

# Chairman's message

One dream - a year of achievements and important decisions

The past year has witnessed noteworthy achievements by Telecom Egypt (TE) as a result of its successful implementation of a number of important plans.

These ambitious plans are part of its development strategy, which was devised by the company's experts and executives to cater to the needs of the Egyptian market.

This success was a clear indication of the continuing growth of the company and a testimony to the tireless efforts of its employees in serving its customers.

Perhaps the most important decision was not to utilise the licence that TE had obtained to establish a third mobile phone network in Egypt. This decision was taken following a detailed and realistic study of market economics, in light of the changes that took place in all sectors of the economy.

The decision not to establish a third mobile network did not, however, prevent TE investing in this field. As part of its investment strategy, the company decided to enter into a partnership with Vodafone Egypt in the area of mobile telephones with a 25.5% share.

According to this landmark agreement in Egypt, TE will take part in the management of Vodafone Egypt and will get returns on its investment without entering into an uncalculated risk with an investment that studies have shown to be futile.

The company witnessed steady growth throughout 2003, and this encouraged it to issue TE bonds, which will bolster its position in the market as a viable business entity and attract serious investors.

Following a detailed study of tenders from seven specialised institutions and a meticulous selection process, the Board of Directors appointed HSBC to operate as the company's Financial Advisor in relation to TE's forthcoming bond issue at a value of approximately LE 2 billion. The proceeds from these bonds will be used to finance more projects being carried out by the company. The bonds will be issued in the last quarter of 2004.

During the year 2003, TE's financial performance also improved significantly. Sales revenue increased by 15% to reach LE 7.2 billion while bottom line figures showed a noticeable increase of 38% to reach LE 1.1 billion.

Throughout 2003, work in support of national projects also continued. One of the most important projects initiated by TE was the "Computer for Every Home". TE expects to continue this project in which 65,000 computers have already been sold.

Another focus of TE's efforts during 2003 was development of its telephone exchanges and, thus, ending its waiting lists. TE boosted the capacity of its telephone exchanges to 12 million lines and was able to reduce the number of people on its waiting lists from over 2 million to only 99 thousand.

TE's current investment portfolio is diversified throughout the field of information and communications technology. The company now boasts majority shareholdings in four companies operating in Egypt, namely:

- TE Data, the largest Egyptian company which operates in the transfer of data through a strong local network and also has the ambition to expand regionally.

- Masreya Information Systems, which operates the Xceed customer contact centre. This is the largest in the Middle East & North Africa region and is equipped with the latest technology. The centre offers tailor-made solutions to problems of customers locally and worldwide, and streamlines communications to serve approximately nine million TE customers.

- Centra Technologies, a company specialized in selling locally assembled computers that contributes to the success of "Computer for Every Home" project.

- MERC, Middle East Radio Communications, a company specializing in establishing and operating wireless communication systems.

TE's investments also extend to the public phone sector, with small shares in Menatel and Nile Telecom. TE also invests in the field of manufacture of telephone sets and related equipment, having shares in Egyptian-German Telecommunication Industry (EGTI) and in the Egyptian Telephone Company (Quicktel). TE is the main client of both companies, purchasing much of their production, while part of their production is exported.

As an affirmation of its strong belief in the importance of its human resources for growth and development, TE gives top priority to its staff in all its plans. It restructured the salary scales for all its employees, who now enjoy highly competitive salaries. This was done in line with the need to retain high calibre staff. The company has also developed its organizational structure to enable it to meet the current and expected future challenges.

TE carried out a program to select people with leadership skills and designed a program in co-operation with USAID to develop its employees' skills so that they could become TE's future leaders. This program lasts for nine months and features practical training in top companies locally and internationally.

The above achievements, which are only the highlights of all that was accomplished during 2003, demonstrate TE's commitment and determination to continue to serve the national economy and provide the best communications services to the local market.



Akil Hamed Beshir  
Chairman