Annual Report 2010

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mobinil

Overview

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Overview

At a Glance

The Egyptian Company for Mobile Services (ECMS), launched in May 1998, provides a wide range of telecommunications services. ECMS operates under the brand name "Mobinil". It is owned by France Telecom Group (FT), Orascom Telecom Holding (OTH) and public market equity investors. FT and OTH have respectively 36.34% and 34.66% economic interest in ECMS. The remaining 29% of shares are publicly traded on the Egyptian Exchange. Mobinil offers its customers 3G services and EDGE technology for high speed download, Internet communication, and high capability browsing. It is also working on the deployment of HSPA+ technology.

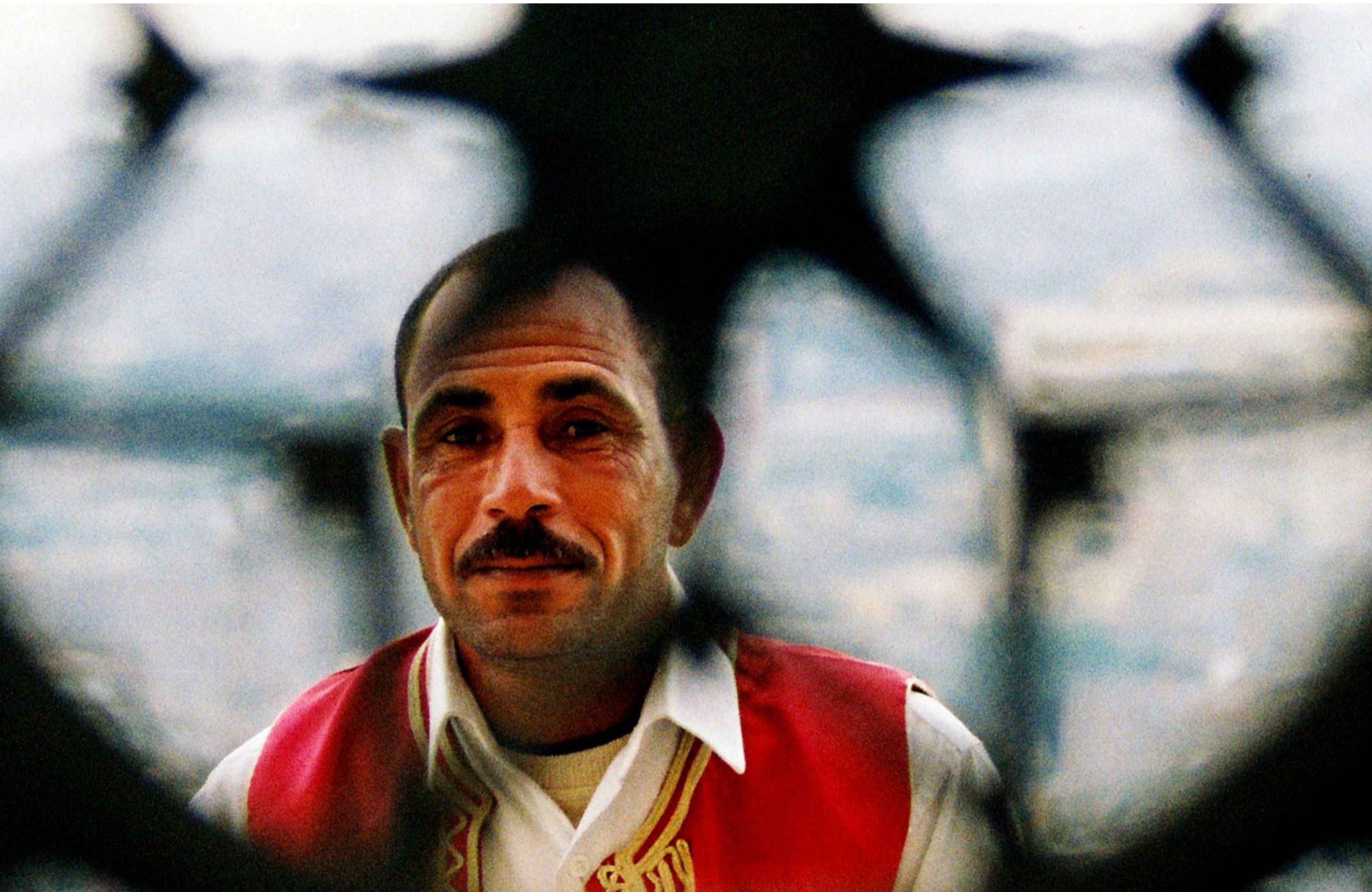
Telecommunications Market in Egypt

The Egyptian telecommunications sector is one of the most developed markets in the Middle East and North Africa region. In 1997, the Egyptian government began liberalizing the telecommunications market and ever since, the telecom market has been demonstrating significant increase in terms of diversity and number of players. Telecom Egypt (TE) acted as the sole provider for decades. Over the last ten years, Egypt's telecommunications infrastructure improved dramatically and its telecommunications sector became one of the fastest-growing sectors in the economy.

By the end of 1998, two private mobile operators (Mobinil and Vodafone) were serving a few million mobile users. By 2007, a third mobile operator (Etisalat Egypt) entered the market and the total number of mobile users reached 31 million at the end of the year. Fixed telephone lines showed a slow increase from 2000 to 2007.

Mobinil, Vodafone Egypt and Etisalat Egypt were serving by December 31, 2010 over 78 million mobile users. Even though voice is currently the largest contributor to total revenue, mobile data services account for, according to *Pyramid Research,* approximately 9% of total mobile service revenue; a share that is likely to rise in the years to come, spurred by mobile internet adoption.

However, and according to the same source, Egypt's broadband market is still significantly underpenetrated with a 5% penetration rate in 2010.



Institutions and Players

Ministry of Communications and Information Technology (MCIT)

- ✓ Established in1999
- ✓ Promotes a broad liberalization agenda, de-regulation and privatization.

National Telecommunication Regulatory Authority (NTRA)

- ✓ Regulator; has strong grasp on market development
- ✓ Reports directly to the Minister of CIT
- ✓ Issues licenses and product approvals
- ✓ Implements the MCIT's technology roadmap
- ✓ Influences pricing and services
- ✓ Controls dial range allocation
- ✓ Resolves operator disputes

Telecom Egypt

- ✓ Fixed line incumbent
- ✓ 80% government owned - 20% publicly listed shares
- ✓ Owns 45% of Vodafone Egypt
- ✓ Owns 100% of TE data

Internet Service Providers

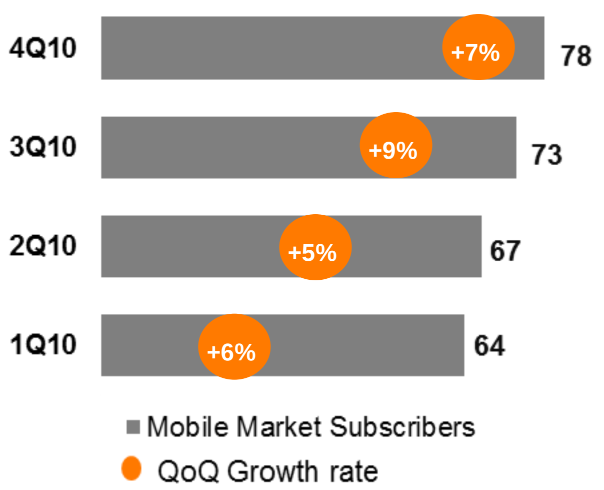
- ✓ LINKdotNET, TE Data, Raya, NileOnline and EGYNet are Egypt's internet infrastructure providers
- ✓ There are over 220 ISPs providing internet dial up, ISDN, and broadband.

Three Mobile operators

Mobinil, Vodafone Egypt, and Etisalat Egypt

- ✓ Each represents strong international and regional telecommunication players
- ✓ Each owns an ISP competing in the fixed broadband arena
- ✓ All profitable despite competitive pressures and maturing market.

Egyptian Mobile Market Subscriber Overview



*Gathered from both Mobinil Data Warehouse and Vodafone Group Release

Customers and Mobile Penetration

Analysts believed that the telecommunications industry in Egypt reached saturation. However, 2010 witnessed a growth of over 17 million subscribers. Even if the industry is approaching maturity, there is still room for some residual growth in certain segments which is expected to be fueled by innovation and data services.

Egypt's population is approaching 80 million; by end of 2010 more than 78 million SIM were in the market, representing a SIM penetration rate of 99.2%. Despite this high rate, we believe that there are regions that remain underpenetrated and therefore offer further growth potential.

2011 Expectations

The recent events in Egypt introduced a certain level of economic uncertainty, true for the telecommunications sector as well. In the medium term, we expect a certain normalization of the competitive intensity. The evolution of the business will depend on the speed and manner in which the general economic activity will get "back to normal".

Mobinil

Mobinil is Egypt's first mobile operator, founded in 1998. Since its inception, it has strived to maintain a strong market position. Honoring the trust of more than 30 million customers, Mobinil is recognized as one of the leading mobile service providers in the region due to the quality of its services and its contributions towards the development of the country.

Throughout the years, Mobinil has been honored to receive numerous awards presented by both national and international institutions. Mobinil was recognized for the quality of its operations, the development of its human resources, the transparency of its disclosure practices and investors' relations, and for the reliability of its health and safety systems (http://www.mobinil.com/Investors/Awards.aspx).

Alex Shalaby, ECMS Chairman, shares his thoughts on our 2010 achievements and directs a few words to our shareholders.

2010 has been a dynamic year for Mobinil. Do you think that Mobinil, as a leading mobile operator in Egypt, has successfully achieved its 2010 targets?

With the advent of 2010, we had taken a vow to uphold our strong position in the Egyptian mobile market. Throughout the year, we indeed faced certain regulatory issues, intensifying competition, and rapid technological development in our industry, but we remained focused and we kept our promise. In the face of these challenging times, I am delighted to report that Mobinil managed to fulfill its commitments. By the end of 2010, Mobinil exceeded the 30 million milestone in terms of subscribers and has positioned itself for future profitable growth in a maturing market.

Despite the economic downturn and its impact on 2010, mobile communications remained an essential element in the lives of many people. How can you assess Mobinil's performance throughout 2010 and how can you interpret the decline in revenue?

Undoubtedly, the recovery from the global economic downturn, which had inevitable effects on the telecommunications sector, remains fragile. Customers tried hard to control their expenditures and the mobile operators responded by reducing their prices resulting in a decline in revenues for many of them.

As a leading mobile operator, we designed competitive pricing plans to address and satisfy the fast-changing market needs which eventually had an impact on our financial performance. Nevertheless, and in order to safeguard profitability, we adopted new ways to operate cost-effectively while pursuing revenue growth initiatives through innovative products and services.

We delivered consolidated net revenues of EGP 10,450 million, representing a decrease of 3.3% over 2009. In light of the cautious approach we adopted with respect to operating expenditure, our consolidated EBITDA reached EGP 4,292 million, with an EBITDA margin of 41.1%.

How did Mobinil address the challenges that came its way? And how did you maintain your commitments towards your shareholders such as securing a sound financial position and healthy cash generation?

I am pleased to report that we successfully managed to tackle and overcome the challenges that came our way. We secured the required financing needs to further invest in our network and in our people while maintaining a qualitative technical edge. This was done by issuing a local Bond worth EGP 1.5 billion. The Bond closing took place on January 25, 2010 and the market displayed great interest in subscribing in it, which reflected confidence in our financial position.

In addition, we kept our commitment to reward the shareholders and maintain their dividends. The Board recommended a total dividend payout of EGP 1,235 million equating to earnings per share of EGP 12.35, as approved by the General Assembly.

On the commercial front, we reduced the impact of various factors by seeking new revenue streams. Mobinil finalized the acquisition of 100% shares of the second largest Internet service provider, LINKdotNET, on July 4, 2010. We firmly believe that this landmark deal will bring real benefits to our customers and real value to our shareholders.

Mobinil was ranked first amongst listed companies in Egypt in terms of corporate governance. How did you attain such achievement?

Throughout the years, we carefully examined our governance practices and social responsibilities, ensuring their consistency with our leading market position. As a result, international and local agencies recognized Mobinil for its accomplishments in corporate governance best practices.

We were granted the World Finance Corporate Governance Award for 2010. We also received the 2010 GTM/EGX Best Corporate Governance Award. Furthermore, we ranked first among all Egyptian listed companies on the ESG index for the level of disclosure on our website regarding governance, social, and environmental practices.

I am very proud of each person that made this remarkable achievement possible and I want to assure you that the governance awards are not the final chapter in our success story, rather a step in Mobinil's quest to maintain a superior governance system.

Mobinil's Board of Directors was re-elected for a new term in 2010, after being subject to certain changes in its composition. How did these changes impact the management team?

On March 10, 2010, Mobinil's shareholders confirmed their confidence in our Board of Directors by renewing its mandate term. Some members representing the major institutional shareholder "Mobinil for Telecommunications S.A.E" decided to step down after the conclusion of their term, while others, equally qualified, were appointed.

Throughout the years, Mobinil was truly fortunate to have on board qualified and experienced Board members who strongly supported the management team.

Finally, what message would you like to convey to your shareholders?

I would like to extend my gratitude to all our esteemed shareholders, for the trust they have placed in us, the Board of Directors, our management team, and our employees. Let me promise you that we are determined to maintain our position as one of the leading mobile operators in Egypt, offering the best quality service to our customers, the best working environment for our employees, top value for our shareholders, and proudly contributing to the development of our community.

In the following interview, Hassan Kabbani, CEO reflects on 2010, discusses the strategic and financial outlook, and explains how Mobinil is preparing for the future.

What do you think of Mobinil's performance during 2010?

In 2010, the level and quality of Mobinil's operational and financial performance was generally satisfactory, given the increasingly complicated operating environment. We worked a great deal on shifting our strategic focus from acquisition and voice-based business, to retaining customers and expanding into the burgeoning broadband arena, which will help us improve our overall performance in 2011.

During the first half of 2010, we faced extreme dial range shortage that impeded our growth. We also faced other regulatory pressures such as the new subscriber registration rules that slowed down the activation process. Despite these obstacles, we reached the 30 million subscriber milestone. Net additions reached 4.871 million customers, a 19.2% growth over 2009. We are confident that we have been able to capture a fair share of the residual growth in a highly maturing market, while keeping our eye on creating future profitable growth.

On the other hand, our consolidated net revenues declined by 3.3% compared to 2009, reaching EGP 10.450 billion by the end of 2010. This decline resulted from general market trends with an increasingly aggressive competitive arena and pricing pressures that lead to ARPU dilution. Although broadband and data revenues increased 120% over 2010, they were not sufficient to offset the decline in voice revenues.

What are you most proud of achieving in 2010?

In 2010, we made a shift in the way we approach business by putting our customers at the heart of our plans. In other words, we began to build a base management capability through which we renewed our pledge to our customers by enhancing the value we offer them and by implementing effective segmentation strategies.

The latter was adopted to better understand our customers and their evolving needs and to anticipate their requirements. We increased customer loyalty by introducing attractive retention programs and launching tariff plans with highly attractive value for money offers. These plans were particularly designed for the ultimate convenience of our customers. We also introduced a wide range of propositions for both consumer and enterprise markets. Moreover, we enriched our portfolio with a variety of voice and data bundles.

Driven by our belief in the future of broadband in Egypt, Mobinil acquired LINKdotNET, the country's second largest ISP. We are convinced that this strategic move will provide LINKdotNET and Mobinil customers with a full range of best converged communication services.

We believe that combining the knowledge and resources of two of the strongest and most recognizable Egyptian companies, will allow us to provide unique and innovative services to our customers. This will also make us stronger and more dynamic in driving the Egyptian telecom market.

Furthermore, as the telecommunications business in Egypt is maturing and voice-based revenue growth is naturally declining, we are focusing not only on expanding beyond voice but also on improving cost management and operational efficiency. During the year, we took significant steps towards retuning our cost structure.

The efforts made by the company in building capabilities in 2010 were intended to better prepare Mobinil for the future, and the fruits of such efforts will be seen over the coming years.

What is your vision for the future and what do you think are Mobinil's greatest challenges during 2011?

The Egyptian telecom sector has proved to be resilient compared to other industries. Moreover, Mobinil has a solid position in Egypt and a long history with our customers. Our large subscriber base remains a key asset. We will continue to leverage on our "Mobinil community" to drive profitable and sustainable growth.

We will be facing challenges in the coming year, many of which are related to the larger political and economic pressures the country is enduring. We expect Egypt to undergo major political reforms that will affect the economy at least on the mid-term.

We also expect to face other critical challenges such as protecting our margins and preserving revenue in a maturing market and highly competitive business environment.

Throughout the coming year and moving forward, we will continue to focus on strengthening our position in the market by creating lasting and sustainable profitability.

The customer will always remain at the very core of our plans. We will capitalize on our assets to support future growth through the provision of broadband and other innovative products and services.

Under stable political and economic conditions, we anticipate increasing market stabilization with a normalization of competitive pressures and we remain committed to managing the company with the objective of delivering value to our shareholders. We also remain committed to playing a vital role in our community through our Corporate Social Responsibility initiatives.

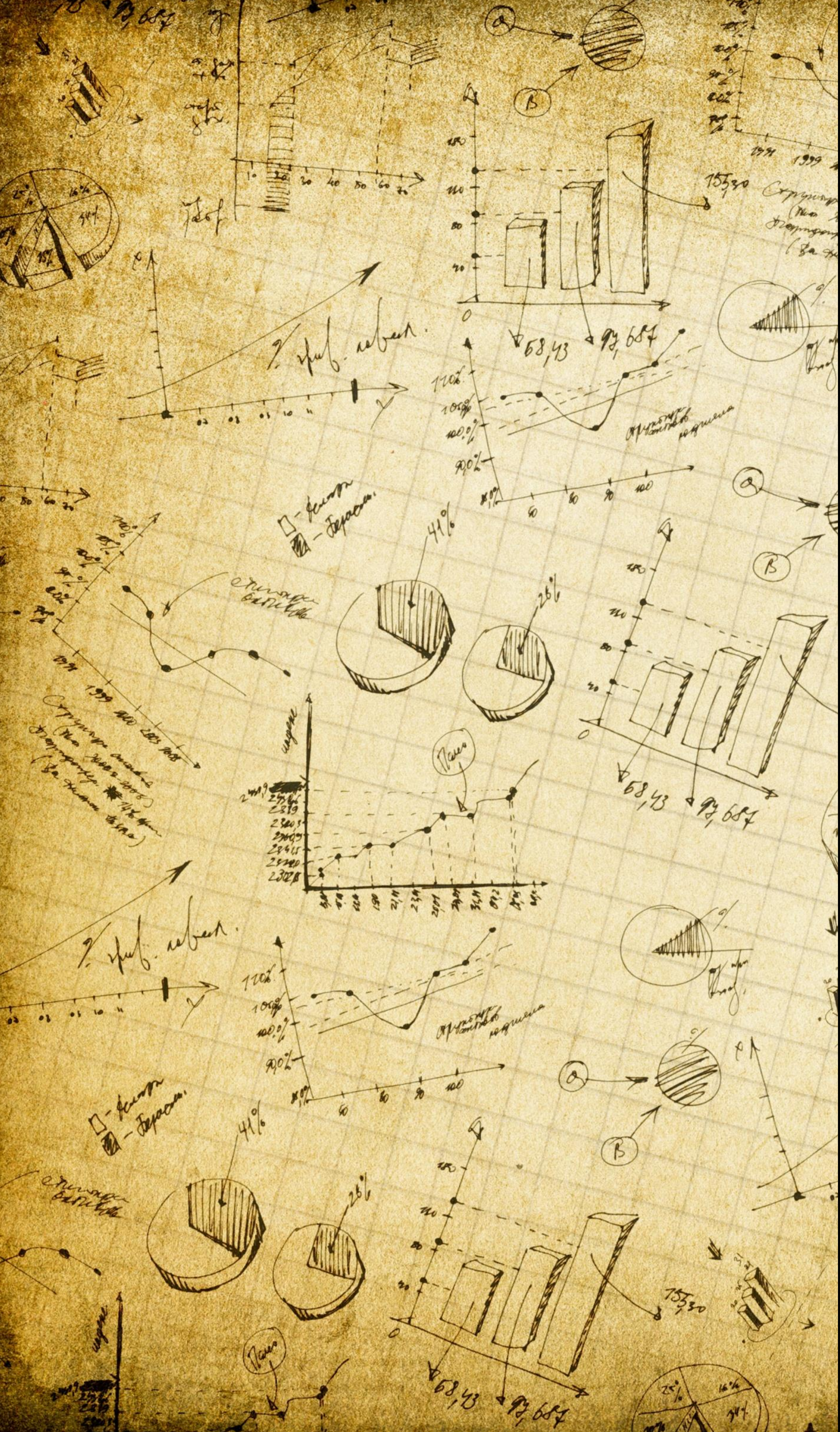
Finally, I would like to thank the Board of Directors and the shareholders for their trust and constant support of our operations. I would like also to extend my appreciation to the Mobinil team for its continuous efforts and dedication.

Our Mission is to…

Maintain **leadership** as the most recommended telecommunication brand in Egypt. Provide the most recognized **quality** and **innovation**, and grant the **highest value** to our Mobinil community, while maximizing profitability. Be a **desired employer,** highly appreciated for its social contribution.

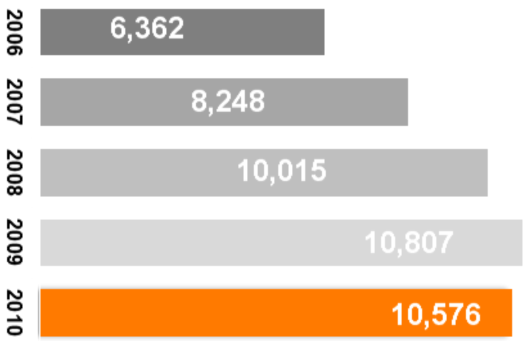
Our Vision is to…

Be the telecom **operator of choice** in Egypt, fulfilling the **community** needs praising its heritage, creating value for all **stakeholders** and proudly contributing to the country's **development.**



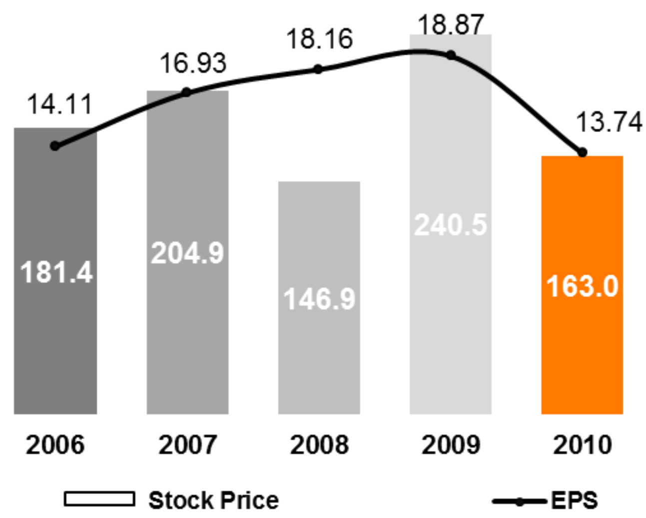
Key Figures

Revenue
(In Million EGP)



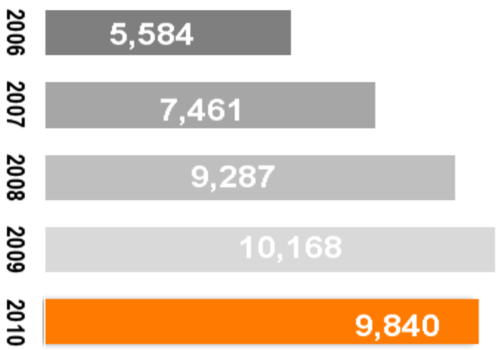
EGP 10,576M
Revenue Evolution
*All operational revenue

Earnings per Share
(In EGP)



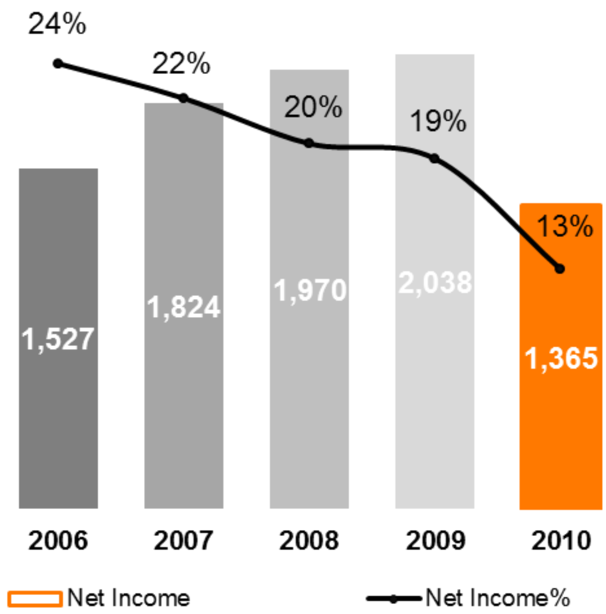
EGP 13.74

Service Revenue
(In Million EGP)



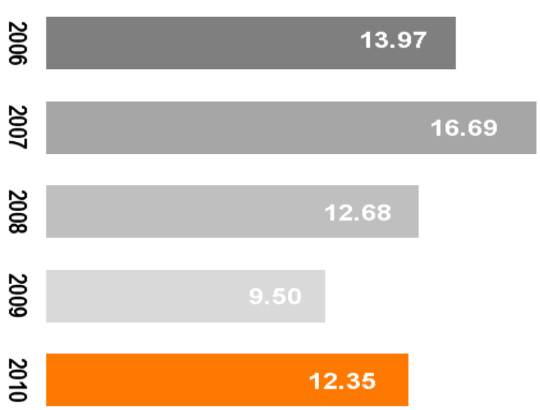
* Operating Revenues W/O Connection Fees, Roaming and Sales Equipment's

Net Income
(In Million EGP)



EGP 1,365M
Net Income Evolution

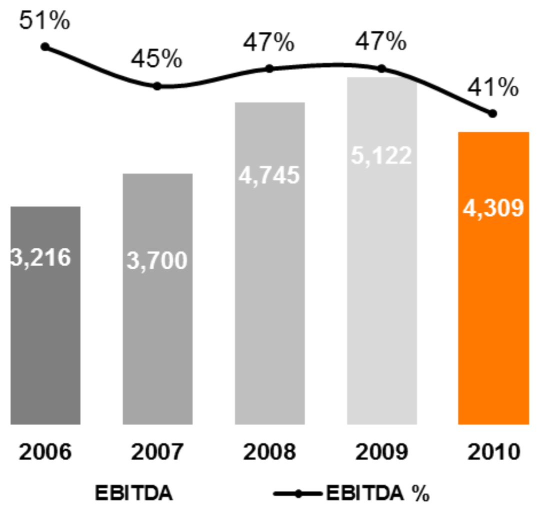
Dividend per Share



EGP 12.35

EBITDA Evolution

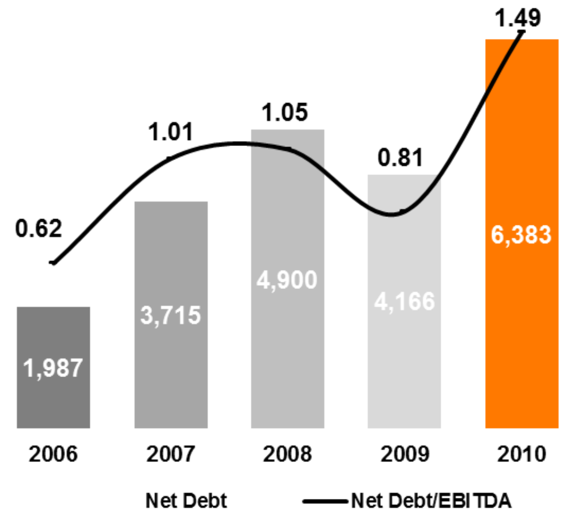
(In Million EGP)



*Without License payment and LINKdotNET acquisition this level would have been at 4,021 leading to 0.94 Net debt/EBITDA of YT.

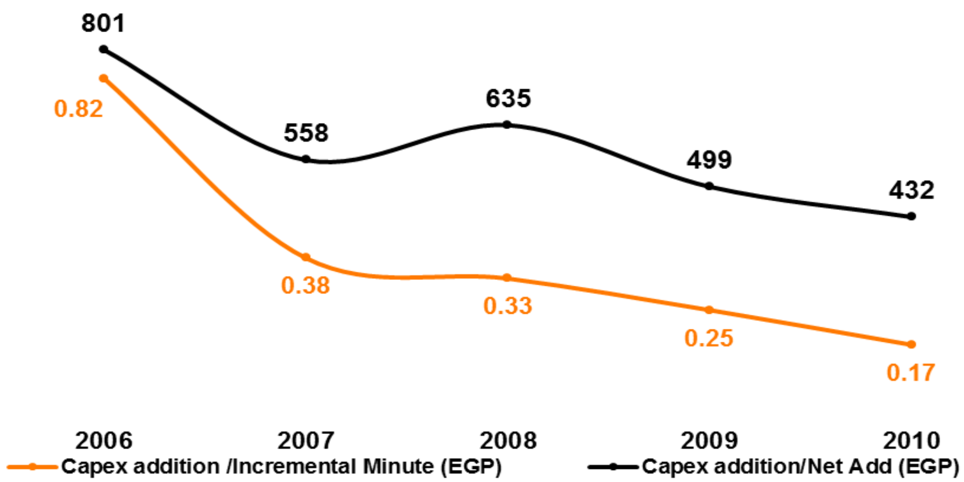
Net Financial Debt

(In Million EGP)



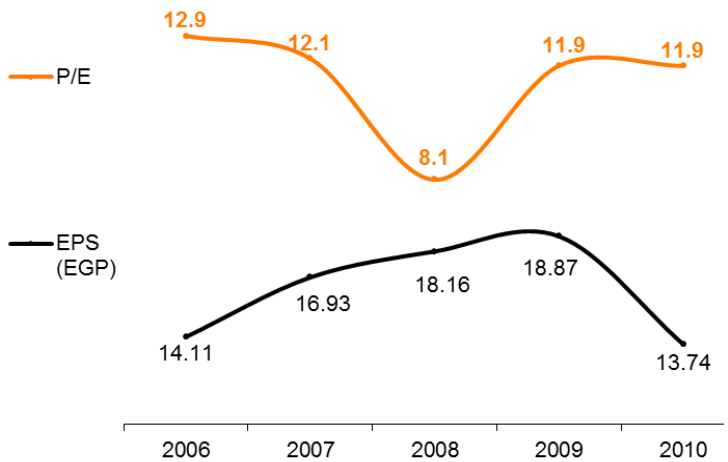
CAPEX

(In Million EGP)

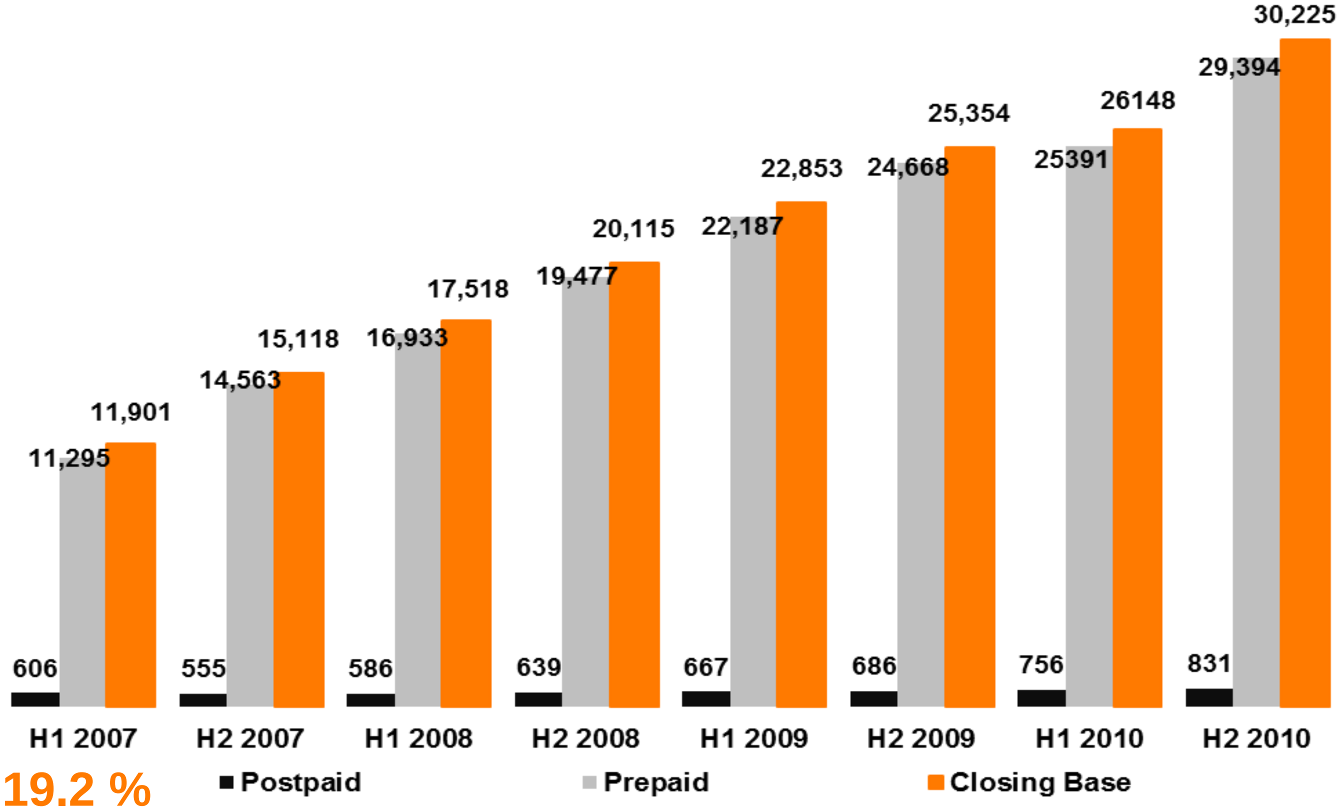


Price-Earnings Ratio

(In EGP)



Subscriber Growth Rate

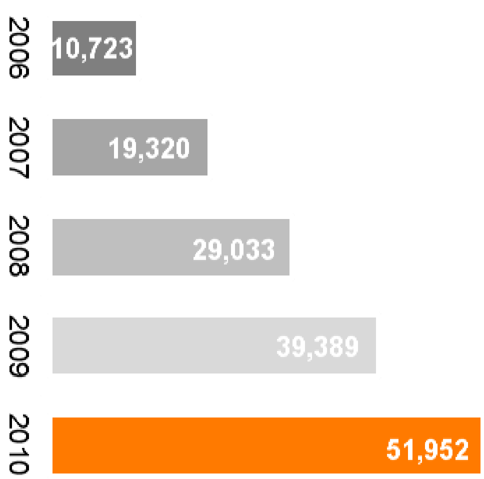


19.2 %

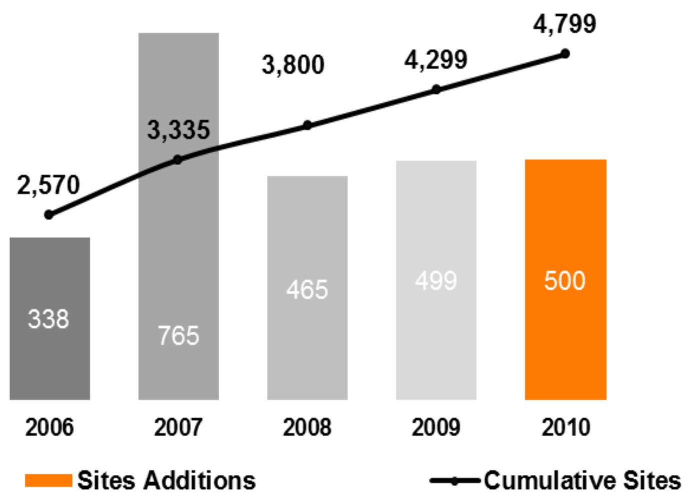
Subscribers and Subscriber base growth

Total Traffic

(In Million)



Sites



Our Business

2010 Strategic Challenges

- ✓ Minimizing negative impact of the global financial crisis
- ✓ Maintaining our strong market position
- ✓ Driving the market with the right plan (Dynamic market segmentation)
- ✓ Exploring new source of value creation
- ✓ Developing the best HR capabilities
- ✓ Modernizing and enhancing infrastructure and systems
- ✓ Improving and optimizing organizational efficiency

Our Customers

Responsibility

Mobinil is committed to the highest levels of customer satisfaction by meeting its customers' needs, providing superior network quality and coverage, and offering a great customer service experience. The company's main objective is to continuously provide the best value for the customers.

Consumer privacy

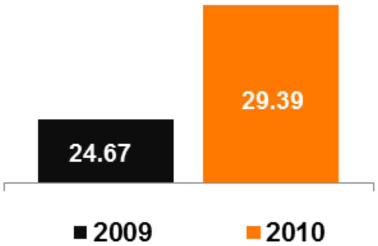
Mobinil complies with the Telecommunication Law no. 10/2010 concerning the confidentiality of customer information. All customer information (personal data and details concerning personal mobile transactions) is safeguarded in our records and information systems, provided that the information does not conflict with Egypt's national security and strategic interests. Mobinil responds to failure to protect customer information with the strictest disciplinary actions.

Prepaid (ALO) customers

Prepaid customers make up almost 98% of Mobinil's total customer base. This segment of our subscriber base is extremely diverse.

In 2010, Mobinil adopted the following initiatives to satisfy its personal prepaid customers' needs:

- ✓ Simplify tariff plans
- ✓ Create differentiation through tailored offerings
- ✓ Build an edge pricing portfolio to address and create value for prepaid customers
- ✓ Create a relationship with prepaid customers using rewards program.



Prepaid customer base (In Millions)

ALO offers in 2010

El-Me3alem

Recharge Promo.

Customers received double their credit in the form of minutes when they recharged their accounts.

ALO Students Line

Ramadan Tariff

Customers talked for free every day from 4:00 AM to 7:00 PM after making three charged minutes.

Top Up and Win

Stimulate Recharges and Reward Customer Loyalty.

Ahsan Nas

For those who make a majority of calls to a few family and friends, it allows customers to call up to 4 of their contacts at reduced rates.

Kalam Aktar

Long Callers Tariff

ALO Per Second

Per Second Billing.

No Conditions

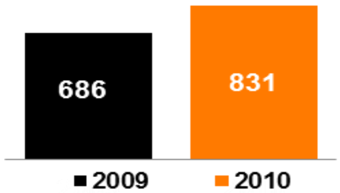
Simple on net for low value customers

Postpaid customers

Postpaid customers constitute approximately 2.75% of Mobinil's total customer base and yet they generate a significant part of Mobinil's revenue. There are two types of postpaid customers: Personal and Business.

In 2010, Mobinil aimed to:

- ✓ Enhance customer loyalty (Loyalty Program, First Class benefits, retention programs, proactive gifts for dissatisfied customers)
- ✓ Introduce a variety of saving plans with our wide range of Star tariffs
- ✓ Improve customer experience by offering convent payment options (Fawry and E-payment services).



Postpaid customer base (in Thousands)

Star offers for personal postpaid customers in 2010

In 2010, Mobinil pushed STAR acquisitions by promoting the sale of Smartphones and high-end devices.

- ✓ New Star line or migrating from prepaid to postpaid get immediate enrollment in the Star Awards Program and 1000 bonus points
- ✓ Quarterly bonus points for tariffs higher than Star Favorite Number Light.
- ✓ Existing Star Customers get a 5%-15% cash discount in select appliance stores

BlackBerry Devices discount (10%-15%) when purchased with a Star line.

- ✓ Curve 8900
- ✓ Bold 9700
- ✓ Curve 8520

- ✓ EGP 1000 discount on a mobile phone when a Star line is purchased.
- ✓ Existing customers enjoy the discount when they migrate from prepaid to Star or upgrade their current Star plan.

All in one tariff for the 'on-the move' generation

It offers on-demand connectivity, coverage, and the following services:

- ✓ Unlimited Voice Calls
- ✓ Unlimited SMS
- ✓ Blackberry services
- ✓ Mobile Internet
- ✓ Internet through USB modems

Enterprise offers in 2010

Revamped prepaid bucket proposition

Allows users to decrease their monthly fees using scratch cards

Call and Control bucket proposition launch

A choice of six buckets (different monthly commitments) that allow enterprises to control their telecom expenses while enjoying more minutes to the destination they prefer.

Gross additions were 63K over six months.

Blackberry "try and buy" promo

Free Blackberry devices and free activation of subscription for a trial period of 2 months.

First year anti-fragility program

Welcome Call to the enterprise contact person, 1 month and 17 days after the account's activation date.

Welcome Calls ensure that:

- ✓ The CP has received the bill, understands it, and is aware of the different outlets available to pay it.
- ✓ The CP is aware of the different tariff plans available.

Video Call promo

Free of charge video calling service for three months.

The actual traffic reflected an outstanding growth (80%) over the average traffic trends before the promotion.

Egypt Air SMS competition

Mobinil launched an SMS competition in collaboration with EGYPTAIR from November 23, till January 21. Customers had to answer questions about Egypt by sending their responses via SMS.

- ✓ SMS Traffic increased by 3.8%
- ✓ SMS Revenue increased by 19.2%

Employee Sales Contest

Mobinil employees were challenged to bring sales leads for the Enterprise segment, and to accumulate points. Valuable prizes were presented to the winners.

Achieved

- ✓ **17 accounts**
- ✓ **663 lines**

Customer Satisfaction

Mobinil Care Services

Mobinil Care Services were launched to help customers face the increased complexity of the digital age, using product and services innovation, excellent customer experience, service excellence, and employee engagement

Call Center

- ✓ During 2010, Call Centers doubled the call volume of 2009.
- ✓ Customer Service Interactive Voice Response (IVR) handled more calls than 2009.
- ✓ A high level of customer satisfaction rate was maintained.

Mobinil Shops

In 2010, Mobinil established over 150 new outlets in 27 governorates to insure the availability of its services, products, and promotions to a wider range of customers.

Products and Services

Products

Throughout 2010, Mobinil offered a wide range of products in order to serve the diverse needs of its customer.

Smartphones

Both high and low value Smartphones were introduced

- ✓ High-end Smartphone devices such as the Blackberry Bold 9700, Blackberry Kepler, Blackberry Torch and iPhone 4
- ✓ A low-end Smartphone, the Nokia C3, was bundled with 3 free months of mobile Internet. This allowed Mobile technology to be available to a wider range of customers which drove Mobile Internet revenues up.
- ✓ Mobinil released the iPad (16GB and 32 GB)
- ✓ Mobinil was the only operator to offer the Samsung Galaxy Tab P1000

Mobinil branded handsets are aimed to offer customers low cost devices.

- ✓ MobiChat, a Mobinil branded handset loaded with social networking options and high value features.
- ✓ Three basic low value Mobinil branded Motorola devices were introduced (EGP 160 – EGP 300)

Data

In 2010, Mobinil offered the latest wireless devices.

- ✓ USB Modems
- ✓ Wi Fi Adaptor
- ✓ Fly Box; a 3G/GPRS router that provides a telephone interface which can be used for connecting a telephone to voice service.

Services

Mobile Broadband (MBB) and Mobile Internet Services in 2010

Although SMS and voice services generate a substantial part of our total service revenue, GPRS and data revenues remain the fastest growing segment.

Time Based MBB

- ✓ Mobinil was the first to offer time-based MBB
- ✓ There are daily and hourly Internet buckets
- ✓ Time-based MBB attracts a larger and more diverse customer base.

Unlimited Mobile Internet

Offers mobile Internet users a browsing experience without worrying about fees.

Value Added Services and Innovation in 2010

- ✓ Incoming Call Management (ICM) applet enables customers to reject calls and have an SMS sent explaining that they are busy.
- ✓ MyNetworks is an application that aggregates social networks, emails and chat accounts in a single interface.
- ✓ Now Reachable is a service that gives a notification to customers that the call receiver has opened their phones if they had tried to reach them while they were unavailable.
- ✓ Fawry Payment is a service for bill inquiry and payment via a bank account (ATM machine). The banks for service included Banque du Caire, Bank of Alexandria, National Bank of Egypt, and Banque Misr.

Highlights

Mobinil and EgyptAir Alliance

On November 4, 2010, Mobinil and EgyptAir signed a partnership agreement.

- ✓ SMS service which enables EGYPTAIR to contact its customers for ticket confirmation, lost baggage, handling services and other IT services.
- ✓ Mobinil offered EGYPTAIR data services.
- ✓ Mutually exclusive benefits and offers to each company’s customers.
- ✓ Starting from year 2011, both customer bases will have the opportunity to exchange points for miles and vice versa, enabling customers to fully benefit from Mobinil's Point Scheme program as well as EGYPTAIR’s Frequent Flyer program.

To kickoff this partnership, Mobinil and EGYPTAIR launched the SMS competition.

LINKdotNET

On July 4, 2010 Mobinil announced the purchase of 100% of LINKdotNET and Link Egypt (LINK).

The rationale behind the acquisition:

Future Growth will come from Data.

- ✓ Voice revenue growth will slow down in coming years; future value is in data.
- ✓ Mobinil's high value customer base will be at risk over the long-term if we do not compete in the rapidly expanding broadband market.

Both operators need each other to meet new market challenges.

- ✓ The international trend is for consolidation of telecom and internet players.
- ✓ The market is changing rapidly and competition is becoming much more aggressive.
- ✓ Consumers are more sophisticated and demanding.

A Natural Partnership

- ✓ Strong existing commercial relationships will make a good fit
- ✓ Similar culture and similar challenges

The announcement of the acquisition was followed by two commercial launches for LINKdotNET and Mobinil customers.

- ✓ Joint broadband offer between Mobinil and LINKdotNET
- ✓ Customers could double their ADSL speed during summer time and get immediate connection through Mobinil USB modem.

- ✓ LINK DSL customers who were at the same time Mobinil subscribers received up to 10% discount on selective Smartphones.

Technology

In 2010, our Technology Department was structurally reorganized to embrace innovation and to address our customer needs more efficiently. Our customers' increasing demand for data services throughout the year became a corporate focus: Mobinil concentrated on providing value added services with the best quality possible.

Network, Infrastructure and Rollout

- ✓ Internet link and data charging capacities were developed to cater to the increasing demand for 3G and data usage
- ✓ Storage TBytes were added for current and new applications to sustain reliability, best performance and systems availability
- ✓ The NTRA 4Q10 results showed that Mobinil ranked:
  - First in Call Drop Rate for four consecutive quarters.
  - Second in Call Blocking Rate.
  - Second in Voice quality.

Key Projects

- ✓ IP backbone migration of FERMA, STPs, Soft Switches, IN, GPRS/ 3G, 25 HLRS and other services.
- ✓ Securing the network availability by implementing and test Disaster Recovery solution for critical platforms.
- ✓ Siebel Call Center replacement of Vantive, as well as the implementation of different IVR Self-services, Voice Callback, and IVR expansion, making us the first operator in the local Market to do so.
- ✓ DWH Subscriber, Traffic and financial analytics as well as regional and profitability analysis were implemented based on the robust EDW platform based on Teradata technology, effective price per minute and behavior segmentation.
- ✓ LDN Integration, a multi-stream project: IT, PSD and Network.

Innovation, modernization, and development

We continuously work to develop the network to provide our customers with the latest technology.

- ✓ Mobinil activated the high definition voice (HD). We were the first operator in Egypt and the MENA region to provide this service which providing our customers with crystal clear voice.
- ✓ Activating HSPA+ enabled our customers to enjoy the highest available data rates. This contributed to improving customer experience especially with rich applications like TV/video streaming and file-sharing.
- ✓ Mobinil's Tele-Presence Project was the second to be implemented worldwide.

Our core modernization in 2010 included:

- ✓ Off-loading legacy network elements.
- ✓ Dismantling legacy core network elements.
- ✓ Migrating legacy HLR to SDM as the first operator in Egypt.

Our operational enhancements included:

- ✓ Disaster Recovery in Smart Village
- ✓ Windows 7 migration
- ✓ Mobile e-mail sync for all Mobinil employees
- ✓ Establishing monitoring and controls on CDRs and Calls streams
- ✓ Implementing Audit Vault for Data Monitoring for Oracle E-Business Suite.

Cost optimization

In 2010, Mobinil's OPEX improved by EGP 25 million over 2009. Savings were made in both network maintenance and IT opex through:

- ✓ Contract Negotiations
- ✓ Cost Avoidance by properly distributing spares across all maintenance sub warehouses.
- ✓ Adoption of Virtualization Technology targeting cost optimization by combining eighty virtual servers in one data center.

Our People

Mobinil is home to **4,023*** talented and dedicated people whom we consider 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 aims to shape a challenging, fair, firm, and productive work environment, which embraces a culture of diversity and innovation. We are committed to providing a safe and healthy workplace where the wellbeing of our employees comes first. We also strive to reward high performance.

***This figure includes LINKdotNET and Link Egypt employees.**

Equal opportunity employer

Mobinil is an equal opportunity employer as reflected in the Equal Employment Opportunity Policy (EEO) and its applications. All employment applications are considered without regard to age, gender, religion, disability, or marital status.

Internal transfers

To promote a dynamic culture and encourage employees at all levels to be exposed to the various facets of the business, Mobinil offers horizontal job opportunities. During 2010, 10% of all Mobinil employees successfully transferred to other departments.

New hires

During 2010, a total of **311 newcomers** joined Mobinil across all departments. They ranged from technicians holding two-year diplomas to university graduates and experienced graduates.

Diversity

The diversity of our people brings strength to our Mobinil team. We strive to create a culture where tolerance and respect are a way of life, and we all bring value to the company through our work. Mobinil is fully committed to the principle of fairness and respect for the individual in its employment processes. We administer our employee policies and practices on a non-discriminatory basis, covering almost all geographical locations in Egypt reflecting diversity and gender equality.

Helping employees grow – Talent Development

Mobinil recognizes the need for continuous growth development. In 2010, we continued investing in our various talent development programs.

Strategic Managerial Leadership (SML)

This program was launched in 2007 focusing on three main domains. In 2010, the second module of the SML was launched delivering six rounds for executives and head of departments.

M1	M2	M3
Leadership (2007)	Customer Centricity (2010)	Strategy and Comm.(2011)
LDP	The way to profitable customer centricity	Strategic thinking and communication
FOL		
Moving up to Mgmt.		

Educational Assistance

We believe in equipping our people with the best know-how to excel at their jobs. Today, Mobinil launched 15 rounds of educational assistance, where 143 employees successfully completed their programs. As of September 2010, 142 employees were still engaged in their studies.

Health and wellness

With the strong belief that **"When you give blood you help save lives"** a blood donation campaign took place in July 2010 in coordination with New Kasr El Aini Hospital Blood Transfusion Center where 249 Mobinil employees donated blood.

With the start of the flu season, we launched a **flu vaccination campaign** in October 2010 in cooperation with Vacsera: 1,225 employees were vaccinated. As an extra benefit, we offered a discount on the vials so that employees could buy them for their family members and friends: 1586 vials were sold.

Another milestone is the **ABO Group campaign** in cooperation with Royal Lab. It was held from December 2010 till February 2011, where all Mobinil employees were required to document their blood group and Rh factor.

Benefits and Rewards

Mobinil's benefits scheme fulfills our employees' needs from direct retail discounts to facilitating loans or the purchase of cars and real estate units through 90 different suppliers.

Financial benefits: Financing entities provide exclusive financial schemes in the form of unique loans and credit cards to employees (self-financed).

Non-financial benefits: Direct discounts presented exclusively to Mobinil employees.

Company offers: Special offers and promotions on Mobinil products and services made available to Mobinil employees at discounted prices.

Work environment

Providing a challenging, fair, firm, and productive work environment, Mobinil emphasizes team spirit and collaboration in a friendly and professional atmosphere. Through various engagement initiatives, Mobinil capitalizes on the integrity, knowledge, skills, diversity, and competent teamwork of its employees.

Mobinil opens channels of communication with employees to ensure a lively and productive atmosphere.

Internal Communications objectives

Inform: Equip our people with the information they need at the time they need and promote effective communication across the company.

Engage: Build a sense of pride among our people so they act as brand ambassadors who reflect a positive perception of Mobinil as an employer of choice and a market leader.

Inspire: Maintain focus on our vision, mission and objectives and embed Mobinil brand values to guide our people in their day-to-day life.

Mobinil Family Day -- "Proud to be Mobinilian"

On Friday October 15, 2010, all Mobinilians along with their families enjoyed Mobinil Family Day where all came together in various engaging activities and competitions to reinforce team spirit.

Employees voicing their opinions

People Share

People Share is one of our corporate communication channels. The tool is accessible to all employees via the Corporate Intranet. It is a whistle-blowing channel that could be used to send complaints or report unethical practices anonymously.

People Share was launched in June 2002 to allow employees to:

- ✓ Present new ideas on services and products
- ✓ Submit concerns and complaints
- ✓ Make comments about any Mobinil related aspects.

The tool has helped promote and maintain openness and transparency in communication between employees and management.

Employee Opinion Survey 2010

Mobinil encourages the active participation of its employees in voicing their perception of the company in the annual Employee Opinion Survey. Areas of improvement are identified and recommendations are presented to management for further consideration.

Statement	% Agree and tend to agree
I am willing to work beyond my job requirements	93.06
I am proud to be a part of Mobinil	91.49
Mobinil is socially responsible in the community	91.28
I strongly recommend our products and services	90.28
My department constantly tries to better serve its customers	86.65
Mobinil is truly customer oriented	87.32
I recommend Mobinil as a good workplace	83.77
My department is responsive to the needs of its customers	81.86
My manager leads by example	82.41
We celebrate our successes at Mobinil	82.16

Our Responsibilities

As a corporation, Mobinil has responsibilities towards its employees, its customers, its shareholders, and last but not least towards the community. Our Corporate Social Responsibility program aims at balancing the needs of all stakeholders as well as meeting our social, ethical and environmental obligations. Our community program works to empower the underprivileged through education, health, environment, and community development initiatives.

Mobinil ranked first on the ESG 2010 Index for environmental, social and corporate governance practices by being the leading socially responsible company among the Egyptian companies listed on the Egyptian Exchange. The assessment was based on Mobinil's environmental, social and corporate governance (ESG) information disclosed to the public through our Annual Report, CSR Report, Website, and independent news in the press.

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.

Humane

- ✓ We genuinely believe in our role to help creating 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.

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.

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.

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 way.
- ✓ 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.

Our Responsibilities

We are responsible towards

Our Employees…

We are responsible to create for our employees a stimulating and safe work environment in which they can grow both professionally and personally. We are responsible to honor tolerance, diversity and equality, to foster respect and trust, and to encourage teamwork, efficiency and transparency in our employees.

Our Customers…

Mobinil's customers are treated with all due fairness and the utmost respect as per the company's mission statement. All services and content are provided within the framework of the company's policies, procedures, and standards of conduct. Mobinil's service networks are designed to be accessible by customers all over Egypt. At the heart of Mobinil's strategies to maintain a strong financial position lie the continuous efforts to provide the best service to the customers.

Our Shareholders…

Mobinil upholds the highest standards in responsible financial reporting with the aim of providing its shareholders with accurate and reliable information about the financial position of the company based on the Egyptian Exchange laws and regulations.

Investing in our community

Mobinil is a responsible corporate citizen. It creates job opportunities, contributes to the national economy, and adheres to the highest standards of business practice. Part of its responsibility is giving back to our community by remaining active in supporting social and cultural activities, committing to all Egyptian health and safety standards, and providing maximum environmental protection.

Volunteerism - 290 Mobinil Employee Volunteers in 2010

Mobinil constantly aims to create opportunities for its employees to participate in volunteering activities. By doing so, we help them strengthen their character, we give them a sense of accomplishment and teamwork, and we enrich their lives by exposing them to rewarding experiences. Mobinil volunteers reflect the humane role of Mobinil and help make a difference.

Why do we volunteer?

- ✓ **To** build community relations, foster trust between citizens, and develop norms of solidarity and cooperation
- ✓ **To** add to the overall economic output of a community
- ✓ **To** demonstrate our corporate citizenship and boost employee morale
- ✓ **To** engage employees in the process of change in light of developing our community at large.

Mobinil Ramadan 2010 CSR campaign - Building safe and sanitary homes

In line with our CSR tradition to reach out for underprivileged Egyptians during the holy month, Mobinil partnered with three non-governmental organizations for three different projects to improve the housing and sanitary conditions in some of Egypt's poorest rural villages.

Access to safe water and sanitation in Upper Egypt

Mobinil and UNICEF collaborated to provide 2,000 households (around 14,000 beneficiaries) with safe water and/or sanitary facilities to help reduce child mortality rate.

Poorest of the poor housing and sanitation initiative in Upper Egypt

Mobinil and Habitat for Humanity Egypt joined hands to construct/repair the houses for 150 ultra-poor families living in villages in the governorate of El Menia and Beni Sweif.

The initiative targeted families living on less than EGP 10/person per day.

Housing project for the poor

Mobinil cooperated with Dar El Orman to rehabilitate the houses of 100 poor families and provide them with basic furniture.

Mobinil Academy

We place strong emphasis on education. Accordingly, we established the Mobinil academy to address education-related needs. Mobinil made achievements such as:

Research and development: to empower young researchers and bring innovative ideas to light especially in the field of information technology and telecommunications. As a bronze sponsor for year 2010-2011, Mobinil partnered with Nahdet El Mahrousa, an Egyptian non-governmental organization, to support 15 projects through direct fund and in-kind benefits.

Scholarships: under and post graduate full scholarships at the American University in Cairo (Mobinil Public Schools Scholarships); and other scholarship programs at the French University and the Nile University.

Student Support Activities: Mobinil employees provide students with data required for their research, and deliver seminars to university students covering different business topics.

Business Awareness: Mobinil works with different entities like INJAZ, SIFE and FGF supporting high school, university, and graduate students. Through FGF, Mobinil sponsors five Basic Business Skills classes covering 200 students. In partnership with INJAZ, Mobinil employees volunteer to deliver personal development sessions for students in governmental preparatory schools covering 1,761 students. As for SIFE, Mobinil helps sponsors competitions amongst university students for their community serving projects. Mobinil also offers summer internship opportunities for students, hosting more than 180 interns during summer 2010.

Education Excellence Awards: given to the first two top graduates of eight different universities as well as Thanaweya Amma (Egyptian system high schools) top achievers.

Environment

Environmental Awareness

Since its inception, Mobinil was keen to communicate the right knowledge about EMF and cellular networks. We believe public dialogue and open discussions are an integral part of network expansion plans.

Awareness sessions and public dialogue

In 6 Governorates (Assuit, Menia, Alexandria, Matrouh, Aswan, and New Valley) done through 18 Community Centers and in 5 academic institutions all over Egypt.

Estimated number of recipients: more than 6000

Egypt Green ICT

Mobinil participated in the Egypt Green ICT which is a Memorandum of Understanding, signed in February 2010, based on three main programs: Raising awareness about Green ICT, electronic waste management, and ICT solutions: A more sustainable future.

Energy Consumption and carbon emissions

In 2010, Mobinil took upon itself the following:

1- Using solar power in our network

2- Earth hour 2010, one of the largest global drives ever.

Mobinil observed this initiative on Saturday March 27, 2010 by turning off the lights at its headquarters in Greater Cairo and Alexandria. Mobinil also spread the word by airing advisory clips on its radio sponsored programs.

3- Taking up energy saving approaches

- ✓ **Data Centers** Virtualization, server consolidation, stacked architecture and upgrade of legacy systems.
- ✓ **Compact cell sites** Use of 'outdoor units' with minimal cooling requirements.
- ✓ **Facilities and properties:** Building Management Software to increase lighting and AC efficiency
- ✓ **Fleet management:** Preventive maintenance programs to reduce consumption and carbon emissions.

4- Mobinil and OT proudly host GSMA's 'Green Power' meeting in Cairo

The Green Power group aims to provide 118,000 base stations with renewable energy, a move that would reduce 6 million tons of carbon emissions and save 2.5 billion liters of fossil fuel each year.

Waste Management

Mobinil has an office waste management collection and recycling system. In 2010, collections were as follows:

Office waste

Item	Shredded paper and cardboard KG	Toners. Cartridges and drums Unit	Plastic 5-Gallon bottles	Fluorescent bulbs
Amount	40,325	268	38,801	8,300
Treatment method	Recycled	Recycled	One time re-use then recycling	Safe dumping

Bridging the digital gap

Computer refurbishing and donation

A program launched in 2008 to recycle used company equipment and upgraded it to become fully functional. Last year, 55 units were handed to 5 entities making the total contribution 138 units since the start of the program.

First E-Waste management learning center in Cairo, designed by CID, a local consulting entity, and the 'Sprit Of Youth' association, sponsored by Mobinil. The project aims to train garbage collectors in e-waste recycling techniques. Trainees were compensated from the sale of extracted material.

2010 Highlights

Fighting the "black cloud" phenomenon

This initiative to fight the "black cloud" that affects Greater Cairo every year was done with the support of the Ministry of State for Environmental Affairs. Over 350,000 awareness messages were sent to Mobinil subscribers living in the rice growing regions which are the regions mostly affected.

A million SMS to support World Environment Day 2010

The United Nations selected 'bio diversity' as the 2010 World Environment Day theme, in order to stress the importance of biodiversity for human well-being an existence.

Mobinil contributed actively to this event by sending over 1 million awareness SMS airing radio clips on both Nile and Nogoom FM.

ISO 14K and OHSAS 18K certifications renewed

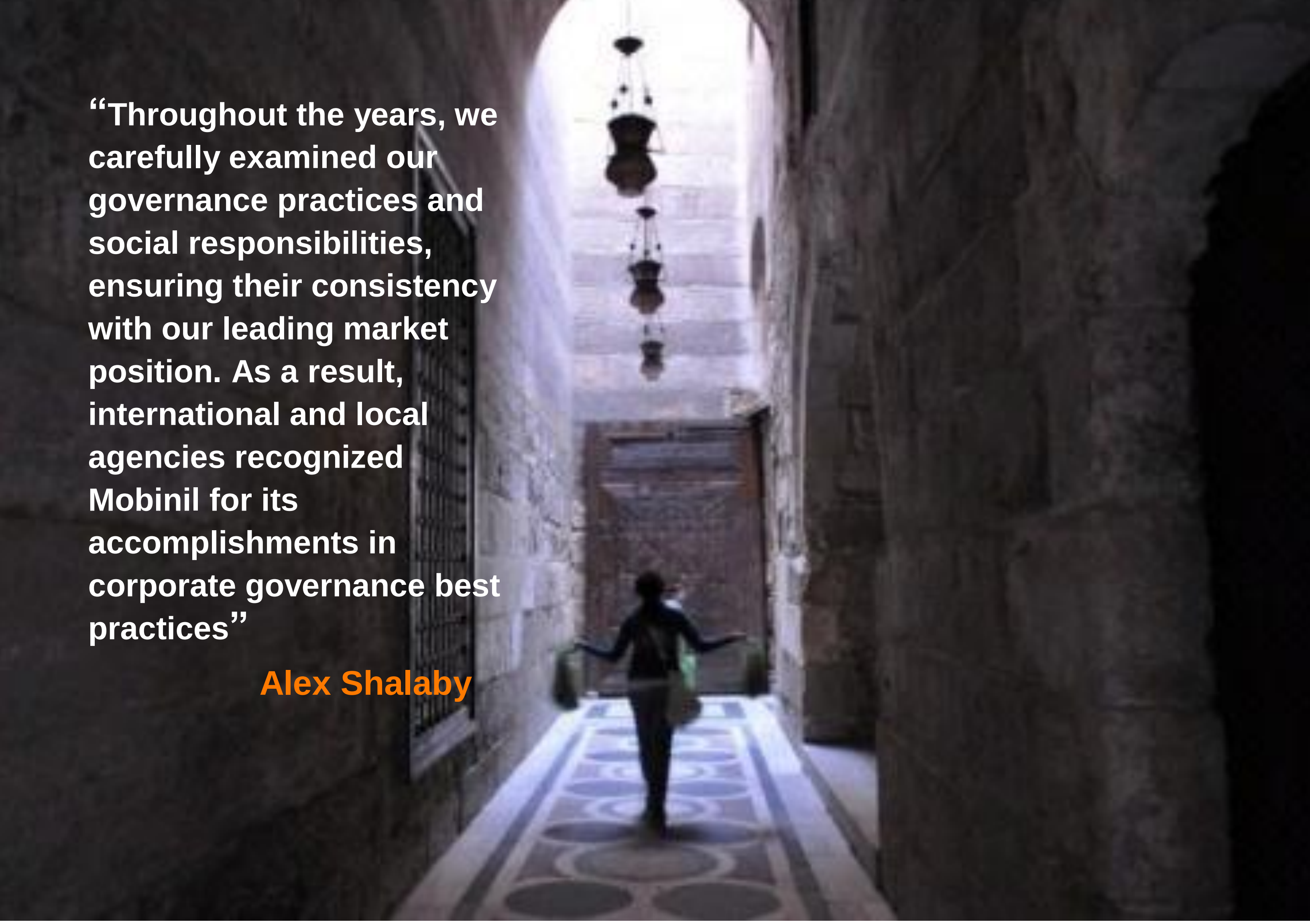
Hossam El Garhi, auditor from TÙV SÙD Management Service (Bayern) Egypt Branch, when commenting on the renewal of Mobinil's certificates expressed that "from the outset, Mobinil has fully assumed its environmental responsibility towards communities and acted as a true pioneer in undertaking specific measurable actions."

Restoring the Beauty to Mit Rahina

This initiative was undertaken in partnership with the Center for Development Services (CDS) to tackle environmental issues in the village of Mit Rahina, the sire of Memphis the old capital of Ancient Egypt.


Executive Board and Council Minutes
2002
Executive Board and Council Minutes
2001
Executive Board and Council Minutes
2000
2003

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.

Guidelines:

We

- ✓ Promote and strengthen transparency, accuracy and efficiency as the governing driver of ECMS;
- ✓ 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.

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 BOD and senior management to, among others, discuss the Company’s performance, voice opinions and concerns, and review/approve accounts and reports.

Throughout 2010, Mobinil held two ordinary GA meetings (OGAM) and two extraordinary meetings (EGAM). Shareholders had effective participation and exercised their voting rights freely. Each share carries one vote.

	Description	Date	Attendance Percentage
1	ECMS Ordinary General Assembly Meeting	March 10, 2010	71. 3%
2	ECMS Extraordinary General Assembly Meeting	March 10, 2010	71.55%
3	ECMS Ordinary General Assembly Meeting	July 3, 2010	71.03%
4	ECMS Extraordinary General Assembly Meeting	July 3, 2010	71.03%

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

- ✓ The approval of FY 2009 accounts, balance sheet, BOD and External Auditors reports;
- ✓ The declaration of 2009 year-end dividend payout;
- ✓ The renewal of the BOD mandate term and the determination of its remuneration and allowances;
- ✓ The appointment of External Auditors and the determination of their fees;
- ✓ The approval of 2010 donations budget;
- ✓ The authorization for the BOD to undertake related parties transactions, in particular the acquisition of 100% shares of LINKdotNET and Link Egypt.

The Extraordinary GA meetings covered particular matters such as:

- ✓ The extension of the Employee Share Plan (ESP) for a 4-year period;
- ✓ The allocation of shares needed to implement the ESP and the purchase of such shares from the market;
- ✓ The approval of modifications made to the Company Articles of Association which entailed the creation of a non-executive vice-chairmanship position and the replacement of the executive chairmanship position with a non-executive one.

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 BOD.

Our BOD

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

Composition

- ✓ Thirteen 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)
- ✓ An honorary Chairman who has no voting rights.
- ✓ The BOD is composed of representatives nominated from various shareholders and in accordance with their 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

Onsi Sawiris

Honorary Chairman,

Chairman, Orascom Group of Companies,

Non-Executive Member

Alex Shalaby

Non-Executive Chairman,

Mobinil for Telecommunications S.A.E Representative

Michel Monzani

Vice-Chairman,

Sr. Vice-President Africa, Middle East and Asia Division,

France Telecom Group,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

Hassan Kabbani

Chief Executive Officer

Mobinil for Telecommunications S.A.E Representative

Ahmed Bardai

Chief Executive Officer, REEFY Company

Public Shareholders Representative

Non-Executive Member

Aldo Mareuse

Orascom Telecom Holding Group Chief Financial Officer (CFO),

Orascom Telecom Holding Representative

Non-Executive Member

Fahd Shobokshi

Chairman of Nile City,

Public Shareholders Representative

Non-Executive Member

*Please see full BOD biographies on http://www.mobinil.com/investors/annualreport2010/Governance/BoardOfDirectors.aspx

Claude Benmussa

Sr. Advisor
PricewaterhouseCoopers (PwC),

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

Gerard Ries

Sr. Vice President International Operations of France Telecom Group,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

Henri de Joux

Deputy General Secretary of France Telecom Group,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

*Please see full BOD biographies on
http://www.mobinil.com/investors/annualreport2010/Governance/BoardOfDirectors.aspx

Marc Rennard

Executive Vice President International, in charge of Africa, Middle East and Asia, France Telecom Group,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

Jean-Michel Thibaud

Group Treasurer, France Telecom Group,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

Nadia Makram Ebeid

Executive Director, CEDARE

Public Shareholders Representative

Non-Executive Member

Naguib Sawiris

Executive Chairman, Orascom Telecom Holding,

Mobinil for Telecommunications S.A.E Representative

Non-Executive Member

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 2010:

- ✓ The BOD held a total of eight sessions, a few of which were held via conference call or by circulation.
- ✓ Two sessions were held prior to the company's Annual GA meeting where the shareholders renewed the BOD mandate term and where few members were replaced by others after the conclusion of their term.

Board Members names	Attendance in person	Attendance in proxy	Total Attendance
Onsi Sawiris (Honorary Chairman)	6	-	6/8
Alex Shalaby (non-executive chairman)	8	-	8/8
Michel Monzani (non-executive vice-chairman) ▲▲	4	-	4/4
Hassan Kabbani (CEO)	8	-	8/8
Naguib Sawiris	7	1	8/8
Olaf Swantee ■	4	3	7/7
Gérard Ries ■■	1	-	1/1
David Hobley ●	2	-	2/2
Philippe Bernard ▲	2	-	2/2
Marc Rennard ▲▲	4	-	4/4
Claude Benmussa	8	-	8/8
Bertrand Du Boucher ●	2	-	2/2
Jean-Michel Thibaud ●●	6	-	6/6
Aldo Mareuse	8	-	8/8
Isabelle Hautot ●	1	1	2/2
Henri de Joux ●●	6	-	6/6
Nadia Makram Ebeid	8	-	8/8
Sheikh Fahd Shobokshi	5	3	8/8
Ahmed Bardai	8	-	8/8

●● Appointed on March 10, 2010
▲ Resigned on July 3, 2010
▲▲ Appointed on July 3, 2010

● Mandate term ended on March 10, 2010
■ Resigned on December 7, 2010
■■ Appointed on December 7, 2010

BOD Remuneration

No.	BOD Remuneration throughout 2010	Description
1	Annual Compensation to ECMS Chairman	EGP 600,000
2	Annual Compensation to Board Members	EGP 100,000
3	Board Attendance fee per member	EGP 20,000
4	Profit Share remuneration limit per member	EGP 400,000

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

Division of responsibilities

The Chairman:

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.

The Vice-Chairman:

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.

The Chief Executive Officer (the CEO):

The CEO is the only executive member within the BOD. He leads the company's executive team and is accountable for the supervision and management of the day-to-day operations.

Board committees

The BOD sets up Committees, with specific charters, to assist the Directors in carrying out their role. The BOD 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.

The Audit Committee has its own written charter (http://www.mobinil.com/Investors/Corporate Governance/Charters.aspx) which compiles with the applicable corporate governance rules and other laws, rules and regulations. The charter sets forth the mission and responsibilities of the Committee as well as the qualifications for Committee membership, structure, operations and reporting to the Board.

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 Meetings

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

During 2010, the AC held 11 meetings/conference calls. It also held a closed meeting with the external auditors as well as with the internal auditor without management.

No.	Audit Committee Members	Ateendance in person	Attendance by proxy	Attendance
1	Claude Benmussa (Chairman)	11	-	11/11
2	Ahmed Bardai	11	-	11/11
3	Aldo Mareuse	10	-	10/11
4	Jean-Michel Thibaud	11	-	11/11

Audit Committee remuneration

ECMS Audit Committee members do not have a remuneration plan. However, at the Annual General Assembly held on March 10, 2010, the Shareholders approved an attendance fee per meeting and/or conference call.

No.	Audit Committee attendance fee for 2010	Description
1	Attendance fee for Chairman	EGP 25,000
2	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. (http://www.mobinil.com/Investors/Corporate Governance/Charters.aspx)

Compensation Committee composition

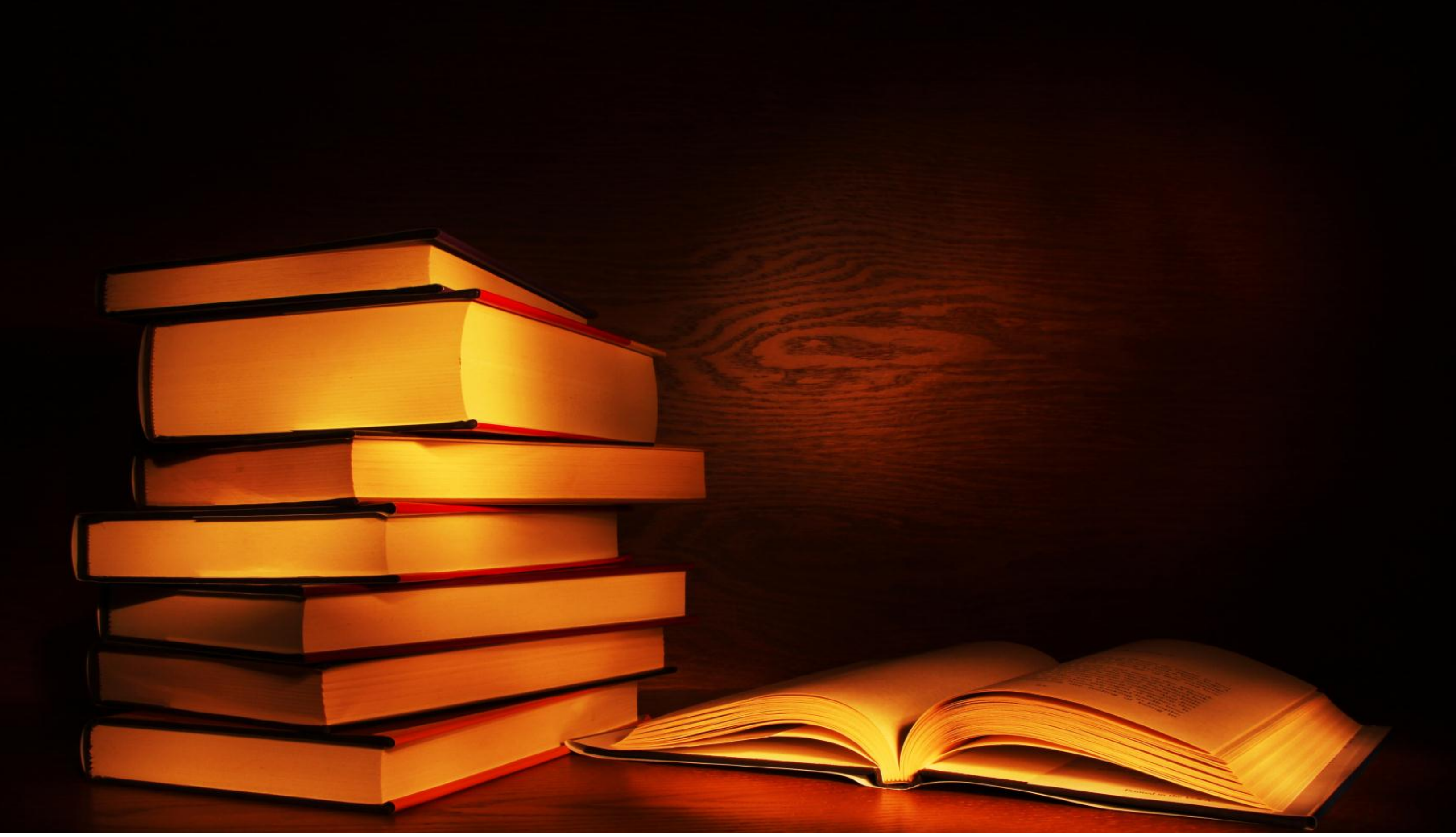
Marc Rennard Executive Vice President International, Africa, Middle east and Asia– France Telecom Mobinil for Telecommunications S.A.E. Representative	Chairman
Naguib Sawiris Executive Chairman – Orascom Telecom Holding Mobinil for Telecommunications S.A.E Representative	Member

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

Compensation Committee Meetings

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

During 2010, the Compensation Committee held two meetings.



Governance Policies

Related Parties Transactions

- ✓ Any Related Parties Transactions where the amount included exceeds EGP 1 million requires the BOD'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 BOD and/or Permanent Insiders are required to register any ECMS 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 ECMS during "blackout" period.
- ✓ The Corporate Secretary confirms the start and end dates of "blackout" periods and notifies the BOD and/or Permanent Insiders in timely fashion.

Signature Authority

- ✓ The BOD had determined the powers granted to some of its members along with the management team to sign on behalf of the Company. It had also defined the limits based on which delegated agents shall sign, severally or jointly.
- ✓ Dual signature is mandatory for all banks' documents and checks whereas contracts with an amount exceeding EGP 50 Million must be brought to the BOD for approval.

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:

- ✓ **Annual audit fees**: EGP 200,000

KPMG Hazem Hassan:

- ✓ **Annual audit fees**: EGP 200,000

Our Management Team

#	Name	Title
1	**Hassan Kabbani**	Chief Executive officer
2	**Aly Baghdady**	VP, Legal and Regulatory Affairs
3	**Audette Hanna**	VP, Human Resources
4	**Kais Ben Hamida**	VP, Finance
5	**Magdy Gabra**	VP, Customer Service
6	**Mohamed Nabih**	VP, Corporate Strategy and Business
7	**Rana Abbadi**	VP, General Services and Corporate Support Development
8	**Yasser Radwan**	VP, Commercial
9	**Yasser Shaker**	VP, Technology

*Please see full VPs biographies on **http://www.mobinil.com/investors/annualreport2010/Governance/OurManagementTeam.aspx**

Internally Controlled 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 BOD established clear processes to monitor the systems of internal audit, internal control and risk management.

Internal audit

Our internal audit team was put in place to promote consistent corporate integrity and effective control. Our mission is to uphold a governance environment and ethical behavior with zero-tolerance to fraud.

To achieve this mission, our internal audit conducted several investigations in key business risk areas such as the dials management and the critical systems reviews. Moreover, it organized several fraud awareness trainings for our management team and staff aiming to promote a sound fraud control environment.

Internal control

We have a dynamic internal control system allowing us to produce financial information as reliable and transparent as possible while protecting physical and intellectual property.

Mobinil uses the Committee of Sponsoring Organizations (COSO) of the Trade way Commission standards as the framework to evaluate our internal control. We also have an obligation to comply with Sarbanes-Oxley Act (SOX) requirements. Hence, the scope of our internal control lies in the balance between various elements.

We aim to:

- ✓ Provide reasonable assurance vis-à-vis the:
  - Reliability of documentation and financial reporting;
  - Effectiveness of operations; and
  - Compliance with laws and regulations.
- ✓ Test the effectiveness of selected controls in order to prevent and detect fraudulent acts and hence, protect Mobinil's resources.
- ✓ Ensure that responses to risk are carried out through continuous monitoring of controls.
- ✓ Expand the scope of SOX work to cover new areas in order to identify efficient and inefficient controls with recommendations for enhancements and implementation.

2010 Achievements

- ✓ For the fifth consecutive year, Mobinil achieved 100% compliance level in:
  - Financial and Reporting Closing Process; and
  - Company level controls SOX requirements.
- ✓ Our operational controls are continuously assessed. Throughout 2010, we covered around 550 control activities.

SOX Work Streams	
Information Technology	**Fraud**
Information Security	**Delegation of Authorities**
Accounting	**Legal Governance**
Internal Governance	**Sourcing**
Ethics **Human Resources**	**Time to Market**

Risk management

Mobinil's Risk Management team identifies and monitors risks. We have actively participated in numerous risk management forums, taking the lead in the Mobinil Business Continuity Program and Corporate Information Security Forum.

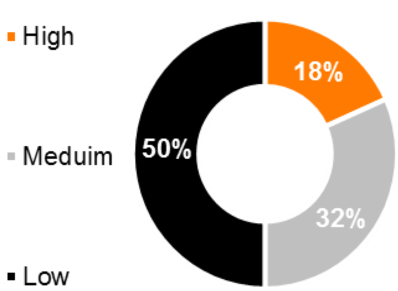
We classify risks into 3 categories:

- ✓ Strategic
- ✓ Regulatory and environment
- ✓ Financial and operational

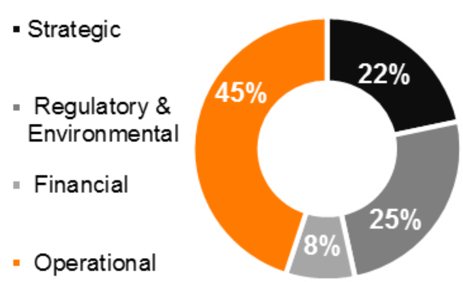
The list of risks that is gathered is presented twice a year to the BOD. It is the role of the Audit Committee to ensure that our executive staff deals with these risks appropriately.

The Audit Committee reviewed the progress of Mobinil's Business Continuity roadmap to evaluate its direction and the budget allocated to mitigating risks. Moreover, throughout 2010, plans were put in action to enhance our Information Security practices and controls, reaffirming our compliance with SOX requirements.

Risk Classification per intensity



Risk Classification per category



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 Exchange (EGX) 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.

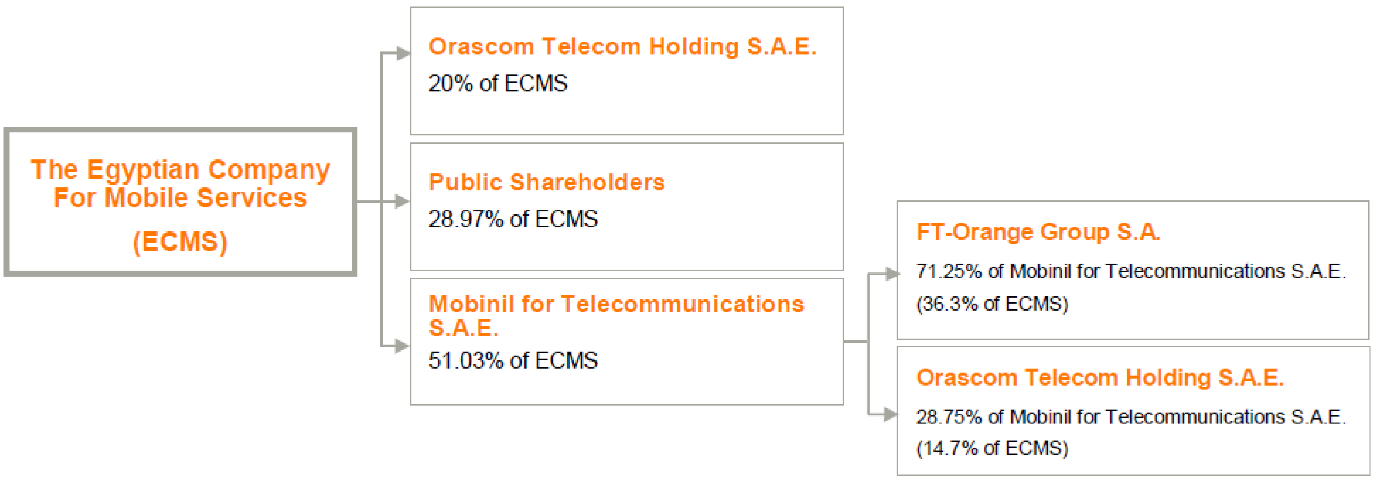
Accurate financial reporting

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 Financial Supervisory Authority (EFSA) and the Egyptian Exchange (EGX)

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.

ECMS Ownership Structure



France Telecom-Orange

France Telecom-Orange, one of the world's leading telecommunications operators, consolidated in 2010 €45.5 billion in sales. At December 31, 2010, its customer base had reached 209.6 million customers in 31 countries. Orange, the Group's single brand for internet, television and mobile services, reached a customer base of 139.7 million. Further, the Group ended the year with 150.4 million mobile customers and 13.7 millions million broadband internet (ADSL) customers worldwide. France Telecom-Orange is one of the leading mobile operators and internet service providers in Europe. Under the brand Orange Business Services, it has come to be one of the world leaders in providing telecommunication services to multinational companies.

With its industrial project, "conquests 2015", France Telecom-Orange is aiming to simultaneously address its employees, customers and shareholders, as well as the society in which the Group operates.

Finally, France Telecom-Orange plans to grow to 300 million customers by 2015.

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

For more information, see www.orange.com, www.orange-business.com or www.orange-innovation.tv

Orascom Telecom Holding

Orascom Telecom is a leading international telecommunications company operating GSM networks in high growth markets in the Middle East, Africa and Asia, having a total population under license of approximately 517 million with an average mobile telephony penetration of approximately 48% as of December 31st, 2010. Orascom Telecom operates GSM networks in Algeria ("OTA"), Pakistan ("Mobilink"), Egypt ("Mobinil"), Bangladesh ("banglalink"), North Korea ("koryolink") and has an indirect equity shareholding in Globalive Wireless Canada ("Wind Mobile"). In addition it has an indirect equity ownership in Telecel Zimbabwe (Zimbabwe) and through its subsidiary Telecel Globe; OTH also operates in Burundi, the Central African Republic and Namibia. Orascom Telecom reached over 101 million subscribers as of December 31, 2010.

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

Fincials

Management Discussion and Analysis

Results of Operations

Subscribers, ARPU and Operating Revenue

Total subscribers for the year ended 31 December 2010 grew by 19.2% to reach 30.2 million compared to 25.3 million for the year ended 31 December 2009 showing a continuation of the high growth trend that started in 2006.

Blended ARPU for the year ended 31 December 2010 declined 19.8% to reach EGP 31 compared to EGP 39 for the year ended 31 December 2009 that was heavily impacted by the severe competition and shortage of dials in addition to the new prepaid regulatory rules.

Operating net revenue from mobile operations for the year ended 31 December 2010 decreased by 2.1% to EGP 10,576 million compared to EGP 10,807 million for the year ended 31 December 2009. The main drivers for this revenue decline are the increasingly challenging environment characterized by intense competition, shortage of dials and new regulatory prepaid activation rules.

Expenses and Cost of Operation

Total operating costs increased by 8.9% to EGP 8,268 million in the year ended 31 December 2010 compared to EGP 7,592 million in the year ended 31 December 2009.we need to highlight that starting from

September 1, 2010 the cost of operation increased by the acquired ISPs cost and the main increase was primarily attributable to the increase of the cost of sales, Selling, general and administrative expenses, depreciation and amortization.

Cost of services increased by 17.5% to EGP 2,395 million in the year ended 31 December 2010 compared to EGP 2,038 million in the year ended 31 December 2009. This increase was driven from the increase in cost of equipment sales, interconnect cost with the 3rd operator.

Other operating costs decreased by 0.5% to EGP 1,768 million in the year ended 31 December 2010 compared to EGP 1,776 million in the year ended 31 December 2009. This decrease was mainly due to effectively applied cost optimization methods.

Depreciation and amortization increased by 4.9% to EGP 2,001 million in the year ended 31 December 2010 compared to EGP 1,907 million in the year ended 31 December 2009. This increase was driven from the increase in GSM network equipment depreciation as a result of the new capital expenditures in addition to the amortization of intangible assets resulted from ISPs acquisition.

Selling, general and administrative expenses increased by 7.4% to EGP 1,849 million in the year ended 31 December 2010, compared to EGP 1,722 million in the year ended 31 December 2009. This increase was due to the increase of the subscriber acquisition cost and the cost resulted from ISPs acquisition.

Provisions increased by 11.6% to EGP 212 million in the year ended 31 December 2010 compared to EGP 190 million in the year ended 31 December 2009. This increase was primarily due to the increase in provision made for stamp tax as a result of increase in the subscriber base.

Net Operating Profit

Mobinil's net operating profit decreased by 28.2% to EGP 2,308 million in the year ended 31 December 2010 compared to EGP 3,214 million in the year ended 31 December 2009. This decrease is primarily attributable to decline in revenue and the increase in cost during 2010.

Interest Income

Interest income increased by 25%, to EGP 45 million in the year ended 31 December 2010 compared to EGP 36 million in the year ended 31 December 2009. This increase was primarily due to the increase in the average current accounts balances during 2010 compared to 2009.

Other Income

Other income increased by 133.3% to EGP 35 million in the year ended 31 December 2010 compared to EGP 15 million in the year ended 31 December 2009 due to non-recurring compensation received from suppliers against late delivery of equipments.

Interest Expense

Interest expense decreased by 12.4% to EGP 634 million in the year ended 31 December 2010 compared to EGP 724 million in the year ended 31 December 2009. This decrease was primarily due to charging imputed interest for the 3G license last instalment during 2009.

Capital Loss

Capital loss increased by 183.3 % to a loss of EGP 17 million in the year ended 31 December 2010 compared to a loss of EGP 6 million in the year ended 31 December 2009. This increase was due to the increase of the fixed assets retired during 2010 compared to 2009 as a part from upgrading our network to enable us to provide our customers with high quality services.

Net Foreign Currencies Exchange Differences

Net foreign currencies exchange differences gain of EGP 21 million in the year ended 31 December 2010 compared to a gain of EGP 38 million in the year ended 31 December 2009. This decrease was attributable to the fluctuation of Euro currency during 2010 compared to 2009.

Provisions no Longer Required

Provisions no longer required decreased by 83.9% to EGP 14 million in the year ended 31 December 2010 compared to EGP 87 million in the year ended 31 December 2009 because year 2009 reflected the settlement of certain tax issues related to prior years.

Net Profit for the Year

Net profit for the year decreased by 33 % to EGP 1,365 million in the year ended 31 December 2010 compared to EGP 2,038 million in the year ended 31 December 2009. This decrease was driven by the decrease in revenue due to intense competitive environment (tariff inelasticity and aggressive promotions) also the increase in the cost of sales as a part from this competitive and challenging climate.

Auditor's report on unconsolidated financial reports

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, 2010, 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, 2010, 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
Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants
④

Cairo January 27, 2011

Egyptian Company For Mobile Services
(S.A.E.)

Unconsolidated Balance Sheet
As at December 31, 2010

	Note No.	31/12/2010 L.E	31/12/2009 L.E
Long Term Assets			
Fixed assets (net)	(2c,3)	9 531 337 780	8 911 008 001
Assets under construction	(5)	588 864 619	889 390 580
Licenses fees (net)	(2e,4,21)	3 826 139 262	2 956 458 180
Investments in subsidiaries	(2f,6)	306 436 482	485 000
Rent deposits		18 100 416	13 449 756
Total long term assets		**14 270 878 559**	**12 770 791 517**
Current assets			
Inventory	(2g,7)	133 082 599	124 223 575
Accounts and notes receivable	(8)	398 171 927	302 878 722
Other debit balances	(9)	863 713 643	491 182 451
Prepaid expenses		215 560 064	178 104 447
Cash at banks and on hand	(10)	546 295 769	803 945 859
Total current assets		**2 156 824 002**	**1 900 335 054**
Current Liabilities			
Provisions	(2m,11)	419 290 161	398 996 888
Banks facilities	(12)	202 174 959	559 360 750
Short term loans	(16)	814 986 667	407 200 000
Creditors	(13)	1 853 547 705	2 520 603 100
Other credit balances	(14)	908 871 603	1 115 442 343
Accrued expenses		1 044 494 565	993 073 125
Total current liabilities		**5 243 365 660**	**5 994 676 206**
Excess of current liabilities over current assets		**(3 086 541 658)**	**(4 094 341 152)**
Net Investments		**11 184 336 901**	**8 676 450 365**
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)	15 958 132	(6 682 871)
Retained earnings		1 632 995 517	573 347 139
Net profit for the year		1 378 012 462	2 171 562 282
Interim distribution		—	(222 642 222)
Total equity		**4 226 966 111**	**3 715 584 328**
Long Term Liabilities			
Fixed assets suppliers		302 088 016	408 573 326
Loans	(2k,16)	4 498 948 930	4 013 377 301
Bonds	(29)	1 469 209 839	—
Deferred tax liabilities	(2j,19)	687 124 005	538 915 410
Total long term liabilities		**6 957 370 790**	**4 960 866 037**
Total equity & long term liabilities		**11 184 336 901**	**8 676 450 365**

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

Vice President, Finance
Kais Ben Hamida

Chief Executive Officer
Hassan Kabbani

Chairman
Iskander Shalaby

Auditors' report "Attached"

Ernst & Young
Allied for Accounting & Auditing

KPMG Hazem Hassan

Hazem Hassan

Financial Statements

Unconsolidated Income Statement

	Note No.	Financial year ended 31/12/2010 L.E	Financial year ended 31/12/2009 L.E
Operating revenue	(2d)	10 450 073 347	10 799 578 406
Expenses and cost of operation			
Cost of services (excluding depreciation & amortization)		(2 350 063 447)	(2 021 295 903)
Other operating costs		(1 778 551 299)	(1 776 166 582)
Depreciation & amortization		(1 970 923 444)	(1 907 145 792)
Selling, general and administrative expenses		(1 782 759 245)	(1 721 419 931)
Remuneration, allowances and salaries of board members		(10 000 146)	(9 396 279)
Impairment losses of accounts receivable		(42 434 470)	(35 149 127)
Provisions	(2m, 11)	(210 146 934)	(189 541 520)
Provisions no longer required	(2m, 11)	14 105 011	86 799 993
Total operating costs		(8 130 773 974)	(7 573 315 141)
Net operating profit		**2 319 299 373**	**3 226 263 265**
Add / (Less)			
Gain from subsidiary's liquidation		–	152 846 595
Interest income		43 526 987	34 760 320
Other income		34 825 683	15 276 398
Interest expense		(631 516 110)	(723 608 820)
Capital loss		(17 357 777)	(5 951 990)
Net foreign currencies exchange differences	(2b)	23 649 170	38 327 202
Net profit for the year before income tax		**1 772 427 326**	**2 737 912 970**
Current tax	(2j)	(246 206 269)	(408 063 092)
Deferred tax	(2j,19)	(148 208 595)	(158 287 596)
Income tax	(18)	**(394 414 864)**	**(566 350 688)**
Net profit for the year		**1 378 012 462**	**2 171 562 282**
Earnings per share	(20)	**13.78**	**20.10**

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

Unconsolidated Statement Of Changes in Equity

	Capital	Legal reserve	Equity settled share based payments	Retained earnings	Net profit for the year	Interim Distribution	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Balance as at 31/12/2008	1 000 000 000	200 000 000	8 089 061	824 138	2 000 073 693	(1 071 805 555)	2 137 181 337
Profit of 2008 transferred to retained earnings	—	—	—	928 268 138	(2 000 073 693)	1 071 805 555	—
Dividends during 2009	—	—	—	(355 745 137)	—	—	(355 745 137)
Interim dividends according to ordinary general assembly resolution on October 1, 2009	—	—	—	—	—	(222 642 222)	(222 642 222)
Equity settled share based payments	—	—	(14 771 932)	—	—	—	(14 771 932)
Net profit for the financial year ended December 31, 2009	—	—	—	—	2 171 562 282	—	2 171 562 282
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**
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**

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

Unconsolidated Cash Flows Statement

	Note No.	Financial year ended 31/12/2010 L.E	Financial year ended 31/12/2009 L.E
Cash flows from operating activities			
Net profit for the year before income tax		1 772 427 326	2 737 912 970
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation & amortization		1 970 923 444	1 907 145 792
Net change in provisions	(2m, 11)	20 293 273	(62 919 681)
Write-off of accounts receivable		(32 521 480)	(25 403 192)
Impairment losses of accounts receivable		42 434 470	35 149 127
Write-down of inventory		10 714 690	1 310 531
Interest income		(43 526 987)	(34 760 320)
Interest expense		631 516 110	723 608 820
Gain from subsidiary's liquidation		–	(152 846 595)
Capital loss		17 357 777	5 951 990
Equity settled share based payments transactions		22 641 003	(14 771 932)
Income tax paid		(336 364 754)	(330 858 456)
Unrealized foreign exchange differences		(11 905 046)	(21 013 912)
Changes in working capital			
Rent deposits		(4 650 660)	(1 775 788)
Inventory		(19 573 714)	10 581 938
Accounts and notes receivable		(105 743 466)	(61 905 264)
Other debit balances		(91 793 170)	(41 552 508)
Prepaid expenses		(37 455 617)	(26 643 822)
Creditors		(186 584 199)	(175 478 730)
Other credit balances		(116 412 236)	120 523 418
Accrued expenses		67 031 875	167 595 984
Interest paid		(641 651 188)	(686 766 868)
Net cash provided from operating activities		**2 927 157 451**	**4 073 083 502**
Cash flows from investing activities			
Payments for the purchase of fixed assets and fixed assets under construction	(27)	(1 919 363 641)	(2 240 960 225)
Payments for licenses		(1 850 000 000)	(160 000 000)
Proceeds from sale of fixed assets and fixed assets under construction		10 671 805	3 337 032
Paid on behalf of subsidiaries		(278 981 986)	–
Proceeds from investment liquidation		–	154 023 765
Payments in investments		(305 951 482)	(245 000)
Interest received		41 770 951	34 994 078
Net cash used in investing activities		**(4 301 854 353)**	**(2 208 850 350)**
Cash flows from financing activities			
Proceeds from loans		2 190 000 000	750 000 000
Payments of loans		(1 307 200 000)	(1 517 200 000)
Proceeds from bonds	(29)	1 464 316 225	–
Dividends paid		(889 271 682)	(931 936 392)
Net cash provided from / (used in) financing activities		**1 457 844 543**	**(1 699 136 392)**
Effect of exchange rate on cash and cash equivalents		16 388 060	3 178 383
Net changes in cash and cash equivalents		99 535 701	168 275 143
Cash and cash equivalents at beginning of the year		244 585 109	76 309 966
Cash and cash equivalents at end of the year	(2p,10)	**344 120 810**	**244 585 109**

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

Notes to the unconsolidated Financial Statements

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 operations on May 21, 1998.

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 fairly 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

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:

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 licenses agreements are extended to October 2022.

e. Amortization commencing 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. Operating lease and capital lease

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

p. Cash and cash equivalent

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less. Cheques under collection and 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

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 1/1/2010	* 15 709 677	** 517 829 421	14 708 999 426	1 039 165 064	73 555 413	84 976 313	72 718 273	148 954 764	16 661 908 351
Additions for the year	# 3 999 935	µ 32 076 155	2 115 993 061	206 636 231	1 847 061	2 561 738	18 034 295	7 815 411	2 388 963 887
Disposals	---	(594)	(846 220 808)	(12 945 285)	(14 070 927)	(3 244 080)	(2 612 548)	(133 918)	(879 228 160)
Total cost as at 31/12/2010	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
Accumulated depreciation									
Accumulated depreciation as at 1/1/2010	---	32 468 250	6 874 215 081	617 205 023	47 249 936	45 705 652	31 276 011	102 780 397	7 750 900 350
Depreciation for the year	---	10 614 038	1 539 453 653	145 955 530	9 134 424	6 540 962	14 839 534	14 066 385	1 740 604 526
Accumulated depreciation of disposals	---	(57)	(819 212 326)	(12 748 580)	(13 957 382)	(2 756 119)	(2 394 415)	(129 699)	(851 198 578)
Accumulated depreciation as at 31/12/2010	---	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
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
Net book value as at 31/12/2009	15 709 677	485 361 171	7 834 784 345	421 960 041	26 305 477	39 270 661	41 442 262	46 174 367	8 911 008 001

* This item includes :

1- An amount of L.E 3 250 000 which is represented in the purchase price of a piece of land (2 500 square meters) in the Smart Village according to a preliminary contract. The registration in the notarization office is in process .
2- An amount of L.E 1 374 720 represents the purchase price of a piece of land (2 345 square meters) from 6th of October Development Agency according to an assigned contract on 6/2/2005 which has not yet been registered in the notarization office.
3- An amount of L.E 2 995 468 represents the purchase price of a piece of land (3 098 square meters) in El Obour City according to a preliminary contract which has not yet been registered in the notarization office.

**This item includes :

1- An amount of L.E 190 335 404 which is represented in the purchase price of the administrative offices in the Nile City building acquired through exercising the lease contract purchase option as at July 1, 2005. The registration at the notarization office is in process
2- An amount of L.E 90 378 272 which is represented in the purchase price of an additional 4 floors in the Nile City building which has not yet been registered in the notarization office.

#This item represents the purchase price of a piece of land (2 784 square meters) amounted to L.E 3 949 935 in 6th of October City and the purchase price of a piece of land (180 square meters) amounted to L.E 50 000 in New Valley Governorate according to a preliminary contracts which have not yet been registered in the notarization.

µThis item represents 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.

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 1/1/2010	1 755 000 000	643 101 265	2 240 000 000	4 638 101 265
Additions during the year	–	–	1 100 000 000	1 100 000 000
Cost as at 31/12/2010	1 755 000 000	643 101 265	3 340 000 000	5 738 101 265
Less:				
Accumulated amortization as at 1/1/2010	1 196 523 179	274 296 377	210 823 529	1 681 643 085
Amortization for the year	43 654 839	28 546 432	158 117 647	230 318 918
Accumulated amortization as at 31/12/2010	1 240 178 018	302 842 809	368 941 176	1 911 962 003
Balance as at 31/12/2010	**514 821 982**	**340 258 456**	**2 971 058 824**	**3 826 139 262**
Balance as at 31/12/2009	**558 476 821**	**368 804 888**	**2 029 176 471**	**2 956 458 180**

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 56 607 273 (L.E 75 601 033 during 2009) as stated in note (2-h, 27).

The average borrowing rate for the company which is used to capitalize interest is 9.830 % during the financial year ended December 31, 2010. (11.084 % during 2009).

6- Investments in subsidiaries

Company	Country of registration	Percentage Shareholding	31/12/2010 L.E	31/12/2009 L.E
Mobinil Services (Subsidiary)	Egypt	96%	240 000	240 000
Mobinil For Importing (Subsidiary)	Egypt	98%	245 000	245 000
• Link Dot Net (Subsidiary)	Egypt	100%	238 711 543	–
• Link Egypt (Subsidiary)	Egypt	100%	67 239 939	–
			306 436 482	485 000

- On July 3, 2010 The Egyptian Company for Mobile Services Ordinary General Assembly approved the acquisition of 100% the 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 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.

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.

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
Link Dot Net	376 000	232 794 990	5 916 553	238 711 543
Link Egypt	66 500	65 573 113	1 666 826	67 239 939

7- Inventory

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

8- Accounts and notes receivable

	31/12/2010 L.E	31/12/2009 L.E
Postpaid receivables	198 292 030	172 266 222
Roaming receivables	60 925 405	28 347 810
National roaming receivables	14 438 888	25 535 995
Interconnect receivable	123 110 269	76 681 358
*Others	1 405 335	47 337
	398 171 927	302 878 722

* This item includes notes receivables amounted to L.E 679 109.

9- Other debit balances

	31/12/2010 L.E	31/12/2009 L.E
Suppliers - advance payments	18 412 097	14 658 363
Advance payments to employees	104 723 467	77 991 683
Deposits with others	495 316	1 511 925
Accrued revenues	356 781 360	309 543 450
Mobinil Services Company	30 150 798	31 027 668
Mobinil For Telecommunication	792 628	332 500
Mobinil For Importing	–	117 847
Link Dot Net	155 500 656	–
Link Egypt	123 481 330	–
Trust	44 440 976	11 214 219
Forward receivable	–	694 950
Others	28 935 015	44 089 846
	863 713 643	491 182 451

10- Cash at banks and on hand

	31/12/2010 L.E	31/12/2009 L.E
a- Cash on hand	1 318 946	1 225 102
b- Cash at banks		
Current accounts	544 976 823	802 720 757
	546 295 769	803 945 859

Cash and cash equivalent

	31/12/2010 L.E	31/12/2009 L.E
Cash at banks and on hand	546 295 769	803 945 859
Less:		
Banks facilities	(202 174 959)	(559 360 750)
	344 120 810	244 585 109

11- Provisions

Description	Balance as at 1/1/2010	Formed	Provisions no longer required	Used	Balance as at 31/12/2010
	L.E	L.E	L.E	L.E	L.E
Provisions	398 996 888	210 146 934	(14 105 011)	(175 748 650)	419 290 161

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.

12- Banks facilities

As at December 31, 2010 the company has short term bank facilities, all of which are in Egyptian pounds with various local banks amounting to L.E 1 261 810 000 of which utilized as at December 31, 2010 is L.E 202 174 959.

13- Creditors

	31/12/2010	31/12/2009
	L.E	L.E
Fixed assets suppliers	821 893 194	825 298 662
*Licenses' fees liability	750 000 000	1 500 000 000
Trade suppliers	230 296 407	163 665 972
Creditors – Roaming	9 841 005	4 466 731
Orange Group	15 419 326	11 834 174
Orascom Telecom companies	13 147 243	12 181 672
Mobinil For Importing	10 997 730	–
Others	1 952 800	3 155 889
	1 853 547 705	2 520 603 100

*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

14 - Other credit balances

	31/12/2010 L.E	31/12/2009 L.E
Taxes and Stamps	288 973 282	371 262 769
Deposits from customers	44 439 917	46 698 070
Deferred revenue	460 983 141	499 571 085
Income tax	95 098 899	185 819 332
*Forward payables	9 836 324	–
Others	9 540 040	12 091 087
	908 871 603	1 115 442 343

* The company entered into some forward transactions during the financial year ended December 31, 2010, to manage foreign currencies exposure. These transactions resulted in foreign currency losses during the financial year ended December 31, 2010 amounted to L.E 34 500 969.The forward payable balance represents the revaluation of the outstanding forward contracts as at December 31, 2010 as follows:

Contract date	Buy	Sell	Maturity date	Forward rate
October 21, 2010	26 000 000 Euro	36 475 400 USD	January 18, 2011	1.4029
November 24, 2010	10 000 000 Euro	13 348 000 USD	January 18, 2011	1.3348
November 30, 2010	10 000 000 Euro	12 987 000 USD	February 17, 2011	1.2987
November 30, 2010	10 000 000 Euro	12 985 000 USD	March 24, 2011	1.2985
November 30, 2010	10 000 000 Euro	12 983 000 USD	April 21, 2011	1.2983
November 30, 2010	10 000 000 Euro	12 982 000 USD	May 25, 2011	1.2982
November 30, 2010	10 000 000 Euro	12 980 000 USD	June 23, 2011	1.2980
November 30, 2010	10 000 000 Euro	12 978 000 USD	July 21, 2011	1.2978

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, providing advertising campaigns, paying and collecting the roaming revenues on behalf of related parties, sales, purchases and commission.

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 31/12/2010 L.E	31/12/2009 L.E
Orascom Telecom companies	Management fees / Roaming Services / Sales/ Purchases / Commission	964 309 829	890 314 333
Rest of Orascom Group	All above mentioned transactions	176 195 732	248 188 240
Orange Group	Management fees / Technical assistance/ Roaming Services	214 083 978	234 393 610
Nile City Investment	Rent	18 859 170	12 393 463
Mobinil Services	Purchases /Rent / Payments on behalf of the company	3 435 775	8 378 819
Mobinil For Telecommunication	Rent / Payments on behalf of the company	502 487	510 278
Mobinil For Importing	Purchases / Payments on behalf of the company	20 059 418	118 847
Trust	Trustee of employee stock option plan	91 142	106 056
Link Dot Net	Internet services / Leased lines / Payments on behalf of the company	163 691 221	–
Link Egypt	Payments on behalf of the company	123 481 330	–

The outstanding balances as at 31/12/2010 are as follows: -

Description	Balance type	31/12/2010 L.E	31/12/2009 L.E
Orascom Telecom companies	Creditors / Accounts receivable	9 207 812	11 903 247
Rest of Orascom Group	Creditors / Suppliers-advance payments	22 285 730	11 502 140
Orange Group	Creditors / Suppliers-advance payments	2 772 648	9 534 626
Nile City Investment	Suppliers-advance payments	6 104	115 000
Mobinil Services	Other debit balances	30 150 798	31 027 668
Mobinil For Telecommunication	Other debit balances	792 628	332 500
Mobinil For Importing	Creditors	10 997 730	117 847
Trust	Other debit balances	44 440 976	11 214 219
Link Dot Net	Accrued expenses / Other debit balances	153 934 876	–
Link Egypt	Other debit balances	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 sales tax) 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).

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 2012/2015	Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
April 17,2005	3 years	1 800 000 000	815 865 843	327 200 000	488 665 843	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	2 287 504 445	——	2 287 504 445	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	2 110 565 309	471 120 000	1 639 445 309	03/03/2015	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	610 000 000	100 000 000	16 666 667	83 333 333	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.	
			5 313 935 597	**814 986 667**	**4 498 948 930**				

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 1000 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.

18- Reconciliation of effective tax rate

		31/12/2010		31/12/2009
		L.E		L.E
Net profit for the year before income tax		1 772 427 326		2 737 912 970
Income tax using the domestic corporation tax rate.	**20 %**	354 485 465	**20 %**	547 582 594
Non- deductible expenses		40 130 597		20 010 598
Tax exemption		(282 000)		(1 573 300)
Under provided in prior periods		80 802		330 796
	22.25%	**394 414 864**	**20.69%**	**566 350 688**

19- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31/12/2010	**31/12/2009**	**31/12/2010**	**31/12/2009**
	L.E	**L.E**	**L.E**	**L.E**
Property, plant and equipment	–	–	538 624 782	433 199 663
Employee share plan	724 054	541 383	–	–
Intangible assets	–	–	164 340 538	117 558 436
Provisions	15 117 261	11 301 306	–	–
Total deferred tax asset / liability	15 841 315	11 842 689	702 965 320	550 758 099
Net deferred tax liabilities			**687 124 005**	**538 915 410**

Unrecognized deferred tax assets

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

	31/12/2010	31/12/2009
	L.E	L.E
Deductible temporary differences	11 936 755	9 954 157

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.

20- Earnings per share

	Financial year ended 31/12/2010	Financial year ended 31/12/2009
Net profit for the year	1 378 012 462	2 171 562 282
Less:		
Employees dividends	–	(157 713 904)
Board of directors remuneration	–	(4 200 000)
	1 378 012 462	2 009 648 378
Number of shares	100 000 000	100 000 000
Earnings per share	***13.78**	****20.10**

* Because no proposed appropriation account was approved earnings 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 ended December 31, 2009 according to the ordinary general assembly resolutions on October 1, 2009 and March 10, 2010.

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 1800MHZ 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.

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 622 M as at December 31, 2010 (L.E 1 899 M as at December 31, 2009).

23- Contingent Liabilities

Contingent liabilities amount to L.E 77 M as at December 31, 2010. These contingent liabilities represent the uncovered amounts of letters of guarantee issued for the benefit of third parties as at December 31, 2010. 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.

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 share 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 of the company. Hence, the beneficial employee cannot exercise his rights till the date of transferring shares' ownership. However, the beneficial employee will have the right of profit distributed on his allocated shares from the granting date.

The granted shares according to the plan are as follows:

	31/12/2010 Shares	31/12/2009 Shares
Allocated Shares at the beginning of the plan	409 000	409 000
Granted shares balance	(207 045)	(36 155)
Purchased & allocated shares to the plan	247 775	41 000
Exercised	(403 865)	(391 475)
Available shares	**45 865**	**22 370**

3- According to the plan the currently allocated 207 045 shares will be transferred to employees on the following dates

	Shares
December 31, 2007 (Exercised)	126 384
December 31, 2008 (Exercised)	131 205
December 31, 2009 (Exercised)	133 886
During 2010 (Exercised)	12 390
December 31, 2010	132 895
December 31, 2011	74 150

- The income statement has been charged with L.E 25 006 676 representing the employee share plan expenses for the financial year ended December 31, 2010.

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 121 610 596 and L.E 1 126 268 067 respectively. The company's net exposure in foreign currencies is as follows:

	Short
U.S Dollars	20 980 543
Euro	115 473 222
GBP	32 428
CHF	41 706

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

c- Interest rate risk

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

d- Fair value

Based on the valuation basis used for the 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.

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 company has not yet informed by the results.

- Years 2007 to 2009

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 2009

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.

- From August 1, 2006 till December 31, 2009

This period has not yet been inspected.

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

This year has not yet been inspected.

e. Withholding tax

- From inception till 2002

A tax inspection was performed and the company received a preliminary claim from the central collection department and differences were paid.

- Years 2003 to 2009

These years have not yet been inspected.

- There is a dispute regarding withholding taxes enforced on the rent payments, settlement with the concerned tax authority is in process.

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	2 388 963 887
Net movement of fixed assets under construction	(300 525 961)
Non cash reconciliations	
Interest capitalized during the year on fixed assets under construction	(56 607 273)
Fixed assets and fixed assets under construction suppliers	(112 467 012)
Payments for the purchase of fixed assets and fixed assets under construction	**1 919 363 641**

28- Interconnect dispute

Telecom Egypt (TE) filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect prices with the mobile operators, with which it has existing contracts. The Company responded to the complaint before the NTRA Dispute Resolution Committee asking to honor the existing effective contract between the Company and TE. The NTRA issued a ruling on the dispute on September 3, 2008 in favor of TE by changing the interconnect prices between the fixed and mobile networks to be effective from that date.

The Company informed the NTRA of its objection and rejection of the decision as it has no legal or contractual basis and that we intend to bring the matter to the courts in order to protect our interest. On November 01, 2008 a law suit against the NTRA was filed in the Administrative Court at the State Counsel asking for staying and nullifying the NTRA decision.

On September 3, 2009 and based on the interconnect agreement (article (25) first paragraph) the Company filed an arbitration 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 sent an initial response and a counter claim in the arbitration filed against it.

On December 31, 2009 the NTRA issued a decree (which was amended by another decree on January 14, 2010) making new changes to the interconnect prices between the different operators to be applied retroactively from September 1, 2009. The decrees were based on the September 03, 2008 decision. On The Company filed an administrative claim to stay and nullify the 2 decrees.

On June 5, 2010 the administrative court accepted the summary request in the lawsuits filed by the Company and therefore ruled:

First:

Staying the implementation of the first appealed decision dated 3/9/2008 related to items 2, 8, 9 -and all effects related to its consequences- that sets the interconnection tariffs for outgoing calls initiated from Telecom Egypt terminated on Mobinil network by 11.3 P.T. per minute and setting interconnect tariffs for outgoing calls initiated from Mobinil terminated on Telecom Egypt by 6.5 P.T. per minute, and obliged the defendant to pay all the expenses related to this lawsuit.

Second:

Staying the implementation of the second appealed decision dated 31/12/2009 -and all effects related to its consequences - that was amended by the decision dated 14/01/2010, which sets interconnect tariffs for outgoing calls initiated from mobile operators networks (Vodafone Egypt & Etisalat Egypt) and also Telecom Egypt network terminated on Mobinil network by 8.5 P.T per minute calculated on seconds basis, and setting interconnection tariffs for outgoing calls initiated from Mobinil terminated on Vodafone Egypt network by 10 P.T per minute calculated on the basis of the second and the terminated on Etisalat Egypt network by 11 P.T per minute calculated on the basis of the second and the terminated on Telecom Egypt network by 6.5 P.T per minute calculated on the basis of the second, and what was included in this decision from setting tariffs by the NTRA on a regular basis and when needed, and obliged the defendant to pay all the expenses related to this lawsuit.

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 High Administrative Court. The State Commissioner issued its advisory report on December 6, 2010 in the summary appeal, recommending the reversing of the summary decision rendered on June 05, 2010 in favor of the Company. The High Administrative Court shall decide on the appeal after hearing the parties reply to the State Commissioner report.

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.

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.

30- Subsequent events

On January 16, 2011 an agreement with a group of local banks was signed to provide a bridge facility amounting to L.E 1 billion which will be refinanced through a syndicated facility within 5 months with the same group of local banks.

31- Comparative figures

Some of the comparative figures in the financial statements have been reclassified to be consistent with the classification of the financial statements as at December 31, 2010.

Auditor’s report on consolidated financial reports

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

KPMG Hazem Hassan
Public Accountants & Consultants
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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, 2010, 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, 2010, 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

Member of
Ernst & Young Global

KPMG Hazem Hassan

Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants
4

Cairo January 27, 2011

Financials

Egyptian Company For Mobile Services And Subsidiaries
(S.A.E.)

Consolidated Balance Sheet
As at December 31, 2010

	Note No.	31/12/2010 L.E	31/12/2009 L.E
Long Term Assets			
Fixed assets (net)	(2d,3)	9 663 537 448	8 911 008 001
Assets under construction	(6)	606 241 856	889 390 580
Intangible assets (net)	(2f,4,22)	4 043 752 357	2 956 458 180
Right of utilizing international circuits (ROU) (net)	(2r,5)	37 261 751	—
Goodwill	(2s,32)	247 286 562	—
Rent deposits		18 102 416	13 451 756
Total long term assets		**14 616 182 390**	**12 770 308 517**
Current assets			
Inventory	(2h,7)	132 889 739	124 594 349
Accounts and notes receivable	(8)	462 622 280	302 894 574
Other debit balances	(9)	682 759 055	449 904 071
Prepaid expenses		226 130 538	178 105 847
Cash at banks and on hand	(10)	610 455 587	813 855 274
Total current assets		**2 114 857 199**	**1 869 354 115**
Current Liabilities			
Provisions	(2n,11)	469 984 967	403 227 134
Banks facilities	(12)	205 765 564	559 360 750
Short term loans	(16)	819 361 667	407 200 000
Creditors	(13)	1 969 772 271	2 521 367 976
Other credit balances	(14)	982 361 905	1 115 666 579
Accrued expenses		1 087 988 804	993 377 938
Total current liabilities		**5 535 235 178**	**6 000 200 377**
Excess of current liabilities over current assets		**(3 420 377 979)**	**(4 130 846 262)**
Net Investments		**11 195 804 411**	**8 639 462 255**
Financed as follows:			
Equity			
Paid up capital	(17)	1 000 000 000	1 000 000 000
Treasury shares	(25)	(38 223 906)	(3 453 803)
Reserve (gains from Treasury Shares)		53 277 840	51 643 352
Legal reserve		200 000 000	200 000 000
Equity settled share based payments	(2m,25)	15 958 132	(6 682 871)
Retained earnings		1 549 021 721	622 740 738
Net profit for the year (equity holders of the Company)		1 365 077 800	2 037 984 372
Interim distribution		—	(222 599 482)
Total equity attributable to equity holders of the Company		**4 145 111 587**	**3 679 632 306**
Minority Interest		**(966 914)**	**(1 036 088)**
Total equity		**4 144 144 673**	**3 678 596 218**
Long Term Liabilities			
Fixed assets suppliers		302 088 016	408 573 326
Loans	(2L,16)	4 498 948 930	4 013 377 301
Lease creditors	(31)	52 909 779	—
Bonds	(30)	1 469 209 839	—
Deferred tax liabilities	(2k,20)	728 503 174	538 915 410
Total long term liabilities		**7 051 659 738**	**4 960 866 037**
Total equity & long term liabilities		**11 195 804 411**	**8 639 462 255**

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

Vice President, Finance
Kais Ben Hamida

Chief Executive Officer
Hassan Kabbani

Chairman
Iskander Shalaby

Auditors' report "Attached"

Ernst & Young
Allied for Accounting & Auditing

KPMG Hazem Hassan

Financial Statements

Consolidated Income Statement

	Note No.	Financial year ended 31/12/2010	Financial year ended 31/12/2009
		L.E	L.E
Operating revenue	(2e)	10 575 862 452	10 806 854 831
Expenses and cost of operation			
Cost of services (excluding depreciation and amortization)		(2 395 344 005)	(2 038 710 092)
Other operating cost		(1 767 773 563)	(1 776 166 582)
Depreciation and amortization		(2 000 954 412)	(1 907 145 792)
Selling, general and administrative expenses		(1 849 173 753)	(1 722 405 058)
Remuneration, allowances and salaries of board members		(10 000 146)	(9 396 279)
Impairment losses of accounts receivable		(46 451 099)	(35 149 127)
Provisions	(2n,11)	(212 170 934)	(190 239 393)
Provisions no longer required	(2n,11)	14 105 011	86 799 993
Total operating costs		(8 267 762 901)	(7 592 412 330)
Net operating profit		**2 308 099 551**	**3 214 442 501**
Add/(Less):			
Impairment losses of investment		–	(900 000)
Interest income		45 070 213	35 566 623
Other income		35 008 790	15 276 398
Interest expense		(634 306 574)	(723 608 820)
Capital loss		(17 357 777)	(5 951 990)
Net foreign currencies exchange differences	(2c)	21 290 882	38 328 202
Net profit for the year before income tax		**1 757 805 085**	**2 573 152 914**
Current tax	(2k)	(246 285 486)	(377 313 773)
Deferred tax	(2k)	(146 372 625)	(158 287 596)
Income tax	(19)	**(392 658 111)**	**(535 601 369)**
Net profit for the year after income tax		**1 365 146 974**	**2 037 551 545**
Attributable to:			
Equity holders of the Company		1 365 077 800	2 037 984 372
Minority interest		69 174	(432 827)
Net profit for the year		**1 365 146 974**	**2 037 551 545**
Earnings per share	(21)	**13.74**	**18.87**

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

Consolidated Statement of Change in Equity

	Capital	Treasury Shares	Reserve of gains from treasury shares	Legal reserve	Equity settled share based payments	Retained earnings	Net profit for the year (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 31/12/2008	1 000 000 000	(11 354 972)	84 894 960	200 000 000	8 089 061	59 243 697	1 970 229 270	(1 071 473 607)	2 239 628 409	2 532 243	2 242 160 652
Profit of 2008 transferred to retained earnings	–	–	–	–	–	898 755 663	(1 970 229 270)	1 071 473 607	–	–	–
Dividends during 2009	–	–	–	–	–	(355 684 686)	–	–	(355 684 686)	–	(355 684 686)
Transfer of treasury shares gain	–	–	(50 913 839)	–	–	50 913 839	–	–	–	–	–
Equity settled share based payments	–	7 901 169	17 662 231	–	(14 771 932)	–	–	–	10 791 468	–	10 791 468
Mobinil for importing	–	–	–	–	–	–	–	–	–	2 500	2 500
Mobinil invest liquidation	–	–	–	–	–	(30 487 775)	–	–	(30 487 775)	(3 138 004)	(33 625 779)
Interim dividends according to ordinary general assembly resolution on October 1, 2009	–	–	–	–	–	–	–	(222 599 482)	(222 599 482)	–	(222 599 482)
Net profit for the financial year ended December 31, 2009	–	–	–	–	–	–	2 037 984 372	–	2 037 984 372	(432 827)	2 037 551 545
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**
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
Net profit for the financial year ended December 31, 2010	–	–	–	–	–	–	1 365 077 800	–	1 365 077 800	69 174	1 365 146 974
Balance as at 31/12/2010	**1 000 000 000**	**(38 223 906)**	**53 277 840**	**200 000 000**	**15 958 132**	**1 549 021 721**	**1 365 077 800**	**–**	**4 145 111 587**	**(966 914)**	**4 144 144 673**

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

Consolidated Cash Flows Statement

	Note No.	Financial year ended 31/12/2010 L.E	Financial year ended 31/12/2009 L.E
Cash flows from operating activities			
Net profit for the year before income tax		1 757 805 085	2 573 152 914
Adjustments to reconcile net profit to cash flows from operating activities			
Depreciation and amortization		2 000 954 412	1 907 145 792
Net change in provisions	(2n,11)	20 877 415	(62 221 808)
Write-off of accounts receivable		(32 521 480)	(25 403 192)
Impairment losses of accounts receivable		46 451 099	35 149 127
Write-down of inventory		10 714 690	2 772 665
Interest income		(45 070 213)	(35 566 623)
Interest expense		634 306 574	723 608 820
Impairment losses of investment		–	900 000
Capital loss		17 357 777	5 951 990
Equity settled share based payments transactions		25 006 676	10 791 468
Income tax paid		(336 364 754)	(330 858 455)
Unrealized foreign exchange differences		(11 905 046)	(21 013 912)
Changes in working capital			
Rent deposits		(4 650 660)	(1 312 754)
Inventory		(18 193 394)	38 335 576
Accounts and notes receivable		(112 086 698)	(61 896 924)
Other debit balances		22 565 718	(83 456 830)
Prepaid expenses		(25 683 563)	(26 250 758)
Creditors		(198 262 343)	(182 544 175)
Other credit balances		(220 613 299)	91 052 345
Accrued expenses		80 525 186	167 620 565
Interest paid		(644 556 867)	(686 766 868)
Net cash provided from operating activities		**2 966 656 315**	**4 039 188 963**
Cash flows from investing activities			
Payments for the purchase of fixed assets and assets under construction	(28)	(1 937 328 533)	(2 240 960 225)
Payments for licenses		(1 850 000 000)	(160 000 000)
Proceeds from sale of fixed assets and fixed assets under construction		10 671 805	3 337 032
Payments to minority shareholders in subsidiary undertakings		–	(3 135 504)
Interest received		43 311 797	36 188 561
Acquisition through business combination		(232 385 492)	–
Paid on behalf of subsidiaries		(278 981 986)	–
Net cash used in investing activities		**(4 244 712 409)**	**(2 364 570 136)**
Cash flows from financing activities			
Proceeds from loans		2 194 375 000	750 000 000
Payments of loans		(1 307 200 000)	(1 517 200 000)
Proceeds from bonds	(30)	1 464 316 225	–
Payments for the purchase of treasury shares		(35 501 288)	–
Payment for finance lease		(15 022 497)	–
Dividends paid		(889 103 907)	(931 783 745)
Net cash provided from / (used in) financing activities		**1 411 863 533**	**(1 698 983 745)**
Effect of exchange rate on cash and cash equivalents		16 388 060	3 178 383
Net changes in cash and cash equivalents		150 195 499	(21 186 535)
Cash and cash equivalents at beginning of the year		254 494 524	275 681 059
Cash and cash equivalents at end of the year	(2q,10)	**404 690 023**	**254 494 524**

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

Notes to the Consolidated Financial Statements

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.

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 operation of the company (Egyptian Company for Mobile Services) and its subsidiaries (thereafter referred to as "the Group") which are controlled by the Company. The bases of the consolidation are as follows:

- All intra-group balances and transactions have been eliminated.
- Minority interest in the equity and results of operation of the subsidiaries controlled by the Company is shown as a separate item in the consolidated financial statements and is calculated based on their share in the assets and liabilities of the subsidiaries.

As at December 31, 2010, 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%
** 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

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 equipments	3-15 years
Computers	2-5 years
Office equipments	5-10 years
Furniture and fixtures	8-10 years
Vehicles	5-7 years
Leasehold improvements	5 years

e) Revenue recognition

i) established 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:

1. The license fee is recorded at cost and amortized over the period of license.
2. 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.
3. 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.
4. All GSM licenses agreements are extended to October 2022.
5. Amortization commencing at the commercial launch date.
6. Internet Services Provider class A license and other intangibles are recorded at fair value and amortized over useful lives from 5 to 8 years.

g) 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 (2j).

h) Inventory

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

i) Capitalization of borrowing cost

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

j) Impairment

- The carrying amounts of the company's assets - other than (inventory 2h) and (deferred tax assets 2k) – are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
- An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.
- An impairment loss 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.

k) Income tax

Income tax on the profit or loss for the period 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 period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

l) Loans and borrowings

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

m) 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.

n) 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.

o) 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.

p) Operating lease and capital lease

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

q) Cash and cash equivalent

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less. 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.

r) Right of utilizing the international circuit (ROU)

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

s) 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 loss.

t) Cash flows statement

Cash flows statement is prepared using the indirect method.

3- Fixed assets (net)

	Land	Buildings	Telecommunication and Networks 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 1/1/2010	* 15 709 677	** 517 829 421	14 708 999 426	1 039 165 064	73 555 413	84 976 313	72 718 273	148 954 764	16 661 908 351
Additions for the year	# 3 999 935	µ 32 076 155	2 128 910 112	208 642 293	1 934 758	5 064 399	18 034 295	7 819 825	2 406 481 772
Acquisition through business combination	—	104 000	154 608 781	84 606 542	8 596 305	32 219 048	66 900	1 225 575	281 427 151
Disposals	—	(594)	(846 220 808)	(12 945 285)	(14 070 927)	(3 244 080)	(2 612 548)	(133 918)	(879 228 160)
Total cost as at 31/12/2010	**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**
Accumulated depreciation									
Accumulated depreciation as at 1/1/2010	—	32 468 250	6 874 215 081	617 205 023	47 249 936	45 705 652	31 276 011	102 780 397	7 750 900 350
Depreciation for the year	—	10 615 425	1 548 343 426	150 817 552	9 407 191	7 847 009	14 842 694	14 082 986	1 755 956 283
Assumed in business combination	—	49 259	90 721 061	43 666 975	3 970 832	11 897 804	32 495	1 055 185	151 393 611
Accumulated depreciation of disposals	—	(57)	(819 212 326)	(12 748 580)	(13 957 382)	(2 756 119)	(2 394 415)	(129 699)	(851 198 578)
Accumulated depreciation as at 31/12/2010	—	**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**
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**
Net book value as at 31/12/2009	**15 709 677**	**485 361 171**	**7 834 784 345**	**421 960 041**	**26 305 477**	**39 270 661**	**41 442 262**	**46 174 367**	**8 911 008 001**

*This item includes :
1. An amount of L.E 3 250 000 which is represented in the purchase price of a piece of land (2 500 square meters) in the Smart Village according to a preliminary contract. The registration in the notarization office is in process .
2. An amount of L.E 1 374 720 represents the purchase price of a piece of land (2 345 square meters) from 6th of October Development Agency according to an assigned contract on 6/2/2005 which has not yet been registered in the notarization office.
3. An amount of L.E 2 995 468 represents the purchase price of a piece of land (3 098 square meters) in El Obour City according to a preliminary contract which has not yet been registered in the notarization office.

**This item includes
1. An amount of L.E 190 335 404 which is represented in the purchase price of the administrative offices in the Nile City building acquired through exercising the lease contract purchase option as at July 1, 2005. The registration at the notarization office is in process.
2. An amount of L.E 90 378 272 which is represented in the purchase price of an additional 4 floors in the Nile City building which has not yet been registered in the notarization office.

#This item includes the purchase price of a piece of land (2 784 square meters) amounted to L.E 3 949 935 in 6th of October City and the purchase price of a piece of land (180 square meters) amounted to L.E 50 000 in New Valley Governorate according to a preliminary contracts which have not yet been registered in the notarization.

µ This item represents 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.

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 1/1/2010	1 755 000 000	643 101 265	2 240 000 000	--	--	4 638 101 265
Additions for the year	--	--	1 100 000 000	--	--	1 100 000 000
Acquisition through business combination	--	--	--	100 000 000	130 000 000	230 000 000
Cost as at 31/12/2010	**1 755 000 000**	**643 101 265**	**3 340 000 000**	**100 000 000**	**130 000 000**	**5 968 101 265**
Less						
Accumulated amortization as at 1/1/2010	1 196 523 179	274 296 377	210 823 529	--	--	1 681 643 085
Amortization for the year	43 654 839	28 546 432	158 117 647	6 666 667	5 720 238	242 705 823
Accumulated amortization as at 31/12/2010	**1 240 178 018**	**302 842 809**	**368 941 176**	**6 666 667**	**5 720 238**	**1 924 348 908**
Balance as at 31/12/2010	**514 821 982**	**340 258 456**	**2 971 058 824**	**93 333 333**	**124 279 762**	**4 043 752 357**
Balance as at 31/12/2009	**558 476 821**	**368 804 888**	**2 029 176 471**	**-**	**-**	**2 956 458 180**

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

	L.E
Cost as at 1/1/2010	–
Acquisition through business combination	98 502 413
Cost as at 31/12/2010	**98 502 413**
Less:	
Accumulated amortization as at 1/1/2010	–
Assumed in business combination	58 948 356
Amortization for the period from 1/9/2010 to 31/12/2010	2 292 306
Accumulated amortization as at 31/12/2010	**61 240 662**
Balance as at 31/12/2010	**37 261 751**

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 56 607 273 (L.E 75 601 033 during 2009) as stated in note (2-i, 28).

The average borrowing rate for the company which is used to capitalize interest is 9.830 % during the financial year ended December 31, 2010. (11.084 % during 2009).

7- Inventory

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

8- Accounts and notes receivable

	31/12/2010 L.E	31/12/2009 L.E
Postpaid receivables	237 001 933	172 266 222
Roaming receivables	60 925 405	28 347 810
National roaming receivables	14 438 888	25 535 995
Interconnect receivables	123 110 269	76 681 358
Installment receivables	–	6 237
Notes receivables	16 213 118	–
Other receivables	10 932 667	56 952
	462 622 280	302 894 574

9- Other debit balances

	31/12/2010 L.E	31/12/2009 L.E
Suppliers – advance payments	28 934 188	15 160 396
Advance payments to employees	104 723 467	77 991 683
Deposits with others	11 750 591	1 511 925
Accrued revenues	389 988 132	309 558 450
Mobinil For Telecommunication	792 628	332 500
Forward receivable	–	
*Due from financing lease contracts	113 569 258	–
Others	33 000 791	44 654 167
	682 759 055	449 904 071

*This item represents the value of the receivable outstanding resulting from the sale lease back contracts conducted by LINK relating to some communication equipments as follows:

Leasing Company	Contract amount L.E	Contract duration From- Till	Installments charged in previous periods L.E	Installments charged to the income statement L.E	Due from financing lease contracts L.E
Incolease	18 575 685	October 1, 2005 - October 1, 2010	17 964 863	610 822	–
Incolease	29 428 926	March 1, 2006 - February 1, 2011	26 523 970	1 937 358	967 598
Incolease	46 829 371	November, 2008 - October, 2013	17 170 769	3 121 958	26 536 644
Incolease	17 175 082	January 1, 2007 - December 1, 2010	15 748 157	1 426 925	–
Incolease	33 088 815	September 21, 2008 - August 21, 2013	13 235 527	2 205 920	17 647 368
Incolease	77 898 884	December 2, 2008 - November 2,2013	27 264 610	5 193 259	45 441 015
El Tawfik	30 301 880	June, 2007 - May, 2012	19 696 222	2 020 125	8 585 533
El Tawfik	37 542 003	December, 2007 - November, 2012	20 648 102	2 502 801	14 391 100
	290 840 646		**158 252 220**	**19 019 168**	**113 569 258**

10- Cash at banks and on hand

	31/12/2010 L.E	31/12/2009 L.E
a- Cash on hand	2 568 577	1 225 102
b- Cash at banks		
Current accounts	576 001 900	812 592 993
Cheques under collection	37 179	37 179
Time deposits	31 847 931	–
	610 455 587	813 855 274

Cash and cash equivalent

	31/12/2010 L.E	31/12/2009 L.E
Cash at banks	610 455 587	813 855 274
Less:		
Banks facilities	(205 765 564)	(559 360 750)
	404 690 023	254 494 524

11- Provisions

Description	Balance as at 1/1/2010	Assumed in business combination	Formed	Provisions no longer required	Used	Balance as at 31/12/2010
	L.E	L.E	L.E	L.E	L.E	L.E
Provisions	403 227 134	45 880 418	212 170 934	(14 105 011)	(177 188 508)	469 984 967

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.

12- Banks facilities

As at December 31, 2010 the company has short term bank facilities, all of which are in Egyptian pounds with various local banks amounting to L.E 1 261 810 000 of which utilized as at December 31, 2010 is L.E 205 765 564.

13- Creditors

	31/12/2010	31/12/2009
	L.E	L.E
Fixed assets suppliers	821 893 194	825 298 662
‘Licenses’ fees liability	750 000 000	1 500 000 000
Trade suppliers	291 142 985	164 431 210
Creditors – Roaming	9 841 005	4 466 731
Orange Group	15 419 326	11 834 174
Orascom Telecom companies	13 147 243	12 181 672
Others	68 328 518	3 155 527
	1 969 772 271	2 521 367 976

*This item represents the liability of the 3G license fees to access the first ٥MHZ 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.

14- Other credit balances

	31/12/2010	31/12/2009
	L.E	L.E
Taxes and Stamps	294 039 752	371 470 499
Deposits from customers	84 452 775	46 698 070
Deferred revenue	475 076 839	499 571 085
Income tax	95 194 622	185 835 838
*Forward payables	9 836 324	–
Others	23 761 593	12 091 087
	982 361 905	1 115 666 579

* The company entered into some forward transactions during the financial year ended December 31, 2010, to manage foreign currencies exposure. These transactions resulted in foreign currency losses during the financial year ended December 31, 2010 amounted to L.E 34 500 969.The forward payable balance represents the reevaluation of the outstanding forward contracts as at December 31, 2010 as follows:

Contract date	Buy	Sell	Maturity date	Forward rate
October 21, 2010	26 000 000 Euro	36 475 400 USD	January 18, 2011	1.4029
November 24, 2010	10 000 000 Euro	13 348 000 USD	January 18, 2011	1.3348
November 30, 2010	10 000 000 Euro	12 987 000 USD	February 17, 2011	1.2987
November 30, 2010	10 000 000 Euro	12 985 000 USD	March 24, 2011	1.2985
November 30, 2010	10 000 000 Euro	12 983 000 USD	April 21, 2011	1.2983
November 30, 2010	10 000 000 Euro	12 982 000 USD	May 25, 2011	1.2982
November 30, 2010	10 000 000 Euro	12 980 000 USD	June 23, 2011	1.2980
November 30, 2010	10 000 000 Euro	12 978 000 USD	July 21, 2011	1.2978

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 and commission.

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 31/12/2010 L.E	31/12/2009 L.E
Orascom Telecom companies	Management fees / Roaming Services / Sales/ Purchases / Commission / Internet services / leased lines	964 742 862	890 436 091
Rest of Orascom Group	All above mentioned transactions	176 380 286	248 188 240
Orange Group	Management fees / Technical assistance/ Roaming Services	214 083 978	234 393 610
Nile City Investment	Rent	18 859 170	12 393 463
Mobinil For Telecommunication	Rent / Payments on behalf of the company	502 487	510 278

The outstanding balances as at 31/12/2010 are as follows: -

Description	Balance type	31/12/2010 L.E	31/12/2009 L.E
Orascom Telecom companies	Creditors / Accounts receivable	22 000 173	11 638 575
Rest of Orascom Group	Creditors / Other credit balances / Other debit balances /Accounts receivable / Suppliers-advance payments	21 505 092	11 502 140
Orange Group	Creditors / Suppliers-advance payments	2 772 648	9 466 015
Nile City Investment	Suppliers-advance payments	6 104	115 000
Mobinil For Telecommunication	Other debit balances	792 628	332 500

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 sales tax) 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)**

Principal shareholder with 71.25 % in Mobinil For Telecommunication 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.

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 2011/2015	Maturity Date	Interest payment	Terms of Payment	Interest Rate Factors
April 17,2005	3 years	1 800 000 000	815 865 843	327 200 000	488 665 843	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	2 287 504 445	—	2 287 504 445	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	2 110 565 309	471 120 000	1 639 445 309	03/03/2015	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	610 000 000	100 000 000	16 666 667	83 333 333	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 1,2007	4 years	35 000 000	4 375 000	4 375 000	—	04/01/2011	Semi-annually	8 semi-annual installments due on October 1 & April 1 every year.	
			5 318 310 597	**819 361 667**	**4 498 948 930**				

17-Capital

The company's authorized share capital amounts to L.E 1500 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 1000 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.

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 fixed Internet services of the Group.

	GSM L.E	Internet L.E	Total L.E
Net revenue	10 450 073 528	125 788 924	10 575 862 452
Depreciation and amortization	(1 970 923 444)	(30 030 968)	(2 000 954 412)
Operating income / (expense)	2 320 619 667	(12 520 116)	2 308 099 551
Profit / (Loss) before income tax	1 774 087 981	(16 282 896)	1 757 805 085
Profit for the year / (Loss) for the period	1 379 524 727	(14 446 927)	1 365 077 800
Total segment assets	15 781 394 622	949 644 967	16 731 039 589
Total capital expenditure	2 088 437 926	17 964 892	2 106 402 818
Total segment liabilities	12 206 555 796	380 339 120	12 586 894 916

19- Reconciliation of effective tax rate

		31/12/2010 L.E.		31/2/2009 L.E.
Net profit for the year before income tax		1 757 805 085		2 573 152 914
income tax using the domestic corporation tax rate	**20%**	351 561 017	**20%**	514 630 583
Non-deductible expenses		41 298 292		22 213 290
Tax exemption		(282 000)		(1 573 300)
Under provided in prior periods		80 802		330 796
	22.34%	**392 658 111**	**20.81%**	**535 601 369**

20- Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31/12/2010 L.E	**31/12/2009 L.E**	**31/2/2010 L.E**	**31/12/2009 L.E**
Property, plant and equipment	–	–	545 982 738	433 199 663
Employee share plan	724 054	541 383	–	–
Intangible assets	–	–	203 535 629	117 558 436
Provisions	20 291 139	11 301 306	–	–
Total deferred tax asset / liability	21 015 193	11 842 689	749 518 367	550 758 099
Net deferred tax liabilities			**728 503 174**	**538 915 410**

Unrecognized deferred tax assets

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

	31/12/2010 L.E	31/12/2009 L.E
Deductible temporary differences	20 653 012	10 019 533

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.

21- Earnings per share

	Financial year ended **31/12/2010**	Financial year ended **31/12/2009**
Net profit for the year attributable to equity holders of the company	1 365 077 800	2 037 984 372
Less:		
Employees dividends	–	(157 713 904)
Board of directors remuneration	–	(4 200 000)
	1 365 077 800	1 876 070 468
Weighted average number of shares	99 359 072	99 433 574
Earnings per share	***13.74**	****18.87**

* Because no proposed appropriation account was approved earnings 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 ended December 31, 2009 according to the ordinary general assembly resolutions on October 1, 2009 and March 10, 2010.

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 a 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 1800MHZ 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.

23- 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 622 M as at December 31, 2010 (L.E 1 899 M as at December 31, 2009).

24- Contingent Liabilities

Contingent liabilities amount to L.E 89 M as at December 31, 2010. These contingent liabilities represent the uncovered amounts of letters of guarantee issued for the benefit of third parties as at December 31, 2010. 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.

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 share 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. Hence, the beneficial employee cannot exercise his rights till the date of transferring shares' ownership. However, the beneficial employee will have the right of profit distributed on his allocated shares from the granting date.

The granted shares according to the plan are as following:

	31/12/2010	31/12/2009
	Shares	Shares
Allocated Shares at the beginning of the plan	409 000	409 000
Granted shares balance	(207 045)	(36 155)
Purchased and allocated shares to the plan	247 775	41 000
Exercised	(403 865)	(391 475)
Available shares	**45 865**	**22 370**

3- According to the plan the currently allocated 207 045 shares will be transferred to employees on the following dates:

	Shares
December 31, 2007 (Exercised)	126 384
December 31, 2008 (Exercised)	131 205
December 31, 2009 (Exercised)	133 886
During 2010 (Exercised)	12 390
December 31, 2010	132 895
December 31, 2011	74 150

- The income statement has been charged with L.E 25 006 676 representing the employee share plan expenses for the financial year ended December 31, 2010.

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 119 778 056 and L.E 1 172 418 284 respectively. The company's net exposure in foreign currencies is as follows:

	Short
U.S Dollars	25 722 718
Euro	118 147 402
GBP	32 426
CHF	41 706

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.

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 company has not yet informed by the results.

- Years 2007 to 2009

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 2009

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.

- From August 1, 2006 till December 31, 2009

This period has not yet been inspected.

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

This year has not yet been inspected.

e- Withholding tax

- From inception till 2002

- A tax inspection was performed and the company received a preliminary claim from the central collection department and differences were paid.

- Years 2003 to 2009

These years have not yet been inspected.

-There is a dispute regarding withholding taxes enforced on the rent payment, 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 a corporate tax form no. (19) was received and the dispute is currently being discussed at the internal committee.

- Years 2004

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

- Year 2005 to 2009

Tax return was provided for this period and currently being 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.

- Year 2007 to 2009

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, 2009

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.

- Year 2003 to 2009

These years have not yet been inspected.

- Mobinil for importing (a subsidiary)

The company was not inspected since inception till now and the tax return for this period will be prepared during the legal period.

- Link Egypt (a subsidiary)

a- Corporate tax

- From inception till 2001

These periods had been inspected and settled with tax authority.

- Years 2002 to 2004

Tax inspection was performed and a corporate tax form no. (18, 19) was received and the company objected these forms.

- Years 2005 to 2009

These years have not yet been inspected.

b- Payroll tax

- From inception till 2005

These years have been inspected and settled with tax authority.

- Years 2006 to 2009

These years have not yet been inspected.

c- Stamp tax

- From inception till 2005

These years have been inspected and settled with tax authority.

- Years 2006 to 2009

These years have not yet been inspected.

d- Sales tax

- From inception till 2005

These years have been inspected and settled with tax authority.

- Years 2006 to 2009

These years have not yet been inspected.

e- Withholding tax

The financial periods since inception till the given date have not yet been inspected.

- LINKdotNET (a subsidiary)

a- Corporate tax

- The company was established according to the provisions of the Investment Guarantees and Incentive Law No. (8) for 1997 and its amendments .
The company is exempted until 2011 according to Article No. (16) of the mentioned law.

- From April 18, 2001 till December 31, 2004

This period has been inspected and settled with tax authority.

- Years 2005 to 2009

These years have not yet been inspected.

b- Payroll tax

- From April 18, 2001 till December 31, 2008

This period has been inspected and settled with tax authority.

- Year 2009

This year has not yet been inspected.

c- Stamp tax

- From April 18, 2001 till July 31, 2006

This period has been inspected and settled with tax authority.

- From August 1, 2006 till December 31, 2009

This period has not yet been inspected.

e- Withholding tax

The financial periods since inception till the given date have not yet been inspected.

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	2 406 481 772
Net movement of fixed assets under construction	(283 148 724)
Non cash reconciliations	
Interest capitalized during the year on fixed assets under construction	(56 607 273)
Fixed assets and fixed assets under construction suppliers	(112 467 012)
Acquisition through business combination	(16 930 230)
Payments for the purchase of fixed assets and fixed assets under construction	**1 937 328 533**

29- Interconnect dispute

Telecom Egypt (TE) filed a complaint with the National Telecommunication Regulatory Authority (NTRA), with the purpose of changing its interconnect prices with the mobile operators, with which it has existing contracts. The Company responded to the complaint before the NTRA Dispute Resolution Committee asking to honor the existing effective contract between the Company and TE. The NTRA issued a ruling on the dispute on September 3, 2008 in favor of TE by changing the interconnect prices between the fixed and mobile networks to be effective from that date.

The Company informed the NTRA of its objection and rejection of the decision as it has no legal or contractual basis and that we intend to bring the matter to the courts in order to protect our interest. On November 01, 2008 a law suit against the NTRA was filed in the Administrative Court at the State Counsel asking for staying and nullifying the NTRA decision.

On September 3, 2009 and based on the interconnect agreement (article (25) first paragraph) the Company filed an arbitration 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 sent an initial response and a counter claim in the arbitration filed against it.

On December 31, 2009 the NTRA issued a decree (which was amended by another decree on January 14, 2010) making new changes to the interconnect prices between the different operators to be applied retroactively from September 1, 2009. The decrees were based on the September 03, 2008 decision. On The Company filed an administrative claim to stay and nullify the 2 decrees.

On June 5, 2010 the administrative court accepted the summary request in the lawsuits filed by the Company and therefore ruled:

First:

Staying the implementation of the first appealed decision dated 3/9/2008 related to items 2, 8, 9 -and all effects related to its consequences- that sets the interconnection tariffs for outgoing calls initiated from Telecom Egypt terminated on Mobinil network by 11.3 P.T. per minute and setting interconnect tariffs for outgoing calls initiated from Mobinil terminated on Telecom Egypt by 6.5 P.T. per minute, and obliged the defendant to pay all the expenses related to this lawsuit.

Second:

Staying the implementation of the second appealed decision dated 31/12/2009 -and all effects related to its consequences - that was amended by the decision dated 14/01/2010, which sets interconnect tariffs for outgoing calls initiated from mobile operators networks (Vodafone Egypt and Etisalat Egypt) and also Telecom Egypt network terminated on Mobinil network by 8.5 P.T per minute calculated on seconds basis, and setting interconnection tariffs for outgoing calls initiated from Mobinil terminated on Vodafone Egypt network by 10 P.T per minute calculated on the basis of the second and the terminated on Etisalat Egypt network by 11 P.T per minute calculated on the basis of the second and the terminated on Telecom Egypt network by 6.5 P.T per minute calculated on the basis of the second, and what was included in this decision from setting tariffs by the NTRA on a regular basis and when needed, and obliged the defendant to pay all the expenses related to this lawsuit.

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 High Administrative Court. The State Commissioner issued its advisory report on December 6, 2010 in the summary appeal, recommending the reversing of the summary decision rendered on June 05, 2010 in favor of the Company. The High Administrative Court shall decide on the appeal after hearing the parties reply to the State Commissioner report.

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 121 436 441 for the financial year ended December 31, 2010.

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.

31 – Lease creditors

The balance of the account is represented in the value of the long term notes payable stated as follows:

Description	Balance as at 31/12/2010	Short term liabilities due within year			Long term liabilities as at 31/12/2010		
		Premiums without interest	Interest	Total premiums including interest	Premiums without interest	Interest	Total premiums including interest
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Incolease Company For Finance Lease	37 860 334	10 484 017	3 848 035	14 332 052	20 588 024	2 940 258	23 528 282
El Tawfik Company For Finance Lease	54 761 731	23 248 660	3 881 518	27 130 178	25 085 329	2 546 224	27 631 553
Others	5 515 431	3 765 487	---	3 765 487	1 749 944	---	1 749 944
	98 137 496	**37 498 164**	**7 729 553**	**45 227 717**	**47 423 297**	**5 486 482**	**52 909 779**

32- 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 equipments	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)	174 859 244)	632 587 792)	(26 307 855)	(658 895 647)
Noncurrent liabilities	(75 002 390)	–	(75 002 390)	(36 145 025)	(111 147 415)
Net identifiable assets and liabilities	**(70 250 758)**	**(15 664 422)**	**(85 915 180)**		**58 664 920**
Goodwill	**308 962 488**	**82 904 174**	**391 866 662**		**247 286 562**
***Purchase cost**	**238 711 730**	**67 239 752**	**305 951 482**		**305 951 482**

*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.

33- Subsequent events

On January 16, 2011 an agreement with a group of local banks was signed to provide a bridge facility amounting to L.E 1 billion which will be refinanced through a syndicated facility within 5 months with the same group of local banks.

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, 2010.