770 544	16 188 508	2 012 557 365
Accumulated depreciation of disposals	—	—	(61 094 080)	(13 123 702)	(819 860)	(4 361 373)	(3 988 841)	(1 773 275)	(85 161 131)
Accumulated depreciation as at 31/12/2011	—	**53 883 238**	**9 311 739 039**	**903 390 571**	**49 821 531**	**51 170 213**	**55 502 833**	**131 132 316**	**10 556 639 741**
Net book value as at 31/12/2011	**19 816 612**	**507 234 447**	**7 908 307 827**	**490 118 528**	**13 702 932**	**32 013 679**	**39 223 003**	**35 933 372**	**9 046 350 400**
Net book value as at 31/12/2010	**19 709 612**	**506 822 751**	**8 384 315 271**	**482 444 037**	**18 904 569**	**34 803 476**	**44 418 890**	**39 919 174**	**9 531 337 780**

* This item includes an amount of L.E 11 570 123 which is represented in the purchase price of pieces of land in different areas according to a preliminary contracts which have not yet been registered in the notarization office.

** This item includes:

1- An amount of L.E 280 713 676 which is represented in the purchase price of the administrative offices in the Nile City building and the registration at the notarization office is in process.

2- An amount of L.E 32 076 155 which is represented in the purchase price of a building for Switches in 6th of October City according to a preliminary contract which has not yet been registered in the notarization office.

This item represents the purchase price of a piece of land according to a preliminary contract which has not yet been registered in the notarization office.

Note 4 Licenses fees (net)

	License Fee	Fees to access the 7.5 MHZ of the 1800 MHZ spectrum	Fees of the 3G license and access the 10 MHZ of the 2 GHZ spectrum	Total licenses fees
	L.E.	**L.E.**	**L.E.**	**L.E.**
Cost as at 1/1/2011	1 755 000 000	643 101 265	3 340 000 000	5 738 101 265
Less:				
Accumulated amortization as at 1/1/2011	1 240 178 018	302 842 809	368 941 176	1 911 962 003
Amortization for the year	43 654 839	28 546 433	251 075 394	323 276 666
Accumulated amortization as at 31/12/2011	1 283 832 857	331 389 242	620 016 570	2 235 238 669
Balance as at 31/12/2011	**471 167 143**	**311 712 023**	**2 719 983 430**	**3 502 862 596**
Balance as at 31/12/2010	**514 821 982**	**340 258 456**	**2 971 058 824**	**3 826 139 262**

Note 5 Assets under construction

This item includes network equipments, letters of credit, advance payments related to assets and the capitalized borrowing cost directly related to the acquisition of the fixed assets amounting to L.E 60 246 254 (L.E 56 607 273 during 2010) as stated in note (2-h, 27).

The average borrowing rate for the company which is used to capitalize interest is 9.903 % during the financial year ended December 31, 2011 (9.830 % during 2010).

Note 6 Investments in subsidiaries

Company	Country of registration	Percentage Shareholding	31/12/2011 L.E	31/12/2010 L.E
Mobinil Services (Subsidiary)	Egypt	96%	240 000	240 000
Mobinil For Importing (Subsidiary)	Egypt	98%	245 000	245 000
▸LINKdotNET (subsidiary)	Egypt	100%	239 046 158	238 711 543
▸Link Egypt (subsidiary)	Egypt	100%	67 334 208	67 239 939
			306 865 366	**306 436 482**

On July 3, 2010 The Egyptian Company for Mobile Services Ordinary General Assembly approved the acquisition of 100% share capital of the two Companies Link Dot Net (S.A.E.) and Link Egypt (S.A.E.) by The Egyptian Company for Mobile Services and its subsidiaries including “Link Dot Net” trade mark and the intellectual property rights related to both Companies’ activities inside Egypt.

On July 4, 2010 The Egyptian Company for Mobile Services signed a sale purchase agreement (SPA) with In Touch Communications Services Company (a subsidiary of Orascom Telecom Holding) to purchase Link Dot Net Company and Link Egypt Company, for an enterprise value of L.E 736 372 000 and an estimated purchase price of L.E 277 568 000 after deducting their estimated net debts

Both the seller and the purchaser agreed that November 4, 2010 was the closing accounts approval date in accordance with the SPA and consequently approve the final closing accounts and purchase price to be L.E 298 368 103.

Link Dot Net and link Egypt shares have been transferred to the company as follows:

	Number of shares	Value L.E	Transaction cost L.E	Total investment L.E
LINKdotNET	376 000	232 794 990	6 251 168	239 046 158
Link Egypt	66 500	65 573 113	1 761 095	67 334 208

Note 7 Inventory

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

Note 8 Accounts and notes receivable

	31/12/2011 L.E	31/12/2010 L.E
Postpaid receivables	196 508 003	197 188 081
Distributor receivables	81 693 392	1 103 949
Roaming receivables	39 340 804	60 925 405
National roaming receivables	14 438 888	14 438 888
Interconnect receivable	185 282 162	123 110 269
*Others	7 380 494	1 405 335
	524 643 743	**398 171 927**

* This item includes notes receivable amounted to L.E 1 500 537.

Note 9 Other debit balances

	31/12/2011 L.E	31/12/2010 L.E
Suppliers - advance payments	12 204 885	18 412 097
Advance payments to employees	–	104 723 467
Deposits with others	512 622	495 316
Accrued revenues	341 831 335	356 781 360
Mobinil Services Company	30 453 788	30 150 798
Mobinil For Telecommunication	1 206 622	792 628
Link Dot Net	237 636 230	155 500 656
Link Egypt	123 481 330	123 481 330
Trust	41 772 717	44 440 976
Taxes - advance payments	112 848 079	–
Others	63 513 042	28 935 015
	965 460 650	**863 713 643**

Note 10 Cash at banks and on hand

	31/12/2011 L.E	31/12/2010 L.E
a- Cash on hand	4 151 886	1 318 946
b- Cash at banks		
Current accounts	769 380 922	544 976 823
Time deposits	434 500 000	–
	1 208 032 808	**546 295 769**

Cash and cash equivalents	31/12/2011 L.E	31/12/2010 L.E
Cash at banks and on hand	1 208 032 808	546 295 769
Less:		
Banks facilities	(376 738 934)	(202 174 959)
	831 293 874	**344 120 810**

Note 11 Provisions

Description	Balance as at 1/1/2011 L.E	Formed L.E	No longer required L.E	Used L.E	Balance as at 31/12/2011 L.E
Provisions	419 290 161	245 217 980	(52 124 483)	(179 739 933)	432 643 725

The Company has not disclosed some of the information required by the Egyptian Accounting Standard No.28 (Provisions, Contingent Liabilities and Contingent Assets), as the Company believes that it can prejudice seriously the position of the Company in disputes with other parties on the subject matter of the provisions.

Note 12 Banks facilities

As at December 31, 2011 the company has short term bank facilities, all of which are in Egyptian pounds with various local banks amounting to L.E 1 148 000 000 of which utilized as at December 31, 2011 is L.E 376 738 934.

Note 13 Creditors

	31/12/2011 L.E	31/12/2010 L.E
Fixed assets suppliers	1 167 401 284	821 893 194
Licenses' fees liability	750 000 000	750 000 000
Trade suppliers	278 244 417	230 296 407
Creditors – Roaming	13 683 416	9 841 005
Orange Group	11 675 990	15 419 326
Orascom Telecom companies	12 897 700	13 147 243
Mobinil For Importing	284 309	10 997 730
Others	525 551	1 952 800
	2 234 712 667	**1 853 547 705**

▸This item represents the liability of the 3G license fees to access the first 5 MHZ of the 3G spectrum.

Based on correspondence with NTRA, this amount which was due on January 2009 has been postponed until receiving the additional 2.5 MHZ of the 1800 MHZ spectrum.

Note 14 Other credit balances

	31/12/2011 L.E	31/12/2010 L.E
Taxes and Stamps	277 398 518	288 973 282
Deposits from customers	54 709 545	44 439 917
Deferred revenue	610 141 994	460 983 141
Income tax	–	95 098 899
Forward payables	–	9 836 324
Others	11 220 032	9 540 040
	953 470 089	**908 871 603**

Note 15 Related party transactions

Transactions with related parties during the year were similar to non-related entities on an arm's length basis.

These transactions 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, internet services, mobile services, providing advertising campaigns, paying and collecting the roaming revenues on behalf of related parties, sales, purchases, commission and hotel services.

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.

		Total transactions during the financial year ended	
Description	**Transaction type**	**31/12/2011 L.E**	**31/12/2010 L.E**
Orascom Telecom companies	Management fees / Roaming Services / Sales/ Purchases / Commission	775 521 157	964 309 829
Rest of Orascom Group	All above mentioned transactions	151 986 155	176 195 732
Orange Group	Management fees / Technical assistance/ Roaming Services	174 540 378	214 083 978
Nile City Investment	Rent	18 043 474	18 859 170
Nile City for tourism and hotels	Hotel services	1 163 798	–
Mobinil Services	Rent / Payments on behalf of the company	260 144	3 435 775
Mobinil For Telecommunication	Rent / Payments on behalf of the company	405 133	502 487
Mobinil For Importing	Purchases /Rent / Payments on behalf of the company	163 842 021	20 059 418
Trust	Trustee of employee stock plan	11 123	91 142
Link Dot Net	Internet services / Leased lines / sales / Payments on behalf of the company/ Mobile services	101 690 474	163 691 221
Link Egypt	Mobile services	627 914	123 481 330

The outstanding balances as at 31/12/2011 are as follows:

Description	**Balance type**	**31/12/2011 L.E**	**31/12/2010 L.E**
Orascom Telecom companies	Creditors / Accounts and notes receivable	8 256 598	9 207 812
Rest of Orascom Group	Creditors / Suppliers-advance payments	21 644 383	22 285 730
Orange Group	Creditors / Suppliers-advance payments	9 214 308	2 772 648
Nile City Investment	Suppliers-advance payments	18 750	6 104
Nile City for tourism and hotels	Creditors	26 061	–
Mobinil Services	Other debit balances	30 453 788	30 150 798
Mobinil For Telecommunication	Other debit balances	1 206 622	792 628
Mobinil For Importing	Creditors	284 309	10 997 730
Trust	Other debit balances	41 772 717	44 440 976
Link Dot Net	Creditors / Accrued expenses / Other debit balances	229 666 562	152 467 180
Link Egypt	Other debit balances / Accounts and notes receivable	123 555 818	123 481 330

Summary of major related party contracts:

Management fee agreements:

The management fees related to the services provided by each of Orascom Telecom and Orange to the company in accordance with the contracts effective since July 1, 2002, for a consideration of 0.75% of the company's gross service revenue (excluding taxes) payable to each of Orange and Orascom Telecom. Such fees are invoiced and paid on a monthly basis. The contracts have been automatically renewed since their entry into force and therefore are long term, continuing and on-going contractual arrangements.

Distribution service contract:

The company has a distribution agreement with Multimedia Mega Stores a subsidiary of Orascom Telecom by which the related party distributes the company's products in return for commissions. The commissions received are based on the same formula as other non-related distributors.

Roaming agreements:

The company has roaming agreements with Orange and Orascom Telecom groups.

The amounts due on these contracts are previously included in this note.

The nature of the relationships is as follows:

- Mobinil For Telecommunication

  Direct shareholder with 51.03 % in the company

- Orascom Telecom

  Direct shareholder with 20 % and holds 28.75 % in Mobinil For Telecommunication the principal shareholder in the company.

- France Telecom (Orange)

  Principle shareholder with 71.25 % in Mobinil for Telecommunication the principal shareholder of the company

- 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.

- Mobinil Services

  Subsidiary company (note 6).

- Mobinil For Importing

  Subsidiary company (note 6).

- Link Dot Net

  Subsidiary company (note 6).

- Link Egypt

  Subsidiary company (note 6).

Note 16 Loans

The company has unsecured loans, all of which are in Egyptian pounds, to finance its capital expenditure, 3G license fees and general purposes. These loans are all from local banks, the terms and details of the loans are summarized as follows:

Contract date	Grace period	Initial agreement amount	Carrying amount	Short term loans portion	Long term loans due 2013/2018	Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
April 17,2005	3 years	1 800 000 000	490 213 565	327 200 000	163 013 565	30/4/2013	Semi-annually	11 semi-annual installments start after the grace period and due on April 30 & October 30 every year.	CBE Discount Rate (CDR). The corporate time deposit rate. CBE Mid Corridor rate. Margin.
August 15,2007	5 years	2 300 000 000	2 291 406 922	460 000 000	1 831 406 922	14/8/2014	Semi-annually	• 20 % of the facility (460 million Egyptian Pounds) at the end of fifth year. • 30 % of the facility (690 million Egyptian Pounds) at the end of sixth year. • 50 % of the facility (1 150 million Egyptian Pounds) at the end of seventh year.	
February 27,2008	2.5 years	2 200 000 000	1 643 055 413	471 120 000	1 171 935 413	3/3/2015	Semi-annually	• 80 million Egyptian Pounds at the first business day after expiry of the grace period that expires on September 2, 2010. • 2 120 million Egyptian Pounds over 9 semi-annual installments due on March 3 & September 3 every year.	
April 23,2009	2 years	1 000 000 000	828 228 895	333 333 333	494 895 562	22/4/2014	Semi-annually	6 semi-annual installments start after 6 months from the expiry of the grace period and due on October 22 & April 22 every year.	
April 11,2011	—	2 000 000 000	1 306 842 774	142 800 000	1 164 042 774	10/4/2018	Semi-annually	14 semi-annual installments starting after 6 months from the contract signing date and due on October 11 & April 11 every year.	CBE Mid Corridor rate. Margin.
			6 559 747 569	1 734 453 333	4 825 294 236				

Note 17 Capital

The company's authorized share capital amounts to L.E 1 500 million divided into 150 million shares with a nominal value L.E 10 each. The company's issued and fully paid up capital amounts to L.E 1 000 million. On October 12, 2003, the Company’s Extraordinary General Assembly approved the increase of the authorized capital to L.E 3 000 million. This increase was recorded in the commercial registry on February 23, 2004.

Note 18 Reconciliation of effective tax rate

		31/12/2011 L.E		31/12/2010 L.E
Net profit for the year before income tax		101 022 624		1 772 427 326
Income tax using the domestic corporation tax rate.	20 %	2 000 000	20 %	354 485 465
Income tax using the domestic corporation tax rate.	25 %	22 755 656		–
Non- deductible expenses		66 540 082		40 130 597
Tax exemption		–		(282 000)
Under provided in prior periods		8 901 644		80 802
*Impact of tax law amendment		171 781 002		–
	269.23%	**271 978 384**	**22.25%**	**394 414 864**

*The effective tax rate was impacted by the tax law amendment which was enacted and published in the official gazette on June 28, 2011.

Note 19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	L.E	L.E	L.E	L.E
Property, plant and equipment	–	–	686 879 457	538 624 782
Employee share plan	1 422 767	724 054	–	–
Intangible assets	–	–	268 137 656	164 340 538
Provisions	15 786 843	15 117 261	–	–
Others	37 976 617	–	–	–
Total deferred tax asset / liability	**55 186 227**	**15 841 315**	**955 017 113**	**702 965 320**
Net deferred tax liabilities			**899 830 886**	**687 124 005**

Unrecognized deferred tax assets

	31/12/2011 L.E	31/12/2010 L.E
Deductible temporary differences	24 080 099	11 936 755

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.

Tax rate amendment

The income tax law has been amended according to the decree of the law No.51 for year 2011 issued by the Supreme Council of the Armed Forces, the income tax rate became as follows:

- 1st tax tranche: up to L.E 10 000 000 with rate 20%.
- 2nd tax tranche: over than L.E 10 000 000 with rate 25%.

These amendments will be applied from January 1, 2011 and will be calculated on the taxable profit for year 2011.

Note 20 (Losses) / Earnings per share

	Financial year ended 31/12/2011	Financial year ended 31/12/2010
Net (loss) / profit for the year	(170 955 760)	1 378 012 462
Less:		
Employees dividends	–	(171 958 688)
Board of directors remuneration	–	(5 400 000)
	(170 955 760)	1 200 653 774
Number of shares	100 000 000	100 000 000
(Losses) / Earnings per share	***(1.71)**	**** 12.01**

* Because no proposed appropriation account was approved, losses per share were calculated without employees' share and board of directors' bonus.

** Earnings per share were calculated after deducting the employees' share and board of directors' remuneration for the financial year only after being approved by the general assembly meeting.

Note 21 License Agreements

a) 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 duration of 15 years starting from May 21, 1998 subject to renewal. The company paid L.E 1 755 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.

b) License agreement appendix no. (2)

- 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 years to the National Telecommunication Regulatory Authority (NTRA). Accordingly, each company was granted access to 7.5 MHZ of the 1 800MHZ spectrum that will be supplied by Telecom Egypt, which surrendered its 1 800 MHZ GSM license.
- The fees to access the 7.5 MHZ of the 1 800 MHZ spectrum are recorded at the cash price using its net present value.

c) License agreement appendix no. (4)

- On October 17, 2007, the company has signed an agreement with National Telecommunication Regulatory Authority (NTRA) to acquire the 3G license, 10 MHZ spectrum and extension of the old licenses for a new 15 years starting from the date of signature against L.E 3 668 M and a charge of 2.4% of mobile revenue. An amount of L.E 318 M was paid on the date of signature and the remaining amount will be paid on installments until the end of December 2010. Accordingly, the company has revised the useful life of old licenses to end October 2022.

- The 3G license fees are recorded at the cash price of the license agreement due to receiving the first 5 MHZ of the 2 GHZ spectrum during March 2008 and receiving the second 5 MHZ of the 2 GHZ spectrum during December 2010.

Note 22 Capital Commitments

Capital commitments represent the fixed assets and intangible assets contracts entered into and not yet executed at the balance sheet date which amounts to L.E 572 M as at December 31, 2011 (L.E 622 M as at December 31, 2010).

Note 23 Contingent Liabilities

Contingent liabilities amount to L.E 21 M as at December 31, 2011. These contingent liabilities represent the uncovered amounts of letters of guarantee issued for the benefit of third parties as at December 31, 2011. 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 company's results.

Note 24 Employees Share Plan

The extraordinary general assembly meeting of the company held on March 11, 2007 approved the establishment of the employee share plan (ESP) as per the corporate law by granting the employees free shares of the company. This plan will be applied to the company's employees, managers and executive members of the company's board that qualified according to certain conditions regarding their performance, position, years of experience at the company and anticipated accomplishments.

The company's Board of Directors approved the allocation of 409 000 shares owned by Mobinil Invest in the company in order to proceed with the employee share plan. Furthermore, the extraordinary general assembly meeting of the company held on September 3, 2007 approved the increase of allocated shares to 450 000 shares by purchasing the required shares from the stock market.

On March 10, 2010 the company's extraordinary general assembly meeting approved extending the employee share plan for four years and also approved the allocation of 884 160 shares in order to proceed with the plan.

The plan can be summarized as follows:

1- The plan's beneficiaries will be granted free shares that will be allocated over a number of years. Furthermore, supervising committee will nominate the beneficiaries, according to the plan's criteria, the number and dates of granted shares.

2- During the vesting period the ESP's shares will be in the custody of the trustee. Thus, the beneficial employee has no right to attend or vote in the company's ordinary and extraordinary general assembly meetings of the company. Hence, the beneficial employee cannot exercise his or her rights till the date of transferring shares' ownership. However, the beneficial employee will have the right of profit distributed on his or her allocated shares from the granting date.

The granted shares according to the plan are as follows:

	31/12/2011 Shares	31/12/2010 Shares
Allocated Shares at the beginning of the plan	409 000	409 000
Purchased and allocated shares to the plan	409 800	247 775
Granted shares balance (not exercised)	(252 895)	(207 045)
Exercised	(549 150)	(403 865)
Available shares	**16 755**	**45 865**

3- The following summarizes the exercise dates of the allocated share:

	Shares
December 31, 2007 (Exercised)	126 384
December 31, 2008 (Exercised)	131 205
December 31, 2009 (Exercised)	133 886
During 2010 (Exercised)	12 390
During 2011 (Exercised)	145 285
December 31, 2011	123 615
December 31, 2012	64 640
December 31, 2013	64 640

- The income statement has been charged with L.E 22 215 019 representing the employee share plan expenses for the financial year ended December 31, 2011

Note 25 Financial Instruments and Management of its Related Risk

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, 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 company 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 L.E 656 395 983 and L.E 1 210 431 211 respectively. The company's net exposure in foreign currencies is as follows:

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 company'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.

	Shortage
U.S Dollars	10 615 489
Euro	61 886 344
GBP	46 895
CHF	104 967

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.

Note 26 Tax Status

a) Corporate tax

The company was exempted from corporate tax for a period of 5 years ended 31/12/2003.

- From inception till 2004

Tax inspection was performed for this period and all disputes have been finalized according to the internal committee decisions.

- Years 2005 and 2006

These years have been inspected and the dispute has been finalized according to the internal committee decision.

- Years 2007 to 2010

Tax return was provided for this period and currently being prepared for tax examination.

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 appealing.

- Years 2001 to 2004

These years have been inspected and settled with tax authority.

- Years 2005 and 2006

These years have been inspected and the resulting disputes are currently being discussed in the internal committee.

- Years 2007 to 2010

These years are currently being prepared for tax examination.

c) Stamp tax

- From inception till July 31, 2006

A tax inspection was performed and disputes were settled except for tax on Alo connection fees and in-kind tax which were transferred to the preliminary court but not yet resolved for the period from inception till 2001 and to appealing committee for years from 2002 to July 31, 2006.

- From August 1, 2006 till December 31, 2010

This period is currently being prepared for tax examination.

d) Sales tax

- From inception till 2004

This period has been inspected and differences were paid.

- Years 2005 to 2008

These years have been inspected and the company has been informed by the results.

- Years 2009 and 2010

These years have not yet been inspected.

e) Withholding tax

The company applies withholding taxes according to the available documents and there is a dispute regarding withholding taxes enforced on the rent payments, settlement with the concerned tax authority is in process.

Note 27 Payments for the purchase 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	L.E
Fixed assets additions during the year	1 573 719 892
Net movement of fixed assets under construction	302 394 290
Non cash reconciliations	
Interest capitalized during the year on fixed assets under construction	(60 246 254)
Fixed assets and fixed assets under construction suppliers	(108 140 037)
Payments for the purchase of fixed assets and fixed assets under construction	**1 707 727 891**

Note 28 Interconnect dispute

Telecom Egypt (TE) filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect rates with the mobile operators, with which it has existing interconnection agreements, for calls made by TE's subscribers from its fixed lines to mobile lines. Mobinil (or the Company) responded to the complaint, before the NTRA Dispute Resolution Committee, by asking TE to honor the Interconnection Agreement it had in place therewith. The NTRA issued a ruling on such dispute on September 3, 2008 which came in favor of TE, as it instructed a revision of interconnection rates between fixed and mobile lines to come in force as of the same date.

The Company informed the NTRA of its objection to the latter's ruling as it had no legal or contractual basis and its intention to bring the matter to the courts in order to protect its interests.

On November 1, 2008 a lawsuit against the NTRA was filed before the Administrative Court at the State Counsel asking for staying and nullifying the NTRA resolution on interconnection rates.

On September 3, 2009, and based on the Interconnection Agreement (First Paragraph of Clause No. 25), the Company filed an arbitration claim against TE according to the rules of the Cairo Regional Center for International Commercial Arbitration in order to settle the existing dispute between the two parties. On October 9, 2009 TE submitted its initial response to the Company's claim and a counter claim.

On December 31, 2009, the NTRA issued a resolution (which was amended by another resolution on January 14, 2010) providing new changes to the interconnection rates between the different operators and applicable retroactively as of September 1, 2009. The resolutions were based on the NTRA's resolution of September 3, 2008. The Company informed the NTRA of its refusal of such resolutions and filed a casual lawsuit before the Administrative Court under No. 20220 of Judicial No. 64 against the NTRA for the nullification of the latter's resolutions.

On June 5, 2010, the Administrative Court rendered its ruling with regard to the Company casual claims as follows:

First:

Staying the implementation of items No. 2, 8 and 9 of the NTRA's challenged resolution of September 3, 2008, which set the interconnection rates for outgoing calls made from TE and terminated on Mobinil at 11.3 Egyptian Piaster per minute and outgoing calls made from Mobinil and terminated on TE at 6.5 Egyptian Piaster per minute and ordering the second defendant to bear all litigation expenses.

Second:

Staying the implementation of the NTRA resolution of December 31, 2009, as amended on January 14, 2010, which sets the interconnection rates for outgoing calls made from Vodafone Egypt, Etisalat Misr and TE and terminated on Mobinil at 8.5 Egyptian Piaster per minute (with the adoption of seconds as billing units) and outgoing calls made from Mobinil and terminated on Vodafone Egypt at 10 Egyptian Piaster per minute, Etisalat Misr at 11 Egyptian Piaster per minute and TE at 6.5 Egyptian Piaster per minute (all with the adoption of seconds as billing units), denying the NTRA claimed right of setting interconnection rates on a regular basis and accordingly ordering the second defendant to bear all litigation expenses.

The administrative court has referred the lawsuit to the state commissioners' authority to prepare a legal opinion concerning the request to nullify the said decisions.

The NTRA appealed the staying decision before the Supreme Administrative Court. The State Commissioner rendered its advisory report on December 6, 2010 in the summary appeal, recommending the reversing of the summary decision rendered on June 5, 2010 in favor of the Company. The Supreme Administrative Court shall decide on the appeal after hearing the parties reply to the State Commissioners' report.

In the last court hearing of December 10, 2011, the Court postponed the case to the hearing of February 4, 2012.

The company and its external legal counsel believe that the Company has a strong legal position as the NTRA's decisions do not have legal or contractual ground, hence we continue to record interconnect revenue and costs based on the existing agreement with Telecom Egypt and other mobile operators.

Had we applied these decisions we would have recorded less interconnect revenue by EGP 100 482 767, less interconnect cost by EGP 34 413 465 for the financial year ended December 31, 2008 and less interconnect revenue by EGP 344 408 227 and less interconnect cost by EGP 82 612 435 for the financial year ended December 31, 2009 and less interconnect revenue by EGP 503 367 350 and less interconnect cost by EGP 122 217 441 for the financial year ended December 31, 2010 and less interconnect revenue by EGP 522 275 406 and less interconnect cost by EGP 114 718 049 for the financial year ended December 31, 2011.

Note 29 Bonds

The main terms and conditions of the bonds are as follows:

Type of issuance:	Par value bonds (second issuance) with a fixed interest rate, marketable but non-convertible into shares.
Interest rate:	12.25% fixed annual interest rate due every 6 months.
Issuance price:	100% of the 15 million bonds par value, which amounts to L.E 100 each and for a total amount of L.E 1 500 million.
Payment:	The bonds will be repaid in one installment at the final maturity date of the bonds after 5 years from the closing date of the public offering and the issuer has the right to repay the bonds before their final maturity date.

Note 30 Major events

During this reporting year, some major events took place in Egypt that impacted the economic environment which in turn exposed the Company to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

These events had a negative impact on the financial statements for the year ended December 31, 2011 and may continue to have impact on the financial statements of future periods. While it is difficult to quantify this effect at this point of time, the impact will become visible in the future financial statements. The significance of such an impact will depend on the extent and length until which these events and its effect will end.

Consolidated Financial Statements

Ernst & Young
Allied for Accounting & Auditing
Ring road , Zone # 10A-Rama
Tower, kattameya

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

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Egyptian Company For Mobile Services S.A.E. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and applicable Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Egyptian Company For Mobile Services S.A.E. and its subsidiaries as at December 31, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (29) to the consolidated financial statements, the Company filed a lawsuit against the National Telecommunication Regulatory Authority (NTRA) to cancel NTRA's decision relating to the amendments of the interconnect prices between the fixed and mobile networks.

The Company and its external legal counselor believe that the possibility of winning the lawsuit is probable as NTRA's decision does not have legal or contractual ground, therefore the Company continued to recognize interconnect revenue and costs from and to Telecom Egypt and the other mobile operators based on the existing agreement.

Ernst & Young

Allied for Accounting & Auditing

KPMG Hazem Hassan

Cairo February 21, 2012

Consolidated Balance Sheet As at December 31, 2011

	Note No.	31/12/2011 L.E	31/12/2010 L.E Restated
Long term assets			
Fixed assets (net)	(2d,3)	9 188 144 908	9 663 537 448
Assets under construction	(6)	905 370 979	605 630 481
Intangible assets (net)	(2f,4,22)	3 694 982 576	4 050 976 357
Right of utilizing international circuits (ROU) (net)	(2q,5)	38 516 420	37 261 751
Goodwill	(2r,31)	277 715 446	277 286 562
Notes receivable		343 749	2 864 575
Rent deposits		18 803 407	18 102 416
Total long term assets		**14 123 877 485**	**14 655 659 590**
Current assets			
Inventory	(2g,7)	124 546 813	133 508 484
Accounts and notes receivable	(8)	592 034 108	455 083 253
Other debit balances	(9)	581 400 499	571 298 827
Prepaid expenses		202 104 445	226 130 538
Cash at banks and on hand	(10)	1 255 921 706	610 455 587
Total current assets		**2 756 007 571**	**1 996 476 689**
Current liabilities			
Provisions	(2m,11)	478 487 248	469 984 967
Banks facilities	(12)	376 859 718	205 765 564
Short term loans	(2k,16)	1 734 453 333	819 361 667
Creditors	(13)	2 318 992 410	1 958 278 103
Other credit balances	(14)	1 032 867 269	978 099 645
Accrued expenses		1 180 579 251	1 087 988 804
Total current liabilities		**7 122 239 229**	**5 519 478 750**
Excess of current liabilities over current assets		**(4 366 231 658)**	**(3 523 002 061)**
Net Investments		**9 757 645 827**	**11 132 657 529**
Financed as follows:			
Equity			
Paid up capital	(17)	1 000 000 000	1 000 000 000
Treasury shares	(25)	(38 815 228)	(38 223 906)
Reserve (gains from Treasury Shares)		56 149 077	53 277 840
Legal reserve		200 000 000	200 000 000
Equity settled share based payments	(2L,25)	12 810 269	15 958 132
Retained earnings		1 490 202 838	1 542 814 441
Net (loss) / profit for the year (equity holders of the Company)		(252 804 068)	1 359 298 033
Total equity attributable to equity holders of the Company		**2 467 542 888**	**4 133 124 540**
Minority Interest		**(940 756)**	**(966 914)**
Total equity		**2 466 602 132**	**4 132 157 626**
Long term liabilities			
Fixed assets suppliers		46 259 581	303 837 960
Loans	(2k,16)	4 825 294 236	4 498 948 930
Bonds	(30)	1 475 459 420	1 469 209 839
Deferred tax liabilities	(2j,20)	944 030 458	728 503 174
Total long term liabilities		**7 291 043 695**	**7 000 499 903**
Total equity and long term liabilities		**9 757 645 827**	**11 132 657 529**

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

Consolidated Income Statement for the financial year ended December 31, 2011

	Note No.	Financial year ended 31/12/2011 L.E	Financial year ended 31/12/2010 L.E Restated
Operating revenue	(2e)	10 181 977 239	10 575 862 452
Expenses and cost of operation			
Cost of services (excluding depreciation & amortization)		(2 542 737 303)	(2 401 123 772)
Other operating cost		(1 767 753 540)	(1 767 773 563)
Depreciation & amortization		(2 408 323 782)	(2 000 954 412)
Selling, general and administrative expenses		(2 357 655 996)	(1 849 173 753)
Remunerations, allowances and salaries of board members		(9 461 593)	(10 000 146)
Impairment losses of accounts receivable		(55 688 658)	(46 451 099)
Provisions	(2m,11)	(247 941 980)	(212 170 934)
Provisions no longer required	(2m)	57 389 142	14 105 011
Total operating costs		(9 332 173 710)	(8 273 542 668)
Net operating profit		**849 803 529**	**2 302 319 784**
Add/(Less):			
Interest income		40 406 565	45 070 213
Other income		19 600 323	35 008 790
Interest expense		(841 185 432)	(634 306 574)
Capital loss		(36 592 310)	(17 357 777)
Net foreign currencies exchange differences	(2c)	(9 518 848)	21 290 882
Net profit for the year before income tax		**22 513 827**	**1 752 025 318**
Current tax	(2j)	(59 764 453)	(246 285 486)
Deferred tax	(2j,20)	(215 527 284)	(146 372 625)
Income tax	(19)	**(275 291 737)**	**(392 658 111)**
Net (loss) / profit for the year after income tax		**(252 777 910)**	**1 359 367 207**
Attributable to:			
Equity holders of the Company		(252 804 068)	1 359 298 033
Minority interest		26 158	69 174
Net (loss) / profit for the year		**(252 777 910)**	**1 359 367 207**
(Losses) / Earnings per share	(21)	(2.54)	11.90

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

Consolidated cash flows statement for the financial year ended December 31, 2011

	Note No.	Financial year ended 31/12/2011 L.E	Financial year ended 31/12/2010 L.E Restated
Cash flows from operating activities			
Net profit for the year before income tax		22 513 827	1 752 025 318
Adjustments to reconcile net profit to cash flows from			
operating activities			
Depreciation & amortization		2 408 323 782	2 000 954 412
Net change in provisions	(2m,11)	8 502 282	20 877 415
Write-off of accounts receivable		(10 680 122)	(32 521 480)
Impairment losses of accounts receivable		53 688 658	46 451 099
Write-down of inventory		8 804 189	10 103 315
Interest income		(40 406 565)	(45 070 213)
Interest expense		841 185 432	634 306 574
Capital loss		36 592 310	17 357 777
Equity settled share based payment transactions		22 215 020	25 006 676
Income tax paid		(266 786 311)	(336 364 754)
Unrealized foreign exchange differences		9 407 520	(11 905 046)
Changes in working capital			
Rent deposits		(700 991)	(4 650 660)
Inventory		157 482	(18 200 764)
Accounts and notes receivable		(176 329 659)	(107 412 245)
Other debit balances		101 307 288	55 405 657
Prepaid expenses		17 926 093	(25 683 563)
Creditors		(20 691 183)	(170 737 591)
Other credit balances		148 941 400	(257 052 444)
Accrued expenses		72 318 152	80 525 186
Interest paid		(827 646 984)	(644 556 867)
Net cash provided from operating activities		**2 408 641 620**	**2 988 857 802**
Cash flows from investing activities			
Payments for the purchase of fixed assets and assets under construction	(28)	(1 750 343 242)	(1 937 328 517)
Payments for licenses		–	(1 850 000 000)
Proceeds from sale of fixed assets and fixed assets under construction		9 623 804	10 671 805
Payments for investments		(428 884)	–
Payments for intangible assets		(16 482 000)	(1 288 000)
Interest received		41 845 684	43 311 797
Acquisition through business combination		–	(268 321 492)
Paid on behalf of subsidiaries		–	(278 981 986)
Net cash used in investing activities		**(1 715 784 638)**	**(4 281 936 393)**
Cash flows from financing activities			
Proceeds from loans		2 621 100 000	2 194 375 000
Payments of loans		(1 390 761 667)	(1 307 200 000)
Proceeds from bonds	(30)	–	1 464 316 225
Payments for the purchase of treasury shares		(23 082 967)	(35 501 288)
Dividends paid		(1 411 909 636)	(889 103 907)
Net cash (used in) / provided from financing activities		**(204 654 270)**	**1 426 886 030**
Effect of exchange rate on cash and cash equivalents		(13 830 747)	16 388 060
Net changes in cash and cash equivalents		474 371 965	150 195 499
Cash and cash equivalents at beginning of the year		404 690 023	254 494 524
Cash and cash equivalents at end of the year	(2p,10)	**879 061 988**	**404 690 023**

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

Consolidated Statement of changes in equity for the financial year ended December 31, 2011

	Capital	Treasury Shares	Reserve of gains from treasury shares	Legal reserve	Equity settled share based payments	Retained earnings	Net profit / loss for the period (Equity holders of the Company)	Interim Distribution	Total	Minority Interest	Total equity
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Balance as at 31/12/2009	1 000 000 000	(3 453 803)	51 643 352	200 000 000	(6 682 871)	622 740 738	2 037 984 372	(222 599 482)	3 679 632 306	(1 036 088)	3 678 596 218
Profit of 2009 transferred to retained earnings	–	–	–	–	–	1 815 384 890	(2 037 984 372)	222 599 482	–	–	–
Dividends during 2010	–	–	–	–	–	(889 103 907)	–	–	(889 103 907)	–	(889 103 907)
Purchase of treasury shares	–	(35 501 288)	–	–	–	–	–	–	(35 501 288)	–	(35 501 288)
Equity settled share based payments	–	731 185	1 634 488	–	22 641 003	–	–	–	25 006 676	–	25 006 676
Adjustment on retained earnings	–	–	–	–	–	(6 207 280)	–	–	(6 207 280)	–	(6 207 280)
Net profit for the financial year ended December 31, 2010	–	–	–	–	–	–	1 359 298 033	–	1 359 298 033	69 174	1 359 367 207
Balance as at 31/12/2010	**1 000 000 000**	**(38 223 906)**	**53 277 840**	**200 000 000**	**15 958 132**	**1 542 814 441**	**1 359 298 033**	**–**	**4 133 124 540**	**(966 914)**	**4 132 157 626**
Balance as at 31/12/2010	1 000 000 000	(38 223 906)	53 277 840	200 000 000	15 958 132	1 542 814 441	1 359 298 033	–	4 133 124 540	(966 914)	4 132 157 626
Profit of 2010 transferred to retained earnings	–	–	–	–	–	1 359 298 033	(1 359 298 033)	–	–	–	–
Dividends during 2011	–	–	–	–	–	(1 411 909 636)	–	–	(1 411 909 636)	–	(1 411 909 636)
Purchase of treasury shares	–	(23 082 967)	–	–	–	–	–	–	(23 082 967)	–	(23 082 967)
Equity settled share based payments	–	22 491 645	2 871 237	–	(3 147 863)	–	–	–	22 215 019	–	22 215 019
Net loss for the financial year ended December 31, 2011	–	–	–	–	–	–	(252 804 068)	–	(252 804 068)	26 158	(252 777 910)
Balance as at 31/12/2011	**1 000 000 000**	**(38 815 228)**	**56 149 077**	**200 000 000**	**12 810 269**	**1 490 202 838**	**(252 804 068)**	**–**	**2 467 542 888**	**(940 756)**	**2 466 602 132**

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

Notes to the consolidated financial statements for the financial year ended December 31, 2011

Note 1 Company's Background

- 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 was registered in the commercial registry under No. 312032 on 4/3/1998 which was later modified to No. 2231 on 14/1/1999. The purpose of the company is to execute, manage, operate, develop, maintain a digital cellular mobile telecommunication system (G.S.M), selling and distributing mobile lines, scratch cards, mobile equipments and mobile maintenance and accessories. 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.

Note 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) and related Egyptian laws and regulations.

b) Basis of consolidation

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

- All intra-group balances and transactions have been eliminated.
- Minority interest in the equity and results of operations 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.

As at December 31, 2011, the company directly owns the following consolidated subsidiaries:

	Ownership
* Mobinil Services (Egyptian Joint Stock Company)	96%
* Mobinil for Importing (Egyptian Joint Stock Company)	98%
LINKdotNET (Egyptian Joint Stock Company)	100%
Link Egypt (Egyptian Joint Stock Company)	100%
Link One for Telecommunication Services (Egyptian Joint Stock Company)	100 %
** Employees share plan (Trust)	Controlled

* Mobinil Telecom the principal shareholder of the company owns 2% in Mobinil Services and 1% in Mobinil for Importing. Mobinil Services owns 1% in Mobinil for Importing.

** The Trust established for the employees share plan of the company.

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.
- The estimated useful lives are as follows:

Buildings	50 years
Telecommunication and networks equipment	3-15 years
Computers	2-5 years
Office equipment	5-10 years
Furniture & fixtures	8-10 years
Vehicles	5 -7 years
Leasehold improvements	5 years

- Subsequent cost is recognized if it is probable that the future economic benefits embodied and can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

e) Revenue recognition

i. GSM revenue

Revenue from the sale of goods or services rendered in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue recognition for major revenue streams are as follows:

1- Airtime, SMS and other value added services are recognized when services are rendered.
   - For postpaid subscribers revenue is recorded based on billed services, and an accrual is recorded for services rendered and unbilled at period end.
   - For prepaid subscribers initial sale of scratch cards is recorded as deferred revenue, revenue is recorded based on usage of Airtime and other services.

2- Interconnect and roaming revenue is recognized based on the terms and conditions agreed with other operators and when services are rendered and billed. Accruals are recorded for unbilled revenue resulting from services rendered until the period end.

3- Handsets and accessories revenue is recognized upon delivery and when persuasive evidence exists, in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement with the goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably.

4- Connection fees are recognized based on activation.

ii. Internet revenue

Revenue is recognized once the service is rendered to the client.

f) Intangible assets

Intangible assets are accounted for as follows:

a. The license fee is recorded at cost and amortized over the period of license.

b. The fees to access the 7.5 MHZ of the 1 800 MHZ spectrum are recorded at the cash price using its net present value and amortized over the period of the access agreement.

c. The fees to acquire the 3G license and the 10 MHZ of the 2 GHZ spectrum is recorded at cash price of the license agreement and amortized over the period of the license agreement.

d. All GSM licenses agreements are extended to October 2022.

e. Amortization commences at the commercial launch date.

f. Internet Services Provider class A license and other intangibles are recorded at its acquisition cost and amortized over useful lives from 5 to 8 years.

g) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

h) Capitalization of borrowing cost

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

i) Impairment

- The carrying amounts of the company's assets - other than (inventory 2g) and (deferred tax assets 2j) - 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 in respect of goodwill is not reversed.
- 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.

j) 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.

k) 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 rate basis.

l) Share based payments

The Company has equity settled share based compensation plan. Equity settled share based payments are measured at fair value determined at the grant of the equity settled share based payments. The fair value of the share based payment is charged over the vesting period based on the company's estimate of awards that will eventually vest.

m) Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

n) Employee pension plan

The Company operates a defined contribution pension plan for its employees, in addition to the statutory social insurance scheme required by law. Employees who choose to subscribe to this plan pay 3% of their basic salary into the plan. The Company will then contribute an amount equal to 10% of that employee's basic salary to the plan.

The Company has no liability or commitment to the plan beyond its defined contribution. Employees who leave through resignation or retirement receive their entitlements for the pension plan according to its terms based on years of service.

o) Lease

Lease payments under operating lease are charged to the income statement on a straight-line basis over the period of the lease, commencing on the date of the lease.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less and cheques under collection (draft cheques or certified cheques). Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

q) Right of utilizing the international circuits (ROU)

Right of the utilizing the international circuit (ROU) is amortized using the double declining method over the period of 15 years.

r) Goodwill

Goodwill is represented in the excess of the cost of acquisition over the parent's interest in the fair value of the identifiable assets and liabilities acquired as of the date of acquisition less any impairment losses.

s) Cash flows statement

Cash flows statement is prepared using the indirect method.

Note 3 Fixed assets (net)

	Land	Buildings	Network Equipments	Computers	Office Equipments	Furniture and Fixtures	Vehicles	Leasehold Improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost									
Cost as at 1/1/2011	* 19 709 612	** 550 008 982	16 146 297 511	1 319 468 614	70 015 549	119 015 680	88 206 920	157 866 246	18 470 589 114
Adjustment on 1/1/2011	–	–	(11 062 791)	–	–	–	–	–	(11 062 791)
Additions for the year	# 107 000	11 212 703	1 386 305 718	181 765 818	3 336 910	11 482 601	11 230 707	13 499 578	1 618 941 035
Disposals	–	–	(99 866 236)	(17 280 712)	(959 576)	(5 722 887)	(4 644 891)	(2 872 936)	(131 347 238)
Total cost as at 31/12/2011	**19 816 612**	**561 221 685**	**17 421 674 202**	**1 483 953 720**	**72 392 883**	**124 775 394**	**94 792 736**	**168 492 888**	**19 947 120 120**
Accumulated depreciation									
Accumulated depreciation as at 1/1/2011	–	43 132 877	7 694 067 242	798 940 970	46 670 577	62 694 346	43 756 785	117 788 869	8 807 051 666
Adjustment on 1/1/2011	–	–	(11 062 791)	–	–	–	–	–	(11 062 791)
Depreciation for the year	–	10 804 994	1 805 166 509	180 689 647	9 018 724	10 464 798	15 779 987	16 240 802	2 048 165 461
Accumulated depreciation of disposals	–	–	(61 094 080)	(13 141 695)	(819 860)	(4 361 373)	(3 988 841)	(1 773 275)	(85 179 124)
Accumulated depreciation as at 31/12/2011	–	**53 937 871**	**9 427 076 880**	**966 488 922**	**54 869 441**	**68 797 771**	**55 547 931**	**132 256 396**	**10 758 975 212**
Net book value as at 31/12/2011	**19 816 612**	**507 283 814**	**7 994 597 322**	**517 464 798**	**17 523 442**	**55 977 623**	**39 244 805**	**36 236 492**	**9 188 144 908**
Net book value as at 31/12/2010	**19 709 612**	**506 876 105**	**8 452 230 269**	**520 527 644**	**23 344 972**	**56 321 334**	**44 450 135**	**40 077 377**	**9 663 537 448**

*This item includes an amount of L.E 11 570 123 which is represented in the purchase price of pieces of land in different areas according to a preliminary contracts which have not yet been registered in the notarization office.

** This item includes:

1- An amount of L.E 280 713 676 which is represented in the purchase price of the administrative offices in the Nile City building and the registration at the notarization office is in process.

2- An amount of L.E 32 076 155 which is represented in the purchase price of a building for Switches in 6th of October City according to a preliminary contract which has not yet been registered in the notarization office

This item represents the purchase price of a piece of land according to a preliminary contract which has not yet been registered in the notarization office.

Note 4 Intangible assets (net)

	License fee	Fees to access the 7.5 MHZ of the 1800 MHZ spectrum	Fees of the 3G license and access the 10 MHZ of the 2 GHZ spectrum	Internet class A license	Others	Total intangible assets
	L.E	L.E	L.E	L.E	L.E	L.E
Cost as at 1/1/2011	1 755 000 000	643 101 265	3 340 000 000	100 000 000	137 224 000	5 975 325 265
Additions for the year	—	—	—	—	4 443 600	4 443 600
Cost as at 31/12/2011	**1 755 000 000**	**643 101 265**	**3 340 000 000**	**100 000 000**	**141 667 600**	**5 979 768 865**
Less						
Accumulated amortization as at 1/1/2011	1 240 178 018	302 842 809	368 941 176	6 666 667	5 720 238	1 924 348 908
Amortization for the year	43 654 839	28 546 433	251 075 394	20 000 000	17 160 715	360 437 381
Accumulated amortization as at 31/12/2011	**1 283 832 857**	**331 389 242**	**620 016 570**	**26 666 667**	**22 880 953**	**2 284 786 289**
Balance as at 31/12/2011	**471 167 143**	**311 712 023**	**2 719 983 430**	**73 333 333**	**118 786 647**	**3 694 982 576**
Balance as at 31/12/2010	**514 821 982**	**340 258 456**	**2 971 058 824**	**93 333 333**	**131 503 762**	**4 050 976 357**

Note 5 Right of utilizing international circuits (ROU) (net)

	L.E
Cost as at 1/1/2011	98 502 413
Additions during the year	12 038 400
Cost as at 31/12/2011	110 540 813
Less:	
Accumulated amortization as at 1/1/2011	61 240 662
Amortization for the year	10 783 731
Accumulated amortization as at 31/12/2011	72 024 393
Balance as at 31/12/2011	38 516 420
Balance as at 31/12/2010	37 261 751

Note 6 Assets under construction

This item includes telecommunication and networks equipments, letters of credit, advance payments related to assets and the capitalized borrowing cost directly related to the acquisition of the fixed assets amounting to L.E 60 246 254 (L.E 56 607 273 during 2010) as stated in note (2-i, 28).

The average borrowing rate for the company which is used to capitalize interest is 9.903 % during the financial year ended December 31, 2011 (9.830 % during 2010).

Note 7 Inventory

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

Note 8 Accounts and notes receivable

	31/12/2011 L.E	31/12/2010 L.E
Postpaid receivables	257 034 678	235 897 984
Distributor receivables	81 693 392	1 103 949
Roaming receivables	39 340 804	60 925 405
National roaming receivables	14 438 888	14 438 888
Interconnect receivables	185 282 162	123 110 269
Notes receivable	8 364 227	13 348 543
Other receivables	5 879 957	6 258 215
	592 034 108	**455 083 253**

Note 9 Other debit balances

	31/12/2011 L.E	31/12/2010 L.E
Suppliers – advance payments	12 718 619	28 934 188
Advance payments to employees	–	104 723 467
Deposits with others	7 113 126	11 750 591
Accrued revenues	356 521 057	370 777 085
Mobinil For Telecommunication	1 206 622	792 628
Taxes - advance payments	112 848 079	–
Advance payments to lease contracts	16 341 048	20 946 578
Others	74 651 948	33 374 290
	581 400 499	**571 298 827**

Note 10 Cash at banks and on hand

		31/12/2011	31/12/2010
		L.E	L.E
a-	Cash on hand	5 785 898	2 568 577
b-	Cash at banks		
	Current accounts	792 068 342	576 001 900
	Cheques under collection	37 179	37 179
	Time deposits	451 792 757	31 847 931
	Treasury bills	6 237 530	–
		1 255 921 706	**610 455 587**

Cash and cash equivalents

	31/12/2011	31/12/2010
	L.E	L.E
Cash at banks and on hand	1 255 921 706	610 455 587
Less:		
Banks facilities	(376 859 718)	(205 765 564)
	879 061 988	**404 690 023**

Note 11 Provisions

Description	Balance as at 1/1/2011	Formed	No longer required	Used	Balance as at 31/12/2011
	L.E	L.E	L.E	L.E	L.E
Provisions	469 984 967	247 941 980	(57 389 142)	(182 050 557)	478 487 248

The Company has not disclosed some of the information required by the Egyptian Accounting Standard No.28 (Provisions, Contingent Liabilities and Contingent Assets), as the Company believes that it can prejudice seriously the position of the Company in disputes with other parties on the subject matter of the provisions.

Note 12 Banks facilities

As at December 31, 2011 the company has short term bank facilities, all of which are in Egyptian pounds with various local banks amounting to L.E 1 148 000 000 of which utilized as at December 31, 2011 is L.E 376 859 718.

Note 13 Creditors

	31/12/2011 L.E	31/12/2010 L.E
Fixed assets suppliers	1 167 401 284	821 893 194
#Licenses' fees liability	750 000 000	750 000 000
Trade suppliers	355 660 818	321 142 985
Creditors – Roaming	13 683 416	9 841 005
Orange Group	11 675 990	15 419 326
Orascom Telecom companies	12 897 700	13 147 243
Others	7 673 202	26 834 350
	2 318 992 410	**1 958 278 103**

#This item represents the liability of the 3G license fees to access the first 5 MHZ of the 3G spectrum.

Based on correspondence with NTRA, this amount which was due on January 2009 has been postponed until receiving the additional 2.5 MHZ of the 1800 MHZ spectrum

Note 14 Other credit balances

	31/12/2011 L.E	31/12/2010 L.E
Taxes and Stamps	279 653 085	292 038 117
Deposits from customers	102 717 070	84 452 775
Deferred revenue	620 188 963	474 880 083
Income tax	533 026	95 194 622
Forward payables	–	9 836 324
Others	29 775 125	21 697 724
	1 032 867 269	**978 099 645**

Note 15 Related party transactions

Transactions with related parties during the year were similar to non-related entities on an arm's length basis.

These transactions 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, internet services, leased lines, providing advertising campaigns, paying and collecting the roaming revenues on behalf of related parties, sales, purchases, commission and hotel services.

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 31/12/2011 L.E	31/12/2010 L.E
Orascom Telecom companies	Management fees / Roaming Services / Sales/ Purchases / Commission / Internet services / leased lines	798 393 407	964 742 862
Rest of Orascom Group	All above mentioned transactions	153 055 846	176 380 286
Orange Group	Management fees / Technical assistance / Roaming Services	174 540 378	214 083 978
Nile City Investment	Rent	18 043 474	18 859 170
Nile City for tourism and hotels	Hotel services	1 163 798	–
Mobinil For Telecommunication	Rent / Payments on behalf of the company	405 133	502 487

The outstanding balances as at 31/12/2011 are as follows:

Description	Balance type	31/12/2011 L.E	31/12/2010 L.E
Orascom Telecom companies	Creditors / Accounts receivable / Other debit balances / Other credit balances	21 625 892	22 000 173
Rest of Orascom Group	Creditors / Suppliers-advance payments /Other debit balances	20 869 662	21 505 092
Orange Group	Creditors / Suppliers-advance payments	9 214 308	2 772 648
Nile City Investment	Suppliers-advance payments	18 750	6 104
Nile City for tourism and hotels	Creditors	26 061	–
Mobinil For Telecommunication	Other debit balances	1 206 622	792 628

Summary of major related party contracts:

Management fee agreements:

The management fees related to the services provided by each of Orascom Telecom and Orange to the company in accordance with the contracts effective since July 1, 2002, for a consideration of 0.75% of the company's gross service revenue (excluding taxes) payable to each of Orange and Orascom Telecom. Such fees are invoiced and paid on a monthly basis. The contracts have been automatically renewed since their entry into force and therefore are long term, continuing and on-going contractual arrangements.

Distribution service contract:

The company has a distribution agreement with Multimedia Mega Stores a subsidiary of Orascom Telecom by which the related party distributes the company's products in return for commissions. The commissions received are based on the same formula as other non-related distributors.

Roaming agreements:

The company has roaming agreements with Orange and Orascom Telecom groups.

The amounts due on these contracts are previously included in this note.

The nature of the relationships is as follows:

- Mobinil For Telecommunication

Direct shareholder with 51.03 % in the company.

- Orascom Telecom

Direct shareholder with 20 % and holds 28.75 % in Mobinil for Telecommunications the principal shareholder in the company.

- France Telecom (Orange)

Principal shareholder with 71.25 % in Mobinil for Telecommunications the principal shareholder in the company.

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.

Note 16 Loans

The company has unsecured loans, all of which are in Egyptian pounds, to finance its capital expenditure, 3G license fees and general purposes. These loans are all from local banks, the terms and details of the loans are summarized as follows:

Contract date	Grace period	Initial agreement amount	Carrying amount	Short term loans portion	Long term loans due 2013/2018	Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
April 17,2005	3 years	1 800 000 000	490 213 565	327 200 000	163 013 565	30/4/2013	Semi-annually	11 semi-annual installments start after the grace period and due on April 30 & October 30 every year.	
August 15,2007	5 years	2 300 000 000	2 291 406 922	460 000 000	1 831 406 922	14/8/2014	Semi-annually	• 20 % of the facility (460 million Egyptian Pounds) at the end of fifth year. • 30 % of the facility (690 million Egyptian Pounds) at the end of sixth year. • 50 % of the facility (1 150 million Egyptian Pounds) at the end of seventh year.	CBE Discount Rate (CDR). The corporate time deposit rate. CBE Mid Corridor rate. Margin.
February 27,2008	2.5 years	2 200 000 000	1 643 055 413	471 120 000	1 171 935 413	3/3/2015	Semi-annually	• 80 million Egyptian Pounds at the first business day after expiry of the grace period that expires on September 2, 2010. • 2 120 million Egyptian Pounds over 9 semi-annual installments due on March 3 & September 3 every year.	
April 23,2009	2 years	1 000 000 000	828 228 895	333 333 333	494 895 562	22/4/2014	Semi-annually	6 semi-annual installments start after 6 months from the expiry of the grace period and due on October 22 & April 22 every year.	
April 11,2011	—	2 000 000 000	1 306 842 774	142 800 000	1 164 042 774	10/4/2018	Semi-annually	14 semi-annual installments starting after 6 months from the contract signing date and due on October 11 & April 11 every year.	CBE Mid Corridor rate. Margin.
			6 559 747 569	**1 734 453 333**	**4 825 294 236**				

Note 17 Capital

The company's authorized share capital amounts to L.E 1 500 million divided into 150 million shares with a nominal value L.E 10 each. The company's issued and fully paid up capital amounts to L.E 1 000 million. On October 12, 2003, the company's Extraordinary General Assembly approved the increase of the authorized capital to L.E 3 000 million. This increase was recorded in the commercial registry on February 23, 2004.

Note 18 Segment reporting

A segment is a distinguishable component of the group that is engaged in providing products or services (business segment) which is subjected to risks and rewards that are different from those of other segments.

The Company considers primary segment information by business activity. The method used to identify the business segments includes the factors used by the management to manage the Group and assign managerial responsibilities. The methodology adopted to identify the components of revenues and costs attributable to each business segment is based on the identification of each component of costs and revenues directly attributable to each segment. The operating activities of the Group are organized and managed separately based on the nature of the products and services provided. Each segment offers different products and services and is controlled by different legal entities.

The following primary business segments have been identified:

a. GSM: covering the mobile telecommunications services activities of the Group, including the sale of pre-paid scratch cards, post-paid and monthly subscriptions packages, bundles and roaming services.

b. Internet: covering the internet services of the Group.

	GSM	Internet	Total
	L.E	L.E	L.E
Net revenue	9 764 969 003	417 008 236	10 181 977 239
Depreciation and amortization	(2 324 790 810)	(83 532 972)	(2 408 323 782)
Operating profit / (loss)	933 189 487	(83 385 958)	849 803 529
Profit / (Loss) before income tax	113 994 916	(91 481 089)	22 513 827
Loss for the year	(158 516 515)	(94 287 553)	(252 804 068)
Total segment assets	16 143 339 844	736 545 212	16 879 885 056
Total capital expenditure (tangible & intangible)	1 876 411 188	58 800 345	1 935 211 506
Total segment liabilities	14 131 707 621	281 575 303	14 413 282 924

Note 19 Reconciliation of effective tax rate

		31/12/2011 L.E		31/12/2010 L.E
Net profit for the year before income tax		22 513 827		1 752 025 318
Income tax using the domestic corporation tax rate	**20 %**	2 000 000	**20 %**	350 405 064
Income tax using the domestic corporation tax rate	**25 %**	3 128 457		–
Non- deductible expenses		89 480 634		42 454 245
Tax exemption		–		(282 000)
Under provided in prior periods		8 901 644		80 802
*Impact of tax law amendment		171 781 002		–
	1 222.77%	275 291 737	**22.41%**	392 658 11

*The effective tax rate was impacted by the tax law amendment which was enacted and published in the official gazette on June 28, 2011.

Note 20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31/12/2011 L.E	31/12/2010 L.E	31/12/2011 L.E	31/12/2010 L.E
Property, plant and equipment	–	–	696 294 266	545 982 738
Employee share plan	1 422 767	724 054	–	–
Intangible assets	–	–	302 922 419	203 535 629
Provisions	15 786 843	20 291 139	–	–
Others	37 976 617	–	–	–
Total deferred tax asset / liability	55 186 227	21 015 193	999 216 685	749 518 367
Net deferred tax liabilities			**944 030 458**	**728 503 174**

Unrecognized deferred tax assets

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

	31/12/2011 L.E	31/12/2010 L.E
Deductible temporary differences	34 442 608	20 653 012

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.

Tax rate amendment

The income tax law has been amended according to the decree of the law No.51 for year 2011 issued by the Supreme Council of the Armed Forces, the income tax rate became as follows:

- 1st tax tranche: up to L.E 10 000 000 with rate 20%.
- 2nd tax tranche: over than L.E 10 000 000 with rate 25%.

These amendments will be applied from January 1, 2011 and will be calculated on the taxable profit for year 2011.

Note 21 (Losses) / Earnings per share

	Financial year ended 31/12/2011	Financial year ended 31/12/2010
Net (loss) / profit for the year attributable to equity holders of the company	(252 804 068)	1 359 298 033
Less:		
Employees dividends	–	(171 958 688)
Board of directors remuneration	–	(5 400 000)
	(252 804 068)	1 181 939 345
Weighted average number of shares	99 375 857	99 359 072
(Losses) / Earnings per share	***(2.54)**	****11.90**

* Because no proposed appropriation account was approved, losses per share were calculated without employees' share and board of directors' bonus.

** Earnings per share were calculated after deducting the employees' share and board of directors' remuneration for the financial year only after being approved by the general assembly meeting.

Note 22 GSM license agreements

a- 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 duration of 15 years starting from May 21, 1998 subject to renewal. The company paid L.E 1 755 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.

b- License agreement appendix no. (2)

- 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 years to the National Telecommunication Regulatory Authority (NTRA). Accordingly, each company was granted access to 7.5 MHZ of the 1 800MHZ spectrum that will be supplied by Telecom Egypt, which surrendered its 1 800 MHZ GSM license.
- The fees to access the 7.5 MHZ of the 1 800 MHZ spectrum are recorded at the cash price using its net present value.

c- License agreement appendix no. (4)

- On October 17, 2007, the company has signed an agreement with National Telecommunication Regulatory Authority (NTRA) to acquire the 3G license, 10 MHZ spectrum and extension of the old licenses for a new 15 years starting from the date of signature against L.E 3 668 M and a charge of 2.4% of mobile revenue. An amount of L.E 318 M was paid on the date of signature and the remaining amount will be paid on installments until the end of December 2010. Accordingly, the company has revised the useful life of old licenses to end October 2022.
- The 3G license fees are recorded at the cash price of the license agreement due to receiving the first 5 MHZ of the 2 GHZ spectrum during March 2008 and receiving the second 5 MHZ of the 2 GHZ spectrum during December 2010.

Note 23 Capital Commitments

Capital commitments represent the fixed assets, intangible assets and lease contracts entered into and not yet executed at the balance sheet date which amounts to L.E 572 M as at December 31, 2011 (L.E 622 M as at December 31, 2010).

Note 24 Contingent Liabilities

Contingent liabilities amount to L.E 76 M as at December 31, 2011. These contingent liabilities represent the uncovered amounts of letters of guarantee issued for the benefit of third parties as at December 31, 2011. 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.

Note 25 Employees Share Plan (Treasury Shares)

The extraordinary general assembly meeting of the company held on March 11, 2007 approved the establishment of the employee share plan (ESP) as per the corporate law by granting the employees free shares of the company. This plan will be applied to the company's employees, managers and executive members of the company's board that qualified according to certain conditions regarding their performance, position, years of experience at the company and anticipated accomplishments.

The company's Board of Directors approved the allocation of 409 000 shares owned by Mobinil Invest in the company in order to proceed with the employee share plan. Furthermore, the extraordinary general assembly meeting of the company held on September 3, 2007 approved the increase of allocated shares to 450 000 shares by purchasing the required shares from the stock market.

On March 10, 2010 the company's extraordinary general assembly meeting approved extending the employee share plan for four years and also approved the allocation of 884 160 shares in order to proceed with the plan.

The plan can be summarized as follows:

1- The plan's beneficiaries will be granted free shares that will be allocated over a number of years. Furthermore, supervising committee will nominate the beneficiaries, according to the plan's criteria, the number and dates of granted shares.

2- During the vesting period the ESP's shares will be in the custody of the trustee. Thus, the beneficial employee has no right to attend or vote in the company's ordinary & extraordinary general assembly meetings. Hence, the beneficial employee cannot exercise his or her rights till the date of transferring shares' ownership. However, the beneficial employee will have the right of profit distributed on his or her allocated shares from the granting date.

The granted shares according to the plan are as following:

	31/12/2011 Shares	31/12/2010 Shares
Allocated Shares at the beginning of the plan	409 000	409 000
Purchased & allocated shares to the plan	409 800	247 775
Granted shares balance (not exercised)	(252 895)	(207 045)
Exercised	(549 150)	(403 865)
Available shares	**16 755**	**45 865**

3- The following summarizes the exercise dates of the allocated share :

	Shares
December 31, 2007 (Exercised)	126 384
December 31, 2008 (Exercised)	131 205
December 31, 2009 (Exercised)	133 886
During 2010 (Exercised)	12 390
During 2011 (Exercised)	145 285
December 31, 2011	123 615
December 31, 2012	64 640
December 31, 2013	64 640

- The income statement has been charged with L.E 22 215 019 representing the employee share plan expenses for the financial year ended December 31, 2011.

Note 26 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, 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 L.E 656 713 875 and L.E 1 263 051 633 respectively. The company's net exposure in foreign currencies is as follows:

	Shortage
U.S Dollars	16 162 559
Euro	64 272 888
GBP	46 895
CHF	104 967

As disclosed in note (2-c) 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.

Note 27 Tax Status

- The Egyptian Company for Mobile Services

a- Corporate tax

The company was exempted from corporate tax for a period of 5 years ended 31/12/2003.

From inception till 2004

Tax inspection was performed for this period and all disputes have been finalized according to the internal committee decisions.

- Years 2005 and 2006

These years have been inspected and the dispute has been finalized according to the internal committee decision.

- Years 2007 to 2010

Tax return was provided for this period and currently being prepared for tax examination.

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 appealing.

- Years 2001 to 2004

These years have been inspected and settled with tax authority.

- Years 2005 and 2006

These years have been inspected and the resulting disputes are currently being discussed in the internal committee.

- Years 2007 to 2010

These years are currently being prepared for tax examination.

c- Stamp tax

- From inception till July 31, 2006

A tax inspection was performed and disputes were settled except for tax on Alo connection fees and in-kind tax which were transferred to the preliminary court but not yet resolved for the period from inception till 2001 and to appealing committee for years from 2002 to July 31, 2006.

- From August 1, 2006 till December 31, 2010

This period is currently being prepared for tax examination.

d- Sales tax

- From inception till 2004

This period has been inspected and differences were paid.

- Years 2005 to 2008

These years have been inspected and the company has been informed by the results.

- Year 2009 and 2010

These years have not yet been inspected.

e- Withholding tax

The company applies withholding taxes according to the available documents and there is a dispute regarding withholding taxes enforced on the rent payments, settlement with the concerned tax authority is in process.

▸ Mobinil Services (a subsidiary)

a- Corporate tax

▸ From inception till 2003

Tax inspection was performed and the company was notified with the legal forms and the dispute is currently being followed at the internal committee.

▸ Year 2004

Tax inspection was performed and the dispute is currently being discussed.

▸ Years 2005 to 2010

Tax return was provided for this period and prepared for tax examination.

b- Sales tax

▸ From July 1, 2001 till December 31, 2006

This period had been inspected and settled with tax authority.

▸ Years 2007 to 2010

These years have not yet been inspected.

c- Stamp tax

▸ From inception till July 31, 2006

Tax inspection was performed for this period and all disputes have been finalized and paid according to the committees' decisions.

▸ From August 1, 2006 till December 31, 2010

This period has not yet been inspected.

d- Withholding tax

▸ From inception till 2002

A tax inspection was performed and differences were paid according to claim from the central collection department.

▸ Years 2003 to 2010

These years have not yet been inspected.

▸ Mobinil for importing (a subsidiary)

The company started its operation on April 21, 2009 and its first financial statements was for the period from April 21, 2009 to December 31, 2010, the company was not inspected since inception till now and the tax return for this period was provided during the legal period.

- Link Egypt (a subsidiary)

a- Corporate tax

- From inception till 2001

This period has been inspected and settled with tax authority.

- Years 2002 to 2004

Tax inspection was performed and the company objected on the assessment and currently being re-inspected.

- Years 2005 to 2010

These years have not yet been inspected.

b- Payroll tax

- From inception till 2007

This period has been inspected and settled with tax authority.

- Years 2008 to 2010

These years have not yet been inspected.

c- Stamp tax

- From inception till 2005

This period has been inspected and settled with tax authority.

- Years 2006 to 2010

These years have not yet been inspected.

d- Sales tax

- From inception till 2005

This period has been inspected and settled with tax authority.

- Years 2006 to 2010

These years have not yet been inspected.

- LINKdotNET (a subsidiary)

a- Corporate tax

The company is exempted from corporate tax for a period of 10 years that will end 31/12/2011.

- From inception till 2004

This period has been inspected and settled with tax authority.

- Years 2005 to 2010

These years have not yet been inspected.

b- Payroll tax

- From inception till 2008

This period has been inspected and settled with tax authority.

- Years 2009 and 2010

These years have not yet been inspected.

c- Stamp tax

- From inception till July 31, 2006

This period has been inspected and settled with tax authority.

- From August 1, 2006 till December 31, 2010

This period has not yet been inspected.

d- Sales tax

The company has not yet been inspected.

Note 28 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	L.E
Fixed assets additions during the year	1 618 941 035
Net movement of fixed assets under construction	299 788 498
Non cash reconciliations	
Interest capitalized during the year on fixed assets under construction	(60 246 254)
Fixed assets and fixed assets under construction suppliers	(108 140 037)
Payments for the purchase of fixed assets and fixed assets under construction	**1 750 343 242**

Note 29 Interconnect dispute

Telecom Egypt (TE) filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect rates with the mobile operators, with which it has existing interconnection agreements, for calls made by TE's subscribers from its fixed lines to mobile lines. Mobinil (or the Company) responded to the complaint, before the NTRA Dispute Resolution Committee, by asking TE to honor the Interconnection Agreement it had in place therewith. The NTRA issued a ruling on such dispute on September 3, 2008 which came in favor of TE, as it instructed a revision of interconnection rates between fixed and mobile lines to come in force as of the same date.

The Company informed the NTRA of its objection to the latter's ruling as it had no legal or contractual basis and its intention to bring the matter to the courts in order to protect its interests. On November 1, 2008 a lawsuit against the NTRA was filed before the Administrative Court at the State Counsel asking for staying and nullifying the NTRA resolution on interconnection rates.

On September 3, 2009, and based on the Interconnection Agreement (First Paragraph of Clause No. 25), the Company filed an arbitration claim against TE according to the rules of the Cairo Regional Center for International Commercial Arbitration in order to settle the existing dispute between the two parties. On October 9, 2009 TE submitted its initial response to the Company's claim and a counter claim.

On December 31, 2009, the NTRA issued a resolution (which was amended by another resolution on January 14, 2010) providing new changes to the interconnection rates between the different operators and applicable retroactively as of September 1, 2009. The resolutions were based on the NTRA's resolution of September 3, 2008. The Company informed the NTRA of its refusal of such resolutions and filed a casual lawsuit before the Administrative Court under No. 20220 of Judicial No. 64 against the NTRA for the nullification of the latter's resolutions.

On June 5, 2010, the Administrative Court rendered its ruling with regard to the Company casual claims as follows:

First:

Staying the implementation of items No. 2, 8 and 9 of the NTRA's challenged resolution of September 3, 2008, which set the interconnection rates for outgoing calls made from TE and terminated on Mobinil at 11.3 Egyptian Piaster per minute and outgoing calls made from Mobinil and terminated on TE at 6.5 Egyptian Piaster per minute and ordering the second defendant to bear all litigation expenses.

Second:

Staying the implementation of the NTRA resolution of December 31, 2009, as amended on January 14, 2010, which sets the interconnection rates for outgoing calls made from Vodafone Egypt, Etisalat Misr and TE and terminated on Mobinil at 8.5 Egyptian Piaster per minute (with the adoption of seconds as billing units) and outgoing calls made from Mobinil and terminated on Vodafone Egypt at 10 Egyptian Piaster per minute, Etisalat Misr at 11 Egyptian Piaster per minute and TE at 6.5 Egyptian Piaster per minute (all with the adoption of seconds as billing units), denying the NTRA claimed right of setting interconnection rates on a regular basis and accordingly ordering the second defendant to bear all litigation expenses.

The administrative court has referred the lawsuit to the state commissioners' authority to prepare a legal opinion concerning the request to nullify the said decisions.

The NTRA appealed the staying decision before the Supreme Administrative Court. The State Commissioner rendered its advisory report on December 6, 2010 in the summary appeal, recommending the reversing of the summary decision rendered on June 5, 2010 in favor of the Company. The Supreme Administrative Court shall decide on the appeal after hearing the parties reply to the State Commissioners' report.

In the last court hearing of December 10, 2011, the Court postponed the case to the hearing of February 4, 2012.

The company and its external legal counsel believe that the Company has a strong legal position as the NTRA's decisions do not have legal or contractual ground, hence we continue to record interconnect revenue and costs based on the existing agreement with Telecom Egypt and other mobile operators.

Had we applied these decisions we would have recorded less interconnect revenue by EGP 100 482 767, less interconnect cost by EGP 34 413 465 for the financial year ended December 31, 2008 and less interconnect revenue by EGP 344 408 227 and less interconnect cost by EGP 82 612 435 for the financial year ended December 31, 2009 and less interconnect revenue by EGP 503 367 350 and less interconnect cost by EGP 122 217 441 for the financial year ended December 31, 2010 and less interconnect revenue by EGP 522 275 406 and less interconnect cost by EGP 114 718 049 for the financial year ended December 31, 2011.

Note 30 Bonds

The main terms and conditions of the bonds are as follows:

Type of issuance:	Par value bonds (second issuance) with a fixed interest rate, marketable but non-convertible into shares.
Interest rate:	12.25% fixed annual interest rate due every 6 months.
Issuance price:	100% of the 15 million bonds par value, which amounts to L.E 100 each and for a total amount of L.E 1 500 million.
Payment:	The bonds will be repaid in one installment at the final maturity date of the bonds after 5 years from the closing date of the public offering and the issuer has the right to repay the bonds before their final maturity date.

Note 31 Business combination

On July 3, 2010 The Egyptian Company for Mobile Services Ordinary General Assembly approved the acquisition of 100% of the share capital of the two Companies LINKdotNET (S.A.E.) and Link Egypt (S.A.E.) by The Egyptian Company for Mobile Services and its subsidiaries including "LINKdotNET" trade mark and the intellectual property rights related to both Companies' activities inside Egypt.

On July 4, 2010 The Egyptian Company for Mobile Services signed a sale purchase agreement (SPA) with In Touch Communications Services Company (a subsidiary of Orascom Telecom Holding) and a related party, to purchase LINKdotNET Company and Link Egypt Company, for an enterprise value of L.E 736 372 000 and an estimated purchase price of L.E 277 568 000 after deducting their estimated net debts.

The transaction closing occurred on September 2, 2010. The company started to consolidate both companies in September.

Both the seller and the purchaser agree that November 4, 2010 was the closing accounts approval date in accordance with the SPA and consequently approve the final closing accounts and purchase price to be L.E 298 368 103.

During the fourth quarter of 2010 the purchase price allocation (PPA) was made for the acquisition of both LinkdotNet and Link Egypt.

The following table provides details of calculation of goodwill:

	LINKdotNET L.E	Link Egypt L.E	Total L.E	PPA Adjustment L.E	Total after adjustment L.E
Property and equipment	146 507 205	456 565	146 963 770	–	146 963 770
Intangible assets	–	62 521 077	62 521 077	207 032 980	269 554 057
Other noncurrent assets	3 781 239	–	3 781 239	–	3 781 239
Inventory	816 686	–	816 686	–	816 686
Accounts receivable	58 062 657	10 106	58 072 763	–	58 072 763
Other current assets	180 509 537	95 443 940	275 953 477	–	275 953 477
Cash at banks and on hand	72 802 856	763 134	73 565 990	–	73 565 990
Current liabilities	(457 728 548)	(204 859 244)	(662 587 792)	(26 307 855)	(688 895 647)
Noncurrent liabilities	(75 002 390)	–	(75 002 390)	(36 145 025)	(111 147 415)
Net identifiable assets and liabilities	(70 250 758)	(45 664 422)	(115 915 180)		28 664 920
Goodwill	309 296 916	112 998 630	422 295 546		277 715 446
*Purchase cost	239 046 158	67 334 208	306 380 366		306 380 366

*Purchase cost includes professional fees incurred in relation to the acquisition and capitalized as a part of cost of acquisition in accordance with Egyptian Accounting Standards.

Note 32 Major events

During this reporting year, some major events took place in Egypt that impacted the economic environment which in turn exposed the Company to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

These events had a negative impact on the financial statements for the year ended December 31, 2011 and may continue to have impact on the financial statements of future periods. While it is difficult to quantify this effect at this point of time, the impact will become visible in the future financial statements. The significance of such an impact will depend on the extent and length until which these events and its effect will end.

Note 33 Prior year adjustment

The balance of retained earnings as at December 31, 2010 as well as the net profit for the financial year ended December 31, 2010 were decreased due to adjustment related to internet segment by L.E 6 207 280 and L.E 5 779 767 respectively as follows:

1- The capitalization of the website cost as an intangible asset by L.E 7 224 000 resulting in increasing December 31, 2010 retained earnings by L.E 3 360 000 and net profit by L.E 3 864 000.

2- The reversal of the subsidy relating to the internet services for years 2009 and 2010 amounting to L.E 19 211 047 resulting in decreasing December 31, 2010 retained earnings by L.E 9 567 280 and net profit by L.E 9 643 767.

Note 34 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, 2011.