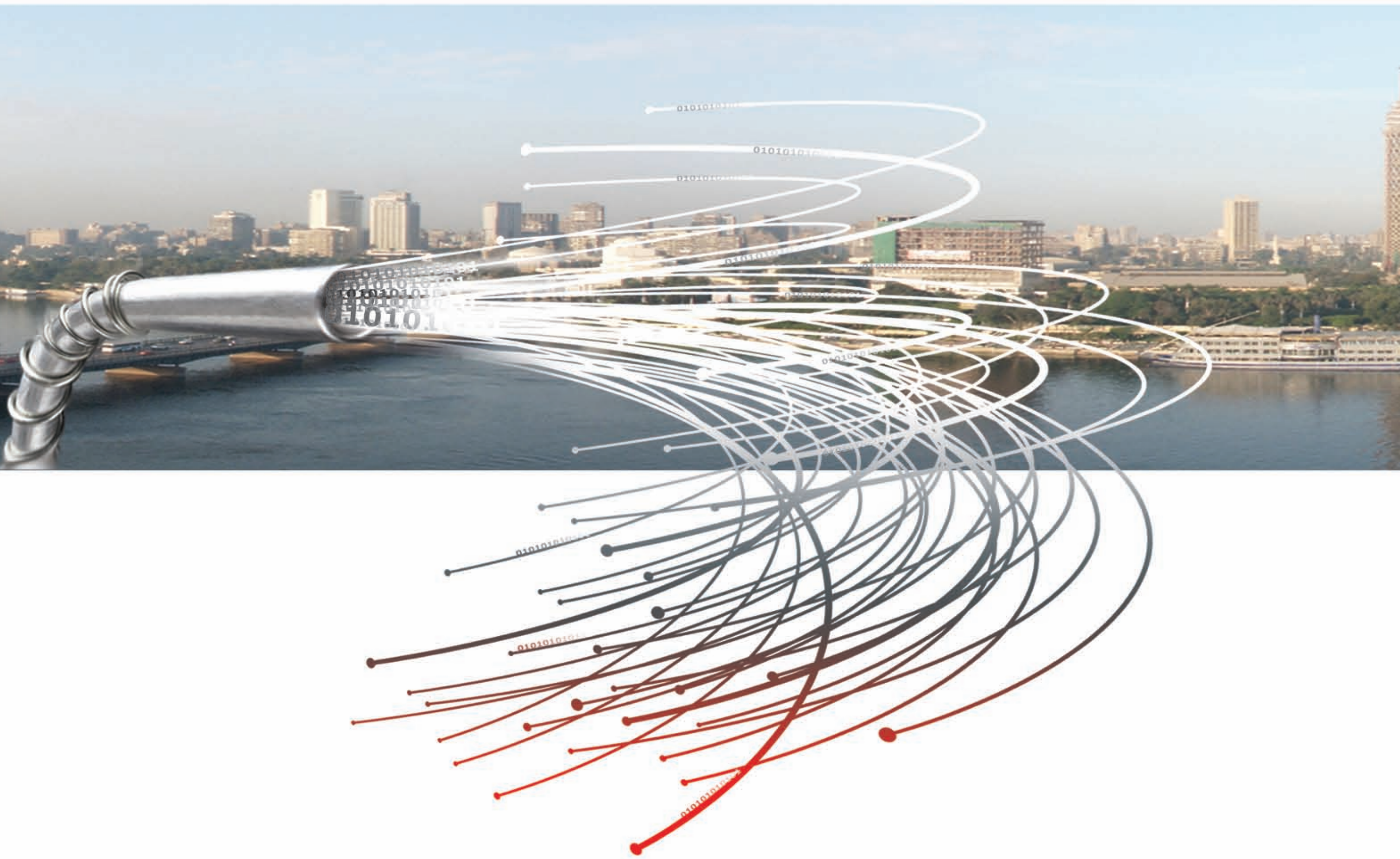
Annual Report 2009

EQUIPPED FOR A NEW ERA



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Telecom Egypt

Contents

Our Vision

To shape the future of telecommunication services in the region through world class customer centricity, and attraction and retention of highly talented people while maximizing shareholder value.

Our Mission

Telecom Egypt is committed to be the best source and total communication solution provider, while dedicating its resources to build a better tomorrow for its employees and community through responsive services and honest business practices.

Ready to Deliver

Underground Metro, Cairo, Egypt

Ready to Deliver

Chairman's Statement

Chairman's Statement

Telecom Egypt (TE) has a long, successful history as one of Egypt's leading companies. We have operated in many different business cycles and have been at the centre of growth in the Egyptian economy for more than 150 years.

A decade has now passed since the advent of liberalization in 1999. As the market has liberalized, the intensity of competition has grown and we have faced the corresponding opportunities and challenges head on. Stability and prudence have been our guiding principles in building a diversified, cash generative business which continues to deliver significant value to our shareholders.

Once again our efforts during the year under review have translated into sound financial and operational performance. In 2009, we recorded revenues of just under EGP 10 billion and annual growth in net profit of 9 percent. The board of directors proposed a 2009 dividend payment of EGP 0.75 per share, which was approved in the annual general assembly in March 2010. The decision to pay a lower dividend enables TE to maintain the financial flexibility that will enable it to advance the company's ambition as a total telecommunications provider.

Careful management of TE's significant free cash flow to fund our debt repayment program, something that we have implemented since 2007, means we have a very strong balance sheet with which to look to the future.

While our operational execution has produced resilient financial performance in these turbulent times, we have already been busy cementing our future at the heart of the Egyptian telecommunications market.

Our business today is much more diversified than ever before, but we have continued to refine our value proposition by focusing on our customers' needs. This is no longer a question of placing the emphasis on one group: our customer base is now wide-ranging.

Our most well known segment is our retail customer base, which currently stands at 9.6 million subscribers and delivers monthly average revenue per user (ARPU) of EGP 54.1 in 2009. The telecommunications needs and drivers of the retail customer have evolved significantly over time and our offering in this area reflects this – centering on bundled voice and data services to the home. These services leveraged the strength of both our fixed line services and our broadband subsidiary, TE Data, which subsequent to the close of the period under review is now wholly owned. TE Data boasts an ADSL market share of 61 percent.

We remain Egypt's only fixed line operator and thus providing domestic connectivity to mobile operators and other third party service providers. In 2009, 42 percent of total consolidated revenues were attributable to wholesale. In 2001, the corresponding figure was just 18 percent. In total, there are now more than 55 million mobile subscribers in Egypt who are demanding more and more from their providers. Third party providers recognize that our service stands for true value and quality. During the course of 2009, we consolidated our commercial relationship with Vodafone Egypt by signing a three year wholesale service agreement to carry its domestic and international gateway traffic.

Enterprise is a relatively new focus for TE, one which I expect you will hear more of in 2010. We have long had business customers, but once again our offering has advanced. We are increasingly integrating voice and data into one offering – providing a double play package which is both cost effective and of rigorous quality.

Our final customer group is international. We have deep rooted experience in this area having been the infrastructure provider which connects the Red Sea to the Mediterranean. It is due to this expertise, and Egypt's geographic location, that we seek to build out our international franchise. 2009 was an important year of progress for our TE North build, a private submarine cable system that links Egypt to France, enabling us to capture a portion of the non-serviced demand for IP traffic capacity from Asia and India into Europe and vice versa. TE North is now one of five such contracts we are working on: we have commercial agreements in place with IMEWE, SEACOM, VSNL, and EIG all of which are progressing on time and on budget.

2009 is a year in which our team had once again delivered significant value and I am immensely proud of their work. In challenging times, it is even more important to show the highest levels of governance and leadership. In 2009, we separated the Chairman and Chief Executive Officer positions with the appointment of Tarek Tantawy as CEO and Managing Director. In addition to Hassan Helmy to the position of CFO, our management team is now complete and I have the great confidence in its ability to drive TE forward.

We continue to demonstrate TE's ability to embrace new opportunities and ensure that our business model is sustainable into the future. I strongly believe that we have in place the best possible commercial, operational, and financial structures to deliver on our strategy. Management's vision is to see the maximum value returned on each asset we have or for every investment we make. It is with confidence that I say we are well equipped for the next decade of operation.

Akil Beshir
Chairman

All financial figures are according to Egyptian Accounting Standards (EAS)

Ready to Deliver

CEO & Managing Director's Statement

CEO & Managing Director's Statement

2009 was a year in which we made sound progress in our long term vision to become a total telecommunications provider. We have worked hard to prioritize the market imperatives which will fuel the next decade of Telecom Egypt's story. I am immensely proud of the progress we have made in equipping our business with the structure, the assets, and the people to harness future commercial opportunities.

But in pursuing future opportunity, we have not sacrificed short term performance and have kept a tight hold on the business at hand. Our ability to deliver solid profitability in a turbulent year and our resilience in the face of intense competition for mobile subscribers has been consistently proven quarter-by-quarter.

- ✓ *Full Year Net Profit After Tax Strong Growth.*
- ✓ *Solid Growth in International Wholesale Revenue.*
- ✓ *Industry Leading EBITDA Margin.*
- ✓ *Ownership of Strong Performing Mobile Asset.*
- ✓ *Strong Platform of Cash flow Generation.*
- ✓ *Upside Potential from Under Penetrated Broadband Market.*
- ✓ *Ability to Capitalize on Unique Geographic Position.*

As widely anticipated, financial markets remained volatile during 2009 with many countries entering recession. While not untouched, Egypt's economy continued to expand, albeit at a slower rate, posting GDP growth of 4.7 percent for the twelve months. Overall Egyptian consumer spending did not decline in 2009, in fact total expenditure, perhaps buoyed by tourism receipts, actually increased by 15 percent[1] year-on- year.

We have benefitted from our diversified business model. While intense competition from the mobile market has impacted our retail revenues, as TE has responded to the aggressive price wars in the market, this has largely been offset by the increase in revenues from our wholesale business.

We successfully anticipated the evolution of the Egyptian telecommunications market and for some time now have been building a business which leverages our key strength - a state-of-the-art telecoms infrastructure – for multiple participants. Twelve months wholesale revenues have increased 7 percent year-on-year to EGP 4.2 billion. This now represents more than 42 percent of our business – a significant achievement in the decade since market liberalization began. The announcement of a wholesale services agreement with Vodafone Egypt in September, securing an important source of revenue for the next three years, further cemented this position.

Our extensive and modern infrastructure remains the network of choice domestically and our international gateway remains the router for incoming and outgoing traffic. By having the foresight to continue investing in this network, we have ensured that TE is the only operator with the capacity to support the growing demand from third party operators.

The land grab for mobile subscribers is dynamic which has already radically changed the composition of our company – from revenues through to our bottom line; a trend that will doubtless continue. But, we have progressively harnessed this opportunity and are committed to further diversifying our strategy with a greater number of customer centric offerings. As we enter a new decade, the importance of standalone telephony services – as categorized by our residential voice and access business – will be more evenly balanced by revenues from Broadband data as well as the solutions we provide to enterprise and wholesale customers.

During the year under review, the Egyptian telecommunications market has continued to transform and we are not just keeping pace, but instead pre-empting future trends. Our future will be defined by our customers; and to succeed we will need an approach which will evolve over time as these needs and demands change.

Egypt is a young market – both in terms of its age demography and its telecommunications penetration. As the market grows, demand for mobility, capacity, and content will also increase. For some time now, TE has been benefiting from the growth in demand for broadband internet services via our subsidiary, TE Data, which has a market share of 61 percent. Our ability to maintain a significant stake of this fast growing market is testament to the quality of our service and our ability to market new commercial offers which fulfil our customers' needs. In the latter part of the year, we launched TE Live in cooperation with Microsoft, plus the first ever 'triple play' offer in Egypt.

Additionally, projects such as TE North, provide the company with the prospect of supplementary revenues that will deliver additional value to our shareholders. During 2009, we made significant progress in our cable build projects and we expect to recognize revenues during 2010.

Financially, TE is in great shape. Reporting a stable margin remains a key priority for the management team and I am proud to report our margins remain some of the strongest in the industry.

The profits generated from our business have been employed to great effect – TE is well-capitalized with a positive net cash of EGP 2.5 billion as at year end.

TE's 2009 performance is no mean feat and is testament to the hard work and dedication of its employees, whom I would personally like to thank. We have adapted well to the rigours of competition and are equipped to capitalize on the opportunity this presents. It is with confidence that we enter 2010 and face the opportunity of a new decade.

Tantawy

Tarek Tantawy
CEO & Managing Director

[1] Euromonitor International 2010
All financial figures are according to Egyptian Accounting Standards (EAS)

Ready to Deliver

Strategy

Entering into a new decade, Telecom Egypt strategy rests on four pillars

The Egyptian Market – A Favorable Customer Demographic

With approximately 80 million people, Egyptians represent 25% of the Arab World. This population grows by one million people every 10 months, representing almost 500 thousand new households every year. A young, dynamic, and rapidly developing market, Egypt has more than 50 million people under the age of 25. This means that the demand for increasingly sophisticated telecommunications services and offerings is increasing at pace. One third of this population is under 15 years old and nearly another third is between 15 and 25 years old.

TE has an exciting opportunity to capitalize on the market and position itself at the heart of it – by leveraging an extensive digital network, a strong balance sheet and excellent financial stability in addition to our experienced management team.

Furthermore, income per capita in Egypt has been progressively rising for many years and the average spent on telecommunications is already nearly half the global average.

For many years, TE has been in the business of voice services. This has changed and will continue to change as mobility and bandwidth rich applications are two key trends that will continue to shape the market.

The Network – An Unrivalled Infrastructure Offering

Telecom Egypt has the only fixed line network in Egypt. Therefore, TE uniquely supports the domestic wholesale customers as well as the young population which constantly needs more bandwidth.

Ensuring that our network is equipped and has sufficient capacity to service the market is of critical importance and our excellent cash position and solid balance sheet means that we have the ability to do this.

Our financial position also means that we have the capacity and flexibility to make further investments and acquisitions which will ultimately support and enhance our integrated offering and expand our reach, to the ultimate benefit of our customers. We will continue to assess opportunities for expansion against a strict set of criteria to ensure they can ultimately add real value to TE's proposition.

The Organization – A Customer Centric Approach

We have already met the challenges of market liberalization head-on, diversifying our business to capture growth in the mobile market. We are now moving into the next stage of our evolution – and the customer's needs sit at the centre of this proposition.

Having worked extensively to identify the trends and issues that will characterize the next era of the Egyptian telecommunications market, we have now refined our offering and started to equip our business with the structure, assets and people to harness future commercial opportunities. We will increasingly organize our business around our customers enabling us to anticipate and to adapt nimbly to an ever-changing landscape. Our customers have very quickly become more decisive and demanding in their telephony and data needs. We need to be able to identify and sell them the services they desire.

During 2009, Telecom Egypt re-organized its functions into five types of customers facing business units, as follows:

- On the retail side, the Telephony Business Unit delivers the only fixed line voice offering in Egypt. Scale and reach in this segment has been built up over more than 150 years.
- The Home Business Unit will capture the exponential demand for broadband solutions. Part of this focus area will centre on migrating customers across the business – from broadband into fixed services and vice versa. Double and triple play offers will play an important role for us as we to benefit from the potential to increase ARPU.
- The Enterprise Business Unit addresses the managed enterprise telecommunications services.
- TE's extensive, state-of-the-art infrastructure also ensures that the ability to capture growth in the telecommunications market as a whole through providing services to wholesale customers. In the domestic market, this services is provided by the wholesale Business Unit.
- The highly attractive geographic position of Egypt is exploited by the International Customers Business Unit. With projects such as TE North coming on stream during 2010, this segment will become an increasingly important part of TE's revenue mix.

The Customer Applications - Anticipating Demand For Innovative Solutions

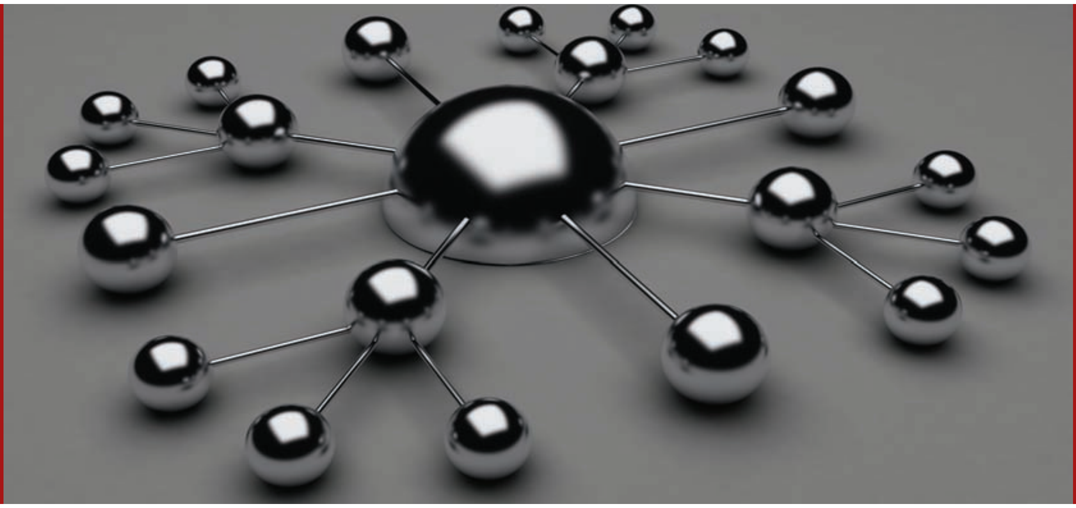
The demographic profile of Egypt, which is heavily slanted towards a younger population, is such that latent demand for voice and data services is still pent up and represents a growth opportunity across all categories. While mobility for voice services is sought after, this group is also likely to value the convergence capability of fixed line technologies for the home.

We firmly believe that mobile and fixed offerings are not mutually exclusive, but instead, going forward, will coexist to service different requirements. By the end of December 2009, the number of mobile subscribers in Egypt reached 55.35 million, or 72 percent penetration (National Telecommunications Regulatory Authority). This was a 34.1 percent increase year-on-year, and 4.7 percent growth quarter-on-quarter.

Meanwhile, current figures show that one million households have a broadband connection, with penetration currently standing at one household in every 16. By the end of 2010, the market is expected to reach between 1.4 and 1.5 million broadband subscribers (TE estimates – 2010 Guidance). The broadband market is slowly becoming more competitive, but to ensure we retain our leading market share. We are working closely with TE Data to leverage the benefits of such a strong broadband capability to the benefit of all of our customers. The outcome of such co-operation is bundled offers such as double play packages; the creation of innovative content solutions; collaborative service offerings with multinational vendors, like Microsoft.

Content is a major differentiator for TE and, recognizing the younger demographic for these services, TE's content is now focused around sports, entertainment, music, music downloads, and news programming. Bandwidth intensity continues to drive consumer demand and the consequent breadth of the TE offering.

Ready to Deliver



Management Discussion & Analysis

Overview of 2009

With 9.6 million voice customers, over 625,000 broadband subscribers and 27,000 kilometers of unrivalled telecommunications backbone, TE has significant breadth and scale across Egypt. Our network combined with our extensive experience – built over our 150 year history – ensures that we remain at the heart of the Egyptian telecommunications market.

But we have never been complacent in respect of our market position. For some time now, TE has been building a business which leverages our key strength - a state-of-the-art telecoms infrastructure – as an enabler for multiple participants. Market liberalization has, of course, created challenges, but it has also created great opportunity for TE upon which we have already sought to capitalize.

Having advanced our business from that of a predominantly retail, fixed line business to a diversified model, we now have a clear long term vision to become a total telecommunications provider in Egypt.

Our growth and development to date has not been achieved in a vacuum and market dynamics have shaped our business over time. During 2009, we identified the long-term trends and issues that will define the market – and customers' needs – over the years to come. In doing so, TE defined a clear strategy for the future, adopting a more customer-centric, and commercial approach.

Our technology and business development teams have been responsible for launching a suite of innovative packages over the last few years, capturing new customers and meeting the needs of our existing subscriber base. Partnerships, such as that signed with Microsoft last year, provide TE with the platforms to deliver fresh new services which in turn will meet the demands of Egypt's dynamic and young population.

Finally, TE has robustly defended its revenues through intelligent tactical responses to a highly dynamic telecommunications market. As a country, Egypt has not been immune to the global financial crisis and its aftershocks, posting 4.7 percent GDP growth versus historical averages of 7.1 percent pre-crisis (taken as pre-June 2007). The combination of an economic slowdown and the aspirations of the Egyptian mobile operators have resulted in a very aggressive pricing environment. TE has responded to the new market environment, by targeting customers with promotions and packages that offer real value for money while ensuring that quality also remains center stage.

In balancing the short, mid, and long-term needs of the business and customers, we have built a company that is well-positioned to withstand market challenges and maintain its critical role in telecommunications in the region. 2009 has been a solid year and one which sets the tone for TE as we enter a new decade.

Operational Review

Retail

Intense competition from the mobile operators resulted in some downward pressure on our voice business during 2009. However, both TE Data and Vodafone Egypt both performed well throughout the year.

Fixed Voice

While the Egyptian telecommunications market has been liberalized since 1999, competition in the voice market intensified during 2009 and the quest for subscribers resulted in a new level of pricing pressure towards the end of the year.

TE has been swift to react to the changing market and economic conditions, offering compelling counter promotions to defend voice revenues alongside attractively packaged offers to retain high ARPU customers in particular. More details on the offers promoted by TE throughout the year are shown in Box A.

TE's ability to respond nimbly to the marketing promotions of the mobile operators was enabled by the Regulator's decision in late 2008 to lower the interconnection rates for fixed-to-mobile voice calls.

Competition from the mobile operators now extends across our customer base. During 2009, the mobile operators started offering SIM cards to businesses which allow them to make fixed-to-mobile calls at mobile-to-mobile rates. TE responded to this on two fronts. Firstly, we lobbied the Regulator, which subsequently issued a public letter advising it was illegal for companies to use these by-passing techniques. Secondly, we have enticed customers back to the TE service by offering better rates than those offered by the mobile operators. As a result, we have seen companies return to using their landline.

All financial figures are according to Egyptian Accounting Standards (EAS)

BOX A: TE FIXED LINE PROMOTIONS (2009)

Offer	Target Customers	Period	Key Elements
Upper Egypt Landline	Home & Businesses	5th April to 31st May	50% discount on installation fees; free caller ID handset or wireless handset; free three month subscription caller ID service.
Coastal Governorates Landline	Home & Businesses	5th July to 20th August	Free installation for new customers in Coastal Governorates.
Free Landline	Home & Businesses	11th October to 31st December	Free installation for new customers.
PT3	Home & Businesses	13th October to 30th November	3 PT per minute for domestic long distance calls, any time, across Egypt.
Primary Rate Interface (PRI)	Home & Businesses	1st February to 28th February	▪ Service provides 30 incoming and outgoing channels, each with a speed of 64 kbps. ▪ Enables data transfer, internet and voice services, and ISDN applications with a speed of 3 Mbps. ▪ 40% discount on installation fees.
International Promotion	Home & Businesses	15th September to 15th October	Calls to Arab countries and USA (Zone 1) at off-peak times for more than five minutes charged at 0.99 PT per minute from the sixth minute.
Marhaba Cards	Home Customers	8th February to 11th February	Buy one, get one free. e.g. Buy a EGP 30 card and receive a free EGP 5 card free; Buy EGP 50, receive EGP 10; Buy EGP 100, receive EGP 20.
Business Offer	Business Customers	Throughout 2009	20 PT per minute fixed-to-mobile (instead of 30 PT per minute); plus greater discount on bills exceeding EGP 300.
Short Number	Business Customers	Throughout 2009	▪ Providing businesses with a short, five-digit number making it easier for customers to contact, with the option of selecting the short number. ▪ Customers paying cash upfront: 15% discount on first years' subscription fees and two free landlines. ▪ Customers paying via installments: Payments over the course of eight months, plus 10% discount.
Caller ID Service	Business Customers	1st February to 24th February	▪ Subscribe to one value added service and receive Caller ID service free for five months. ▪ Value Added Services include: Call Waiting, Conference Call, Hot Line, Don't Disturb, Wake-Up, Call Barring, and Abbreviated Numbers.

Further details on TE's promotional campaigns are provided in section 6: (Equipped to Adapt)

While demand for telecommunications typically remains stable during an economic downturn, through careful monitoring we started to see some impact of the economic downturn on a sub-section of our subscriber base. These were typically lower-ARPU customers (lower than EGP 23 per month) who had started paying their bills later. Having identified this early, we took steps to tighten our credit policy. This resulted in disconnecting 2.1 million customers, most of which happened during the second quarter of the year. The net result has been an uplift in ARPU of 6.2 percent year-on-year – now averaging EGP 54.1 per month. Having refined the terms of our credit policy decisively and transparently, our subscriber base is responding positively and showing no signs of decreasing levels of usage.

Mobile

The growth of the mobile market has undoubtedly challenged our retail voice business, but we continue to benefit from our direct investment in one of the three mobile operators in Egypt: Vodafone Egypt.

Vodafone Egypt succeeded in adding more new subscribers in the nine months period ending December 2009 than any other mobile operator, in spite of one of the most challenging and competitive periods in the mobile market to-date. It increased its customer base by 32.4 percent year-on-year to 23 million subscribers and increased total voice minutes by 24.5 percent to more than 28 billion minutes.

Vodafone Egypt generated revenues of EGP 9.1 billion in the nine months period ending December 31 2009* - a 2.5 percent increase in comparison to 2008. Net profit for the period increased to EGP 2.4 billion, a rise of 5.9 percent year-on-year. This ultimately contributed EGP 1.4 billion directly to TE's bottom line.

Internet & Data

Demand for internet and data services continued unabated during 2009, with uptake exceeding TE's expectations. Broadband penetration is growing but still has significant headroom. Current figures show that one million households have a broadband connection, with penetration currently standing at one household in every 16. By the end of 2010, the market is expected to reach between 1.4 and 1.5 million broadband subscribers (TE estimates – 2010 Guidance).

TE Data, which is now fully owned by TE, has long held a market leading position. It was the first company in the Middle East to provide video-on-demand and interactive TV over the internet.

TE Data has continued to expand during 2009. It recorded net subscriber additions of almost 201,000, taking its total customer base to 625,000. Overall, TE Data's broadband market share has increased from 59 percent at the end of 2008 to 61 percent at close of 2009. This was achieved through a combination of attractively priced commercial offers, improved customer service and innovative new products and services.

In the first three months of 2009, TE Data launched its Torpedo offer, a 1 MB unlimited offer with a free modem. TE Data also introduced a price discount for existing and new ADSL subscribers with an unlimited download capacity for different speeds starting from 512 Kbps up to 16 Mbps. Both promotions have generated significant interest.

For our business customers, TE Data collaborated with Cisco and HitekNOFAL to launch "Business Connect" - a service with IP telephony which aims to change the way firms rely on telecommunications by allowing users to communicate and connect together by voice or video calls, or through short messages, within a few minutes.

In September, TE Data signed an agreement with Microsoft to provide innovative services to its customers, based on a Microsoft Live platform. This was the first agreement of its kind in Egypt and a major step deal in the market's evolution. For more information on this partnership and the benefits for our customers, see Box B.

TE Data also announced collaboration with Arab Radio and Television (ART) on the launch of a new service which enables TE Data customers to watch Ramadan Series at their convenience, via video-on-demand. The site was designed to enable the customers to find the episode they desire easily. TE Data customers could access the new services online for free in both Arabic and English.

Finally, the steady rise in numbers of the internet users in Egypt has made the worldwide web a significant conduit for providing customer services. Leveraging this, TE Data launched the online service of ADSL subscription bill payment electronically either using Visa or MasterCard. Customers are now able through simple steps to pay their ADSL subscription fees for the period of time they wish to choose – at no extra cost.

BOX B : TE LIVE: LANDMARK PARTNERSHIP WITH MICROSOFT

This agreement – the first of its kind in Egypt – offers significant benefits to customers, including:

- Users get an email account with unprecedented storage limit. Inbox capacity expands automatically according to user needs, in addition to antivirus and anti-spam capabilities.
- Users can integrate many email addresses, such as Gmail and Yahoo, and access them from one place.
- **Skydrive Service:** 25GB storage space enables users to save files, photos, and videos to be accessed from anywhere online. These files could be shared with online friends as well.
- Each user can create a folder containing photos and data shared with others.
- Skydrive contains a Calendar which enables users to easily organize their time, appointments, and meetings while enabling others to access their schedules.
- Instant chatting service using Live Messenger.
- Special friend groups and communities can be created enabling them to chat, share and exchange information, photos, videos, files, news, calendar, and schedules over one website.

All financial figures are according to Egyptian Accounting Standards (EAS)

* Note: Vodafone Egypt's financial year is from 1 April to 31 March.

Wholesale

With the advent of market liberalization a decade ago, we recognized the opportunity for TE to capitalize on its extensive network and infrastructure. Our wholesale business now comprises 42 percent of total revenues.

Domestic

TE's wholesale business benefits from the Egyptian mobile sector by capturing and handling the increase in the mobile traffic which uses TE's extensive network. As demand for mobile services has grown, early investment in upgrading and maintaining our network has been invaluable.

The three mobile operators are TE's largest customers in this segment of our business and during 2009 we took steps to secure longer-term commitment. In September 2009, TE signed a new pricing structure with Vodafone Egypt, securing a three year revenue stream for TE. In exchange, TE offered a favorable pricing structure, which came into force in the middle of the third quarter and was recognized in the fourth quarter. The contract is expected to secure wholesale revenues of approximately EGP 4 billion over the next three years.

The mobile market is just starting to reach critical mass – with more than 55 million mobile users in Egypt - and, as it evolves, we anticipate greater demand for more sophisticated and wider ranging services. This will require extensive network capacity. During 2009, TE evaluated the likely increase in demand and requirements of bandwidth-hungry applications over the coming years. While current demand for these types of services is relatively low, we anticipate this will grow in the medium term and our network's readiness to ensure quality of service maintained in this transition.

Our domestic wholesale business includes services to Internet Service Providers (ISPs), and the growth in this market will cause a corresponding increase in revenues. TE has actively sought to foster growth in the broadband market over recent years, discounting services to stimulate competition. As a result, the market has started to become more competitive, giving TE the opportunity to now phase its support role from one that seeks to stimulate growth via discounted services to that of a comprehensive network provider which offers the right speed, capacity, and quality of service so as to nurture future growth.

International

2009 saw an increase in inbound international traffic, partially due to promotions we launched during the year. We also worked with a larger range of major international carriers for the first time, a favorable development in terms of average termination rates.

Over the past twelve months, we continued to have some success in combating illegal by-pass of our international gateway, although we anticipated that as we counter this illegal activity, by-passers will become increasingly sophisticated.

Through our international wholesale business, we are also capitalizing on the thirst for increased cable capacity throughout the region. We also made progress in our cable business, particularly in the build out for TE North – which is expected to become operational in the second quarter of 2010, at which point it will start to recognize revenues. 85 percent of the TE North cable is already in place with only 400 km remaining. TE has already sold 37.5 percent of the total capacity of this project, which covers more than the capital expenditure required for the build out.

Please refer to Box C for more information on our current cable projects.

BOX C : THE CABLE OPPORTUNITY

TE's cable business comprises the following key projects: TE North; IMEWE; Seacom; CYTA.

TE North: Linking Europe to mainland Egypt and into Asia

- Submarine cable system which extends from North Egypt to Europe, expanding the service footprint of the existing TE Transit Corridor, by offering additional transit services in the Mediterranean. This build will also lower the cost point of TE Data.

IMEWE

- A consortium led submarine cable system comprising of thirteen leading international telecom administrations including Telecom Egypt.
- IMEWE will use the TE Transit Corridor to cross from the Red Sea to the Mediterranean Sea.
- Most of the project is finished, testing imminent and cable expected to be operational in Q2 2010.

SEACOM

- Cable from South Africa joining another cable coming from India in the Red Sea, landing in Egypt (Zafarana).
- Expected to be operational in Q2 2010.

Cyprus Telecommunications Authority (CYTA)

- Agreement to cooperate through extension of Telecom Egypt's TEN Cable System to Cyprus
- CYTA will purchase capacity to transport a terabit of telecommunications capacity from Cyprus to Egypt and Europe.
- TE will transport CYTA traffic to key European and Asian destinations, and the opportunity to cost-effectively reach regional markets accessible via Cyprus.

With the completion of these projects, TE will firmly establish itself as a telecommunications hub for the region. This will generate more capacity business and ancillary services in addition to routing services.

Financial Review

TE is known for the solid performance it has delivered year-on-year. While revenue progression was marginally impacted in 2009 by our response to pressure on retail voice revenues, this remains robust. Furthermore, profitability has continued to strengthen as TE's diversification strategy has given our business the resilience needed to build a sustainable future. Our net profit has a five year CAGR of almost 9.8 percent.

Crucially, in the year under review, Net Profit After Tax has also grown above 9 percent year-on-year. This is a significant achievement giving the challenges the world has faced during 2009.

All financial figures are according to Egyptian Accounting Standards (EAS)

Revenues

Total consolidated operating revenues for the full year period to 31 December 2009 were just EGP 9.96 billion.

Revenues From Retail Services

As the telecommunications market has become more competitive, there has been some impact on our retail revenues, which declined by 6.8 percent year-on-year. This was particularly notable during the fourth quarter of 2009, when TE reduced domestic-long-distance rates to match local minute rates, between October and November. In addition, TE reduced its fixed-to-mobile tariffs by more than 50 percent in response to the aggressive price cuts by the mobile operators during December. Our promotional activities, undertaken during the course of the year, were necessary to counter the continued aggressive promotional activities from mobile operators which consequently had the desired effect.

Total access revenues, comprising connections and subscriptions, were EGP 2 billion for the year ending December 2009; an increase of 2.5 percent compared to 2008.

Total voice revenues were EGP 2.6 billion for 2009, a decline of 13.2 percent year-on-year, due to discounted promotional activities cited above.

Revenues from internet and data, showed an increase of 12.7 percent year-on-year, totalling EGP 649 million, the majority of which can be attributed to TE Data, Telecom Egypt's internet and data subsidiary.

TE Data continued to command its position, adding 201,000 new subscribers during the full year 2009. This translates to a market share of the retail ADSL market of 61 percent, compared to 59 percent at the end of December 2008. At the end of December 2009, TE Data had 625,000 ADSL subscribers, an increase of 47.3 percent in comparison to the same period in 2008.

Revenues From Wholesale Services

TE derives wholesale revenues from both domestic and international services to third parties who seek to utilize its extensive, digital infrastructure principally for co-location and transmission services, settlement and infrastructure leasing. Wholesale revenues constitute a growing and an important component of Telecom Egypt's revenue mix, accounting for 42.1 percent of total revenues. In 2009, this translated to total wholesale revenues of EGP 4.2 billion, a 6.6 percent rise year-on-year demonstrating the benefits of TE's diversified business model.

The slight decline in domestic wholesale revenues can largely be attributed to the new pricing agreement in place with Vodafone Egypt, which is expected to deliver EGP 4 billion over the next three years.

In addition, 2009 is the first full year reflecting the new interconnection rate implemented by the Regulator in September 2008. In 2008, termination rates for fixed network averaged 15.5 pt, compared to 6.5 pt in 2009 – a reduction of almost 60 percent. Mobile termination rates reduced from an average of 25 pt in 2008 to 11.3 pt in 2009, which clearly benefits TE in terms of its ability to become competitive with mobile operators. These changes have been largely offset by the increase in mobile traffic over our network. This increase in transmission reflects the exceptional growth in the mobile market this year.

Via its international gateway, TE handles inbound and outbound telecommunications traffic. During 2009, international wholesale revenues increased 10.1 percent year-on-year. Inbound international traffic increased as a result of retail promotions by international telecom operators generating more inbound calls to Egypt via TE's gateway.

It should also be noted that no revenues from TE's cable business have been recognized in 2009 figures. While capacity has been contracted, we took the decision to start recognizing this revenue in 2010, at which point TE North is expected to become operational.

Operating Expenses

Maintaining a strict control of costs has long been a priority for the management team and TE has one of the strongest margins in the industry.

During 2009, operating expenses were reduced by 2.9 percent to EGP 5.7 billion, versus EGP 5.9 billion in 2008. This largely reflects the reduction in interconnection rates, following the regulators ruling which came into effect at the end of 2008.

Operating expenses include staff wages, which remained flat, following the increases made during 2008. This item is expected to increase during 2010, in line with our previously stated remuneration policy.

Selling & Distribution Expenses

Selling and distribution expenses marginally increased during 2009 from EGP 436 million in 2008 to EGP 455 million. This 4.4 percent increase can be attributed to a very slight increase in staff wages and employee benefits.

General & Administration Expenses

General and administration expenses were EGP 1.5 billion for 2009, compared to EGP 1.4 billion, reflecting minor salary increases plus the costs of TE's early retirement programme.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

Consolidated EBITDA Before Provisions was EGP 5 billion, representing a margin of 50.7 percent, comfortably within management expectations. EBITDA After Provisions was EGP 4.7 billion, translating to a margin of 47.1 percent.

All financial figures are according to Egyptian Accounting Standards (EAS)

EBIT Before FX Gains and Losses for the year reached EGP 3.5 billion a slight increase in comparison to 2008.

EBITDA Before Provisions cost items include: personnel costs; interconnection charges; and other operational expenditure. These are comparable with 2008, with some reduction in the percentage attributable to interconnection rates as a result of the NTRA ruling.

Financial Income & Expenses

Market dynamics continued to ensure that TE's investments in Vodafone Egypt delivered value directly to the profit line. As earlier stated, total income from Telecom Egypt's investments for the period was EGP 1.4 billion, including income from Vodafone Egypt, versus EGP 1.3 billion for the same period in 2008, a year-on-year increase of 7.5 percent.

During 2009, TE recorded a foreign exchange loss of EGP 4.2 million, versus a 2008 gain of EGP 3.6, as a result of weakening of the US Dollar against the Egyptian Pound.

Our early debt repayment programme has resulted in a sharp decline in interest expenses – from EGP 361 million in 2008 to EGP 137 million in 2009.

Income Tax Expense

Income tax for 2009 remained flat at EGP 541 million versus EGP 543 million for 2008 for the twelve months ended 31 December 2008.

Net Profit

TE's Consolidated Net Profit for the full year was EGP 3.1 billion, a margin of 30.6 percent, a year-on-year increase of 9 percent. This translates into an EPS of EGP 1.7, a 14.4 percent rise from EGP 1.49 last year.

Investments In Infrastructure

TE has continued to rationalize its Capital Expenditure (CAPEX) programme over the past five years. Carefully planned investment in our modern infrastructure has continued to serve us well, enabling us to offer our customers a superior quality of telephony services. Total CAPEX in 2009 was EGP 981 million, or 9.8 percent of our total revenues.

CAPEX during 2009 showed an increase of 6.7 percent in comparison to 2008 as the company's preparations for the launch of its new cable business TE North.

Debt

The free cash flow generated from our business has been prudently deployed to our debt repayment programme, enabling us to reach net cash position three months ahead of schedule in 2009, through a carefully managed debt repayment programme. This places TE in an excellent position as we move in 2010.

Total Debt stood at EGP 1 billion while cash and cash equivalents stood at EGP 2.5 billion.

TE aims to maintain sufficient flexibility in its borrowing and funding to ensure continued stability in the context of volatile financial markets.

Dividend Policy

TE's dividend policy is to pay dividends when permitted by law and subject to consideration of future capital expenditure and investment requirements, as well as our overall financial condition.

The board had proposed a dividend of EGP 0.75 per share for the full year 2009, which was approved in the General Assembly held in March, 2010. In spite of TE's solid financial position, the decision has been taken to retain maximum financial flexibility should opportunities materialize in the short term which advances the company's ambition as a total telecommunications provider. TE has the flexibility to pay interim dividends should these proceeds not be required.

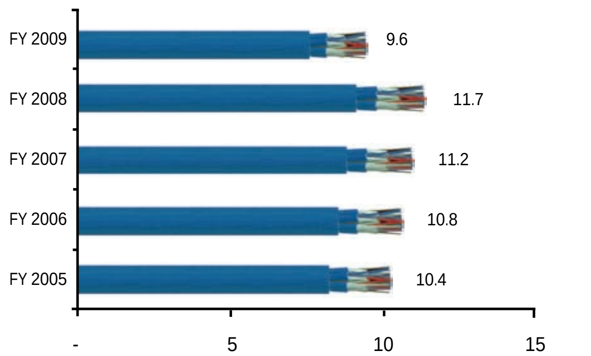
All financial figures are according to Egyptian Accounting Standards (EAS)

Equipped to Grow

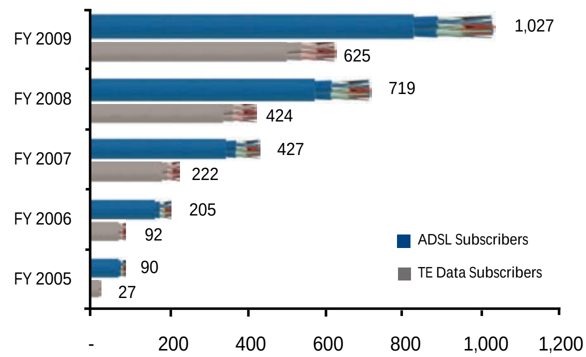
TE North Cable Project Landing in Abu Talat, Alexandria, Egypt

Key Performance Indicator

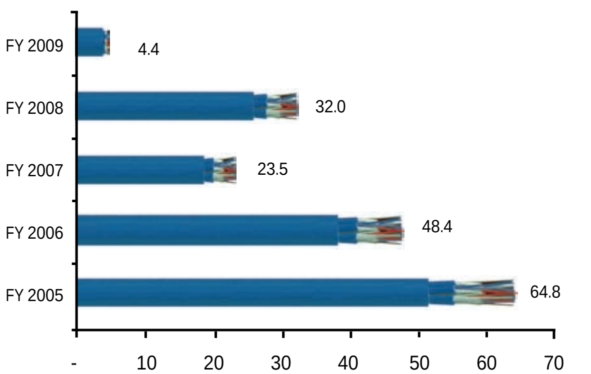
Fixed Lines Number Of Subscribers (In Millions)



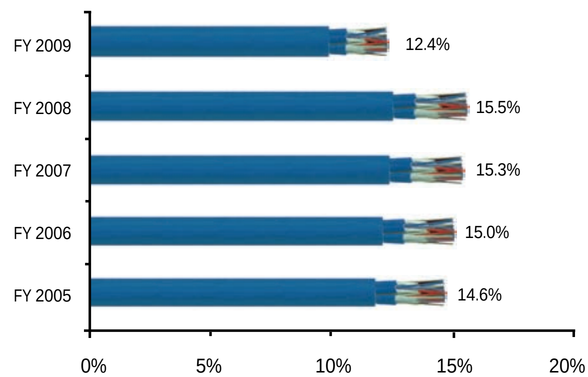
ADSL Subscribers (In Thousands)



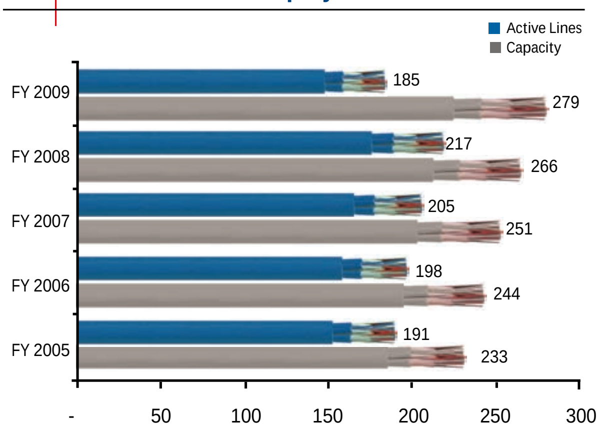
Fixed Lines Waiting List (In Thousands)



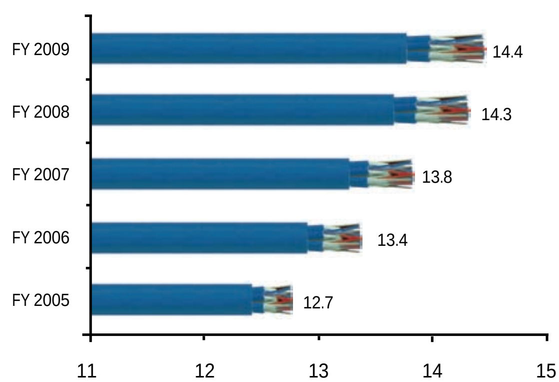
Fixed Lines Teledensity (In Percent)



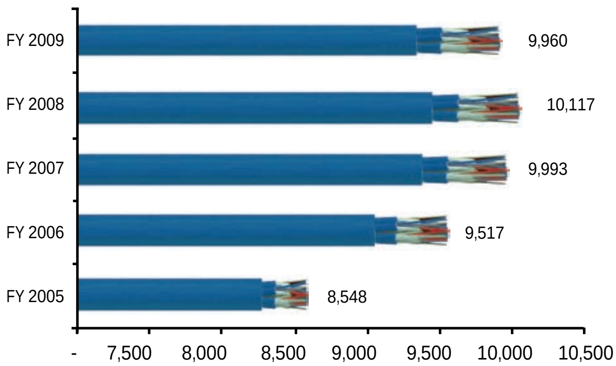
Fixed Lines Per Employee



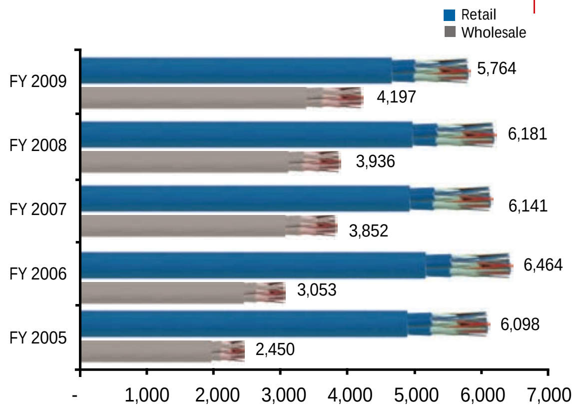
Fixed Lines Exchange Capacity (In Millions)



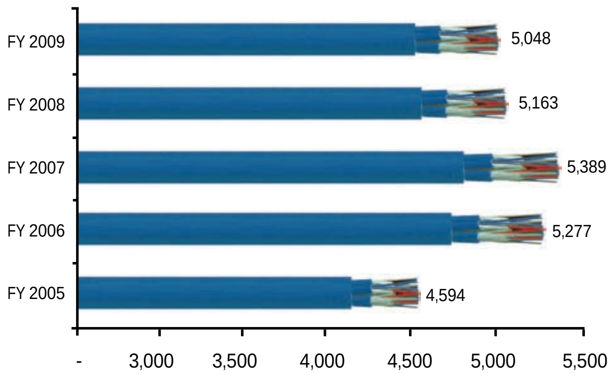
Sales Revenue (In EGP Millions)



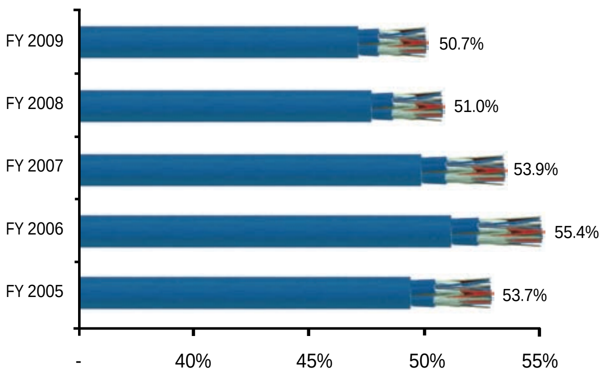
Revenue Mix (In EGP Millions)



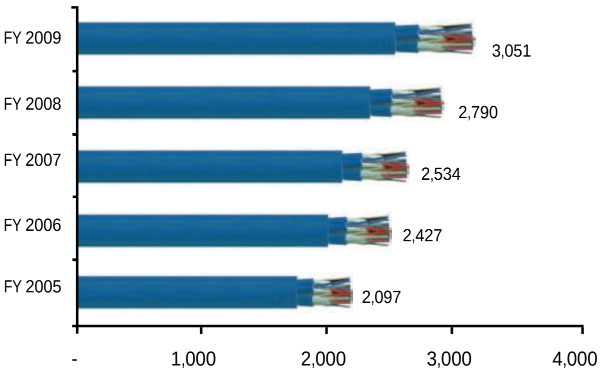
EBITDA Before Provision (In EGP Millions)



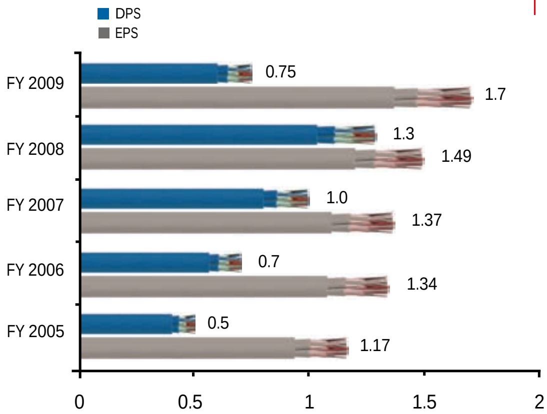
EBITDA Before Provision Margin (In Percent)



NPAT Growth (In EGP Millions)



Return Per Share (In EGP)



All financial figures are according to Egyptian Accounting Standards (EAS)

Equipped to Grow

Financial Highlights
Milestones
Share Performance

Financial Highlights

Financial Highlights (In EGP Millions)	Dec - 2009	Dec - 2008	% Change
Sales Revenue	**9,960**	**10,117**	**-1.5%**
EBITDA (Before Provisions)	**5,158**	**5,109**	**1.0%**
EBITDA Margin (Before Provisions)	*51.8%*	*50.5%*	
EBITDA (After Provisions)	**4,693**	**4,600**	**2.0%**
EBITDA Margin (After Provisions)	*47.1%*	*45.5%*	
EBIT	**2,051**	**1,904**	**7.7%**
EBIT Margin	*20.6%*	*18.8%*	
Profit Before Taxes	**3,370**	**2,966**	**13.6%**
Net Profit	**2,917**	**2,454**	**18.9%**
Net Profit Margin	*29.3%*	*24.3%*	
Total Assets	**32,030**	**33,438**	**-4.2%**
Total Shareholders Equity	**26,474**	**25,766**	**2.7%**

Milestones

- Continuous rollout of modern "Phone Boutique" shop concept (so far in 2009, 35 additional sites opened in strategic locations).
- Targeted promotions and campaigns to stimulate subscriber base growth and usage, e.g.:
  - Local and national tariff awareness campaigns.
  - A campaign on the 50% activation fee rebate.
- Created a joint Telecom Egypt-TE Data committee to improve delivery processes and ease capacity constraints, yielding some 625,249 subscribers in 2009.
- Increased broadband market shares from 59.02% to 60.85% during 2009.
- Signed a 3-year Wholesale Services Agreement with Vodafone Egypt.

  The deal comprises two distinct elements: Utilizing TE international gateway services to transit all Vodafone Egypt customers incoming and outgoing international traffic plus relying on TE extensive domestic network for all Vodafone Egypt infrastructure leasing needs.
- TE Data launches TE Live in Cooperation with Microsoft, the first service of its kind in Egypt and the Middle East

  The service depends on synchronization over the Internet of all instant communication methods. All of these features could be easily used anywhere online or via a mobile device.
- TE Data announced its collaboration with Arab Radio and Television (ART) on a launch of a new service to enable TE Data customers to view Ramadan Series at their convenience, via Video-on-demand.

  The service utilizes TE Data's presence in Interactive TV and messaging, building on its recent partnership with Microsoft, TE Live.

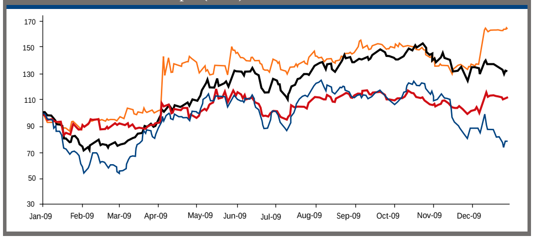
  TE Data was the first company in Egypt and the Middle East to provide video-on-demand and interactive TV over the Internet, launching IPTV three years ago, during the World Cup in June 2006. TE Data re-launched the service through TE-VU site to maintain its status as the first and only ISP to provide TV services online.

All Financial figures are in accordance with the International Financial Reporting Standards (IFRS)

Share Performance

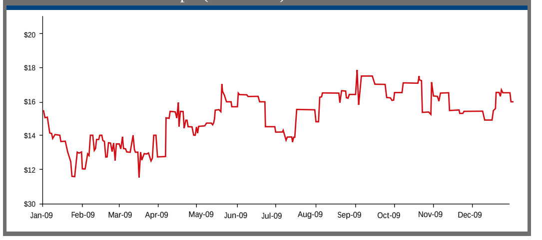
Share Information	2009	2008
Share Structure		
Egyptian Government	80%	80%
Free Float	20%	20%
Key Figures		
Number of Outstanding Shares	1,707,071,600	1,707,071,600
Earning per Share*	1.71	1.43
Dividends per Share	0.75	1.30
Dividends Yield	4.1%	8.0%
Extra Closing Prices		
Share Price on the last trading day (EGP)	18.10	16.26
Year High (EGP)	19.16	23.51
Year Low (EGP)	13.59	11.53
Market Capitalization on the last trading day (EGPmn)	**30,898**	**27,757**
Shareholders Equity (EGP mn)*	**26,515**	**25,804**

Share Performance Graph (EGX)



EGX 30 TE OT Mobinil

Share Performance Graph (LSE - GDR)



Despite the financial crisis and the low Stock Market performance, Telecom Egypt's share achieved a balanced performance in 2009 and was the least affected by the financial crisis.

At the start of Year 2009, Telecom Egypt's share (ETEL.CA) was quoted at EGP 16.20 on EGX. The highest price during 2009 was EGP 19.16, and the lowest was EGP 13.59.

In December 2009, the closing price was EGP 18.10, 11.3% year-on-year increase versus EGP 16.26 the closing price in December 2008. The market value as of December 31st, 2009 was EGP 30,898 billion.

Telecom Egypt GDR (ETEL.CA) listed on LSE at the beginning of Year 2009 was quoted at US$ 15.08. The highest price during 2009 was US$ 17.84, and the lowest price was US$ 11.5.

At year-end 2009, the closing price was US$ 16.0, 3.2% year-on-year increase versus US$ 15.5 the closing price in December 2008. The market value as of December 31st, 2009 was US$ 5,463 billion.

All Financial figures are in accordance with the International Financial Reporting Standards (IFRS)

Ready to Lead

History & Evolution
Board of Directors
Executive Management

History & Evolution

1854 - 1883

- Launching the first telegram line connecting Cairo and Alexandria, and installing of the first telephone line between both governorates.
- Extending telephone lines to Port Said, Ismailia, and Suez serving around 50 subscribers.

1918 - 1957

- The Egyptian Government acquired the Eastern Company for EGP 755,000 and turned it into the Telephones & Telegram Authority while the number of telephone lines in Egypt reached 62,000. It was later declared the Arab Republic of Egypt National Telecommunications Organization (ARENTO).

1975 - 1985

- The car phone service was launched along with the first microwave network between Cairo, Alexandria, and Al Salloum to interconnect Egyptian provinces.
- Installing the first satellite earth station in the Cairo suburb Maadi, with an initial capacity of 120 channels, and the installation of the first fiber optic cable to interconnect telecom exchanges in Cairo.

1989 - 1996

- Installing the first Data Network in Egypt, EGYPTNET, and the inauguration of the first mobile telecom network in Egypt applying GSM technology.

1998

- Transforming ARENTO into "Telecom Egypt", (TE) an Egyptian Joint Stock Company, the Egyptian Government maintaining 100% ownership of the 171,121,490 shares in issue.

1999 - 2001

- Introducing the new Value Added Services (VAS), the Integrated Services Digital Network (ISDN) and the Intelligent Network (IN) services. During this period, Egypt has witnessed the introduction of the first e-government application, to enable customers to view and pay their telephone bills online.

2002 - 2004

- Launching the free Internet in Cairo, which was extended to all Egyptian governorates. This period witnessed opening of the largest Call Center serving TE's customers across all governorates.
- Initiating the "Computer for Every Home" project by Telecom Egypt jointly with the Ministry of Communications and Information Technology (MCIT).
- Acquiring an 8.6% ownership stake in Vodafone Egypt.

2005

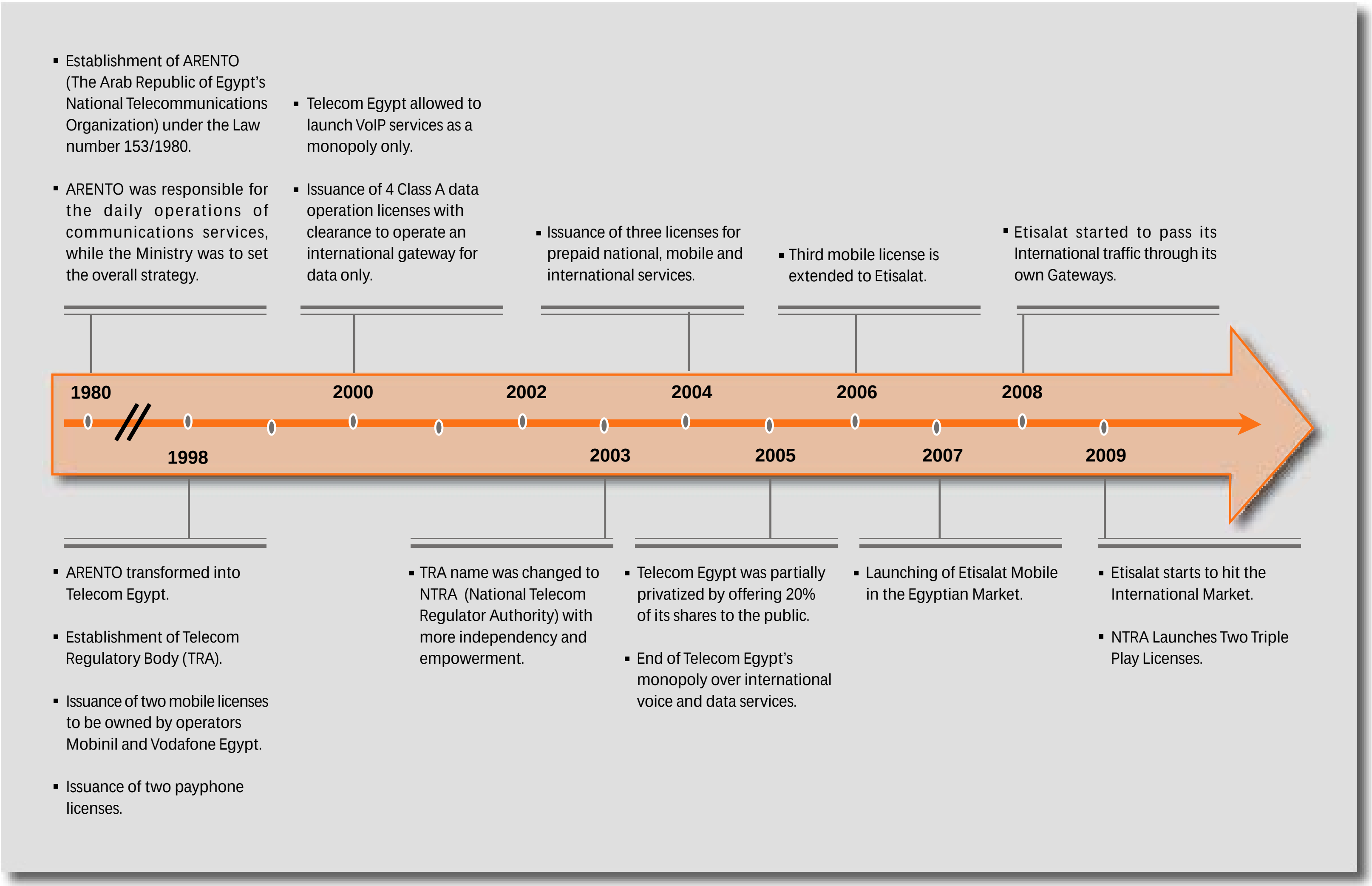
- Obtaining an additional ownership stake of 16.9% in Vodafone Egypt, having a total ownership up to 25.5%.
- Announcing the launch of the Initial Public offering (IPO) of TE's shares and GDRs to retail investors in Egypt and institutional investors internationally. The Offer represented 20% of Telecom Egypt's outstanding share capital and raised over $US 890 million. It was the largest international equity offering to come out of the Middle East and North Africa region, at that time.
- Signing a new strategic cooperation agreement with Vodafone Egypt, extending and expanding an earlier deal between the two operators.

2006

- Vodafone Group and Telecom Egypt announced that they entered into a new strategic partnership to increase cooperation between both parties and to jointly develop a range of products and services for the Egyptian market.
- Telecom Egypt's shareholding stake in Vodafone Egypt became 44.79%.
- Telecom Egypt's internet subsidiary TE Data launched the first IP-TV based entertainment service in Egypt.
- Telecom Egypt signed a contract with the India-Middle East-Western Europe (IMEWE) Submarine Cable System through TE Transit Corridor. The deal amounted to US $36 million.

2008 - 2009

- Buying around 370,000 shares in Vodafone Egypt bringing its shareholding stake up to 44.95%.
- Telecom Egypt and Cyprus Telecommunications Authority (CYTA) announce Mediterranean Region Cooperation to cooperate through extension of Telecom Egypt's TEN Cable System to Cyprus, thereby creating reciprocal Eurasia and Eastern Mediterranean opportunities.
- TE developed its submarine cable network by signing a contract with Seacom / TATA "2010", EIG "2010", and CYTA "2010" worth of $183 MM.


1980
▪ Establishment of ARENTO (The Arab Republic of Egypt's National Telecommunications Organization) under the Law number 153/1980.
▪ ARENTO was responsible for the daily operations of communications services, while the Ministry was to set the overall strategy.
1998
▪ ARENTO transformed into Telecom Egypt.
▪ Establishment of Telecom Regulatory Body (TRA).
▪ Issuance of two mobile licenses to be owned by operators Mobinil and Vodafone Egypt.
▪ Issuance of two payphone licenses.
2000
▪ Telecom Egypt allowed to launch VoIP services as a monopoly only.
▪ Issuance of 4 Class A data operation licenses with clearance to operate an international gateway for data only.
2002
2003
▪ TRA name was changed to NTRA (National Telecom Regulator Authority) with more independency and empowerment.
2004
▪ Issuance of three licenses for prepaid national, mobile and international services.
2005
▪ Telecom Egypt was partially privatized by offering 20% of its shares to the public.
▪ End of Telecom Egypt's monopoly over international voice and data services.
2006
▪ Third mobile license is extended to Etisalat.
2007
▪ Launching of Etisalat Mobile in the Egyptian Market.
2008
▪ Etisalat started to pass its International traffic through its own Gateways.
2009
▪ Etisalat starts to hit the International Market.
▪ NTRA Launches Two Triple Play Licenses.

Board of Directors

From left to right :

- Tarek Tantawy
- Mokhtar Abdel Moneim Khattab
- Neveen Hamdy El Tahri
- Adel Rashad Danash
- Hesham Mekkawy
- Farghaly Bakry Seleem

From right to left :

- Akil Hamed Beshir
- Azza Mohamed Torky
- Ahmed Fathy El Kassass
- Hassan El-Sayed Abdallah
- Mohammed Abdel Rehim Hassanein

Board of Directors

Akil Hamed Beshir

Chairman

Mr. Beshir was appointed Chairman of Telecom Egypt in June 2000. Previously, Mr. Beshir was General Manager and Managing Director of Giza Systems Engineering from 1975 to 2000, Programmer, Systems Analyst, and Manager at Al-Ahram Management and Computer Center (AMAC) from 1969 to 1975, and Demonstrator at Faculty of Engineering, Cairo University from 1966 to 1969. He holds a B.Sc. in Communications Engineering from Cairo University and a Professional Diploma and a Master Degree in Management (MBA) from the American University in Cairo.

Tarek Tantawy

CEO and Managing Director

Mr. Tantawy was appointed as Telecom Egypt's CEO & Managing Director in August 2009. Formerly in July 2007, he acted as TE's Vice President and CFO. Previously, he was the Director of Investment, Treasury & Investor Relations since 2006. He has been with the company since 2002 as the General Manager for Investment, Investor Relations and Financial Planning. Previously, he held the position of Assistant Vice President at Sigma Capital Investment Banking where he was engaged in several visible corporate finance transactions and also held the position of Senior Consultant at FinRate Consulting in the Corporate Finance Division. Tantawy holds a Masters in Business Administration from Edinburgh Business School (Heriott Watt University) in the UK and B.Sc. in Construction Engineering from the American University in Cairo. He is a Chartered Financial Analyst (CFA) and a member of CFA Institute.

Mokhtar Abdel Moneim Khattab

Board Member

Dr. Khattab was appointed board member in 2004. He is currently the Chairman of the Nubaria Sugar Company and the Chairman & Managing Director of Horizon for Investment and Industrial Development Company. Dr. Khattab served as a board member in Bank Audi since 2007. He is also a professor of Economics, Faculty of Agriculture, Cairo University. He was the Minister of Public Enterprise from 1999 - 2004. Dr. Khattab holds a B.A. in Commerce from Ain Shams University, Egypt. He also holds a D.E.S and Doctorat d'Etat in Economics, France.

Ahmed Fathy El Kassass

Board Member

Mr. El Kassass was appointed a board member in 2007. He is currently the Chief of Staff of the Signal Corps. He holds a PhD in Military Sciences from the Military Academy, Egypt in 1974. He has held most of the positions of authority in the Signal Corps.

Azza Mohamed Torky

Board Member

Mrs. Torky was appointed a board member in 2000. She was Vice Chairman for International Telecommunications and Backbone in June 2000. New Services & Marketing were added to her responsibilities in June 2000. She has been with the company in various managerial and technical positions since 1965, including General Manager for the Operation and Maintenance of Earth Stations from 1987 to 1997, and Head of the International Telecommunication Department from 1997 to 1999. Mrs. Torky holds a B.Sc. in Communications Engineering from Cairo University.

Adel Rashad Danash

Board Member

Dr. Danash was appointed board member in June 2000. He is currently Chairman of Telecom Egypt Information Technology (Masreya) and CEO of Xceed, one of TE's subsidiaries. Previously, he was Chairman of Bayanet, and Managing Director of Standardata Eypt from 1986 to 2000. Dr. Danish held several technical and marketing positions within IBM. He has been invited to serve on the board of several local and international IT and business organizations. He founded STANDARDATA S.A in France in 1978 as well as other companies in the IT field in Egypt and USA. Dr. Danash holds a B.Sc. in Electronics from Cairo University, and a Diploma in Computer Networks and a PhD in Computer Science from Paris 7 University, Paris, France.

Mohammed Abdel Rehim Hassanein

Board Member

Mr. Hassanein was appointed as an executive board member in 2009. He was appointed Vice President in 2001. He has been with the company in various managerial and technical positions since 1976, including General Manager of the First and Third Zones of East Cairo, then Sector Chief of East Cairo Zones. He holds a B.Sc. in Communications Engineering from Al Azhar University.

Hassan El-Sayed Abdallah

Board Member

Mr. Abdallah was appointed a board member in November 2006. He is currently the Vice Chairman and Managing Director of the Arab African International Bank (AAIB). Previously, he occupied different managerial positions in AAIB since 1983 including General Manager and Deputy General Manager. From 1989-1998, he worked for AAIB in New York. Mr. Hassan holds a Masters degree in Business Administration from the American University in Cairo (AUC) and a Bachelor of Arts in Business Administration from the same university.

Neveen Hamdy El Tahri

Board Member

Mrs. El Tahri was appointed a board member in August 2006. She is currently the Chairperson of ABN AMRO Delta Asset Management as well as the Chairperson of Delta Securities Egypt. She is currently the Chairperson of Delta Holdings for Financial Investments & Country Representative of the Royal Bank of Scotland (RBS) formerly ABN AMRO Bank N.V. Mrs. El Tahri is also a board member in Banque Misr, Egypt for Information Dissemination (EGID), Cairo Oil & Soap Co., Guarantee and Subsidy Fund for Real Estate Finance (GSF) founding member of the Egyptian Dutch Business Association and the Egyptian International Economic Forum and also member of Economic Committee of the National Democratic Party (NDP). She is also a board member of Egyptian Arab Land Bank, the General Authority for Investments "GAFI", and the Dutch Business Association. She became the first woman to sit on the board of the Cairo & Alexandria Stock Exchanges from 1997-2003. From 1987-1992, Mrs. El Tahri occupied different positions in the Commercial International Bank "CIB" until she became the Assistant General Manager Corporate Banker managing Petroleum, Tourism and Electronic divisions. She holds a B.Sc. in Economics from the faculty of Economics and Political Sciences, Cairo University, Egypt.

Hesham Mekkawy

Board Member

Mr. Mekkawy was appointed a board member in August 2006. He is currently the Chairman of BP Egypt. He was the chairman of BP Algeria in London since 2000. After the merge between BP and Amoco in 1999, he was appointed as Assistant Vice Chairman for the company. Previously, he occupied different positions in Amoco from 1990-1999. Mr. Hesham holds a Masters degree in Business Administration from Boston University, United States. He also holds a B.Sc. from the faculty of Engineering, Cairo University, Egypt.

Farghaly Bakry Seleem

Board Member

Mr. Seleem was appointed board member in 1999. From 1989 to 1999, he was the General Engineering Supervisor at Telecom Egypt's Switching Station at Quina. Mr. Seleem holds a Diploma as a Telephone Engineering Technician from the Industrial Institute, Quina, Egypt.

Ready to Lead

Executive Management

Executive Management

Tarek Tantawy

CEO and Managing Director

Mr. Tantawy was appointed as Telecom Egypt's CEO & Managing Director in August 2009. Formerly in July 2007, he acted as TE's Vice President and CFO. Previously, he was the Director of Investment, Treasury & Investor Relations since 2006. He has been with the company since 2002 as the General Manager for Investment, Investor Relations and Financial Planning. Previously, he held the position of Assistant Vice President at Sigma Capital Investment Banking where he was engaged in several visible corporate finance transactions and also held the position of Senior Consultant at FinRate Consulting in the Corporate Finance Division. Tantawy holds a Masters in Business Administration from Edinburgh Business School (Herriot Watt University) in the UK and a B. Sc. in Construction Engineering from the American University in Cairo. He is a Chartered Financial Analyst (CFA) and a member of CFA Institute.

Mohammed Abdel Rehim Hassanein

Vice President; Operations and Maintenance

Mr. Hassanein was appointed as an executive board member in 2009. He was appointed Vice President in 2001. He has been with the company in various managerial and technical positions since 1976, including General Manager of the First and Third Zones of East Cairo, then Sector Chief of East Cairo Zones. He holds a B.Sc. in Communications Engineering from Al Azhar University.

Sanaa Soliman

Vice President; Follow Up and Regional Expansion (appointed till June 2009)

Mrs. Soliman was appointed Vice President in January 2006. Previously, she was the Marketing Director whereby she handled all activities related to the marketing, communications, product development, brand building and market intelligence. She has been with the company in various managerial and technical positions since 1971, including an Engineer for operations & Maintenance of local exchanges, and after that she was fully responsible for managing the operations & maintenance, transit exchanges, International and GSM gateways of Telecom Egypt. Mrs. Soliman holds a B.Sc. in Electronics and Communications Engineering from Cairo University.

Abdel Hamid Mahmoud Hamdy

Vice President; Human Resources, Legal, and Administrative Affairs

Mr. Hamdy was appointed Vice President in 2004. Previously, he was the Human Resources Director and Vice President of Novartis Pharma S.A.E from 1990-2000. Then, he held the position of Human Resources Director of Glaxo Wellcome Egypt S.A.E from 2000-2001. In 2002, Mr. Hamdy was appointed Vice President for Human Resources and Administration at Wataneya for Mobile Communications Company until 2004. He holds a B.A. and High Diploma in law from Ain Shams University.

Sayed Dessouky

Vice President; Projects' Implementation

Mr. Dessouky was appointed Vice President for Projects' Implementation in October 2006. He has been with the company in various managerial and technical positions since 1973, including Sector Chief for Implementation and maintenance for Upper Egypt since October 2001 and also General Manager for Project Implementation for Switching. Mr. Dessouky holds a B.Sc. in Communications Engineering.

Khaled Marmoush

Vice President; Information Technology

Mr. Marmoush was appointed Vice President for Information Technology in October 2006. Before that he was the Information Technology Sector Chief in Telecom Egypt since October 2005. Mr. Marmoush is an information technology/business consultant with more than 20 years of experience in the areas of Executive Management, Consulting, Business Development/Analysis, and Project Management. He worked with several international consulting and systems integration firms in different countries including Canada, Egypt, U.A.E, and the USA. Mr. Marmoush holds a Masters in Information Science and a B.Sc. in Computer Science.

Mohamed Elnawawy

Vice President and Chief Strategy Officer

Mohamed was appointed as Vice President and CSO in April 2009. Previously, he was the Vice President; International, Wholesale and Regulatory Affairs of Telecom Egypt since November 2006. He joined Telecom Egypt Group in November 2001 as the Chairman and Managing Director of TE Data, SAE, TE's subsidiary responsible for TE's Group retail IP transit and managed data services. Previously, in January 1992, Mohamed co-founded InTouch Communications Services, SAE a local ISP in Egypt where he resided as Chairman and Managing Director till April 2000. After that Mohamed was a consultant for the National Telecommunications Regulatory Authority (NTRA) for nearly year and a half. Mohamed holds a B.Sc. in Computer Science and Masters of Law.

Emad Elazhary

Vice President and Chief Commercial Officer

Emad El Azhary was appointed Vice President and Chief Commercial Officer in August 2008. He joined Telecom Egypt Group in 2001 as the Vice President and Managing Director of TE Data, SAE TE's Internet and data subsidiary. El Azhary expanded TE Data's business to Jordan, the Gulf, and Palestine through wholly owned subsidiaries, representative offices, and professional services agreements. In 2005, he acted as the CEO of its Algerian joint venture with Orascom Telecom. Prior to joining Telecom Egypt Group, El Azhary consulted for Telecom Egypt and the National Telecommunication Regulatory Authority (NTRA). In 1992, he co-founded InTouch Communications Services as the first ISP in Egypt and managed with his partners to position the company as the leading ISP in Egypt before being acquired by another telecom operator. From 1990 till 1994, he worked for IBM WTC as a systems Engineer. El Azhary graduated from the American University in Cairo in 1989, where he majored in Computer Science and minored in Electronics.

Sayed Elgharabawy

Vice President for Project Planning

Sayed El Gharabawy was appointed Vice President for Project Planning in October 2008. Prior to joining Telecom Egypt, he was advisor to the Executive President of the National Telecommunications Regulatory Authority (NTRA). From 1997 until 2007, he joined Motorola Egypt as Government Relations Manager then Country Manager in 2005 in addition to being Government Relation officer for the Middle East. At the same time, he was a board member of The Information Technology Industry Development Agency (ITIDA) from 2005 till 2007. El Gharabawy participated in the drafting of the new Telecom Law that was enacted in 2003 primarily concerned with spectrum chapter of the law, in addition to participating in the development of the national telecommunications plan issued by the Ministry of Communications and Information Technology (MCIT) in 2001 and its revision in 2006 as well as several offer initiatives such as the Universal Service Program, now run by the NTRA, and the Wimax Regulatory Framework as well as the new suburbs regulatory framework which are still under development. Prior to this, El Gharabawy had various positions with IBM and NCR. El Gharabawy graduated from Ain Shams University with a B. Sc. in Telecommunications in 1987.

Tarek Aboualam

Vice President; International and Wholesale

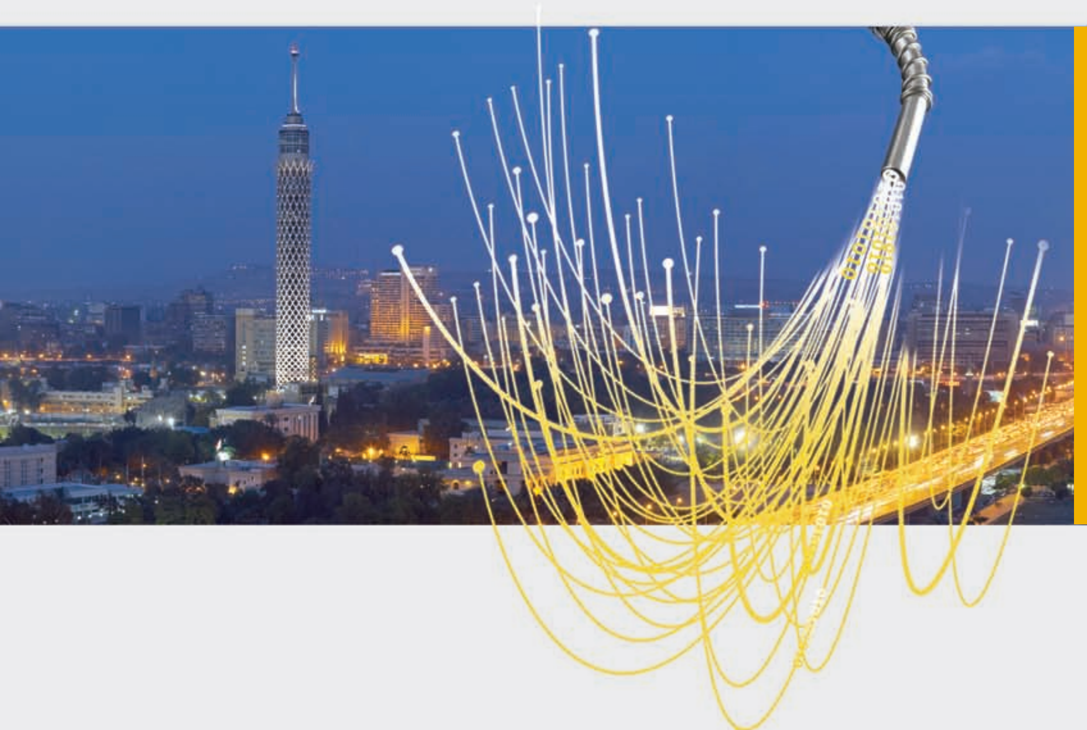
Mr. Aboualam was appointed as Vice president for International and Wholesale for Telecom Egypt in May 2009. Mr. Aboualam has more than 14 years of experience in the telecommunications field in the Middle-Eastern and European markets. Prior to joining Telecom Egypt, he acted as the Fixed & Broadband Development Director of Orascom Telecom Holding. Between 2005 and 2008, he actively contributed to the turnaround of the Italian integrated operator Wind Telecomunicazioni acting as the Planning and Business Intelligence Director of its Fixed Business Unit. Starting 2001 till 2005, he played a leading role in the successful launch of Telecom Egypt's data subsidiary (TE Data), the largest broadband provider in Egypt operating also in Jordan. From 1995 till 2000, Mr. Aboualam co-founded and managed one of the first ISPs in the MENA region (Soficom Communications SAE) acquired at a later stage by the Bahraini operator Batelco. He served as a member of the Board of Directors for many telecom companies including Tellas (Greece), TED-Jordan (Jordan) and Soficom Communications (Egypt). He holds a Bachelor degree in Telecommunications Engineering from Alexandria University.

Hassan Helmy

Vice President and Chief Financial Officer

Mr. Hassan Helmy has been appointed as Vice President for Financial Affairs and Chief Financial Officer in September 2009. Prior to joining Telecom Egypt, Mr. Helmy, with more than 18 years of rich and varied experience in different industries including telecommunications, was a Senior Partner in one of the leading accounting firms – KPMG Office. Mr. Helmy has track records in leading successful due diligence and IPO projects. Mr. Helmy is a Fellow of the Chartered Association of Certified Accountants-UK, a Member of the Egyptian Society of Accountants and Auditors and holds Bachelor of Commerce from Cairo University.

Corporate Governance



The Cairo Tower, Egypt

Corporate Governance

Telecom Egypt is committed to the best practice in the area of corporate governance, working to ensure the integrity and sustainability of its business operations at all times. Our main corporate governance and Board practices during the 2009 financial year are described in this section.

Our Board regularly reviews and updates our corporate governance practices to accommodate developments occurring within the marketplace and our business and to comply with internationally recognized governance standards. We are guided by the corporate governance principles presented by the Egyptian Financial Supervisory Authority, ensuring that the highest standards of corporate governance throughout our organization are consistently maintained.

Role and Responsibility of the Board

Telecom Egypt's Board of Directors is responsible to shareholders for the overall strategy of the Company, its governance and performance. The Board manages the Company's business and affairs and decides on matters other than those that must be determined by shareholders pursuant to the Egyptian law and the Company's bylaws. The Board's role includes:

- Providing strategic direction to the Company by working closely with management to determine, monitor, develop and modify our strategy and performance targets.
- Approving the annual budget for the Company and other significant business decisions.
- Reviewing and approving statutory accounts and overseeing our financial position.
- Issuing recommendations to the General Assembly concerning our capital, including capital restructures, expenditure and dividend policy.
- Monitoring the integrity of internal control and reporting systems.

Board membership, size and composition

As per the Company's bylaws, the Board of Directors is composed of eleven Board seats: three of which are Independent Directors elected by the General Assembly, one that is an employee representative elected by the Company's Labor Syndicate and seven that are appointed by a decree of the Prime Minister upon recommendation from the Ministry of Communication and Information Technology (MCIT).

The Company's bylaws provide that meetings of the Board of Directors are to be held at least four times a year. A quorum of the Board of Directors requires the presence of at least a majority of its members. Each member has one vote. The Board of Directors passes resolutions by at least a simple majority vote of those members present and/or represented at the meeting. In the event of a tie, the chairman casts the deciding vote.

Board of Directors

(Biographies available under "Board of Directors" section)

- Akil Hamed Beshir, Chairman
- Tarek Tantawy, Executive Board Member
- Mokhtar Abdel Moneim Khattab, Board Member
- Ahmed Fathy El Kassass, Board Member
- Azza Mohamed Torky, Board Member
- Adel Rashad Danash, Board Member
- Mohamed Abdel Rehim Hassanein, Executive Board Member
- Hassan El Sayed Abdallah, Board Member
- Neveen Hamdy El Tahri, Board Member
- Hesham Mekkawy, Board Member
- Farghaly Bakry Seleem, Board Member

Board Committees

The Board committees assist the Board in the fulfillment of its responsibilities. The role of Board committees is to advise and make recommendations to the Board. There are four standing committees:

- Audit Committee
- Remuneration Committee
- Investment Committee
- Technical Committee

A description of the role and composition of each Committee is provided below. Following each meeting, the Board receives a report from the Committee on the activities and performance of the relevant Committee.

Audit Committee

Telecom Egypt has an Audit Committee composed of four members, two of whom are Independent Directors. The Audit Committee is charged with monitoring the efficacy of internal audit procedures, internal controls and the performance of the outside auditors, as well as reviewing and discussing with the management all audit reports, financial statements and annual reports to shareholders. The Audit Committee additionally presents periodic reports and recommendations to the Board of Directors regarding the foregoing matters.

Remuneration Committee

Telecom Egypt has a Remuneration Committee comprised of six members, two of whom are Independent Directors. The role of the Remuneration Committee is to review and approve corporate goals and objectives relevant to compensation of the executive directors and senior management. The Remuneration Committee is required to evaluate each individual's performance in light of these goals and to make recommendations to the Board of Directors with respect to incentive and equity-based compensation plans.

Investment Committee

Telecom Egypt has an Investment Committee composed of seven members, three of whom are Independent Directors. The Investment Committee is charged with developing and recommending to the Board policies relating to the Company's investments and also for overseeing the implementation of these policies.

Technical Committee

Telecom Egypt has a Technical Committee composed of three members, none of whom are Independent Directors. The Technical Committee is charged with the study and review of technical matters involved in the performance of the operations of the Company. The Technical Committee additionally presents reports and recommendations to the Board of Directors concerning such technical matters.

The General Assembly

Role and Responsibility of the General Assembly

The Company's annual Ordinary General Assembly convenes at least once every year within three months following the end of the fiscal year to consider the following:

- Review of the Auditor's report.
- Review of the report of the Board of Directors.
- Approval of the financial statements.
- Approval of the distribution of dividends.
- Determination of the members of the Board of Directors' remuneration and allowance.
- Appointing the auditor and determine his fees.
- Electing the Board of Directors as necessary.
- Extension of the appointment of the Chief Executive Officer and the Deputies of the Chief Executive Officer over the age of 60.

In addition to the above-mentioned matters, the Company's Ordinary General Assembly is responsible for the following:

A. With respect to the Company's financial matters the Ordinary General Assembly reviews such matters as:

- Suspending the setting aside of the legal reserve if it reaches half the amount of the Company's issued capital.
- Formation of other reserves aside from the legal reserve and the statutory reserve.
- Use of statutory reserve for the benefit of the Company or its shareholders.
- Transacting on the reserves and provisions in their non-dedicated purposes.
- Approval of the distribution of the share of net profits realized by the Company as a result of the sale of one of its fixed assets or compensation.
- Approval of the issuance of bonds and the guarantees given to the bearers of such bonds.
- Review of the decisions and recommendations of the group of bondholders.
- Authorizing the founders and the members of the Board of Directors to enter into bilateral contracts with the Company.
- Authorizing the Board of Directors to make donations.

B. The Ordinary General Assembly also looks into other matters pertaining to the Company's Board of Directors including:

- Discharging the Board of Directors or one of its members; discharging members of the Board of Directors that have repeatedly failed to attend the General Assembly and electing other members to replace them.
- Applying a monetary fine against members of the Board of Directors that fail to attend the General Assembly without an acceptable excuse for their absence.
- Authorizing the Managing Director to hold the position of managing director in another company.
- Authorizing a member of the Board of Directors to carryout a technical or administrative position in another joint stock company on a permanent basis.

- Authorizing a member of the Board of Directors to trade for his own account or for the account of other individual in the Company's field of activity.
- Carrying out management actions that the Board has failed to review due to an incomplete quorum.
- Approval of any decisions issued by the Board of Directors.
- Issuing recommendations with regards to matters within the authority of the Board of Directors.

C. Other responsibilities of the Ordinary General Assembly pertaining to the Auditor and liquidation of the Company include:

- Looking into changing the Company's auditors throughout the course of the fiscal year.
- Looking into discharging the Company's auditors and bringing liability claims against them.
- Looking into the auditor's report in the event that he is incapable of fulfilling his duties.
- Appointing liquidators and defining their fees and discharging the liquidators.
- Extension of the time period set for liquidation upon inspection of the liquidators report.
- Looking into the temporary accounts submitted by the liquidator every six months.
- Approving the final liquidation account.
- Specifying the place in which the Company's files shall be stored after the Company has been stricken off from the Commercial Registration Authority.

The Company's Extraordinary General Assembly Meeting is concerned with amending the Company's statutes, particularly the following:

- An increase or decrease of the Company's Capital.
- Liquidation of the Company prior to expiry of its terms.
- Amendment of the objectives of the Company.
- The merger of the Company with any other company or legal entity.

Corporate Social Responsibility

Mediterranean North Coast, Alexandria, Egypt

Corporate Social Responsibility

Recognized as Egypt's top market leaders, TE has been a responsibility driven entity for more than 150 years towards the society. Aside from taking an active role in uniting families and communities, TE has been contributing simultaneously to improve the quality of education and healthcare. Among the numerous CSR initiatives adopted by TE, the people, healthcare and education were the main beneficiaries.

TE's CSR activities can broadly be divided into two main areas: developing our employees and enriching the communities in which we operate.

TE Data launched its first Corporate Social Responsibility (CSR) initiative in mid 2008 in partnership with Telecom Egypt. The project, branded Anwaar™, centered on improving literacy standards among women, with a special focus on Upper Egypt.

Highly collaborative, the project aims to expand the personal and educational horizons of its participants through active learning methods and computer based classes.

The model has now been extended to TE employees and has been embedded within the company's culture with tailored sessions featuring guest speakers, such as Dr. Magda Anwar Al Mofty, a former professor at the American University in Cairo (AUC).

In 2009, the inaugural classes were enacted. Currently the project reaches a total of 460 students.

People

In service-based industries, employees are the most valuable appreciating assets. TE's employees are the real capital assets operating the business. Investing in our people has become fundamental to maintain our leadership and competitiveness among our rivals. Our strategy is to encourage employees to hone new skills and enhance their capabilities. Our core values in this regard are: leadership, professionalism and accessibility.

A program of personal development and training has been designated for the purpose of fostering innovation among employees in TE.

TE's commitment towards its troops extends beyond the standard application of HR policy. As one of Egypt's largest employers, TE seeks to take an active role in shaping employment trends in alignment with the needs of the Egyptian Economy. During the course of 2009, TE sponsored and participated in several leading forums for Human Resources and Development in Egypt as well as recruitment events.

Community

TE is unwavering in its commitment to support the communities in which it operates. This took many forms during 2009, improving health and education and also providing secondary employment opportunities.

Additionally, TE sponsored the Annual Exhibition for Productive Families labelled "Diarna 2009" encouraging the Egyptian families to generate a new source of income by selling their homemade products.

Children & families

With one-third of the population classified as under 15, Egypt is being recognized as a young nation. This fact implies that many families are held responsible for nurturing their offspring still for years to come. Thousands of families are unsecured economically and suffering from harsh health and educational conditions. TE was determined to fulfil its social commitments to tackle these challenges together with the public via introducing several CSR initiatives during 2009 supporting the next generation.

In March, TE sponsored the "Made in Egypt" charitable event, which raised funds for causes including:

- Completion of a kidney transplant unit for children hospital, Abu El Rish.
- The purchase of dialysis medical equipment for Rafah hospitals.
- Monthly subsidies for about 350 poor families.
- Completion of the renovation of the drinking water network in West Shubra Al Khaimah.
- Funding-Insurance (taking care of the orphans by ensuring a good level of life , education and health) for orphans of "Awlady Association" located in Maadi.
- Providing technical training for girls with special needs in suburbs of Cairo called Masr el Kadema.

In April 2009, TE sponsored a festival for the orphans labelled "Children of Today…Tomorrow's Youth". Another event called "Egypt's Scientific Forum" was also under TE's patronage during the same period. Both events aimed to capitalize on the positive impact of financial aids to the Orphans' Houses. The events were attended by representatives from different government ministries ultimately contributing for the well being of childhood and motherhood among society.

Children of Today…Tomorrow's Youth event - April 2009

Children of Today…Tomorrow's Youth event - April 2009

Healthcare

Lacking accessibility to proper healthcare facilities remains a dangerous barrier threatening many people especially in rural areas. Alerted by its possible consequences, TE undertook several initiatives to overcome this barrier. One of which was a charity concert sponsored by TE and its revenues were allocated for acquiring a new dialysis unit to one of the healthcare centers. The main recipients of dialysis units are the numerous patients suffering from kidneys malfunctions.

Once again, TE Data patronized another charity event of the Women's Association for Human Development known as "Hayatty". The event's returns were disbursed to the completion of "Achmoun Hospital", a hospital being constructed in Menoufiya governorate to help combat prevailing blindness disease among citizens.

Moreover, TE engaged in a fund-raising event for the newly established healthcare institution "Egypt's Hearts" which is intended to offer open-heart surgeries and medical care for heart-related syndromes.

Ultimately, TE was among the main sponsors of "The First Egyptian Race to Recover" that took place on October 2009 at the Pyramids. The spectacular event was organized by the "Egyptian Association for Preventing Breast Cancer" in collaboration with the well-known American organization "Suzan G. Komen". The runners' race was one of a series of races organized around the world bringing spotlights on breast cancer and creating awareness about early detection procedures and its importance among the adults.

The First Egyptian Race to Recover - October 2009 - Pyramids.

The First Egyptian Race to Recover - October 2009 - Pyramids.

Education

In areas where poverty is pervasive, proper education remains inaccessible for many children and youngsters. To embark upon this restraint, TE Data, the internet arm of TE has been playing an active role in supporting educational development. During 2009, there have been various initiatives designed to enhance education infrastructure and literacy standards across Qena and Sohag governorates. Practically, TE Data's patronage included resourcing, staffing and procuring for two social entities: the "New Road Association for Education & Development" located in Sohag and the "Cultural and Social Development Association" located in Qena. The program beneficiaries were 233 students in Sohag and around 230 students in Qena. The program also hired 45 trainers to carry out the program.

New Road Association for Education & Development- Sohag

Equipped to Adapt

Adapt to Diversify
Adapt to Challenge

Equipped to Adapt

Adapt to Diversify

TE North

2009 was a year in which we maintained our commitment to identifying and investing in projects which have the potential to provide and extend considerable benefits to our existing customers. We made significant progress in the build out of our first 100% owned project, TE North. TE North (TEN) is a submarine cable system which extends from North Egypt to Europe, thereby expanding the service footprint of the existing TE international infrastructure, by offering additional resiliency and diversity in the Mediterranean.

TEN is Telecom Egypt's foremost national project. TEN's capacity surpasses that of any in the region, and is the first Egyptian-European cable capable of transporting 10 Terabits. Its completion is critically important to enhancing communication services for our local customers, who increasingly rely on the internet and other global services. It will also provide TE's regional and global customers with more affordable and resilient communication services, extending and expanding TE's long tradition of supporting our international partners with a reliable and first class international connectivity.

We recognize that more and more people, especially the younger generation of Egypt, depend heavily on the internet in many facets of their daily lives. In addition, Egyptian business depends on robust, high-capacity international communications. TEN is a core to TE's strategic response to our customers' growing telecommunications and data requirements.

TEN is a cornerstone of TE's expansion in the Mediterranean connectivity and will serve Middle East, East Africa, Mediterranean basin, and Asia partners/customers to reach Europe. By the end of 2010, TE will have 10-way-diverse terabit-capable systems which will enable TE's partners/customers to enjoy resilient connectivity options through automatic restoration between systems. TEN has been engineered specifically to improve the resilience of this network through asset diversity at each critical point. Moreover, TEN's 10-terabit capacity will enable TE's customers to realize previously unattainable cost-points for reaching Europe.

Across the globe, carriers are working to geographically diversify their communication networks to minimize the likelihood of disruption of internet and other telecommunications services in the event of submarine cable failures. Cable landing sites on the Red Sea, as well as the cable routes across Egypt connecting the undersea cables in the Red Sea with those in the Mediterranean, are also being diversified. These new Egypt crossing in addition to the existing crossings will improve both Egypt's own communications services and the world's international communications.

TE North Project Installation Shot, Alexandria, Egypt.

TEN will complement TE's existing international infrastructure, providing substantially more capacity and route diversity, creating a price point for the target markets and levels of connectivity comparable to the best in the world, in addition to challenging IP transit and peering concepts that have evolved so long. Soon a new level of ubiquitous access for the Internet, with Egypt in the heart of it all will be seen.

TEN is Telecom Egypt's first undersea cable to land west of Alexandria, which previously served as Egypt's international communications gateway. TE has worked closely with the Government of Egypt to complement TE's existing facilities at Alexandria with a new gateway in Abu Talat.

One of TEN's first customers was the SEACOM system, which is already serving customers along the coast line of East Africa. Soon, SEACOM will use TEN to connect its customers to Europe. Tata Communications is another customer of TEN, enabling them to connect their global customers to Europe. TEN will soon land in Pentaskhinos, Cyprus, which will begin to serve CYTA (Cyprus Telecommunications Authority) customers. TEN was constructed by Alcatel-Lucent Submarine Networks (ASN), a leading supplier of undersea fiber-optic communications cables.

TEN is a major milestone in the construction of critical communications facilities for Egypt and the world. We are appreciating our customers and our suppliers for their support in making this a reality, and are looking forward for TEN to be in service shortly. At this point, we will offer our customers a new level of resilience using five northbound terabit submarine cable systems and five southbound terabit submarine cable systems.

Beside TEN, Telecom Egypt leverage more than five submarine cable systems landing in Egypt (consortia and private systems), giving TE direct connectivity to more than 60 countries worldwide.

Equipped to Adapt

Adapt to Challenge

The Telecommunications Market is dynamic and has a promising potential. As expected, the market will continue its tremendous expansion and development at fast rates, stimulated by the high rate of population, household growth, and by steady economic growth.. Basically, the Market is an emerging, prosperous one, and Telecom Egypt's marketing strategy is directed to seize market opportunities as they arise.

Essential to our marketing strategy, is our profound commitment to deliver the utmost levels of customer satisfaction and our objective is to attract new customers, through both voice and data offerings, while maintaining our loyal customer base. Actually, our goal of accelerating nationwide broadband penetration in Egypt and bridging the digital divide in the country between the urban and rural populations continue to be our key drivers. To boost our success, we continue to focus on the following key objectives:

Adding Value to Our Customers

Strengthening its focus on customer support, Telecom Egypt has adopted new ways of doing business providing even greater value to the customers. Basically, TE is committed to delivering value for money while maintaining a high quality of its services as an integral part of its corporate strategy.

Delivering Innovative Products and Services

Delivering new and attractive voice and data services to customers by remaining technologically developed through Telecom Egypt's capitalizing on global technological advancements to further strengthen its position in the market.

Giving our Customers what they need

Knowing and understanding customers' needs is at the centre of Telecom Egypt's corporate strategy. TE is embracing a marketing strategy that caters to all customer segments, whether individuals, homes or business across the country through offering tailored promotions that suite each customer segment.

Throughout 2009, Telecom Egypt introduced several initiatives and promotions to fulfill this strategy. Following are some examples of the efforts TE had put forth to achieve its voice and data marketing goals.

Telecom Egypt

2009 Promotional Activities

UPPER EGYPT LAND LINE OFFER

"Upper Egypt Landline Offer" included a 50% discount on installation fees, 3 months on Caller ID service free of charge, and a telephone set (either with a Caller ID screen or a wireless set depending on the client's request). This offer was available for the period between 5-4-2009 and 31-5-2009 to new clients in both the consumer and business sectors in Upper Egypt namely: Fayoum, Luxor, Assiut, Beni Sweif, Minya, Qena, Souhag, and Aswan - excluding service sales offices.

COASTAL GOVERNORATES LANDLINE OFFER

TE introduced another offer labeled "Coastal Governorates Landline Offer" exempting new customers in coastal governorates namely: Alexandria, Matrouh, Suez, South Sinai, The Red Sea, Ismailia, Port Said, North Sinai, Dakahlia, Damietta, and Kafr el Sheikh from paying installation fees. This offer was valid for customers in both the consumer and business sectors residing in these areas - excluding service sales offices - from the period between 5-7-2009 and 20-8-2009.

FREE LANDLINE OFFER

"Free landline Offer" was another waiving offer by TE; exempting new customers from paying installation fees. The offer was available for customers in both the residential and business sectors across the country -excluding service sales offices- for the period between 11-10-2009 and 31-12-2009.

New TE Services Announced in Cairo ICT 2009

“ Striking Options ”

SHORT NUMBER

“Short number“ is a five digit number starting with either 19 or 16 and is linked to the customer’s available inbound numbers. The short number permits the assignment of incoming calls to existing landlines depending on the geographic origin or the time horizon of the call allowing clients to route calls to the branch nearest to the caller. The short number is considered as an ideal solution for hotels, restaurants, hospitals, and other businesses.

Evidently, companies or organizations that have more than one branch can greatly benefit from subscribing to this service. The short number is linked to the numbers of each branch so that customers calling from other governorates will not be required to page or dial the governorate code. It also allows clients to receive all incoming calls during holidays and outside working hours and enables them to choose an appropriate message to be delivered to their customers.

Enjoying Discounts On The Short Number

- A 15% discount for the first year for subscriptions paid in cash. Furthermore the subscriber was entitled to a gift of two free landlines with no installation fees or management expenses.
- A 10% discount for the first 8 months for subscriptions paid in installments.

BUSINESS OFFER

“Business offer“ was available to all organizations in the business sector. The offer provided companies with a rate as low as 20 Piasters per minute (instead of 30 Piasters) from landlines to mobile phones in Egypt any time during the day. This offer was accessible without paying extra subscription fees or processing fees, prior commitments and efforts. In addition, subscribers were offered a lower per minute rate for landline-to-mobile phone calls depending on the per-usage rate in case the quarterly bill exceeded the 300 EGP.

PT 3 OFFER

TE brought up another fascinating offer for existing and new landline consumers called “PT3 offer”. This offer allowed subscribers to call all governorates at 3 Piaster per minute kicking off with the first minute of the call. The offer was valid during the period between mid October till late November 2009 without any time constraints.

MARHABA CARDS

With “Marhaba Cards”, anyone who bought one phone card received another one for free during the period from 8 February till 11 February 2009. Marhaba options were:

- Buy a 30 EGP card and get a 5 EGP card for free
- Buy a 50 EGP card and get a 10 EGP card for free
- Buy a 100 EGP card and get a 20 EGP card for free

CALLER ID SERVICE

"Caller ID service" has become available free of charge for 5 months upon subscription to one of TE's supplementary services:

- Call Waiting
- Three-party conference calling
- The Hotline
- Non-Disturbance
- Alarm
- Code restriction
- Speed dialing
- Tracking

The Offer was valid during February 2009 for all new customers.

PRIMARY RATE INTERFACE (PRI)

Announced during CAIRO ICT 2009, a new service known as ISDN PRI has been unveiled offering the subscriber 30 channels working at a speed of 64 Kbps, and allowing them the freedom of connecting these channels together to reach speeds of up to 2.048 Mbps. The offer was valid only during the period from the 1st of February till the 28th of February 2009. This spectacular service also enables better Internet and voice service speeds while allowing higher speeds of data transfer or through ISDN which is equivalent to a local operator. You can also get 100 connections each carrying 30 phone lines capable of working simultaneously.

INTERNATIONAL PROMOTION

For home landlines, customers subscribing to international calls service at Cairo ICT 2009 received valuable gifts.

TE DATA

Overview

" Speeding up Growth.."

As the Egyptian telecommunications and data market is becoming more competitive ,we are working closely with TE Data to leverage the advantages of such a strong broadband capability to the benefit of all of our customers.

We have continued to benefit from the growth of the broadband market via TE Data and expecting to see sustained and evident growth over the forthcoming years. Due to Egypt's high proportion of young population, the heaviest users of the Broadband, and the relatively low growth of Broadband penetration rate to date, as only 6% of households have broadband access, TE Data is expected to witness a continued and marked growth over the coming years. Indeed, the government shares us our vision and working hard to support the growth of the broadband penetration through several initiatives.

" Digitizing the Nation "

Coping with the record-breaking growth rates of the Egyptian Internet market, TE Data's main challenge for 2009 was the swelling demand for high speed internet services. Egypt's broadband market leader- has managed to raise its market share in Egypt to 61% - while maintaining its top ranking as the largest Internet Service Provider (ISP). Despite the fierce competition, TE Data in 2009 was very successful on several platforms, technically and commercially. Success drivers are attributed to a smart marketing-mix of well-thought strategies – varying between: New re-pricing programs – Tactical and Seasonal offerings – joined campaigns with other market players

Key Promotional Campaigns

"New Marketing Aspects"

Date	Offer Description
January	■ The record-breaking **"TORPEDO"** offer was **extended**
February	■ Re-Launching of **"Family Internet"** ■ **"Super 512"** – announced in the Cairo ICT 2009 ■ **"Thematic Campaign"** – 70% from Egypt's Internet Capacity is held with TE Data.
June	■ Re-Pricing Campaign & New Pricing Scheme for TE Data's Services.
July	■ Publishing the national secondary schools results (Thanawiyya Amma) at **"natiga.teData.net"**. ■ Launching the **"North Coast Offer"**. ■ Announcing the joint NSGB promotional offer. The promotion is a discount booklet for NSGB Visa Card holders on a variety of products & services. ■ Another joint offering with the international courier, Aramex, to encourage existing and potential customers to subscribe to TE Data's services. TE Data, in return, offered free iPods and USB modems to Aramex Shop & Ship customers through mail shots.
August	■ The striking **"TE Live"** is launched.
October	■ The launch of "**Super Support**", An outcome of a strategic partnership between Lucent Alcatel and Telecom Egypt, translated in a tool developed to enhance customer service and allow remote support for users.
November - December	■ The new "**Thematic Campaign**" has been launched, with the announcement of "**OverClaim**".
December	■ TE Data offers Online Payment. ■ Launching TE Data Christmas promotion at Virgin Mega Stores Introducing for the first time TE Data Services inside the famous Hi-tech store-capturing the attention of traffic by a creative presence starting from Window-shop to mega internal branding. Translating all that to tangible ROI- by considerable number of new subscriptions created by TE Data 'Point of Sale' located inside the store- during Promotion Time Frame.

With a quick close-up for the Re-pricing initiative launched Mid 2009: Initially, TE Data has lowered the monthly subscription fees for Home internet services-for speed categories : 256 Kbps, 512 Kbps, 1 Mbps or 2 Mbps -combined with downloading speed types of limited or unlimited, each of these speed options has earned almost 50% off its original prices. Existing and new subscribers delightfully received the new prices converting majority of subscribers to either upgrade their speed type from limited to unlimited-or upgrading to higher category of speeds.

Our cables are going deeper, farther and complex; our networks are getting more capacity, energy and capabilities; and our technologies are becoming more advanced, secure and scalable.

The impact of new pricing strategies was ground-breaking: Message conveyed to the Market was TE Data's capabilities of providing real value for money. While possessing 70% of the internet capacity in Egypt. In brief, best customer service was achieved at substantially low rates particularly associated with the unlimited broad-band speed type.

TE Live | " A New Star is Born "

TE Data and Microsoft signed the first of its kind partnership in Egypt and the Middle East, and the 6th worldwide to provide new innovative services to its customers based on Microsoft Live platform.

TE Live *services include:*

- Unlimited mailbox size.
- Storage area of 25G to store users data, documents, photos and other files.
- Easily integrated Calendar with existing calendars.
- The ability to merge different previous hotmail/live accounts into a single account.
- Integrating different users' accounts on different services at one place such as facebook, flickr, twitter and other services our users might be using.
- A dynamic 'Media' for both- TE Data and Telecom Egypt utilized for announcements of any news or promotions on the service main page.
- Simplicity of accessing TE Data ADSL account (for customers), checking usage, and paying bills all from one place.
- The possibility of integrating all of the above features into Microsoft Outlook.
- Accessibility can also be via mobile phones, for On-going connectivity.

**All of the mentioned services are bi-lingual: Arabic and English.*

Beside the launch of a new technology platform, TE Data also started to avail the first of its kind broadband **Content** in the region, in a real ICT and media convergence.

TE Data started to avail a **catch-up TV service**, where more than *25 Ramadan programs* where availed at the time of the users convenience, rather than being bound to the traditional TV schedules using Video on demand technology.

Moreover, several sports events where availed as streaming in real time over the portal such as the *World cup under-20*, Egypt's preparatory games for the world cup, alongside other events, allowing users to interact with others through chat, and creating a real community of fans.

TE Data also partnered with premium news providers to convert their portal into a real **News portal** covering all of Egypt and the region news in real time, in addition to a worldwide coverage through **Content Syndications.**

In addition, TE Live also features **Free Music** download services to all subscribers, avail new VAS services to TE Data subscribers and also with additional focus to provide more Arabic content in a legitimate way and fight piracy. This is done by providing diversity of content at one place, and providing high quality content in an easy way.

Driving Enterprise Services to Different Levels..

TE Learning | "Reaching Knowledge.. Anywhere"

Introducing a state-of-the art educational tool and e-learning solution, an intelligent hybrid between TE DATA and IBM has resulted in "TE Learning". This new product would enable educational institutions to deliver their curricula directly to students via the Internet while eliminating the time and place limitations for both Teachers and Students. Viewed as one of the initiatives adopted to curb the negative effects from the recent spread of swine flu, TE Data unveiled TE Learning as a new distance-learning solution and bringing good news for the parents. Providing distance-learning technology is aligned with the company's strategy of offering solutions and services specifically designed to fulfill the ever-growing needs of various segments of the society.

Infrastructure Growth Highlights

- Network Coverage | 940 Points of Presence [POPs]
- Broadband Ports | 700,000 ++ Broadband ports installations
- Capacity | Managing 40 Gbps ++ of international capacity
- Business Partnership | Strengthening business ties with Content Providers like Akamai.

Business Connect | " Wider scope of Business Partnership"

Smart Integrated Solution between key Market players: TE DATA, HitekNOFAL and Cisco - resulting "Business Connect". Digitizing enterprises and businesses in Egypt, Business Connect was recognized as being a comprehensive unified communication solution with a great space of customization accompanied with a 24/7 technical support to accommodate the ever-growing business needs.

Business Connect mainly entitles firms to rely on tele-communications allowing users to communicate and connect together by voice or video calls or by short messages within few minutes. The service is an open system that can be integrated with other systems creating a large number of programs that may be used for instant communication at the highest levels of security for the data and information exchanged over the network.

Business Max | "Maximizing Efficiency"

TE DATA and TE have collaboratively launched a bundle of products & services known as "Business Max". Consisting of an ADSL Speed of 1 MB/s, landline, wireless router, fax machine, and unlimited number of mailboxes, Business Max targeted the small to medium enterprises and especially start-ups.

Strategic Contact Center Evolution

"Customer Service Oriented"

Massive Expansion in Call Center Force

Mounting at an accelerating pace, the number of customer care agents has climbed from 62 on December 2006 to 341 by December 2009. The number of agents has doubled every year to accommodate TE's business growth- while maintaining outstanding performance; serving customers through carefully selected calibers.

Faster Problem Solving

The resolution time for customer complaints reaching TE DATA's contact center has decreased to be at the rate of 1.4 day(s).

Working From Home

Another strategic initiative has been adopted internally among call center workforce- allowing them to "Work from Home". At one end of the continuum, the "Work from Home" policy has lifted the ability of agents to manage their professional lives. On the other end, it reflected positively by attaining the optimum quality levels of customer service by offering highly flexible working atmosphere for the agents.

E-Commerce

Brand new electronic communication and business channels were introduced allowing better interaction and even more benefits to the customers. The new e-channels were online chat, discussion forum and e-payment. Growing numbers of Internet users in Egypt has made the internet a significant medium for providing customer services. Hence, TE Data has launched its online payment service allowing customers to settle their bills electronically and securely via credit cards, enhancing customers' confidence and satisfaction with the quality of services.

"Overwhelming Care Yields Loyalty"

Geared towards offering world-class quality of customer care, the customer service squad at TE Data has been the main catalyst for achieving its goals via adopting the best practices in the customer service arena. In fact, this strategy has positioned TE Data as the leading ISP in Egypt and ultimately evolving as a business model for other ISPs regionally.

Our multi-layered service channels including call centers, outlets, client visits, and online solutions are hailed for ensuring customer satisfaction and loyalty. By rendering non-stop relentless shifts of technical support at our call centers and outlets serving our customers, and attaining high service delivery rates regardless of their locations, we retained our existing customers while attracting many others.

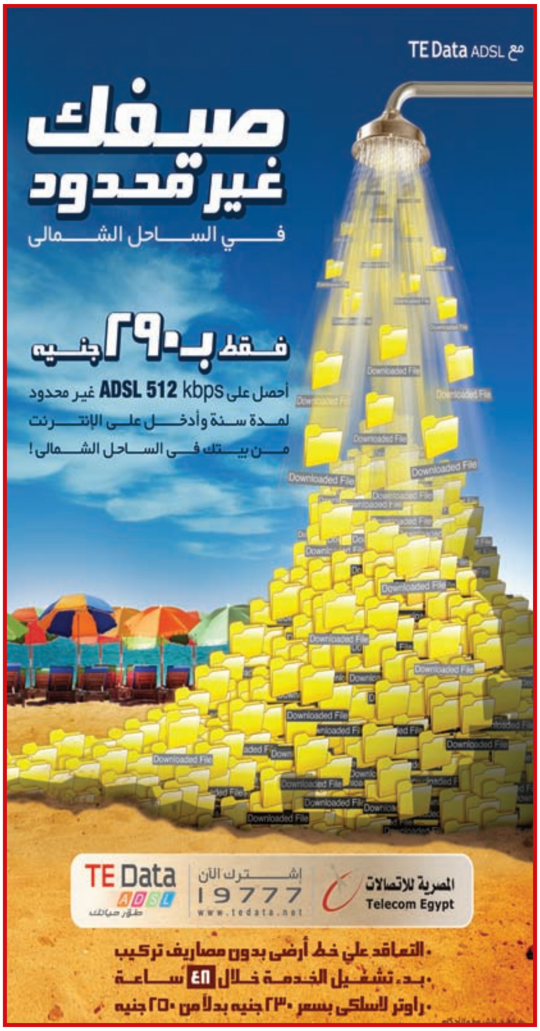
Moreover, our Quality Assurance (QA) programs have reinforced peak levels of customer satisfaction. The "Super Support" online tool has been the outcome of one of these QA programs. Another product of our QA programs is the notion of employing results-driven, competent, young and friendly agents who demonstrate excellent communication and collaboration skills.

"A Fortune of Options"

EXTRA WORKING HOURS 0 ["Encountering Demand"]
The daily working hours has been extended for two extra hours; from 9 am to 12 pm. The new working hours have been implemented to cope with the accelerating consumer demand.

TE Data IVR & Online Portal - "@ your service"
TE Data has empowered its customers with an online portal providing full control on their accounts and bill payment without the need to contact the call center or visit the outlets. On the other hand, the customers were equipped with an IVR system helping them to initiate requests, monitor progress, conduct follow-ups, and solve problems.

Premium Services For Businesses ["99 lead-free cyber-octane!"]
TE Data started providing an exceptional premium services for businesses in the form of outsourcing highly trained and talented technicians to support SMEs and business users.



Awards

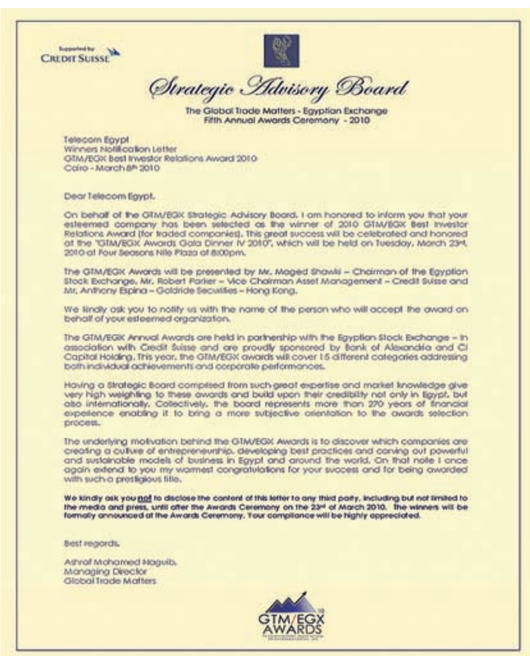
"Energizing the Spirits"

Through our fulfillment of the best corporate practices, transparency and sincere communication with investors, TE has earned a number of distinguished awards that crowned a successful business year full of tangible achievements.

GTM/EGX Best Investor Relations Award 2010

TE has been awarded the coveted "GTM/EGX 2010 Best Investor Relations Award" for excellence in communication with international financial markets. The GTM/EGX Annual Awards were inaugurated by the Global Trade Matters in partnership with the Egyptian Stock Exchange, in association with Credit Suisse – and are proudly sponsored by ALEX BANK and CI Capital Holding. The award was a practical recognition for the great success demonstrated in creating a culture of entrepreneurship, developing best IR (Investor Relations) practices and carving out powerful and sustainable business models in Egypt and around the globe. The impact of our IR best practices has captured a valuable feedback from investment institutions, brokerage firms and the rest of the investment community.

The Annual GTM/EGX Award is the first national business award recognizing the crucial role of the private and public sector companies traded on the EGX 30 Index. The spirit of these prestigious awards lies in the pursuit of innovative and productive core business practices to sustainable development and in the emphasis on corporate social responsibility towards the communities where such companies operate.



Supported by Credit Suisse

Strategic Advisory Board

The Global Trade Matters - Egyptian Exchange
Fifth Annual Awards Ceremony - 2010

Telecom Egypt
Winners Notification Letter
GTM/EGX Best Investor Relations Award 2010
Cairo - March 8th 2010

Dear Telecom Egypt,

On behalf of the GTM/EGX Strategic Advisory Board, I am honored to inform you that your esteemed company has been selected as the winner of 2010 GTM/EGX Best Investor Relations Award (for traded companies). This great success will be celebrated and honored at the "GTM/EGX Awards Gala Dinner IV 2010", which will be held on Tuesday, March 23rd, 2010 at Four Seasons Nile Plaza at 8:00pm.

The GTM/EGX Awards will be presented by Mr. Maged Shawki – Chairman of the Egyptian Stock Exchange, Mr. Robert Parker – Vice Chairman Asset Management – Credit Suisse and Mr. Anthony Espina – Goldride Securities – Hong Kong.

We kindly ask you to notify us with the name of the person who will accept the award on behalf of your esteemed organization.

The GTM/EGX Annual Awards are held in partnership with the Egyptian Stock Exchange – in association with Credit Suisse and are proudly sponsored by Bank of Alexandria and CI Capital Holding. This year, the GTM/EGX awards will cover 15 different categories addressing both individual achievements and corporate performances.

Having a Strategic Board comprised from such great expertise and market knowledge give very high weighting to these awards and build upon their credibility not only in Egypt, but also internationally. Collectively, the board represents more than 270 years of financial experience enabling it to bring a more subjective orientation to the awards selection process.

The underlying motivation behind the GTM/EGX Awards is to discover which companies are creating a culture of entrepreneurship, developing best practices and carving out powerful and sustainable models of business in Egypt and around the world. On that note I once again extend to you my warmest congratulations for your success and for being awarded with such a prestigious title.

We kindly ask you not to disclose the content of this letter to any third party, including but not limited to the media and press, until after the Awards Ceremony on the 23rd of March 2010. The winners will be formally announced at the Awards Ceremony. Your compliance will be highly appreciated.

Best regards,

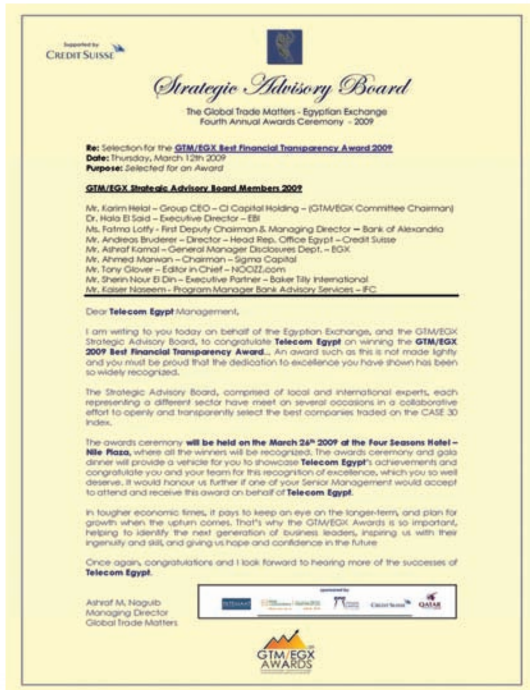
Ashraf Mohamed Naguib,
Managing Director
Global Trade Matters

GTM/EGX AWARDS

Best Corporate Governance Disclosure Award 2009

Announcing TE's adherence to the International Best Practice Standards of Corporate Governance, TE deserved the "Best Corporate Governance Award" for 2009 hosted by the Egyptian Institute of Directors in recognition of the efforts devoted for implementing corporate governance principles in the 2008 Annual Report and the corporate website.

The Best Corporate Governance Award reassures TE's supremacy in disclosing accurate and material information transparently through 2008 annual report and the online portal of the company.



Supported by Credit Suisse

Strategic Advisory Board

The Global Trade Matters - Egyptian Exchange
Fourth Annual Awards Ceremony - 2009

Re: Selection for the GTM/EGX Best Financial Transparency Award 2009
Date: Thursday, March 12th 2009
Purpose: *Selected for an Award*

GTM/EGX Strategic Advisory Board Members 2009

Mr. Karim Helal – Group CEO – CI Capital Holding – (GTM/EGX Committee Chairman)
Dr. Hala El Said – Executive Director – EBI
Ms. Fatma Lotfy - First Deputy Chairman & Managing Director – Bank of Alexandria
Mr. Andreas Bruderer – Director – Head Rep. Office Egypt – Credit Suisse
Mr. Ashraf Kamal – General Manager Disclosures Dept. – EGX
Mr. Ahmed Marwan – Chairman – Sigma Capital
Mr. Tony Glover – Editor in Chief – NOOZZ.com
Mr. Sherin Nour El Din – Executive Partner – Baker Tilly International
Mr. Kaiser Naseem - Program Manager Bank Advisory Services – IFC

Dear **Telecom Egypt** Management,

I am writing to you today on behalf of the Egyptian Exchange, and the GTM/EGX Strategic Advisory Board, to congratulate **Telecom Egypt** on winning the **GTM/EGX 2009 Best Financial Transparency Award**... An award such as this is not made lightly and you must be proud that the dedication to excellence you have shown has been so widely recognized.

The Strategic Advisory Board, comprised of local and international experts, each representing a different sector have meet on several occasions in a collaborative effort to openly and transparently select the best companies traded on the CASE 30 Index.

The awards ceremony **will be held on the March 26th 2009 at the Four Seasons Hotel – Nile Plaza,** where all the winners will be recognized. The awards ceremony and gala dinner will provide a vehicle for you to showcase **Telecom Egypt**'s achievements and congratulate you and your team for this recognition of excellence, which you so well deserve. It would honour us further if one of your Senior Management would accept to attend and receive this award on behalf of **Telecom Egypt**.

In tougher economic times, it pays to keep an eye on the longer-term, and plan for growth when the upturn comes. That's why the GTM/EGX Awards is so important, helping to identify the next generation of business leaders, inspiring us with their ingenuity and skill, and giving us hope and confidence in the future

Once again, congratulations and I look forward to hearing more of the successes of **Telecom Egypt**.

Ashraf M. Naguib
Managing Director
Global Trade Matters

sponsored by

GTM/EGX AWARDS

GTM/EGX Best Financial Transparency Award 2009

Once again, TE had the honor of winning the 2009 "GTM/EGX Award for Best Financial Transparency", a special prize offered by the Global Trade Matters/ Egyptian Exchange. This award was first introduced in 2005 by the Global Trade Matters (GTM) in collaboration with the Egyptian Exchange (EGX) as the first national business awards recognizing the crucial role of the private and public sector companies traded on the EGX 30 Index. The impact of these prestigious awards lies in the pursuit of innovative and productive core business practices to sustain development.

The award selection committee is a Strategic Advisory Board, comprised of local and international experts representing various sectors to select the best companies traded on the EGX30 Index in terms of transparency level. TE was honored with this exceptional award after a tough and fair challenge with its rivals.

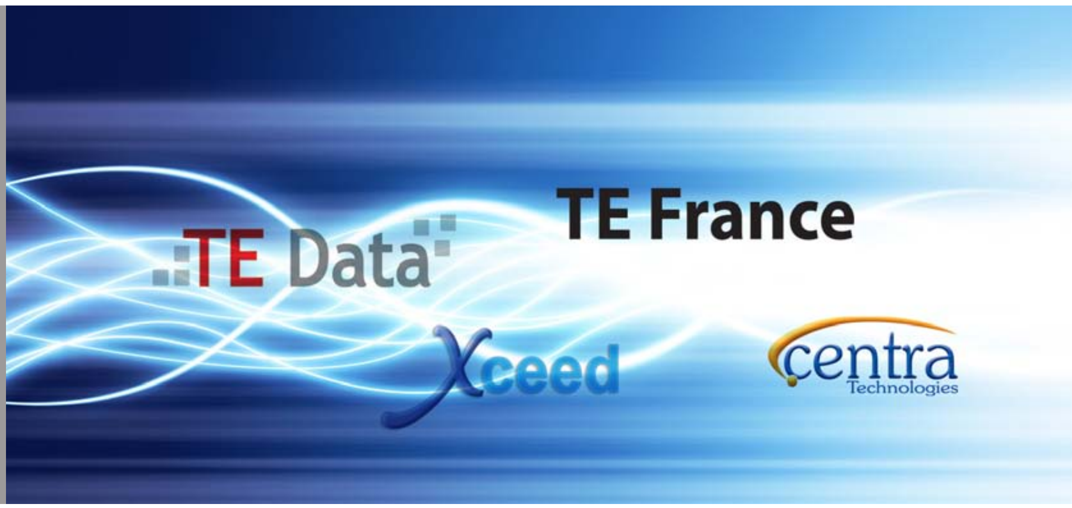
Ready to Act

2010 Events

2010 Events

Date	Event
January 2010	
February 2010	
March 2010	▪ Full Year Results 2009 (Monday, 15th) ▪ Annual General Assembly Meeting (AGM) (Wednesday, 31st)
April 2010	▪ Dividends Distribution
May 2010	▪ First Quarter Results 2009 (Thursday, 13th)
June 2010	▪ Annual Report 2009
July 2010	
August 2010	▪ Half Year Results 2009 (Thursday, 12th)
September 2010	
October 2010	
November 2010	▪ Nine Months Results 2010 (Thursday, 11th)
December 2010	

Equipped to Achieve



Subsidiaries

TE Data 100%

TE Data is Egypt's largest Internet and Data Transfer service provider. The company was established in late 2001 by Telecom Egypt. The company is the internet service provider market leader in Egypt with over 60% market share. TE Data also owns operations in Jordan and has ambitious plans in other parts of the MENA region. TE Data's portfolio includes narrowband & broadband internet access services, managed dedicated internet access services, IP VPN connectivity services, prepaid calling cards and global connectivity services. TE Data's portfolio of services covers the communications needed of all; whether consumers, small and medium enterprises, large corporations, and internet services providers. TE Data service's purpose is to cater for everybody's needs online.

Milestones

- TE Data witnesses a 47% growth rate, while the total market witnessed a 43% growth rate from 2008 to 2009.
- TE Data is the fastest growing data communications and internet service provider. It is Egypt's leader with the biggest broadband access; the internet infrastructure is 70% of Egypt's capacity with 900 POPs starting 2010.
- The global partnership with Verizon Business, Telecom Italy Sparkle, PCCW Global, VSNL-TATA Communications and Reliance places TEData on the international arena.
- TE Data is operational in Egypt and Jordan with a business portfolio that includes narrowband and broadband Internet access services, IP VPN connectivity services, global connectivity services, in addition to consulting and professional services.
- TE Data broadband markets share grew from 27% in 2004 to 61% in 2009.
- TE Data customer outlets where clients are served grew from 2 in 2002 to more than 60 by 2009.
- TE & TE Data joint Corporate Social Responsibility program namely Anwaar actual classes started as in the process of spreading the literacy in Upper Egypt throughout the execution of non-governmental organizations in specific governorates like Qena & Sohag. More than 14 full course classes where held, about 233 students attended the classes with 25 employees and trainers running the whole project.

Centra 58.76%

Centra Technology is a shareholding company established in the year 2002 under Investment law no. 159 for the year 1981 and its amendments. Its core business is to provide complete IT solutions and produce different models of a local brand platform of PCs, Servers and Notebooks of international quality, also supported by the best after sale services through a network of authorized and certified service centers providing the latest methodologies for customer satisfaction as the hotline service.

Milestones

- Centra got a supply contract from MCIT directly amounting to EGP 5,849,550 for supplying 3437 Centra PCs in 2009.
- Centra achieved a partnership with Fujitsu Siemens to become the Official distributor for Fujitsu Siemens Company amounting to USD 1 million business plan.

Xceed 97.66%

Xceed is a global provider of quality, multi-lingual Business Process Outsourcing (BPO) services. Xceed offers integrated customer care, technical support and associated back-office processing to commercial and governmental clients worldwide.

Xceed was established in 2001 to serve as the IT arm of Telecom Egypt with a client base of more than 11 million subscribers. Since then, Xceed has developed into a global provider of BPO services, with multi-sites at multiple locations. Xceed serves as one of the largest contact centers in the Southern Mediterranean Region.

Xceed currently has 4 sites within Egypt with its head quarters located in Cairo's technology park, The Smart Village. Xceed has an additional contact center, geographically and culturally proximate to Europe, at Morocco's technology park, "CasaNearshore Park". This site boasts a large, qualified Francophone talent pool.

Milestones

- Xceed was recognized by the International Association for Outsourcing Professional (IAOP) in the Global Outsourcing 100 TM list for the years 2009 & 2010.
- Xceed was awarded the Best Recruitment Program Award for the year 2009.
- Xceed achieved the BS 25999 Business Continuity Management Certificate.
- Xceed, in cooperation with Microsoft, launched the first Community Technology Center in Egypt to grant computer trainings to underserved people.
- Xceed inaugurated an international contact center for Cisco® customer service and support.

TE France 100%

TE France SAS was established in September 2008 as a subsidiary of Telecom Egypt. Since Q4 2008, TE France has been a licensed operator to land TE's 100% owned submarine cable system under the name of TEN (TE North) in Marseille and provides networks and telecommunications services in France. TE France is expanding Telecom Egypt's current resilient international infrastructure to better serve Middle East, EurAsia, EurAfrica & Mediterranean Basin telecommunications providers with evolving demand for communication services.

Equipped to Achieve

Investments

Investments	% of Ownership 31/12/2009	Activity	Country of Operation
Middle East Radio Communication (MERC)	49.00%	Wireless Communication	Egypt
Vodafone	44.95%	GSM Mobile operator	Egypt
IT Incubator Fund	46.15%	Venture Capital Fund	Egypt
Egypt Trust	35.71%	E-Commerce	Egypt
Ideavelopers	18.75%	V C Fund Management Company	Egypt
Nokia Siemens Networks	10.00%	Telecom Equipment manufacturer	Egypt
Civil Information technology Company	10.00%	Manufacturer of Exchange and Telephones	Egypt
Quicktel (Egyptian Telephone Company)	10.00%	Manufacture of Exchanges & Telephones	Egypt
Arab Company for PC Manufacturing	10.00%	Software Development	Egypt
Arabsat	1.59%	Satellite Telecommunications	Egypt
Thuraya	0.50%	Satellite Telecommunications	Egypt

Equipped to Achieve

Financial Statements (EAS)

KPMG

Hazem Hassan
Public Accountants & Consultants

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AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Financial Statements

We have audited the consolidated accompanying financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated balance sheet as at 31 December 2009 , and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; 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 financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing 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 consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31 2009, and of its consolidated financial performance and its 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.

Cairo, March 14, 2010

A. Fawzi

KPMG Hazem Hassan
Public Accountants & Consultants

Consolidated Balance Sheet EAS

For The Financial Year Ended December 31, 2009

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Long-Term Assets			
Fixed assets (net)	(4)	16 086 174	17 530 735
Projects in progress	(5)	1 282 262	1 109 575
Investments in affiliates	(3-6),(6-1)	7 690 513	6 982 814
Available for sale investments	(3-7),(6-2)	40 494	41 069
Other debit balances - long term	(7)	3 815	8 823
Other assets	(3-9),(8)	128 200	154 991
Deferred tax assets	(3-22) , (21)	9 739	-
Total Long Term Assets		**25 241 197**	**25 828 007**
Current Assets			
Inventory	(9)	413 973	473 015
Trade and notes receivable	(10)	2 820 672	2 965 340
Debtors & other debit accounts	(11)	1 532 495	1 868 625
Investments held for trading	(12)	108 858	146 478
Cash at banks and on hand	(13)	2 343 988	2 588 184
Total Current Assets		**7 219 986**	**8 041 642**
Current Liabilities			
Loans and facilities installments due within one year	(14)	179 057	1 112 781
Bonds loan installments due within one year	(20)	-	400 000
Banks - credit accounts		6 678	6 602
Banks overdraft		99	323
Creditors and other credit accounts	(15-1)	3 751 624	3 605 615
Provisions	(16)	340 943	308 621
Total Current Liabilities		**4 278 401**	**5 433 942**
Working Capital		**2 941 585**	**2 607 700**
Total Investments		**28 182 782**	**28 435 707**

Consolidated Balance Sheet EAS

For The Financial Year Ended December 31, 2009

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Financed as follows:			
Equity and Long-Term Liabilities			
Equity			
Paid up capital	(18)	17 070 716	17 070 716
Reserves	(19)	5 282 049	5 127 748
Retained earnings		1 823 725	1 643 410
Translation difference adjustments		(555)	(353)
Net profit for the year		3 051 411	2 789 506
Total equity attributable to equity holders of the holding company		**27 227 346**	**26 631 027**
Minority Interest		**40 969**	**38 058**
Total Equity		**27 268 315**	**26 669 085**
Long-Term Liabilities			
Loans and credit facilities	(14)	857 857	1 226 179
Bonds loan	(20)	-	400 000
Creditors and other credit accounts	(15-2)	56 610	62 718
Deferred tax liabilities	(3-22) , (21)	-	77 725
Total Long-Term Liabilities		**914 467**	**1 766 622**
Total Equity and Long-Term Liabilities		**28 182 782**	**28 435 707**

The accompanying notes from No.(1) to No.(36) form an integral part of these consolidated financial statements.

Chairman	**Chief Executive Officer & Managing Director**	**Vice President & Chief Financial Officer**	**Financial Controller**
Akil Beshir	Tarek Tantawy	Hassan Helmy	Hosam El-Saadawy

Auditor's Report "attached"

Consolidated Income Statement EAS

For The Financial Year Ended December 31, 2009

	Note No.	2009 LE (000)	2008 LE (000)
Operating Revenues	**(22)**	**9 960 308**	**10 116 896**
Operating Expenses			
Interconnection fees		967 094	1 253 690
Fuel		103 579	93 700
Spare parts		121 216	127 242
Maintenance		308 232	236 069
Satellite subscriptions		31 884	16 655
Depreciation and Amortization		2 474 939	2 550 225
Other operating costs	(23)	1 737 317	1 637 948
		5 744 261	**5 915 529**
Gross Operating Profit		**4 216 047**	**4 201 367**
Administrative Expenses			
General & administrative expenses	(24)	1 455 449	1 345 731
Selling & distribution expenses	(25)	455 080	436 348
Provisions	(16)	30 073	3 048
Impairment loss on assets	(17)	330 840	478 879
		2 271 442	**2 264 006**
Net Operating Profit		**1 944 605**	**1 937 361**

Consolidated Income Statement EAS

For The Financial Year Ended December 31, 2009

	Note No.	2009 LE (000)	2008 LE (000)
Other Income / (Expenses)			
Interest income		131 937	157 798
Income from investments	(26)	1 410 981	1 312 079
Interest expenses		(137 251)	(360 695)
Other revenues	(27)	172 860	250 972
Impairment of available for sale investments	(28)	(575)	(17 901)
Gain on evaluation of held for trading investments		4 824	4 148
Gain on sale of held for trading investments		972	1 973
Gain on sale of available for sale investments		-	437
Capital (loss) / gain		(14 018)	10 059
Release of unused provision		7	7 624
Reversal of impairment on trade receivables		44	45
Foreign exchange (loss) / gain		(4 234)	3 631
		1 565 547	**1 370 170**
Net Profit For The Year Before Income Tax		**3 510 152**	**3 307 531**
(Less) / Add:			
Current income tax expense for the year		(540 850)	(542 967)
Deferred tax		87 463	30 654
Net Profit For The Year		**3 056 765**	**2 795 218**
Attributable to :			
Equity holders of the holding company		3 051 411	2 789 506
Minority interest		5 354	5 712
Net Profit For The Year		**3 056 765**	**2 795 218**
Earnings Per Share (LE/Share)	**(30)**	**1.70**	**1.49**

The accompanying notes from No.(1) to No.(36) form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows EAS

For The Financial Year Ended December 31, 2009

	Note No.	2009 LE (000)	2008 LE (000)
Cash Flows from Operating Activities			
Cash receipts from trade receivables		8 110 962	8 161 481
Sales tax collected from receivables		472 600	539 966
Stamp tax and fees collected (from third party)		58 405	60 970
Deposits (paid) / received from customers		(4 668)	17 852
Cash paid to suppliers		(770 999)	(726 904)
Repayment of financial lease obligations		(32 907)	(43 466)
Cash paid to employees		(1 735 444)	(1 696 311)
Cash paid on behalf of employees		(366 610)	(335 580)
Dividends paid to shareholders & employees		(2 366 629)	(1 860 432)
Cash Provided By Operating Activities		**3 364 710**	**4 117 576**
Interest paid		(208 674)	(341 554)
Payments to Income Tax Authority		(724 410)	(660 424)
Payments to Sales Tax Authority		(605 529)	(659 374)
Other proceeds		79 658	139 575
Net Cash Provided By Operating Activities		**1 905 755**	**2 595 799**
Cash Flows From Investing Activities			
Payments for purchase of fixed assets and projects in progress and other assets		(980 798)	(918 851)
Proceeds from sale of fixed assets and other assets		13 596	18 445
Payments for purchase of investments		(207 099)	(258 216)
Proceeds from sale of investments		252 148	232 424
Interest income		153 564	120 411
Dividends received		703 351	1 320 641
Net Cash (used in) / Provided By Investing Activities		**(65 238)**	**514 854**
Cash Flows From Financing Activities			
Repayment of borrowings & facilities relating to acquisition of fixed assets, projects in progress and other assets		(180 323)	(210 700)
Repayment of other borrowings & facilities		(1 102 500)	(814 532)
Proceeds from capital payment		3 685	-
Proceeds from long term loans		-	211
Proceeds/(Payments) from banks credit accounts		77	(82)
Payments for long term obligations		(5 651)	(840)
Repayment of bonds loan		(800 000)	(800 000)
Net Cash used in Financing Activities		**(2 084 712)**	**(1 825 943)**
Net (Decrease) / Increase in Cash and Cash Equivalents During the year		**(244 195)**	**1 284 710**
Translation difference adjustments		(102)	(383)
Cash and cash equivalents at the beginning of the year	(13)	2 577 110	1 292 783
Cash and Cash Equivalents at the End of the Year	**(13)**	**2 332 813**	**2 577 110**

The accompanying notes from No.(1) to No.(36) form an integral part of these consolidated financial statements.

	Paid up capital LE(000)	Legal reserve LE(000)	Other reserves LE(000)	Fair value reserve LE(000)	Retained earnings LE(000)	Translation difference adjustments LE(000)	Net profit LE(000)	Total equity attributable to equity holders of the holding co. LE(000)	Minority interest LE(000)	Total equity LE(000)
Balance as of 1/1/2008	17 070 716	571 376	4 440 823	6 814	1 120 490	(591)	2 534 286	25 743 914	39 846	25 783 760
Reclassification to the opening balance	-	416	-	-	(416)	-	-	-	-	-
Transferred to reserves	-	108 402	-	-	-	-	(108 402)	-	-	-
Dividends for the year 2007	-	-	-	-	-	-	(1 902 621)	(1 902 621)	(2 414)	(1 905 035)
Decrease in other reserves by the adjustments made in land caption	-	-	(93)	-	-	-	-	(93)	-	(93)
Adjustments to retained earnings	-	-	-	-	189	-	-	189	(5 093)	(4 904)
Transferred to retained earnings	-	-	-	-	523 263	-	(523 263)	-	-	-
Translation difference adjustments	-	10	-	-	(116)	238	-	132	7	139
Net profit for the year 2008	-	-	-	-	-	-	2 789 506	2 789 506	5 712	2 795 218
Balance as of 31/12/2008	17 070 716	680 204	4 440 730	6 814	1 643 410	(353)	2 789 506	26 631 027	38 058	26 669 085
Capital increase	-	-	-		-	-	-	-	3 675	3 675
Transferred to reserves	-	144 727	-	-	-	-	(144 727)	-	-	-
Adjustments to retained earnings	-	-	-	-	5 542	-	-	5 542	(4 770)	772
Increase in other reserves for added parcel of land & buildings	-	-	9 579	-	-	-	-	9 579	-	9 579
Dividends for the year 2008	-	-	-	-	-	-	(2 470 106)	(2 470 106)	(1 338)	(2 471 444)
Transferred to retained earnings	-	-	-	-	174 673	-	(174 673)	-	-	-
Translation difference adjustments	-	(5)	-	-	100	(202)	-	(107)	(10)	(117)
Net profit for the year 2009	-	-	-	-	-	-	3 051 411	3 051 411	5 354	3 056 765
Balance as of 31/12/2009	17 070 716	824 926	4 450 309	6 814	1 823 725	(555)	3 051 411	27 227 346	40 969	27 268 315

The accompanying notes from No.(1) to No.(36) form an integral part of these consolidated financial statements.

1. BACKGROUND

1-1 Establishment of the company

Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established pursuant to Law No.153 of 1980. Effective from 27/3/1998 and pursuant to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on 26/3/1998 to become an Egyptian Joint Stock company under the name of Telecom Egypt Company (TE) subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.

1-2 Purpose of the company

The main purpose of the company includes:

- Establishing and operating telecommunications networks.
- Providing telecommunications services.
- Operating and maintaining the networks, equipment and machinery necessary to provide the services.
- Executing projects necessary to accomplish its purposes.
- Cooperating with international companies and organizations to connect the Arab Republic of Egypt with the world.

By virtue of the approval of the company's Extra-Ordinary General Assembly held on 6/12/2005, the following activities were added to its objectives: "Real estate investment for serving its purposes, and executing its projects and in order for the company to achieve its purposes, it is entitled to establish or participate in establishing new companies or existing companies operating in the same, complementary or related activities". Annotation to this effect was made in the commercial registry on 16/1/2006.

2. SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and subsidiaries under its control as it holds more than 50% of their capitals.

The following listing of subsidiaries is included in the consolidated financial statements:

Subsidiary name	Share Percentage %	
TE Data – S.A.E.	95.04 %	Subsidiary
The Egyptian Telecommunication Company for Information Systems (Xceed) – S.A.E	97.66 %	Subsidiary
Middle East Radio Communication (MERC) – S.A.E.	50.90 %	Subsidiary (Direct & Indirect)
Centra Technologies – S.A.E.	58.76 %	Subsidiary
Telecom Egypt France	100 %	Subsidiary
TE Investment Holding	100 %	Subsidiary (Direct & Indirect)

3. SIGNIFICANT ACCOUNTING POLICIES APPLIED

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation. The Company discloses any change in the accounting policies applied or financial statements presentation.

3-1 Basis of preparing the consolidated financial statements

3-1-1 The consolidated financial statement was prepared, in general, according to the historical cost method, except for fixed assets acquired prior to year 1998 which was revaluated on that date and certain types of financial investments which is valued at fair value according to the Egyptian Accounting Standards and in light of the applicable laws and regulations.

3-1-2 The preparation of the financial statements in conformity with Egyptian Accounting Standards require management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the financial periods and years. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no changes in the accounting estimates for the amounts recorded in prior periods.

3-1-3 Consolidation basis

- Consolidated financial statements were prepared by combining similar items of assets, liabilities, equity, revenues and expenses stated in the financial statements of the parent company and its subsidiaries.
- The carrying amount of the parent company's investment in each subsidiary and the parent company's portion in the equity of each subsidiary are eliminated.
- All inter-group balances and transactions, and any material unrealized gains arising are eliminated.
- Minority interests in the net equity and net profits of subsidiaries controlled by the parent company was included in a separate item in the "equity caption" in the consolidated balance sheet, and it was calculated at the equivalent of the carrying amounts of their portion in the net assets of subsidiaries on the consolidated balance sheet date.

3-2 Foreign currency translation

The company and some of its subsidiaries maintain its books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the declared exchange rates at the date of transactions. At the consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates declared by the banks dealing with the company and its subsidiaries at that date. The exchange differences are recognized in the consolidated income statement.

3-3 Financial statements translation for foreign operations

Assets and liabilities are translated to Egyptian Pound at the foreign exchange rate in effect at the date of the balance sheet date. Revenues and expenses are translated to Egyptian Pound at weighted average rates during the year. The share of the parent company in cumulative translation adjustments is recorded in a separate item under the caption of equity in the consolidated balance sheet.

3-4 Fixed assets and depreciation

Fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses in its book value (note no.3-12) and are depreciated using the straight-line method over the estimated economical useful lives of each type of assets as follows:

Description	Estimated Useful life
Buildings & constructions	10 - 50 Years
Machinery & equipment	5 - 20 Years
Means of transportation	5 - 10 Years
Tools and supplies	1 - 8 Years
Office furniture, fixtures and Information systems devices	3 – 16.67 Years
Decoration & fixtures	5 Years
Fixtures on the Trunk Radio Network	8 Years

The estimated useful lives are reviewed regularly.

The cost of replacing a part of an item of fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. Other costs related to fixed assets are recognised in income statement as incurred.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of fixed assets and are recognized in capital gains and losses in the income statement.

3-5 Projects in Progress

The amounts incurred for construction or purchases of fixed assets are recorded at cost as projects in progress till being ready for the intended use in operations. Then, they are transferred to fixed assets with its cost.

3-6 Investments in affiliates

The investments in affiliates in the consolidated financial statements shall be accounted for by applying the equity method. Under this method, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The income statement of the investor includes the investor's share of the profit or loss of the investee.

If the investment is acquired and held with a view to its subsequent disposal in the near future. In this case, investments in affiliates shall be accounted for by applying the cost method. Under this method, the investment fair value is adjusted by any impairment in this value, and the income statement of the investor includes income from investments up to the dividends received from the investee's after the acquisition date.

3-7 Available-for-Sale Investments

3-7-1 Available-for-sale investments that have a quoted market price in an active market are measured at fair value and remeasurement is recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss is recognized in income statement.

3-7-2 Available-for-sale investments that do not have a quoted market price in an active market and which fair value cannot be reliably measured shall be measured at cost. In case of the existence of impairment, the carrying amounts of these investments is reduced by this impairment loss and recognized in income statement.

Income from investment measured at cost is recognized only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition, according to the investee companies' general assembly decisions of profit distributions.

3-8 Held for trading investments

Financial investments classified as held for trading are recorded initially at cost. At the end of each financial period, these investments are re-measured at their fair value (Market Value). Gain or loss arising from a change in the fair value shall be recognized in the income statement for the period in which it arises.

3-9 Other assets and related amortization

Other assets are represented in the usufruct of land and cables circuits & Internet services license - TE Data.

These intangible assets are amortized on a straight line basis over (10-20) years provided that their useful lives should be within the term of concession and usufruct rights.

Other assets are shown at cost less accumulated amortization and accumulated impairment losses in its book value (note no. 3-12).

Subsequent costs to the capitalized other assets are capitalized only if it is probable that those costs will result in future economic benefits to the Company.

3-10 Inventory

- Inventory is valued at the lower of cost or net realizable value at the date of balance sheet. Cost is determined using the weighted average method.

- Work in progress is valued at cost at the latest production process reached.

- Finished goods are valued at the lower of manufacturing cost or net selling value.

3-11 Accounts, notes receivable, debtors & other debit balances

Receivables, debtors & other debit balances are stated at nominal value less impairment loss for any amounts expected to be irrecoverable, and they are classified as current assets, however, amounts that are expected to be collected after one year are classified as long-term assets.

3-12 Impairment of assets

The carrying amounts of the Company's assets, other than inventory, note No.(3-10) and deferred tax assets note No.(3-22) are reviewed at each consolidated balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the necessary studies are prepared to estimate the asset's prospective recoverable amount.

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.

3-13 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reasonably estimated. Provisions are reviewed at the consolidated balance sheet date and amended when necessary to reflect the best current estimate.

3-14 Borrowing cost

Borrowing costs are recognized in the income statement as an expense is incurred.

3-15 Grants

Grants are recorded in the balance sheet as deferred revenues and recognized in the income statement as income over the years necessary to match them with the related costs, on a consistent basis.

3-16 Trading creditors & other payables

Trading creditors and other payables are stated at the nominal value, also liabilities (payables) are stated at the value which will be paid in the future and this is against received goods and services.

3-17 Revenue recognition

Revenues from sales of communication services are recognized when services are rendered to the customers.

Revenues from goods sales are recognized when goods are delivered to customers and invoices are issued.

3-18 Expenses

All operating expenses, including general & administrative expenses are recognized, according to the accrual basis, in the income statement in the financial period when incurred.

3-19 End of service indemnity

The company contributes to Social Insurance Authority for the benefit of its personnel in pursuance to the Social Insurance Authority law No. 79 of 1975 and its amendments. These contributions are recorded in the "Wages and Salaries account" in addition to the early retirement scheme applied from 1/9/2001 (Note No. 29).

3-20 Capital lease agreements

The accrued lease payments repair and maintenance expenses of leased assets under the capital leasing agreements are recognized as an expense in the income statement for the year. At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

3-21 Reserves

- Legal Reserve

According to the company's Article of Associations, 5% of the net profit is set aside to form a legal reserve . The transfer to legal reserve cease once the reserve reaches 50% of the company's paid in capital, however, if the reserve falls below the defined level, then the company is required to resume setting aside 5% of the net profit.

3-22 Income tax

Income tax on the profit or loss for the year comprises of 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 at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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 based on the method expected to remeasure the values of assets and liabilities using tax rates 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.

3-23 Cash flow statement

Cash flow statement is prepared according to the direct method. Cash & cash equivalents comprise cash balances, time deposits which do not exceed three months and bank overdrafts that are repayable on demand and form an integral part of the company's cash management and they are included as a component of cash equivalents for the preparation purpose of the statement of cash flows.

3-24 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analysis the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

3-24-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss, this risk is mainly caused by trade and other receivables and debtors.

Trade & other receivables and debtors

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group customer base, including the default risk has less of an influence on credit risk.
Approximately 100% of Group revenue is attributable to sales transaction with many customers hence there is no concentration of credit risk from the geographic stand point, and the management of the Group established credit policy which suspends services for delinquent customers and imposes fines on late payments followed by cutting off lines then contract termination.

3-24-2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

3-24-3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

3-24-4 Currency risk

The group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the group, primarily the U.S. Dollars (USD) and EURO.
In respect of other monetary assets and liabilities denominated in foreign currencies, the group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

3-24-5 Other market prices risk

Equity price risk arises from available-for-sale investments held for strategic rather than trading purposes. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of directors. The primary goal of the Group investment strategy is to maximize investment returns.

3-24-6 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, the Board also monitors the level of dividends paid to shareholders. There were no changes in the Group approach to capital management during the year, The Group is not subject to externally imposed capital requirements.

4. FIXED ASSETS (Net)

	Land LE(000)	Buildings & constructions LE(000)	Machinery & equipment LE(000)	Means of transportation LE(000)	Tools & supplies LE(000)	Office furniture & fixtures LE(000)	Decoration & fixtures LE(000)	Fixtures on trunk radio network LE(000)	Total LE(000)
Cost									
Balance at 1/1/2009	2 453 651	17 504 863	18 850 335	100 721	56 312	1 299 234	24 090	315	40 289 521
Classification	-	(793)	(264 471)	-	-	265 328	(64)	-	-
Additions for the year	19 302	341 378	544 660	7 606	2 835	349 196	20 625	-	1 285 602
Disposals for the year	-	(583)	(295 691)	(2 261)	(873)	(2 005)	-	-	(301 413)
Translation differences	-	-	(56)	1	-	(30)	(14)	-	(99)
Balance at 31/12/2009	**2 472 953**	**17 844 865**	**18 834 777**	**106 067**	**58 274**	**1 911 723**	**44 637**	**315**	**41 273611**
Depreciation									
Accumulated depreciation at 1/1/2009	-	8 429 602	13 405 075	93 896	39 760	778 745	11 612	96	22 758 786
Classification	-	(198)	(140 237)	-	-	140 495	(60)	-	-
Depreciation for the year	-	944 240	1 431 681	2 773	4 905	324 330	5 954	63	2 713 946
Accumulated depreciation of disposals	-	(131)	(280 031)	(2 255)	(840)	(1 995)	-	-	(285 252)
Translation differences	-	-	(29)	-	-	(11)	(3)	-	(43)
Accumulated depreciation at 31/12/2009	**-**	**9 373 513**	**14 416 459**	**94 414**	**43 825**	**1 241 564**	**17 503**	**159**	**25 187 437**
Carrying amount at 31/12/2009	**2 472 953**	**8 471 352**	**4 418 318**	**11 653**	**14 449**	**670 159**	**27 134**	**156**	**16 086 174**
Carrying amount at 31/12/2008	**2 453 651**	**9 075 261**	**5 445 260**	**6 825**	**16 552**	**520 489**	**12 478**	**219**	**17 530 735**

- Cost of fixed assets include an amount of LE 8 117 million relating to fully depreciated assets still in use.

Depreciations for the year are charged as follows:

	LE(000)
Operating expenses	2 450 865
General & administrative expenses	256 339
Selling & distribution expenses	6 742
	2 713 946

5. PROJECTS IN PROGRESS

	31/12/2009 LE (000)	31/12/2008 LE (000)
Telecom Egypt – Parent		
Land	17 685	11 433
Buildings and constructions	813 851	543 112
Machinery and equipment	259 429	257 849
Means of transportation	621	649
Tools and supplies	2 280	283
Office furniture and fixtures	2 076	43 943
Advance payments	139 418	186 817
Letters of credit	1 353	13 833
	1 236 713	1 057 919
T.E Data – a subsidiary company		
Buildings and constructions	43 336	31 752
Advance payments	-	19 400
Furniture & Equipment	1 298	-
T.E Information Technology - a Subsidiary Company		
Advance payments	-	504
Machinery and equipment	915	-
	45 549	51 656
	1 282 262	1 109 575

6. LONG TERM INVESTMENTS

6-1 Investments in affiliates

	31/12/2009 Participation %	31/12/2009 LE (000)	31/12/2008 Participation %	31/12/2008 LE (000)
- Vodafone Egypt	44.95	7 626 840	44.95	6 921 191
- Wataneya for Telecommunication	50.00	125	50.00	125
- Consortium Algerien de Tele - communications (CAT) *	33.00	-	33.00	-
- International Telecommunication Consortium Limited. (ITCL)*	50.00	-	50.00	-
- Egypt Trust	35.71	2 776	35.71	1 498
- Technology Development Fund	46.15	60 772	46.15	60 000
		7 690 513		6 982 814

* Investments in Consortium Algerien de Telecommunications (CAT) & International Telecommunication Consortium Limited (ITCL) amounts are not included since these companies have sustained a loss that exceeds the investments amounts

Investment in Vodafone – Egypt

The investments in Vodafone Egypt as of 31/12/2009 represents the ownership of 107 869 799 shares representing 44.95 % of Vodafone Egypt shares.

6-2 Available for sale investments

	31/12/2009 LE (000)	31/12/2008 LE (000)
- Participations in foreign Satellite companies & organizations	26 683	26 683
- Investments in other local companies	13 811	14 386
	40 494	41 069

7. OTHER DEBIT BALANCES – LONG TERM

These balances are represented in the following:

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
- Payments made on behalf of Consortium Algerian de Telecommunication to finance the license concession and finance the operating expenses of consortium company in Algeria.	(7-1)	453 902	446 767
- Due from Loyalty Fund Grant	(29)	8 823	13 803
Less: The current portion to be collected during one year from Loyalty Fund Grant	(11)	5 008	4 980
		3 815	8 823
Less: Impairment loss on other debit balances - long term	(7-1)	453 902	446 767
		3 815	**8 823**

7-1 Finance to Consortium Algerian Telecommunication (CAT) - Algeria

Telecom Egypt financed Consortium Algerian Telecommunication (CAT) by an amount of LE 453 902 K where Telecom Egypt participation is 50% (Direct & Indirect), this company suffers a material decrease in recoverable amount of the tangible & intangible company's assets, this company also faces financial difficulties and sustains material losses and the Extra Ordinary General Assembly Meeting of the company (CAT) held on 1/7/2009 approved the dissolution and liquidation of the company. In the light of these circumstances there is high probability that Telecom Egypt will not be able to recover the finance given to CAT. The income statement was charged for the period by LE 7 135 K and for the periods before 2009 by LE 446 767 K which represents Telecom Egypt share in the loss of investment for the periods before 2009.

8. OTHER ASSETS

	Right of way (BRITAR) LE(000)	Right of way (ALITAR) LE(000)	Right of way (Flag cable) LE(000)	Usufruct for land occupied by TE LE(000)	Right of way (SMW) LE(000)	Right of use (ROU) LE(000)	Internet license LE(000)	Total LE(000)
Cost								
Cost as at 1/1/2009	1 720	33 353	95 910	1	175 863	145 429	20 182	472 458
Disposals for the year	-	(2 128)	-	-	-	-	-	(2 128)
Translation differences	-	-	-	-	-	(10)	(3)	(13)
Balance as at 31/12/2009	**1 720**	**31 225**	**95 910**	**1**	**175 863**	**145 419**	**20 179**	**470 317**
Accumulated amortization & impairment losses								
Balance as at 1/1/2009	1 247	19 612	86 451	-	106 878	83 205	20 074	317 467
Amortization during the year	172	1 653	5 790	-	11 328	5 111	20	24 074
Accumulated amortization for disposals	-	(1 257)	-	-	-	-	-	(1 257)
Impairment loss in other assets	-	-	-	-	-	1 838	-	1 838
Translation differences	-	-	-	-	-	(3)	(2)	(5)
Accumulated amortization and impairment at 31/12/2009*	**1 419**	**20 008**	**92 241**	-	**118 206**	**90 151**	**20 092**	**342 117**
Carrying amount at 31/12/2009	**301**	**11 217**	**3 669**	**1**	**57 657**	**55 268**	**87**	**128 200**
Carrying amount at 31/12/2008	**473**	**13 741**	**9 459**	**1**	**68 985**	**62 224**	**108**	**154 991**

* Accumulated amortization & impairment losses as of 31/12/2009 includes an amount of L.E. 79 825 K for the impairment losses of right of use (ROU) & internet license at a subsidiary company.

9. INVENTORY

	31/12/2009 LE (000)	31/12/2008 LE (000)
Spare parts	240 147	256 304
Materials supplies	1 116	1 086
Computers & Pc's components	1 029	1 982
Others - project cables and supplies	122 890	142 133
Finished goods	3 114	6 842
Merchandise for sale	7 540	16 219
Consignment goods	-	297
	375 836	**424 863**
Add:		
Letters of credit	38 137	48 152
	413 973	**473 015**

Inventory value was written down by LE 36 871 K for obsolete and slow moving items.

10. TRADE & NOTES RECEIVABLE

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Governmental sector		314 858	372 545
Private sector		3 119 797	2 919 045
Foreign telecommunication companies and organizations		990 055	988 151
		4 424 710	**4 279 741**
Less: Impairment loss on trade receivables balances	(17)	1 605 984	1 314 769
		2 818 726	**2 964 972**
Notes receivable		1 946	368
		2 820 672	**2 965 340**

11. DEBTORS AND OTHER DEBIT ACCOUNTS

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Suppliers - debit balances		46 757	63 521
Deposits with others		10 821	15 650
Employees' loans		755	794
Customs Authority - deposits		3 043	3 034
Accrued revenues		18 308	15 109
Tax Authority - withholding tax		42 460	48 176
Sales Tax Authority		589 410	494 950
Employees loyalty grant	(7),(29)	5 008	4 980
Due from organizations and companies		80 307	73 205
Fixed assets debtors		6 963	17 267
Debts & blocked amounts at banks		2 470	21 356
Other debit accounts	(11-1)	908 350	1 279 038
		1 714 652	**2 037 080**
Less: Impairment loss on debtors and other debit accounts	(17)	182 157	168 455
		1 532 495	**1 868 625**

11-1 Other debit accounts

Other debit accounts include the following :

	31/12/2009 LE (000)	31/12/2008 LE (000)
The current portion to be collected during next year from the National Telecommunication Regulatory Authority for the license fees of Wataneya for Telecommunication.	-	140 000
The balance represents accrued interest till the balance sheet date, that shall be settled by (NTRA) for the license's charges paid to (NTRA) for the third mobile phone network amounting to L.E. 480 million which should be paid as a part of the last installment amounted to L.E. 520 million.	200 000	450 000
Amount due from the employees for the company's shares purchased by the company and distributed to them and paid by the company.	18	21
Payments on the account of corporate tax	285 996	285 996

12. INVESTMENTS HELD FOR TRADING

Held for trading investments amounted to LE 108 858 K represented in the following:

	31/12/2009 LE (000)	31/12/2008 LE (000)
TE Data a Subsidiary Company		
Value of 374 234 units of Commercial International Bank Investment Fund - Osoul Fund with price LE 148.38 for each unit at balance sheet date.	55 529	10 660
Value of 352 379 units of the National Societe General Bank Investment Fund with price LE 129.916 for each unit at balance sheet date.	45 780	11 000
Value of 396 362 units of the Banque Misr Investment Fund day by day with price LE 15.654 for each unit at balance sheet date.	6 204	123 577
TE Information Technology – a Subsidiary Company		
Value of 9 067 units of Commercial International Bank Investment Fund - Osoul Fund with price LE 148.38 for each unit at balance sheet date.	1 345	1 241
	108 858	**146 478**

13. CASH AT BANKS AND ON HAND

	31/12/2009 LE (000)	31/12/2008 LE (000)
Banks- time deposits	2 089 663	2 233 896
Banks -current accounts	248 688	346 520
Cash on hand	5 637	7 768
	2 343 988	**2 588 184**
Less:		
Banks overdraft	99	323
Blocked time deposit	4 115	4 469
Cheques under collection	6 961	6 282
Cash & cash equivalents per the cash flows statement	**2 332 813**	**2 577 110**

14. LOANS AND FACILITIES

Description	Loan Currency	Long term loan installments due within one year LE(000)	Long term loan installments due after one year LE(000)	Balance as of 31/12/2009 LE(000)	Balance as of 31/12/2008 LE(000)	Annual Interest Rate %	Repayment schedule
Syndicate loan from Local banks (Vodafone loan)*	L.E.	-	-	-	1 102 500	Average rate of deposits & loans (Corridor) + 1%	Unequal semi - annual installments ended on 30/9/2009
Total local loans		**-**	**-**	**-**	**1 102 500**		
Governmental Loans	U.S.$	97 146	344 486	441 632	536 745	4 %	Annual installments ending on 24/1/2018
Governmental Loans	EURO	4 879	5 694	10 573	16 804	4 - 6.37%	Semi - annual installments ending on 29/12/2012
Total Governmental loans		**102 025**	**350 180**	**452 205**	**553 549**		
Foreign loans	J.Y	8 119	1 570	9 689	36 819	3 -3.5%	Semi - annual installments ending on 20/3/2012
Foreign loans	EURO	68 246	506 012	574 258	642 617	0.75 - 6%	Semi - annual installments ending on 30/6/2036
Total foreign loans		**76 365**	**507 582**	**583 947**	**679 436**		
Foreign suppliers' facilities	EURO	625	-	625	3 296	5.50%	
Local loan-subsidiary company	L.E.	42	95	137	179	7%	Monthly installments ending on 1/3/2013
		179 057	**857 857**	**1 036 914**	**2 338 960**		

* The original loan amounting to L.E 4 525 000 K for financing part of the purchase of 45 980 529 shares of Vodafone Egypt during year 2006.

- Foreign suppliers' facilities in Euro amounting to L.E 625 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of Siemens as a guarantee for this facility settlement, there are no other guarantees .

- The available unused balance of foreign loans and facilities at 31/12/2009 equivalent to an amount of LE 18 739 K.

15. CREDITORS AND OTHER CREDIT ACCOUNTS

15-1 Creditors and other credit accounts (current)

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Tax Authority		127 219	179 547
Deposits from others		756 672	754 254
Fixed assets creditors		243 744	271 904
Accrued interest		19 075	92 227
Accrued expenses		346 596	245 998
Social Insurance Authority		22 282	20 383
Trade receivables - credit balances		330 547	297 095
Credit balance for social, cultural and sportive activities		22 099	110 701
Deferred revenues*		179 392	224 021
Due to organizations and companies		51 891	144 160
Marine Cables		495 716	112 742
Tax Authority - income tax		715	271
Tax Authority - sales tax		2 138	-
Suppliers - local		157 296	204 989
Notes payable		1 938	10 847
Current income tax for the year		540 299	542 967
Dividends		924	1 130
Other credit accounts		507 785	447 083
		3 806 328	3 660 319
Less:			
Tax liabilities due after one year	(15-2)	54 704	54 704
		3 751 624	**3 605 615**

*** Deferred revenues**

The deferred revenues amounting to 179 392 K at December 31, 2009 which represents the grants presented by the USAID to finance some of the company's projects, as well as the grants presented by the projects management of Marine Cables for the construction of a building in Alexandria and the right of way for marine cables after deducting the accumulated amortization at December 31, 2009.

15-2 Creditors and other credit accounts (long-term)

Creditors and other long-term accounts (long term)

Telecom Egypt – parent company	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Tax liabilities due after one year	(15-1)	54 704	54 704
T.E Information Technology – a subsidiary Company			
The additional retirement compensations due to the company's employees		-	5 609
Due to suppliers as a result of purchasing communications machinery and supplies.		1 906	2 405
		56 610	**62 718**

16. PROVISIONS

Provision for contingent liabilities, claims and others	Balance as of 1/1/2009 LE(000)	Charged to the income statement LE(000)	Release of unused provisions LE(000)	Used during the year LE(000)	Reclassification LE(000)	Balance as of 31/12/2009 LE(000)
Tax provision	286 997	29 665	(7)	(84)	-	316 571
Claims provision*	21 424	215	-	(230)	2 581	23 990
Guarantee provision	200	193	-	(11)	-	382
	308 621	30 073	(7)	(325)	2 581	340 943

* Claims provision related to lawsuits in respect of claims for alleged losses and various claims for damages and expected social insurance claims in respect of contracts concluded with suppliers.

17. IMPAIRMENT LOSS OF ASSETS

	Note No.	Balance as of 1/1/2009 LE(000)	Charged to income statement LE(000)	Used during the year LE(000)	Reversal of impairment during the year LE(000)	Reclassification LE(000)	Translation difference adjustments LE(000)	Balance as of 31/12/2009 LE(000)
Impairment loss on trade receivables	(10)	1 314 769	297 971	(4 175)	-	(2 581)	-	1 605 984
Impairment loss on debtors and other debit balances	(11)	168 455	13 777	-	(44)	-	(32)	182 156
Impairment loss on other assets	(8)	77 987	1 838	-	-	-	-	79 825
Impairment loss on long-term debit balances		278 977	7 135	-	-	-	-	286 112
Write-down of inventories		26 752	10 119	-	-	-	-	36 871
		1 866 940	330 840	(4 175)	(44)	(2 581)	(32)	2 190 948

18. CAPITAL

The company's authorized, issued and paid in full capital is LE 17 112 149 K, represented in 171 121 490 shares at a par value of LE 100 each. All shares are fully owned by the Egyptian government.

On September 21, 2005, the Extra-ordinary General Assembly Meeting resolved the following:

- Decrease of issued capital by a net amount of LE 41 433 K representing the value of lands transferred to Ministry of Communication & Information Technology by LE 71 250 K and the value of land reverted to for T.E as a result of the amendment of the total land area near the satellite station in Maadi amounting to LE 29 817 K.

- Decrease of the par value per share from L.E. 100 to LE 10.

Accordingly, the company's issued and fully paid capital has become LE 17 070 716 K represented in 1 707 071 600 shares at a par value of LE 10 each and annotation was made to this effect in the Commercial Register on 24/11/2005.

Thus, Egyptian Government owned 80% after floating 20% of company's shares in public offering in December 2005.

19. RESERVES

	31/12/2009 LE (000)	31/12/2008 LE (000)
Legal reserve	824 926	680 204
Revaluation reserve of available for sale investments	6 814	6 814
General reserve*	4 432 199	4 422 620
Capital reserve	18 110	18 110
	5 282 049	**5 127 748**

* General reserve amounting to LE 4 432 199 K at 31/12/2009 representing the dividends transferred to the general reserve for years 99/2000 till 2006 after deducting LE 1 609 224 K which represents the net adjustments on the land during years from 2005 to 2009.

20. BONDS LOAN

In February 2005, the Company issued 20 million nominal marketable bonds not convertible into shares with total value of LE 2 billion at a par value of LE 100 each for period of (5) years. These bonds were offered for public subscription and issued in two portions as follows:

- The first portion represents 50% of the bonds at a fixed annual interest equal 10.95% to be paid quarterly.

- The second portion represents the other 50% of the bonds at a variable annual interest equal 0.7% plus the discount rate of the Central Bank of Egypt to be paid quarterly.

These bonds were used for partial settlement of long-term loans and bank overdraft accounts in local currency.

The Company accelerated the payment of the bonds' loan and the last installment was paid on 25/11/2009.

21. DEFERRED TAX

Deferred Tax Assets and Liabilities

	Assets 31/12/2009 L.E.(000)	Liabilities 31/12/2009 L.E.(000)	Assets 31/12/2008 L.E.(000)	Liabilities 31/12/2008 L.E.(000)
Fixed assets	-	(134 007)	-	(196 887)
Other assets	-	(2 066)	-	(2 675)
Inventory	6 807	-	4 999	-
Trade receivables and debit balances	53 027	-	36 055	-
Provisions	52 234	-	46 233	-
Accrued liabilities	33 744	-	34 550	-
Total deferred tax assets (liability)	**145 812**	**(136 073)**	**121 837**	**(199 562)**
Net deferred tax liability (liability)	**9 739**	**-**	**-**	**(77 725)**

22. OPERATING REVENUES

	2009 LE (000)	2008 LE (000)
Retail Services:		
Access revenue	2 048 842	1 999 398
Voice revenue	2 618 314	3 014 869
Internet service & data transmission	648 508	575 337
Others	447 869	591 202
Total Retail Services	**5 763 533**	**6 180 806**
Wholesale Services :		
Domestic	1 029 022	1 058 265
International	3 167 753	2 877 825
Total Wholesale Services	**4 196 775**	**3 936 090**
Total Operating Revenues	**9 960 308**	**10 116 896**

23. OTHER OPERATING COSTS

	2009 LE (000)	2008 LE (000)
Salaries & wages	1 043 254	1 031 839
Compulsory social security contributions	107 660	102 091
Employees' vacations	9 366	18 365
Electricity & water	15 409	13 096
Stationary & printed materials	92 934	38 069
Transportation cost	31 740	23 852
Business telephone cost	59 947	58 674
Rent	6 393	742
Frequencies & license charge (NTRA)	221 687	195 011
Others	148 927	156 209
	1 737 317	**1 637 948**

24. GENERAL & ADMINISTRATIVE EXPENSES

	Note No.	2009 LE (000)	2008 LE (000)
Salaries & wages		682 802	641 038
Compulsory social security contributions		42 628	37 756
End of service compensation-Early retirement program	(29)	55 096	23 119
Employees' vacations		6 467	11 712
Depreciation of fixed assets		256 339	183 965
Training		869	1 065
Bad debts		1 194	19 338
Tax and customs duty		110 158	111 741
Bank charges & commissions		4 376	4 896
Advertisement		72 014	75 960
Others		223 506	235 141
		1 455 449	**1 345 731**

25. SELLING & DISTRIBUTION EXPENSES

	2009 LE (000)	2008 LE (000)
Salaries & wages	186 871	169 794
Compulsory social security contributions	20 649	16 367
Employees' vacations	1 333	2 635
Depreciation of fixed assets	6 742	4 939
Tax and customs duty	9 195	9 010
Rent	3 529	2 458
Advertisement	14 268	21 254
Others	212 493	209 891
	455 080	**436 348**

26. INCOME (LOSSES) FROM INVESTMENTS

	2009 LE (000)	2008 LE (000)
Revenues (Losses) from investment in affiliates		
Vodafone Egypt	1 406 802	1 308 600
Egypt Trust	(1 222)	(1 793)
Nile on line (NOL)	-	(195)
	1 405 580	**1 306 612**
Revenue from available for sale investments		
Information Technology Company	494	339
Nokia Siemens Networks Company previously named - Egyptian German Telecommunication Industry (EGTI)	1 746	2 126
Arab sat	-	3 002
	2 240	**5 467**
Revenue from held for trading investments	3 161	-
	1 410 981	**1 312 079**

27. OTHER INCOME (NET)

	2009 LE (000)	2008 LE (000)
Sundry revenues*	262 475	260 043
Donations	(89 615)	(9 071)
	172 860	**250 972**

* Sundry revenues include the following:

	LE (000)
- Accrued interest for the amounts paid to NTRA.	30 000
- Deferred revenues amortization	44 629
- Fines and earned delay interest	136 245
	210 874

28. IMPAIRMENT LOSS ON AVAILABLE FOR SALE INVESTMENTS

	2009 LE (000)	2008 LE (000)
- Arab Company for Computers Industry	(575)	(717)
- Egyptian Company for Telephone Equipment	-	(11 524)
- Egyptian Company for Ideavelopers	-	(55)
- Menatel Company	-	(5 605)
	(575)	**(17 901)**

29. EARLY RETIREMENT SCHEME

- The company's Board of Directors approved in its meeting dated May 9, 2001 an early retirement scheme for its employees. The scheme was implemented during the twelve months ended 31/8/2002 (First phase).

- The company's Board of Directors approved in its meetings dated March 20, 2002 and December 30, 2002 to finance an amount of LE 65 000 K and LE 35000 K respectively for the employees' Loyalty Fund to facilitate financing the retired employees' compensations (the second and third phases), provided that these amounts should be refunded from employees Loyalty Fund upon their legal early retirements. The amount of LE 91 177 K was refunded as of December 31, 2009.

- On January 15, 2004 the employees' Loyalty Fund was registered in the Register of the Egyptian Private Social Insurance Funds in Egypt and the grant accounts was transferred to the account of Loyalty Fund which will pay these balances to the company on the dates of the legal early retirement of the employees.

- The actual compensations charged to the income statement and paid to the early retired employees' for the year amounted to LE 55 096 K (Note No. 24).

- The amounts to be refunded during a year (current portion) amounted to LE 5 008 K and the amounts to be refunded starting from year 2011 (the long term portion) is LE 3 815 K (Note No. 7).

30. EARNINGS PER SHARE FOR THE YEAR

	2009	2008
Net profit for the year (LE 000)	3 051 411	2 789 506
Less:		
Employees share in profit (LE 000)	142 256	246 577
Board of Directors remuneration (LE 000)	5 000	4 000
	2 904 155	**2 538 929**
Less: The parent company's share in employees & Board of Directors' share of subsidiaries dividends (LE 000)	275	340
Basic share in profit (LE 000)	2 903 880	2 538 589
Number of outstanding shares	1 707 071 600	1 707 071 600
Earnings per share for the year (L.E / share)	**1.70**	**1.49**

31. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2009 amounted to LE 34.04 million (includes LE 7.95 million the uncalled installments of investees' of share capital) against LE 102 million at 31/12/2008 (includes LE 10.45 million the uncalled installments of investees' of share capital). These commitments are expected to be settled in the following year except the uncalled installments of investees' share capital, which shall be settled when required by the Board of Directors for those investees companies.

32. CONTINGENT LIABILITIES

In addition to the amounts included in the balance sheet, as of December 31, 2009 the company had the following contingent liabilities:

	31/12/2009 LE (000)	31/12/2008 LE (000)
- Letters of guarantee issued by banks on behalf of the company	73 260	63 789
- Letters of credit	135 484	191 722

33. TAX POSITION

33-1 Corporate tax

Financial years till 31/12/2004

Tax inspection was made till the year ended 31/12/2004 and the company was notified by Tax Forms No. (18) & (19) corporate profit tax and it agreed on the taxable income and the differences were paid.

Financial years from 2005 till 2008

- Tax inspection for the year 2005 was made, and the company was notified that there are no tax differences.
- Tax returns were submitted for years 2006, 2007& 2008 on due dates according to tax law No. 91 for year 2005. Tax inspection has not been performed by the relevant Tax Authority yet.

33-2 Sales Tax

- Tax inspection was made till 31/12/2007 and all due taxes were settled.
- Tax inspection for financial year ended 31/12/2008 is currently undertaken.

33-3 Salaries Tax

- Tax inspection and assessment were made till 31/12/2002 and all due tax were settled.
- Tax inspection for the years from 1/1/2003 till 31/12/2004 is currently being undertaken.

33-4 Stamp tax

- Tax inspection for the period from 27/3/1998 to 31/12/2000 was made and the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- Tax inspection for the period from 1/1/2001 till 31/7/2006 was made and all taxes due were settled.

33- 5 Real estate taxes

All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up on the disputes resulting from the matter according to the new Real Estate Tax Law No.196 for the year 2008.
Provisions were formed to meet any tax liabilities that may arise from the tax inspection (note no.16).

34. RELATED PARTY TRANSACTIONS WITH AFFILIATES

There are transactions between the Company and its affiliates. Transactions with related parties that are undertaken by the company in the course of its ordinary transactions are recorded according to the conditions laid down by the company's management on the same basis of dealing with third party. The most important transactions during the year and related balances on the balance sheet date are stated as follows:

	Amount of transactions recorded in the income statement L.E. 000	Nature of transactions during the year	Transaction volume during the year		Balance as of 31/12/2009		Balance as of 31/12/2008	
			Debit L.E. 000	Credit L.E. 000	Debit L.E. 000	Credit L.E. 000	Debit L.E. 000	Credit L.E. 000
Debit balance included in account receivables								
Vodafone Egypt	387 158	Outgoing calls and voice services to the affiliate company						
	971 482	Incoming and international calls transmission & lease of company premises and towers to the affiliate company	1 066 178	1 059 635	185 391	-	178 848	-
Vodafone Egypt	9 160	Sale of products & services of vodafone	7 834	9 180	-	4 481	-	3 135
			1 074 012	1 068 815	185 391	4 481	178 848	3 135
Debit balance included in other debit balances - long term								
Consortium Algerien de Telecommunications (CAT)	-	Paid on behalf of affiliate to finance operating expenses	7 135	-	453 902	-	446 767	-
Debit balance included in debtors and other debit accounts								
International Telecommunication Consortium Limited (ITCL)	-	-	-	-	66	-	66	-

35. FINANCIAL INSTRUMENTS

35-1 Credit risk : Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000
Trade & notes receivable	(10)	2 820 672	2 965 340
Other debit balances-long term	(7)	3 815	8 823
Debtors and other debit accounts – short terms	(11)	1 532 495	1 868 625
Investments in affiliates	(6-1)	7 690 513	6 982 814
Available for sale investments	(6-2)	40 494	41 069
Cash at banks	(13)	2 338 351	2 580 416
		14 426 340	**14 447 087**

35-2 Liquidity risk

The following are the expected maturities of financial liabilities at the balance sheet date.

Description	Carrying Amount LE (000)	One year or less LE (000)	From 1-2 years LE (000)	From 3-5 years LE (000)	More than five years LE (000)
December 31, 2009					
Creditors and other credit accounts	3 808 234	3 751 624	-	-	56 610
Loans installments and facilities	1 036 914	179 057	136 812	333 891	387 154
	4 845 148	**3 930 681**	**136 812**	**333 891**	**443 764**
December 31, 2008					
Creditors and other credit accounts	3 668 333	3 605 615	-	1 870	60 848
Loans installments and facilities	2 345 562	1 119 383	375 352	391 701	459 126
Bonds loan	800 000	400 000	400 000	-	-
	6 813 895	**5 124 998**	**775 352**	**393 571**	**519 974**

35-3 Currency risk

Description	LE (000)	US Dollars (000)	LE (000)	Sterling Pound (000)	LE (000)	Euro (000)	LE (000)	Japanese Yen (000)	Other Currencies LE (000)	Total LE (000)
31/12/2009										
Receivables	967 517	176 072	-	-	231	29	-	-	5 469	973 217
Due interest - deposits	43	8	-	-	324	41	-	-	-	367
Other debit accounts	7 482	1 361	-	-	3 369	426	-	-	6 151	17 002
Cash on hand & at banks	261 041	47 504	2 656	300	452 764	57 285	-	-	20 138	736 599
Total assets	**1 236 083**	**224 945**	**2 656**	**300**	**456 688**	**57 781**	**-**	**-**	**31 758**	**1 727 185**
Suppliers and notes payable	56 864	10 347	-	-	578	73	-	-	-	57 442
Creditors & other credit accounts	51 043	9 289	44	5	42 074	5 323	-	-	15 982	109 143
Foreign loans & facilities	441 632	80 370	-	-	585 456	74 074	9 689	162 564	-	1 036 777
Total liabilities	**549 539**	**100 006**	**44**	**5**	**628 108**	**79 470**	**9 689**	**162 564**	**15 982**	**1 203 362**
Risk surplus (deficit)	686 544	124 939	2 612	295	(171 420)	(21 689)	(9 689)	(162 564)	15 776	523 823
Closing exchange rate as of 31/12/2009	**-**	**5.4950**	**-**	**8.8455**	**-**	**7.9037**	**-**	**0.0596**	**-**	**-**
Average exchange rate during the year	**-**	**5.5508**	**-**	**8.6299**	**-**	**7.8304**	**-**	**0.0598**	**-**	**-**
31/12/2008										
Receivables	935 908	169 779	-	-	5 983	769	-	-	3 435	945 326
Due interest - deposits	1 812	329	-	-	6 213	799	-	-	-	8 025
Other Debit accounts	281	50	-	-	-	-	-	-	1 260	1 541
Cash on hand & at banks	879 088	159 471	2 389	300	463 643	59 608	-	-	21 523	1 366 643
Total assets	**1 817 089**	**329 629**	**2 389**	**300**	**475 839**	**61 176**	**-**	**-**	**26 218**	**2 321 535**
Suppliers and notes payable	37 170	6 743	-	-	224	29	-	-	578	37 972
Creditors & other credit accounts	49 933	9 058	69	8	69 225	8 900	-	-	16 223	135 450
Banks overdraft	-	-	323	40	-	-	-	-	-	323
Foreign loans & facilities	536 746	97 369	-	-	662 716	85 202	36 820	600 817	-	1 236 282
Total liabilities	**623 849**	**113 170**	**392**	**48**	**732 165**	**94 131**	**36 820**	**600 817**	**16 801**	**1 410 027**
Risk surplus (deficit)	1 193 240	216 459	1 997	252	(256 326)	(32 955)	(36 820)	(600 817)	9 417	911 508
Closing exchange rate as of 31/12/2008	**-**	**5.5125**	**-**	**7.9802**	**-**	**7.7782**	**-**	**0.0613**	**-**	**-**
Average exchange rate during the year	**-**	**5.4565**	**-**	**10.0561**	**-**	**8.1049**	**-**	**0.0531**	**-**	**-**

35-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2009 would have increased profit by an amount of LE 52 382 K (LE 91 151 K as of December 31, 2008). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2008.

And a 10% weakening of the foreign currencies against the EGP at 31/12/2009 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

35-5 Interest rate risk

At the reporting date, the interest rate profile of the company's financial instruments is:

Description	31/12/2009 LE (000)	31/12/2008 LE (000)
Fixed rate financial instruments	2 089 663	2 233 896
Financial assets - deposits	1 036 914	1 636 460
Financial liabilities (loans – facilities-bonds)	**3 126 577**	**3 870 356**
Variable rate financial instruments	-	1 102 500
Financial liabilities (Vodafone loan)	-	400 000
Financial liabilities (bonds)	**-**	**1 502 500**

35-6 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, debtors, creditors, investments and loans & facilities. The fair value of the long-term loans cannot be determined, as there is no market for these loans since the majority of these loans are preferred loans granted by the government or International Aid Organizations and Institutions, the book value of other financial instruments represents a reasonable assessment of their fair value.

36. INTERCONNECT AGREEMENT WITH MOBILE COMPANIES

Telecom Egypt company filed a complaint with the Dispute Resolution Board of the National Telecommunication Regulatory Authority (NTRA) with the purpose of changing interconnect rates with the mobile operators. The NTRA issued a ruling on the dispute on September 3, 2008 by changing the interconnect prices between the fixed and mobile networks. However, Mobinil objected to the administrative decision issued by the NTRA and filed a lawsuit on November 1, 2008 against the NTRA before the Administrative Court at the State Council asking for cessation and nullifying the NTRA decision in addition to the cancellation of all the consequent effects of the said decision. On the other hand, Vodafone - Egypt also filed a lawsuit against NTRA and Telecom Egypt before the Administrative Court to claim the cessation of the administrative decision and the nullity of the said decision, the urgent request for cease of the decision was rejected for both objections.

Telecom Egypt and its external Legal Counsel are of the opinion that the possibility that the appeals of ceasing the administrative decision will be rejected is probable since the decision by NTRA is based on a sound law reference and that it should be enforced as of issuance date, not following this ruling is against the law and that appealing the ruling does not cease the administrative decision.

The amount in dispute between Telecom Egypt and the mobile operators in relation to the said dispute during the period from September 3, 2008 till the end of December 2009, as calculated by Telecom Egypt, amounted to LE 426 637 234 in favor of Telecom Egypt including an amount of LE 298 406 719 relating to the current year from beginning of January 2009 to end of December 2009. Meanwhile, Telecom Egypt recorded revenues and expenses of the interconnect services between the company and the mobile companies according to the administrative decision issued by NTRA.

In September 2009, Mobinil filed arbitration claim number 644 for year 2009 against the company for the purposes of reviewing the amounts and requesting that the rates in the agreement which is valid until 17/4/2013 be followed. In October 2009, Telecom Egypt filed a counter claim against the arbitration filed by Mobinil; also the company filed arbitration claim number 650 for year 2009 against Vodafone for the purposes of reviewing the amounts in light of the prevailing agreement and the provisions of the Communications Law. These arbitrations claims are still in the early stages; however, Telecom Egypt's external Legal Counsel in the view that Mobinil claim lacks merit and TE has a good arguable case in the counter claim against Mobinil and the arbitration case filed against Vodafone.

Equipped to Achieve

Financial Statements (IFRS)

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INDEPENDENT AUDITOR'S REPORT
To The Board of Directors of Telecom Egypt Company

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Telecom Egypt Company which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telecom Egypt Company as at December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Cairo, April 15, 2010

KPMG Hazem Hassan

KPMG Hazem Hassan

As at 31 December

In thousands of Egyptian Pound

	Note	31/12/2009	31/12/2008
Assets			
Property, plant and equipment	(13,2f)	17 036 391	18 212 656
Intangible assets	(14,2h)	128 200	154 991
Investment in equity accounted investees	(15,2d)	7 464 286	6 853 220
Available-for-sale investments	(16,2i)	33 680	34 255
Deferred tax assets	(17,2t)	145 812	121 837
Total non-current assets		**24 808 369**	**25 376 959**
Inventories	(18,2j)	413 973	473 015
Other investments – held for trading	(19)	108 858	146 478
Trade and other receivables	(20)	4 355 100	4 853 444
Cash and cash equivalents	(21)	2 343 889	2 587 861
Total current assets		**7 221 820**	**8 060 798**
Total assets		**32 030 189**	**33 437 757**
Equity			
Share capital	(22)	17 070 716	17 070 716
Reserves	(22,2o)	5 274 680	5 120 581
Retained earnings		4 128 127	3 574 834
Total equity attributable to equity holders of the company		**26 473 523**	**25 766 131**
Non – controlling interest		**40 969**	**38 058**
Total equity		**26 514 492**	**25 804 189**

Consolidated Balance Sheet IFRS

For The Financial Year Ended December 31, 2009

	Note	31/12/2009	31/12/2008
Liabilities			
Interest-bearing loans	(24)	872 505	1 262 722
Bonds	(25)	-	400 000
Deferred income	(2r)	179 392	224 021
Other payables		56 610	62 718
Deferred tax liabilities	(17,2t)	136 073	199 562
Total non-current liabilities		**1 244 580**	**2 149 023**
Bonds	(25)	-	400 000
Interest-bearing loans	(24)	207 607	1 147 179
Trade and other payables	(26)	3 722 567	3 628 745
Provisions	(27,2n)	340 943	308 621
Total current liabilities		**4 271 117**	**5 484 545**
Total liabilities		**5 515 697**	**7 633 568**
Total equity and liabilities		**32 030 189**	**33 437 757**

The accompanying notes from No.(1) to No.(34) form an integral part of these consolidated financial statements.

Chairman	**Chief Executive Officer & Managing Director**	**Vice President & Chief Financial Officer**	**Financial Controller**
Akil Beshir	Tarek Tantawy	Hassan Helmy	Hosam El-Saadawy

Auditor's Report "attached"

Consolidated Income Statement IFRS

For The Financial Year Ended December 31, 2009

For the year ended 31 December

In thousands of Egyptian Pound

	Note	2009	2008
Revenues	(3,2q)	9 960 308	10 116 896
Operating cost	(4)	(5 727 387)	(6 012 159)
Gross profit		**4 232 921**	**4 104 737**
Other income	(5)	232 526	157 771
Selling and distribution expenses	(6)	(466 491)	(455 433)
Administrative expenses	(7)	(1 483 001)	(1 394 523)
Other expenses	(8)	(465 121)	(508 899)
Results from operating activity		**2 050 834**	**1 903 653**
Finance income	(10)	158 355	253 230
Finance costs	(10)	(147 828)	(370 773)
Net finance income / (costs)	**(10)**	**10 527**	**(117 543)**
Share of profit of equity accounted investees		1 308 947	1 179 771
Profit before income tax		**3 370 308**	**2 965 881**
Income tax expense	(11)	(453 387)	(512 313)
Profit for the year		**2 916 921**	**2 453 568**
Other comprehensive income			
Translation differences for foreign operations		(117)	139
Other comprehensive income for the year		**(117)**	**139**
Total comprehensive income for the year		**2 916 804**	**2 453 707**
Profit for the year attributable to:			
Equity holders of the company		2 911 567	2 447 856
Non -controlling interest		5 354	5 712
Profit for the year		**2 916 921**	**2 453 568**
Total comprehensive income attributable to:			
Equity holders of the company		2 911 460	2 447 988
Non -controlling interest		5 344	5 719
Total comprehensive income for the year		**2 916 804**	**2 453 707**
Basic earnings per share (LE/share)	(23)	1.71	1.43

The accompanying notes from No.(1) to No.(34) form an integral part of these consolidated financial statements.

In thousands of Egyptian Pound	Share capital	legal reserve	Other reserve	Translation reserve	Retained earnings	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 1 January 2008	17 070 716	571 792	4 440 823	(591)	2 942 379	25 025 119	39 846	25 064 965
Comprehensive income								
Profit for the year	-	-	-	-	2 447 856	2 447 856	5 712	2 453 568
Other comprehensive income	-	-	-	-	-	-	-	-
Translation differences for foreign operations	-	10	-	238	(116)	132	7	139
Total comprehensive income for the year	**-**	**10**	**-**	**238**	**2 447 740**	**2 447 988**	**5 719**	**2 453 707**
Transactions with owners								
Adjustments to cost of lands	-	-	(93)	-	-	(93)	-	(93)
Adjustments to retained earnings	-	-	-	-	189	189	(5 093)	(4 904)
Dividends	-	-	-	-	(1 707 072)	(1 707 072)	(2 414)	(1 709 486)
Transferred to reserves	-	108 402	-	-	(108 402)	-	-	-
Total transactions with owners	**-**	**108 402**	**(93)**	**-**	**(1 815 285)**	**(1 706 976)**	**(7 507)**	**(1 714 483)**
Balance at 31 December 2008	**17 070 716**	**680 204**	**4 440 730**	**(353)**	**3 574 834**	**25 766 131**	**38 058**	**25 804 189**
Balance at 1 January 2009	**17 070 716**	**680 204**	**4 440 730**	**(353)**	**3 574 834**	**25 766 131**	**38 058**	**25 804 189**
Comprehensive income								
Profit for the year	-	-	-	-	2 911 567	2 911 567	5 354	2 916 921
Other comprehensive income	-	-	-	-	-	-	-	-
Translation differences for foreign operations	-	(5)	-	(202)	100	(107)	(10)	(117)
Total comprehensive income for the year	**-**	**(5)**	**-**	**(202)**	**2 911 667**	**2 911 460**	**5 344**	**2 916 804**
Transactions with owners								
Capital increase	-	-	-	-	-	-	3 675	3 675
Transferred to reserves	-	144 727	-	-	(144 727)	-	-	-
Adjustments to retained earnings	-	-	-	-	5 546	5 546	(4 770)	776
Adjustments to cost of land & building	-	-	9 579	-	-	9 579	-	9 579
Dividends	-	-	-	-	(2 219 193)	(2 219 193)	(1 338)	(2 220 531)
Total transactions with owners	**-**	**144 727**	**9 579**	**-**	**(2 358 374)**	**(2 204 068)**	**(2 433)**	**(2 206 501)**
Balance at 31 December 2009	**17 070 716**	**824 926**	**4 450 309**	**(555)**	**4 128 127**	**26 473 523**	**40 969**	**26 514 492**

The accompanying notes from No.(1) to No.(34) form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows IFRS

For The Financial Year Ended December 31, 2009

For the year ended 31 December

In thousands of Egyptian Pound

	Note	2009	2008
Cash flows from operating activities			
Cash receipts from customers		8 637 299	8 780 269
Cash paid to suppliers		(800 166)	(767 176)
Cash paid to employees		(2 249 490)	(2 186 047)
Cash paid in operations (net)		(771 832)	(690 668)
Interest paid		(208 674)	(341 554)
Income taxes paid		(449 282)	(449 282)
Net cash from operating activities		**4 157 855**	**4 345 542**
Cash flows from investing activities			
Interest received		153 564	120 411
Dividends received		703 351	1 320 641
Proceeds from sale of property, plant and equipment		13 596	18 445
Proceeds from sale of investments		252 148	232 424
Acquisition of property, plant and equipment and intangible assets		(980 798)	(918 851)
Acquisition of investments		(207 099)	(258 216)
Net cash (used in) provided by investing activities		**(65 238)**	**514 854**
Cash flows from financing activities			
Repayment of loans		(1 282 823)	(1 025232)
Repayments of bonds		(800 000)	(800 000)
Proceeds of long – term loans		-	211
Repayments of financial lease obligations		(32 907)	(43 466)
Proceeds from capital payment		3 685	-
Proceeds from bank facilities		77	(82)
Dividends paid		(2 219 193)	(1 706 277)
Repayment of long – term liabilities		(5 651)	(840)
Net cash used in financing activities		**(4 336 812)**	**(3 575 686)**
Net (decrease) increase in cash and cash equivalents		(244 195)	1 284 710
Cash and cash equivalents at 1 January		2 577 110	1 292 783
Effect of exchange rate fluctuations on cash held		(102)	(383)
Cash and cash equivalents at 31 December	**(21)**	**2 332 813**	**2 577 110**

The accompanying notes from No.(1) to No.(34) form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Telecom Egypt (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group entities") and the Group's interest in associates and jointly controlled entities.

The registered office of the Company is 26 Ramses Street, Cairo, Egypt.

These consolidated financial statements as of and for the year ended December 31, 2009 was approved for issue by the Board of Directors on March 7, 2010.

2. BASIS OF PREPARATION

(A) Statement of compliance

The Consolidated Financial Statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC).

(B) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- property plant & equipment that were valued in 1998.

For presentational purposes, the current/non-current distinction has been used for the financial position, while expenses are analyzed in the profit or loss using a classification based on their function. The direct method has been selected to present the cash flow statement.

(C) Functional and presentation currency

These consolidated financial statements are presented in Egyptian Pound ("LE"), which is the Company's functional currency. All financial information presented in LE has been rounded to the nearest thousands unless otherwise stated.

Use of Estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:
- Impairment of non-financial and financial assets
- Deferred tax assets
- Provisions and contingencies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(D) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Investments in associates (equity accounted investees)

Associates are those entities in with the group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The consolidated financial statements include the Group's share of income, and expenses and equity movements of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, , the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from Intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(E) Foreign currency

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the reporting date to the functional currencies at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit and loss. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at that date of the transaction.

Group companies

The financial statements of the Group entities are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rate;
- income and expenses are translated at the average exchange rate for the year;
- all resulting exchange differences are recognized as a separate component of equity in the "translation reserve";
- goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing exchange rate; and
- for consolidated cash flow preparation purposes, cash flows from subsidiaries are translated at the average exchange rates for the year.

(F) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy I).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Certain items of property, plant and equipment that had been revalued to fair value in 1998 are measured on the basis of deemed cost, being the revalued amount at the date of revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised in profit or loss and are recognized within other income in profit or loss

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

. Buildings	10 - 50	years
. Machinery and equipment	5 - 20	years
. Vehicles	5 - 10	years
. Tools and other equipment	1 - 8	years
. Office furniture and fixtures	3 - 16.67	years

(G) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized on the Group's financial position.

(H) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this mostly reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(i) Licenses

Licenses are measured at cost, which is the cash price at recognition date. Amortization is charged to the profit or loss on a straight-line basis over the period of its expected use or the term of the underlying agreement, which ever is shorter

(ii) Right of way and Right of use

The Group recognises an intangible asset arising from a Right of way and Right of use of intangible assets when it has a right for usage of the assets. An intangible asset is measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use which ranges from 10 to 20 years and the term of the underlying agreement, starting from the date of the acquisition of the asset.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(I) Financial Risk Management

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were acquired / incurred. Purchases and sales of financial instruments are recognized at their settlement date. Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities unless it can not be reliably determined), the Group establishes fair value by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

(i) Financial Assets

Financial assets are initially recognized at fair value and classified in one of the following categories and subsequently measured as described:

- **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

- **Financial receivables**

Financial receivables are non-derivative financial instruments which are not traded on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the financial position date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate impairment, the asset is reduced to the present value of future cash flows. The impairment loss is recognized in the profit or loss. If, in future years, the factors which caused the impairment cease to exist, the carrying amount of the asset are reinstated up to the amount that would have been obtained had amortized cost been applied.

- **Financial assets available-for-sale**

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2(I)(i)) and foreign currency differences on available-for sale equity instruments, are recognised in other comprehensive income and presented within equity in other reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

Financial liabilities consisting of borrowings, trade payables and other obligations are measured at amortized cost using the effective interest method. When there is a change in cash flows which can be reliably estimated, the value of the financial liability is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the financial position date.

Financial liabilities are derecognized when settled and the Group has transferred all the related costs and risks relating to an instrument.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

(J) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(K) Cash and cash equivalent

Cash and cash equivalent comprise cash balances and time deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(L) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in other reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to time value are reflected as a component of interest income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of non-financial assets or cash-generating units, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortisation, if no impairment loss had been recognised.

(M) Employee benefits

(i) Pension

The Group contributes to the government social insurance system for the benefits of its personnel in accordance with the social insurance law. Under this law the employees and the employers contribute into the system on a fixed percentage - of - salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to profit or loss using accrual basis of accounting.

(N) Provisions

A provision is recognized if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(O) Legal reserve

As per the Company's statutes 5% of net profit for the year is set aside to form a legal reserve, the transfer to such reserve ceases once it reaches 50% of the Company's paid in share capital. The reserve can be utilized for covering losses or for increasing the Company's share capital. If the reserve falls below the said 50%, the Company should resume setting aside 5% of its annual net profit until the reserve reaches 50% of the Company's paid in share capital.

(P) Dividends

Dividends recognized as a liability in the statement of financial position in the financial period in which the dividends are approved for distribution by the ordinary meeting of the shareholders.

(Q) Revenue

Revenue represents the value of services provided and equipment sold. It includes revenue received and receivable from revenue sharing agreements entered into with national and international telecommunication operators in respect of traffic exchange. Revenue is recognized as set below:

- **Voice services:** revenues are measured in terms of traffic minutes processed or transmission capacity provided and is recognized in the period in which the connection is provided.
- **Value added services:** these services include call waiting and divert, callers ID and hotline are recognized in the period in which the service is provided.
- **Data services:** revenue from the provision of managed bandwidth to business customers is recognized over the period in which the bandwidth is provided.
- **Other services:** revenue from web hosting and internet access is recognized over the life of the contract and over the period that the service is provided respectively.
- **Sale of goods:** revenue from sale of telephone sets and directories is recognized in the profit and loss statement when the significant risks and rewards of ownership have been transferred to the buyer.

(R) Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that it will be received and that the Group will comply with the conditions associated to it. Grants that compensate the Group for expenses incurred are recognized in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

(S) Expenses

(i) Operating lease payments

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, and foreign exchange gains and losses.

Interest income is recognized in the profit or loss as it accrues, using the effective interest method. Dividend income is recognized in the profit or loss on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognized in the profit or loss using the effective interest rate method.

(T) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the profit or loss except to the extent that it relates to business combination, or items recognized directly in equity, or other comprehensive income .

Current tax is the expected tax payable the taxable income for the period, using tax rates enacted or substantially enacted at the financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the financial position asset & 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 based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position 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.

(U) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for owned shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for owned shares held, for the effect of all dilutive potential ordinary shares.

(V) Change in Accounting Polices

The Group has adopted the following new and amended IFRSs as of January 1, 2009:

- **IAS1 (revised), "Presentation of financial statements".** The revised standard prohibits the presentation of items of income and expense ("non-owner changes in equity") in the statement of changes in equity. "Non-owner" changes in equity are presented in the statement of comprehensive income. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit or loss and statement of comprehensive income). The Group has elected to present one statement, (the statement of comprehensive income). Comparative information has also been represented so that it is in conformity with the revised standard.

The Group has also adopted the following new and amended IFRSs and IFRIC Interpretations with no material impact:

- **IFRS 7(amendment), "Financial instruments - Disclosures" -** which requires additional disclosures about fair value measurement and liquidity risk.
- Revised IAS 23 "Borrowing Costs" relating to capitalization of borrowing costs and IAS 23 (amendment) relating to the calculation of borrowing costs.

- **IAS 1 (amendment) "Presentation of financial statements"**, relating to the classification of financial assets and liabilities held for trading.
- **IAS 28 (amendment), "Investments in associates,"** and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures" relating to impairment testing of investments.
- **IAS 36 (amendment), "Impairment of assets"** relating to impairment testing disclosures.
- **IFRIC 13, "Customer loyalty programmes"** relating to calculating the fair value of customer loyalty programmes.

(W) Recent accounting pronouncements

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year 2009 and have not been early adopted:

IAS 27 (revised), "Consolidated and separate financial statements" will be effective for the Group from January 1, 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from January 1, 2010.

IFRS 3 (revised), "Business combinations," will be effective for the Group from January 1, 2010. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively from January 1, 2010.

IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations" and consequential amendments to IFRS 1 "First-time adoption" will be effective for the Group from January 1, 2010. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.
A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The Group will apply IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.

IFRIC 17, "Distribution of non-cash assets to owners" will be effective for the Group from January 1, 2010. The interpretation is part of the IASB's annual improvement project which was published in April 2009. This interpretation provides guidance on accounting for arrangements whereby the entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended. The Group will apply IFRIC 17 from January 1, 2010.

IAS 38 (amendment)"Intangible Assets". The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from that date that IFRS 3 (revised) is adopted (January 1, 2010). The amendment to the standard clarifies guidance in measuring the fair value of an intangible asset that is acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 1 (amendment)"Presentation of financial statements". This amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. The Group will apply IAS 1 (amendment) from January 1, 2010.

IAS 32 (amendment), "Financial instruments: Presentation". This amendment will be applicable for the Group from January 1, 2011. The amendment clarifies the classification of rights issues as equity or liabilities when the rights are denominated in a currency other than the issuer's functional currency.

IAS 24, "Related Party Disclosures" will be effective for the Group from January 1, 2011. The amendment simplifies the definition of a related party by clarifying its intended meaning and elimination of any inconsistencies from the definition and furthermore provides a partial exemption from the disclosure requirements.

IFRS 9, "Financial Instruments" will be applicable for the Group from January 1, 2013. IFRS 9 is the first part of Phase 1 of the IASB's project to replace IAS 39. IFRS 9 governs the classification and measurement of financial assets.

IFRIC 19, "Extinguishing financial liabilities with equity instruments" will be applicable for the Group from January 1, 2011. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to fully or partially settle the financial liabilities.

(X) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Y) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

Trade & other receivables

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

In general Trade & other receivables included in current assets relate to a variety of smaller amounts due from a wide range of counterparties, therefore, the Group does not consider that it has a significant concentration of credit risk.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, wherever possible the Group conducts transactions and deposits funds with financial institutions with a minimum of investment grade rating.

The maximum exposure to credit risk is disclosed in note (28-i).

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

The Group monitors and mitigates liquidity risk arising from the uncertainty of cash inflows and outflows by maintaining sufficient liquidity of cash balances as well as undrawn credit lines and by diversifying its sources of finance. In general, liquidity risk is monitored at entity level whereby each subsidiary is responsible for managing and monitoring its cash flows and rolling liquidity reserve forecast in order to ensure that it has sufficient committed facilities to meet its liquidity needs.

The table included in note (28-ii) analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to match non long term balance.

Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements. In particular, the risk monitored relates to the impact of movements in floating rate indices on the Group's finance costs.

Other market prices risk

The Group has limited exposure to equity securities price risk on available-for-sale investments held by the Group.

(Z) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to shareholders.

3. REVENUE

The Group's operations are considered to fall into one broad class of business, telecommunication and information services and hence, segmental analysis of assets and liabilities is not considered meaningful . Revenue can be analyzed as follows:

In thousands of Egyptian Pound	2009	2008
Retail Services:		
Access revenue	2 048 842	1 999 398
Voice revenue	2 618 314	3 014 869
Internet service & data transmission	648 508	575 337
Others	447 869	591 202
Total Retail Services	**5 763 533**	**6 180 806**
Wholesale Services		
Domestic	1 029 022	1 058 265
International	3 167 753	2 877 825
Total Wholesale Services	**4 196 775**	**3 936 090**
Total Revenues	**9 960 308**	**10 116 896**

4. OPERATING COST

In thousands of Egyptian Pound	Note No.	2009	2008
Interconnection cost		967 094	1 253 690
Fuel		103 579	93 700
Spare parts		121 216	127 242
Maintenance		308 232	236 069
Satellite subscriptions		31 884	16 655
Depreciation		2 355 105	2 475 353
Amortization	(14)	24 074	31 676
Salaries & wages		1 043 254	1 031 839
Employees 'compensated absence		9 366	18 365
Compulsory social security contributions		107 660	102 091
Frequencies & licenses		221 687	195 011
Employees' share in profit		78 886	139 826
Other operating costs		355 350	290 642
		5 727 387	**6 012 159**

5. OTHER INCOME

In thousands of Egyptian Pound	2009	2008
Grants*	44 629	44 629
Reversal of provisions	7	7 624
Rental income	2 169	3 722
Net gain on disposal of property, plant and equipment	-	10 059
Reversal of impairment of trade and other receivables	44	45
Others	185 677	91 692
	232 526	**157 771**

* Grants for the year ended 31/12/2009 represents amortization of the grants awarded by the USAID to finance some of the Company's projects, as well as the grants awarded by the projects management of Marine Cables for the construction of a building in Alexandria and the right of way for marine cables.

6. SELLING AND DISTRIBUTION EXPENSES

In thousands of Egyptian Pound	2009	2008
Salaries & wages	186 871	169 794
Employees' compensated absence	1 333	2 635
Compulsory social security contributions	20 649	16 367
Property plant & equipment depreciation	6 742	4 939
Employees' share in profit	11 411	19 085
Discount	147 003	183 145
Others	92 482	59 468
	466 491	**455 433**

7. ADMINISTRATIVE EXPENSES

In thousands of Egyptian Pound	2009	2008
Salaries & wages	682 802	641 038
Employees' compensated absence	6 467	11 712
Compulsory social security contributions	42 628	37 756
Early retirement compensations	55 096	23 119
Employees' share in profit	55 038	88 006
Property plant & equipment depreciation	256 339	183 965
Board of directors' bonus	5 000	4 000
Tax & customs fees	110 158	111 741
Training & development services	869	1 065
Advertising	72 014	75 960
Others	196 590	216 161
	1 483 001	**1 394 523**

8. OTHER EXPENSES

In thousands of Egyptian Pound	2009	2008
provisions formed	30 073	3 048
Impairment loss on long term receivables	7 135	32 008
Impairment loss on trade and other receivables	311 748	412 146
Impairment loss on available-for-sale investments	575	17 901
Net loss on disposal of property, plant & equipment and intangible assets	14 018	-
Impairment loss on intangible assets	1 838	31 054
Others	99 734	12 742
	465 121	**508 899**

9. PERSONNEL EXPENSES

In thousands of Egyptian Pound	2009	2008
Salaries & wages:		
Operating expenses	1 043 254	1 031 839
Selling & distribution expenses	186 871	169 794
Administrative expenses	682 802	641 038
	1 912 927	**1 842 671**
Compulsory social security contributions	170 937	156 214
Early retirement compensations	55 096	23 119
Employees' compensated absence	17 166	32 712
Employees' share in profit	145 335	246 917
	2 301 461	**2 301 633**

On May 9, 2001 the Board of Directors of Telecom Egypt approved an early retirement scheme; under this scheme employees' loyalty program was established. Under the loyalty program the employee who opts to early retire receives compensations related to number of years of service. The first phase of the early retirement scheme was completed on August 31, 2002. During 2002, the Board of Directors approved the allocation of LE 100 million to the loyalty program to finance early retirement compensations, funds granted by Telecom Egypt to the employees' loyalty program are to be repaid on the original date of retirement of the employees.

During 2003 Telecom Egypt contributed to the loyalty program LE 55 million and became committed to increase such contribution at a compound rate of 10% annually.

Early 2004, the employees' loyalty program was retroactively registered as separate private social insurance fund effective January 2003.

In accordance with Egyptian Law, employees receive 10% of dividends distributed to shareholders with a maximum of one year salary.

10. NET FINANCE INCOME/(COSTS)

In thousands of Egyptian Pound	2009	2008
Interest income	133 158	159 574
Unwind of discount & accretion of interest relating to long-term receivable	14 000	78 000
Income from investments – dividend	5 401	5 467
Net gain from sale of available-for-sale investments	-	437
Net gain of disposal of held for trading investments	972	1 973
Increase of market value of held for trading investments	4 824	4 148
Net foreign exchange gain	-	3 631
Finance income	**158 355**	**253 230**
Interest expense	(143 594)	(370 773)
Net foreign exchange loss	(4 234)	-
Finance expenses	(147 828)	(370 773)
Net finance income / (costs)	**10 527**	**(117 543)**

11. INCOME TAX EXPENSE

Recognized in the comprehensive income

In thousands of Egyptian Pound	2009	2008
Current tax expense		
Current year	540 850	542 967
Deferred tax assets		
Origination and reversal of temporary differences	(87 463)	(30 654)
Total income tax expense in comprehensive income	**453 387**	**512 313**

12. CURRENT TAX ASSETS AND LIABILITIES

The current tax asset of LE 145 812 K (2008 : 121 837 K) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments. The current tax liability of LE 136 073 K (2008 : 199 562 K) represents the amount of income taxes for items that will become taxable in future periods in respect of accelerated depreciation for assets and other assets.

13. PROPERTY, PLANT AND EQUIPMENT

In thousands of Egyptian Pound	Land & buildings	Machinery & equipment	Vehicles	Office furniture & fixtures	Tools & other equipment	Under construction	Total
Cost							
Balance at 1 January 2008	19 499 211	18 064 734	134 447	1 313 158	55 452	649 992	39 716 994
Adjustments to the opening balance	(2 453)	(20 399)	-	(688)	-	-	(23 540)
Reclassification	-	1 220	-	(1 220)	-	-	-
Acquisitions	203 795	508 151	11 992	171 152	1 155	1 072 697	1 968 942
Disposals	(93)	(180 399)	(2 557)	(2 257)	(295)	(791 441)	(977 042)
Effect of movements in foreign exchange	-	64	-	(9)	-	-	55
Balance at 31 December 2008	**19 700 460**	**18 373 371**	**143 882**	**1 480 136**	**56 312**	**931 248**	**40 685 409**
Balance at 1 January 2009	19 700 460	18 373 371	143 882	1 480 136	56 312	931 248	40 685 409
Reclassification	(793)	(264 471)	-	265 264	-	-	-
Acquisitions	360 522	391 984	7 730	369 821	2 835	1 353 064	2 485 956
Disposals	(583)	(295 691)	(3 053)	(2 005)	(873)	(1 027 543)	(1 329 748)
Effect of movements in foreign exchange	-	(56)	1	(44)	-	-	(99)
Balance at 31 December 2009	**20 059 606**	**18 205 137**	**148 560**	**2 113 172**	**58 274**	**1 256 769**	**41 841 518**
Depreciation							
Balance at 1 January 2008	7 417 821	11 717 882	121 717	687 097	34 996	-	19 979 513
Reclassification	-	101	-	(101)	-	-	-
Depreciation charge for the year	936 799	1 499 344	11 008	212 079	5 027	-	2 664 257
Disposals	-	(166 663)	(2 001)	(2 125)	(263)	-	(171 052)
Effect of movements in foreign exchange	-	24	-	11	-	-	35
Balance at 31 December 2008	**8 354 620**	**13 050 688**	**130 724**	**896 961**	**39 760**	**-**	**22 472 753**
Balance at 1 January 2009	8 354 620	13 050 688	130 724	896 961	39 760	-	22 472 753
Reclassification	(198)	(140 237)	-	140 435	-	-	-
Depreciation charge for the year	930 945	1 324 466	11 285	346 585	4 905	-	2 618 186
Disposals	(131)	(280 031)	(2 772)	(1 995)	(840)	-	(285 769)
Effect of movements in foreign exchange	-	(29)	-	(14)	-	-	(43)
Balance at 31 December 2009	**9 285 236**	**13 954 857**	**139 237**	**1 381 972**	**43 825**	**-**	**24 805 127**
Carrying amounts							
At 1 January 2008	12 081 390	6 346 852	12 730	626 061	20 456	649 992	19 737 481
At 31 December 2008	**11 345 840**	**5 322 683**	**13 158**	**583 175**	**16 552**	**931 248**	**18 212 656**
At 1 January 2009	11 345 840	5 322 683	13 158	583 175	16 552	931 248	18 212 656
At 31 December 2009	**10 774 370**	**4 250 280**	**9 323**	**731 200**	**14 449**	**1 256 769**	**17 036 391**

Fully depreciated property, plant and equipment (PPE)

PPE cost includes LE 8 117 million relating to fully depreciated PPE that are still in use.

Leased equipment and vehicles

The Group leases equipment and vehicles under a number of finance lease agreements. At the end of each of the leases, the Group has the option to purchase the equipment and vehicles at a preferential price. At 31 December 2009, the net carrying amount of leased equipment and vehicles was LE 31 575 k (2008 : LE 56 539 k).

Depreciation

The depreciation charge is recognized in the following line items in the profit or loss :

In thousands of Egyptian Pound	2009	2008
Operating cost	2 355 105	2 475 353
Selling & distribution expenses	6 742	4 939
Administrative expenses	256 339	183 965
	2 618 186	**2 664 257**

14. INTANGIBLE ASSETS

In thousands of Egyptian Pound	Land usufruct	Right of way	Internet service license	Right of using ROU	Total
Cost					
Balance at 1 January 2008	1	330 193	20 181	136 682	487 057
Adjustments	-	(1 095)	-	-	(1 095)
Acquisitions	-	-	-	8 735	8 735
Disposals	-	(22 252)	-	-	(22 252)
Effects of movements in foreign exchange	-	-	1	12	13
Balance at 31 December 2008	**1**	**306 846**	**20 182**	**145 429**	**472 458**
Balance at 1 January 2009	1	306 846	20 182	145 429	472 458
Disposals	-	(2 128)	-	-	(2 128)
Effects of movements in foreign exchange	-	-	(3)	(10)	(13)
Balance at 31 December 2009	**1**	**304 718**	**20 179**	**145 419**	**470 317**
Amortization					
Balance at 1 January 2008	-	198 552	20 054	44 729	263 335
Amortization for the year	-	24 234	20	7 422	31 676
Accumulated amortization for disposals	-	(8 598)	-	-	(8 598)
Impairment loss for other assets	-	-	-	31 054	31 054
Balance at 31 December 2008	**-**	**214 188**	**20 074**	**83 205**	**317 467**
Balance at 1 January 2009	-	214 188	20 074	83 205	317 467
Amortization for the year	-	18 943	20	5 111	24 074
Accumulated amortization for disposals	-	(1 257)	-	-	(1 257)
Impairment loss for other assets	-	-	-	1 838	1 838
Effects of movements in foreign exchange	-	-	(2)	(3)	(5)
Balance at 31 December 2009	**-**	**231 874**	**20 092**	**90 151**	**342 117**
Carrying amounts					
At 1 January 2008	**1**	**131 641**	**127**	**91 953**	**223 722**
At 31 December 2008	**1**	**92 658**	**108**	**62 224**	**154 991**
Carrying amounts					
At 1 January 2009	**1**	**92 658**	**108**	**62 224**	**154 991**
At 31 December 2009	**1**	**72 844**	**87**	**55 268**	**128 200**

Land usufruct

The Company has indefinite rights to use 826 plots of land; these plots of land were designated to the Company, by presidential and ministerial decrees, for use in specific purposes. These rights were valued at notional amount of LE 1 per plot of land.

Amortization charge

The amortization charge is recognized in the following line items in the profit or loss:

In thousands of Egyptian Pound	Note No.	2009	2008
Operating cost	(4)	24 074	31 676
Other operating cost		1 838	31 054
		25 912	**62 730**

15. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

the group has the following investment in associates:

In thousands of Egyptian Pound	Ownership		Carrying amount	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Vodafone Egypt. (SAE)	44.95%	44.95%	7 400 613	6 791 597
Wataneya for Telecommunication	50.00%	50.00%	125	125
Consortium Algerien de Tele - communications (CAT)	33.00%	33.00%	-	-
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	-	-
Egypt Trust	35.71%	35.71%	2 776	1 498
Technology Development Fund Company	46.15%	46.15%	60 772	60 000
Total			**7 464 286**	**6 853 220**

- Investment in Consortium Algerien de Telecommunications (CAT) amounting to LE 133 K is shown a nil balance as the Company realised a net loss that exceeds the carrying amount of this investment.

- Investment in International Telecommunication Consortium Limited. (ITCL) amounting to LE 54 K is shown a nil balance as it was totally impaired.

Investment in Vodafone – Egypt

- The investments in Vodafone Egypt as of 31/12/2009 reflects the ownership of 107 869 799 shares representing 44.95 % of Vodafone Egypt shares.

Summary financial information on material investment in equity accounted investees - 100 percent:

In thousands of Egyptian Pound	Assets	Liabilities	Equity	Revenues	Profit/(Loss)
31-12-2008:					
Vodafone Egypt	13 944 000	9 535 000	4 409 000	11 577 000	2 636 000
Technology Development Fund Company	133 303	856	132 447	2 583	1 674
	14 077 303	**9 535 856**	**4 541 447**	**11 579 583**	**2 637 674**
31-12-2009:					
Vodafone Egypt	13 101 000	7 442 000	5 659 000	11 992 000	3 000 000
Technology Development Fund Company	133 594	441	133 153	1 182	707
	13 234 594	**7 442 441**	**5 792 153**	**11 993 182**	**3 000 707**

16. AVAILABLE FOR SALE INVESTMENTS

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Equity securities available -for -sale – Foreign	19 869	19 869
Equity securities available- for -sale – Local	13 811	14 386
	33 680	**34 255**

17. DEFERRED TAX ASSETS / (LIABILITIES)

Recognized deferred tax assets / (liabilities)

Deferred tax assets / (liabilities) are attributable to the following:

In thousands of Egyptian Pound	Assets		Liabilities	
	31 /12/ 2009	31 /12/ 2008	31 /12/ 2009	31 /12/ 2008
Property, plant and equipment	-	-	(134 007)	(196 887)
Intangible assets	-	-	(2 066)	(2 675)
Inventories	6 807	4 999	-	-
Trade & other receivables	53 027	36 055	-	-
Provisions	52 234	46 233	-	-
Accrued liabilities	33 744	34 550	-	-
Total deferred tax assets (liabilities)	**145 812**	**121 837**	**(136 073)**	**(199 562)**

18. INVENTORIES

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Spare parts, supplies and cables	406 433	456 796
Telephone sets and directories	7 540	16 219
	413 973	**473 015**

19. OTHER INVESTMENTS - HELD FOR TRADING

Investments held for trading amounted to LE 101 103 K represented in the following:

In thousands of Egyptian Pound	31/12/2009	31/12/2008
TE Data a Subsidiary Company		
Value of 374 234 units of Commercial International Bank Investment Fund - Osoul Fund with price LE 148.38 for each unit at financial position date. (77 889 units with price LE 136.86 for each unit for 2008).	55 529	10 660
Value of 352 379 units of the National Societe General Bank Investment Fund with price LE 129.654 for each unit at financial position date. (91 771 units with price LE 119.864 for each unit for 2008).	45 780	11 000
Value of 396 362 units of Banque Misr Investment Fund day by day with price LE 15.654 for each unit at financial position date. (8 548 341 units with price LE 14.456 for each unit for 2008).	6 204	123 577
The Egyptian Telecommunication Company for Information Systems (Xceed) a subsidiary company		
Value of 9 067 units of Commercial International Bank Investment Fund - Osoul Fund with price LE 148.38 for each unit at financial position date. (9 067 units with price LE 136.86 for each unit for 2008).	1 345	1 241
	108 858	**146 478**

20. TRADE AND OTHER RECEIVABLES

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Trade receivables due from associates (equity accounted investees)	180 910	175 713
Other trade and notes receivable:		
Governmental sector	174 081	252 864
Private sector	1 536 307	1 611 071
Foreign telecommunication operators	927 428	925 324
Notes receivables	1 946	368
	2 820 672	**2 965 340**
Other receivables and pre-payments:		
Advance payments to suppliers	46 757	63 521
Deposits with others	10 821	15 650
National Telecommunication Regulatory Authority (NTRA)	200 000	606 000
Payments on the account of corporate tax	285 996	285 996
Sales Tax Authority - advances	523 279	428 819
Consortium Algerian de Telecommunication (CAT)	-	-
Other receivables	467 575	488 118
	4 355 100	**4 853 444**

Trade and other receivables are shown net of allowance for impairment. Management determines the adequacy of the impairment based upon reviews of individual customer, current economic conditions, past experience and other pertinent factors.

- National Telecommunication Regulatory Authority (NTRA)

The amount due from (NTRA) for the license fees paid to the said Authority in respect of third operator after wiener of the license.

- Consortium Algerien Telecommunication (CAT)

Telecom Egypt financed Consortium Algerien Telecommunication (CAT), where Telecom Egypt participation is 50% (Direct & Indirect), by an amount of LE 453 902 K. As CAT faces financial difficulties and sustains significant losses, it is highly probable that the company's tangible & intangible assets will not be recovered; also CAT Extraordinary General Assembly Meeting held on 1/7/2009 approved the dissolution and liquidation of the company. In the light of these circumstances, there is high probability that Telecom Egypt will not be able to recover the finance provided to CAT and hence an impairment was recognized in profit or loss for the full amount of LE 453 902 K, including LE 7 135 K for year 2009.

21. CASH AND CASH EQUIVALENTS

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Bank balances	241 628	339 915
Time deposits	2 089 663	2 233 896
Cash on hand	5 637	7 768
Cheques under collection	6 961	6 282
	2 343 889	**2 587 861**
Cheques under collection	(6 961)	(6 282)
Blocked time deposits	(4 115)	(4 469)
Cash and cash equivalents in the statement of cash flows	2 332 813	2 577 110

22. CAPITAL AND RESERVES

Share capital

The authorized share capital comprised 171 121 490 ordinary shares, ordinary shares have a par value of LE 100. The share capital had been settled by in kind contribution by the Egyptian Government, the sole owner of the shares.

On September 21, 2005 the extraordinary meeting of the shareholders resolved the decrease of the issued share capital by a net amount of LE 41 433 K and to decrease the par value per share from LE 100 to LE 10. Accordingly, the company's issued capital become LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

The Egyptian Government owns 80% after floating 20% of company's shares in public offering in December 2005.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Other reserve

Other reserve represents profits set aside based on the resolutions of the General Shareholders Meeting, the reserve includes LE 18 110 k representing capital gains realized on disposal of property, plant and equipment. The reserve, excluding the capital gains, is distributable.

Dividends

After the financial position date the following dividends were proposed by the board of directors for 2009 and approved by the General Shareholders Meeting on 31 March 2010. The dividends have not provided for and there are no income taxes consequences.

In thousands of Egyptian Pound	31/12/2009	31/12/2008
LE 0.75 per qualifying ordinary share for 2009	1 280 304	2 219 193
	1 280 304	**2 219 193**

23. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of LE 2 911 567 k (31 December 2008 : LE 2 447 856 k) and a number of ordinary shares outstanding during the year ended 31 December 2009 of 1 707 071 600 (31 December 2008 : 1 707 071 600), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Profit for the year	2 916 921	2 453 568
Profit attributable to ordinary shareholders	**2 911 567**	**2 447 856**

Number of ordinary shares

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 31 December	**1 707 072**	**1 707 072**

24. INTEREST - BEARING LOANS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to foreign currency risk and interest rate, see note 28 (iii), (v).

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Non-current liabilities		
Unsecured bank loans:		
Local banks	95	197 637
Governmental loans	350 180	453 444
Foreign loans	507 582	575 098
Finance lease liabilities	14 648	36 543
	872 505	**1 262 722**
Current liabilities		
Short-term loans	6 678	6 602
Current portion of unsecured bank loans:		
Local banks	42	905 042
Governmental loans	102 025	100 105
Foreign loans	76 365	104 338
Current portion of finance lease liabilities	21 872	27 796
Foreign suppliers facilities	625	3 296
	207 607	**1 147 179**

Security

Foreign suppliers facilities include an amount of LE 637 K secured by letters of guarantee issued in favor of the suppliers.

Repayment

In thousands of Egyptian Pound	Loan Currency	Effective Interest Rate	Total	12 months or less	1-2 years	3-5 years	More than 5 years
Car loan - subsidiary	LE	7%	137	42	42	53	-
Total local loans			**137**	**42**	**42**	**53**	**-**
Telecom Egypt – the parent:							
Governmental Loans	U.S.$	4%	441 632	97 146	74 413	182 376	87 697
Governmental Loans	EURO	4 – 6.37%	10 573	4 879	3 057	2 637	-
Total Governmental loans			**452 205**	**102 025**	**77 470**	**185 013**	**87 697**
Foreign loans	J.Y	3 – 3.5%	9 689	8 119	1 047	523	-
Foreign loans	EURO	0.75 - 6%	574 258	68 246	58 253	148 302	299 457
Total foreign loans			**583 947**	**76 365**	**59 300**	**148 825**	**299 457**
Foreign suppliers' facilities - foreign	EURO	5.50%	625	625	-	-	-
Total foreign suppliers' facilities			**625**	**625**	**-**	**-**	**-**
			1 036 914	**179 057**	**136 812**	**333 891**	**387 154**

- The available unused balance of foreign loans and facilities at 31/12/2009 amounted to 18 739 K.

Finance lease liabilities

Finance lease liabilities are payable as follows:

In thousands of Egyptian Pound	Minimum lease payments 31-12-2009	Interest 31-12-2009	Principal 31-12-2009	Minimum lease payments 31-12-2008	Interest 31-12-2008	Principal 31-12-2008
Less than one year	24 938	3 066	21 872	34 134	6 338	27 796
Between one and two years	9 373	1 306	8 067	25 032	3 065	21 967
Between three and five years	6 936	355	6 581	16 231	1 655	14 576
	41 247	**4 727**	**36 520**	**75 397**	**11 058**	**64 339**

Under the terms of the lease agreements, no contingent rentals are payable.

25. BONDS

- In February 2005, the Company issued 20 million nominal marketable bonds non-convertible into shares at a par value of LE 100 each for period of (5) years. These bonds were offered for public subscription and issued in two tranches as follows:

1- The first tranche represents 50% of the bonds at a fixed annual interest equal 10.95% to be paid quarterly.

2- The second tranche represents the other 50% of the bonds at a variable annual interest equal 0.7% plus the discount rate of the Central Bank of Egypt to be paid quarterly.

These bonds were used for partial settlement of long-term loans and bank overdraft accounts in local currency.

The Company accelerated the payment of the bonds' loan and the last installment was paid on 25/11/2009.

26. TRADE AND OTHER PAYABLES

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Trade payables:		
Local suppliers	157 296	204 989
Notes payable	1 938	10 847
	159 234	**215 836**
Other payables:		
Income tax	127 934	179 818
Current income tax for the year	540 299	542 967
Deposits from others	756 672	754 254
PPE creditors	243 744	271 904
Customers advances	330 547	297 095
Accrued expenses	516 135	589 477
Other credit balances	1 048 002	777 394
	3 722 567	**3 628 745**

27. PROVISIONS

	31 December 2009				31 December 2008			
In thousands of Egyptian Pound	Taxes	Claims	Warranties	Total	Taxes	Claims	Warranties	Total
Balance at 1 January	286 997	21 424	200	308 621	304 957	19 425	-	324 382
Provision formed	29 665	215	193	30 073	849	1 999	200	3 048
Provision used	(84)	(230)	(11)	(325)	(11 185)	-	-	(11 185)
Provision reversed	(7)	-	-	(7)	(7 624)	-	-	(7 624)
Reclassification	-	2 581	-	2 581	-	-	-	-
Balance at end of the year	**316 571**	**23 990**	**382**	**340 943**	**286 997**	**21 424**	**200**	**308 621**

As at December 31, 2009 provisions are mainly related to taxes, lawsuits, and expected social insurance claim in respect of contracts concluded with suppliers.

28. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise of cash and cash equivalents, investments held for trading, available for sale investments, borrowings, finance lease obligations and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables which arise directly from operations.

The Group does not enter into derivative transactions for the purpose of trading or hedging exposure to fluctuations in the foreign exchange rates or interest rates.

The main risks arising from the Group's operations are credit risk, liquidity risk, foreign currency risk and interest rate risk

(i) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In thousands of Egyptian Pound	Note No.	31/12/2009 LE (000)	31/12/2008 LE (000)
Available for sale investments	(16)	33 680	34 255
Trade and other receivables	(20)	4 355 100	4 853 444
Cash at banks	(21)	2 338 351	2 580 416
		6 727 131	**7 468 115**

The following table shows the movement in the allowance for impairment of trade and other receivables

	2009	2008
At January 1	1 483 224	1 225 480
Exchange differences	(32)	43
Additions (allowances recognized as an expense)	311 748	412 146
Used	(4 175)	(154 400)
Reversal	(44)	(45)
Reclassifications	(2 581)	-
At December 31,	**1 788 140**	**1 483 224**

(ii) Liquidity risk

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount LE (000)	One year or less LE (000)	From 1-2 years LE (000)	From 3-5 years LE (000)	More than five years LE (000)
December 31, 2009					
Trade and other payables	3 722 523	3 722 523	-	-	-
Other payables	56 610	-	-	-	56 610
Borrowings	1 080 112	207 607	144 879	340 472	387 154
Bond loan	-	-	-	-	-
	4 859 245	**3 930 130**	**144 879**	**340 472**	**443 764**
December 31, 2008					
Trade and other payables	3 628 745	3 628 745	-	-	-
Other payables	62 718	-	-	1 870	60 848
Borrowings	2 409 901	1 147 179	397 319	406 277	459 126
Bond loan	800 000	400 000	400 000	-	-
	6 901 364	**5 175 924**	**797 319**	**408 147**	**519 974**

(iii) Foreign currency risk

The group's exposure to foreign currency risk was as follows based on notional amount :

Details	LE (000)	US Dollars (000)	LE (000)	Sterling Pound (000)	LE (000)	Euro (000)	LE (000)	Japanese Yen (000)	Other Currencies LE (000)	Total LE (000)
31/12/2009										
Receivables	967 517	176 072	-	-	231	29	-	-	5 469	973 217
Accrued interest - deposits	43	8	-	-	324	41	-	-	-	367
Other debit accounts	7 482	1 361	-	-	3 369	426	-	-	6 151	17 002
Cash on hand & at banks	261 041	47 504	2 656	300	452 764	57 285	-	-	20 138	736 599
Total assets	**1 236 083**	**224 945**	**2 656**	**300**	**456 688**	**57 781**	**-**	**-**	**31 758**	**1 727 185**
Suppliers and notes payable	56 864	10 347	-	-	578	73	-	-	-	57 442
Creditors & other credit balances	51 043	9 289	44	5	42 074	5 323	-	-	15 982	109 143
Banks overdraft	-	-	-	-	-	-	-	-	-	-
Foreign loans & facilities	441 632	80 370	-	-	585 456	74 074	9 689	162 564	-	1 036 777
Total liabilities	**549 539**	**100 006**	**44**	**5**	**628 108**	**79 470**	**9 689**	**162 564**	**15 982**	**1 203 362**
Risk surplus (deficit)	**686 544**	**124 939**	**2 612**	**295**	**(171 420)**	**(21 689)**	**(9 689)**	**(162 564)**	**15 776**	**523 823**
31/12/2008										
Receivables	935 908	169 779	-	-	5 983	769	-	-	3 435	945 326
Accrued interest - deposits	1 812	329	-	-	6 213	799	-	-	-	8 025
Other Debit accounts	281	50	-	-	-	-	-	-	1 260	1 541
Cash on hand & at banks	879 088	159 471	2 389	300	463 643	59 608	-	-	21 523	1 366 643
Total assets	**1 817 089**	**329 629**	**2 389**	**300**	**475 839**	**61 176**	**-**	**-**	**26 218**	**2 321 535**
Suppliers and notes payable	37 170	6 743	-	-	224	29	-	-	578	37 972
Creditors & other credit accounts	49 933	9 058	69	8	69 225	8 900	-	-	16 223	135 450
Banks overdraft	-	-	323	40	-	-	-	-	-	323
Foreign loans & facilities	536 746	97 369	-	-	662 716	85 202	36 820	600 817	-	1 236 282
Total liabilities	**623 849**	**113 170**	**392**	**48**	**732 165**	**94 131**	**36 820**	**600 817**	**16 801**	**1 410 027**
Risk surplus (deficit)	**1 193 240**	**216 459**	**1 997**	**252**	**(256 326)**	**(32 955)**	**(36 820)**	**(600 817)**	**9 417**	**911 508**

The exchange rates applied in relation to the L.E. are as follows:

	Average for year ended December 31,		Closing rate as of December 31,	
	2009	**2008**	**2009**	**2008**
United States Dollar (US$)	5.5508	5.4565	5.495	5.5125
Euro	7.8304	8.1049	7.9037	7.7782
Sterling Pound	8.6299	10.0561	8.8455	7.9802
Japanese Yen	0.0598	0.0531	0.0596	0.0613

(iv) Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of 31 December 2009 would have increased profit by the amounts LE 52 382 K (LE 91 151K as of December 31, 2008). This analysis is based on foreign currency exchange rate variance that the group considered to be reasonably possible at the end of reporting period this analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

A 10% weakening of the foreign currencies against the EGP at 31 December 2009 would have had the equal but opposite effect on the foreign currencies to the amounts shown above, on the basis that all other variables remain constant.

(v) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Fixed rate instruments		
Financial assets – deposits	2 089 663	2 233 896
Financial liabilities (Interest-bearing loans, borrowings and bonds)	1 036 914	1 707 401
	3 126 577	**3 941 297**
Variable rate instruments		
Financial liabilities (Vodafone loan)	-	1 102 500
Financial liabilities (bonds)	-	400 000
	-	**1 502 500**

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties on an arm's length basis.

Except of the investments in Vodafone Egypt, and Consortium Algerien de Telecommunications (CAT) which are accounted for using the equity method of accounting, the carrying values of the Group's other financial instruments approximate their fair values.

Estimation of fair values
The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Securities
Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs except for investments in Vodafone Egypt, Consortium Algerien de Telecommunications (CAT) and Egypt Trust which were accounted for using the equity method of accounting.

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities
The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Receivables / payables
For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Interest rates used for determining fair value.
The entity uses the government yield curve as of December 31, 2009 plus an adequate constant credit spread to discount financial instruments. The discount rate for minimum lease liabilities and receivables is 14%.

30. CAPITAL COMMITMENTS

The Group's capital commitments for unexecuted portions of contracts as of 31 December 2009 amounted to LE 112,12 million includes LE 7.95 million payments of uncalled share capital investments and LE 78.08 million for the acquisition of non-controlling interest in a subsidiary company which was paid during January 2010 (2008: LE 102 million includes LE 10.45 million payments of uncalled share capital investments). These commitments are expected to be settled in the following financial year except uncalled installments of investees' share capital which will be settled when requested by the directors of the investees.

31. CONTINGENCIES

In thousands of Egyptian Pound	31/12/2009	31/12/2008
Letters of guarantee issued by banks on behalf of the Group	73 260	63 789
Letters of credit	135 484	191 722

32. RELATED PARTIES

Identity of related parties

The Group has a relationship with its associate Vodafone Egypt and Consortium Algerian de Telecommunications (CAT).

Transaction with Associates and unconsolidated subsidiaries

During the year ended 31 December 2009, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 396 318 k and transmission, international calls, lease of company's premises in favor of the group LE 971 482 k and the balance due from Vodafone Egypt at 31 December 2009 amounted to LE 180 910 k (note 20).

Balance due from Consortium Algerian de Telecommunications (CAT) at 31 December 2009 amounted to LE 453 902 k (note 17) including foreign currency translation difference of LE 7 135 k for the year ended 31 December 2009.

33. GROUP ENTITIES

Control of the Group

The Group's ultimate parent company is Telecom Egypt.

Subsidiaries	Country of incorporation	Ownership Interest 31 December 2009	31 December 2008
Middle East Radio Communication (MERC)-(Direct & Indirect)	Egypt	50.90	50.90
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	97.66	97.66
T. E. Data	Egypt	95.04	95.04
Centra Technologies	Egypt	58.76	58.76
* Centra Industries - Indirect ownership	Egypt	58.63	58.63
* Centra Distribution – Indirect ownership	Egypt	58.74	58.74
** T.E Data Jordan - Indirect ownership	Jordan	95.04	95.04
*** Xceed Middle East FZ – LLC – Indirect ownership	UAE	97.66	97.66
*** Xceed Customer Care Maroc	Morocco	97.66	97.66
Telecom Egypt France	France	100.00	100.00
TE Investment Holding- Direct & Indirect ownership	Egypt	99.95	-

* Centra Technologies participate in Centra Industries & Centra Distribution - subsidiaries - with 99.78%, 99.98% respectively of its share capital.

** TE Data Jordan - a fully owned subsidiary by TE Data Company.

*** Both Xceed Middle East and Xceed Customer Care Maroc - are fully owned subsidiaries by The Egyptian Telecommunication Company for Information Systems (Xceed).

34. INTERCONNECT AGREEMENT WITH MOBILE COMPANIES

Telecom Egypt filed a complaint with the Dispute Resolution Board of the National Telecommunication Regulatory Authority (NTRA) for the purpose of changing interconnects rates with the mobile operators. The NTRA issued a ruling on the dispute on September 3, 2008 by changing the interconnect rate between the fixed and mobile operators. However, Mobinil objected to the administrative decision issued by the NTRA and filed a lawsuit before the Administrative Court at the State Council on November 1, 2008 against the NTRA requesting the cessation and nullification of the NTRA's decision in addition to the cancellation of all the consequent effects of the said decision. Also, Vodafone – Egypt filed a lawsuit before the Administrative Court against the NTRA and Telecom Egypt requesting the cessation and nullification of the NTRA's administrative decision, the urgent request for ceasing the decision was rejected for both objections.

Telecom Egypt and its external Legal Counsel are of the opinion that the appeals against the NTRA's administrative decision are more likely than not to be rejected since the decision is based on a sound law reference and the appeals against the decision does not affect, in any way, its enforceability hence non-compliance with the NTRA's decision is against the law.

The amount in dispute between Telecom Egypt and the mobile operators in relation to the said dispute during the period from September 3, 2008 to December 31, 2009, as calculated by Telecom Egypt, is LE 426 637 234 in favor of Telecom Egypt out of which an amount of LE 298 406 719 is relating to the current year. Telecom Egypt recognized revenues and costs of the interconnect services between the company and the mobile operators according to the administrative decision issued by the NTRA.

In September 2009, Mobinil filed arbitration claim number 644 for 2009 against the company for the purposes of reviewing the amounts and requesting that the rates in the agreement which expires on April 17, 2013 be applied. In October 2009, Telecom Egypt filed a counter claim against Mobinil; also the company filed arbitration claim number 650 for 2009 against Vodafone for the purposes of reviewing the amounts in light of the prevailing agreement and the provisions of the Communications Law. These arbitrations claims are still in the early stages; however, Telecom Egypt's external Legal Counsel in the view that Mobinil claim lacks merit and TE has a good arguable case in the counter claim against Mobinil and the arbitration case filed against Vodafone.

Glossary

ADSL: Asymmetric Digital Subscriber Line; a new technology that provides high transmission speeds for video and voice to homes over ordinary copper telephone wire.

Annual General Shareholder's Assembly: This is required to be held each year, within three months from the end of the financial year, in order to approve annual financial statements.

ARENTO: Arab Republic of National Telephone Organization

ARPU: Average Revenue per User; A measure of the revenue generated per user or unit. This measure allows for the analysis of companies' revenue generation and growth at the per unit level, which can identify which products are high or low revenue-generators. (ARPU = Total Revenue / Average number of subscribers during the year).

Balance sheet: A financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. The balance sheet gives investors an idea of what the company owns and owes, as well as the amount invested by the shareholders.

BPO: Business process outsourcing is a form of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or processes) to a third-party service provider.

CAGR: Compound Annual Growth Rate. The year-on-year growth rate of an investment over a specified period of time.

Capex: Capital Expenditure. Investments in tangible and intangible assets, this type of outlay is made by companies to maintain or increase the scope of their operations. Also called capital spending or capital expense.

Cash Flow: Is a term that refers to the amount of cash being received and spent by a business during a defined period of time.

Customer Centricity: Comprehensive customer orientation - i.e. refers to the orientation of a company to the needs and behaviors of its customers, rather than internal drivers. The opposite would be product centricity, where a company focuses primarily on its products

CYTA: Cyprus Telecommunications Authority; established by Cyprus law as a corporate body responsible for the provision of telecommunications facilities, both nationally and internationally.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization; it can be used to evaluate a company's profitability. EBITDA = Operating Revenues - Expenses (excluding Interest, tax, depreciation, and amortization)

EBITDA Margin: EBITDA/ Operating Revenues

EGP: Egyptian Pound

EGX (The Egyptian Exchanges): Egypt's Stock Exchange is comprised of two exchanges, Cairo and Alexandria, both of which are governed by the same board of directors and share the same trading, clearing and settlement systems.

EIG (Europe India Gateway): A new cable system designed to meet the needs of modern telecommunications companies. it will connect 13 countries and three continents. Landings are planned in the United Kingdom, Portugal, Gibraltar, Morocco, Monaco, France, Libya, Egypt, Saudi Arabia, Djibouti, Oman, United Arab Emirates, and India.

EPS: Earnings per Share the portion of a company's profit allocated to each outstanding share of common stock.

Free Cash Flow: Free Cash Flow = Net Income + (Depreciation / Amortization) - changes in working capital - capital expenditures. It can also be calculated by taking operating cash flow and subtracting capital expenditures.

GDR: Global Depositary Receipt; Negotiable certificate issued by one country's bank against a certain number of shares held in its custody but traded on the stock exchange of another country. GDRs entitle the shareholders to all associated dividends and capital gains, and can be bought and sold like other securities.

GDP: Gross Domestic Product; one of the ways for measuring the size of the economy . GDP is defined as the total of all final goods and services produced within a given country in a given period of time (usually a calendar year).

GSM: Global System for Mobile Communications; is the most popular standard for mobile phones in the world.

IAOP: The International Association of Outsourcing Professionals; brings together the world's leading outsourcing customers, providers and advisors in a powerful, active and growing global association to exchange thought leadership, share best practices and network to maximize their effectiveness using outsourcing as a management tool

IFRS: International Financial Reporting Standards; are new standards and interpretations adopted by the International Accounting Standards Board (IASB), introduced as of 1 January 2005.

IMEWE: (India Middle East-Western Europe) submarine cable is an ultra high capacity fiber optic submarine cable system which links India and Europe via Middle East.

IN: Intelligent Network; is a network architecture intended for both fixed as well as mobile telecom networks.

Internet: Is a worldwide, publicly accessible series of interconnected computer networks that transmit data by packet switching using the standard Internet Protocol (IP).

IP: Internet Protocol; is a data-oriented protocol used for communicating data across a packet-switched internetwork.

IP Telephony: Internet Protocol telephony; a general term for the technologies that use the Internet Protocol's packet-switched connections to exchange voice, fax, and other forms of information that have traditionally been carried over the dedicated circuit-switched connections of the public switched telephone network (PSTN).

IPTV: Internet Protocol television; is a system through which internet television services are delivered using the architecture and networking methods of the Internet Protocol Suite over a packet-switched network infrastructure.

IP VPN: Internet Protocol Virtual Private Network

ISDN: Integrated Services Digital Network; is a circuit-switched telephone network system, designed to allow digital transmission of voice and data over ordinary telephone copper wires, resulting in better voice quality than an analog phone.

ISP: Internet Service Provider; is a business or organization that provides consumers or businesses access to the Internet and related services.

KPMG: A global network of professional firms providing Audit, Tax and Advisory services. KPMG has 140,000 outstanding professionals working together to deliver value in 146 countries worldwide.

LSE: London Stock Exchange; is a stock exchange located in London, England, United Kingdom, It is one of the largest stock exchanges in the world, with many overseas listings as well as British companies.

MCIT: Egyptian Ministry of Communication and Information Technology

MENA: Middle East and North Africa

NTRA: Egyptian National Telecommunications Regulatory Authority

PCCW Global: A subsidiary of Hong Kong's premier telecommunications provider PCCW Limited, serves the voice and data needs of multinational enterprises and telecommunication service providers.

POP: Post Office Protocol (POP); is an application-layer Internet standard protocol used by local e-mail clients to retrieve e-mail from a remote server.

SEACOM: A privately funded venture which built, owns, and operates a submarine fiber-optic cable connecting communication carriers in south and east Africa.

SIM card: Subscriber Identity Module Card

Submarine cable system: Is a cable laid beneath the sea to carry telecommunications.

TATA: Is a multinational conglomerate company headquartered in Mumbai, India. Tata Group is the largest private corporate group in India and has been recognized as one of the most respected companies in the world. TATA has interests in steel, automobiles, information technology, communication, power, tea and hospitality.

Teledensity: Telecommunications penetration expressed as a percentage of population

Termination Rate: A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.

TRA: Telecommunication Regulatory Authority

Transit corridor: A broad geographic band that follows a general route alignment such as a roadway of rail right-of-way and includes a service area within that band that would be accessible to the transit system.

VAS: Value Added Services

VOIP: Voice Over Internet Protocol; is a protocol optimized for the transmission of voice through the Internet or other packet switched networks.

VSNL: Videsh Sanchar Nigam Limited; was formed as a Government of India-owned company in 1986. In 2008, VSNL was renamed as Tata Communications Limited.

YoY: Year on Year. A method of evaluating two or more measured events that compares the results of measurement at one time period with those from another time period (or series of time periods), on an annualized basis.

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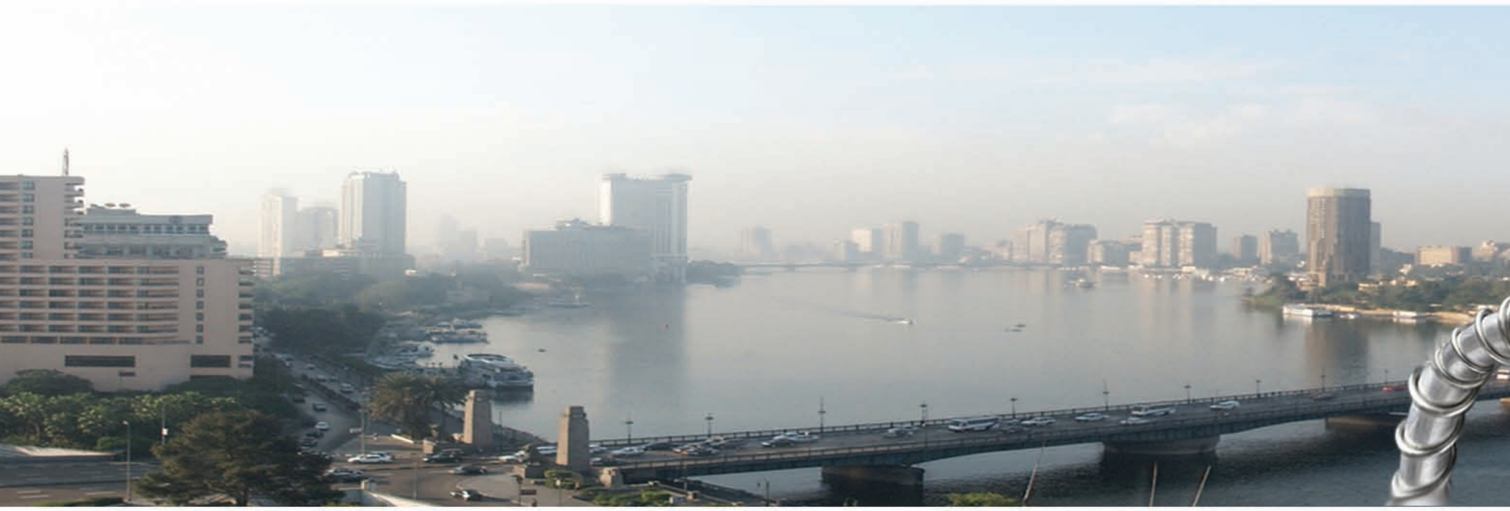

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