Proud of 2010

Annual Report

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Telecom Egypt

Our Vision

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

Our Mission

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

Executive Summary

Chairman's Statement

Chairman's Statement

I am enormously proud of our track record of delivery, but our success in 2010 also demonstrates that a long and deep history as a company does not preclude commercial agility.

After more than 150 years of operations, Telecom Egypt (TE) continues to show true leadership, making our capabilities more relevant to the changing needs of today's customer base in Egypt. We have taken some bold steps to reorganize ourselves and to adopt a more customer centric business structure. This means that our internal teams are built around the needs of different customer groups, irrespective of the services that they buy.

We now have four customer groups – home services, enterprise solutions, domestic wholesale and International carriers and international customers - serviced by highly specialist teams. The result is a business that is more forward looking, equipped with the skills to overcome the challenges and optimize the opportunities each customer segment represents.

This is not a hollow promise. We fully expect that the focus this brings to our operations will deliver significant economic value. In 2010, the first full year of this reorganization and a year in which our cost optimization program showed great success, we produced the highest net profit in the history of our company. Net profit after tax of EGP 3.3 billion, a rise of 8.5% on the same period in 2009, was achieved in spite of a highly fluid and competitive landscape.

We ended 2010 with a net cash position of EGP 4.1 billion which-when combined with the strength of our balance sheet which means TE is in a very positive position as we navigate the uncertainty caused by the momentous events witnessed in Egypt in the first quarter of 2011.

The turbulent and momentous times the world has witnessed since the close of the period under review, and the subsequent political disruption, should not detract from the opportunity we see in Egypt. The demographic profile of Egypt remains incredibly attractive. The population is extremely young; more than one third of the total population is between 10 and 25. The Egyptian youth has a thirst for communications technology, tailored to their needs, that is growing aggressively.

And so, our business continues to evolve. The diversity now present in our revenue mix delivers greater resilience from macro economic factors.

In our most well known segment, retail, we are focused on building out bundled voice and data services to the home. These services leverage the strength of both our fixed line services and our broadband subsidiary, TE Data.

TE has the only national fixed line network capable of supporting the rejuvenation of the entrepreneurial spirit that Egypt was once synonymous with the world over. While enterprise is a relatively new focus for TE, we are already connecting 9.3 million customers to their global and domestic marketplaces. Competitive and high quality integrated voice and data packages will allow these businesses to continue to thrive.

We provide domestic wholesale connectivity to mobile phone operators and other third party providers who now collectively service more than 61 million mobile phone subscribers in Egypt.

Our longstanding international calls expertise and Egypt's geographic location represent another compelling strategic opportunity. 2010 was a pivotal year for our cable business build, capitalizing on five cable contracts using both the Red Sea to Mediterranean Sea Transit corridor and Mediterranean assets as an effective diversified conduit to transit the Asian/African traffic to Europe. Egypt, and in turn TE, is rapidly becoming the focal point for significant international telecommunications carriers.

Our vision is to leverage the favorable dynamics of the Egyptian market and TE's unparalleled network to build a sustainable future for our business. We will do this by embracing new opportunities and delivering on our customer centric approach. Our teams are committed to anticipating customer demand for innovative services, whether from individuals or from businesses and other operators.

Our business model has consistently shown itself capable of producing significant economic value for our shareholders. It is notable that in 2010 we were able to deliver a dividend distribution of EGP 1.3 per share.

Eng. Akil Beshir
Chairman
Telecom Egypt

CEO and Managing Director

CEO & Managing Director's Statement

In keeping with TE's reputation as company that delivers, over the last five years TE's net profit has grown 8% (CAGR). Continuing this trend, 2010 was a year in which we delivered on promises made and took significant steps to ready ourselves for the future.

Revenue growth, costs and capital expenditure for the year were comfortably within management expectations, in spite of a continued challenging operating environment in Egypt. Moreover, at a time when most Egyptian telecommunications operators experienced margin contractions as the effects of competition and wider economic malaise were felt, TE's focused operational performance delivered an improved net margin of 32%.

An immediate priority for the year was to protect our business from the effects of mobile substitution with innovative and attractive consumer promotions and new service bundles, while also making it cost neutral to install a TE line. The effect of this decisive action is visible in our top line results for the year.

At TE Data, our team has once again shown itself to be very capable of capturing the increased demand for broadband internet access so as to grow our market share and to build the revenue contribution it makes to TE's total revenues. TE Data continued to set the standard for broadband internet access in Egypt and expanded its share of broadband during 2010 to 63% of the market.

The performance of our wholesale division was undoubtedly a key top line driver for the year. Our objective was to harness the demand for access to our fixed line network from third party operators and thereby expand wholesale revenues. As a result, total wholesale revenues reached record levels.

But, TE has never been a company to look backwards and 2010 was a critical turning point in refocusing our sights on the future. Our strategic review has placed customers at the heart of TE's operations. While always a service orientated company, traditionally TE has been structured in separate business divisions based on the service lines that customers buy from us. The convergence of communications technologies and the evolution in end user experience, increasingly evident over recent years, has led us to re-evaluate our structure in light of how we interact with our customers. Consumers and businesses alike want multiple communication services from a telecommunications provider. They want a total telecommunications solution. We have therefore reorganized our internal operations into divisions that are built around the customer rather than the form of connectivity that we provide.

As a result, we now operate four Business Units – home services, enterprise solutions, domestic wholesale and international carriers, and international customers – with dedicated, focussed teams appointed to each. What this means in practice is that customers have one customer services adviser, regardless of the various Telecom Egypt services they receive.

Customer centricity is already having a positive impact on customer satisfaction levels. Hence, orientating our business to the way in which our customers use telecommunications services rather than business units can really benefit this.

A customer centric approach provides a level of continuity to the relationship which we believe will, over time, be visible in the stability it brings to our customer base. It is more efficient and, therefore, in keeping with our commitment to cost optimization across TE's business.

Critically, our ability to get closer to the future needs of the customer and monitor our progress through better management information is significantly improved. Customer centricity allows us to establish more informed priorities for capital expenditure. Thus, we are able to make strategic and financial decisions based on the potential that our individual business units can readily validate.

This last point is important. For our first Business Unit, Home services, usage patterns and the requirements of a new generation are changing. Egypt boasts a rapidly growing population; more than one third of which is aged between 10 and 25. The youth segment is not only the most aggressive in terms of growth, but we believe represents the most exciting future challenge and opportunity for TE.

More than one million young Egyptians are leaving school every year and some 300,000 are graduating annually from university. This flow of young professionals goes on to constitute some half a million new households each year. The net effect is a highly dynamic market with significant numbers of new potential customers each year.

Our Enterprise Business Unit is approximately half the size of our Home Business Unit in revenue terms. However, this is a newer focus for TE and we fully expect this to ramp up over the next five years as companies, governmental organisations and institutions leverage our services to advance their own commercial and strategic objectives.

Our Wholesale Business Unit continues to go from strength to strength, once again as a result of our unique fixed line infrastructure. There are two parts to this equation. Firstly, there is the service we provide to domestic wholesale customers and international carriers, where the growth in mobile subscribers increases both bandwidth and transmission demand and international calls. In 2010, we saw a 21% year on year increase in the contribution from domestic wholesale as demand for transmission and infrastructure leasing continued to expand in Egypt. 2010 is the first full year of the medium-term agreement we put in place with Vodafone Egypt, which secures a continued stable wholesale revenue stream in exchange for a fixed term commitment. This has secured an important revenue line for the future.

Secondly, there is the unique global resource TE provides to international customers routing via our heritage fiber. In 2010, we added greater diversity to our revenues mix by beginning to recognize contributions from our new cable projects. By the end of the year the wet build for TE North in particular neared completion and the terrestrial build had progressed well. In 2010, we recognized a total revenue of EGP 515 million for our cable operations, which stands in line with management guidance.

In summary, the year under review was incredibly strong. But, critically, we have made sound progress in our long term vision to become a total telecommunications provider and have taken action in 2010 towards securing our future. Our ability to harness the potential in Egypt and in our position within this exciting market grows stronger with each step. At the same time our commitment to controlling costs protects our strong margins, delivering economic value to our shareholders. I am immensely proud of the advances we have made.

Tantawy

Tarek Tantawy

CEO and Managing Director

Strategy

Throughout 2010, Telecom Egypt has consolidated its services and market position, whilst maintaining a proactive business outlook. We have placed the customer at the heart of our organisation and recalibrated our services accordingly. In doing so we are shaping the business to the future, with customer facing units which are tailored to service our customers' needs and capable of anticipating demand for innovation.

As the only fixed network in Egypt, we remain at the forefront of telecommunications servicing one of the largest populations in the region. The demands of our market are diverse and constantly changing. We connect people, businesses and wholesalers. We connect lives. Our service offering is varied and continues to seek out the very best in modern day communication solutions. Demand for such services is strong, as the youth population expands and the business community works to compete both locally and internationally.

TE's business has now been organized into customer facing units in order to focus on growth

Lines of Business

Business Unit (BU)
BU Characteristics

Retail		Wholesale		
Home Services	**Enterprise Solutions**	**Domestic Wholesale**	**International Carriers Affairs**	**International Customers & Networks**
Traditional voice services and high speed Internet (ADSL) through home landlines.	*High Speed Internet Services (ADSL) and Enterprise Integrated applications solutions for both Private Companies and Governmental Organizations and Institutions.*	*Versatile wholesale services including infrastructure leasing, as well as data transfer for mobile companies and internet providers.*	*International voice operations, thanks to TE's bilateral relations with international carriers and companies, as well as a focus on diversity of inbound traffic sources.*	*Egypt's unique geography, connecting the Red and Med Seas, make TE's network a unique global resource connecting Euro-Asia and Euro-E-Africa infrastructure.*
Growth based on demographics and ability to spend more on telecoms. *18 million homes and 500 thousand new potential households created per year.* *60% of home revenue is access and data based*	*Enterprise is repositioning from being a connectivity provider, to a total solution provider. This is expected to level up in the next five years.* *Particular demand for total telecom*	*MNOs and ISPs use TE's extensive and unique fiber based network for transmission services.* *The uptake in mobile subscribers and mobile technology has seen an increase in bandwidth and transmission demand.*	*Develop and grow international and regional Hub business, as well as developing adjacent voice services (HCD-ITFS).* *Implementing "Least Cost Routing" module.*	*The world depends on TE heritage for international communications. Latency and diversity support TE's offering.*

Business overview

Operational review

Throughout 2010, TE has remained consistently focussed on operational excellence, a compelling commercial offer and careful control of our finances. The ultimate result of this unwavering determination was record profitability for TE despite the challenging operating environment.

Retail

Voice

Some 90% of our subscriber base is residential and we have long had a focus on understanding our customers' needs, in terms of new services with the greatest potential for profitable growth. However, mobility is attractive to Egypt's increasingly sophisticated population and some of the pricing strategies being employed, by mobile operators, in the grab for subscribers have been very aggressive. Intense competition from the mobile operators pressured our voice business during the previous twelve months and as a result we felt it necessary to take further action in 2010 to stem the broader effect across our retail revenues.

Throughout the year under review, we continued to roll out various bundled offers which have proved to be very popular among our subscriber base. These were further enhanced with the introduction of the double play services to our residential customer base. More details on these offers can be seen in Box A/B/C .

Box A – TE Residential Promotional Highlights

During January, TE held a weekly competition for residential fixed line customers who paid their January 2010 bill, in which the winners received cash prizes. The weekly draw took place over four weeks and first prize was EGP 100,000, second was EGP 75, 000, third was EGP 50,000, the prize for fourth was EGP 25,000 & an additional 20 winners received EGP 10,000.

TE ran a Lowest Minute Rate residential customers offer in January, allowing existing and new customers to call mobile phones from their fixed line for 15 Pt per minute.

From May until July, TE offered new residential customers three months of free calls and an exemption from the installation fees. The offer applied for all local calls.

As of June 2010, new residential customers have been offered a delivery service, where a TE salesperson and technician visits the customers' home to complete the subscription and set up their telephone line or internet services. Customers no longer need to visit a TE site to sign up to our services.

Throughout August, TE customers could win trips to pilgrimage (Al Hajj) plus the opportunity to receive financial awards when they were paying their July bill.

Launched in October, TE ran a new customer promotion, in which residential customers could subscribe to a new phone line for free. No installation or admin fees were charged. Residential customers saved some EGP 300.

Launched on 1 December, Kalam 12, allows customers to subscribe to a tariff plan giving them 120 local minutes, 80 additional national minutes and 10 mobile minutes, in exchange for the current subscription fees with no additional cost.

In the last three months of the year, TE ran a promotion for our Marhaba & Marhaba plus prepaid cards customers which allows the customers to make all types of calls (international, national and mobile) at the lowest rates per/min. International calls were 1.99 per minute, mobile calls were 15 pts per minute and national calls were 10 pts per minute

Box B – TE Business Promotional Highlights

Launched in February, TE ran a new promotion (Extra) in which business customers could get the lowest rate on calls from landline to mobiles. Starting from EGP 100 monthly, business customers can get extra free minutes and extra discount on international calls.

Launched in October, TE ran a new customer promotion, in which business customers could subscribe to a new phone line for free. No installation or administrative fees were charged, and business customers saved some 550 L.E.

In the last three months of 2010, business customers were offered the best rate per minute from landlines to mobile phones, choosing the bundle that best fits their needs. Starting from EGP 100 monthly customers receive extra free call minutes and a discount on international calls.

Box C – TE Data Promotional Highlights

TE Data's Duetto promotional bundle ran from February 2010 and offered unlimited local and long distance calls, along with unlimited internet accessibility provided at a speed of 1Mbps, all for EGP 199 per month.

In March, TE Data offered residential customers, who subscribe to any unlimited ADSL speed internet service, a free browser router in addition to a "super support" software program that analyzes internet connectivity and fixes faults with the connection.

Throughout June, TE Data had a summer offer for subscribers of unlimited speed access. Qualifying customers were given a free router and one month of free service when they paid for one month subscription. Existing customers received 5 months of free service when they paid the 3 months subscription fees.

TE Data ran a North coast offer in June, where for EGP 290 customers received a 512 kbps ADSL subscription for a year, a cut price router, installation of a landline for free, 3000 minutes of talk time and a router support CD.

In August, new subscribers to TE Data ADSL received a free router plus a month's connection for free.

In the fourth quarter, customers were offered six months internet subscription for free, when they paid for 3 months. Alternatively, customers who paid a subscription for one month got the second month for free.

When combined with our move to a customer centric approach, these innovative offers provide our customers with a more valuable customer experience. Moreover, these strategies are assisting in offsetting competitive pressures; notably, our fixed line subscriber base stood at 9.3 million as at 31 December 2010.

Internet & Data

At the start of 2010, TE took the decision to purchase the outstanding 4.95% of shares in TE Data. TE now owns 100% of TE Data. This strategic decision to gain full ownership highlighted the Board's belief that broadband internet services will be a core area of business development of TE in the future, as we bundle our fixed voice and broadband internet offerings into compelling home customer solutions.

During 2010 TE Data expanded its share of the broadband market to 63%, with retail internet and data services making an 8% contribution to TE's total revenues. This was predominantly as a result of TE Data's performance. Internet and data services accounted for 8% of TE's total revenues in the year. We continue to see this as a key future growth area.

Current figures show that more than 1.4 million Egyptian households have a broadband connection. Young Egyptians are accessing innovative social media and internet interaction platforms on an ever increasing scale, resulting in increased usage across our network. As an indication, Egypt already leads the Arab world in numbers of Facebook subscribers, with 5 million members. In 2010, 25% of TE's total service related revenues were generated from access and data revenues.

Paramount to this service is the requirement to maintain, repair and where necessary upgrade our network. We must constantly ensure that our capability to meet this demand is robust. In 2010, we embarked upon a network upgrade program designed to ensure that we are able to cope with increases in usage and accommodate new technologies for the next five years. This program will take us from 2.3 terrabits to 4.5 terrabits and effectively double the capacity of the TE network. When fully completed, it will further reinforce our opportunity to meet the future usage demand and technological advancement of this significant growth market.

Mobile

TE holds a 45% stake in Vodafone Egypt (VFE), Egypt's largest mobile operator, with a 6,000-strong workforce that serves more than 31.8 million customers all over Egypt. The investment provides TE with exposure to the most successful mobile operator in the region and to its continued growth within that strong market. In 2010, TE received EGP 1.3 billion in income from its VFE investment.

Mobile phone usage in Egypt, as across the wider Middle East and North Africa (MENA) region, has been largely unaffected by the global recession. VFE's call volumes reached all time highs in 2010 growing 51% on 2009 volumes. The market is positioned for strong growth in the next five years, with many commentators predicting a doubling of mobile voice traffic in the region through 2015, reflecting, as well an expansion of the user base. The resulting lower tariffs due to increasing competition have benefitted consumers, but placed some pressure on margins.

We anticipate continued positive contributions from our stake in Vodafone Egypt (VFE), which throughout 2010 continued to grow its market share and customer base. In spite of the highly competitive market in which it operates, VFE's extensive marketing and promotional activity during 2010 meant that the company added seven million new customers throughout the year. In excess of 43 billion minutes were recorded for the period to the end of 2010. VFE's customer base represents 45% of the Egyptian mobile market.

Wholesale

2010 revenues from wholesale revenues ran at historic highs for TE, more than compensating for the pressure experienced on certain retail revenue lines.

TE's network infrastructure offers unparalleled access to a dynamic network, which is capable of providing domestic mobile operators with sufficient access to bandwidth, to meet their commercial needs as their franchise grows.

TE enables some 70 million fixed and mobile subscribers and over 1.4 million broadband users in Egypt. Demand from the domestic market to access our network remains strong.

2010 represents the first full year of the medium-term agreement we put in place with VFE, which secures a continued stable wholesale revenue stream in exchange for a fixed term commitment. This has proven to be valuable for TE in securing an important revenue line. We expect the contract to secure wholesale revenues of approximately EGP 4 billion over the three years of its existence.

The international wholesale business incorporates our international gateway provision, whereby international users route their telecommunications traffic through the TE network.

Throughout 2010, TE has carried out a strategic review of its bilateral agreements with international and regional carriers. TE has negotiated a series of bilateral agreements with international and regional carriers on favorable terms for both parties in respect of access to the TE network. The agreements centre on more direct access to TE's infrastructure for third party carriers by bypassing third party traffic aggregators and taking more direct control of routing with the carriers themselves. The renegotiated and new agreements that have been put in place with carriers have diversified inbound telecoms traffic.

In 2010, our pricing committee also renegotiated the settlement rates for certain counties. These agreements were finalized and signed at the start of 2011 and will have a demonstrable impact on our wholesale operations in the coming year.

In 2010, we also made progress in our cable business, particularly in the build out for TE North. This enabled us to add even greater diversity to our revenues mix by beginning to recognize contributions from our new cable projects. TE recognized EGP 515 million in revenue from its international customer projects in 2010, representing projects completed and those that were operationally ready.

BOX D TE's International Growth

TE's cable business comprises the following key projects: TE North; IMEWE; Seacom/ TATA -TGN; CYTA; EIG and HAWK.

TE North: Linking North Coast Egypt to Europe

- Submarine cable system which extends from North Egypt to Europe, expanding the service footprint of the existing TE Transit Corridor, by offering additional transit services in the Mediterranean. This will also lower the cost point of TE Data.
- First revenue from TE North recognized in 2010.

IMEWE

- A consortium led submarine cable system comprising of nine leading international telecom administrations including Telecom Egypt.
- IMEWE will use the TE Transit Corridor to cross from the Red Sea to the Mediterranean Sea.
- Cable operational in the last quarter of 2010.

SEACOM/ TATA - TGN

- Cable from South Africa joining TATA-TGN coming from India in the Red Sea, landing in Egypt (Zafarana) then using TE Transit Corridor & TE North cable so as to link the Cable to Europe.

Cyprus Telecommunications Authority (CYTA)

- Agreement to cooperate through extending the TE North Cable System to Cyprus.
- CYTA purchased two fiber cables to transport a terabit of telecommunications capacity from Cyprus to Egypt and Europe.
- TE will transport CYTA traffic to key European and Asian destinations.

EIG

- A consortium led submarine cable system comprising of seventeen leading international telecom administrations including Telecom Egypt.
- EIG will use the TE Transit Corridor to cross from the Red Sea to the Mediterranean Sea.

HAWK

- Signed a contract with Reliance Globalcom to land the HAWK Cable with Telecom Egypt as an extension to the Falcom Cable System.

With the completion of these projects, TE will firmly establish itself as a telecommunications hub for the region. This will generate more capacity business and ancillary services on top of the cable services.

Financial Review

In 2010, the company delivered the highest profit in its history. TE's focused operational performance delivered an improved net margin of 32.1%. Net profit after tax reached EGP 3.3 billion, a rise of 8.5% on the same period in 2009. In the twelve month period under review, TE amassed a net cash position of EGP 4.1 billion. In a year when most Egyptian telecommunications operators experienced margin contractions as the effects of competition were felt, TE delivered a dividend distribution of EGP 1.3 per share.

We have worked hard to ensure that each division performs well in a challenging environment, but equally our financial strategy has been focussed so as to optimize the net result. Since the start of the year, we have implemented a cost optimization strategy, intended to ensure that TE maintains or even improves on its margins.

The savings are evident in the results for 2010 and we plan to build further on this success in 2011. When combined with the strength of our balance sheet, TE's financial position is compelling. This will be particularly important as we navigate the immediate uncertainty caused by the momentous events witnessed in Egypt in the first quarter of 2011.

Revenues

2010 revenues have been driven by the strength of the domestic and international wholesale revenue and the growing contribution from TE Data's increased internet and data demand.

Total consolidated operating revenue for 2010 reached EGP 10.3 billion for the twelve month period to 31 December. This was above management expectations and represents a rise of 3.6% when compared to 2009.

Revenues from Retail Services

Full year retail revenue totalled EGP 5.4 billion representing a fall of 6.7% in comparison to 2009 retail revenue. Our revenue from retail services continued to come under pressure from mobile substitution due to the fierce competition in 2010.

Promotional activity did have some short term impact on TE's overall voice revenues for 2010, which totalled EGP 2.1 billion. This represented a decline of 18.9% on 2009. However, the decision to implement selected promotional activities is critical to stabilizing our customer base, enabling TE to compete with the aggressive pricing from the mobile operators.

During 2010, total access revenue fell year on year as a result of the free installation promotion which we ran on two occasions in 2010. Revenue was EGP 1.8 billion for 2010.

We have taken advantage of the ever increasing demand for internet services and our bundled promotions have been successful in attracting customers to subscribe to both services. Internet and data revenue for the period, which is currently mostly attributed to TE Data, reached EGP 810 million. At the year end, TE Data had reached more than 883 thousands broadband internet subscribers.

While retail revenues have come under pressure, the fall in revenue from this business segment was offset by the increase in revenues from wholesale services.

Revenues from Wholesale Services

Domestic and International wholesale services, which take advantage of TE's unrivalled telecommunications network within our geographical location, remain a key revenue driver for TE.

A total wholesale services revenue of EGP 4.9 billion was generated in 2010, which was a rise of 17.7% year on year. This increase offset the decline in retail voice revenue as we diversify our services and broaden our revenue generating base.

Domestic wholesale services, which is dominated by the provision of services to the three Egyptian mobile phone operators, generated revenue of EGP 1.2 billion in 2010 which was an increase of 20.7%.

The international wholesale revenue has also been strong, increasing to EGP 3.7 billion for 2010. This is comprised of our services to international customers, including our cable projects TE North, IMEWE and SEACOM/TATA. 2010 was the first year that we recognized a revenue contribution from our TE North project.

Operating Expenses

As a company, TE has always maintained a strict control on expenditure. Operating expenses totalled EGP 5.5 billion for the full year 2010, with an increase of 11.0% when to compared to 2009.

In the current operating environment, it is essential that expenses are kept to a minimum. At the start of the year our financial team launched TE's cost optimization strategy across all business divisions.

TE's cost optimization strategy has four target goals:

- reduce service costs through the extension of annually renewable contracts to a longer time period,
- minimize capital expenditure by negotiating better terms with regular suppliers,
- moderate headcount via a voluntary early retirement programme, and
- introduce new network software that, once fully implemented in 2011, will route calls through the network in the most efficient manner.

Throughout the year, all TE divisions have renegotiated the renewable contracts with suppliers and service providers that TE engages. Where possible TE has negotiated longer term contracts brining the associated expense down. By extending service contracts from one to three years we have been able to reduce annual costs by 15 to 20%. Over the course of 2010, we renegotiated annual operations and maintenance and IT service contracts, resulting in a cost saving of EGP 72.3 million for the year under review.

We have also reviewed all procurement procedures to ensure that all contracts are standardized. Contracts must now only be denominated in Egyptian pounds, to reduce our exposure to foreign currency movements. All payment terms have been negotiated to a more favorable 10% down payment, followed by the balance of payment upon completion of the service. All payment durations are now quarterly based and service contracts have been reduced from 20 to 12 week periods.

In July 2010, TE launched a voluntary early retirement programme to qualifying staff. As a result, we have reduced our head count by approximately 3,000 employees. This is expected to result in a cost saving of some EGP 30 million per annum from 2011.

Selling & Distribution Expenses

Selling and distribution expenses increased during 2010, from EGP 448 million in 2009 to EGP 461 million. This 2% percent rise can be attributed to an increase in social security payments and salary contributions in 2010.

General & Administration Expenses

General and administration expenses in 2010 were EGP 1.4 billion, which amounts to an increase of 15% year on year. This can be attributed to the one-off payments resulting from TE's early retirement programme plus an increase in salary and social security contributions as a result of annual remuneration increases.

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

Consolidated EBITDA for 2010 was EGP 4.9 billion a decrease of 3.6% on 2009 EBITDA. This can be attributed to an increase in salary costs during the year and the temporary enhancement of the early retirement programme.

EBIT for 2010 reached EGP 3.6 million, an increase of 1.8% on 2009.

Financial Income & Expenses

TE has received income from investments for the period of EGP 1.3 billion, that was a decrease of 4.2% on 2009 investment income. This was almost entirely generated by our investment in VFE which continues to make exceptional advances within the mobile market.

During the nine months to the end of 2010, VFE generated total revenues of EGP 9.2 billion, an increase of 0.9% on 2009. Net profit for the nine months decreased by 12.3% to EGP 2.1 billion year-on-year.

Income Tax Expense

Income tax for the year stood at EGP 638 million an increase of 18% .

Net Profit

The consolidated net profit for in 2010 was EGP 3.3 billion which amounts to a 8.5% increase on 2009 net profits and which represents a record annual net profit for TE. This was achieved through the diversification and development of services that we offer as a company and through prudent cost management achieved across the company.

Earnings per share stood at EGP 1.72 in 2010 an increase of 4.7% year on year.

Investments in Infrastructure

Our infrastructure is a key asset and is central to the development of TE as a world-class communications company. It is, therefore, necessary to invest in both the maintenance and development of that infrastructure. In 2010, capital expenditures totalled EGP 1.1 billion, in line with management expectations. In part this sum was reduced by our cost optimization programme and the more efficient negotiation of contracts with third party suppliers.

Debt

Our debt repayment programme was completed in 2009. Throughout 2010, we have maintained a robust net cash position, with EGP 4.1 billion on hand as at 31 December 2010. Our balance sheet has been strengthened by diversifying our service offerings and ensuring that we optimize our cash position, while at the same time minimising operating expenses.

Investment Policy

Throughout 2010, TE has reviewed and altered our investment policy so as to ensure that we achieve an optimal return from our cash position. Previously we invested free cash flow in time deposits exclusively. However the decision was taken in the second quarter of 2010 to diversify our investment strategy to also invest in higher yielding treasury bills, which return a more attractive interest rate. This has proven to be a successful investment approach and one which TE shall be deploying going forward.

Dividend Policy

TE's dividend policy allows the Board to distribute funds to shareholders subject to certain considerations, including future capital requirements and the financial standing of the overall Company. The Board of TE recommended the distribution of a dividend for 2010 of EGP 1.3 per share which was subsequently approved at the TE Ordinary General Assembly in April 2011.

In 2010 submarine cables business participated in sustaining the corporate top line revenues.

For Telecom Egypt, Egypt's primary telecommunications services provider, 2010 was an important year of progress for our cable business particularly for TE North build, a private submarine cable system that links Egypt to France and the first Mediterranean cable network to provide commercial service using the newest 40 Gigabit per second (40G) technology, enabling us to capture a portion of the non-serviced demand for IP traffic capacity from Asia and India into Europe and vice versa. Also, we have made significant progress in our IMEWE, (India- Middle East- Western Europe) submarine cable, which connects India to Italy and France via Egypt's terrestrial diversified route that has been opened for business.

TEN is Telecom Egypt's foremost national project. TEN's capacity surpasses that of any in the region, and is the first Egyptian-European cable capable of transporting 20 Terabits. TEN's Cable System is provisioned with 40G wavelengths across the Mediterranean. We have already done tests for using the 100 Gigabit per second (100G) wavelengths technology and results were very successful.

TE-NORTH is considered the first Mediterranean cable network to provide commercial service using this newest 40G technology. Its completion is critically important to enhancing communication services for our local customers, who increasingly rely on the internet and other global services. It will also provide TE's regional and global customers with more affordable and resilient communication services, extending and expanding TE's long tradition of supporting our international partners with a reliable and first class international connectivity.

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

IMEWE is a 13,000km long three-pair fiber-optic cable, having stations in Pakistan, the UAE, Saudi Arabia, Egypt and Lebanon, has a design capacity of 3.84Tbps and is the third such submarine cable operational between India and Europe after SMW3 and SMW4.

The construction of the submarine link was funded by a consortium of nine operators – Bharti Airtel (India), Etisalat (UAE), France Telecom, Ogero (Lebanon), Pakistan Telecommunication Company Limited, Saudi Telecom Company (Saudi Arabia), Telecom Egypt, Telecom Italia Sparkle (Italy) and Tata Communications (India).

Marketing Strategy

Telecom Egypt's marketing strategy aims to maintain the company's leadership while adding value to its customers. Our main concern is to provide communication efficiency with the least cost taking into account our customers' needs through customer-focused strategy and continuous service improvement. TE strongly believes that customer centricity is the main focus for any successful business. Thus, working in a highly dynamic and challenging market, our marketing strategy is adapted to understand customers' fast-changing expectations and demands.

Our aim is not only to retain our loyal customers but also to attract new ones to expand our customer base through both voice and data offerings. TE works vigorously to offer its customers tailored promotions on its high-end voice broadband services that cater to all customer segments, whether individuals, homes or businesses across the country focusing on the following key objectives:

Delivering Value to Our Customers:

Telecom Egypt has always prided itself on offering great value to its customers and 2010 was no exception. Our strategy worked on continuous product portfolio innovation and committed to providing great voice and broadband services while still offering great value prices to our loyal customers.

Delivering Cutting - Edge Products and Services:

Essential to our strategy is delivering our customers new voice and data products and services through capitalizing on new and existing resources and global technological advances enhancing value proposition and complementing our product portfolio with attractive content services, to provide our customers a rewarding experience.

Giving Customers What They Need:

Understanding and catering to the needs of our specific customer segments is critical to TE's marketing strategy. Whether dealing with individuals, homes or businesses across Egypt, by tailoring our offerings and approaches TE is able to fulfill every one of our customers' needs.

Giving World Class Customer Care:

As our strategy is based on customer centricity, Telecom Egypt has always taken care of after-sales support through our highly efficient and top-notch call centers, ensuring customers' satisfaction and building a long-relationship with our customers. In addition, our wide-spread Points of Sales (POS) and service centers make us always available to our customers whenever and wherever they need.

Throughout 2010, Telecom Egypt launched numerous initiatives and promotions to accomplish our strategy. Following are some examples of the efforts TE had put forth to achieve its voice and data marketing goals.

2010 Key Promotional Campaigns

TE Promotions

As Telecom Egypt is committed to the highest levels of customer satisfaction and delivering the best value in 2010, TE offered its customers several value added promotions and attractive bundle offers that were successful in responding to its customers' needs as well as attracting new customers.

"3000" free minutes

The "3000" free minutes promotion offered for six months 3000 free minutes and exemption from installation fees for six months; in addition to the "Call Barring" service which is offered free of charge for six months. The offer was applied for local, long distance and fixed to mobile calls. The "3000" free minutes will be charged as follows:

- For local minutes, the customer will get 1 free minute in return to each minute made with a maximum of 260 minutes/month.
- For national calls, the customer will get 1 free minute for each minute made with a maximum of 150 minutes/month.
- For mobile calls, the customer will get 3 free minutes for each 3 minutes made with a maximum of 90 minutes/monthly.

Kalam 12

In December, "Kalam 12" was a new tariff plan where the customers get 120 free local minutes, 80 free national minutes & 10 free fixed to mobile minutes in exchange of the subscription fees; EGP 12. Around 46 thousand subscribers converted to "Kalam 12" during December 2010.

Free Landline Offer

"Free Landline Offer" was another waiving offer by TE; exempting new customers from the installation fees. The offer was available for both residential and business customers which resulted in adding some 53 thousand new customers. Customers were exempted from the following:

- EGP 50 of administrative fees.
- EGP 250 of home installation fees.
- EGP 500 of office installation fees.

"Talking Across the World"

TE offered "Marhaba Pre-paid Cards" promotions where the customers could make all types of calls (international, national, and mobile) on the lowest rates per/minute. The minute rates were charged as follows:

- International minute to any country at anytime for EGP 1.99.
- Mobile minute to any mobile at anytime for 15 pts.
- National minute over all governorates for 10 pts.

January Bill contest

To encourage customers to pay their bills on time, TE conducted a contest upon January 2010 bill issuance, proposing prizes with a total value of EGP 1.8 million through a weekly draw. The contest resulted in a 52% increase in paid bills for the month of January.

Pilgrimage Trip

A contest announced in July 2010, where 60 customers could win Pilgrimage trips of a total prize amounting to EGP 340,000. The winners were revealed during Ramadan, which built strong emotional ties between TE and its customers.

TE Data Promotions

TE Duetto

Telecom Egypt and TE Data launched TE Duetto, the first offer binding Voice and Internet Services. TE Duetto's monthly subscription is EGP 199 for High-Speed 1 Mbps Internet with Unlimited usage of Local and National Calls. Subscribers were offered to choose between two bundles:

EGP199 Bundle:
- 1M unlimited internet speed
- Unlimited local calls
- Unlimited national calls.

EGP299 Bundle:
- 2M unlimited internet speed
- Unlimited local and national calls
- 200 minutes mobile from fixed to any mobile in Egypt.

Browser Router

The "Browser Router" promotion offered new customers upon subscription an unlimited package, a Free Framed Router in addition to "Super Support" program that analyzes internet connectivity step by step automatically and fixes most of the computer problems in a very short time.

World cup T-Shirts at Virgin Mega Stores

TE Data offered new subscribers (who visited Virgin Mega Stores) the following:

- For 3 months subscription, 1 world cup T-shirt.
- For 6 months subscription, 2 world cup T-shirts
- For 1 year subscription, 3 world cup T-shirts.

Dial Up Promo

TE Data launched an incentive promotion targeting internet dial-up users, enticing them to subscribe to TE Data's ADSL service. The promotion options were:

- One year 512K subscription for EGP 70 monthly and 1-port Customer-Provided Equipment (CPE) free.
- 6 months 1M 6 months subscription for EGP 75 monthly and 4-port Customer-Provided Equipment (CPE) free.

Summer Promo

In 2010, TE Data launched a special summer promotion. The promotion offered its customers, upon subscribing in any Unlimited-speed access, a free router as well as one month of free service. For existing customers, they were offered 5 months of free service upon paying 3 months subscription fees, in addition to the Support CD that supports all the new routers.

North Coast Promo

TE Data launched an exciting bundle promotion only for North coast customers. The promotion offered new subscribers upon paying EGP 290 only, the customer will get the following:

- ADSL subscription (512 kbps) for a year in the North Coast.
- Router at a special price.
- Landline exempted from installation fees.
- 3000 free minutes.
- Installation in 48 hours.

The 50% Discount

TE Data launched a new promotion with an attractive price package that offered subscribers upon paying 3 months subscription fees for any unlimited internet speed a 50% discount on the next 6 months or paying subscription fees for one month and enjoy the other month for free.

Governorate Promo

TE Data launched a promotion targeting only specific governorates as Ismailia, Fayoum, Menofya, Beni Sweif, & Kafr El-Sheikh offering them to pay one month subscription and get the other month free; in addition to 50% discount on ADSL router.

Computer Shop Bundle

TE Data partnered with Computer Shop, one of the biggest IT equipment stores in Egypt, to launch a bundle offer exclusive to Computer Shop branches in Egypt, offering customers the opportunity to purchase any laptop with Intel ®Core™ I5 or I3 processor and get a free month ADSL subscription. The promotion was available for both new and existing TE Data customers.

B-Tech Bundle

TE Data along with B-Tech, one of the largest nationwide distribution networks selling household appliances and consumer electronics, launched an exclusive bundle promotion, offering customers the opportunity to purchase LCDs, Wii, PS3 and Xbox and get a free month ADSL subscription, or pay the three months subscription and get the next three months for free, in addition to a free ADSL router. The promotion was available for both new and existing TE Data customers.

Milestones

- **In January 2010, Telecom Egypt** acquired the remaining 4.95% of TE Data's stake, to have full ownership of its broadband subsidiary.
- **In December 2010, Telecom Egypt** made several changes to its organizational structure which supports TE's strategic objectives. Three new Senior Vice President (SVP) positions have been created, which report directly to TE's CEO and Managing Director Tarek Tantawy, and three Vice Presidents (VPs) have been promoted to the newly created positions.
- **TE North's Cable System** that is provisioned with 40 Gigabit per second (40G) wavelengths across the Mediterranean, completed tests for using the 100G wavelengths technology and results were very successful.
- **In the first quarter of 2010**, TE North's Cable System recognized revenues.
- **IMEWE**, using TE Transit Corridor to cross from the Red Sea to the Mediterranean Sea, started operations in the last quarter of 2010.
- **In 2010**, TE Data opened seven new CSO in various Egyptian Governorates.
- **In 2010**, TE Data opened 16 new Points of Sale (POS)' in most of the Egyptian Governorates
- **In 2010**, TE Data signed an agreement with Fawry (an electronic bill payment and presentment network that enables Egyptian consumers to conveniently and securely pay their bills and top up their mobile phones through POS machines available at a network of retailers).
- **TE Data** in cooperation with Avaya (a global leader in business communications systems. The company provides unified communications, contact centers, data solutions and related services directly and through its channel partners to leading businesses and organizations around the world) offers TE Data's Call Center service with flexible solutions, using the latest technologies, operating at a lower cost while increasing the agent's efficiency and effectiveness across the enterprise.

Subsidiaries & Investments

TE Data (100%)

TE Data is Egypt's largest Internet and Data Transfer service provider. The company was established in late 2001 by Telecom Egypt. The company is the internet service provider market leader in Egypt with over 63% market share. TE Data also owns operations in Jordan and has ambitious plans in other parts of the MENA region. TE Data's portfolio includes narrowband & broadband internet access services, managed dedicated internet access services, IP VPN connectivity services, prepaid calling cards and global connectivity services. TE Data's portfolio of services covers the communications needed of all; whether consumers, small and medium enterprises, large corporations, and internet services providers. TE Data service's purpose is to cater for everybody's needs online.

Designed to be positioned as a world class broadband service, it provides high-speed access to the internet on regular fixed copper phone lines with speeds that can reach up to 2 Mbps for home users and 8 Mbps for small businesses; the service can technically support up to 24 Mbps.

Milestones

- TE Data witnesses a 47% growth rate, while the total market witnessed a 28% growth rate from 2009 to 2010.
- TE Data is the fastest growing data communications and internet service provider. It is Egypt's leader with the biggest broadband access; the internet infrastructure is 70% of Egypt's capacity with 900 POPs starting 2010.
- The global partnership with Verizon Business, Telecom Italy Sparkle, PCCW Global, VSNL-TATA Communications and Reliance places TE Data on the international arena.
- TE Data is operational in Egypt and Jordan with a business portfolio that includes narrowband and broadband Internet access services, IP VPN connectivity services, global connectivity services, in addition to consulting and professional services.
- TE Data broadband market share grew from 27% in 2004 to 63% in 2010.
- TE Data's broadband markets share grew from 61% in 2009 to 63% in 2010.
- TE Data in collaboration with IBM is introducing "TE Learning" the state-of-the-art solution allowing schools, universities and other educational institutions to directly deliver their courses and curriculums to students through the Internet, regardless of location and time constraints for teachers and students.

centra Technologies (58.76%)

Centra Technology is a shareholding company established in 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.

Starting 2010, Centra's main objectives were based on:

- Expanding its revenue stream by adding new customer base, in addition to the existing list.
- Building a new company profile allowing Centra to have an identity as a Solution and a System Integrator.

Milestones

- Centra achieved a partnership with Fujitsu Siemens to become the Official distributor for Fujitsu Siemens Company amounting to USD 1 million business plan.
- 84% of 2010 revenue stream was achieved from new customer base as Ministry of Education, Ministry of Finance, Ministry of Communication and Information Technology (MCIT), and Alexandria Petroleum.
- By the end of 2010, Centra signed agreements and partnerships concentrating on three main line of business, in addition to the existing one, Networking, Data Security, and Data Centers Solutions.
- Centra became a certified partner for the following Vendors:
  - IBM, Certified business and Service Partner for all Windows bases Servers.
  - Xerox, upgrade the Partner Ship to include Document Management Solutions.
  - APC-Schneider, Certified Premier Partner in Data Centers Solutions.
  - Up Time Institute, Data Center Certified Designer.
  - HP Preferred Gold Partner.
  - Fujitsu Siemens, Premier Partner.

Xceed (97.66%)

Xceed is a global provider of quality, multi-lingual Business Process Outsourcing (BPO) services. Xceed offers integrated customer care, technical support and associated back-office processing to commercial and governmental clients worldwide. Xceed was established in 2001 to serve as the IT arm of Telecom Egypt with a client base of more than 11 million subscribers. Since then, Xceed has developed into a global provider of BPO services, with multi-sites at multiple locations. Xceed serves as one of the largest contact centers in the Southern Mediterranean Region. Xceed currently has 4 sites within Egypt with its head quarters located in Cairo's technology park, The Smart Village. Xceed has an additional contact center, geographically and culturally proximate to Europe, at Morocco's technology park, "CasaNearshore Park". This site boasts a large, qualified Francophone talent pool.

Achievements

- Xceed was recognized by the International Association for Outsourcing Professional (IAOP) in the Global Outsourcing 100 TM list for 2010.
- Xceed is COPC ® - 2000 certified.
- Xceed is ISO 9001:2000 Quality Management System certified.
- Xceed is ISO 14001:2004 Environmental Management Standard certified.
- Xceed is OHSAS 18001:1999 Occupational Health and Safety Management Systems certified.
- Xceed is ISO/IEC 27001:2005 Information Security certified.
- Xceed is BS 25999 Business Continuity Management certified.

Milestones

- Xceed, in cooperation with Microsoft, launched the first Community Technology Center in Egypt to grant computer trainings to underserved people and managed to train 1301 students up till now.
- Xceed managed to keep the Ambulance account operational during the revolution when no other public service was operational.

TE FRANCE (100%)

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

In 2010, TE-North Cable System between Egypt and France was ready for service which has been landed in Marseille, France under TE-France license. TE-North Submarine cable system which extends from North Egypt to Europe, expanding the service footprint of the existing TE Transit Corridor, by offering additional transit services in the Mediterranean.

Investments

Investments	% of ownership 31/12/2010	Activity
Middle East Radio Communication(MERC)	49.00%	Wireless Communication
Vodafone	44.95%	GSM Mobile operator
IT Incubator Fund	46.15%	Venture Capital Fund
Egypt Trust	35.71%	E-Commerce
Ideavelopers	18.75%	V C Fund Management Company
Nokia Siemens Networks	10.00%	Telecom Equipment manufacturer
Civil Information Technology Co.	10.00%	Manufacturer of Exchange and Telephones
Arab Company for PC Manufacturing	10.00%	Software Development
Arabsat	1.59%	Satellite Telecommunications
Thuraya	0.50%	Satellite Telecommunications

Brief about the companies

Middle East Radio Communication (MERC) (49.00%)

Middle East Radio Communication (MERC) is a joint stock company, established in 2001 under law no.8 for year 1997. MERC is a leading company in the field of building, operating, and managing wireless communications stations. Moreover, MERC produces designs and operates various types of programs and computer system; in addition to developing software, operating systems and integrated systems, data entry on computers using electronic methods, establishing database and electronic information system, and producing electronic contents in different forms such as voice, image and data. MERC has got a license from National Telecom Regulatory Authority (NTRA).

Vodafone Egypt (44.95%)

Launched in 1998, formerly known as Click GSM, Vodafone Egypt supported by Vodafone Group's know-how and its own local market research provides innovative products perfectly suited for its customers. In 2006, Telecom Egypt increased its Vodafone share from 25.5% to 44.7% in a massive stock acquisition move. In 2008, Telecom Egypt also bought around 370,000 shares of Vodafone Egypt bringing up its shareholding stake from 44.79% to 44.95% in Vodafone Egypt.

IT Incubator Trust (46.15%)

The fund, a pioneer in IT venture capital financing in Egypt and the MENA region has successfully helped in turning a number of forward-thinking entrepreneurial projects into thriving companies. The list of its promising companies includes: TimeLine, Ostez, OpenCraft, and Diagnosoft.

Egypt Trust (35.71%)

Egypt Trust ET (Egyptian Co. For Digital Signature & Information Security SAE) has been established in Egypt since 2006. It is based on the establishment of the Information Technology Industry Development Agency (ITIDA) which sets the main basics for data security, protection and validation of digital signatures.

Ideavelopers (18.75%)

Ideavelopers manages and advises technology-driven funds including; The Technology Development Fund I & II, Middle East Technology Fund (METF), Jordan Technology Fund (JTF), and Technology investments of the Commercial Intl Investment Co (CIIC) worth in excess of $113 million of invested capital. Since 2001, Ideavelopers has participated in the funding of some 40 technology-driven companies on behalf of its investment partnerships. Ideavelopers provides quality venture development services; include offering early stage, high growth companies access to business development services, such as strategic marketing research, financial advisory services, and management consulting services.

Nokia Siemens Network (10.00%)

Nokia Siemens Networks is the leading telecommunications solutions provider in the Middle East and Africa region, which is one of the most strategically important markets for our fixed and mobile businesses.

Civil Information Technology Co. (10.00%)

CITC was founded back in Egypt in November 2000 to provide technical support for one of the largest projects in Egypt "National ID System". CITC brings up a totally fresh and innovative approach to offering integrated solutions to the Egyptian community.

Arab Company for PC Manufacturing (10.00%)

ACCM is a well funded private electronics design and manufacturing enterprise headquartered in Cairo, Egypt. ACCM started in 2003 through investments by Al Khorafy Group (very large investment fund), Telecom Egypt, and others for the purpose of developing and manufacturing computer, communications and consumer electronics products for the Egyptian and neighboring markets. ACCM has established a strong R&D group to develop Electronics products for the targeted markets plus an ISO9002 certified electronics manufacturing and test factory.

Arab Sat (1.59%)

Arab Sat is an Inter-Governmental Organization ("IGO") founded by the Arab League in 1976. Under the authority of its General Assembly, it is governed by the Board of Directors supervising a Management Committee. Arab Sat has been serving the growing needs of the Arab world for over 30 years. Now one of the world's top satellite operators, and by far the leading satellite services provider in the Arab world, it carries 340 TV channels and 160 Radio stations, reaching tens of millions of homes in over 100 countries across the Middle East, Africa and Europe, including an audience of more than 164 million viewers within the 21 Arab countries.

Thuraya (0.50%)

Thuraya is a regional satellite phone provider. Its coverage area is Egypt, most of Europe, the Middle East, North, Central and East Africa, Asia and Australia. Thuraya offers cost-effective satellite-based mobile telephone services to nearly one third of the globe. Through its dynamic dual-mode satellite handsets and products, Thuraya enhances freedom of movement and connectivity.

History & Evolution

1854 - 1883

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

1918 - 1957

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

1975- 1985

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

1989 - 1996

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

1998

- Transforming ARENTO into “Telecom Egypt”, an Egyptian Joint Stock Company, and the Egyptian Government maintaining 100% ownership of the 171,121,490 shares in issue. .

1999 - 2001

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

2002 - 2004

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

2005

- Obtaining an additional ownership stake of 16.9% in Vodafone Egypt, having a total ownership up to 25.5%.
- The Egyptian Government announced the launch of the Initial Public offering of its Telecom Egypt shares and GDRs to retail investors in Egypt and institutional investors internationally. The Offer represented 20% of Telecom Egypt's outstanding share capital and raised over USD 890 million. At the time of the Offer, it was the largest international equity offering to come out of the Middle East and North Africa region.
- Signing a new strategic cooperation agreement with the Vodafone Egypt Company, extending and expanding an earlier deal between the two operators

2006

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

2008 - 2009

- Buying around 370,000 shares in Vodafone bringing its shareholding stake up to 44.95%.
- Signing a 3-year agreement with Vodafone Egypt for the provision of wholesale telecommunications services. The deal comprises two distinct elements: Utilizing TE international gateway services to transit all VFE customers incoming and outgoing international traffic plus relying on TE extensive domestic network for all VFE infrastructure leasing needs
- Telecom Egypt and Cyprus Telecommunications Authority (CYTA) announce Mediterranean Region Cooperation to cooperate through extension of Telecom Egypt's TEN Cable System to Cyprus, thereby creating reciprocal Eurasia and Eastern Mediterranean opportunities.
- TE developed its submarine cable network by signing a contract with Seacom / TATA "2010", EIG "2010", and CYTA "2010" worth of USD183 MM.

2010

- Telecom Egypt acquired the remaining 4.95% of TE Data's stake, to have full ownership of its broadband subsidiary.
- Telecom Egypt made several changes to its organizational structure which supports TE's strategic objectives. Three new Senior Vice President (SVP) positions have been created, which report directly to TE's CEO and Managing Director Tarek Tantawy, and three Vice Presidents (VP) have been promoted to the newly created positions.

Telecom Liberalization Timeline

1980

Establishment of ARENTO (The Arab Republic of Egypt's National Telecommunications Organization) under the Law number 153/1980.

ARENTO was responsible for the daily operations of communications services, while the Ministry was to set the overall strategy.

1998

ARENTO transformed into Telecom Egypt.

Establishment of Telecom regulatory body (TRA).

Issuance of two mobile licenses to be owned by operators Mobinil and Vodafone Egypt

Issuance of two payphone licenses .

2000

Telecom Egypt allowed to launch VoIP services as a monopoly only.

Issuance of 4 Class A data operation licenses with clearance to operate an international gateway for data only.

2002

2003

TRA name was changed to NTRA (National Telecom Regulator Authority) with more independency and empowerment .

2004

Issuance of three licenses for prepaid national, mobile and international services.

2005

Telecom Egypt was partially privatized by offering 20% of its shares to the public.

End of Telecom Egypt's monopoly over international voice and data services.

2006

Third mobile license is extended to Etisalat.

2007

Launching of Etisalat Mobile in the Egyptian Market.

2008

Etisalat started to pass its Int'l traffic through its own Gateways.

2009

Etisalat starts to hit the International Market.

NTRA Launches two Triple Play Licenses.

2011 Events

Date	Event
January 2011	
February 2011	
March 2011	• Full Year Results 2010 (Wednesday 9th)
April 2011	• Annual General Assembly Meeting (Tuesday 26th)
May 2011	• Dividends Distribution
June 2011	• First Quarter Results 2011 (Wednesday, 1st)
July 2011	
August 2011	• Half Year Results 2011 (Monday, 15th) • EGM and OGM (Tuesday, 16th)
September 2011	
October 2011	
November 2011	• Third Quarter Results 2011 (Tuesday 15th)
December 2011	

Awards

1. TE Awards

A. GTM/EGX Best Investor Relations Award 2010

Telecom Egypt had been selected as the winner of 2010 GTM/EGX Best Investor Relations Award for traded companies.

The GTM/EGX Annual Awards are held in partnership with the Egyptian Stock Exchange in association with Credit Suisse and sponsored by Bank of Alexandria and CI Capital Holding.

The underlying motivation behind the GTM/EGX Awards is to discover which companies are creating a culture of entrepreneurship, developing best practices and carving out powerful and sustainable models of business in Egypt and around the world.


Supported by CREDIT SUISSE

Strategic Advisory Board

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

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

Dear Telecom Egypt,

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

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

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

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

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

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

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

Best regards,

Ashraf Mohamed Naguib,
Managing Director
Global Trade Matters

GTM/EGX AWARDS

B. Egypt Web Academy Awards (EWAA2010)

Telecom Egypt's website had been selected as the winner of 2010 Egypt Web Academy Awards (EWAA) competition representing the Information and Communication Technology (ICT) Sector.

EWAA competition was created to discover creativity and innovation in web designing and developing giving winners an opportunity to market their talent and impress the regional players and the community.

EWAA is the annual web design and development competition in Egypt where individual designers, web companies and web site owners are competing in 13 vertical industries by submitting their published web sites developed during the year.

EWAA Judging committee includes well known experts in the web industry field from Egypt and the region, working together to select the best website design, programming and technology use, content and copywriting, and interactivity.

2. TE Data Awards

A. Egypt Web Academy Awards (EWAA2010)

In 2010, TE Data achieved many awards from Egypt Web Academy Awards (EWAA).

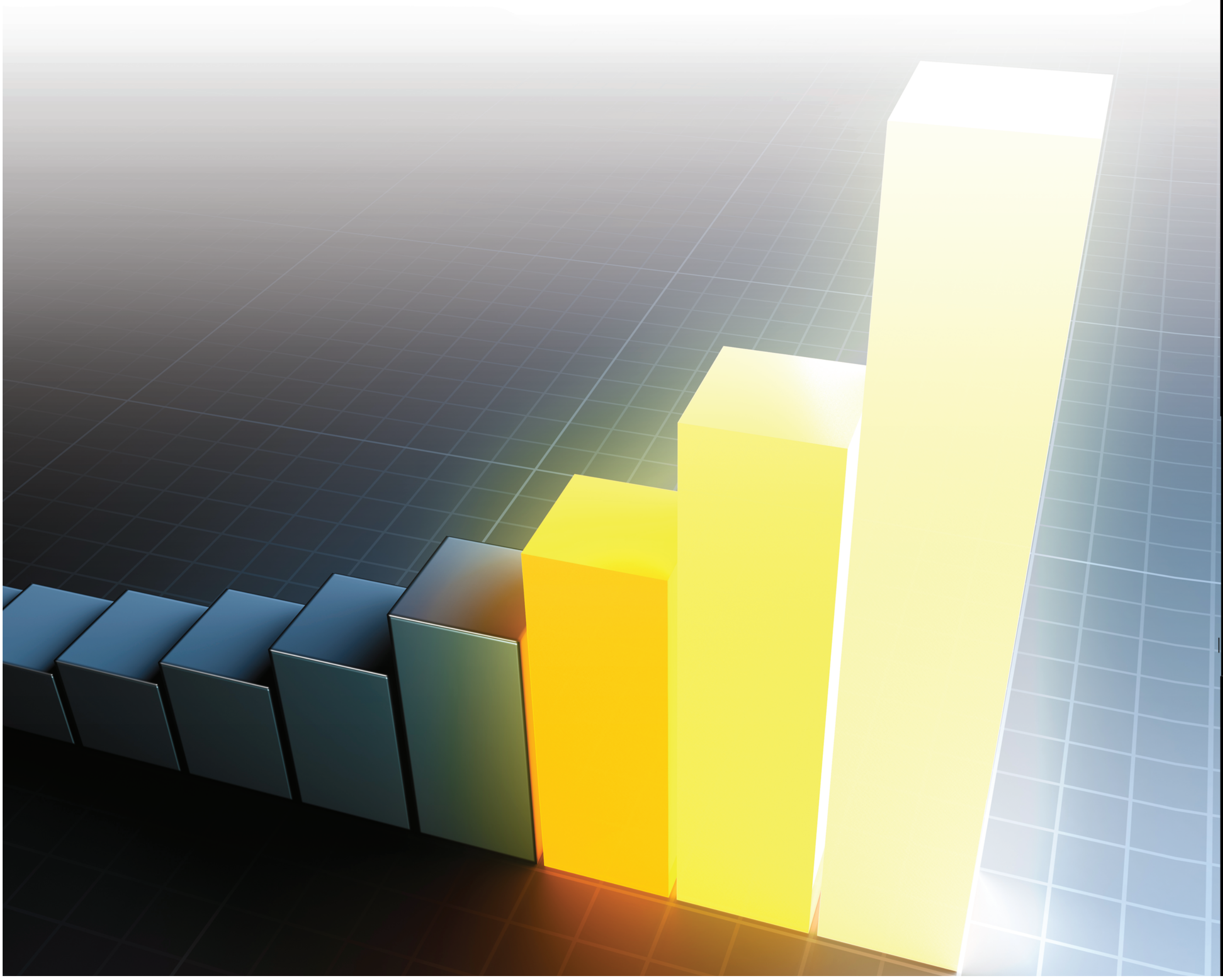
First, TE Data portal "www.tedata.net" gained the Bronze award for being the best website representing the Information and Communication Technology sector, in addition to achieving "a Certificate of Excellence" for the best website in the security field.

Second, TELive is a big Mega portal having more than five websites in various fields as news, sports, music and Cinema, and also a partnership with Microsoft. TELive is also the first Middle East mega portal in 2010 to gain three prizes from the "Egypt Web Academy Awards".

- TELive Sports Portal "http://telive.net" won the "Bronze Award" for the best sports website in the Sports and Entertainment category, during the International Federation of Association Football (FIFA) World Cup under 20 years.
- TELive Music Portal "http://telive.net" won the "Certificate of Excellence" for the best website design, content development, and interactivity. TELive Music is a portal having a license to download songs and video clips with low cost for all internet user and free for TE Data subscribers.

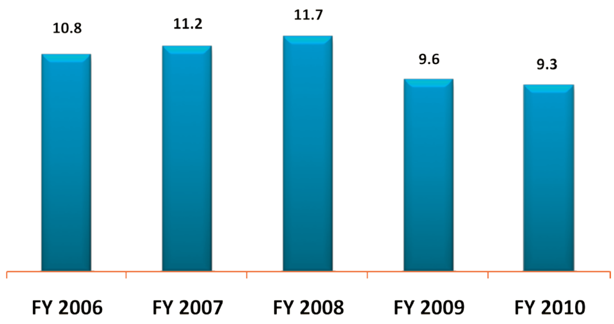
- TELive News portal "http://news.telive.net" won the "Certificate of Excellence" for the best news website in the Media and Press category.

performance

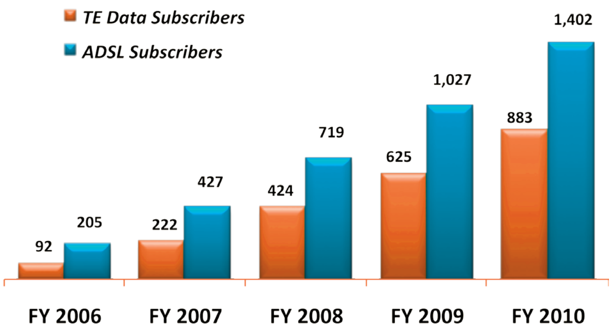


Key Performance Indicators

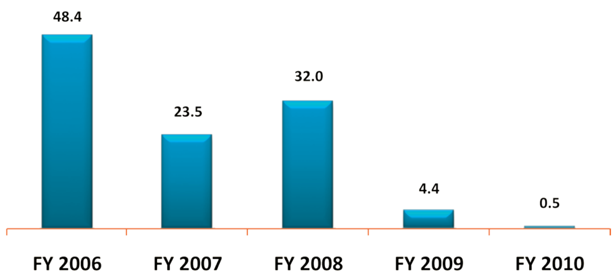
Fixed Line Number Of Subscribers (In Millions)



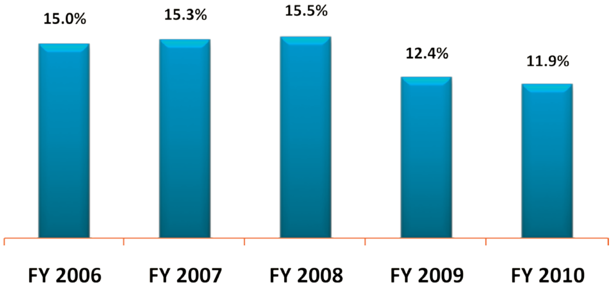
ADSL Subscribers (In Thousands)



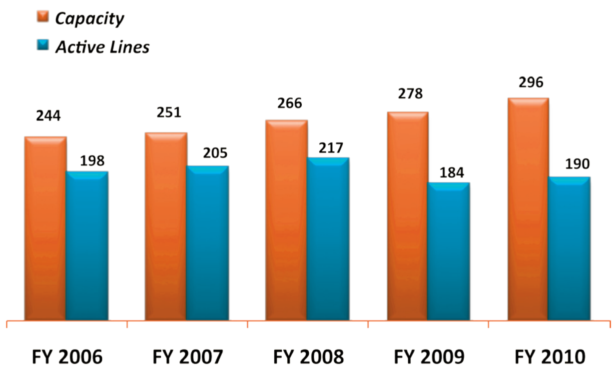
Fixed Lines Waiting List (In Thousands)



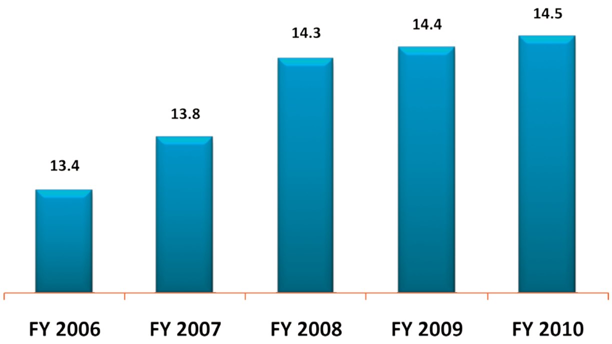
Fixed Lines Teledensity (In Percent)



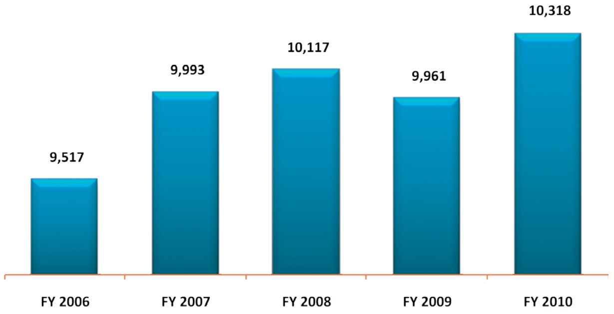
Fixed Lines per Employee



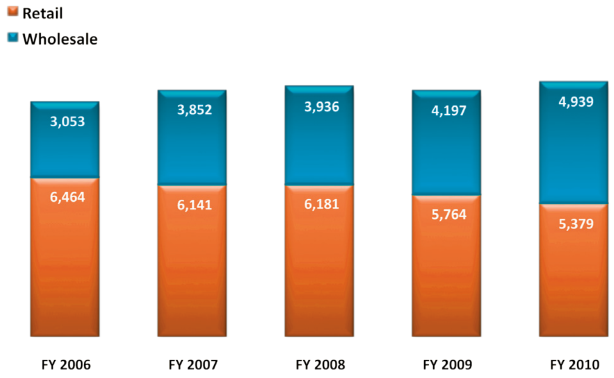
Fixed Lines Exchange Capacity (In Millions)



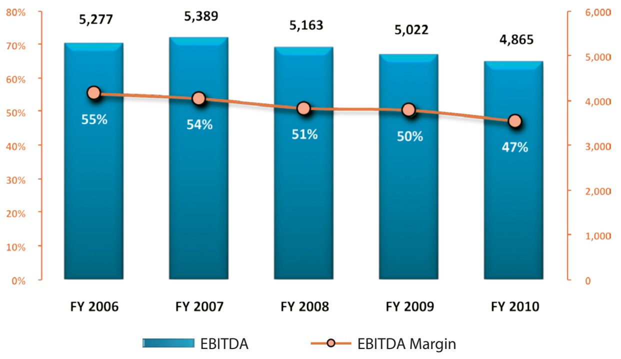
Sales Revenue (In EGP Millions)



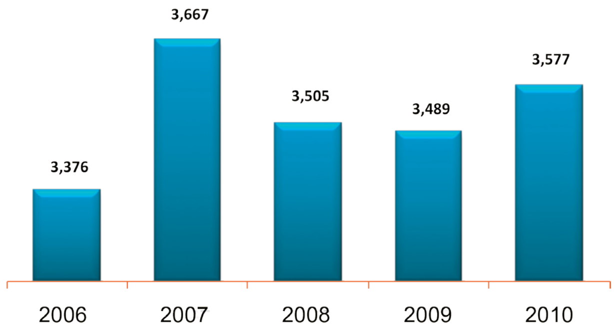
Revenue Mix (In EGP Millions)



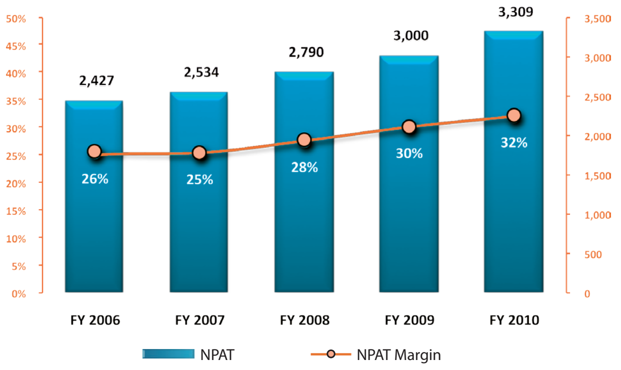
EBITDA (In EGP Millions, In Percent)



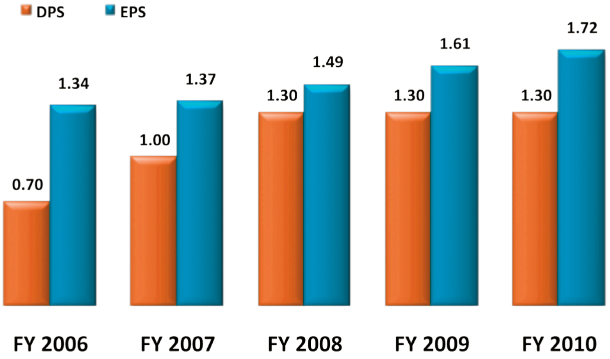
EBIT (In EGP Millions)



NPAT (In EGP Millions)



Return Per Share (In EGP)



Financial Highlights

Financial Highlight (In EGP Millions)	Dec-10	Dec-09	% Change
Sales Revenue	**10,318**	**9,960**	3.6%
EBITDA	**4,754**	**4,710**	0.9%
EBITDA Margin	46.1%	47.3%	
EBIT	**2,321**	**2,067**	12.3%
EBIT Margin	22.5%	20.8%	
Profit Before Taxes	**3,398**	**3,387**	0.3%
Net Profit	**2,906**	**2,917**	-0.4%
Net Profit Margin	28.2%	29.3%	
Total Assets	**32,892**	**32,030**	2.7%
Total Shareholders Equity	**27,186**	**26,474**	2.7%

* Figures are in accordance with the International Financial Reporting Standards (IFRS)

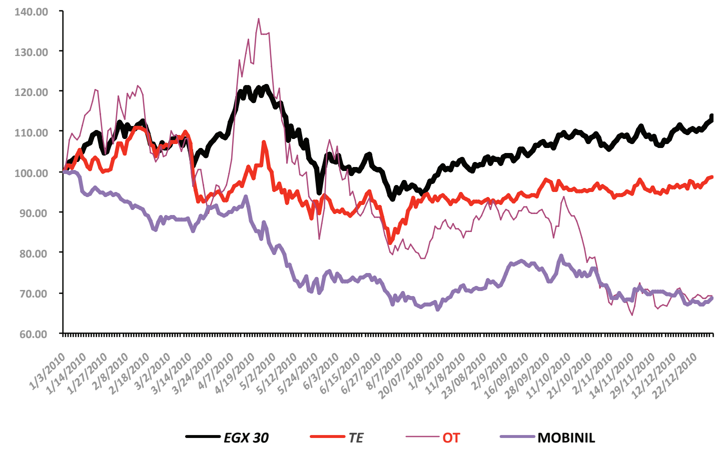
Share Performance

TE share performance in the Egyptian Exchange

In 2010, TE's share price performance was significantly stable, reflecting investors' confidence and trust in Telecom Egypt.

At the start of Year 2010, Telecom Egypt's share (ETEL.CA) was quoted at EGP 18.32 on EGX. The highest price during 2010 was EGP 20.33 and the lowest was EGP 15.09.

In December 30th 2010, the closing price was EGP 18.08, 0.1% year-on-year decrease versus EGP 18.10 the closing price in December 2009. The market cap as of December 31st, 2010 was EGP 30,864 million.

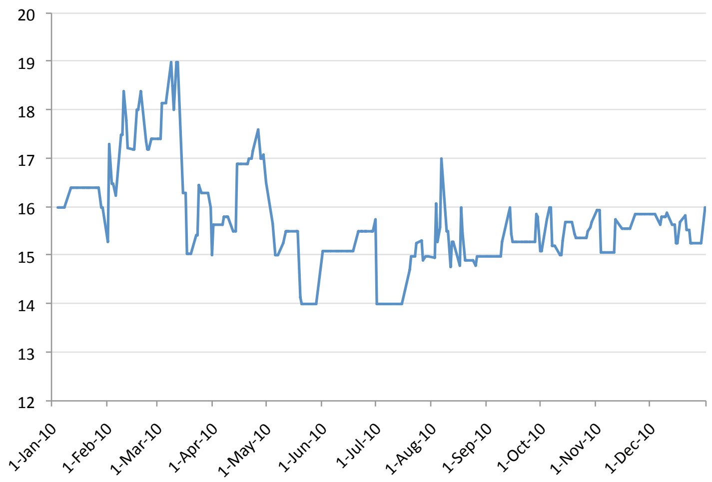


TE share performance in the London Stock Exchange

TE's GDRs are traded on LSE (Ticker: TEEG). One GDR equals 5 ordinary shares.

Telecom Egypt GDR (ETEL.CA) listed on LSE at the beginning of Year 2010 was quoted at US$ 16.00. The highest price during 2010 was US$ 18.99 and the lowest price was US$ 14.00.

At year-end 2010, the closing price was US$ 15.99, 0.06% year-on-year decrease versus US$ 16.00 the closing price in December 2009. The market cap as of December 31st, 2010 was US$ 4,739 million.



TE has been a responsibility driven entity for more than 150 years, taking an active role in uniting families and communities, contributing simultaneously to improving both the quality of education and healthcare.

Given the importance of each to the continued development of the quality of life in Egypt, both remained an important priority for TE during 2010, with the company placing a particular emphasis on support for improving education initiatives.

Education

- Donation made to the Egyptian Foundation for Technological Education Development (EFTED) to construct and furnish the Nile University Buildings and complete the second phase of the University's IT Network.
- Donation made to the Department of Agricultural Economics - School of Agriculture -Cairo University to purchase of a number of computers.
- Donation made to support the "Reading for All" Campaign. TE donated an amount to the Ministry of Information to support the national campaign of "Reading for All". The company believes it is important to encourage all age groups to read.
- Donation made to the Ministry of Communications and Information Technology (MCIT) for buying equipment and supplies to achieve the national objectives of spreading technological awareness. This donation aims to promote technological awareness and to assist in the growth of the telecommunications sector in Egypt.
- Donation made to top high school students. TE donated an amount to fund a trip for top ranking high school students to visit Europe. The trip was an incentive to maintain their academic excellence.

Health

- Contributed in the project to raise the efficiency of receiving inquiries regarding Swine flu through hotline 105. This service helped to prevent the spread of this dangerous disease in Egypt.
- Donations made to the Breast Cancer Foundation of Egypt. TE allocated an amount for the "Egyptian Foundation of Breast Cancer" to make mammography scans on 100 Telecom Egypt employees'.
- Donation made to the Children's Ein Shams Hospital to provide the medication for 30 to 50 blood patients.
- TE donated a vehicle to the Blood Bank in the intensive care and emergency departments at the Kasr El-Aini Hospital.
- Partial waiver of the company's share in the revenues received from the voice services number used in the donations campaign for the National Liver Institute of Egypt. TE waived half of its share of the revenues generated from calls to the number which raised money to build a new hospital.
- Partial waiver of the company's share in revenues from the voice services number for the Al-Kasr Al Aini Hospital. The donations were for the patients of the "Friends of Kasr El-Aini Association".
- Full waiver of TE's total share of revenues generated from the calls to one of the voice service numbers for patients of the "National Cancer Institution".
- Full waiver of TE's total share of revenues generated from the calls from two voice service numbers for the Palestinian people.

TE Data & Injaz

Injaz is an educational volunteer based program, which links private sector companies with schools and universities in the community. It is designed to enhance youth skills to ensure that they are better equipped and prepared to enter the job market.

TE Data takes part in "Injaz" program by providing volunteer employees, who attend schools and universities for an average of one hour per week, offering support to students.

In 2009, TE Data provided 10 volunteers for the programme and throughout 2010 an additional 25 TE Data volunteers have taken part.Together with many other respected companies, the number of students reached over 30,000.

TE Data Academy

The "TE Data Academy Internship Program" takes place each year in July, August, and September. It aims to significantly enhance the professional development of Egyptian University students in preparation for their future careers.

Building on the successes of the programme in the last two years, 2010 saw 70 trainees participating for the three months, successfully completing the internship programme and graduating from the TE Data Academy in October 2010.

TE Data Technicians Academy

The "TE Data Technicians Academy" offers the highest calibre of Industrial Diploma graduates can gain through practical work experience. There were several rounds in 2010 and technicians were trained and subsequently hired.

Governance

Board Of Directors

From Center To Left

- *Akil Hamed Beshir*
- *Azza Mohamed Torky*
- *Ahmed Fathy El Kassass*
- *Hassan El-sayed Abdallah*
- *Mohammed Abdel Rehim Hassanein*
- *Farghaly Bakry Seleem*

From Center To Right

- *Akil Hamed Beshir*
- *Tarek Tantawy*
- *Mokhtar Abdel Moneim Khattab*
- *Neveen Hamdy El Tahri*
- *Adel Rashed Danash*
- *Hesham Mekkawy*

Akil Hamed Beshir

Chairman

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

Tarek Tantawy

CEO and Managing Director

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

Mokhtar Abdel Moneim Khattab

Board Member

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

Ahmed Fathy El Kassass

Board Member

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

Azza Mohamed Torky

Board Member

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

Adel Rashad Danash

Board Member

Dr. Danash was appointed a member of the Board of Directors of Telecom Egypt in June 2000. He is currently Chairman and CEO of Xceed, a Telecom Egypt subsidiary established in 2001 to act as its information technology arm. Dr. Danish began his career as a researcher at the IBM Scientific Center in Paris, France, going on to hold several technical and marketing positions within IBM. He founded StandardData S.A. in France in 1978, and is the founder and co-founder of several other companies in the IT field in Egypt, France and the United States. He serves on the board of several local and international IT and business organizations. Dr. Danish holds a B.Sc. in Electronics from Cairo University, and a PhD in Computer Science from "Paris 7" University, France.

Mohammed Abdel Rehim Hassanein

Board Member

Mr. Hassanein was appointed as an executive board member in 2009 and Senior Vice President in December 2010. Prior to this, he was appointed Vice President in 2001. He has been with the company in various managerial and technical positions since 1976, including General Manager of the First and Third Zones of East Cairo, then Sector Chief of East Cairo Zones. He holds a B.Sc. in Communications Engineering from Al Azhar University.

Hassan El-Sayed Abdalla

Board Member

Mr. Abdalla was appointed as a board member in November 2006. He is currently the Vice Chairman & Managing Director of Arab African International Bank "AAIB". Previously, he occupied different managerial positions in AAIB since 1983 including General Manager and Deputy General Manager. From 1989-1998, he worked for AAIB in New York. Moreover, he is a part-time faculty member of Finance at the American University in Cairo. Mr. Abdalla holds a Master degree in Business Administration from the American University in Cairo and a Bachelor of Arts in Business Administration from the same university.

Neveen Hamdy El Tahri

Board Member

Mrs. El Tahri was appointed as board member in August 2006. She is currently co-chairperson and managing director of Delta Financial Investments, a family holding company focused on incubating small and medium-sized enterprises and entrepreneurs. She also chairs two subsidiaries, the Nuun Fund Services and Upper Egypt Leasing Co .. Mrs. El Tahri established Delta Securities in 1994, followed by ABN AMRO Delta Asset Management in 1997. She was the first woman to sit on the board of the Egyptian Stock Exchange 1997-2003, and serves on several public and private-sector boards, including Banque Misr, (EGID) Egypt for Information Dissemination and Cairo Oil & Soap Co. . She is the Country Representative of the Royal Bank of Scotland and is involved in numerous nonprofit associations, as the Egyptian Dutch Business Association. She has been twice named by the Financial Times as one of the leading businesswomen in the Arab world. Mrs. El Tahri holds a B.Sc. in Economics for the Faculty of Economics and Political Science, Cairo University, Egypt.

Hesham Mekkawy

Board Member

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

Farghaly Bakry Seleem

Board Member

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

Executive Management

From Left To Right

- *Sayed Dessouky*
- *Tarek Aboualam*
- *Mahmoud El Minyawy*
- *Sayed Elgharabawy*
- *Mohamed Elnawawy*
- *Ahmed Ossama*
- *Tarek Tantawy*

From Right To Left

- *Hassan Helmy*
- *Mohammed Abdel Rehim Hassanein*
- *Emad Elazhary*
- *Abdel Hamid Mahmoud Hamdy*
- *Khaled Marmoush*

Management Team

Tarek Tantawy

CEO and Managing Director

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

Mohammed Abdel Rehim Hassanein

Senior Vice President; Chief Technology Officer

Mr. Hassanein has been promoted to SVP and Chief Technology Officer (CTO) responsible for overseeing all network technology related functions across the TE Group including planning, implementation and operations and maintenance. He has worked for TE in technical and managerial roles for nearly 35 years, most recently as VP for Operations & Maintenance, a role he was appointed to in 2001.

Mohamed Elnawawy

Senior Vice President and Chief Strategy Officer

Mr. Elnawawy has been promoted to SVP and Chief Strategy Officer (CSO) in December 2010. Before his appointment to SVP, Mohamed was appointed as Vice President and CSO in April 2009. Previously, he was the Vice President; International, Wholesale and Regulatory Affairs of Telecom Egypt since November 2006. He joined the Telecom Egypt Group in November 2001 as the Chairman and Managing Director of TE Data, SAE which is the TE subsidiary responsible for the TE Group's retail IP transit and managed data services. Previously, in Jan 1992 Mohamed co-founded InTouch Communications Services, SAE a local ISP in Egypt where he resided as Chairman and Managing Director till April 2000. After that Mohamed consulted for the National Telecommunications Regulatory Authority for nearly year and a half. Mohamed holds a B.Sc. in Computer Science and an LLM.

Emad Elazhary

Senior Vice President and Chief Commercial Officer

Mr. Elazhary is promoted to SVP and Group Chief Commercial Officer (CCO) in December 2010 with responsibility over TE Group's retail offering and customer experience. Prior his appointment, Emad was appointed as Vice President and Chief Commercial Officer in August 2008. He joined Telecom Egypt Group in 2001 as the Vice President and Managing Director of TE Data, SAE TE's Internet and data subsidiary. Elazhary expanded TE Data's business to Jordan, the Gulf, and Palestine through wholly owned subsidiaries, representative offices, and professional services agreements. In 2005, he acted as the CEO of its Algerian joint venture with Orascom Telecom. Prior to joining Telecom Egypt Group, Elazhary consulted for Telecom Egypt and the Egyptian National Telecommunication Regulatory Authority (NTRA). In 1992, he co-founded InTouch Communications Services as the first ISP in Egypt and managed with his partners to position the company as the leading ISP in Egypt before being acquired by another telecom operator. From 1990 till 1994, he worked for IBM WTC as a systems Engineer. He was graduated from the American University in Cairo in 1989, where he majored in Computer Science and minored in Electronics.

Abdel Hamid Mahmoud Hamdy

Vice President; Human Resources, Legal, and Administrative Affairs

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

Sayed Dessouky

Vice President; Projects' Implementation

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

Khaled Marmoush

Vice President; Information Technology

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

Sayed Elgharabawy

Vice President; Project Planning

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

Tarek Aboualam

Vice President; International and Wholesale

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

Hassan Helmy

Vice President and Chief Financial Officer

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

Mahmoud El Minyawy

Vice President; Operations & Maintenance

Mr. Elminyawy was appointed as Vice President for Operations & Maintenance in December, 2010. Mahmoud Joined Telecom Egypt in 1977 and since 1987, he had held a number of managerial positions including General Manager of several Zones: South Sinai, Ismailia and Port Said. In 2001, he was appointed as Director of Suez Canal, Sinai, Red Sea Sectors. In 2007, he was promoted to Senior Director of Cairo, Upper Egypt, Suez Canal and Sinai Sectors. El Minyawy holds a B.SC. in Communications Engineering from Tanta University as well as a post graduate Diploma in Management from Suez Canal University.

Ahmed Ossama

Vice President; Telephony & Home

Mr. Ossama joined Telecom Egypt in December 2010 as Vice President for Telephony and Home, in addition to his role as Managing Director of TE Data that he has been occupying since 2008. Ahmed has been with the TE group since 2003 as TE Data's Product Marketing and Government Affairs Director. Before that, Ahmed co-founded Site Information Consultancy, an Internet application development company in 1998 that was later on acquired by Pyramid Technology in 2000, where Ahmed worked as the ISP Operation Manager until 2003. Before that Ahmed joined InTouch Communications Services in 1996 as a Systems Engineer, where he participated in building the infrastructure of the first ISP in Egypt and later on became the Operations Manager. Before that, Ahmed worked in IBM Egypt as a software engineer. Ahmed holds a B.Sc. in Computer Science and a Minor in Electronics from the American University in Cairo.

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 2010 financial year are described in this section.

Our Board regularly reviews and updates our corporate governance practices to accommodate developments within the marketplace and our business and to comply with internationally recognized governance standards. We are guided by the corporate governance principles presented by the Egyptian Financial Supervisory Authority (EFSA), 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 pursuant to Egyptian law and the Company's bylaws. The Board's role includes:

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

Board membership, size and composition

As per the Company's bylaws, in 2010 the Board of Directors was composed of eleven Board seats: three of which were Independent Directors elected by the General Assembly, one that was an employee representative elected by the Company's Labor Syndicate and seven that were appointed by a decree of the Prime Minister upon recommendation from the Ministry of Communication and Information Technology (MCIT).

The Company's bylaws state 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

In 2010 the Board of Directors was composed of: (Biographies available under "Board of Directors" section)

Akil Hamed Beshir, Chairman
Tarek Tantawy, Executive Board Member
Mokhtar Abdel Moneim Khattab, Board Member
Ahmed Fathy El Kassass, Board Member
Azza Mohamed Torky, Board Member
Adel Rashad Danash, Board Member
Mohammed Abdel Rehim Hassanein, Executive Board Member
Hassan El Sayed Abdullah, Board Member

Neveen Hamdy El Tahri, Board Member
Hesham Mekkawy, 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. In 2010, there were 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, as a minimum, of three Independent Directors (as such is defined under Article 21 of the Company's Statutes). One of the members must have an experience in financial affairs to ensure profession in carrying out its duties. In addition, the Audit Committee Members should be all non-executives in accordance with the Stock Exchange Listing Rules who have experience in the field of business of the Company, with no membership in any other Board Committees. The Audit Committee is structured to ensure independence and integrity.

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 comprised of five members, at least one is an Independent Director. 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 five members, at least one is an Independent Director. The Investment Committee is charged with developing and recommending to the Board policies relating to the Company's investments and also for overseeing the implementation of these policies.

Technical Committee

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

The General Assembly
Role and Responsibility of the General Assembly :

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

- The Auditor's report.
- The report of the Board of Directors.
- Approval of the financial statements.
- Approval of the distribution of dividends.
- Determination of the members of the Board of Directors' remuneration and allowance.
- To appoint the auditor and determine his fees.
- To elect the Board of Directors as necessary.
- Extension of the appointment of the Chief Executive Officer and the Vice Presidents of the Chief Executive Officer over the age of 60.

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

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

- Suspending the setting aside of the legal reserve if it reaches half the amount of the Company's issued capital.
- Formation of other reserves aside from the legal reserve and the statutory reserve.
- Use of statutory reserve for the benefit of the Company or its shareholders.
- Transacting on the reserves and provisions in their non-dedicated purpose.
- 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.
- Approval of the issuance of bonds and the guarantees given to the bearers of such bonds.
- Review of the decisions and recommendations of the group of bondholders.
- Authorizing the founders and the members of the Board of Directors to enter into bilateral contracts with the Company. and
- Authorizing the Board of Directors to make donations.

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

- Discharging the Board of Directors or one of its members.
- Discharging members of the Board of Directors that have repeatedly failed to attend meetings of the General Assembly and electing other members to replace them.
- Applying a monetary fine against members of the Board of Directors that fail to attend the General Assembly without an acceptable excuse for their absence.
- Authorizing the Managing Director to hold the position of managing director in another company.
- Authorizing a member of the Board of Directors to carryout a technical or administrative position in another joint stock company on a permanent basis.
- Authorizing a member of the Board of Directors to trade for his own account or for the account of other individual in the Company's field of activity.
- Carrying out management actions that the Board has failed to review due to an incomplete quorum.
- Approval of any decisions issued by the Board of Directors.
- Issuing recommendations with regards to matters within the authority of the Board of Directors.

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

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

The Company's Extraordinary General Assembly Meeting is concerned with amending the Company's statutes, including, but not limited to, the following:

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

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Additional Information

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AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TELECOM EGYPT COMPANY

Report on the Financial Statements

We have audited the consolidated accompanying financial statements of Telecom Egypt Company S.A.E, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Telecom Egypt Company as of December 31, 2010, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standard and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, March 8, 2011

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet As of December 31

Long-Term Assets	Note No.	2010 LE(000)	2009 LE(000) Restated
Fixed assets	(4)	14 528 401	16 093 931
Projects in progress	(5)	1 768 525	1 282 262
Investments in associates	(6-1)	7 403 456	7 629 741
Available-for-sale investments	(6-2)	96 869	100 494
Debit balances - long term	(7)	15 000	3 815
Other assets	(8)	109 936	128 200
Deferred tax assets	(20-1)	156 209	9 739
Total Long Term Assets		**24 078 396**	**25 248 182**
Current assets			
Inventories	(9)	463 117	413 973
Trade and notes receivable	(10)	2 247 839	2 641 239
Debtors & other debit balances	(11)	1 438 541	1 532 495
Cash & cash equivalents	(12)	4 976 261	2 452 747
Total Current Assets		**9 125 758**	**7 040 454**
Current Liabilities			
Loans and facilities installments due within one year	(13)	150 291	185 735
Creditors and other credit balances	(14-1)	3 826 879	3 616 861
Provisions	(15)	367 489	340 943
Total Current Liabilities		**4 344 659**	**4 143 539**
Working Capital		4 781 099	2 896 915
Total Investments		**28 859 495**	**28 145 097**
Financed as follows:			
Equity and Long Term Liabilities Equity			
Capital	(17)	17 070 716	17 070 716
Reserves	(18)	5 757 210	5 282 054
Retained earnings		1 830 768	1 702 493
Net profit for the year		3 309 318	3 000 095
Foreign currency translation reserve		(2)	(460)
Total equity attributable to equity holders of the holding company		**27 968 010**	**27 054 898**
Non-controlling interest		20 000	40 969
Total equity		**27 988 010**	**27 095 867**
Long Term Liabilities			
Loans and credit facilities	(13)	725 241	857 857
Creditors and other credit balances	(14-2)	146 244	191 373
Total Long Term Liabilities		**871 485**	**1 049 230**
Total Equity and Long Term Liabilities		**28 859 495**	**28 145 097**

The accompanying notes from No.(1) to No.(37) are an integral part of these consolidated financial statements.

Chairman	Chief Executive Officer& Managing Director	Vice President & Chief Financial Officer	Financial Controller
Akil Beshir	Tarek Tantawy	Hassan Helmy	Hosam ElSaadawy

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Income Statement for the financial year ended December 31

	Note No.	2010 LE(000)	2009 LE(000) Restated
Operating revenues	(21)	10 317 928	9 960 667
Operating costs	(22)	(5 844 322)	(5 770 613)
Gross Profit		**4 473 606**	**4 190 054**
Other operating revenues	(23)	372 419	262 482
General & administrative expenses	(24)	(1 654 552)	(1 455 449)
Selling & distribution expenses	(25)	(463 912)	(455 080)
Other operating expenses	(26)	(107 434)	(133 706)
Net operating Profit		2 620 127	2 408 301
Finance income	(27)	261 883	143 178
Finance costs	(27)	(422 008)	(498 223)
Net finance costs	(27)	(160 125)	(355 045)
Share of profit of associates companies	(28)	1 343 511	1 405 580
Net profit for the year before income tax		3 803 513	3 458 836
Current tax expense		(638 210)	(540 850)
Deferred tax	(20-1)	146 470	87 463
Total income tax		**(491 740)**	**(453 387)**
Net profit for the year		**3 311 773**	**3 005 449**
Profit attributable to :			
Equity holders of the holding company		3 309 318	3 000 095
Non-controlling interest		2 455	5 354
Net profit for the year		**3 311 773**	**3 005 449**
Basic earnings per share (LE/Share)	(30)	1.72	1.67

The accompanying notes from No.(1) to No.(37) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows for the financial year ended December 31

Cash flows from operating activities	Note No.	2010 LE(000)	2009 LE(000) Restated
Cash receipts from trade receivables		7 968 008	8 110 962
Sales tax collected from trade receivables		428 189	472 600
Stamp tax and fees collected (from third party)		52 522	58 405
Deposits paid to trade receivables		(24 455)	(4 668)
Cash paid to suppliers		(754 373)	(770 999)
Payment of financial lease obligations		(25 330)	(32 907)
Cash paid to employees		(1 864 766)	(1 735 444)
Cash paid on behalf of employees to third party		(399 256)	(366 610)
Dividends paid to employees		(307 563)	(219 987)
Cash provided by operating activities		**5 072 976**	**5 511 352**
Interest paid		(28 280)	(208 674)
Payments to Tax Authority - Income tax		(701 368)	(724 410)
Payments to Tax Authority - Sales tax		(391 941)	(605 529)
Other proceeds		409 627	87 766
Net cash provided by operating activities		**4 361 014**	**4 060 505**
Cash flows from investing activities			
Payments for purchase of fixed assets, projects in progress and other assets		(1 085 833)	(980 798)
Proceeds from sale of fixed assets and other assets		1 339	13 596
Payments for purchase of investments		(78 112)	
Interest income		92 402	153 564
Dividends received		1 353 547	703 351
Proceeds from treasury bills interest		109 555	
Net cash provided by / (used in) investing activities		**392 898**	**(110 287)**
Cash flows from financing activities			
Repayment from loans & facilities related to the purchase of fixed assets, projects in progress and other assets		(187 770)	(180 323)
Proceeds / (Payments) for loans and other credit facilities		3 241	(1 102 500)
Proceeds from non-controlling interest for capital increase in a subsidiary company			3 685
Proceeds from banks - credit accounts			77
Payments for long term obligations			(5 651)
Payments for bonds loan			(800 000)
Dividends paid for shareholders		(2 044 633)	(2 146 642)
Net cash used in financing activities		**(2 229 162)**	**(4 231 354)**
Net change in cash and cash equivalents during the year		**2 524 750**	**(281 136)**
Translation differences		434	(102)
Cash and cash equivalents at the beginning of the year	(12)	2 448 632	2 729 870
Cash and cash equivalents at the end of the year	**(12)**	**4 973 816**	**2 448 632**

The accompanying notes from No.(1) to No.(37) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Shareholders' Equity for the financial year ended December 31

	Note No.	Capital	Legal reserve	Other reserves	Retained earnings	Net profit	Foreign currency translation reserve	Total equity attributable to equity the Holding co.	Non-controlling interest	Total equity
		LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)	LE(000)
Balance as of January 1, 2009		17 070716	680204	4 447544	1643410	2789506	(353)	26 631027	38 058	26 669085
Proceeds from non-controlling interest for capital increase in a subsidiary									3 675	3 675
Transferred to reserves			144727			(144727)				
Transferred to retained earnings					2 644779	(2 644779)				
Dividends for year 2008					(2 470106)			(2 470106)	(1 338)	(2 471444)
Increase reserves for adding a piece of land and buildings				9 579				9 579		9 579
Adjustments	(37-1)				(115 590)			(115590)	(4 770)	(120 360)
Net profit for year 2009		-	-	-	-	3000095	-	3000095	5 354	3 005449
Translation differences of foreign entities		-	-	-	-	-	(107)	(107)	(10)	(117)
Balance as of December 31, 2009		**17 070716**	**824931**	**4 457123**	**1 702493**	**3000095**	**(460)**	**27 054898**	**40 969**	**27 095867**
Adjustments to the opening balance	(37-1)	-	-	-	1 875	-	-	1 875	-	1 875

Transferred to reserves		121 971		-	(121 917)	-	-	-	-	-
Transferred to retained earnings		-		-	2 878178	(2 878178)	-	-	-	-
Dividends for year 2009 (first dividends)		-		-	(1 430785)	-	-	(1 430785)	(1 733)	(1 432518)
Employees dividends (associate companies)		-		-	(221 186)	-	-	(221186)	-	(221 186)
Dividends for year 2009 (second dividends)		-		-	(1 043210)	-	-	(1 043210)	-	(1 043210)
Acquisition of non-controlling interest in a subsidiary companies	(19)	-		-	(56 324)	-	-	(56 324)	(21 752)	(78 076)
Adjustments	(37-1)	-		353239	(273)	-	-	352 966	-	352 966
Net profit for year 2010		**-**		**-**	**-**	**3309318**	**-**	**3309318**	**2 455**	**3 311773**
Translation differences of foreign entities		-		-	-	-	458	458	61	519
Balance as of December 31, 2010		**17070716**	**946848**	**4 810362**	**1 830768**	**3309318**	**(2)**	**27 968010**	**20 000**	**27 988010**

The accompanying notes from No.(1) to No.(37) are an integral part of these consolidated financial statements.

Telecom Egypt Company
(An Egyptian Joint Stock Company)
Notes to the Consolidated Financial Statements
For the year Ended December 31, 2010

1. BACKGROUND

1-1 Legal Entity

Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established pursuant to Law No.153 of 1980. Effective from March 27, 1998 and pursuant to law No.19 of 1998, the legal form of (ARENTO) was amended after the revaluation of its assets on March 26,1998 to become Telecom Egypt Company (TE).

Telecom Egypt Company (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated financial statements of the Company for the year ended December 31, 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

- The company is subject to the provisions of the Companies Law No. 159 of 1981 and Capital Market law No. 95 of 1992.
- The registered office of the company is 26 Ramses Street, Cairo, Egypt.

1-2 Purpose of the company

The main purpose of the company includes:

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

1-3 Issuance of the financial statements

These consolidated financial statements were approved by the Board of Directors on March 8, 2011.

2. BASIS OF PREPERATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2-1 Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Egyptian laws and regulations.

2-2 Basis of measurement

These Consolidated Financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value in according to the Egyptian Accounting Standard.
For presentational purposes, the current/non-current distinction has been used for the financial position, while expenses are analyzed in the income statement using a classification based on their function. The direct method has been selected to present the cash flow statement.

2-3 Functional and presentation currency

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

2-4 Use of estimates

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- Operational useful life of fixed assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.
Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 37) Basic of consolidation

3-1 Basic of consolidation:

3-1-1 Subsidiaries

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

3-1-2 Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.
Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The consolidated financial statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3-1-3 Transactions eliminated on consolidation

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

3-2 Foreign currency translations

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

3-3 Foreign operation

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

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate at the reporting date.

- Income and expenses are translated at the average exchange rate for the period.

Foreign currency differences are recognized in change in owner equity statement, and presented in the foreign currency translation reserve (translation reserve). However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests;

For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the period.

3-4 Fixed assets and depreciation

3-4-1 Recognition and measurement

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3-12).

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

Where parts of an item of fixed assets have different useful lives, their depreciation is accounted for as separate items.

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

3-4-2 Subsequent costs

The cost of replacing part of an item of property, fixed assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in income statements as incurred.

3-4-3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Land is not depreciated.

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

	Estimated useful life/year
Buildings	10 - 50
Machinery and equipment	5 - 20
Vehicles	5 - 10
Tools and other equipment	1 - 8
Office furniture and fixtures	3 - 16.67

3-5 Other assets

Other assets are licenses and rights of way and right of use which can be controlled and which are capable of generating future economic benefits.
Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses. Amortization is recognized in profit and loss on a straight-line basis over the estimated useful lives of other assets from the date that they are available for use.

3-5-1 Licenses

Licenses are measured initially at cost. Amortization is charged to the income statement on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

3-5-2 Right of way and Right of use

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

3-5-3 Other intangible assets

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

3-6 Projects in Progress

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

3-7 Available-for-sale investments

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

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

3-8 Financial asset at fair value through profit or loss (Held for trading investments)

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

3-9 Investments held to maturity (Treasury bills)

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

3-10 Inventories

- Inventories are measure at the lower of cost or net realizable value at the date of balance sheet. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.
- Cost is determined using the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location condition.

- Work in progress is valued at cost at the latest production process reached.
- Finished goods are valued at the manufacturing cost.

3-11 Trade receivables, debtors & other debit balances

Trade receivables, debtors & other debit balances are included as current assets unless they are contractually due over more than twelve months after the financial position date in which case they are classified as non-current assets. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

3-12 Impairment loss of assets

(A) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to income statement..
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(B) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the income statement. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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

A provisions is recognized as a result of a past event where the company has a legal or constructive obligation 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 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks current accounts, time deposits, investment securities and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the company's cash management preparing are included as a component of cash equivalents for the purpose of preparing the statement of cash flows.

3-15 Grants

Grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognized in income statement as other income on a systematic basis over the useful life of the asset.

3-16 Creditors and other credit accounts

Creditors and other credit accounts are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, creditors and credit accounts are stated at amortized cost using the effective interest rate.

3-17 Revenue recognition

- **Services:** Telecommunications services revenue is achieved when you deliver or provide service to the client when there is adequate emphasis to recover for them.

- **Sale of goods:** Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

- **Investments:** The Dividend income is recognized on investments in the property rights of companies within the limits company's dividend of investees and realized after the date of acquisition is proof of income dividends when decisions of general assembly of the investee companies and special dividends.

3-18 Expenses

The recognition of all operating expenses, including general and administrative expenses and sale and distribution expenses with loaded to the income statement in accordance with the accrual principle in the financial period where there have been those expenses.

3-18-1 Operating lease payments

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

3-18-2 Net financing costs

Net financing costs comprise interest payable on borrowings, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit or loss.
Interest income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss. Foreign currency gains or losses are reported on a net basis.

3-19 Employees benefits

The company contributes inside Egypt in the 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 September 1,2001 (Note No. 29).

3-20 Capital lease agreements

The accrued lease payments, repair and maintenance expenses of leased assets under the capital leasing agreements are recognized according to the regulations of capital lease law no. 95 of 1995 as an expense in the income statement for the period according to the accrual basis. At the end of the lease agreement, if the company exercises its right to purchase the leased assets, these assets are recorded as fixed assets and their costs are determined at the amount of the purchase bargain option stated in the lease agreement and depreciated over the remaining estimated useful lives.

3-21 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for owned shares held.

3-22 Reserves

- **Legal Reserve:**
  According to the company's Article of Associations requirements 5% of the net profit is set aside to form a legal reserve. The transfer to legal reserve ceases once the reserve reaches 50% of the company's paid up capital, however, if the reserve falls below the defined level, then the company is required to resume setting aside 5% of the net profit.

- **Other reserves:**
  The General Assembly may form other reserves based on the Board of Directors' recommendation.

3-23 Income tax

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

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

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured based on the method expected to measure the values of assets and liabilities using tax rates enacted at the balance sheet date.

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

3-24 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

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

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

3-24-1 Credit risk

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

Trade & other debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

Most of Group's revenue is represented in sales transaction with many customers with close values for each customer , hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.
The maximum exposure to credit risk is disclosed in note 12.

3-24-2 Liquidity risk

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

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

The table included in note (35–2) analyzes the group's financial liabilities into relevant maturity groupings based on the remaining period at the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3-24-3 Market risk

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

Currency risk

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

Interest rate risk

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

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

Other market prices risk

This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity insturments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns.

3-24-4 Capital management

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

4. FIXED ASSETS

	Land LE(000)	Buildings & constructions LE(000)	Machinery & Equipment LE(000)	Vehicles LE(000)	Tools & supplies LE(000)	Office furniture & fixtures & Computers LE(000)	Decoration & fixtures LE(000)	Fixtures on trunk radio network LE(000)	Total LE(000)
Cost									
Balance at 1/1/2010	2 472 953	17 853 913	18 834 777	106 067	58 274	1 911 723	44 637	315	41 282 659
Adjustments*	353 239	—	—	—	—	(2 308)	—	—	350 931
Additions for the year	2 480	127 220	357 020	7 050	2 231	95 817	10 897	—	602 715
Disposals for the year	—	(46 991)	(574 664)	(1 167)	(762)	(4 799)	—	—	(628 383)
Foreign currency translation	—	—	185	(1)	—	76	47	—	307
Cost at 31/12/2010	**2 828 672**	**17 934 142**	**18 617 318**	**111 949**	**59 743**	**2 000 509**	**55 581**	**315**	**41 608 229**
Depreciation									
Accumulated depreciation at 1/1/2010	—	9 374 804	14 416 459	94 414	43 825	1 241 564	17 503	159	25 188 728
Adjustments	—	—	—	—	—	(1 638)	—	—	(1 638)
Depreciation for the year	—	908 466	1 291 810	4 630	4 897	266 491	10 210	79	2 486 583
Accumulated depreciation of disposals	—	(24 388)	(563 037)	(1 115)	(738)	(4 759)	—	—	(594 037)

Foreign currency translation	—	—	114	2	—	52	24	—	192
Accumulated depreciation at 31/12/2010	—	10 258 882	15 145 346	97 931	47 984	1 501 710	27 737	238	27 079 828
Carrying amount at 31/12/2010	**2 828 672**	**7 675 260**	**3 471 972**	**14 018**	**11 759**	**498 799**	**27 844**	**77**	**14 528 401**
Carrying amount at 31/12/2009	2 472 953	8 479 109	4 418 318	11 653	14 449	670 159	27 134	156	16 093 931

Cost of fixed assets include an amount of LE 10 587 million relating to fully depreciated assets still in use.

Adjustments on the opening balances for each item of land and buildings and Office furniture & fixtures and computer according to note No. (37-1)

Depreciations for the year are charged as follows:	LE(000)
Operating costs	2 208 860
General & administrative expenses	274 658
Selling & distribution expenses	3 065
	2 486 583

5. PROJECTS IN PROGRESS

	31/12/2010 LE (000)	31/12/2009 LE (000)
Land	16 824	17 685
Buildings and constructions	1 153 416	815 149
Machinery and equipment	398 457	260 344
Vehicles	290	621
Tools and supplies	272	2 280
Office furniture and fixtures	71 685	45 412
Advance payments	127 581	139 418
Letters of credit	-	1 353
	1 768 525	**1 282 262**

6. INVESTMENTS

	31/12/2010		31/12/2009	
	Ownership		Ownership	
	%	LE (000)	%	LE (000)
6-1 Investments in associates				
- Vodafone Egypt	44.95	7 402 834	44.95	7 626 840
- Egypt Trust	35.71	622	35.71	2 776
- Wataneya for Telecommunication *	50.00	-	50.00	125
- Consortium Algérien de Télé – communications (CAT) **	33.00	-	33.00	-
- International Telecommunication Consortium Limited. (ITCL)	50.00	-	50.00	-
- Sofisat	25.00	-	25.00	-
		7 403 456		**7 629 741**

* Investments in Wataneya for Telecommunication appears by net amount after recognizing impairment loss on its total balance amounting to L.E 125 K.

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

Investment in Vodafone – Egypt

The investments in Vodafone Egypt as of December 31, 2010 represents the ownership of 107 869 799 shares representing 44.95 % of Vodafone Egypt shares.
The financial year of Vodafone ends on March 31, when applying the equity method in recognizing investment in Vodafone (when preparing the consolidated financial statements) as of December 31, 2010, the interim financial statements for Vodafone for the period ended December 31, 2010, which represents nine months for the period from April 1st to December 31st 2010, was used and then adding the first quarter of year 2010 movement from Vodafone annual financial statements as of March 31, 2010 and the interim financial statements as of December 31, 2009.

	31/12/2010 LE (000)	31/12/2009 LE (000)
6-2 Available-for-sale investments		
- Participations in foreign Satellite companies & organizations*	26 683	26 683
- Technology Development Funds **	60 000	60 000
- Investments in other companies	10 186	13 811
	96 869	**100 494**

* The company's share in Arab Sat represented in 7 968 455 shares amounted to LE 11 856 K including free shares distributed by Arab Sat to all the shareholders pro - rata - with their shares, according.
The company's contribution in Arab Sat remains the same at 1.5937%

** The company's share in Technology Development Fund company (TDF) represents 46 % shares of the capital a company (TDF) subject to law No. 95- 1992- The company's (TDF) activity is issuing various direct issues in investments Although the company's (T.E) share exceeds 20 % of the company's fund capital T.E has no significant influence in the voting of the company's funds this resulting from legal requirements related to the Investment minister decree No 209-2007 which declared that the majority of the Board of Directors of the company (TDF) should not be one of the shareholders, dealers, related persons or related parties. Note no. (37-1).

7. DEBIT BALANCES - LONG TERM

Debit balances-long term are represented in the following:

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
- Consortium Algerian de Telecommunicatione*		453 902	453 902
- Due from Loyalty and belonging Fund		3 815	8 823
Less:			
The current portion to be collected during one year from Loyalty and belonging Fund Grant	(11)	3 815	5 008
		-	3 815
- Loan granted to Telecom Egypt Club from the Company		15 000	-
Total		**468 902**	**457 717**
Less:			
Impairment loss	(16)	453 902	453 902
Net		**15 000**	**3 815**

* Impairment loss in the value of long term debit balances amounted to LE 453 902 K is represented in the finance provided to Consortium Algerian Telecommunication (CAT) where Telecom Egypt participation is 50% (Direct & Indirect), this company suffers a material decrease in recoverable amount of the tangible & intangible company's assets, this company also faces financial difficulties and sustains material losses and the Extra-Ordinary General Assembly Meeting of the company (CAT) held on July 1, 2009 approved the dissolution and liquidation of the company. In the light of these circumstances there is high probability that Telecom Egypt will not be able to recover the finance given to CAT.

8. OTHER ASSETES

	Right of way (BRITAR) LE(000)	Right of way (ALITAR) LE(000)	Right of way (Flag cable) LE(000)	Right of way (SMW) LE(000)	Right of use (ROU) LE(000)	Internet license LE(000)	Usufruct for land occupied by TE LE(000)	Total LE(000)
Cost								
Cost as at 1/1/2010	1 720	31 225	95 910	175 863	145 419	20 179	1	470 317
Additions for the year	—	—	—	—	—	1 307	—	1 307
Disposal for the year	—	—	(9 187)	(115)	—	(202)	—	(9 504)
Translation differences	—	—	—	—	31	29	—	60
Balance as at 31/12/2010	**1 720**	**31 225**	**86 723**	**175 748**	**145 450**	**21 313**	**1**	**462 180**
Accumulated amortization & impairment losses								
Balance as at 1/1/2010	1 419	20 008	92 241	118 206	90 151	20 092	—	342 117
Amortization for the year	172	1 647	2 526	9 837	4 904	110	—	19 196
Accumulated amortization for disposals			(8 862)	(114)	—	(118)	—	(9 094)
Translation differences	—	—	—	—	21	4	—	25
Accumulated amortization and impairment at 31/12/2010*	**1 591**	**21 655**	**85 905**	**127 929**	**95 076**	**20 088**	—	**352 244**
Carrying amount at 31/12/2010	**129**	**9 570**	**818**	**47 819**	**50 374**	**1 225**	**1**	**109 936**
Carrying amount at 31/12/2009	**301**	**11 217**	**3 669**	**57 657**	**55 268**	**87**	**1**	**128 200**

* Accumulated amortization & impairment losses as of 31/12/2010 includes an amount of LE 79 825 K for the impairment losses of right of use (ROU) & internet license at a subsidiary company note No. (16).
other assets amortization charged in operating costs.

9. INVENTORIES

	31/12/2010 LE (000)	31/12/2009 LE (000)
Spare parts	245 511	240 147
Materials supplies	1 159	1 116
Computers & Pc's components	1 753	1 029
Others – project cables and supplies	187 164	122 890
Finished goods- computer	2 898	3 114
Merchandise for sale- telecommunication equipment and computer	4 068	7 540
	442 553	**375 836**
Add:		
Letters of credit	20 564	38 137
	463 117	**413 973**

Inventory value was written down by LE 23 495 K for obsolete and slow moving items.
directly from the cost of each type of inventory.

10. TRADE AND NOTES RECEIVABLES

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Governmental sector		323 706	314 858
Private sector		3 322 453	3 119 797
Foreign telecommunications companies and organizations		617 065	810 622
		4 263 224	**4 245 277**
Less:			
Impairment loss	(16)	2 016 381	1 605 984
		2 246 843	**2 639 293**
Add:			
Notes receivable		996	1 946
		2 247 839	**2 641 239**

11. DEBTORS AND OTHER DEBIT ACCOUNTS

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Suppliers – debit balances		136 449	46 757
Deposits with others		14 427	10 821
Employees' loans		706	755
Customs Authority - deposits		3 043	3 043
Accrued revenues		22 582	18 308
Tax Authority- withholding tax		72 326	42 460
Tax Authority- sales tax		659 961	589 410
Employees loyalty and belonging grant	(7)	3 815	5 008
Due from organizations and companies		84 931	80 307
Fixed assets debtors		-	6 963
Debts & blocked amounts at banks		3 164	2 470
Accrued interest revenues		-	200 000
Payments on the account of corporate tax		139 531	285 996
Other debit balances		462 875	422 354
		1 603 810	**1 714 652**
Less:			
Impairment loss	(16)	165 269	182 157
		1 438 541	**1 532 495**

12. CASH AND CASH EQUIVALENTS

	31/12/2010 LE (000)	31/12/2009 LE (000)
Banks-time deposits less than 3 months	1 315 025	2 089 663
Banks-current accounts	357 045	248 589
Cash on hand	6 167	5 637
Treasury bills less than 3 months	3 232 609	-
Investments fund bills less than 3 months	65 415	108 858
Cash & cash equivalents	**4 976 261**	**2 452 747**
Less:		
Blocked time deposit and Investments fund (as guarantee)	2 445	4 115
Cash & cash equivalents as per cash flows statement	**4 973 816**	**2 448 632**

13.LOANS AND FACILITES

Description	Loan Currency	Long term loan installments due within one year LE(000)	Long term loan installments due after more than one year LE(000)	Balance as of 31/12/2010 LE(000)	Balance as of 31/12/2009 LE(000)	Annual interest rate %	Repayment schedule
Governmental loans	U.S.$	78 645	285 432	364 077	441 632	4 %	Annual installments ending on 24/1/2018
Governmental loans	EURO	2 981	2 570	5 551	10 573	4 -6.37%	Semi-annual installments ending on 29/12/2012
Total Governmental loans		**81 626**	**288 002**	**369 628**	**452 205**		
Foreign loans	J.Y.	1 254	627	1 881	9 689	3 -3.5%	Semi-annual installments ending on 20/3/2012
Foreign loans	EURO	56 796	436 559	493 355	574 258	0.75 -5.5%	Semi-annual installments ending on 30/6/2036
Total foreign loans		**58 050**	**437 186**	**495 236**	**583 947**		
Foreign suppliers› facilities	EURO	609	—	609	625	5.50%	
Local loan - subsidiary company	LE	42	53	95	137	7%	Monthly installments ending on 1/3/2013
Local facility - subsidiary company	LE	9 964	—	9 964	6 678		Average corridor price +0.1%
Total Local loans and facilities-subsidiary company		**10 006**	**53**	**10 059**	**6 815**		
		150 291	**725 241**	**875 532**	**1 043 592**		

- Foreign suppliers› facilities in Euro amounting to LE 609 K equivalent to Euro 79 K against letters of guarantee issued by National Bank of Egypt in favor of Siemens as a guarantee for this facility settlement, there are no other guarantees for the rest of loans and facilities .
- The available unused portion of foreign loans and facilities at December 31, 2010 equivalent to an amount of LE 6 603 K.

14. CREDITORS AND OTHER CREDIT ACCOUNTS

14-1 Creditors and other credit accounts (current)

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Tax Authority		157 065	127 219
Deposits from others		706 915	756 672
Fixed assets creditors		241 846	243 744
Accrued interest		17 079	19 075
Accrued expenses		331 511	346 596
Social Insurance Authority		24 150	22 282
Trade receivables – credit balances		337 828	330 547
Credit balance for social, cultural and sportive activities		10 000	22 099
Deferred revenues*		134 763	179 392
Due to organizations and companies		144 576	51 891
Customer advance – credit balances Marine Cables		449 429	495 716
Tax Authority – income tax		907	715
Tax Authority – sales tax		1 235	2 138
Suppliers – local		288 183	157 296
Notes payable		5 190	1 938
Current income tax for the year		637 438	540 299
Dividends payable		917	924
Other credit accounts		484 091	509 691
		3 973 123	**3 808 234**
Less:			
Credit balances due after more than one year	(14-2)	146 244	191 373
		3 826 879	**3 616 861**

* The deferred revenues amounting to LE 134 763 K at December 31, 2010 (against LE 179 392 at December 31, 2009) is represented in the grants given by the USAID and Marine Cables Project Management for the construction of a building in Alexandria and the right of use for marine cables, the short term portion amounted to LE 44 629 K (against 44 629 K at December 31, 2009).

14-2 Creditors and other credit accounts (long-term)

Creditors and other credit accounts long-term are represented in the following:

	31/12/2010 LE (000)	31/12/2009 LE (000)
Tax liabilities due after one year	54 704	54 704
Deferred revenues	90 134	134 763
Due to suppliers as a result for purchase of communications machinery and supplies	1 406	1 906
	146 244	**191 373**

15. PROVISIONS

	Balance as of 1/1/2010 LE(000)	Charged to income statement for the year LE(000)	Used during the year LE(000)	Reclassification LE(000)	Provisions no longer required LE(000)	Balance as of 31/12/2010 LE(000)
Provision for contingent liabilities, claims and others.						
Tax provision	316 571	8 471		(14 279)		310 763
Claims provision*	23 990	18 412		14 279	(271)	56 410
Guarantees provision	382	23	(4)	——	(85)	316
	340 943	**26 906**	**(4)**	——	**(356)**	**367 489**

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

16. IMPAIRMENT LOSS ON ASSETS

	Note No.	Balance as of 1/1/2010 LE(000)	Charged to income statement for the year LE(000)	Used during the year LE(000)	Reclassification LE(000)	Translation differences LE(000)	Balance as of 31/12/2010 LE(000)
Impairment loss on trade receivables	(10)	1 605 984	391 936	(374)	18 784	51	2 016 381
Impairment loss on debtors and other debit balances	(11)	182 157	3 152	(1 355)	(18 784)	99	165 269
Impairment loss on other assets	(8)	79 825	——	——	——	——	79 825
Impairment loss on long-term debit balances	(7)	453 902					453 902
		2 321 868	**395 088**	**(1 729)**		**150**	**2 715 377**

17. CAPITAL

The company's issued and fully paid up capital determined with LE 17 070 716 K, represented in 1 707 071 600 shares at a par value of LE 10 each.
Thus Egyptian Government owns 80% after floating 20% of company's shares in public offering during December 2005.

18. RESERVES

	31/12/2010 LE (000)	31/12/2009 LE (000)
Legal reserve	946 848	824 931
Available-for-sale investments reserve	6 814	6 814
General reserve *	4 785 438	4 432 199
Capital reserve	18 110	18 110
	5 757 210	**5 282 054**

*General reserve amounted to LE 4 785 438 K at December 31, 2010 represents the dividends transferred to the general reserve for years 99/2000 till 2006 after deducting LE 1 255 985 K which represents the net adjustments on the fixed assets - land item during years from 2005 to 2009 (for 2009 amounted LE 9 579 K).
- Adjustment on general reserve during 2010 amounted to LE 353 239 K on fixed assets – land – Note no. (37-1).

19. ACQUISITION OF NON-CONTROLLING INTEREST IN A SUBSIDIARY

Acquisition of non-controlling interest in a subsidiary in the amount of LE 56 324 K represents the difference between acquisition cost of non-controlling interest in the capital of TE Data- a subsidiary company - which represents 4.95% of its capital and the non-controlling interest in the net assets of the subsidiary company at the date of acquisition.
This difference was reduced from the retained earnings of Telecom Egypt Company since the company had existing control before this acquisition of the non-controlling interest of the subsidiary.

20. DEFERRED TAX

20-1 Deferred Tax Assets and Liabilities

	31/12/2010		31/12/2009	
	Assets LE (000)	Liabilities LE (000)	Assets LE (000)	Liabilities LE (000)
Fixed assets	—	(51 771)	—	(134 007)
Other assets	—	(5 225)	—	(2 066)
Inventories	4 503	—	6 807	—
Trade receivables and debit balances	146 443	—	53 027	—
Provisions	30 276	—	52 234	—
Accrued liabilities	31 983	—	33 744	—
Total deferred tax asset (liability)	**213 205**	**(56 996)**	**145 812**	**(136 073)**
Net deferred tax asset	156 209	—	9 739	—
Net deferred tax charged to income statement	**146 470**	—	**87 463**	—

20-2 Unrecognized Deferred Tax Assets

	31/12/2010 LE (000)	31/12/2009 LE (000)
Impairment loss on trade receivables	252 257	276 183
Impairment loss on debtors and other debit balances	113 973	114 541
Provision for contingent liabilities and claims	27 925	3 041
Other	1 436	804
	395 591	394 569

Deferred tax assets have not been recognized in respect of the above items because there is no reliable guarante that the company can utilize the benefits therefrom.

21. OPERATING REVENUES

	For the year ended December 31,	
	2010 LE (000)	2009 LE (000)
Retail Services:		
Access revenue	1 808 740	2 048 842
Voice revenue (National & International)	2 123 946	2 618 314
Internet service & data transmission	809 621	648 508
Others	637 042	447 869
Total Retail Services	**5 379 349**	**5 763 533**
Wholesale Services :		
Domestic	1 241 744	1 029 199
International	3 696 835	3 167 935
Total Wholesale Services	**4 938 579**	**4 197 134**
Total Operating Revenues	**10 317 928**	**9 960 667**

22. OPERATING COSTS

		For the year ended December 31,	
	Note No.	2010 LE (000)	2009 LE (000)
Interconnection cost		1 020 822	972 473
Fuel		102 068	103 579
Spare Parts		84 082	121 216
Maintenance		268 036	308 232
Leased circuits & satellite subscriptions		128 077	52 848
Depreciation and amortization		2 228 056	2 474 948
Other operating cost	(22-1)	2 013 181	1 737 317
		5 844 322	5 770 613

22-1 OTHER OPERATING COSTS

	For the year ended December 31, 2010 LE (000)	2009 LE (000)
Salaries & wages	1 099 986	1 043 254
Compulsory social security contributions	121 455	107 660
Compensated absences	6 777	9 366
Utilities	20 230	15 409
Other supplies	71 896	92 934
Transportation	39 603	31 740
Calls cost	48 248	59 947
Rent	3 451	6 393
Frequencies & license charge (NTRA)	199 949	221 687
Others	401 586	148 927
	2 013 181	**1 737 317**

23. OTHER OPERATING REVENUES

	Note No.	For the year ended December 31, 2010 LE (000)	2009 LE (000)
Sundry revenues*		372 063	262 475
Provisions no longer required	(15)	356	7
		372 419	**262 482**

* Sundry revenues include the following:

	Note No.	For the year ended December 31, 2010 LE (000)	2009 LE (000)
- Deferred revenues for the year	(14-1)	44 629	44 629
- Fines and earned delay interest for payments of company receivables		113 000	136 245

24. GENERAL & ADMINISTRATIVE EXPENSES

	Note No.	For the year ended December 31, 2010 LE (000)	2009 LE (000)
Salaries & wages		765 439	682 802
Compulsory social security contributions		47 263	42 628
End of service compensation - Early retirement program	(29-1)	161 958	55 096

Compensated absences	5 042	6 467
Depreciation of fixed assets	274 658	256 339
Training	1 017	869
Bad debts	4 369	1 194
Tax and customs duty	104 762	110 158
Bank charges & commissions	3 964	4 376
Advertisements	85 411	72 014
Others	200 669	223 506
	1 654 552	**1 455 449**

25. SELLING & DISTRIBUTION EXPENSES

	For the year ended December 31,	
	2010 LE (000)	**2009 LE (000)**
Salaries & wages	244 087	186 871
Compulsory social security contributions	24 385	20 649
Compensated absences	1 006	1 333
Depreciation of fixed assets	3 065	6 742
Tax and fees	17 641	9 195
Rent	9 246	3 529
Advertisements	62 136	14 268
Others	122 346	212 493
	463 912	**455 080**

26. OTHER OPERATING EXPENSES

		For the year ended December 31,	
	Note No.	**2010 LE (000)**	**2009 LE (000)**
Provisions formed	(15)	26 906	30 073
Capital loss		31 271	14 018
Donations		49 257	89 615
		107 434	**133 706**

27. NET FINANCE COSTS

		For the year ended December 31,	
	Note No.	**2010 LE (000)**	**2009 LE (000)**
Finance income			
Interest income		202 933	131 937
Foreign exchange gain		48 944	——

Gains on revaluation of Investments fund bill		2 835	4 824
Gains on sale of Investments fund bill		1 813	972
Revenues from Investments fund bill		121	3 161
Reversal of impairment loss on trade receivable		——	44
Dividends from available-for-sale investments			
Information Technology Company		149	494
Nokia Siemens Networks Company		5 088	1 746
Total finance income		**261 883**	**143 178**
Finance costs			
Interest expense		(26 295)	(137 251)
Impairment loss on financial assets	(16)	(395 088)	(330 840)
Impairment loss on available-for-sale investments		(625)	(575)
Foreign exchange loss		——	(29 557)
Total finance costs		**(422 008)**	**(498 223)**
Net finance costs		**(160 125)**	**(355 045)**

28. NET INVESTMENT INCOME FROM ASSOCIATES

	For the year ended December 31,	
	2010 LE (000)	2009 LE (000)
Vodafone Egypt Telecommunications Company	1 345 226	1 406 802
Egypt Trust	(1 590)	(1 222)
Wataneya for Telecommunications	(125)	——
Net	**1 343 511**	**1 405 580**

29. EMPLOYEE'S BENEFITS

29-1 EARLY RETIREMENT SCHEME

The company follows an early retirement plan, under which rewards are paid to employees that wish to terminate their service before the legal age, which represents 75% of the basic salary for the last payroll period for the remaining period till the end of service up to maximum of 10 years for men and 15 years for women.

On July 13, 2010, the company's Board of Director decided to temporarily increase the compensation to become 100% of the last payroll period basic salary while maintaining the remaining conditions unchanged during the period from July 1, 2010 to December 31, 2010 and returning to the system mentioned above starting from January 1, 2011. The total compensation for early retirement amounted to LE 161 958 K for year 2010 (LE 55 096 K for year 2009) and was classified as a General & Administrative Expenses - note (24).

29-2 END OF SERVICE BENEFITS

The employees are granted an end of service benefits through Loyalty and Belonging Fund authorized on January 2004, based on employees' basic monthly salary increasing by 5% compounded interest. For employees hired after January 1, 2002, the subscription is according to the subscription schedule for new hires and increasing annually by 5% compounded interest starting from the year following to the hiring date. The employees' contribution to the fund is represented in specific subscription with the same basis as the salary which the reward is paid on. The company's contribution to the fund represents an annually specified participation.

30. BASIC EARNINGS PER SHARE

Basic earnings per share for the year are determined as follows:

	For the year ended December 31,	
	2010	**2009**
Net profit for the year - LE (000)	3 309 318	3 000 095
Less:		
Employees' share in profit LE (000)	374 956	246 577
Board of Directors remuneration LE (000)	3 500	5 000
	2 930 862	2 748 518
Weighted average number of shares	1 707 071 600	1 707 071 600
Basic earnings per share for the year (LE / Share)	1.72	1.61

Employees' share in profit and Board of Directors remuneration based on the proposed appropriation by the company's Board of Director till approved by the General Assembly

31. CAPITAL COMMITMENTS

The company's capital commitments for the unexecuted parts of contracts until December 31, 2010 amounted to LE 19.70 millions (includes LE 5.5 millions the uncalled installments of investees' of share capital) against LE 34.04 millions at December 31, 2009 (includes LE 7.95 millions the uncalled installments of investees' of share capital). These commitments are expected to be settled in the following year except the uncalled installments of investees' share capital, which shall be settled when required by the Board of Directors for those investees' companies.

32. CONTINGENT LIABILITIES

In addition to the amounts included in the balance sheet, as of December 31, 2010 the company had the following contingent liabilities:

	31/12/2010 LE (000)	31/12/2009 LE (000)
- Letters of guarantee issued by banks on behalf of the company	72 997	73 260
- Letters of credit	229 128	135 484

33.TAX POSITION - PARENT COMPANY

33-1 Corporate tax

Financial years till December 31, 2004

Tax inspection was performed till the period ended December 31, 2004 and the company was notified by Tax Forms No. (18) & (19) and it agreed on the taxable income and the differences were paid.

Financial years from 2005 till 2009

- Tax inspection for the year 2005 was performed, and the company was notified that there are no tax differences for this year.
- Tax returns were submitted from 2006 to 2009 on due dates and payments were made accordingly. Inspection for financial years 2006, 2007 and 2008 are currently undertaken.

33-2 Sales tax

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

33-3 Salaries tax

- Tax inspection and assessment were made till December 31, 2002 and all due tax were settled.
- Tax inspection for the period from January 1, 2003 till December 31, 2004 is currently undertaken.

33-4 Stamp tax

- Tax inspection for the period from March 27, 1998 to December 31, 2000 was made and the company objected on the disputed items on the due dates and the related provisions were formed to meet the disputed tax liabilities.
- Tax inspection for the period from January 1, 2001 till June 31, 2006 was made for certain sectors of the company taxes due were settled. Tax inspection for the remaining sectors is currently undertaken.
- Tax inspection for the period from August 1, 2006 till December 31, 2009 is currently undertaken.

33- 5 Real estate taxes

- All taxes are paid according to the addition notices received by the company. The company's Legal Affairs Department follows up on the disputes resulting from the matter according to the new Real Estate Tax Law No.196 for the year 2008.
- Tax returns were submitted according to the new Real Estate Tax Law No.196 for the year 2008 at due dates.
- Provisions were formed to meet any tax liabilities that may arise from the tax inspection - Note no. (15).

34. RELATED PARTY TRANSACTIONS WITH ASSOCIATES

There are transactions between the Company and its associates. The related balances on the balance sheet date are stated as follows:

	Amount of transactions recorded in the income statement LE 000	Nature of transactions during the year	Transaction volume during the year Debit LE 000	Transaction volume during the year Credit LE 000	Balance as of 31/12/2010 Debit LE 000	Balance as of 31/12/2010 Credit LE 000	Balance as of 31/12/2009 Debit LE 000	Balance as of 31/12/2009 Credit LE 000
Debit balances included in trade receivable								
Vodafone Egypt Telecommunications Company SAE	465 022	Outgoing calls and voice services to the associates company	1 065 668	1 041 785	209 274		185 391	
	983 272	Incoming and international calls transmission & lease of company premises and towers to the associates company						
Vodafone Egypt Telecommunications Company SAE	1 492	Sale of products & services of Vodafone	6 600	2119				4 481
			1 072 268	**1 043 904**	**209 274**		**185 391**	**4 481**

Debit balances included in other debit balances - long term								
Consortium Algerien de Telecommunications (CAT)	—	Paid on behalf of associates to finance operating expenses	—	—	453 902	—	453 902	—
Debit balances included in debtors and other debit balances								
International Telecommunication Consortium Limited (ITCL)	—	—	—	—	66	—	66	—

35. FINANCIAL INSTRUMENTS

35 -1 Credit risk :

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

	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Trade and notes receivable	(10)	2 247 839	2 641 239
Other debit balances – long term	(7)	15 000	3 815
Debtors and other debit balances – short term	(11)	1 438 541	1 532 495
Investments in associates	(6-1)	7 403 456	7 629 741
Available-for-sale investments	(6-2)	96 869	100 494
Cash & cash equivalents	(12)	4 970 094	2 447 110
		16 171 799	**14 354 894**

35-2 Liquidity risk :

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

Description	**Carrying Amounts LE (000)**	**One year or less LE (000)**	**From 1-2 years LE (000)**	**From 3-5 years LE (000)**	**More than 5 years LE (000)**
DECEMBER 31, 2010					
Creditors and other credit balances	3 973 123	3 826 879	89 258	876	56 110
Loans installments and facilities	875 532	150 291	155 650	236 988	332 603
	4 848 655	**3 977 107**	**244 908**	**237 864**	**388 713**
DECEMBER 31, 2009					
Creditors and other credit balances	3 808 234	3 616 861	89 258	45 505	56 610
Loans installments and facilities	1 043 592	185 735	136 812	333 891	387 154
	4 851 826	**3 802 596**	**226 070**	**379 396**	**443 764**

35-3 Currency risk

Description	U.S. Dollars (000)	Sterling Pound (000)	Euro (000)	Japanese Yen (000)	Canadian Dollar (000)	Swedish krona (000)	Emirates Dirham (000)	Maroc Dirham (000)	Jordan Dinar (000)	Total LE (000)
December 31, 2010										
Receivables	98 583	—	—	—	389	—	—	2 614	—	576 603
Due interest - deposits	16	—	80	—	—	—	—	—	—	709
Other debit balances	9 434	—	903	—	420	—	—	1 630	255	67 435
Cash & cash equivalents	61 157	300	72 291	—	—	—	—	2 310	2 492	937 236
Total assets in currency	**169 190**	**300**	**73 274**	—	**809**	—	—	**6 554**	**2 747**	**1 581 983**
Creditors & other credit balances	29 314	5	6 414	—	—	15 767	—	720	1 011	241 902
Foreign loans & facilities	62 691	—	64 886	26 341	—	—	—	—		865 970
Total liabilities in currency	**92 005**	**5**	**71 300**	**26 341**	—	**15 767**	—	**720**	**1 011**	**1 107 872**
Risk surplus (deficit)	77 185	295	1 974	(26 341)	809	(15 767)	—	5 834	1 736	474 111
Equivalent in Egyptian Pound	448 252	2 660	15 212	(1 881)	4 686	(13 299)	—	4 081	14 400	474 111
December 31, 2009										
Receivables	148 030	—	29	—	1 051	—	—	—	—	819 121
Due interest - deposits	8	—	41	—	—	—	—	—	—	367
Other debit balances	1 361	—	426	—	499	—	100	2 517	208	17 002
Cash & cash equivalents	47 504	300	57 285	—	—	—	212	—	2 526	736 599
Total assets in currency	**196 903**	**300**	**57 781**	—	**1 550**	—	**312**	**2 517**	**2 734**	**1 573 089**

Suppliers and notes payable	10 347	—	73	—	—	—	—	—	—	57 442
Creditors & other credit balances	9 289	5	5 323	—	21	9 713	1	451	1 040	109 143
Foreign loans & facilities	80 370	—	74 074	162 564	—	—	—	—	—	1 036 777
Total liabilities in currency	**100 006**	**5**	**79 470**	**162 564**	**21**	**9 713**	**1**	**451**	**1 040**	**1 203 362**
Risk surplus (deficit)	96 897	295	(21 689)	(162 564)	1 529	(9 713)	311	2 066	1 694	369 727
Equivalent in Egyptian Pound	**532 448**	**2 612**	**(171420)**	**(9 689)**	**7 959**	**(7 388)**	**467**	**1 456**	**13 282**	**369 727**

Exchange rates for currencies against Egyptian pound:

	Average exchange rate		Closing exchange rate	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
U.S. Dollar	5.6870	5.5508	5.8075	5.4950
Sterling Pound	8.8295	8.6299	9.0180	8.8455
Euro	7.5361	7.8304	7.7060	7.9037
Japanese Yen	0.0662	0.0598	0.0714	0.0596
Canadian Dollar	5.4989	5.0598	5.7927	5.2051
Swedish Krona	0.7894	0.7333	0.8435	0.7606
Emirates Dirham	1.5014	1.5001	1.5018	1.5011
Maroc Dirham	0.7022	0.6984	0.6995	0.7049
Jordan Dinar	8.0709	7.9530	8.2951	7.8467

35-4 Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of December 31, 2010 would have increased profit by an amount of LE 47 411 K (LE 36 973 K as of December 31, 2009). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2009.
And a 10% weakening of the foreign currencies against the EGP as of December 31, 2010 would have had the equal but opposite effect on the foreign currencies to the amounts shown above.

35-5 Interest rate risk

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

Description	Note No.	31/12/2010 LE (000)	31/12/2009 LE (000)
Financial assets - deposits	(12)	1 315 025	2 089 663
Financial liabilities (loans – facilities)	(13)	875 532	1 043 592
		2 190 557	**3 133 255**

35-6 Fair values for financial instruments

The financial instruments represented in cash on hand and cash at banks, loans and facilities, notes receivable, financial investments and debits and credit balances.
The fair value of financial instruments has no material difference of its book value.

36 - CLAIMS AND LITIGATIONS

36-1 Interconnect Agreement with Mobile Companies

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

On September 2009, Mobinil filed arbitration claim number 644 for 2009 against the Company for the purposes of reviewing the amounts and requesting the application of the interconnection rates in the agreement which expires on April 17, 2013. On October 2009, Telecom Egypt filed a counter claim against Mobinil. Also, the Company filed arbitration claim number 650 for 2009 against Vodafone for the purposes of reviewing the amounts. The company's management believes that, these companies have interconnection prices with the company at more than prices which are accounted for with each other and thus resulting in a violation of article No. (13) of the interconnection agreement between the companies at year 1998 and articles (28) & (29) of the law No. (10) for year 2003 related to the organization of the telecommunications and non-discrimination between service providers and in the light of the valid agreement and the conventions and terms of telecommunications law. These arbitration claims are still in the early stages. Telecom Egypt's external legal advisors' view is that the Company's view is supported by the interconnection agreements and in light if the telecommunications law in both cases from a legal perspective.

On December 31, 2009, the NTRA issued an administrative decision, which was subsequently amended on January 14, 2010, setting out the interconnection rates for terminating outgoing calls on mobile operators' networks and Telecom Egypt's network. On February 28, 2010 Mobinil filed a lawsuit before the Administrative Court against the NTRA requesting the cessation and nullification of the NTRA's administrative decision in addition to the cancellation of all the consequent effects of the said decision.

On June 5, 2010 the Administrative Court (Economic & Investment Dispute Circuits) at the State Council issued a ruling halting the implementation of the NTRA's administrative decision concerning the interconnection rates. The NTRA appealed against the said court ruling.

The amount in dispute between Telecom Egypt and the mobile operators, in relation to the said dispute, during the period from September 3, 2008 to December 31, 2010, as calculated by Telecom Egypt, is LE 638 456 529 in favor of Telecom Egypt out of which an amount of LE 211 819 295 is relating to the current period from January 1, 2010 to December 31, 2010. Based on the external legal advisors' opinion, Telecom Egypt recognizes and shall continue to recognize revenues and costs of the interconnect services between the Company and the mobile operators according to the administrative decision issued by the NTRA until the dispute is finally decided on by Court throughout the different levels of litigations or otherwise notified by the NTRA.

36-2 Other Claims

The Company has filed an arbitration case against an investee, in which the Company owns 25%, claiming compensations for breach of obligations stipulated in a revenue sharing agreement concluded between the Company and the investee and requesting the termination of the said agreement.
Also, the investee has filed a counter arbitration case against the Company claiming compensation for an alleged breach of obligations stipulated in the same agreement.

The Company's external legal advisor's opinion is that both cases are still in preliminary stage; hence the final outcome cannot currently be reliably estimated.

37. COMPARATIVE FIGURES

37-1 Balance sheet

Some of the comparative figures were reclassified and adjusted as follows:

1. In accordance with Egyptian accounting standard No. (1), the non-current portion of deferred income which amounted to LE 90 134 as of December 31, 2009 was reclassified from the current liabilities-creditors and other credit account to the long term liabilities of the same item note No (14-2).
2. As per note No. (6-2) of the notes accompanying to the financial statements, During the financial year ended December 31, 2009 investment in associate company - Development Technology Fund – TDF – with a carrying amount of LE 60 772 K was transferred from equity account investee to available-for-sale investments, which resulted in an adjustment to the investment cost as of December 31, 2010 from LE 60 772 K to LE 60 000 K and reducing retained earning balance on that date with the difference amount of LE 772 K.
3. An adjustment in the amount of LE 363 400K was made to the land item beginning balance, this amount represents the value of the Company's land in Maadi on which the Company's club and Maadi Central were built. The value of this land was previously excluded in year 2005 based on that it was a free grant from the Government according to the State Council opinion, however, it was later clarified that the Company had purchased this land in year 1957. According to the supporting documents, the Company's Board of Directors decided on December 21, 2010 to add it again to the Company's assets.
4. Also, an amount of LE 10 161 K included in item land was excluded, according to inspection, it was discovered that this amounts represents in adjusting difference on addition made during the valuation done

in 1998, the Company's Board of Directors decided on November 9, 2010 to exclude the value of this land from the Company's assets.

5. An adjustment was made on the opening balance of buildings & constructions cost and accumulated depreciation in the amount of LE 9 048 K and LE 1 291 K respectively, these amounts are related to mobile operators transmission systems towers that were not recorded it in the company's books in spite of the company's ownership of these towers, therefore the mentioned towers were added to fixed assets and related adjustments of LE 7 589 K to retained earnings as at December 31, 2009 and LE 168 K to income statement for year 2009 were made.
6. The balance of trade receivable - foreign telecommunication companies and organizations was reduced based on the reconciliations and confirmations made between the company and the customers. Due to this adjustment, the retained earnings balance as at December 31, 2009 was reduced in the amount of LE 127 949 K and the income for year 2009 was reduced by an amount of LE 51 484 K.
7. Retained earnings of non controlling interest were adjusted in regard to the claims against TE Data with an amount of LE 4 770 K relating to previous years amortization of PRI circuits.
8. Egyptian Telecommunication For Information Systems (subsidiary) has reduced the value of sales tax formerly capitalized on fixed assets as those amounts may be refunded by Tax Authority, based on the opinion of tax consultant. The amount of depreciation provision was recalled from beginning balance of retained earnings.

Summary of effect of previous adjustments on financial statements:

Effect on retained earnings and net profit for the year 2009:

	Retained earnings 2009 LE(000)	Net profit 2009 LE(000)
Buildings and constructions	7 589	168
Trade receivables	(127 949)	(51 484)
Amortization of PRI circuits	4 770	
	(115 590)	**(51 316)**

Effect on general reserve:

	General reserve 2010 LE(000)
Addition of land	363 400
Disposal of land	(10 161)
	353 239

37-2 Income statement

- Cost of goods sold items were aggregated & included as a total amount in the statement of income. The related details were disclosed in notes accompanying to the financial statments - Note No. (22).
- According to IFRS No. (7), which has no corresponding standard in the Egyptian Accounting Standards, finance costs and income were aggregated, reclassified and sub-totaled under the title «Net Finance Costs», its details included in the notes accompanying to the financial statements - Note No. (27).
- Certain other revenues and expenses items were aggregated and included in «Other Operating Revenues» or «Other Operating Expenses», the related details were included in the notes accompanying to the financial statements - Notes No.(23),(26), respectively.

	For the year ended 31/12/2009 as previously presented LE (000)	Reclassification (Debit)/Credit LE (000)	Adjustments (Debit)/Credit LE (000)	For the year ended 31/12/2009 Restated LE (000)
Operating Revenues	9 960 308	—	359	9 960 667
Interconnection fees	(967 094)	967 094	—	—
Fuel	(103 579)	103 579	—	—
Spare parts and supplies	(121 216)	121 216	—	—
Maintenance	(308 232)	308 232	—	—
Circuits & satellite subscriptions	(31 884)	31 884	—	—
Depreciation & amortization	(2 474 939)	2 474 939	—	—
Other operating costs	(1 737 317)	1 737 317	—	—
Operating cost	—	(5 744 261)	(26 352)	(5 770 613)
Gross Operating Profit	**4 216 047**			**4 190 054**
Other operating revenues	—	262 482	—	262 482
General & administrative expenses	(1 455 449)	—	—	(1 455 449)
Selling & distribution expenses	(455 080)	—	—	(455 080)
Provisions	(30 073)	30 073	—	—
Charge of impairment loss on financial assets	(330 840)	330 840	—	—
Other operating expenses	—	(133 706)	—	(133 706)
Net Operating Profit	**1 944 605**			**2 408 301**
Finance income	—	143 178	—	143 178
Finance cost	—	(472 900)	(25 323)	(498 223)
Net finance cost	—			**(355 045)**
Interest income	131 937	(131 937)	—	—
Interest expense	(137 251)	137 251	—	—

Other revenues	172 860	(172 860)	—	—
Reversal of impairment of debit balances	44	(44)	—	—
Gain on evaluation of held for trading investments	4 824	(4 824)	—	—
Gain on sale of held for trading investments	972	(972)	—	—
Impairment loss on available for sale investment	(575)	575	—	—
Capital loss	(14 018)	14 018	—	—
Foreign exchange loss	(4 234)	4 234	—	—
Provisions no longer required	7	(7)	—	—
Income from investments in associates	1 410 981	(5 401)	—	1 405 580
Net profit for the year before income tax	**3 510 152**			**3 458 836**
Current tax expense	(540 850)	—	—	(540 850)
Deferred tax	87 463	—	—	87 463
Total income tax	**(453 387)**	—	—	**(453 387)**
Net profit for the year	**3 056 765**		**(51 316)**	**3 005 449**
Basic earnings per share (LE / Share)	1.70	—	—	1.67

37-3 Cash Flows Statements

Dividends paid to shareholders in the amount of LE 2 146 642 K for the year ended December 31, 2009 were eliminated from cash flows from operating activities and included in the cash flows from financing activities.

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Telecom Egypt Company

Report on the Consolidated Financial Statments

We have audited the accompanying consolidated financial statements of Telecom Egypt Company and its subsidiaries (the 'Group') which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of comprehensive income, change in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statments

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management misstatement determines is necessary to enable the preparation of consolidated financial statement that are free from material, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Resposibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Consolidated Statement of Financial Position as at December 31,

	Note	2010	2009
In thousands of Egyptian Pound			
Assets			
Property, plant and equipment	(13,3c)	16 037 798	17 044 148
Intangible assets	(14,3d)	109 936	128 200
Investment in equity accounted investees	(15,3a)	7 294 265	7 403 514
Available-for-sale investments	(16,3f)	96 869	100 494
Trade and other receivables	(17)	15 000	-
Deferred tax assets	(18,3q)	213 205	145 812
Total non-current assets		**23 767 073**	**24 822 168**
Inventories	(19,3g)	463 117	413 973
Trade and other receivables	(20)	3 685 469	4 175 667
Cash and cash equivalents	(21)	4 976 261	2 452 747
Total current assets		**9 124 847**	**7 042 387**
Total assets		**32 891 920**	**31 864 555**
Equity			
Share capital	(22)	17 070 716	17 070 716
Reserves	(22,3j)	5 757 208	5 281 594
Retained earnings		4 358 545	3 955 579
Total equity attributable to equity holders of the company		**27 186 469**	**26 307 889**
Non–controlling interest	(3a)	20 000	40 969
Total equity		**27 206 469**	**26 348 858**
Liabilities			
Interest-bearing loans	(24)	732 028	872 505
Deferred income	(25)	90 134	134 764
Trade and other payables		56 110	56 610
Deferred tax liabilities	(18,3q)	56 996	136 073
Total non-current liabilities		**935 268**	**1 199 952**
Interest-bearing loans	(24)	158 372	207 607
Deferred income	(25)	44 629	44 628
Trade and other payables	(26)	4 179 693	3 722 567
Provisions	(27,3n)	367 489	340 943
Total current liabilities		**4 750 183**	**4 315 745**
Total liabilities		**5 685 451**	**5 515 697**
Total equity and liabilities		**32 891 920**	**31 864 555**

Chairman	Chief Executive Officer & Managing Director	Vice President & Chief Financial Officer	Financial Controller
Akil Beshir	Mohamed Abdel Rahim	Hassan Helmy	Hossam El-Saadawy

" attached " Auditor's report

The notes on pages (113) to (152) are an integral part of these consolidated financial statements.

TELECOM EGYPT

Consolidated statement of comprehensive income

	Note	For the year ended December 31,	
In thousands of Egyptian Pound		2010	2009
Revenue	(4,3o)	10 317 928	9 960 667
Operating cost	(5)	(5 982 405)	(5 753 739)
Gross profit		**4 335 523**	**4 206 928**
Other income	(6)	372 419	232 482
Selling and distribution expenses	(7)	(494 340)	(466 491)
General and administrative expenses	(8)	(1 785 491)	(1 483 001)
Other expenses	(9)	(107 434)	(143 825)
Results from operating activity		**2 320 677**	**2 346 093**
Finance income	(11)	262 514	158 399
Finance costs	(11)	(425 092)	(494 447)
Net finance costs	(11)	(162 578)	(336 048)
Share of profit of equity accounted investees		1 239 687	1 308 947
Profit before income tax		**3 397 786**	**3 318 992**
Income tax expense	(12)	(491 740)	(453 387)
Profit for the year		**2 906 046**	**2 865 605**
Other comprehensive income			
Translation differences for foreign operations		519	(117)
Other comprehensive income for the year		519	(117)
Total comprehensive income for the year		**2 906 565**	**2 865 488**
Profit for the year attributable to:			
Equity holders of the company		2 903 591	2 860 251
Non - controlling interest		2 455	5 354
Profit for the year		2 906 046	2 865 605
Total comprehensive income attributable to:			
Equity holders of the company		2 904 049	2 860 144
Non - controlling interest		2 516	5 344
Total comprehensive income for the year		2 906 565	2 865 488
Basic earnings per share (LE/share)	(23)	1.70	1.68

The notes on pages (113) to (152) are an integral part of these consolidated financial statements.

An Egyptian joint stock
Consolidated statement of changes in equity
For the financial year ended December 31,

In thousands of Egyptian Pound	Note No	Share capital	Legal reserve	Other reserve	Retained earnings	Translation reserve	Total equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance as at 1 January 2009		17 070 716	680 204	4 447 544	3 574 834	(353)	25 772 945	38 058	25 811 003
Adjustments to cost of land & building	(35-1)	–	–	9 579	–	–	9 579	–	9 579
Adjustments to retained earnings	(35-1)	–	–	–	(115 590)	–	(115 590)	(4 770)	(120 360)
Comprehensive income									
Profit for year 2009		–	–	–	2 860 251	–	2 860 251	5 354	2 865 605
Translation differences for foreign operations		–	–	–	–	(107)	(107)	(10)	(117)
Total comprehensive income for the period		**–**	**–**	**–**	**2 860 251**	**(107)**	**2 860 144**	**5 344**	**2 865 488**
Transactions with owners									
Non-controlling interest's share in subsidiary's capital increase		–	–	–	–	–	–	3 675	3 675
Dividends		–	–	–	(2 219 189)	–	(2 219 189)	(1 338)	(2 220 527)
Transferred to reserves		–	144 727	–	(144 727)	–	–	–	–
Total transactions with owners		**–**	**144 727**		**(2 363 916)**	**–**	**(2 219 189)**	**2 337**	**(2 216 852)**
Related balance as at 31 December 2009		17 070 716	824 931	4 457 123	3 955 579	(460)	26 307 889	40 969	26 348 858
Balance as at 1 January 2010		17 070 716	824 931	4 457 123	3 955 579	(460)	26 307 889	40 969	26 348 858
Comprehensive income									
Profit for year 2010		–	–	–	2 903 591	–	2 903 591	2 455	2 906 046
Translation differences for foreign operations		–	–	–	–	458	458	61	519
Total comprehensive income for the period		**–**	**–**	**–**	**2 903 591**	**458**	**2 904 049**	**2 516**	**2 906 565**

Transactions with owners									
Transferred to reserves		–	121 917	–	(121 917)	–	–	–	–
Employees profit share		–	–	–	(104 321)	–	(104 321)	–	(104 321)
Dividends		–	–	–	(2 219 193)	–	(2 219 193)	(1 733)	(2 220 926)
Acquisition of non-controlling interest	**(3a)**	–	–	–	(56 324)	–	(56 324)	(21 752)	(78 076)
Total transactions with owners		–	**121 917**	–	**(2 501 755)**	–	**(2 379 838)**	**(23 485)**	**(2 403 323)**
Adjustments	(35-1)	–	–	353 239	1 130	–	354 369	–	354 369
Balance as at 31 December 2010		17 070 716	946 848	4 810 362	4 358 545	(2)	27 186 469	20 000	27 206 469

The notes on pages (113) to (152) are an integral part of these consolidated financial statements.

TELECOM EGYPT

Consolidated statement of cash flows

	Note	For the year ended December 31,	
In thousands of Egyptian Pound		2010	2009
Cash flows from operating activities			
Cash receipts from customers		8 424 264	8 637 299
Cash paid to suppliers		(839 980)	(800 166)
Cash paid to employees		(2 571 585)	(2 322 041)
Cash paid in operations (net)		(98 989)	(770 685)
Interest paid		(28 280)	(208 674)
Income taxes paid		(499 086)	(449 282)
Net cash from operating activities		**4 386 344**	**4 086 451**
Cash flows from investing activities			
Interest collected		92 402	153 564
Dividends collected		1 353 547	703 351
Proceeds from sale of property, plant and equipment		1 339	13 596
Acquisition of property, plant and equipment and intangible assets		(1 085 833)	(980 798)
Acquisition of investments in subsidiary		(78 112)	-
Payment for purchase of treasury bills		109 555	-
Net cash provided by (used in) investing activities		**392 898**	**(110 287)**
Cash flows from financing activities			
Repayment of loans		(184 529)	(1 282 746)
Proceeds from non- controlling interest for capital increase in a subsidiary company		-	3 685
Repayment of bonds loan		-	(800 000)
Repayments of financial lease obligations		(25 330)	(32 907)
Dividends paid		(2 044 633)	(2 146 642)
Repayment of long-term liabilities		-	(5 651)
Net cash used in financing activities		**(2 254 492)**	**(4 264 261)**
Net increase (decrease) in cash and cash equivalents		2 524 750	(288 097)
Cash and cash equivalents at 1 January		2 448 632	2 729 870
Effect of exchange rate fluctuations on cash held		434	(102)
Cash and cash equivalents at 31 December	(21)	**4 973 816**	**2 441 671**

The notes on pages (113) to (152) are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Telecom Egypt (the "Company") is an Egyptian Joint Stock Company registered in the Arab Republic of Egypt and is engaged in the provision of public communications and associated products and services. The consolidated financial statements of the Company for the year ended December 31, 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The main purpose of the company includes:

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

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

2. BASIS OF PREPARATION

a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB) and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC).
These consolidated financial statements were approved for issuance on May 19, 2011

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available-for-sale financial assets are measured at fair value.

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

c. Functional and presentation currency

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

d. Use of estimates

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Impairment of non-financial and financial assets.
- Provisions and contingencies.
- Deferred tax assets.
- Operational useful life & fixed assets.

3. SIGNIFICANT ACCOUNTING POLICES

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

Certain comparative amounts have been reclassified to conform with the current year's presentation (see note 35).

a. Basis of consolidation

(i) Subsidiaries

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

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.
Investments in associates are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The consolidated financial statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

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

(iv) Accounting for acquisitions of non-controlling interests

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

b. Foreign currency

(i) Transactions and balances

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

(ii) Foreign operations

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

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rate at the reporting date; and
- Income and expenses are translated at the average exchange rate for the period.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests;

For consolidated cash flows preparation purposes, cash flows from foreign operations are translated at the average exchange rates for the period.

c. Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

	Estimated useful life/years
Buildings	*10 - 50*
Machinery and equipment	*5 - 20*
Vehicles	*5 - 10*
Tools and other equipment	*1 - 8*
Office furniture and fixtures	*3 - 16.67*

d. Intangible assets

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

(i) Licenses

Licenses are measured initially at cost. Amortization is charged to the profit or loss on a straight-line basis over the period of its expected use or the term of the underlying agreement, whichever is shorter.

(ii) Right of way and Right of use

The Group recognizes an intangible asset arising from a Right of Way and Right of Use of an assets when it has the exclusive right for using that assets and deriving the benefits of that uses. An intangible asset is measured initially at cost upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost, less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the shorter of the period of its expected use whichranges from 10 to 20 years and the term of the underlying agreement,starting from the date of the acquisition of the right.

(iii) Other intangible assets

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

e. Leased assets

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

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

f. Financial Instruments

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were acquired / incurred. Purchases and sales of financial instruments are recognized at their settlement date. Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities unless its fair value cannot be reliably determined), the Group establishes fair value by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

(i) Financial Assets

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

- ***Financial receivables***

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

(ii) Non-derivative financial liabilities

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

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Financial assets available-for-sale

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

(iv) Financial asset at fair value through profit or loss (Investment- held for trading)

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

(v) Investment-held to maturity (Treasury bills)

When the group has the positive intent and ability to hold debt securities (Treasury bills) to maturity, then such financial assets are classified as held to maturity.Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured amortized cost using the effective interest method, less any impairment losses.
Treasury bills are shown in the balance sheet at their nominal value of unearned interests.

(vi) Share capital

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

g. Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses
The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Work in progress is valued at cost at the latest protection process reached. Finished goods are valued at the manufactory cost.

h. Cash and cash equivalent

Cash and cash equivalent comprise cash balances banks current accounts, treasury bills and time deposits which do not exceed three months and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i. Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

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

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

(ii) Non-financial assets

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

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

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

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

An impairment loss in respect of non-financial assets or cash-generating units, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

j. Legal Reserves

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

k. Employee benefits

Pension

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

l. Grants

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

m. Dividends

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

n. Provisions

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

o. Revenue

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

- **Voice services:** revenues are measured in terms of traffic minutes processed or transmission capacity provided and is recognized in the period in which the connection is provided.

- **Value added services:** these services include call waiting and divert, callers ID and hotline are recognized in the period in which the service is provided.

- **Data services:** revenue from the provision of managed bandwidth to business customers is recognized over the period in which the bandwidth is provided.

- **Other services:** revenue from web hosting and internet access is recognized over the life of the contract and over the period that the service is provided respectively.

- **Sale of goods:** revenue from sale of telephone sets and directories is recognized in the profit and loss statement when the significant risks and rewards of ownership have been transferred to the buyer.

p. Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, impairment losses recognized on financial assets, change in the fair value of financial assets at fair value through profit or loss. Interest income includes, interest receivable on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss.
Foreign currency gains or losses are reported on a net basis.

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

q. Income tax

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

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

Deferred tax is provided using the financial position asset & liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

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

r. Earnings per share

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

s. Change in Accounting Policies

The Group has adopted the following new and amended IFRSs:

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

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

- IFRS 7(amendment), "Financial instruments – Disclosures" – which requires additional disclosures about fair value measurement and liquidity risk.

- Revised IAS 23 "Borrowing Costs" relating to capitalization of borrowing costs and IAS 23 (amendment) relating to the calculation of borrowing costs.

- IAS 1 (amendment) "Presentation of financial statements", relating to the classification of financial assets and liabilities held for trading.

- IAS 28 (amendment), "Investments in associates," and consequential amendments to IAS 32, "Financial

Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures" relating to impairment testing of investments.

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

- IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations" and consequential amendments to IFRS 1 "First-time adoption". The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

- A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The Group will apply IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from January 1, 2010.

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

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

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

t. Recent accounting pronouncements

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial period ended September 30, 2010 and have not been early adopted:

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

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

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

IFRIC 19, "Extinguishing financial liabilities with equity instruments" will be applicable for the Group from

January 1, 2011. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to fully or partially settle the financial liabilities.

u. Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

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

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

(i) Credit risk

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

Trade and other receivables

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

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

Cash and cash equivalents

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

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

(ii) Liquidity risk

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

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

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

(iii) Market risk

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

Currency risk

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

Interest rate risk

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

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

Other market prices risk

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

v. Capital management

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

w. Segment reporting

The Group's operations fall into one broad class of business which is telecommunication and information services and hence, segmental analysis of assets and liabilities is not considered meaningful.

4. Revenue

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	**2009**
Retail Services:		
Access revenue	1 808 740	2 048 842
Voice revenue	2 123 946	2 618 314
Internet service & data transmission	809 621	648 508
Others	637 042	447 869
Total Retail Services	**5 379 349**	**5 763 533**
Wholesale Services		
Domestic	1 241 744	1 029 199
International	3 696 835	3 167 935
Total Wholesale Services	**4 938 579**	**4 197 134**
Total Revenues	**10 317 928**	**9 960 667**

5. Operating cost

In thousands of Egyptian Pound	Note	For the year ended December 31,	
		2010	2009
Interconnection cost		1 020 822	972 473
Fuel		102 068	103 579
Spare parts		84 082	121 216
Maintenance		268 036	308 232
Leased circuits		128 077	52 848
Property plant & equipment depreciation	(13)	2 136 135	2 355 114
Amortization of intangible assets	(14)	19 196	24 074
Salaries & wages		1 099 986	1 043 254
Compensated absence		6 777	9 366

Compulsory social security contributions	121 455	107 660
Frequencies & licenses	199 949	221 687
Employees' share in profit	210 808	78 886
Other operating costs	585 014	355 350
	5 982 405	**5 753 739**

6. Other income

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	2009
Grants*	44 629	44 629
Rental income	3 078	2 169
Provisions no longer required	356	7
Others	324 356	185 677
	372 419	**232 482**

* The amount represents amortization of the grants awarded by the USAID to finance some of the Company's projects, as well as the grants awarded by the projects' management of Marine Cables for the construction of a building in Alexandria and the right of way for Marine Cables.

7. Selling and distribution expenses

In thousands of Egyptian Pound	Note	For the year ended December 31,	
		2010	2009
Salaries & wages		224 087	186 871
Employees compensated absence		1 006	1 333
Compulsory social security contributions		24 385	20 649
Property plant & equipment depreciation	(13)	3 065	6 742
Employees' share in profit		30 428	11 411
Taxes and customs fees		17 641	9 195
Discount		98 891	147 003
Advertising		62 136	14 268
Sales commissions & others		32 701	69 019
		494 340	**466 491**

8. General and administrative expenses

In thousands of Egyptian Pound	Note	For the year ended December 31,	
		2010	2009
Salaries & wages		765 439	682 802
Employees compensated absence		5 042	6 467
Compulsory social security contributions		47 263	42 628
Early retirement compensations		161 958	55 096
Employees' share in profit		152 500	55 038

Property plant & equipment depreciation	(13)	274 658	256 339
Board of directors bonus		3 707	5 000
Tax & customs fees		104 762	110 158
Training & development services		1 017	869
Advertising		85 411	72 014
Others		183 734	196 590
		1 785 491	**1 483 001**

9. Other expenses

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	2009
Provisions formed	26 906	30 073
Net loss on disposal of property plant & equipment and intangible assets	31 271	14 018
Donations	49 257	89 615
Others	-	10 119
	107 434	**143 825**

10. Personnel expenses

In thousands of Egyptian Pound	Note	For the year ended December 31,	
		2010	2009
Salaries & wages:			
Operating cost		1 099 986	1 043 254
Selling & distribution expenses		224 087	186 871
Administrative expenses		765 439	682 802
		2 089 512	**1 912 927**
Compulsory social security contributions	3k	193 103	170 937
Early retirement compensations		161 958	55 096
Employees compensated absence		12 825	17 166
Employees' share in profit		393 736	145 335
		2 851 134	**2 301 461**

EMPLOYEE'S BENEFITS

(i) EARLY RETIREMENT SCHEME

The company follows an early retirement plan, under which rewards are paid to employees that wish to terminate their service before the legal age, which represents 75% of the basic salary for the last payroll period for the remaining period till the end of service up to maximum of 10 years for men and 15 years for women.
On July 13, 2010, the company's Board of Director decided to temporarily increase the compensation to become 100% of the last payroll period basic salary while maintaining the remaining conditions unchanged during the period from July 1, 2010 to December 31, 2010 and returning to the system mentioned above starting from January 1, 2011. The total compensation for early retirement amounted to LE 161 958 K for year 2010 (LE 55 096 K for year 2009) and was classified as a General & Administrative Expenses - note (8).

(ii) END OF SERVICE BENEFITS

The employees are granted an end of service benefits through Loyalty and Belonging Fund authorized on January 2004, based on employees' basic monthly salary increasing by 5% compounded interest. For employees hired after January 1, 2002, the subscription is according to the subscription schedule for new hires and increasing annually by 5% compounded interest starting from the year following to the hiring date. The employees' contribution to the fund is represented in specific subscription with the same basis as the salary which the reward is paid on. The company's contribution to the fund represents an annually specified participation.

11. Net finance costs

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	2009
Interest income	203 564	133 158
Unwind of discount & accretion of interest relating to long-term receivable	-	14 000
Reversal of impairment loss on accounts receivable	-	44
Income from investments dividend	5 237	2 240
Net gain on disposal of investments fund bill	1 813	972
Increase of market value of investments fund bill	2 835	4 824
Revenues from investments fund bill	121	3 161
Net foreign exchange gain	48 944	-
Finance income	**262 514**	**158 399**
Interest expense	(29 379)	(143 594)
Net foreign exchange loss	-	(29 557)
Impairment loss on financial assets	(395 088)	(320 721)
Impairment loss on available-for-sale investments	(625)	(575)
Finance costs	**(425 092)**	**(494 447)**
Net finance costs	**(162 578)**	**(336 048)**

12. Income tax expense

Recognized in the statement of comprehensive income

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	2009
Current tax expense		
Current year	(638 210)	(540 850)
Deferred tax expense		
Origination and reversal of temporary differences	146 470	87 463
Total income tax expense	**(491 740)**	**(453 387)**

13. Property, plant and equipment

In thousands of Egyptian Pound	Land & buildings	Machinery & equiment	Vehicles	Office furniture & fixtures	Tools & other equipment	Under construction	Total
Cost							
Balance at 1 January 2009	19 709 312	18 373 371	143 882	1 480 136	56 312	931 248	40 694 261
Reclassification	(793)	(264 471)	-	265 264	-	-	-
Acquisitions	360 718	391 984	7 730	369 821	2 835	1 353 064	2 486 152
Disposals	(583)	(295 691)	(3 053)	(2 005)	(873)	(1 027 543)	(1 329 748)
Effect of movements in foreign exchange	-	(56)	1	(44)	-	-	(99)
Balance at 31 December 2009	**20 068 654**	**18 205 137**	**148 560**	**2 113 172**	**58 274**	**1 256 769**	**41 850 566**
Balance at 1 January 2010	20 068 654	18 205 137	148 560	2 113 172	58 274	1 256 769	41 850 566
Adjustments *	353 239	-	-	(2 308)	-	-	350 931
Acquisitions	129 186	332 288	7 497	106 714	2 231	1 319 557	1 897 473
Disposals	(46 991)	(574 664)	(1 993)	(4 799)	(762)	(808 048)	(1 437 257)
Effect of movements in foreign exchange	-	185	(1)	123	-	-	307
Balance at 31 December 2010	**20 504 088**	**17 962 946**	**154 063**	**2 212 902**	**59 743**	**1 768 278**	**42 662 020**

Depreciation							
Balance at 1 January 2009	8 355 902	13 050 688	130 724	896 961	39 760	-	22 474 035
Reclassification	(198)	(140 237)	-	140 435	-	-	-
Depreciation charge for the year	930 954	1 324 466	11 285	346 585	4 905	-	2 618 195
Disposals	(131)	(280 031)	(2 772)	(1 995)	(840)	-	(285 769)
Effect of movements in foreign exchange	-	(29)	-	(14)	-	-	(43)
Balance at 31 December 2009	**9 286 527**	**13 954 857**	**139 237**	**1 381 972**	**43 825**	**-**	**24 806 418**

	Land & buildings	Machinery & equipment	Vehicles	Office furniture & fixtures	Tools & other equipment	Under construction	Total
Balance at 1 January 2010	9 286 527	13 954 857	139 237	1 381 972	43 825	-	24 806 418

Adjustments*	-	-	-	(1 638)	-	-	(1 638)
Depreciation charge for the year	895 574	1 213 530	12 087	287 770	4 897	-	2 413 858
Disposals	(24 388)	(563 037)	(1 686)	(4 759)	(738)	-	(594 608)
Effect of movements in foreign exchange	-	114	2	76	-	-	192
Balance at 31 December 2010	**10 157 713**	**14 605 464**	**149 640**	**1 663 421**	**47 984**	**-**	**26 624 222**
Carrying amounts							
At 1 January 2009	11 353 410	5 322 683	13 158	583 175	16 552	931 248	18 220 226
At 31 December 2009	10 782 127	4 250 280	9 323	731 200	14 449	1 256 769	17 044 148
At 1 January 2010	10 782 127	4 250 280	9 323	731 200	14 449	1 256 769	17 044 148
At 31 December 2010	10 346 375	3 357 482	4 423	549 481	11 759	1 768 278	16 037 798

Fully depreciated property, plant and equipment (PPE)

PPE cost includes LE 10 587 million relating to fully depreciated PPE that are still in use.

Leased equipment and vehicles

The Group leases equipment and vehicles under a number of finance lease agreements. At the end of each of the leases, the Group has the option to purchase the equipment and vehicles at a preferential price. At 31 December 2010, the net carrying amount of leased equipment and vehicles was LE 13 241 K (2009: LE 31 575 K).

Depreciation

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

In thousands of Egyptian Pound	For the year ended December 31,	
	2010	2009
Operating cost	2 136 135	2 355 114
Selling & distribution expenses	3 065	6 742
Administrative expenses	274 658	256 339
	2 413 858	**2 618 195**

* Adjustments on the opening balance for each item of Land & building and Office furniture & fixtures according to note no. (35-1)

14. Intangible assets

	Land usufruct	Right of way	Internet service license	Right of using ROU	Total
In thousands of Egyptian Pound					
Cost					
Balance at 1 January 2009	1	306 846	20 182	145 429	472 458
Disposals	-	(2 128)	-	-	(2 128)
Effects of movements in foreign exchange	-	-	(3)	(10)	(13)
Balance at 31 December 2009	**1**	**304 718**	**20 179**	**145 419**	**470 317**
Balance at 1 January 2010	1	304 718	20 179	145 419	470 317
Additions	-	-	1 307	-	1 307
Disposals	-	(9 302)	(202)	-	(9 504)
Effects of movements in foreign exchange	-	-	29	31	60
Balance at 31 December 2010	**-**	**295 416**	**21 313**	**145 450**	**462 180**
Amortization					
Balance at 1 January 2009	-	214 188	20 074	83 205	317 467
Amortization for the year	-	18 943	20	5 111	24 074
Accumulated amortization for disposals	-	(1 257)	-	-	(1 257)
Impairment loss for other assets	-	-	-	1 838	1 838
Effects of movements in foreign exchange	-	-	(2)	(3)	(5)
Balance at 31 December 2009	**-**	**231 874**	**20 092**	**90 151**	**342 117**
Balance at 1 January 2010	-	231 874	20 092	90 151	342 117
Amortization for the year	-	14 182	110	4 904	19 196
Disposals	-	(8 976)	(118)	-	(9 094)
Effect of movements in foreign exchange	-	-	4	21	25
Balance at 31 December 2010	**-**	**237 080**	**20 088**	**95 076**	**352 244**
Carrying amounts					
At 1 January 2009	1	92 658	108	62 224	154 991
At 31 December 2009	1	72 844	87	55 268	128 200
Carrying amounts					
At 1 January 2010	1	72 844	87	55 268	128 200
At 31 December 2010	1	58 336	1 225	50 374	109 936

Land usufruct

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

Amortization charge

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

In thousands of Egyptian Pound	Note	For the year ended December 31,	
		2010	2009
Operating cost	(5)	19 196	24 074
		19 196	**24 074**

15. Investments in equity accounted investees

The Group has the following investment in associates:

	Ownership		Carrying amount	
In thousands of Egyptian Pound	31 December 2010	31 December 2009	31December 2010	31 December 2009
Wataneya for Telecommunication	50.00%	50.00%	—	125
International Telecommunication Consortium Limited. (ITCL)	50.00%	50.00%	—	—
Vodafone Egypt. (SAE)	44.95%	44.95%	7 293 643	7 400 613
Egypt Trust	35.71%	35.71%	622	2 776
Consortium Algérien de Télé – communications (CAT)	33.00%	33.00%	—	—
Sofisat	25.00%	25.00%	—	—
Total			**7 294 265**	**7 403 514**

- Investment in Wataneya for Telecommunication amounting to LE 125 K is fully impaired.
- Investment in International Telecommunication Consortium Limited (ITCL) amounting to LE 54 K is fully impaired.
- Investment in Consortium Algerien de Telecommunications (CAT) amounting to LE 133 K is shown a nil balance as the Company sustained losses that exceed the investment's carrying amount.

Investment in Vodafone – Egypt

The investments in Vodafone Egypt as of 31/12/2010 represents the ownership of 107 869 799 shares representing 44.95 % of Vodafone Egypt shares.
The financial year of Vodafone ends on March 31, when applying the equity method in recognizing investment in Vodafone (when preparing the consolidated financial statements) as of December 31, 2010, the interim financial statements for Vodafone for the period ended December 31, 2010, which represents nine months for the period from April 1st to December 31st 2010, was used and then adding the first quarter of year 2010 movement from Vodafone annual financial statements as of March 31, 2010 and the interim financial statements as of December 31, 2009.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the group:

In thousands of Egyptian Pound	Assets	Liabilities	Equity	Revenues	Profit
31-12-2009:					
Vodafone Egypt	12 923 000	6 525 000	6 398 000	11 992 000	3 000 000
	12 923 000	6 525 000	6 398 000	11 992 000	3 000 000
				(For 12 months)	
31-12-2010:					
Vodafone Egypt	13 337 000	7 262 000	6 075 000	9 187 000	2 677 000
	13 337 000	7 262 000	6 075 000	9 187 000	2 677 000
				(For 12 months)	

16. Available-for-sale investments

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Equity securities available-for-sale – Foreign	26 683	26 683
Equity securities available-for-sale – Local	10 186	13 811
Technology Development Fund Company*	60 000	60 000
	96 869	**100 494**

* The Company's share in Technology Development Fund Company (TDF) - a company subject to law 95 for 1992 - represents 46% share of TDF capital. Although the Company's share is more than 20% of TDF shares capital, the Company does not have significant influence over the financial and operating policies of TDF due to the existence of legal requirements pertaining to the governance of mutual funds in so far it relates to the composition of the Board of Directors. By virtue of these legal requirements, TDF's Board of Director consists substantially of independent members (Note 35).

17. Other receivables

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Loan granted to Telecom Egypt Club from the Company	15 000	-
Consortium Algerian de Telecommunication*	453 902	453 902
Less:		
Impairment loss	(453 902)	(453 902)
	15 000	**-**

Other receivables represent a non-interest-bearing loan granted to Telecom Egypt Club, a club established for TE employees, in the amount of LE 15 000 K as approved by the Board of Directors in its meeting held on January 5, 2010. The loan is non-interest bearing and has no fixed repayment terms.

* *Consortium Algerien Telecommunication (CAT)*

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

18. Deferred tax assets and liabilities

Recognized deferred tax assets

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

	Assets		Liabilities	
In thousands of Egyptian Pound	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Property, plant and equipment	—	—	(51 771)	(134 007)
Intangible assets	—	—	(5 225)	(2 066)
Inventories	4 503	6 807	—	—
Trade & other receivables	146 443	53 027	—	—
Provisions	30 276	52 234	—	—
Accrued liabilities	31 983	33 744	—	—
Total deferred tax assets (liability)	**213 205**	**145 812**	**(56 996)**	**(136 073)**
Net deferred tax assets	156 209	9 739	—	—

Unrecognized deferred tax assets

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Impairment loss on trade and other receivables	366 230	390 724
Provision for contingent liabilities and claims	27 925	3 041
Telephone sets and directories	1 436	804
	395 591	**394 569**

19. Inventories

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Spare parts, supplies and cables	459 049	406 433
Telephone sets and directories	4 068	7 540
	463 117	**413 973**

20. Trade and other receivables

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Trade receivables due from equity accounted investees	209 274	180 910
Other trade and notes receivable:		
Governmental sector	147 464	174 081
Private sector	1 345 324	1 536 307
Foreign telecommunication operators	544 781	747 995

Notes receivable	996	1 946
	2 247 839	**2 641 239**
Other receivables and pre-payments:		
Advance payments to suppliers	136 449	46 757
Deposits with others	14 427	10 821
National Telecommunication Regulatory Authority (NTRA)	-	200 000
Payments on the account of corporate tax	139 531	285 996
Sales Tax Authority – advances	593 830	523 279
Other receivables	553 393	467 575
	3 685 469	**4 175 667**

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

- National Telecommunication Regulatory Authority (NTRA)

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

21. Cash and cash equivalents

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Bank balances	357 045	241 628
Time deposits	1 315 025	2 089 663
Cash on hand	6 167	5 637
Treasury bills less than 3 months	3 232 609	-
Investments fund bills less than 3 months	65 415	108 858
Cheques under collection	-	6 961
Cash and cash equivalents in the statement of financial position	4 976 261	2 452 747
Cheques under collection	-	(6 961)
Blocked time deposits	(2 445)	(4 115)
Cash and cash equivalents in the statement of cash flows	4 973 816	2 441 671

22. Capital and reserves

Share capital

The Company's issued and fully paid up capital amounted to LE 17 070 716 K represented in 1 707 071 600 shares of par value LE 10.

In December 2005, the share capital ownership became as follows; 80% the Egyptian Government and 20% private investors.

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

Translation reserve

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

Other reserves

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

Dividends

After the financial position date the following dividends were prepared by the BOD for 2010 and The Company's AGM dated April 26, 2011 approved them. The dividends have not provided for and there are no income taxes consequences.

In thousands of Egyptian Pound	31 December 2010	31 December 2009
LE 1.30 per qualifying ordinary share	2 219 193	2 219 193

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2010 was based on the profit attributable to ordinary shareholders of LE 2 903 591 K (December 31, 2009: LE 2 911 567 K) and a number of ordinary shares outstanding during the financial year ended December 31, 2010 of 1 707 071 600 (December 31, 2009:1 707 071 600), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of Egyptian Pound	31 December2010	31 December 2009
Profit for the year	2 906 046	2 865 605
Profit attributable to ordinary shareholders	2 903 591	2 860 251

Number of ordinary shares

In thousands	31 December 2010	31December2009
Issued ordinary shares at 1 January	1 707 072	1 707 072
Number of ordinary shares at 31December	1 707 072	1 707 072
Basic earnings per share (LE/share)	1.70	1.68

24. Interest-bearing loans

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

	31 December 2010	31 December 2009
In thousands of Egyptian Pound		
Non-current liabilities		
Unsecured bank loans:		
Local banks	53	95
Governmental loans	288 002	350 180
Foreign loans	437 186	507 582
Finance lease liabilities	6 787	14 648
	732 028	872 505
Current liabilities		
Short-term loans	-	6 678
Current portion of unsecured bank loans:		
Local banks	10 006	42
Governmental loans	81 626	102 025
Foreign loans	58 050	76 365
Current portion of finance lease liabilities	8 081	21 872
Foreign suppliers facilities	609	625
	158 372	**207 607**

Security

Foreign suppliers facilities include an amount of LE 616 K secured by letters of guarantee issued in favor of the suppliers.

Repayment

In thousands of Egyptian Pound	Loan Currency	Effective Interest Rate	Total	12 months or less	1-2 Years	3-5 years	More than 5 years
Car loan – subsidiary	LE	7%	95	42	42	11	-
Total local loans			**95**	**42**	**42**	**11**	**-**
Telecom Egypt – the parent:							
Governmental loans	U.S.$	4%	364 077	78 645	81 791	140 932	62 709
Governmental loans	EURO	4 – 6.37%	5 551	2 981	2 570	-	-
Total Governmental loans			**369 628**	**81 626**	**84 361**	**140 932**	**62 709**
Foreign loans	J.Y	3 – 3.5%	1 881	1 254	627	-	-
Foreign loans	EURO	0.75 - 6%	493 355	56 796	70 608	96 056	269 895

Total foreign loans			**495 236**	**58 050**	**71 235**	**96 056**	**269 895**
Foreign suppliers› facilities - foreign	EURO	5.50%	609	609	-	-	-
Local suppliers› facilities - subsidiary	LE	Capor+0.1%	9 964	9 964	-	-	-
Total suppliers' facilities			**10 573**	**10 573**	**-**	**-**	**-**
			875 532	**150 291**	**155 638**	**236 999**	**332 604**

The available unused balance of foreign loans and facilities at December 31, 2010 amounted to 6 603 K.

Finance lease liabilities

Finance lease liabilities are payable as follows:

In thousands of Egyptian Pound	Minimum lease payments 31-12-2010	Interest 31-12-2010	Principal 31-12-2010	Minimum lease payments 31-12-2009	Interest 31-12-2009	Principal 31-12-2009
In thousands of Egyptian Pound						
Less than one year	9 401	1 320	8 081	24 938	3 066	21 872
Between one and two years	5 968	370	5 598	9 373	1 306	8 067
Between three and five years	1 239	50	1 189	6 936	355	6 581
	16 608	**1 740**	**14 868**	**41 247**	**4 727**	**36 520**

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

25. Deferred income.

Deferred income classified as non-current liabilities consists of the non-current portion of deferred grants in the amount of LE 90 134 K at December 31, 2010 (2009: LE 134 764 K).

Deferred income classified as current liabilities amounting to LE 44 629 K at December 31, 2010 which represents deferred grants, which will be recognized as income next year.

26. Trade and other payables

	31December 2010	31 December 2009
In thousands of Egyptian Pound		
Trade payables:		
Local suppliers	288 183	157 296
Notes payable	5 190	1 938
	293 373	**159 234**
Other payables:		
Income tax	157 972	127 934
Current income tax for the year	637 438	540 299
Deposits from others	706 915	756 672
Customers advances	337 828	826 263
Accrued expenses	746 155	516 135
Dividends payable	795	

Fixed assets creditors	241 846	243 744
Other credit balances	1 057 371	552 286
	4 179 693	**3 722 567**

27. Provisions

	31 December 2010				31 December 2009			
In thousands of Egyptian Pound	Taxes	Claims	Warranties	Total	Taxes	Claims	Warranties	Total
Balance at 1 January	316 571	23 990	382	340 943	286 997	21 424	200	308 621
Provisions formed	8 471	18 412	23	26 906	29 665	215	193	30 073
Provisions used	—	—	(4)	(4)	(84)	(230)	(11)	(325)
Provisions reversed	—	(271)	(85)	(356)	(7)	—	—	(7)
Reclassification	(14 279)	14 279	—	—	—	2 581	—	2 581
Balance at end of the year	**310 763**	**56 410**	**316**	**367 489**	**316 571**	**23 990**	**382**	**340 943**

As at December 31, 2010 provisions are mainly related to taxes, lawsuits, and expected social insurance claim in respect of contracts concluded with suppliers.

28. Financial instruments

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

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

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

(i) Credit risk

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

In thousands of Egyptian Pound	Note	31 December 2010	31 December 2009
Available-for-sale investments	(16)	96 869	100 494
Trade and other receivables	(20)	3 685 469	4 175 667
Cash at banks	(21)	4 970 094	2 447 110
		8 752 432	**6 723 271**

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

In thousands of Egyptian Pound	31 December 2010	31 December 2009
At January 1	1 788 140	1 483 224
Exchange differences	150	(32)
Additions (allowances recognized as an expense)	395 088	311 748
Used	(1728)	(4 175)
Reversal	-	(44)
Reclassifications	-	(2 581)
At the end of the year	**2 181 650**	**1 788 140**

(ii) Liquidity risk

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

In thousands of Egyptian Pound	Carrying Amount	One year or less	From 1-2 Years	From 3-5 Years	More than five years
December 31, 2010					
Trade and other payables	4 179 693	4 179 693	-	-	-
Other payables	56 110	-	-	-	56 110
Borrowings	890 400	158 372	161 236	238 188	332 604
	5 126 203	**4 338 065**	**161 236**	**238 188**	**388 714**
December 31, 2009					
Trade and other payables	3 722 567	3 722 567	-	-	-
Other payables	56 610	-	-	-	56 610
Borrowings	1 080 112	207 607	144 879	340 472	387 154
	4 859 289	**3 930 174**	**144 879**	**340 472**	**443 764**

(iii) Foreign currency risk

The Groups exposure to foregin currency risk was as follows based on notional amount :

Details In thousands of	U.S. Dollars	Sterling Pound	Euro	Japanese Yen	Canadian Dollar	Swedish krona	Emirates Dirham	Maroc Dirham	Jordan Dinar	Total LE
31 December 2010										
Receivables	98 583	—	—	—	389	—	—	2 614	—	576 603
Accrued interest - deposits	16	—	80	—	—	—	—	—	—	709
Other debit balances	9 434	—	903	—	420	—	—	1 630	255	67 435
Cash on hand & at banks	61 157	300	72 291	—	—	—	—	2 310	2 492	937 236
Total assets	**169 190**	**300**	**73 274**	—	**809**	—	—	**6 554**	**2 747**	**1 581 983**
Creditors & other credit balances	29 314	5	6 414	—	—	15 767	—	720	1 011	241 902
Foreign loans & facilities	62 691	—	64 886	26 341	—	—	—	—	—	865 970
Total liabilities	92 005	5	71 300	26 341	—	15 767	—	720	1 011	1 107 872
Risk surplus (deficit)	77 185	295	1 974	(26 341)	809	(15 767)	—	5 834	1 736	474 111

Equivalent in Egyptian Pound	448 252	2 660	15 212	(1 881)	4 686	(13 299)	—	4 081	14 400	474 111
31 December 2009										
Receivables	148 030	—	29	—	1 051	—	—	—	—	819 121
Accrued interest - deposits	8	—	41	—	—	—	—	—	—	367
Other debit balances	1 361	—	426	—	499	—	100	2 517	—	17 002
Cash on hand & at banks	47 504	300	57 285	—	—	—	212	—	2 526	736599
Total assets	**196 903**	**300**	**57 781**	—	**1 550**	—	**312**	**2 517**	**2 734**	**1 573 089**
Suppliers and notes payable	10 347	—	73	—	21	—	—	—	—	57 442
Creditors & other credit balances	9 289	5	5 323	—	—	9 713	1	451	1 040	109 143
Foreign loans & facilities	80 370	—	74 074	162 564	—	—	—	—	—	1 036 777
Total liabilities	**100 006**	**5**	**79 470**	**162 564**	**21**	**9 713**	**1**	**451**	**1 040**	**1 203 362**

Risk surplus (deficit)	**96 897**	**295**	**(21 689)**	**(162 564)**	**1 529**	**(9 713)**	**311**	**2 066**	**1 694**	**369 727**
Equivalent in Egyptian Pound	532 448	2 612	(171 420)	(9 689)	7 959	(7 388)	467	1 456	13 282	369 727

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

	Average exchange rate		Closing exchange rate	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
U.S. Dollar	5.6870	5.5508	5.8075	5.4950
Sterling Pound	8.8295	8.6299	9.0180	8.8455
Euro	7.5361	7.8304	7.7060	7.9037
Japanese Yen	0.0662	0.0598	0.0714	0.0596
Canadian Dollar	5.4989	5.0598	5.7927	5.2051
Swedish Krona	0.7894	0.7333	0.8435	0.7606
Emirates Dirham	1.5014	1.5001	1.5018	1.5011
Maroc Dirham	0.7022	0.6984	0.6995	0.7049
Jordan Dinar	8.0709	7.9530	8.2951	7.8467

(iv) Sensitivity analysis

A 10% strengthening of the foreign currencies against the EGP as of 31 December , 2010 would have increased profit by the amounts LE 47 411 K (LE 36 973 K as of December 31, 2009). This analysis is based on foreign currency exchange rate variance that the group considered to be reasonably possible at the end of reporting period this analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

A 10% weakening of the foreign currencies against the EGP at31 December, 2010 would have had the equal but opposite effect on the foreign currencies to the amounts shown above, on the basis that all other variables remain constant.

(v) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates.
At the reporting date the interest rate profile of the company's interest-bearing financial instruments were:

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Fixed rate instruments		
Financial assets – deposits	1 315 025	2 089 663
Financial liabilities - (Interest-bearing loans)	890 400	1 080 112
	2 205 425	**3 169 775**

29. Fair value of financial instruments

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

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

Estimation of fair values

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

Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs except for investments in Vodafone Egypt, Consortium Algerien de Telecommunications (CAT) and Egypt Trust which were accounted for using the equity method of accounting and are not listed in the Stock Exchange.

Interest-bearing loans

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

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

Receivables / payables

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

Interest rates used for determining fair value.

The entity uses the government yield curve as of December 31, 2010 plus an adequate constant credit spread to discount financial instruments. The discount rate for minimum lease liabilities and receivables is 14%.

30. Capital commitments

The Group entered into contracts to purchase and construct property, plant and equipment of which the unexecuted portion is LE 14.20 millions (LE 26.09 as of December 31, 2009) also the group is committed to pay uncalled share capital investments in the amount of LE 5.5 millions (LE 7.95 millions as of December 31, 2009 in addition LE 78.08 millions for acquisition of non-controlling interest in a subsidiary company). These commitments are expected to be settled in the following financial year except uncalled installments of investees' share capital which will be settled when requested by the Board of Directors of the investees' Companies.

31. Contingencies

In thousands of Egyptian Pound	31 December 2010	31 December 2009
Letters of guarantee issued by banks on behalf of the Group	72 997	73 260
Letters of credit	229 128	135 484

32. Related parties

Identity of related parties

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

Transaction with Associates

During the financial year ended December 31, 2010, fixed to mobile interconnection, audio text fees and sale of products and services in favor of Vodafone Egypt LE 466 514 K . Lease of company's premises and towers in favor of the group, transmission and international calls amounted to LE 983 272 K and the balance due from Vodafone Egypt at December 31, 2010 amounted to LE 209 274 K (Note 20).

33. Group entities

Control of the Group

The Group's ultimate parent company is Telecom Egypt

	Country of incorporation	Ownership interest	
		31 December 2010	31 December 2009
Telecom Egypt France	France	100.00	100.00
****T. E. Data	Egypt	99.99	95.04
*T.E Data Jordan - Indirect ownership	Jordan	99.99	95.04
TE Investment Holding- Direct & Indirect ownership	Egypt	99.95	99.95
The Egyptian Telecommunication Company for Information Systems (Xceed)	Egypt	97.66	97.66
**Xceed Middle East FZ – LLC – Indirect ownership	UAE	97.66	97.66
**Xceed Customer Care Maroc	Morocco	97.66	97.66
Centra Technologies	Egypt	58.76	58.76
***Centra Distribution – Indirect ownership	Egypt	58.74	58.74
***Centra Industries - Indirect ownership	Egypt	58.63	58.63
***Middle East Radio Communication (MERC)-(Direct & Indirect)	Egypt	50.90	50.90

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

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

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

**** Acquisition of non-controlling interest in a subsidiary in the amount of LE 56 324 K represents the difference between acquisition cost of non-controlling interest in the capital of TE Data- a subsidiary company - which represents 4.95% of its capital and the non-controlling interest in the net assets of the subsidiary company at the date of acquisition. This difference was reduced from the retained earnings of Telecom Egypt Com pany since the company had existing control before this acquisition of the non-controlling interest of the subsidiary.

34. Claims and litigations

34.1 Interconnect agreement with mobile companies

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

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

On December 31, 2009, the NTRA issued an administrative decision, which was subsequently amended on January 14, 2010, setting out the interconnection rates for terminating outgoing calls on mobile operators' networks and Telecom Egypt's network. On February 28, 2010 Mobinil filed a lawsuit before the Administrative Court against the NTRA requesting the cessation and nullification of the NTRA's administrative decision in addition to the cancellation of all the consequent effects of the said decision.

On June 5, 2010 the Administrative Court (Economic & Investment Dispute Circuits) at the State Council issued a ruling halting the implementation of the NTRA's administrative decision concerning the interconnection rates. The NTRA appealed against the said court ruling.

The amount in dispute between Telecom Egypt and the mobile operators, in relation to the said dispute, during the period from September 3, 2008 to December 31, 2010, as calculated by Telecom Egypt, is LE 638 456 529 in favor of Telecom Egypt out of which an amount of LE 211 819 295 is relating to the current period from January 1, 2010 to December 31, 2010. Based on the external legal advisors' opinion, Telecom Egypt recognizes and shall continue to recognize revenues and costs of the interconnect services between the Company sand the mobile operators according to the administrative decision issued by the NTRA until the dispute is finally decided on by court throughout the different levels of litigations or otherwise notified by the NTRA.

34. 2 Other claims

The Company has filed an arbitration case against an investee, in which the Company owns 25%, claiming compensations for breach of obligations stipulated in a revenue sharing agreement concluded between the Company and the investee and requesting the termination of the said agreement. Also, the investee has filed a counter arbitration case against the Company claiming compensation for an alleged breach of obligations stipulated in the same agreement. The Company's external legal advisor's opinion is that both cases are still in preliminary stage; hence the final outcome cannot currently be reliably estimated.

35. Comparative figures

35-1 Statement of financial position

- In accordance with IAS 1 the Group modified the statement of financial position by reclassifying a portion of non-current deferred income (grants) in the amount of LE 44 628 K to current deferred income. Comparative amounts were reclassified for consistency.

- As per note No. (16) of the notes accompanying to the financial statements, During the financial year ended December 31, 2009 investment in associate company - Development Technology Fund – TDF – with a carrying amount of LE 60 772 K was transferred from equity account investee to available-for-sale investments, which resulted in an adjustment to the investment cost as of December 31, 2010 from LE 60 772 K to LE 60 000 K and reducing retained earning balance on that date with the difference amount of LE 772 K.

- An adjustment in the amount of LE 363 400K was made to the land item beginning balance, this amount represents the value of the Company's land in Maadi on which the Company's club and Maadi Central were built. The value of this land was previously excluded in year 2005 based on that it was a free grant from the Government according to the State Council opinion, however, it was later clarified that the Company had purchased this land in year 1957. According to the supporting documents, the Company's Board of Directors decided on December 21, 2010 to add it again to the Company's assets.

- Also, a land in the amount of LE 10 161 K was excluded, which represents the value of the Company's Dewan site at Ramses since there was no supporting documents that prove the Company's ownership of this land, therefore the Company's Board of Directors decided on November 9, 2010 to exclude the value of this land from the Company's assets.

- An adjustment was made on the opening balance of buildings & constructions cost and accumulated depreciation in the amount of LE 9 048 K and LE 1 291 K respectively, these amounts are related to mobile operators transmission systems towers that were not recorded it in the company's books in spite of the company's ownership of these towers, therefore the mentioned towers were added to fixed assets and related adjustments of LE 7 589 K to retained earnings as at December 31, 2009 and LE 168 K to income statement for year 2009 were made.

- The balance of trade receivable - foreign telecommunication operators were reduced based on the reconciliations and confirmations made between the company and the customers. Due to this adjustment, the retained earnings balance as at December 31, 2009 was reduced in the amount of LE 127 949 K and the income for year 2009 was reduced by an amount of LE 51 484 K.

- Retained earnings of non controlling interest were adjusted in regard to the claims against TE Data with an amount of LE 4 770 K relating to previous years amortization of PRI circuits.

- Egyptian Telecommunication For Information Systems (subsidiary) has reduced the value of sales tax formerly capitalized on fixed assets as those amounts may be refunded by Tax Authority, based on the opinion of tax consultant. The amount of depreciation provision was recalled from beginning balance of retained earnings.

Summary of effect of previous adjustments on financial statements:

Effect on retained earnings and net profit for the year 2009:

	Retained earnings 2009 LE(000)	Net profit 2009 LE(000)
		LE(000)
Buildings and constructions	7 589	168
Trade receivables	(127 949)	(51 484)
Amortization of PRI circuits	4 770	
	(115 590)	**(51 316)**

Effect on general reserve:

	General reserve 2010
	LE(000)
Addition of land	363 400
Disposal of land	(10 161)
	353 239

35-2 Statement of comprehensive income

- During the current year and in accordance with IFRS 7 the Group modified the statement of comprehensive income by reclassifying net effect of impairment loss on receivables in the amount of LE 321 255 K from other income/expenses to finance costs.

	For the year ended December 31,2009	Reclassification	Adjustments	For the year ended December 31,2009
In thousands of Egyptian Pound	As previouslypresented	(Debit)/Credit	(Debit)/Credit	Restated
Revenues	9 960 308	-	359	9 960 667
Operating cost	(5 727 387)	-	(26 352)	(5 753 739)
Gross profit	**4 232 921**	**-**	**-**	**4 206 928**
Other income	232 526	(44)	-	232 482
Selling and distribution expenses	(466 491)	-	-	(466 491)
General and administrative expenses	(1 483 001)	-	-	(1 483 001)
Other expenses	(465 121)	321 296	-	(143 825)
Results from operating activity	**2 050 834**		**-**	**2 346 093**
Finance income	158 355	44	-	158 399
Finance costs	(147 828)	(321 296)	(25 323)	(494 447)
Net finance costs	10 527			(336 048)
Share of profit of equity accounted investees	1 308 947	-	-	1 308 947
Profit before income tax	**3 370 308**	**-**	**-**	**3 318 992**
Income tax expense	(453 387)	-	-	(453 387)
Profit for the year	**2 916 921**	**-**	**-**	**2 865 605**
Other comprehensive income				
Translation differences for foreign operations	(117)	-	-	(117)
Other comprehensive income for the year	(117)	-	-	(117)
Total comprehensive income for the year	**2 916 804**	**-**	**-**	**2 865 488**
Profit for the period attributable to:				
Equity holders of the company	2 911 567	-	-	2 860 251
Non -controlling interest	5 354	-	-	5 354
Profit for the year	**2 916 921**	**-**	**-**	**2 865 605**
Total comprehensive income attributable to:				
Equity holders of the company	2 911 460	-	-	2 860 144
Non -controlling interest	5 344	-	-	5 344
Total comprehensive income for the year	**2 916 804**	**-**	**(51 316)**	**2 865 488**
Basic earnings per share (LE/share)	1.71			1.68

Additional information

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