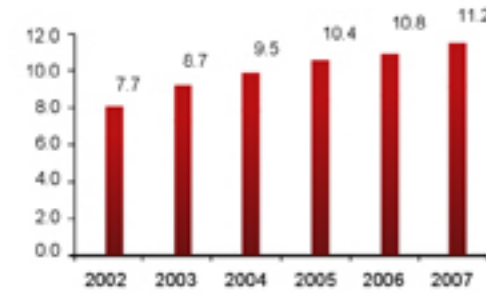




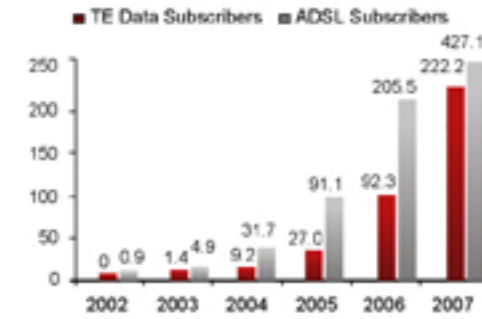


## Key Performance Indicators

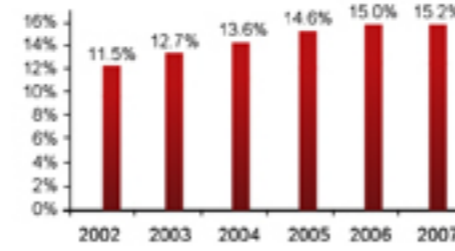
No. of Subscribers (Millions)



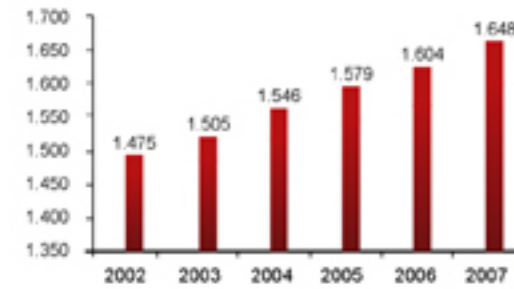
ADSL Subscribers (Thousands)



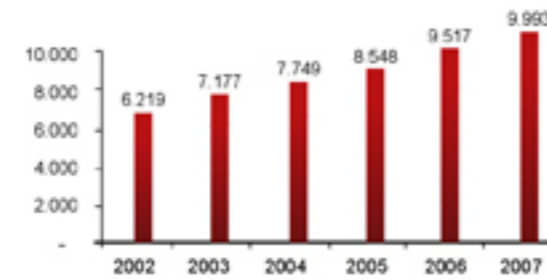
Teledensity



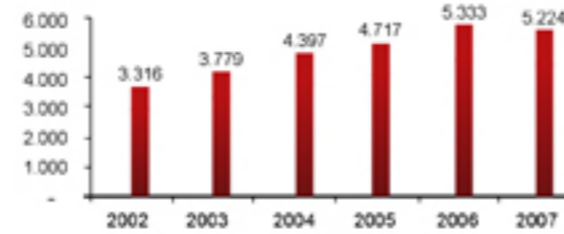
No. of Exchanges



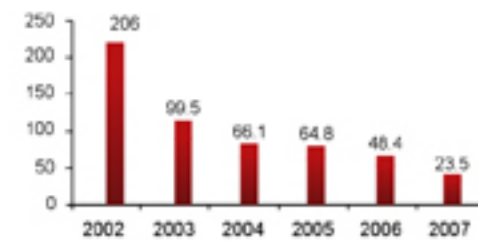
Revenue (EGP in Millions)



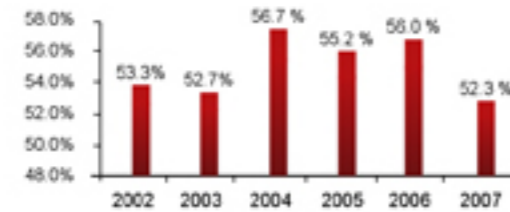
EBITDA (EGP in Millions)



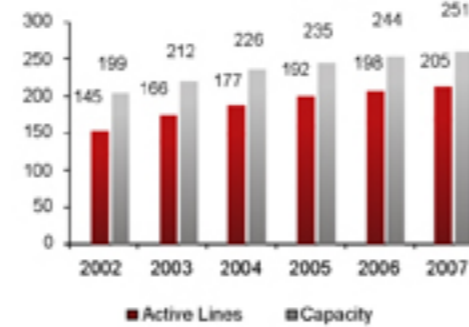
Waiting List (Thousands)



EBITDA Margin



Lines Per Employee



## Financial Highlights

## \* Financial Highlights

EGP in millions

	Dec-07	Dec-06	% Change
Sales Revenue	9,993	9,517	5.0%
EBITDA	5,227	5,411	-3.4%
EBITDA Margin	52.3%	56.9%	
EBIT	2,357	2,569	-8.3%
EBIT Margin	23.6%	27.0%	
Profit Before Taxes	2,901	2,913	-0.4%
Net Profit	2,381	2,442	-2.5%
Net Profit Margin	23.8%	25.7%	
Total Assets	34,266	35,548	-3.6%
Total Shareholders Equity	25,025	23,839	5.0%

Share Performance

Share Performance		
	2007	2006
Egyptian Government	80.00%	80.00%
Free Float	20.00%	20.00%
Key figures		
Number of Outstanding Shares	1,707,071,600	1,707,071,600
Earning per Share*	1.39	1.43
Dividends per Share	1.00	0.70
Dividends Yield	4.7%	4.9%
Extra Closing Prices		
Share Price on the last trading day (EGP)	21.09	14.22
Year High (EGP)	22.23	22.49
Year Low (EGP)	12.40	10.18
Market Capitalization on the last trading day (EGPmn)Shareholders Equity (EGPmn)*	36,002	24,275
Shareholders Equity (EGPmn)*	25,065	23,874

\* In accordance with the International Financial Reporting Standards (IFRS)



**Mr. Akil Beshir**  
Chairman

Telecom Egypt truly sits at the heart of Egypt's telecommunications market. However, 2007 has been a year of much change for our business. It is important to note that the sustained performance we bring to you in this report is being delivered in the context of a rapidly changing telecoms landscape in Egypt and that our team has shown great skill and expertise in continuously delivering characteristically strong results.

There are three pillars to our future strategy: optimising our state-of-the-art network, servicing the growing demand for broadband Internet and data services and leveraging our expertise as a profitable operator overseas.

Our fully modernised network is the backbone of our business and, with 11.2 million lines, we have one of the largest subscriber bases in the region. We still have excess capacity in our network and as Egypt's only fixed line network I believe that we have a significant opportunity to service the growing Egyptian telecommunications market.

Over the last five years we have recorded a compound annual growth rate of 7.7 per cent in terms of subscribers and 10 per cent in revenues. For the year under review, our revenues approached EGP 10 billion, a year-on-year rise of 5 per cent, achieved while maintaining our profitability.

2007 has been characterised by a change in our business model. Market liberalisation and increasing demands for mobile and internet services have combined to alter the composition of our revenue mix. As our top line growth of 5 per cent shows, this has been an opportunity for us to generate further income.

The competition for mobile subscribers has resulted in aggressive marketing from the mobile operators and our retail voice revenues have come under pressure. However, any retail revenue we lose to the mobile operators partially comes back to us through the investment income we derive from Vodafone Egypt and, secondly, through more demand for capacity from mobile operators to cater for the increased traffic.

For retail and wholesale customers alike, our service stands for value and quality. Reliability is a great asset and our infrastructure supports us well here.

The full year results provide a substantial demonstration of the success of our wholesale offering in particular. When domestic and international wholesale revenues are combined, they now account for a greater proportion of our total revenues versus last year. Over the last five years, we have seen a compound annual growth rate of 25 per cent in wholesale revenues and in 2007 these totalled EGP 3.5 billion.

I am confident that this trend will continue into 2008 and, at the time of writing, talks with other mobile operators regarding interconnection agreements and international gateway services provision are well underway. Our objective is to ensure that we make it economically attractive for international and local operators to stay with us long-term.

The combination of our unique geographical position and the capacity of our fully-digitalized infrastructure is compelling. For more than two decades TE's Transit Corridor, the terrestrial infrastructure linking the Red Sea to the Mediterranean Sea, has been the route of choice for all crossing submarine cable systems in this geography. We are building on this with our submarine cable project TE North for which 2007 was an important year of progress. Spanning more than 3,000 km TE North is one of the largest cable systems in the world in terms of density. The project will increase the service footprint of the existing TE Transit Corridor by building a private submarine cable system that links Sidi Krir in Egypt to Marseille in France to capture a portion of the non-serviced demand for IP traffic capacity from Asia and India into the West and vice versa. This will also lower the cost point for international bandwidth for TE and its subsidiaries. During 2007, we announced three contracts, pre-selling 25 per cent of the physical capacity to anchor customers. We have also made progress in selecting our partners for the build, working with world class operators, such as Alcatel-Lucent.

Through our internet subsidiary TE Data we are now a clear ADSL market leader and have captured more than half of the market for broadband Internet access, with more than 222 thousand ADSL subscribers, up 141 per cent on the same period last year.

While still a small component of our total revenues, our Internet offering comprised an increased proportion of our retail revenues during the period. Internet and data revenues rose 82 per cent from EGP 184 million to EGP 335 million for 2006 and 2007 respectively.

In a highly competitive market, Vodafone Egypt's offering continues to be compelling and management are executing well on their strategy. The Egyptian mobile market also continues to evolve at pace and our investment in Vodafone Egypt has delivered another strong income stream in 2007, contributing EGP 1.1 billion to our bottom line. Vodafone Egypt reports a financial year ending on 31 March, so for the nine months in review, Vodafone Egypt recorded net additions of 3.7 million subscribers, representing a growth of over 75 per cent relative to 2006. This has created a subscriber base of more than 13.3 million customers, a base comparable to our own, which generated a total of 16.3 billion minutes.

Our desire to expand outside of the domestic market remains intact and we continue to evaluate carefully opportunities for financial and strategic investments that draw upon our expertise.

The difficulties we have been facing in our Algerian joint venture have been a matter of public record which have led us to freeze all further investment into this operation. However, recent events would suggest that the regulatory position is seemingly changing in support of a liberal market and we are now in discussions as to how our presence in this market might continue and develop. I view this as an extremely encouraging development as we continue to believe in the market's potential.

Telecommunications brings many positive social, environmental and economic benefits for those who use them. For Telecom Egypt, corporate social responsibility is inextricably linked to the services we provide. We firmly believe that in addition to offering world-class services, Telecom Egypt must continue to be a responsible and active corporate citizen. Throughout 2007 we were proud to contribute to a diverse range of causes that impact daily life in Egypt, including healthcare, social programmes, education and culture.

We continue to be involved in both local and national programmes. In March 2007 we contributed 150 personal computers to the Heliopolis Services Development Society, which aims to provide resources and support for hospitals, libraries and education in Cairo. During 2007 summer, we financially supported the national 'Reading for All' campaign, which aims to increase literacy across all age groups and social groups. In May 2007 we were proud to sponsor the 6<sup>th</sup> Arab-African Business Women's Forum.

Telecom Egypt is particularly supportive of Egypt's healthcare infrastructure and in 2007 worked with the Children's Cancer Hospital-57357 and made donations to the Breast Cancer Foundation of Egypt (BCFE), the Ain-Shams Children's Hospital and a haemodialysis centre in Kalyoubia. We were also pleased to bear the construction costs for an organ transplant centre at Ain-Shams University.

Our performance during 2007 has indeed been positively affected by the Egyptian economy, which continues to be one of the fastest growing economies among emerging markets.

As a result the telecommunications market in Egypt continues to develop rapidly, and 2007 was a pivotal year for us. We have worked hard to ensure that the challenges facing our business are met head on but liberalisation of the telecommunications landscape in Egypt remains one of the biggest challenges we face as a company, and I am encouraged by the resilience we, as a company, are showing in adapting to a changing model.

We have started 2008 in excellent shape, both financially and operationally and are executing on our vision to be one of the regions most successful integrated telecommunications companies. TE continues to benefit from innovative and committed individuals across our organisation. To conclude, I would like to thank our employees, who have demonstrated continued commitment throughout the year, alongside our customers and shareholders for their ongoing loyalty.

Even with more than 150 years of operation behind us, I feel more confident than ever that the best is yet to come.

**We're committed** to meeting our customer's needs today without compromising the needs of tomorrow. Many people call this corporate responsibility, or sustainable development.

**At Telecom Egypt**, we think of it as common sense

## Board of Directors

**Akil Hamed Beshir**  
Chairman and CEO

Akil 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.

**Azza Mohamed Torky**  
Chairman of TE Data

Azza Torky was appointed a board member in 2000. She is currently the Chairman of TE Data, Telecom Egypt's Internet and Data subsidiary, prior to which she was the Vice Chairman for International Telecommunications and Backbone in Telecom Egypt from June 2000 to October 2006. In June 2000, New Services & Marketing were added to her responsibilities. 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. Torky holds a B.Sc. in Communications Engineering from Cairo University.

**Mokhtar Abdel Moneim Khattab**  
Economics and Privatisation Expert and Ex-minister of Public Enterprise

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

**Adel Rashad Danish**  
Chairman and CEO of Telecom Egypt Information Technology (Xceed)

Adel Danish was appointed a board member of Telecom Egypt in June 2000. He 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. Danish 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.

**Ahmed Bahaa El Din El Kassass**  
Chief of Staff of the Signal Corps

Ahmed El Kassas was appointed Chief of Staff of the Signal Corps in 2007. He holds a bachelor degree in the Military Sciences from the Military Academy, Egypt in 1974. El Kassass has held most of the positions of authority in the Signal Corps.

**Neveen Hamdy El Tahri**  
Chairperson of Delta Rasmala Securities, Delta Rasmala Asset Management, Delta Rasmala Investments and Delta Holding

Neveen El Tahri was appointed a board member in August 2006. She is currently the Country Representative of ABN AMRO Bank, Chairperson of Delta Rasmala Securities, Delta Rasmala Asset Management, Delta Rasmala Investments and Delta Holding. 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, 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.

**Tarek Mohamed Moharram**  
Attorney at Law- Senior Partner

Tarek Moharram was appointed a board member in August 2006. He is currently an Attorney at Law and has been a Senior Partner in Abdel Motaal, Moharram and Heiza Law Firm since 1994. Previously, he was the manager of Moharram Law Firm from 1986-1994. From 1977-1986 he occupied several positions at the Arab International Company for Hotels and Tourism until he became the General Manager of the legal department. He began his career as a junior lawyer at Shalakani Law Firm in 1976. He holds a License de Droit from Cairo University and graduated in 1974.

**Hesham Mekkawy**  
Chairman of British Petroleum Egypt

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

**Amr Abdel Kader Hashem**  
Minister Advisor for Communication Policies

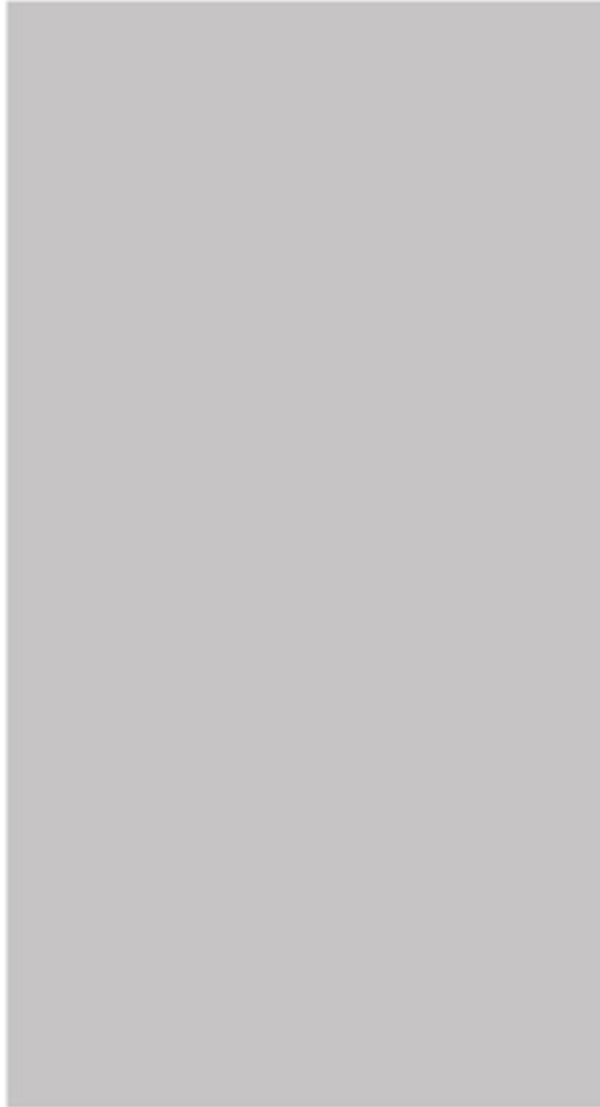
Amr Hashem was appointed board member in 2004. He is currently the Minister Advisor for Communication Policies for the Ministry of Communications & Information Technology (MCIT). He was appointed board member in both Technology Development Fund & Aviation IT Company in 2007. Previously, he was the Director of the Communications Policy Department of the (MCIT), prior to which he was the manager of the Communications Policy Unit from 1999. From 1994-1999 he worked as a senior Communications Engineer for the Cabinet IDSC. He is an NFP fellow and holds an MBA from the Maastricht School of Management, Netherlands, in Strategy and Economic Policy. He also holds a B.Sc. in Communications and Electro-physics from Alexandria University, Egypt.

**Hassan El-Sayed Abdullah**  
Vice Chairman and Managing Director of the Arab African International Bank

Hassan Abdullah was appointed a board member in November 2006. He is currently the Vice Chairman and Managing Director of the Arab African International Bank (AAIB). Since 1983 he has occupied a range of managerial positions at the AAIB including General Manager and Deputy General Manager and was posted by the AAIB in New York from 1989-1998. He holds an MBA from the American University in Cairo (AUC) and a BA in Business Administration from the same university.

**Farghaly Bakry Seleem**  
Chairman of Telecom Egypt's Employee Union

Farghaly Seleem was appointed board member in 1999. He is currently the Chairman of Telecom Egypt's Employee Union and he is also a member in both the executive board of the Arab Union for transportation and Communication in Libya as well as the International Telecommunication Union in Cote D' Ivoire. He also represents Egypt and North Africa Region in the International Telecommunication Union in Switzerland from 1989 to 1999 .He was the General Engineering Supervisor at Telecom Egypt's Switching Station at Quina. Farghaly Seleem holds a Diploma as a Telephone Engineering Technician from the Industrial Institute, Quina, Egypt.



## Executive Management

**Akil Hamed Beshir**  
Chairman and CEO

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.

**Mohammed Abdel Rehim Hassanein**  
Vice President; Projects' Operation and Maintenance

Mr. Hassanein was appointed Vice President in 2001 and a board member from 2004-2006. 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. Hassanein holds a B.Sc. in Communications Engineering from Al Azhar University.

**Tarek Tantawy, CFA**  
Vice President and Chief Financial Officer

Mr. Tantawy was appointed Vice President and CFO in July 2007. 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.

**Dawlat Abdel Hameed El Badawi**  
Vice President; Project Planning

Mr. El Badawi was appointed Vice President in December 2003. She has been with the company since 1968 in various managerial and technical positions including General Manager for the switching implementation from 1991 till 2000. She was also the Head of projects implementation department from 2000 till 2003. El Badawi holds many management certifications from Hanzysedel & Fulbright foundations and a B.Sc. in Communications Engineering from Cairo University.

**Abdel Hamid Mahmoud Hamdy**  
Vice President; Human Resources, Administrative and Legal Affairs

Mr. Hamdy was appointed Vice President in 2004. Previously, he was Director & Vice President of HR for 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 Chairman for Human Resources and Administration at Wataneya for Mobile Communications Company until 2004. He holds a BA 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 2000 and also General Manager for Project Implementation for National Calling Exchanges. Dessouky holds a B.Sc. Communications Engineering.

**Sanaa Soliman**  
Vice President; Follow up and Regional Expansion

Mrs. Soliman was appointed Vice President in January 2006. Previously she was TE's 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. She was then fully responsible for managing the operations & maintenance, transit exchanges and gateways of Telecom Egypt. Sanaa Soliman holds a B.Sc. in Electronics and Communications Engineering from Cairo University.

**Mohamed Elnawawy**  
Vice President; International, Wholesale and Regulatory Affairs

Mr. Elnawawy was appointed Vice President for International, Wholesale and Regulatory affairs in November 2006. He joined Telecom Egypt Group in November 2001 as the Chairman and Managing Director of TE Data, Telecom Egypt Internet & Data Subsidiary. In January 1992, he co-founded InTouch Communications Services, SAE a local ISP in Egypt where he resided as Chairman and Managing Director till April 2000. Mohamed Elnawawy has also consulted for the National Telecommunications Regulatory Authority. Elnawawy holds a B.Sc. in Computer Science and an LLM (Masters in Law)

## Executive Management

### **Khaled Marmoush** Vice President; Information Technology

Mr. Marmoush was appointed Vice President for Information Technology in October 2006. Prior to which he was the Sector Chief for Information Technology in Telecom Egypt since October 2005. 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 US. He holds a Masters in Information Science and a B.Sc. in Computer Science.

### **Fouad Yasser El Badrawy** Vice President; Commercial Affairs

Mr. El Badrawy was appointed Vice President for Commercial Affairs in March 2007. Previously, he was the CEO of Nile Telecom since April 2006. He was the General Manager for Serious International Group for Telecom Consultancy from 2002 until March 2006. He had a long track record in marketing at Lucent Technologies as a Director for Sales & Marketing during the period 1996-2001. Before that he resided in different managerial positions at AT&T Egypt since 1985. El Badrawy holds a B.Sc. in Electrical Engineering from Ein Shams University and an MBA in International Business from New York University in 1994.

**That's** because we take our economic  
 environmental and social responsibilities to  
 heart. We know our success – both today  
 and tomorrow depends on it.



## 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 2007 financial year are described in this section.

Our Board regularly reviews and updates our corporate governance practices as developments occur within the marketplace, our business and to internationally recognised governance standards. We are guided by the corporate governance principles presented by the Arab Republic of Egypt Capital Market Authority, ensuring that the highest standards of corporate governance throughout our organization are consistently maintained.

### The Board of Directors 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. 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 members: 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 Communications and Information Technology (MCIT).

The Amended Statutes 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 & Chief Executive Officer ("CEO")

Azza Mohamed Torky, Board Member

Mokhtar Abdel Moneim Khattab, Board Member

Adel Rashad Danash, Board Member

Ahmed Bahaa El Din El Kassass, Board Member

Neveen Hamdy El Tahri, Board Member

Tarek Mohamed Moharram, Board Member

Hesham Mekkawy, Board Member

Amr Abdel Kader Hashem, Board Member

Hassan El-Sayed Abdullah, Board Member

Farghaly Bakry Seleem, Board Member

### Committees of the Board

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 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 composed of five 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 four 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:

- 1- the Auditor's report;
- 2- the report of the Board of Directors;
- 3- approval of the financial statements;
- 4- approval of the distribution of dividends;
- 5- to determine the members of the Board of Directors' remuneration and allowance;
- 6- to appoint the auditor and determine his fees;
- 7- to elect the Board of Directors as necessary;
- 8- 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:

- 1- suspending the setting aside of the legal reserve if it reaches half the amount of the Company's issued capital;
- 2- formation of other reserves aside from the legal reserve and the statutory reserve;
- 3- use of statutory reserve for the benefit of the Company or its shareholders;
- 4- transacting on the reserves and provisions;
- 5- 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 therefore;
- 6- approval of the issuance of bonds and the guarantees given to the bearers of such bonds;
- 7- review of the decisions and recommendations of the group of bondholders;
- 8- authorizing the founders and the members of the Board of Directors to enter into bilateral contracts with the Company;
- 9- 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:

- 1- discharging the Board of Directors or one of its members and bringing a liability claim against them;
- 2- discharging members of the Board of Directors that have repeatedly failed to attend meetings of the General Assembly and electing other members to replace them;
- 3- 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;
- 4- authorizing the Managing Director to hold the position of managing director in another company;
- 5- authorizing a member of the Board of Directors to carryout a technical or administrative position in another joint stock company on a permanent basis;
- 6- 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;
- 7- carrying out management actions that the Board has failed to review due to an incomplete quorum;
- 8- approval of any decisions issued by the Board of Directors;
- 9- 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:

- 1- looking into changing the Company's auditors throughout the course of the fiscal year;
- 2- looking into discharging the Company's auditors and bringing liability claims against them;
- 3- looking into the auditor's report in the event that he is incapable of fulfilling his duties;
- 4- appointing liquidators and defining their fees and discharging the liquidators;
- 5- extension of the time period set for liquidation upon inspection of the liquidators report;
- 6- looking into the temporary accounts submitted by the liquidator every six months;
- 7- approving the final liquidation account; and
- 8- 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:

- 1- an increase or decrease of the capital of the Company;
- 2- liquidation of the Company prior to expiry of its term;
- 3- amendment of the objectives of the Company;
- 4- the merger of the Company with any other company or legal entity.

#### Corporate Social Responsibility (CSR) TE's contributions to society

Our true understanding of the nature of CSR doesn't only include offering high-quality services to our clients, but extends to playing an active role in society through "contribution and sponsorship" of activities in different categories and fields.

The constructive social role we took upon ourselves from the start, in addition to our understanding of the Egyptian society's special interests and concerns, makes it absolutely essential for us to strike a more personal chord with our clients especially and every single Egyptian generally.

In Healthcare, TE has funded a television infomercial in support of the 57357 Children's cancer hospital, in addition to donating to the Breast Cancer Foundation of Egypt (BCFE), the Friends of Ain Shams' Children's Hospital Society and Ain Shams Hospital's Organ Transplantation Unit. TE has also taken part in founding a Dialysis center in Al-Qaliubeya governorate

Given TE's belief in the power and positive effect of sports, the company has sponsored the 21st Speed Ball World Cup's final, in which Egypt won the gold medal in October. It has also held the third Ramadan tournament for telecommunications and information technology companies and sponsored the 11th Arab tournament which includes football, handball, basketball and other sports in November 2007, in addition to generally and periodically honoring Egyptian athletes.

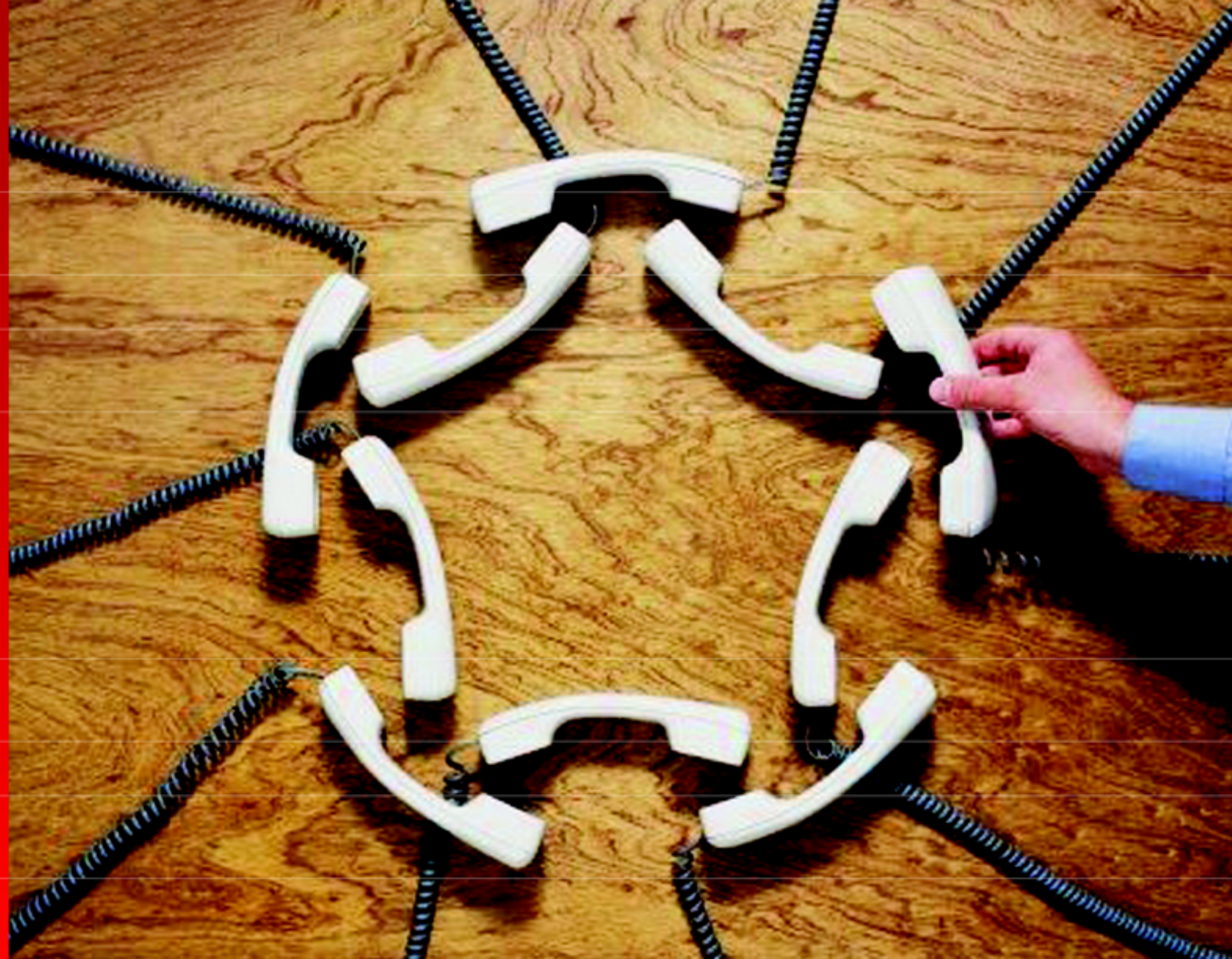
TE never forgets it is an integral part of Egyptian society, that's why it has sponsored the group wedding that took place at the Cairo International Stadium in September, the handicapped conference that took place in November and the conference for disasters that took place in November. It has also co-sponsored the celebrations for the April 4th Orphan's Day and donated to the Egyptian Food Bank. In addition to this, it has funded the new center for the blind in Cairo University's central library and took part in the annual meet with 1,000 children with the "Sohbet Khair" charity.

Education is the backbone of Egyptian society, and that's why TE pays special attention to it. TE has sponsored the first African education conference in January, the honoring of the top secondary students ceremony in August and supported the international workshop at Cairo University's Faculty of Engineering the took place in October and November. It has also offered financial contributions for the new El-Wady El-Gedeed university campus.

TE has also offered financial donations to equip the multimedia center at the new Egyptian museum and prepared for the national "Reading is for everybody" campaign.

As for TE's role with local communities, it has set up the Producing Families (Deyarana) Exposition in May and purchased 150 personal computers for the Society for Developing Masr El-Gedeeda. It has also played an active role in supporting Women's issues in Egypt through sponsoring the 6th African Arab conference for businesswomen.

Finally, TE seeks to always support the field of developing technology production, that's why it has sponsored the copyrights and information technology conference in May, the 24th national radio science conference in March, the 6th Egyptian Engineer's Day in July and the international convention for telecommunications and information technology techniques in December.



So when we say we operate by the higher standards from a finance and technology perspective.

**Whole sale Services**  
**The Submarine Cable Business Opportunity**

**Strategic Rationale**

- Capitalize on Egypt's unique geographic position.
- TE route is the resilient 'route of choice' from Red to Med submarine cable crossing.
- TE North allows TE to increase the footprint of the existing transit corridor.
- Capture the growth in bandwidth demand in Asia without the need to invest outside home market.
- Reducing cost base of TE and its subsidiaries by lowering international bandwidth cost
- Being in a more competitive position to capture national/regional opportunities.

**2007 Progress**

- Telecom Egypt Engaged with India Middle East Western Europe (IMEWE) Submarine Cable System through the TE Transit Corridor. Deal worth \$30 million.
- Telecom Egypt Signed Two Contracts with SEACOM and VSNL in Relation to its TE North Submarine Cable Project. Deal worth US\$ 90 million.



**TE Data ADSL**

TE Data ADSL is Egypt's number one broadband service and TE Data's pride & joy. Being the fastest, most reliable ADSL service in the Egyptian market, TE Data ADSL has successfully and steadily accumulated more than half of the Egyptian broadband market beginning 2008. And due to these performance and stability integral features, TE Data ADSL has become the choice of the Egyptian consumer for both personal and professional usage.

Designed to be positioned as a world class broadband service, TE Data ADSL provides high-speed access to the Internet on regular fixed copper phone lines with speeds that can reach up to 2Mbps for home users and 8Mbps for small businesses. The service can technically support up to 22Mbps.

TE Data home ADSL is an extremely fast Internet access service. TE Data's home ADSL service enables users to browse, download very large files (music, videos, etc.), chat, and conference, at speeds up to 200 times faster than dialup. Unlike traditional dialup, TE Data ADSL service is an always-on connection 24 hours a day, with no interruption to normal telephone calls. TE Data ADSL is user friendly and very affordable. Easy installation, 24x7 technical support and reliable connection speeds are only the beginning.

The service can be easily configured on the customer's side in a hassle-free fashion either manually or through a user friendly self-installation kit. For users who need a bit more help, a house visit by one of our experienced engineers can gladly be arranged.

TE Data ADSL is ideal for: High bandwidth downloads, Audio/Video Chatting, Music and Video Streaming, Online Gaming.

TE Data offers a set of value added services and packages that managed to differentiate TE Data ADSL from the competition and position it as the choice for Internet Broadband connectivity in Egypt. For instance, TE Data realized the special needs that businesses require in a broadband connection. TE Data's ADSL for business provides a turn-key always-on connection to the Internet at extremely affordable prices which provides opportunity for an entire business to use the Internet as a communication tool, a sales generator and a means to become more productive.

Moreover, saving money on the current phone bill, as well as providing the office with the speed, reliability and availability of a permanent Internet connection are crucial aspects in any business.

Unlike other connectivity services, TE Data ADSL enables businesses to connect an entire LAN 24 hour a day to the Internet at no extra cost, in addition to the option of having multiple fixed IP addresses for hosting the company's web servers, mail servers, intranet application, etc. inside the company. With multiple fixed IPs, multiple email accounts, domain name registration and web hosting packages, and the 24x7x365 customer support, TE Data ADSL is the perfect choice for Egyptian businesses who demand nothing less than quality and excellence.

**TE Data ADSL Corporate Program**

And for enterprises and corporations that emphasize employee motivation through offering special benefits and keeping staff up to date with the latest technologies, TE Data's ADSL Corporate Program enables enterprises to offer their employees ADSL Broadband service at their homes with incomparable speed and performance at very special discounted rates that cannot be matched with any of the individual packages. TE Data's ADSL service enables corporate users to remotely access their corporate networks, browse the Internet, and download files, chat, and make conferences — reliably and comfortably.

**TE Data ADSL Resellers Program**

For Virtual ISP's and Network Service Providers who want to provide ADSL service to their customers and don't have the infrastructure to do that, TE Data's ADSL Reseller Program allows Virtual ISP's and Network Service Providers to start selling ADSL services to their end users immediately using their own branding and positioning.

**TEVU (IP TV)**

TEVU pronounced (TE View) is the first of its kind WEBTV service in the region which was launched by TE Data back in June 2006.

TEVU is an exclusive value added service that TE Data designed to delight its customers in cooperation with ART (Arab Radio and Television); the leading regional Arabic content provider.

TEVU is TE Data's first venture into the IPTV and Triple Play world and it is the first service of its kind in Egypt as well as in the Middle East. With TEVU, TE Data's ADSL users can watch premium live and recorded content over their ADSL connection without the need for satellite dish or decoder. ART's premium pay TV live channels can all be viewed in a crisp and clear quality that surpasses conventional TV. Also, TEVU subscribers can select to view certain content on demand, which is known as VOD (Video on Demand), where a massive online library containing 100s of entertainment, religious, sports VOD titles is made available for TEVU users to select and choose from. So TEVU simply turned PCs into virtual decoders allowing TE Data ADSL users to enjoy different content than that being watched by the rest of the family in the living room; be it a movie, a football match or even an old black and white play!

The attraction of TEVU is that although it provides super high quality content @ 1.5Mbps connection, it is technically designed in a way that allows all TE Data ADSL users to enjoy it even if their base ADSL subscription is as low as 256Kbps. TE Data's winning technical team has designed the service to fully utilize the technical capabilities of TE Data's infrastructure; a user's broadband connection automatically expands its speed to allow for the traffic of LIVE/VOD traffic to flow on a separate PVC (private virtual circuit) without the least intervention of the ADSL user. This offers a very smooth and seamless user experience to TE Data ADSL's customers.

**Sky Pass (WiFi)**

Public Free WiFi hotspots have become very common in the past 2 years and has increased in number in a phenomenal way. Most cafés, hotels and universities have installed WiFi hotspots, many of which offer free wireless Internet access to their clients and guests. TE Data alone has over 100 hotspots around Greater Cairo, Alex and Egypt's main cities. TE Data's SkyPass WiFi Hotspots have helped 10s of businesses keep their customers and clients happy and loyal to the place. SkyPass WiFi is based on the fastest Internet network in the region and built with top of the line equipment to guarantee highest service quality levels. And while creating a small WiFi network at home is a pretty straight forward and easy task that can be accomplished in just a few

minutes, installing and operating a commercial WiFi hotspot that serves 10s of users simultaneously and at a high speed is far from being as simple, easy or cheap as specially in large areas or outdoor locations. TE Data offers different programs and solutions for WiFi Hotspot deployment suitable for different scenarios, ranging from totally free small sized hotspots in cafés to large deployments of WiFi zones in hotels and clubs. TE Data also has sponsoring programs where TE Data offers flexible bartering options that allow the venue owner to get the full hotspot deployment at a nominal fee or at no cost, in addition to getting attractive marketing materials placed around the hotspot to educate users and inform them of the existence of the service.

TE Data WiFi HotSpots give end users the advantage of connecting to the Internet in public places using their WiFi enabled devices in a hassle-free and true plug-n-play fashion. This simply translates to more freedom, mobility and increased productivity levels. As for businesses and venue owners, TE Data SkyPass holds the following benefits:

- Great marketing tool
- Stark differentiator over competition
- New revenue stream
- Attract more clients and guests
- Increase profile & reputation of the location
- Command higher rates for other services

EVDO (Broadband for Wireless CDMA phone lines) On its pursuit to deliver the full range of data connectivity services, TE Data in cooperation with Telecom Egypt is demonstrating Egypt's first EVDO service. CDMA-EVDO, short for Evolution Data Optimized simply means the delivery of high speed broadband over CDMA (wireless) phone lines that are common in areas where copper phone lines are not available so that Telecom Egypt provides phone service to these areas wirelessly. Accordingly, CDMA-EVDO is simply music to the ears of the owners of wireless phone lines who have always felt left out with no high speed Internet because by nature, ADSL can only work on copper fixed phone lines. TE Data will offer CDMA EVDO for both individuals and businesses in areas where no copper phone lines are available and at speeds comparable to those offered by ADSL. And similar to ADSL where a special ADSL modem or router are needed to get connected to the network, a special CDMA EVDO modem will be provided by TE Data for the user to utilize with any desktop or laptop in the CDMA coverage area to get connected to the Internet in seconds.

When we make a commitment to help our community to communicate.



## Telecom Egypt Expansions with Vodafone

## 1- E Top-up:

Clients can now recharge their mobile phones from within our phone centrals and TE outlets. The same recharge categories are made available to our clients through a team of highly competent and well-trained TE employees.

Currently this service is available at 150 phone centrals across Egypt, and will be expanded to reach 850 centrals in different phases.

## 2- Shop in Shop:

This service allows clients to access Vodafone products (prepaid recharge cards, billed line and Vodafone Bundles) and services (Sim Card Replacement, Vodafone Cash, E Top-up and Bill Payment) through Vodafone outlets/kiosks at TE phone centrals and outlets.

## 3- Favorite Five:

This is a bouquet that consists of four Vodafone lines and one land/terrestrial TE line. Each Vodafone line gets 60 free minutes that can be used with the three other mobile lines and the terrestrial line.

Services to be available soon:

## 1- Vodafone Cash:

Telecom Egypt has taken a number of steps to make it easier for customers to pay their bills through a number of tailored options that suit their different needs and lifestyles. TE customers can now pay their bills from their mobile phones through Vodafone Cash (VF). This service does not include paying for international calls, bill installments or late payments.

## 2- Advanced Guide:

Mobile phone users can now request information and phone numbers from our advanced guide through SMS. Customers can also ask to be directly connected with the numbers they request.

## TE Data Jordan



**When** we tell our customers we'll deliver an innovative solution and bring it to them reliably.

**Customer Retention Strategy**

During 2007, we launched a comprehensive program to enhance our customer experience across all touch points. The program involves enriching our product portfolio and developing customer-oriented solutions that cater to our customers' needs and complement their lifestyles. In addition, it sets a plan for renovating and improving our sales outlets in order to offer superior and friendly customer service. The program also includes redesigning customer care and complaint channels thus making them more effective and accessible. Of course, all this requires streamlining our organizational capabilities to increase agility and efficiency.

As we look forward to 2008 and beyond, understanding, meeting and exceeding customer expectations will remain the centerpiece of our strategy. We intend to continue with our customer experience enhancement program in order to build long-lasting relationships with our loyal customers, develop mutually rewarding opportunities, and successfully adapt to the changing market conditions.

**Why did TE move to a new headquarters?**

Telecom Egypt will be moving to building 87 in the Smart Village. The building, which has an area of 41,000 meters and accommodates 1200 employees, consists of five floors (two underground and three above), in addition to a three-level garage that is attached to the building with a capacity of 240 cars plus an external parking area for 200 extra cars.

A decorative artwork reflecting the evolution of communications and telecommunications, is featured around the entrance's central spiral staircase. The decoration will occupy a total area of 775 meters squared, covering the walls of the first and second floors.

The building has 16 conference halls distributed throughout the five floors, some of which are equipped with live audio/video recording. All the halls are equipped with the necessary audio visual equipment. The building also includes a gym, a clinic, a library, a cafeteria, a prayer room and a training hall.

The building also features one multi-purpose hall that includes a mobile stage with all its audio/visual equipment, in addition to an attached kitchen. The hall can accommodate up to 280 people.

The latest state-of-the-art networking systems (Data Centre) are integrated into the building to accommodate TE's need to gather all the company's IT systems from one place. The Data Centre has been fully operational since March 2008 and is located in the first floor and the first underground floor.

Employees will be able to sign in and out through Access Control, which also controls the building's security systems. Security cameras, controlled through a central control unit, keep the building in a air-tight security seal. The building is also furnished with the latest in fire extinguishers and has a valid and up-to-date emergency plan.

These are all much-needed elements that will positively affect the employees' performance and the over-all operation.

**That's** how we do business with  
 understanding, integrity and passion.



**The Human Resources (HR) Department**

The Human Resources (HR) department plays an essential and vital role in companies and large-scale corporations, especially in terms of formulating both short-term and long-term goals, aims and strategies, the training of employees, and laying down the company's ethical frame, using the latest of methods to cope with today's ever-changing technological society.

**The HR department's highlights of 2007:-**

The HR dept. designed and prepared the new performance evaluation program and presented it to the top executives' board and to the remainder of the company's executive levels after training them on its implementation methods. The department also created and finalized computer software that will run the evaluation program and trained the assigned employees on running the program during the 2007/2008 year.

Almost 90% of the company's internal sectors have undergone a complete structural overhaul and their respective positions now have complete and detailed job descriptions.

The completion of the HR department's website on the internal network as a first phase of reaching out and communicating with company employees and publishing useful and pertinent information that details each sector and department's roles and responsibilities.

The HR department has started amending the staff affairs' rules and regulations sheet to ensure both company and staff get their full rights, while the issue with the former employees who retired as of 1/1/2003 has been resolved after the revisal and reimbursement of the raises that had been previously deducted.

A milestone study, conducted in 2007, resulted in the amendment of the early retirement plan through including new and attractive privileges. The new plan commenced on 1/1/2008.

A full promotions movement took place as of 1/9/2007 and a total of 5,400 employees have been promoted according to the company's promotions rules and regulations.

Telecom Egypt has subsidized and financed the health care program to ensure the well-being of its employees through the best hospitals in the country. It also subsidized non-covered illnesses. A call center has been set-up to answer questions and complaints.

A plan has been formulated to move Telecom Egypt's 850 employees from the old headquarters in the Diwan building in Ramsis to the new headquarters located in the Smart Village. The move took place on several stages during November and December 2007 so as not to affect the work flow. Appropriate busses have been rented to complete the move.

The center for the development of leaders has witnessed the graduation of its fourth class for a total of 99 graduates. These graduates are considered to be the seeds of change for the company, the aspiring staff who will counter the challenges of the age of globalization. The latest in curricula development (DACUM) has been implemented to update the program's curriculum through the inclusion of scientific and practical material in specific jobs in the structure. 14 trainers have also graduated for a total of 40 trainers who will replace the foreign trainers currently overseeing the program.

One of the company's major steps ahead was helping both graduates and trainers to hone their skills to be able to complete their Master's degree in Business Administration at the Nile

University. It is also noteworthy to mention that the company helped two of Telecom Egypt's trainers in the United States of America on obtaining a Myers-Briggs Type Indicator (MBTI) training certificate.

Organizational Development courses have also been made available and a number of executive-level position holders were given leadership and managerial courses.

The company has also provided employees with emergency monetary advancements for support against whatever severe problems they might have faced on a personal level. The company has also paid special attention to the staff's entertainment needs through setting up day trips, summer vacation trips; in addition to taking part in sports and arts festivals, competitions and supporting the company's own sports teams.

**Why did TE move to a new headquarters?**

Telecom Egypt will be moving to building B7 in the Smart Village. The building, which has an area of 41,000 meters and accommodates 1200 employees, consists of five floors (two underground and three above), in addition to a three-level garage that is attached to the building with a capacity of 240 cars plus an external parking area for 200 extra cars.

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# .. Our Sport Club

**A brief history**

The Telecom Egypt club was founded 32 years ago, in 1976, with it's first football team making their debut in the Egyptian League's 1981/82 season in the fourth division. The team managed to advance upwards to the third division in the 1982/83 season, before climbing to the second division, then the first division A throughout the 1989/90 and 2002/03 seasons. The team finally achieved it's long-aim goal to advance to the first division A in the 2006/09 season.

TE's football team went through a multitude of talented coaches including former Egypt and Zamalek captains Mohamed Helmy, Ayman Mansour, Gamal Abdel-Hamid and Tarek Yehya and former Ahly and Arab Contractors player Mohamed Abdel-Samea.

Other well-known and international referees worked in the team's football and executive staff including former international referees Adel Allam, Reda El-Beltagy, TE captain Abdel-Hakim Soroor, TE goalkeeper trainer and player Khaled Abdullah, general team manager and TE player Mohamed Al-Sayed and general team manager Mohamed Abdel-Fattah. On the other hand, the youth team has 25 coaches on its roster, who have represented TE for many years.

As for the TE sports Club itself, it currently offers a multitude of diverse sports ranging from football, and youth football teams (ages 14 ñ 19), a football school for age 12 ñ 13, basketball and youth basketball, bodybuilding and disabled/handicapped teams for weight lifting and power games.

The club also offers lots of different cultural and entertainment activities like summer and winter trips and general outings.

Meanwhile, the first phase of the club in its current location in New Maadi on the Autostrad highway has been agreed upon, on a 15-acre land area and it will include a football stadium, a social building, restaurants, a multi-purpose celebrations hall, swimming pools, a garden/park for members and a playground for children and multipurpose fields for different sports.

**A brief about TE's football team's advancement to the 1st Division "A"**

The TE team realized the club's dream to finally make it to the Egyptian League's 1st Division A only a week before the end of the season, after competing for the advancement ticket for four consecutive years.

The team played in the group that included Cairo and the Canal which had 18 teams competing within it, including well-reputed clubs such as El-Qanah, Gomhoreyet Shebeen, Suez, El-Sharkeya, Banha, El-Sekka El-Hadid and stronger teams like El-Shams, Eastern Smoke, El-Marikh and Etihad El-Shorta.

The team went on to play 34 matches, winning 23 of them, tying in seven and losing in four, with a total of 76 goals. The team, as a result, topped the group in the 13th week of the first round and maintained its status until the end of the season. The team's strikers scored 58 goals, with 23 goals going to team goal-scorer Nasser Hassanein, while Osama Nabih scored 10 goals.

Nineteen goals penetrated the team's goal line, while the team's goalkeeper, Ibrahim Helisa, stopped eight out of a total of nine penalty shots.

The team includes players who represented Egypt internationally like Osama Nabih, Tarek Mostafa, Ahmed Radwan and a number of players who played in the first division before like Talkha Ragheb, Mahmoud Abdel-Razzak, Deya'a Al-Rahman, Mahmoud Taha, Ramy Hanafy and Ekramy Yousry

The team also has three aspiring players from the youth team. They are Walid Hassan, Mahmoud Metwally and Mohamed Hassany.

So when we say we operate by the higher standards from a finance and technology perspective.





## AUDITOR'S REPORT

## TO THE SHAREHOLDERS' OF TELECOM EGYPT COMPANY

We have audited the accompanying consolidated financial statements of Telecom Egypt Company (An Egyptian Joint Stock Company) and its subsidiaries, represented in the consolidated balance sheet as of December 31, 2007 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the company as of December 31, 2007 and the results of its operations and its cash flows for the year then ended, in accordance with Egyptian Accounting Standards, and comply with applicable Egyptian laws and regulations.

KPMG Hazem Hassan  
Public Accountants & Consultants

Cairo, March 12, 2008

## Consolidated Balance Sheet

As of December 31, 2007

	Note No.	31/12/2006 LE(000)	31/12/2007 LE(000)
<b>Long-Term Assets</b>			
Fixed assets (net)	(4)	19372408	21073795
Projects in progress	(5)	843565	1010913
Investments in affiliates	(3-6),(6-1)	6921428	6522971
Available for sale investments	(3-7),(6-2)	105970	91338
Other debit balances - long term	(7)	426303	1047940
Other assets (net)	(3-9) (8)	223722	219190
<b>Total Long Term Assets</b>		<b>27893396</b>	<b>29966147</b>

## Current Assets

Inventory	(9)	508416	597928
Trade and notes receivable	(10)	3100723	2997809
Other receivables	(11)	1691762	1655295
Investments held for trading	(12)	94592	123090
Cash on hand at banks	(13)	1302241	588845
<b>Total Current Assets</b>		<b>6697734</b>	<b>5932967</b>

## Current Liabilities

Loan installments and facilities due within one year	(14)	1027034	890651
Bond loan installments due within one year	(21)	800000	400000
Banks-credit accounts		6683	15396
Banks overdraft		769	77762
Suppliers & notes payable	(15)	130348	181718
Dividends payable		829	9752
Creditors and other credit accounts	(16-1)	3195913	2995391
Provisions	(17)	324382	481229
<b>Total Current Liabilities</b>		<b>5485958</b>	<b>5051899</b>
Working Capital		1211776	911068
<b>Total Investments</b>		<b>29105172</b>	<b>30877215</b>

Financed as follows:-

## Equity and long-term liabilities

## Equity

Paid up capital			
Reserves	(19)	17070716	17070716
retained earnings	(20)	5019013	4264512
translation difference adjustments		1120490	801222
Net profit for the year		(591)	(185)
<b>Total equity attributable to equity holders of the parent</b>		<b>2534286</b>	<b>2426877</b>
Minority Interest		25743914	24563142
<b>Total Equity</b>		<b>39843</b>	<b>34839</b>
		25783760	24597981

## Long-Term Liabilities

Loans and credit facilities	(14)	2350988	4505439
Bonds loan	(21)	800000	1600000
Creditors and other credit accounts	(16-2)	62045	57816
Deferred tax liabilities	(3-23),(22)	108379	116179
<b>Total Long-Term Liabilities</b>		<b>3321412</b>	<b>6279234</b>
<b>Total Equity and Long-Term Liabilities</b>		<b>29105172</b>	<b>30877215</b>

The accompanying notes from No.(1) to No.(40) form an integral part of these financial statements.

Chairman & Chief  
Executive Officer

Akil Beshir

Vice President & Chief  
Financial Officer

Tarek Tantawy

Financial Controller

Khaled Heshmat

Date : March 6, 2008

**Consolidated Income  
Statement**

For the financial year ended December 31, 2007

	Note No.	2007 LE(000)	2006 LE(000)
<b>Operating Revenues</b>			
Sales of services	(23)	9931888	9428527
Sales of telephone sets & directories		61259	88278
		9993147	9516805
<b>Operating Expenses</b>			
Interconnection fees	(24)	1368457	1373728
Fuel		81889	69881
Spare parts		127258	89913
Maintenance		217577	173233
Satellite subscriptions		19764	24308
Depreciation	(4)	2702795	2685502
Amortization	(8)	33897	40529
Cost of telephone sets & directories sold		58653	80018
Other operating costs	(25)	1432150	1284891
		6042440	5822003
Gross Operating profit		3950707	3694802
<b>Administrative expenses</b>			
General & administrative expenses	(26)	1137015	1049652
Selling & distribution expenses	(27)	347594	272649
Provisions	(17)	469	617
Impairment loss on assets	(18)	312628	165116
		1797706	1488034
Net Operating profit		2153001	2206768

	Note No.	2006 LE(000)	2007 LE(000)
<b>Other Income/ (expenses)</b>			
Interest income		81302	48633
Income from investments	(28)	1070672	610597
Interest expenses		(599 774)	(393 082)
Other revenues	(29)	290 232	323032
Reversal of impairment loss/(impairment) on investments in affiliates	(30)	31910	(3717)
Gaubsake trading investments (loss)/ Gain in the market value of investments held for trading		7853	4494
		(350)	8146
Capital loss		(2354)	(9443)
Release of unused provisions	(17)	115689	22613
Reversal of impairment loss on trade receivable		35	
Foreign exchange loss		(93871)	(123734)
		901344	691057
Net profit for the year before tax less (add):		3054345	2897825
Current tax expense for the period		521 131	413299
Deferred tax		(7800)	54752
Net profit for the year		2541014	2429 774
<b>attributable to:</b>			
Equity holders of the parent		2534286	2426877
Minority interest		6728	2897
Net profit for the year		2541014	2429774
Earnings per share (LE/Share)	(32)	1.37	1.34

The accompanying notes from No (1) to No. (40) Form an integral part of these financial statements.

**Consolidated Statement  
of Cash Flows**

For the financial year ended December 31, 2007

	Note No.	2007 LE(000)	2006 LE(000)
<b>Cash flows from operating activities</b>			
cash receipts from trade receivables		7 856 530	7 520 697
sales tax collected from receivables		668 947	524 704
stamp tax and fees collected (from third party)		55 261	83 542
deposits receivables		75 916	50 241
cash paid to suppliers		(766 493)	(663 380)
cash paid to employees		(1 315 217)	(1 039 759)
cash paid on behalf of employees		(300 102)	(318 041)
dividends paid to shareholders & employees		(1 291 286)	(1 089 897)
Net cash from operating activities		4 983 556	5 068 107
<b>cash flows from investing activities</b>			
interest paid		(637 834)	(326 522)
payments to tax Authority		(560 994)	(577 374)
payments to Sales TAX Authority		(533 918)	(607 510)
Other proceeds / (paid) net		193 873	21 303
Net cash provided by operating activities		3 444 683	3 578 004
<b>cash flows from investing activities</b>			
payment for purchase of property, plant and equipment and projects in progress		(944 821)	(1 936 707)
proceeds from sale of fixed assets		891	2 290
payments for purchase of investments		(110 955)	(4 859 018)
proceeds from sale of investments		77 150	138 749
interest received		72 570	44 693
Dividends received		755 982	345 105
Net cash used in investing activities		(149 183)	(6 264 888)

**cash from financing activities**

Repayment of borrowings & facilities relating to acquisition of property, plant and equipment and intangible assets.	(270 840)	(426 625)
Repayment of other borrowings & facilities	(1 765 936)	(1 088 366)
Payments by minority for capital increase in subsidiary companies		12 904
	(400 000)	
payments of Bonds loan		(4 525 000)
proceeds from long term loans	(8 713)	(403 665)
Repayment of banks credit accounts	(40 327)	(44 254)
Repayment of financial lease obligations		
Payments for long term obligations	-820	-759
Net cash (used in) / provided by financing activities	(2 486 636)	(2 572 235)

Net increase (Decrease) in cash and cash equivalents during the year	808 864	(114 649)
translation difference adjustments	31	65
cash and cash equivalents at the beginning of the year -13	483 888	598 472
cash and cash equivalents at the end of the year -13	1 292 783	483 888

The accompanying notes from No. (1) to No. (40) form an integral part of these financial statements.

## Consolidated Statement Of Changes in Equity

For the financial year ended December 31, 2007

	Paid up Capital	Legal reserves	Other reserves	Fair value Reserve	Retained earnings	Translation difference Adjustments	Net Profit	Total equity attributable to equity holders of the parent	Minority interest	Total equity
	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)
Balance as of 1/1/2006	17070716	373766	3036194	6814	402035	(76)	2097275	22986722	2203	23 008753
Adjustments to retained earnings					(2605)			(2605)		
Minority interest's share in capital increase Of subsidiary company										
Transferred from minority interest due to the Change in capital share holding percentage		45			479			524	(524)	
Transferred to reserves		93064	650000				(743064)			
Dividends for the year 2005					(1394)		(951576)	(952970)	(2246)	(955216)
Increase in other reserves by the adjustments Made in the land caption			104629		12			104641		104641
Transferred to retained earnings					402639	(4)	(402635)			
Translation difference adjustments					56	(103)		(47)	4	(43)
Net Profit for the year 2006							2426877	2426877		
Balance as of 1/1/2007	17070716	466875	3790823	6814	801222	(185)	2426877	24563142	34839	24597981
Transferred to reserves		104501	650000				(754501)			
Dividends for the year 2006					(33560)		(1299553)	(1333113)	(1712)	(1334 825)
Adjustments to retained earnings					(20275)			(20275)		(20 275)
Transferred to retained earnings					372623		(372623)			
Translation difference adjustments					280	(406)		(126)	(9)	(135)
Net profit for the year							2534286	2534286	6728	2541014
Balance as of 31/2/2007	17070716	571376	4440823	6814	1120490	(591)	2534286	25743914	39 846	25783 760

The accompanying notes from No.(1)to No.(40) from an integral part of these financial statements.

## Notes to the Consolidated Financial Statements

For the financial year ended December 31, 2007

### 1- BACKGROUND

#### - 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 Company Law No. 159 of 1981 and Capital Market law No. 95 of 1992.

#### - 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:

Subsidiaries name	Percentage share %	
TE Data – S.A.E.	95.04 %	
The Egyptian Telecommunication Company for Information Systems (Xceed) – S.A.E	97.66 %	
Middle East Radio Communication ( MERC) – S.A.E.	50.90 %	(Direct & Indirect)
Centra Technologies – S.A.E.	58.76 %	

### 3 - SIGNIFICANT ACCOUNTING POLICIES APPLIED

#### 3-1 Basis of preparing the consolidated financial statements

3-1-1 The Unconsolidated financial statements are prepared in accordance with the historical cost basis, except for some investments valued with its fair value, and in light of the provisions of applicable Egyptian laws and regulations.

#### 3-1-2 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. The exchange differences are recorded in the consolidated income statement.

#### 3-3 Financial statements translation for foreign operations

TE Data Jordan wholly owned by TE Data Egypt Keeps its accounting records in Jordanian Dinar and Xceed Middle East FZ-LLC (Dubai), wholly owned by The Egyptian Telecommunication Company for Information Systems (Xceed) Keeps its accounting records in AED. 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 rates approximating to the foreign exchange rate ruling at the date of transactions. 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 and are depreciated using the straight-line method over the estimated useful lives of each type of assets as follows: -

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

**3-5 Projects in progress**

This item represents the amounts incurred for projects in progress till being ready for the intended use in operations, then, they are transferred to fixed assets at 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 shall be recognized directly in equity, if there is objective evidence that an impairment loss has been incurred, impairment loss shall be recognized in income statement.

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

**3-8 Held for trading investments**

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

**3-9 Other assets and amortization**

Other assets are non monetary assets that can be reliably estimated and from which future economic benefits are expected to flow to the company and are represented in:-

- Right of way, right of using of international circuits services and cables.
- Internet services license – TE Data.

These intangible assets are stated at cost less accumulated amortization and impairment losses and are amortized over (10-20) years provided that their useful lives should be within the term of concession and usufruct rights.

**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 manufacturing cost or net selling value.

**3-11 Accounts, notes receivable, debtors & other debit accounts**

Receivables, debtors & other debit accounts 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 more than 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**

The 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 should be recognized in the income statement as income over the periods necessary to match them with the related costs, on a systemic 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 services are recognized when services are rendered to the customers.
- Revenues from telephone sets & directories sales are recognized when goods are delivered to customers and invoices are issued.

**3-18 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. 31).

**3-19 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 exercised its rights 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.

**3-20 Accounting estimates**

The preparation of the financial statements according to the Egyptian Accounting Standards require that the management use estimates and assumptions that affect the values of the assets and liabilities and the revenues and expenses during the financial periods and years. The actual results may be different from those estimates.

The same accounting policies and principles applied to the periodical financial statements were implemented, and there was no change in the accounting estimates of the amounts recorded in the regular financial periods preceding the current financial year, in addition, there were no change in the accounting estimates of the amounts recorded in the previous financial years.

**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 reach 50% of the company's paid in capital, however, if the reserve falls below the defined level (50% of the company's paid in capital), then the company is required to resume setting aside 5% of the net profit.

- Fair Value Reserve

When re-measured investments are sold the Fair Value reserve related is transferred to retained earnings.

**3-22 Income tax**

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

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

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

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

**3-23 Transactions with related parties**

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 bases of dealing with third party.

**3-24 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 purpose of the statement of cash flows.

## 4- Fixed Assets (net)

	Land L.E. (000)	Buildings & Constructions L.E. (000)	Machinery & equipment L.E. (000)	Means of transportation L.E. (000)	Tools & Supplies L.E. (000)	Office furniture & fixtures L.E. (000)	Decoration & fixtures L.E. (000)	Fixtures on tunkradio network L.E. (000)	Total L.E. (000)
<b>Cost</b>									
Balance as at 1/1/2007	2443 859	17061 833	17888 163	100 690	562 95	921 401	12 734	151	36 485 126
Adjustment to the opening balance	24	15 873	13 742			1		16	29 656
Additions for the year	6 836	264 744	717 850	842	1103	214 935	7 921	138	1 214 369
Disposals for the year		4110	65 744	3045	1946	620			75 465
Translation differences			34			20	4		58
<b>Balance as at 31/12/2007</b>	<b>2 450 671</b>	<b>17306 594</b>	<b>18526 493</b>	<b>98 487</b>	<b>55 452</b>	<b>1135 695</b>	<b>20 651</b>	<b>273</b>	<b>39 594 316</b>
<b>Depreciation &amp; Impairment</b>									
Accumulated depreciations at 1/1/2007		6 488 062	10 379 096	87 909	31 263	421 588	3 408	5	17 411 331
Adjustments to the opening balance		172	283						455
Depreciation for the year		992 266	1 696 726	7 069	5 678	175 920	3 970	41	2 881 670
Accumulated depreciations of disposal		641	64 611	2807	1945	620			70 624
Translation differences			8			5	1		14
Balance of accumulated depreciation as at 31/12/2007	2 450 671	7 479 515	12 010 920	92 171	34 996	596 883	7 377	46	20 221 908
Carrying amounts as at 31/12/2007	2 443 859	9 827 079	6 515 537	6316	20 456	538 812	13 274	227	19 372 408
Carrying amounts as at 31/12/2006		9 827 079	7 509 067	12781	25 032	499 813	9 326	146	21 073 795

Cost of fixed assets included an amount of LE 4012 million relating to fully depreciated assets still in use.

## Depreciation for the year are changed as follows:

	L.E. (000)
Operating expenses	2 702 795
General & administrative expenses	176 550
Selling & distribution expenses	2 325
	2 881 670

## 5- PROJECTS IN PROGRESS

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:

	31/12/2007 LE (000)	31/12/2006 LE (000)
<b>Telecom Egypt - Parent</b>		
Land	6 593	4 876
Buildings and constructions	258 963	194 725
Machinery and equipment	321 605	448 265
Means of transportation	290	301
Tools and supplies	47	62
Office furniture and fixtures	17 641	16 580
Advance payments	203 536	330 573
Letters of credit	19 074	3 887
	827 749	999 289
<b>T.E Data – a Subsidiary Company</b>		
Land	-	1 300
Buildings and constructions	10 391	152
Advance payments	3 130	9 867
	15 816	11 644
	843 565	1 010 913
	*****	*****
<b>T.E Information Technology - a Subsidiary Company</b>		
Advance payments	2 295	325
	15 816	11 644
	843 565	1 010 913
	*****	*****

## 6- LONG TERM INVESTMENTS

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:

	31/12/2007 Participation %	31/12/2006 Participation %	31/12/2007 LE (000)	31/12/2006 LE (000)
<b>6-1 Investments in affiliates</b>				
- Vodafone Egypt *	44.79	44.66	6 688 385	6 507 462
- Nile On Line (NOL)	27.27	27.27	30 418	12 830
- 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	54	54
- Egypt Trust	35.71	35.71	2 500	2 500
			6 921 482	6 522 971
Less:- Impairment loss on investments of International Telecommunication Consortium Limited. (ITCL)			54	-
			6 921 428	6 522 971
			*****	*****

\* Market value of investments in Vodafone Egypt shares according to the last Egyptian Stock Exchange price on September 22, 2007 amounts to LE 10 439 283K and the Vodafone Egypt shares were delisted from the Egyptian Stock Exchange during September 2007 .

\*\* Investments in Consortium Algerien de Tele –communications (CAT) amounting to LE 133K do not appear as a result of achieving loss in the investee company that exceeds the investments amount.

	31/12/2007 LE (000)	31/12/2006 LE (000)
<b>6-2 Available for sale investments</b>		
- Participations in foreign Satellite companies & organizations	26 683	26 683
- Investments in other local companies	79 287	64 655
	105 970	91 338
	*****	*****

**Investment in Vodafone – Egypt**

- The investments in Vodafone Egypt as of 31/12/2007 represent the ownership of 107 499 569 shares representing 44.79 % of Vodafone Egypt shares.

- During year of 2006 the company purchased 45 980 529 shares of Vodafone Egypt Shares. The purchase of these shares was financed by a syndicate loan granted from local banks with an amount of L.E. 4 525 000K, the loan balance as of 31/12/2007 amounted to L.E. 1 917 000K (note No.14) while the remaining part of financing the purchase transaction of these shares was financed from the company's own resources.

- On November 8, 2006 a new strategic co-operation agreement was signed between Vodafone Egypt Company and Telecom Egypt Company by virtue of which the company shall enjoy a prolongation of the term of the agreement between the two companies, and shall continue to provide international telecommunication services.

- During March 2007 the company purchased 319 040 shares of Vodafone Egypt Shares with aggregate cost amounting to L.E. 27 455K. Purchasing transaction was financed from the company's own resources.

Investments in Middle East Radio Communication Company (MERC)

On January 23, 2007 the ownership of 2% from the shares of Middle East Radio Communication Company (MERC) was transferred to T.E. Data, (a subsidiary company) with its par value.

**Investments in Nile On Line (NOL)**

On October 2<sup>nd</sup>, 2007 The Board of Directors of Telecom Egypt approved to sell Telecom Egypt's share in Nile on Line Company (NOL) (which represents 27.27% of the total paid-in capital), and a Memorandum of Understanding regarding the said sale was signed. The procedures necessary to finalize such memorandum are in progress and to accomplish the sale transaction.

**Investments in EgyNet Company (Available for sale investments )**

On October 2<sup>nd</sup>, 2007 The Board of Directors of Telecom Egypt approved to sell Telecom Egypt's share in EgyNet Company (which represents 16.46% of the total paid-in capital), and a Memorandum of Understanding regarding the said sale was signed. The procedures necessary to finalize such memorandum are in progress and to accomplish the sale transaction.

**7- OTHER DEBIT BALANCES – LONG TERM**

These balances are represented in the following:

	Note No.	31/12/2007 LE (000)	31/12/2006 LE (000)
- The amounts due from National - Telecommunication Regulatory Authority for the license fees paid to the said Authority for the third operator after waiver of this license.		560 000	1 080 000
Less:			
The current portion to be collected during next year recorded under "debtors and other debit accounts".	(11)	520 000	520 000
		40 000	560 000
- Balance represent accrued interests 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 amounted L.E. 480 million which should be paid as a part of the last installment amounted to L.E. 520 million due on 31/3/2009.		330 000	210 000
- 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)	414 759	366 892
- Due from Loyalty Fund Grant	(31)	19 404	26 128
Less:			
The current portion to be collected during next year from Loyalty Fund Grant.	(11)	5 601	6 724
		13 803	19 404
Payments under capital increase for Egypt Trust and Technology Development Fund companies till recording in the commercial registration of this increase.		42 500	-
		841 062	1 156 296
Less:			
Impairment loss on other debit balances –long term	(7-1)	414 759	108 356
		426 303	1 047 940
		*****	*****

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

Telecom Egypt financed Consortium Algerian Telecommunication (CAT) by an amount of LE 414 759K where Telecom Egypt participation is 50% (Direct & Indirect), this company suffers a material decrease in recoverable amount of the tangible & intangible company's assets, that is likely to result in a material impairment loss, in the light of these circumstances there is high probability that Telecom Egypt couldn't refund the finance given to CAT and the income statement was charged for the year by L.E. 306 403K (include an amount of 246 969K represents impairment loss for this item, and 59 434K represents Telecom Egypt share in the loss of investment) and for the last years before 2007 by L.E. 108 356K which represents Telecom Egypt share in the loss of investment for the years before 2007.

## 8. Other Assets (net)

	Right of way (BRITAR) L.E. (000)	Right of way (ALITAR) L.E. (000)	Right of way (Flag Cable) L.E. (000)	Usufruct for land occupied by TE L.E. (000)	Right of way (SMW) L.E. (000)	Right of way using (ROU) L.E. (000)	Internet License L.E. (000)	Total L.E. (000)
<b>Cost</b>								
Cost as at 1/1/2007	1 720	48 755	95 910	1	176 142	105 462	20 185	448 175
Additions for the year					17 250	31 220	31 220	48 470
Disposals		7 552			2 032			9 584
Translation differences							4	4
<b>Balance as at 31/12/2007</b>	<b>1 720</b>	<b>41 203</b>	<b>95 910</b>	<b>1</b>	<b>191 360</b>	<b>136 682</b>	<b>20 181</b>	<b>487 057</b>
<b>Accumulated amortization &amp; impairment losses</b>								
Balance as at 1/1/2007	903	23 790	69 968		82 972	31 317	20 035	228 985
Amortization during the year	172	2 343	9 494		14 550	7 318	20	33 897
Translation differences							1	1
Accumulated depreciation of disposal		3 965			1 675			5 640
Impairment for other assets						6 094		6 094
<b>Balance as at 31/12/2007</b>	<b>1 075</b>	<b>22 168</b>	<b>79 462</b>		<b>95 847</b>	<b>44 729</b>	<b>20 054</b>	<b>263 335</b>
<b>Carrying amounts as at 31/12/2007</b>	<b>645</b>	<b>19 035</b>	<b>16 448</b>	<b>1</b>	<b>95 513</b>	<b>91 953</b>	<b>127</b>	<b>223 722</b>
<b>Carrying amounts as at 31/12/2006</b>	<b>817</b>	<b>24 965</b>	<b>25 942</b>	<b>1</b>	<b>93 170</b>	<b>74 145</b>	<b>150</b>	<b>219 190</b>

## 9- INVENTORY

These balances are represented in the following:

	31/12/2007 LE (000)	31/12/2006 LE (000)
Spare parts	239 627	184 035
Materials supplies	1 352	1 116
Computers & PC's components	1 545	9 199
Others – project cables and supplies	186 921	311 627
Finished goods	13 040	4 448
Telephone sets and directories	14 504	39 216
Consignment goods	531	552
	457 520	550 191
<b>Add:</b>		
Letters of credit	50 896	47 737
	508 416	597 928
	*****	*****

## 10. TRADE &amp; NOTES RECEIVABLE

These balances are represented in the following:

	Note No.	31/12/2007 LE (000)	31/12/2006 LE (000)
Governmental sector		434 642	347 881
Private sector		2 487 691	2 783 515
Foreign telecommunication companies and organizations		1 088 701	755 004
		4 011 034	3 886 400
<b>Less:</b>			
Impairment loss on trade receivables	( 18 )	911 463	889 591
		3 099 571	2 996 809
<b>Add:</b>			
Notes receivable		1 152	1 000
		3 100 723	2 997 809
		*****	*****

## 11- OTHER RECEIVABLES

	Note No.	31/12/2007 LE (000)	31/12/2006 LE (000)
Suppliers – debit balances		78 912	90 861
Deposits with others		10 029	7 667
Employees' loans		1 059	1 128
Customs Authority - deposits		3 043	3 043
Accrued revenues		7 108	2 932
Tax Authority- withholding tax		73 431	75 752
Sales Tax Authority - advances		487 701	378 115
Employees loyalty grant	(31)	5 601	6 724
Other debit accounts*		1 338 895	1 370 367
		2 005 779	1 936 689
<b>Less:</b>			
Impairment loss on other receivables	(18)	314 017	281 394
		1 691 762	1 655 295
		*****	*****

\* Other debit accounts include the following amounts: -

	Note No.	31/12/2007 LE (000)	31/12/2006 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.	(7)	520 000	520 000
Amount due from the employees for the company's shares distributed to them and paid by the company.		880	94 490
Payments on the account of corporate tax.		285 996	285 996
		806 876	900 486
		*****	*****

## 12. INVESTMENTS HELD FOR TRADING

Held for trading investments amounted to LE 94 592 K represented in the following:

	31/12/2007 LE (000)	31/12/2006 LE (000)
<b>TE Data a Subsidiary Company</b>		
Value of 410 368 unit of commercial International Bank Investment Fund – Osoul Fund with price LE 126.19 for each unit at balance sheet date.	51 784	122 033
Value of 375 612 unit of the National Societe Generale Bank Investment Fund with price L.E 110.923 for each unit at balance sheet date.	41 664	-
<b>TE Information Technology – a Subsidiary Company</b>		
Value of 9 067 unit of commercial International Bank Investment Fund – Osoul Fund with price L.E 126.19 for each unit at balance sheet date.	1 144	1 057
	94 592	123 090
	*****	*****

## 13- CASH ON HAND AND AT BANKS

Held for trading investments amounted to LE 94 592 K represented in the following:

	31/12/2007 LE (000)	31/12/2006 LE (000)
Banks- time deposits	1 077 783	491 798
Banks -current accounts	215 495	78 346
Cash on hand	8 963	18 701
	1 302 241	588 845
<b>Less:</b>		
Bank overdraft	769	77 762
Blocked time deposit	4 795	24 610
Cheques under collection	3 894	2 585
Cash & cash equivalents as per in cash flow statment	1 292 783	483 888
	*****	*****

## 14. LOANS AND FACILITIES

Description	Loan currency	Long term loan installment due within one year L.E. (000)	Long term loan installment due within more than one year L.E. (000)	Balance as of 31/12/2007 L.E. (000)	Balance as of 31/12/2006 L.E. (000)	Annual Interest Rate %	Repayment schedule
Local banks loans	L.E.				8 919	9.25%	Semi-annual installments ending on 24/9/2007
Local banks loans (Vodafone loan Note No.8)	L.E.	814 500	1 102 500	1 917 000	3 495 000	Average rate of deposits & loans (Corridor) + 1%	Unequal semi-annual installments ending on 31/3/2010
<b>Total local loans</b>		814 500	1 102 500	1 917 000	3 503 919		
Governmental Loans	U.S.S	90 062	536 502	626 564	740 990	4%	Annual installments ending on 24/1/2018
Governmental Loans	SK				1 476	0.15%	Semi annual installments ending on 31/12/2007
Governmental Loans	EURO	7 015	17 388	24 403	29 871	(agency commission) 4 - 6.3%	Semi annual installments ending on 29/12/2012
<b>Total Governmental loans</b>		97 077	553 890	650 967	772 337		
Foreign loans	J.Y	24 425	29 621	54 046	77 405	3 - 3.5%	Semi annual installments ending on 20/3/2012
Foreign loans	EURO	87 621	664 977	752 598	973 059	0.75 - 6%	Semi annual installments ending on 30/6/2036
<b>Total foreign loans</b>		112 046	694 598	806 644	1 050 464		
Foreign suppliers' facilities - foreign	EURO	3 411		3 411	29 023	5.50%	Semi annual installments ending on 1/12/2008
Foreign suppliers' facilities - foreign	J.Y				40 347	2.75%	Semi annual installments ending on 14/12/2007
<b>Total foreign suppliers' facilities</b>		3 411		3 411	69 370		
		1 027 034	2 350 988	3 378 022	5 396 090		

- Foreign suppliers' facilities in Euro include L.E. 3 411 K equivalent to Euro 423 K against letters of guarantee issued by National Bank of Egypt in favour of Siemens as a guarantee for this facility settlement.
- The available unused balance of Foreign Loans and Facilities at 31/12/2007 amounting to L.E. 18 790 K.
- On 3/12/2007 an accelerated payment was done for Vodafone loan amounting L.E.1 035 000K.

**15- SUPPLIERS & NOTES PAYABLE**

Held for trading investments amounted to LE 94 592K represented in the following:

	31/12/2007 LE (000)	31/12/2006 LE (000)
Suppliers - local	124 994	145 837
Suppliers - foreign	-	33 408
Notes payable	5 354	2 473
	130 348	181 718
	*****	*****

**16- CREDITORS AND OTHER CREDIT ACCOUNTS****16-1 Creditors and other credit accounts (current)**

	Note No.	31/12/2007 LE (000)	31/12/2006 LE (000)
Tax Authority		161 049	151 768
Deposits from others		722 778	661 859
Fixed assets creditors		330 635	409 288
Accrued interest		73 189	113 155
Accrued expenses		192 860	187 864
Social Insurance Authority		18 804	16 880
Clients – credit balances		201 728	227 924
Credit balance for social, cultural and sportive activities		206 982	140 114
Deferred revenues*		268 650	313 279
Other credit accounts		552 687	391 426
Tax Authority – income tax		124	23 239
Current income tax for the year		521 131	413 299
		3 250 617	3 050 095
Less:			
Tax payments due after one year	(16-2)	54 704	54 704
		3 195 913	2 995 391
		*****	*****

\* The deferred revenues amounting to 268 650 K at December 31, 2007 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, 2007.

**16-2 Creditors and other credit accounts (long-term)**

Creditors and other long-term accounts represent:-

	Note No.	31/12/2007 LE (000)	31/12/2006 LE (000)
Telecom Egypt – parent company			
Tax payment due after one year	(16-1)	54 704	54 704
T.E Information Technology – a subsidiary Company			
The additional retirement compensations due to the company's employees		4 436	2 912
Due to suppliers as a result of purchasing communications machinery and supplies.		2 905	-
		62 045	57 616
		*****	*****

**17- Provisions**

	Balance as of 1/1/2007 L.E. (000)	Charged to the income statement L.E. (000)	Used during the year L.E. (000)	Release of unused provisions L.E. (000)	Transfer from Creditors and other credit accounts L.E. (000)	Balance as of 31/12/2007 L.E. (000)
<b>Provision for contingent liabilities, claims and others</b>						
Tax provision	373 088	291		68 793	371	304 957
Claims provision	108 141	178	41 998	46 896		19 425
	481 229	469	41 998	115 689	371	324 382

Claims provision related to lawsuits in respect of claims by a contractor for alleged losses and various claims for damages for breach of contract, and expected social insurance claim in respect of contracts concluded with suppliers.

**18- Impairment Loss of Assets**

	Note No.	Balance as of 1/1/2007 L.E. (000)	Charged to the income statement L.E. (000)	Reversal of impairment L.E. (000)	Translation difference adjustments L.E. (000)	Balance as of 31/12/2007 L.E. (000)
On trade receivables	(10)	889 591	21 907	35		911 483
On other receivables	(11)	281 394	32 658		35	314 017
Impairment on other assets	(8)					
Impairment loss on long-term other receivables			246 989			246 989
* Write-down in inventory ( Obsolete & slow moving items )		18 081	5 000			23 081
		1 189 066	312 628	35	35	1 501 624

\* Write-down in inventory balances is netted against their related type of inventory balances.

**19- CAPITAL**

The company's authorized, issued and paid in full capital is LE 17 112 149K, 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 Meeting resolved the following:-

- Decrease of issued capital by a net amount of LE 41 433K representing the value of lands transferred to Ministry of Communication & Information Technology by LE 71 250K 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 817K.

- 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 716K 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.

**20. RESERVES**

	31/12/2007 L.E. (000)	31/12/2006 L.E. (000)
Legal reserve	571 376	466 875
Revaluation reserve of available for sale investments	6 814	6 814
General reserve	4 422 713	3 772 713
Capital reserve	18 110	18 110
	5 019 013	4 264 512
	*****	*****

**21- BONDS LOAN**

- In February 2005, the Company issued 20 million nominal marketable bonds not convertible into shares at a par value of L.E. 100 each for year of 5 years. These bonds were offered for public subscription and issued in two portions as follows:

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

2- The second portion shall be 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.

The purpose of issuing these bonds is partial settlement of long-term loans and bank overdraft accounts in local currency.

During the year 2007 the first installment amounting to L.E. 400 million was paid.

The bonds installments due during the year 2008 amount to L.E. 800 million and have been classified in the balance sheet as current liabilities.

**22. DEFERRED TAX****Deferred Tax Assets and Liabilities**

	Assets 31/12/2007 L.E.(000)		Liabilities 31/12/2006 L.E.(000)	
Fixed assets	-	(231 513)	-	(232 031)
Other assets	-	(1 952)	-	(7 564)
Inventory	4 616	-	3 616	-
Trade and other receivables	39 932	-	33 701	-
Provisions	49 434	-	58 318	-
Accrued liabilities	31 104	-	27 781	-
Total deferred tax assets (liability)	125 086	(233 465)	123 416	(239 595)
Net deferred tax liability	-	108 379	-	116 179
	*****	*****	*****	*****

**23- SALES OF SERVICES**

	2007 L.E. (000)	2006 L.E. (000)
<b>Retail Services:</b>		
Connections	195 484	183 230
Subscriptions	1 711 206	1 596 111
<b>Total</b>	<b>1 906 690</b>	<b>1 779 341</b>
<b>Voice:</b>		
Local	1 736 605	1 969 324
Long distance	460 118	570 506
Fixed to international	333 784	371 000
Fixed to mobile international	758 033	854 413
<b>Total</b>	<b>3 288 540</b>	<b>3 765 243</b>
<b>Internet &amp; Data</b>	<b>334 920</b>	<b>184 408</b>
<b>Others</b>	<b>935 780</b>	<b>857 861</b>
<b>Total</b>	<b>1 270 700</b>	<b>1 042 269</b>
<b>Total Retail</b>	<b>6 465 930</b>	<b>6 586 853</b>
<b>Wholesale:</b>		
Domestic:		
Mobile to fixed interconnection	309 467	236 321
Others	457 534	236 277
	767 001	472 598

<b>International</b>	<b>1 075 722</b>	<b>800 698</b>
Mobile to international	1 623 235	1 568 378
Incoming international call	2 608 957	2 369 076
<b>Total wholesale</b>	<b>3 465 958</b>	<b>2 841 674</b>
<b>Total revenues from sales of services</b>	<b>9 931 888</b>	<b>9 428 527</b>
	*****	*****

\* Comparative figures of sales of services were reclassified to confirm with the current year classification.

**24- INTERCONNECTION FEES**

	2007 L.E. (000)	2006 L.E. (000)
Fixed to mobile interconnection fees	926 874	887 711
Fixed calls for internet & audio text companies fees	119 160	164 706
Dues against outgoing international calls	322 111	320 674
Dues against outgoing international telegram & telex	312	437
	1 368 457	1 373 728
	*****	*****

**25- OTHER OPERATING COSTS**

	2007 L.E. (000)	2006 L.E. (000)
Salaries	842 117	751 731
Compulsory social security contributions	98 024	104 644
Employees' vacations	16 027	214
Electricity & water	13 740	10 776
Stationary & printed materials	60 165	53 887
Transportation cost	17 204	15 013
Business telephone cost	53 314	41 522
Rent	6 886	4 230
Frequencies & license charge (NTRA)	174 504	198 951
Others	150 169	103 923
	1 432 150	1 284 891
	*****	*****

## 26- GENERAL &amp; ADMINISTRATIVE EXPENSES

	2007 L.E. (000)	2006 L.E. (000)
Salaries	576 061	438 460
Compulsory social security contributions	34 772	35 267
End of service compensation-Early retirement program	4 461	3 889
Employees' vacations	11 372	227
Depreciation	176 550	154 869
Training	989	27 368
Bad debts	1 264	843
Tax and customs duty	77 741	106 293
Bank charges & commissions	7 470	22 297
Advertisement	42 715	35 404
Others	203 620	223 735
	1 137 015	1 049 852
	=====	=====

## 27- SELLING &amp; DISTRIBUTION EXPENSES

	2007 L.E. (000)	2006 L.E. (000)
Salaries	128 053	111 554
Compulsory social security contributions	13 643	14 315
Employees' vacations	2 385	55
Depreciation	2 325	838
Tax and customs duty	5 906	3 294
Rent	1 000	972
Advertisements	24 328	20 510
Others	169 954	121 111
	347 594	272 649
	=====	=====

## 28- INCOME (LOSS) FROM INVESTMENTS

	2007 L.E. (000)	2006 L.E. (000)
<b>Revenues (Losses) from investment in affiliated companies</b>		
Nile on line ( NOL )	256	-
	1 067 188	601 788
<b>Revenue from available for sale investments</b>		
Egyptian Company For Telephone Equipment	2 211	1 697
Arab Safe	-	1 121
Information Technology Company	129	271
Menatel	1 144	313
EGTI	-	5 407
	3 484	8 809
	1 070 672	610 597
	=====	=====

## 29- OTHER (EXPENSES) REVENUES

	2007 L.E. (000)	2006 L.E. (000)
Donations	(17 436)	(9 804)
Sundry revenues*	307 668	332 836
	290 232	323 032
	=====	=====

\* Sundry revenues for the year 2007 include the following:

	L.E. (000)
- Accrued interest for the year 2007 for the amounts paid to NTRA.	
- Deferred revenues amortization for the year 2007.	44 629

## 30- REVERSAL OF IMPAIRMENT LOSS / (IMPAIRMENT LOSS) ON INVESTMENTS IN AFFILIATES &amp; AVAILABLE FOR SALE INVESTMENTS

	2007 L.E. (000)	2006 L.E. (000)
<b>Investments in affiliates</b>		
Nile On Line (NOL)	17 332	143
International Telecommunication Consortium Limited. (ITCL)	(54)	-
	17 278	143
<b>Available for sale investments</b>		
- Participations in foreign Satellite companies & organizations - Thurya Company	-	1 437
- Arab company for computers industry	(947)	-
- EgyNet Company	15 900	(5 297)
- Ideavelopers	(321)	-
	14 632	(3 860)
	31 910	(3 717)
	=====	=====

## 31- 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 cost of these compensations is financed by a Bank loan granted to the company. The principal loan will be repaid from employees' Loyalty Fund and the interest will be charged to the company as expenses when incurred.
- The company's board of directors approved in its meetings dated March 20, 2002 and December 30, 2002 to finance an amount of L.E 65 000K and L.E 35 000K 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 L.E. 80 569K was refunded as of December 31, 2007.
- On January 15, 2004 the employees' Loyalty Fund was registered in the Register of the Egyptian Private Social Insurance Funds 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 L.E.4 461K, representing the amount due on the remaining year till the legal age of retirement.

- The amounts to be refunded during a year (current portion) amounted to L.E 5 601K and the amounts to be refunded starting from January 2009 and up to the year 2011 (the long term portion) is L.E. 13 803K. (Note No. 7).

## 32- EARNING PER SHARE FOR THE YEAR

	2007	2006
Net profit for the year (L.E 000)	2 534 286	2 426 877
Less:		
Employees share in profit (L.E 000)	189 675	132 772
Board remuneration (L.E 000)	3000	3 000
	2 341 611	2 291 105
Less:		
The parent company's share in employees & Board of directors' share of subsidiaries dividends	837	2 391
	2 338 737	2 288 714
Average number of outstanding shares during the year	1 707 071 600	1 707 071 600
Earning per share for the year (L.E / share)	1.37	1.34
	=====	=====

## 33- CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2007 amounted to L.E.111 million (includes L.E 10.45 million the uncalled installments of investees' of share capital) against L.E 105 million at 31/12/2006 (includes L.E 13 million the uncalled installments of investees' of share capital). These commitments are expected to be settled in the following financial year except the uncalled installments of investees' share capital, which shall be settled when required by the Board of Directors for those investees companies.

## 34- CONTINGENT LIABILITIES

In addition to the amounts included in the balance sheet, as of December 31, 2007 the company had the following contingent liabilities:-

	31/12/2007 L.E (000)	31/12/2006 L.E (000)
- Letters of guarantee issued by banks on behalf of the company	65 762	52 207
- Letters of credit	249 041	264 801

**35. TAXATION****35-1 Corporate tax****Years till 26/3/1998**

- This year covers all the years up till National Telecommunication Regulatory Authority (NTRA) has been transformed into Telecom Egypt. Tax inspection was made, and all disputes were settled except for certain amounts for which related provisions were formed to meet the disputes tax liabilities.

Financial years from 27/3/1998 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 2005 & 2006**

- Tax return was submitted on due dates according to tax law No. 91 for year 2005.

- Tax inspection for the year 2005 was made, and the company was notified that there are no tax differences.

**35-2 Sales Tax**

- Tax inspection was made till 31/12/2006 and all due taxes were settled.

**35-3 Salary Tax**

- Tax inspection and assessment were made till 31/12/2002 and all due tax was settled.

- Tax inspection for the year from 1/1/2003 till 31/12/2004 is currently being undertaken.

**35-4 Stamp Tax**

- Tax inspection for the year 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 dispute tax liabilities.

- Tax inspection for the year from 1/1/2001 till 31/12/2005 is currently being undertaken

**36. Related Party Transactions**

There are transactions between the company and its affiliates. The most important transactions during the year and related balance on the balance sheet are stated as follow:

	Amount of transactions recorded in the income statement L.E. (000)	Nature of transactions during the year	Transactions Volume during the year		Balance as 31/12/2007		Balance as 31/12/2006	
			Debit L.E. (000)	Credit L.E. (000)	Debit L.E. (000)	Credit L.E. (000)	Debit L.E. (000)	Credit L.E. (000)
<b>Debit balance included in account receivables</b>								
- Nile on Line (N.O.L)		International leased lines	660	5 948	66	5 948	5 354	
- Nile on Line (N.O.L)	2 322	Local leased lines	2 555	1 822	742	1 822	9	
- Vodafone Egypt	570 518	Fixed to mobile interconnection and audio text fees due to affiliates						
			943 500	926 252	54 200	926 252	36 952	
	953 513	Intercoming and international calls, transmission & lease of company primses for affiliates						
			946 715	934 022	55 008	934 022	42 315	
<b>Debit balance included in other debit balances - long term</b>								
- Consortium Algerien de Telecommunications (CAT)		Paid on behalf of subsidiary to finance operating expenses	63 515	15 648	414 759	15 648	366 892	
<b>Debit balance included in debtors and other debit accounts</b>								
- International Telecommunications Consortium Limited (ITCL)				2	66	2	68	
<b>Credit balance included in creditors and other credit accounts</b>								
- Nile on Line (NOL)	5 464	Internet Services	5 323	5 464		1 373		1 232

**37- FINANCIAL INSTRUMENTS FAIR VALUE**

The financial instruments are represented in the balance of cash on hand and at banks, debtors, creditors, investments and loans. 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.

**38- MANAGEMENT OF FINANCIAL RISK****38-1 Interest risk**

Interest rate risk is represented in the changes in the interest rate computed on the company's debts such as loans, bonds, bank overdrafts and credit facilities which amounted to LE 4 985 474K as at December 31, 2007. (Compared to LE 7 489 248K as at December 31, 2006). Financing interests and expenses related to these balances amounted to LE 599 774K during the year (compared to LE 393 082K during the previous year), while the balance of time deposits amounted to LE 1 077 783K as at December 31, 2007 (compared to LE 491 798K as at December 31, 2006), and the interest income on these deposits amounted to LE 81 303K during the year (LE 48 633K during the previous year). In order to minimize these risks, the company's management currently seeks to obtain the best possible terms and conditions from the banks as regards the balances of credit facilities, overdrafts and loans, also, it reviews the prevailing interest rates declared by the banks on a regular basis, a matter which help mitigate the interest rate risk.

**38-2 Credit risk**

This risk is represented in the clients and debtors' inability to pay their outstanding balances. In order to mitigate the said risk, the company suspends services for delinquent customers and imposes fines on late payments followed by cutting off lines then contract termination.

**38-3 Foreign currency risk**

The foreign currency exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As of the date of the consolidated balance sheet the company has foreign currency assets and liabilities equivalent to LE 2 211 561K and LE 2 046 608K respectively. The company's net exposure in foreign currencies at the financial position is as follows: -

Foreign currencies	31/12/2007 surplus / (Deficit) (000)	31/12/2006 surplus / (Deficit) (000)
U.S. Dollars	131 122	107 711
Euro	(62 693)	(130 783)
Sterling Pound	258	355
Japanese Yen	(1 097 476)	(2 432 914)
Swedish Krona	(11 501)	(15 724)
Jordan Dinar	741	329
Canadian Dollars	279	-
U.A.E Dirham	347	134

As disclosed in note (3-2) "Foreign Currency Translation" the company has used the exchange rates declared by the banks that the company deals with to retranslate monetary assets and liabilities at the financial position date.

**39- COMPARATIVE FIGURES**

Certain comparative figures were reclassified to confirm the current classification of the current year.

**40- SUBSEQUENT EVENTS**

No material subsequent events occurred after the date of the financial year ended on 31/12/2007.



Hazem Hassan  
Public Accountants & Consultants

Pyramids Heights Office park  
Km 22 Cairo/Alex Road  
P.O. Box 48 Al Ahram  
Giza – Cairo – Egypt

Telephone: (202) 35 36 22 00 – 35 36 22 11  
Telefax: (202) 35 36 23 01 – 35 36 23 05  
E-Mail: [Egypt@kpmg.com.eg](mailto:Egypt@kpmg.com.eg)  
Postal Code: 12556 Al Ahram

#### INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Telecom Egypt Company

##### Report on the Financial Statements

We have audited the accompanying financial statements of Telecom Egypt Company and its subsidiaries which comprise of the balance sheet as December 31, 2007, and the income statement, statement of changes in shareholders equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 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 auditors' 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 branch'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 branch'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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Telecom Egypt Company and its subsidiaries as of December 31, 2007, and of its financial performance and its cash flows For the year then ended in accordance with International Financial Reporting Standards.

KPMG Hazem Hassan

Cairo, Egypt  
April 12, 2008

## Investments

Company Name	% of Ownership 31/12/07	Activity	Country of Operation
Consortium Algerian De Telecommunication	50.00%	Fixed Line Operator	Algeria
Vodafone	44.79%	GSM Mobile Operator	Egypt
IT Incubator Fund	40.00%	Venture Capital Fund	Egypt
Egypt Trust	35.71%	E-Commerce	Egypt
Nile Online ( Egyptian Company for Internet & Digital Infrastructure)	27.27%	Internet Service Provider	Egypt
Egynet (Egyptian Company for Networks)	16.46%	Internet Service Provider	Egypt
Idevelopers	18.75%	V C Fund Management Company	Egypt
EGTI (Egyptian German Company for Telecommunications Industries)	10.00%	Telecom Equipment Manufacturer	Egypt
Quicktel (Egyptian Telephone Company)	10.00%	Manufacture of Exchanges & Telephones	Egypt
Civil Information Technology Co.	10.00%	Software Development	Egypt
Arab Company for PC Manufacturing	10.00%	PC Manufacturing	Egypt
Menatel	3.77%	Public Payphone Operator	Egypt
Nile Telecom	1.81%	Public Payphone Operator	Egypt
Arabsat	1.59%	Satellite Telecommunications	Egypt
Thuraya	0.51%	Satellite Telecommunications	Egypt

## Subsidiaries & Investments

**Xceed's** is one of Telecom Egypt companies that was established end of 2001 under investment law no.8 for the year 1997 and its amendments, to act as the IT arm for Telecom Egypt, the incumbent operator. Xceed started its call center operation business end of 2003, with state-of-the-art Contact Center that supports a wide array of inbound and outbound services that are customized to the clients needs, specialized in designing, producing and operating computer software, as well as developing operating systems and data entry. In addition to managing wire line and wireless network solutions and satellites.

Shareholder	% Ownership	Number of Shares
Telecom Egypt	97.66%	3.125.000
Banque Du Caire	0.76%	25.000
Misr Bank	0.76%	25.000
National Bank	0.76%	25.000
Total	100%	3.200.000

**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.

Number of Shares	% Ownership	Shareholder
Telecom Egypt	58.76%	1,469,034
Banque Du Caire	24.96%	624,484
Ahram Investment Company	6.22%	155,476
Egy. Co. for Electronic Tech.	9.96%	249,001
Eng. Mokbel Fayyad	0.08%	2,005
Total	100%	2,500,000

**Middle east radio communication ( MERC )** is a joint stock company was established in year 2001 under law no.8 for year 1997. MERC is a leading company in the field of building, and managing, wireless communications stations. MERC has got a license from national telecom regulatory authority ( NTRA ). Moreover MERC produce, design and operate various types of programs and computer system and training on it, in addition of developing software, operating systems and integrated systems, data entry on computers using electronic methods, establish database and electronic information system, and produce electronic contents by different forms such as voice, image and data.

Shareholder	% Ownership	Number of Shares
Telecom Egypt	49%	1.470.000
Social Cares Improvements Fund	14%	420.000
The Egyptian Company for Investment Projects	14%	420.000
Systel	12%	360.000
Mantrac	8%	240.000
Master Trading	1%	30.000
TE Data	2%	60.000
Total	100%	3.000.000

**TE Data** was established in 2001 by Telecom Egypt to function as its data communications and Internet arm. 'caThe company is the Internet Service Provider market leader in Egypt. Currently, with operations in Egypt and Jordan and ambitious plans in other parts of the MENA region, TE Data's portfolio includes narrowband and broadband Internet access services, managed dedicated Internet access services, IP VPN connectivity services, and global connectivity services. 'caTE Data's portfolio of services covers the communications needs of all whether consumers, small and medium enterprises, large corporations, and Internet Service Providers. 'caTE Data service"d5s purpose is to cater for everybody's needs online.

Shareholder	%	# of Shares	Capital
Telecom Egypt	95.04%	29,938,462	299,384,620
Banque Misr	2.5%	225.000	2.250.000
National Bank of	2.5%	225.000	2.250.000
Banque Du Caire	1.667%	150.000	1.500.000



Investor Calendar

Date	Event
January 2008	
February 2008	
March 2008	Bond Coupons Distribution (Sunday 2 <sup>nd</sup> ) Full Year Results 2007 (Thursday 13 <sup>th</sup> ) Annual General Assembly Meeting (AGM) (Monday 31 <sup>st</sup> )
April 2008	Dividends Distribution
May 2008	First Quarter Results 2008 (Thursday 15 <sup>th</sup> )
June 2008	Bond Coupons Distribution Annual Report 2007
July 2008	
August 2008	Half Year Results 2008 (Thursday 14 <sup>th</sup> )
September 2008	Bond Coupons Distribution
October 2008	
November 2008	Nine Months Results 2008 (Thursday 13 <sup>th</sup> )
December 2008	Bond Coupons Distribution

Contacts