

One dream...

Persistently facing challenges



Message from the Chairman

This year has been one of the most challenging years in the history of Telecom Egypt. Faced by global and local economic turmoil and a sluggish global telecommunications market, Telecom Egypt was once again successful in implementing its operational plans despite the noticeable strain on its financial performance.

Operationally, Telecom Egypt continued its strategy of focussing on increasing fixed line penetration, decreasing waiting lists, strengthening its presence in the domestic data transmission and Internet access market as well as revamping customer service activities.

Total fixed line capacity has increased in 2002 by 20% to reach 10.3 million lines. This increase in capacity was coupled by a remarkable increase of 15% in the number of subscriber to reach 7.7 million. Subscriber waiting lists have been further trimmed down by 65% to reach 200,000. Moreover, Telecom Egypt's data transmission and Internet Access subsidiary, TE Data, has further strengthened its presence in the local market as one of the leading Internet Service Providers.

On the customer service front, Telecom Egypt has launched several campaigns aiming at increasing brand awareness and customer loyalty and in the same time the company has reached the final stages of launching its first call center which is

expected to be operational by June 2003.

Despite the various achievements in the company's operational performance, financial performance was not as successful. Revenue figure this year has shown a modest increase of 2.2% over last year to reach LE 6.2 billion. Although EBITDA was only down 3.5% to reach LE 3.3 billion, bottom line decrease has reached 41% to LE 791 million.

This noticeable decrease in bottom line figures was triggered by an increase in non cash depreciation charges by over LE 300 million as well as the increase in interest expense and provision by LE 157million. Despite this decrease in net profit, the company's cash flow from operations has surged to LE 2 billion up from LE 1.38 billion in the previous year which enabled the company to implement its operational plans.

During this year Telecom Egypt continued to explore the various alternatives available to implement its mobile operation in Egypt in light of the turbulent economic conditions. Our view is that mobile telephony is of strategic importance to the company and we remain committed to have presence in this area. The company however intends to proceed on this issue in a pragmatic manner that maximizes the value created to its various stakeholders given current local and global conditions in the telecommunications sector.

This financial year has been full of challenges, however, we believe that such challenges and short term turbulence in economic conditions should not distract us from achieving our longer term objectives.

We intend to proceed pragmatically in the coming year in light of the anticipated turbulence in global and local economic conditions and continue to fortify our leading position in the local market, increase our subscribers' base, improve customer service activities and continue our company restructuring efforts.



Akil Hamed Beshir
Chairman

