

Chairman's Message



Our industry is very dynamic. Change is inevitable, so we either let it happen or make it happen. But we believe the best way to predict the future is to invent it.

2004 was the fifth consecutive year in which Telecom Egypt (TE) has succeeded in maintaining the momentum of sales revenue growth as a result of the company's focus on increasing its subscriber base and promoting value added services. The strength of the company and its ability to consistently perform through good and bad times is a result of a focused and achievement-oriented management team leading efficient employees.

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Despite the economic slowdown in the past years, the telecommunication sector has continued to perform consistently well. Data traffic has witnessed strong growth, and demand for both fixed and mobile telephony is also growing rapidly. The telecommunications policy in many countries has evolved with ongoing sector reforms in the form of privatization and liberalization of key market segments and consequent competition.

The company has taken a proactive approach towards market liberalization and is currently making major strategic adjustments to sustain its current growth rate. We know that competition can be tough, but in our view, it is the force that advances enterprises most rapidly. We are confident that TE, backed by 150 years of success in the Egyptian market, will succeed in retaining its leading position in a more liberalized and competitive market.

In 2004, TE was financially and operationally successful . On the financial front, TE was successful in maintaining solid financial performance. The number of subscribers reached 9.5 million, an increase of 10 % from the previous year. The company was successful in increasing sales revenues by 7.9 % to reach LE 7.7 billion whilst increasing EBITDA margins to 56.6 %. Net Profit before Tax for the year reached LE 1.4 billion compared to LE 1.1 billion in December 2003, showing a 30.5 % increase.

Back in 2003, we recognized the opportunity of decreasing the company's cost of borrowing through tapping the local capital market with a bond issue. By December 2004, all the necessary documentation for Telecom Egypt's LE 2 billion debut bond issue, Egypt's largest ever corporate bond, was filed in the Capital Market Authority and we expect closure of this transaction in the first quarter of 2005. TE was awarded a national scale credit rating of "AA" with a stable outlook, reflecting the company's solid and stable financial performance. We expect this bond issue to be very successful as evidenced by the preliminary demand indications which show that the issue will be over subscribed.



On the operational side, we realized years ago that the Internet and data transmission sector of the market is as important as voice telephony. TE has continued working hard in the development of the broadband segment of the market since 2004, which we view as one of the most important areas for growth. The success of the "Free Internet" and "Computer for Every Home" initiatives, launched back in 2002 and 2003 respectively by the Ministry of Communication and Information Technology (MCIT), was followed by a similar initiative in 2004 for ADSL service aiming at increasing penetration in the local market. This initiative resulted in an increase of ADSL subscribers by 580 % since May 2004.

The company's view towards internet and data transmission was behind its strategic decision to spin-off such services to a separate subsidiary, TE Data, which is now well positioned to benefit from such a booming sector.

TE's management has emphasized that strategic focus will characterize TE in the future. The company was successful in changing its culture resulting in a customer-oriented as well as service-driven organization. The employees now understand that customer satisfaction is the most important yardstick in a company like TE and that it will be the base for our continuous development. Our industry is very dynamic. Change is inevitable, so we either let it happen or make it happen. Finally, we believe that the best way to predict the future is to invent it. Since TE is the market leader, we will always be proactive in order to maintain our leadership for years to come.



Akil Hamed Beshir
Chairman