

One aim...

Improving Customer Confidence

FINANCIAL HIGHLIGHTS

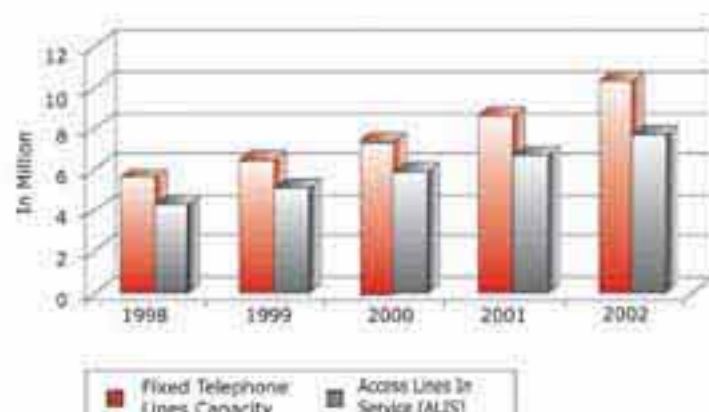
Year-on-Year Key Figures
In LE millions except per share data

Net sales revenue
Gross profit
EBITDA
EBIT
Net profit before taxes
Net profit after taxes
Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities
Net cash flow for the period
Earning per share (LE)

December 2001

December 2002

6.088	6.219
4.215	4.286
3.418	3.298
1.709	1.283
1.338	791
1.338	791
1.382	1.998
-1.674	-2.001
-619	-291
-911	-294
7.82	4.62



*Transition period for 6 months



*Transition period for 6 months



*Transition period for 6 months



*Transition period for 6 months



*Transition period for 6 months



*Transition period for 6 months



*Transition period for 6 months

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.

A handwritten signature in blue ink, reading "Akil Beshir".

Akil Hamed Beshir
Chairman



One Vision...

Knowledgeably shaping the future

Board of Directors

Eng. Akil Hamed Beshir
Chairman



Eng. Gamal Amin Shehata

Vice Chairman
Project Planning



Eng. Azza Mohamed Torky

Vice Chairman
International Services,
Backbone, New Services
and Marketing



Mr. Ali Gamal El Din Salama

Vice Chairman
Financial, Commercial
and Administrative Affairs



Dr. Tarek Mohamed Kamel

Vice Chairman
Advisor-Ministry of
Communications &
Information Technology



Mr. Moataz Kamel Morsy

Legal Advisor



Dr. Adel Rashad Danash

Telecommunications and
Information Technology
Specialist



Dr. Bahaa El Din Helmy

Chairman- Misr
International Bank



Dr. Mahmoud Mohi El Din

National Democratic
Party-Chairman of
Economic Committee



Mr. Mostafa Hanafy Weheidy

Chief of Staff - Signal
Corp.



Mr. Farghaly Bakry Seleem

Chairman-
Telecommunications
Employees Association



One hand...

Professionally Leading

Executive Management

Eng. Akil Hamed Beshir	Chairman
Eng. Gamal Amin Shehata	Vice Chairman Project Planning
Eng. Azza Mohamed Torky	Vice Chairman International Services Backbone, New Services and Marketing
Mr. Ali Gamal El Din Salama	Vice Chairman Financial, Commercial and Administrative Affairs
Eng. Mohamed Hafez Montaser	Vice Chairman Follow-up & Technical Affairs
Eng. Mohamed Abel Rehem Hassanein	Vice Chairman Operations and Maintenance (Greater Cairo, Canal Area, Sinai and the Red Sea)
Eng. Ali Ahmed Awad	Vice Chairman Operations and Maintenance (Alexandria & Delta Region)
Eng. Ahmed Aly El Gaaly	Vice Chairman Operations and Maintenance (Upper Egypt)



One Team...

Continuously Developing

Investment in human resources



Telecom Egypt truly believes that its people are its main asset, as they ultimately decide the quality of its services and therefore shape its customer satisfaction. It is imperative that its services rest in qualified and professional hands.

Salary & Benefits improvements:

As the market develops so does the competition to attract and maintain the highest caliber of employees. Telecom Egypt totally redesigned its salary and benefits structure to guarantee that Telecom Egypt attract the best candidates and maintain its own highly qualified & experienced employees. The new salary structure will be executed in 2003.

Selective recruitment policy:

Telecom Egypt already has a wealth of Engineering expertise, having consistently recruited the best of Egyptian Engineers. Now with the expansion and establishment of new customer facing departments (Sales, Marketing and Customer Care) Telecom Egypt's priority is to attract market experts in these fields. Throughout 2002 Telecom Egypt focused on a highly selective recruitment criteria, to attract dynamic professionals into the organization.

Staff training:

Staff training is of the utmost importance for Telecom Egypt to stay competitive nationally and regionally. In view of this, Telecom Egypt paid great attention to conducting specialized training courses in management and customer services during 2002. Telecom Egypt focused on providing the best training solution, tailored to each position and employee, by utilizing a mix of internal, external and international training courses which enables them to expand their expertise.

One voice...

Calling for your satisfaction

Marketing from a different perspective

Historically Telecom Egypt was technology focused ensuring Egypt enjoyed a strong network and the latest products and services. In 2002 it shifted its focus towards meeting the ever growing service needs of its customers. This vision demanded cutting change; delivered by the introduction of three commercial departments, each tasked with focussing on improving customer satisfaction.

Marketing:

To undertake the rapid and profound changes required, international consultants were appointed to restructure, recruit and train the marketing team. The selective recruitment policy attracted a high calibre of marketing graduates each appointed into specific areas to augment the marketing plan.

Preparing for competition:

With the growth of competition across many of its product ranges, Telecom Egypt faces highly commercially aggressive, often private companies. To enable it to compete effectively and to build customer loyalty it is critical that it has a strong brand presence in the market, and that it is differentiated from these new competitors. With this in mind the slogan "One network...uniting us" was defined, demonstrating that Telecom Egypt is

the ONLY network that can truly offer a total Telecommunications solution to the Egyptian consumer. 2002 witnessed the introduction of the new Telecom Egypt brand with a widely acclaimed Television commercial in Ramadan and continuing with outdoor advertising, newspaper & press advertising. This highly successful campaign launched the new slogan and repositioned Telecom Egypt.

Tailoring products to customers:

An ambitious programme was defined to review & analyse the entire Telecom Egypt product portfolio and restructure the products according to the customer needs. Detailed evaluation throughout 2002, supported with extensive research, enabled Telecom Egypt to fine tune the portfolio and develop a plan to ensure that the products meet the customer need. Whilst revising the portfolio it was still able to deliver impressive product growth.

Sales

Different markets - different needs. The sales strategy defined in 2002, based on market segmentation & needs studies, ensures that the business & the consumer markets can easily access the diverse Telecom Egypt product range. The creation of key Account Management and Retail Phone Boutiques in 2002 was the first step taken towards realising this strategy.

Business Sector - Key Account Management:

A young and dynamic team was created to deliver premier service to the largest multinational and national corporations in Egypt. Their mandate is to bring finely tuned solution to this critical market segment and to guarantee service quality. The selection of the right employees, extensive training and the development of the databases and tools in 2002, will enable this team to expand its services rapidly out to the business market in 2003. The team is already supporting most of the key financial establishments and many multinational accounts.

Consumer Sector - Retail Phone Boutiques:

Embracing the "one-stop-shop" philosophy Telecom Egypt opened the first of a large chain of Retail Phone Boutiques.

The Phone Boutiques will provide customer care, sales and billing services to their local community and reflect

Telecom Egypt's dedication to improving the service its customers enjoy.

Customer Care

Contact Center:

For a long time the key focus of Telecom Egypt was the development of a truly world class contact center. This started with the establishment of marketing centers in El-Mohandeseen, El-Alfy and Heliopolis on the numbers 0800-2222222. Then came the great leap with the establishment of the contact center in the new "smart village". Operated by the TE joint venture company "Masreya", this contact center will be a customer care contact point for all Telecom Egypt customers. To guarantee the quality of service delivered at launch local and international Process and Customer Care experts were recruited to map all processes and manage the introduction of this (CRM) based service.



One land...

Proudly supporting our nation

Telecom Egypt serving the community

Telecom Egypt is as committed to the continued success and development of Egypt as it is to the industry in which it operates.

Every day Telecom Egypt's network unites the lives and businesses of Egyptians, nationally and internationally. As the community contributes to Telecom Egypt's success, so it must contribute to the community. Under the "Egyptian Citizen" banner Telecom Egypt undertook a broad spectrum of activities in 2002.

National Events:

- 100th anniversary of the Egyptian Museum.

- Egyptian International Economic Forum.

- Cairo Telecomp 2002,

By sponsoring these events Telecom Egypt was able to help increase the profile of Egypt; internationally, economically and to position it as the hub of Telecommunications for Africa and the Middle East.

Donations:

Telecom Egypt committed itself not just to the health of communications but also the health of all Egyptians by contributing to; the Tumor Institute, to liver patients and by donating a car equipped for blood transfusions to the Center for Blood Transfusions, Faculty of Medicine in Cairo University.

It also contributed to the Future Generation Association and to the victims of the tragic Upper Egypt Train disaster.

Developing the youth:

Despite the unstable economic conditions witnessed globally, Telecom Egypt managed to expand its scope of services and customer base. This enabled us to recruit a large number of fresh graduates who will be trained with relevant vocational skills to secure a strong and productive career.



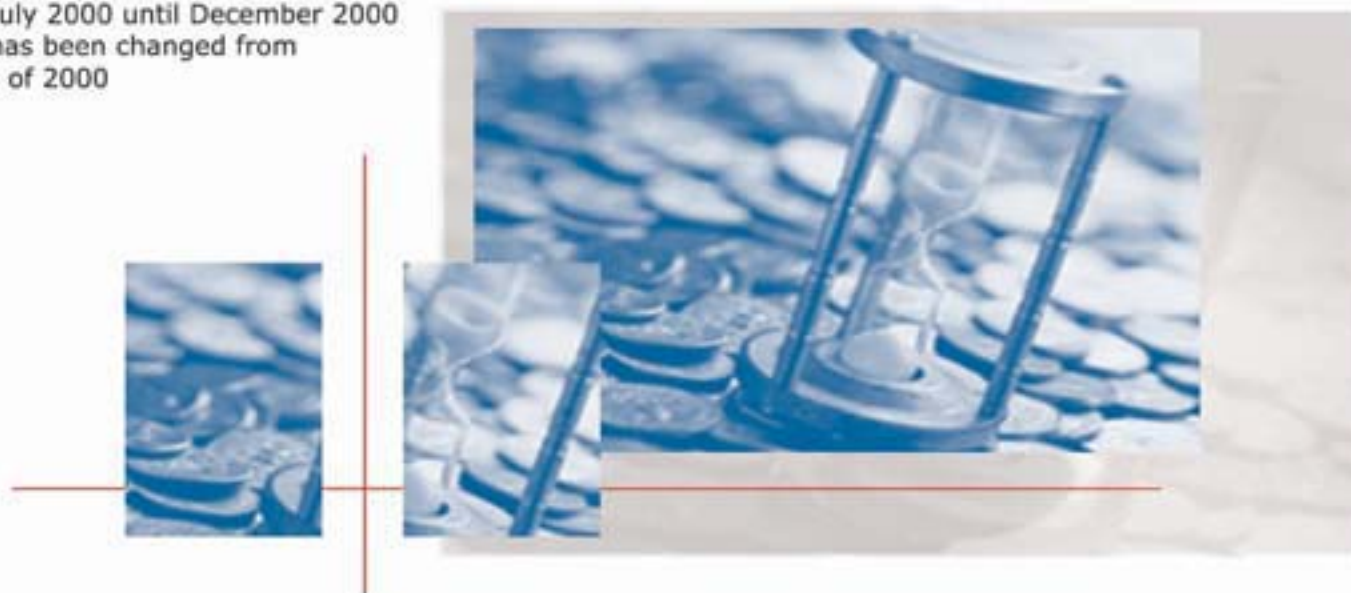
One aim...

Improving Customer Confidence

FIVE YEAR FINANCIAL SUMMARY

YOY Key Figures In LE Millions (except per share data)	Jun-98	Jun-99	Jun-00	Dec-00 [*]	Dec-01	Dec-02
Sales Revenue	4.076	4.437	5.672	3.182	6.088	6.219
Gross Profit	3.204	3.419	4.105	2.126	4.215	4.286
EBITDA	2.513	2.827	3.076	1.772	3.418	3.298
EBIT	1.584	1.520	1.570	963	1.709	1.283
NPBT	968	1.450	1.557	885	1.338	791
NPAT	583	835	1.557	885	1.338	791
Total Current Assets	2.709	2.437	3.263	3.915	4.581	5.526
Fixed Assets(net)	20.202	21.019	19.575	19.626	19.567	22.117
Other Assets	2.321	2.504	3.073	3.456	4.054	2.368
Total Assets	25.232	25.960	25.911	26.997	28.202	30.011
Total Current Liabilities	3.318	2.824	2.783	3.681	3.740	4.129
Total Long Term Liabilities	2.566	2.942	3.369	2.671	2.663	3.594
Total Liabilities	5.884	5.766	6.152	6.352	6.403	7.723
Owners' Equity	19.348	20.194	19.759	20.645	21.799	22.288
EPS(LE)	3.05	4.37	9.10	5.17	7.82	4.62

* 6 months starting July 2000 until December 2000
N.B: Fiscal year end has been changed from
June to December as of 2000



Auditor's Report



KPMG Hazem Hassan
Public Accountants & Consultants

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To The Shareholders' of Telecom Egypt Company,

We have audited the accompanying Balance Sheet of Telecom Egypt Company (An Egyptian Joint Stock Company) as of December 31, 2002 and the related Statements of Income, Cash Flows and Changes In Equity for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the financial position of the company as of December 31, 2002 and the results of its operations and its cash flows for the year then ended, in accordance with Egyptian Accounting Standards, and comply with applicable Egyptian laws and regulations.

The company keeps proper accounting records which include all that is required by law and the statutes of the company, and the accompanying financial statements are in agreement therewith. The inventories count was performed by the company's management in accordance with methods in practice.

The financial information contained in the report of the Board of Directors prepared in conformity with the company's law No.159 for 1981 and its executive regulations is in agreement with the company's accounting records within the limits that such information is recorded therein.

Hazem Hassan

Cairo, 21 May, 2003

(KPMG Hazem Hassan)



Member Firm of
KPMG International

Balance Sheet

Year ended December 31, 2002

	Note No.	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
Assets			
Long Term Assets			
	(4)	22 117 028	19 567 369
Projects in progress	(5)	1 954 484	3 654 241
Long term investments	(6)	230 094	191 403
Other assets (net)	(7)	183 980	208 432
Total Long Term Assets		24 485 586	23 621 445
Current Assets			
Inventories	(8)	281 244	281 310
Trade receivables	(9)	2 015 571	2 463 601
Debtors and other debit balances	(10)	3 009 108	1 323 019
Cash on hand and at banks	(11)	219 578	513 428
Total Current Assets		5 525 501	4 581 358
Total Assets		30 011 087	28 202 803
Shareholders' Equity & Liabilities			
Shareholders' Equity			
Share capital	(12)	17 112 149	17 112 149
Reserves		3 416 248	3 349 335
Retained earnings		968 307	-
Net profit for the year		790 871	1 337 611
Total Shareholders' Equity		22 287 575	21 799 095
Long Term Liabilities			
Loans and facilities	(13)	3 461 265	2 530 848
Creditors and other credit balances	(16)	132 746	132 746
Total Long Term Liabilities		3 594 011	2 663 594

Balance Sheet

Year ended December 31, 2002

	Note No.	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
Current Liabilities			
Provisions	(14)	1 248 218	1 185 176
Loans installments - due within one year	(13)	1 023 031	820 033
Banks - credit accounts		148 127	-
Suppliers	(15)	55 001	45 993
Creditors and other credit balances	(16)	1 655 124	1 688 912
Total Current Liabilities		4 129 501	3 740 114
Total Liabilities		7 723 512	6 403 708
Total Shareholders' Equity and Liabilities		30 011 087	28 202 803

* The accompanying notes form an integral part of the financial statements.

Chairman



Eng / Akil Beshir

Vice Chairman for
Financial, Commercial &
Administrative Affairs



Ali Salama

Auditor's Report "Attached"
(KPMG Hazem Hassan)



Hazem Hassan

Income Statement

Year ended December 31, 2002

	Note No.	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
Operating Revenues			
Sales of services	(17)	6 012 658	5 924 791
Sales of telephone sets & directories		162 330	130 795
Other operating revenues		43 672	32 245
		6 218 660	6 087 831
Operating Expenses			
Interconnection fees	(18)	1 010 726	1 036 458
Fuel		45 649	46 107
Spare parts		54 527	45 216
Maintenance		52 107	30 167
Satellite subscriptions		34 174	34 611
Depreciation & Amortization		1 991 500	1 677 744
Cost of telephone sets & directories sold		142 520	117 702
Other operating cost	(19)	593 110	563 310
		3 924 313	3 551 315
		2 294 347	2 536 516
Gross Operating Profit			
Other Operating Expenses			
General & administrative expenses	(20)	590 312	463 270
Provisions	(14)	420 444	364 490
		1 010 756	827 760
		1 283 591	1 708 756
Operating Profit			

Income Statement

Year ended December 31, 2002

	Note No.	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
Other Income (Expenses)			
Interest income		30 189	70 515
Income from investments		13 595	14 753
Interest expenses		(262 581)	(172 646)
Other expenses / income	(21)	(86 618)	(91 041)
Foreign exchange losses		(145 221)	(164 418)
Impairment of long term investments		(21 158)	(26 577)
Loss on disposal of fixed assets		(20 926)	(1 731)
		(492 720)	(371 145)
Net Income for the year		790 871	1 337 611

* The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

Cash flows from operating activities

Cash receipts from sales of services	5 773 855	4 455 974
Cash paid to suppliers	(763 452)	(841 113)
Cash paid to employees	(631 649)	(554 462)

Cash generated from operations	4 378 754	3 060 399
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Interest paid	(197 178)	(42 408)
Payment to Tax Authority	(292 132)	(600 816)
Payment to Sales Tax Authority	(225 638)	(249 072)
Other (payments) / proceeds-net	(1 666 031)	(786 083)

Net cash provided by operating activities	1 997 775	1 382 020
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Cash flows from investing activities

Purchase of property, plant and equipment and project in progress	(1 952 787)	(1 723 012)
Purchase of investments	(72 408)	(22 738)
Interest received	24 444	72 064

Net cash used in investing activities	(2 000 751)	(1 673 686)
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Cash flows from financing activities

Payment of long-term loans	(1 478 798)	(719 071)
Proceeds from long-term loans	1 187 924	100 000

Net cash used in financing activities	(290 874)	(619 071)
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Net decrease in cash and cash equivalents	(293 850)	(910 737)
Cash and cash equivalents at the beginning of the year	513 428	1 424 165

Cash and cash equivalents at the end of the year	219 578	513 428
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* The accompanying notes form an integral part of these financial statements.

Statement Of Change In Equity

Year ended December 31, 2002

	Share Capital L.E(000)	Legal Reserve L.E(000)
Balance as of 1/1/2001	17 112 149	116 828
Transferred to reserves	-	44 233
Dividends for the period ended 31/12/2000	-	-
Added to reserves	-	-
Net profit for the year 2001	-	-
Balance as of 31/12/2001	17 112 149	161 061
Transferred to reserves	-	66 881
Dividends for the year ended 31/12/2001	-	-
Transferred to retained earnings	-	-
Added to reserves	-	-
Net profit for the year 2002	-	-
Balance as of 31/12/2002	17 112 149	227 942

* The accompanying notes form an integral part of these financial statements.

Other Reserves L.E(000)	Revaluation Reserve L.E(000)	Retained Earnings L.E(000)	Net Profit L.E(000)	Total L.E(000)
2 530 906	-	884 644	-	20 644 527
635 042	-	(679 275)	-	-
-	-	(205 369)	-	(205 369)
72	22 254	-	-	22 326
-	-	-	1 337 611	1 337 611
3 166 020	22 254	-	1 337 611	21 799 095
-	-	-	(66 881)	-
-	-	-	(302 423)	(302 423)
-	-	968 307	(968 307)	-
32	-	-	-	32
-	-	-	790 871	790 871
3 166 052	22 254	968 307	790 871	22 287 575

Appropriation Account

Year ended December 31, 2002

	2002 L. E. (000)	2001 L. E. (000)
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Net profit for the year	790 871	1 337 611
Retained earnings brought forward from previous year	968 307	-

Net profit available for distribution	1 759 178	1 337 611
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Distributed as follows:

Legal reserve	39 544	66 881
General reserve	968 307	-
Shareholders' Dividends	480 000	243 000
Employees' share in profit	55 930	59 423
Retained earnings carried forward to next year	215 397	968 307

	1 759 178	1 337 611
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* The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2002

1- BACKGROUND

- Establishment of the company

Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established, pursuant to Law No.153 of 1980. Effective 27/3/1998 and by the issuance of law No.19 of 1998, the legal form of (ARENTO) was amended, after the revaluation of its assets on 26/3/1998, to become an Egyptian Joint Stock company under the name of Telecom Egypt Company (TE), Subject to the provisions of the company's law No.159 of 1981 and money market law No.95 of 1992.

- Purposes of the company

The main purposes of the company are :

- Establishing telecommunications networks.
- Providing telecommunications services.
- Operating and maintaining the networks, equipment and machinery necessary to provide the services.
- Establishing projects necessary to accomplish its purposes.
- Co-operation with international companies and organizations to connect the Arab Republic of Egypt with the world.

2- BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with the Egyptian Accounting Standards, and in the light of provisions of applicable Egyptian laws and regulations.

3- SIGNIFICANT ACCOUNTING POLICIES APPLIED

3-1 Foreign currency translation

The company maintains its book of accounts in Egyptian pounds. Transactions denominated in foreign currencies are recorded at the official exchange rate at the date of transaction. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are re-translated at the prevailing exchange rates at that date. The exchange differences are recorded in the income statement.

During 2002, the Egyptian pound suffered a devaluation in its value against the foreign currencies which caused foreign exchange losses. The company's management decided to apply the allowed alternative treatment according to paragraphs 20 & 47 of the Egyptian Accounting Standard No. 13, which allows to include the foreign exchange losses which result directly from the acquisition of an asset in foreign currency in the carrying amount of the related assets. Therefore, the company capitalized L.E. 224 699 K as part of fixed assets and L.E. 365 524 K as part of projects in progress during the year 2002, since these exchanges are directly related to the acquisition of these assets.

Notes to the Financial Statements

Year ended December 21, 2001

3-2 Fixed assets and depreciation

Fixed assets are initially measured at its cost and depreciated using the straight-line method over their estimated useful lives as follows:-

Description	Estimated Useful Life
Buildings & construction	10-50 years
Machinery & equipment	6-20 years
Means of transportation	5-10 years
Tools and supplies	1-8 years
Office furniture and fixtures	3-10 years
Other assets	10 years

3-3 Projects in progress

This item represents the amounts incurred for the construction of fixed assets until they are ready for use and they are transferred to fixed assets.

3-4 Borrowing cost

The borrowing costs are recognized in the income statement under the "Interest Expenses" account when incurred.

3-5 Long term investments

3-5-1 Investments in Subsidiaries

Investments in subsidiaries are stated at cost. At each balance sheet date the company assesses whether there is any indication that the value of each investment is impaired. If such indications exists, the value of the related investment is reduced by the impairment loss for each investment which is to be charged to the income statement for the period.

3-5-2 Available-for-sale Investments

Available-for-sale investments are recorded initially at cost and remeasured as follows:-

The listed investments are remeasured at cost or fair value (market value) whichever is lower. Investments that are not listed in the stock exchange are remeasured at the lower of its carrying cost or computed fair value, calculated in light of an objective study of its recently approved financial statements. Any losses resulting from the decline in its market value or computed value are directly charged to income statement.

The inactive investments (do not have listed price in an active market, or their fair value can not be reasonably determined) are initially recorded at acquisition cost, and at each balance sheet date, if there are indications that the value of these investments is impaired, the value of the related investment is reduced by the impairment loss which is to be charged to the income statement for the period.

Notes to the Financial Statements

Year ended December 21, 2001

3-6 Held for trading investments

Financial investments classified as held for trading are recorded initially at cost. At the end of each financial period, these investments are remeasured at their fair value (Market value), the revaluation differences are directly charged to income statement.

3-7 Inventories

Inventories of goods purchased for resale are valued at the lower of cost or net realizable value. Inventories of spare parts and materials are valued at cost. Cost of obsolete or slow moving items are written down to their replacement value. Cost is determined using the weighted average method.

3-8 Revenue recognition

- Revenue from telecommunication services is recognized upon providing the service.
- Income from investments is recognized when dividends of investees are declared.

3-9 End of service indemnity

The company contributes to the social insurance system of 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. The company records this contribution in the " Wages and Salaries account " in addition to the early retirement scheme which was applied from 1/9/2001 (Note No.22)

3-10 Capital lease agreement

The accrued lease payments and maintenance expenses which are related to the leased assets are recognized as expenses in the income statement for the year. At the end of the lease agreement if the company exercised its rights to purchase the leased assets, in such case these assets would be included as fixed assets at the purchase bargain option amount and depreciated over the remaining estimated useful life.

3-11 Cash Flows statement

The Cash Flows statement is prepared using the direct method.

3-12 Deferred Taxes

Due to the nature of the Egyptian tax law legislations, applying the principles of the deferred taxes according to the International Accounting Standards "Taxes on Income" will not usually result in deferred tax liabilities. Further, if this application results in deferred tax assets it will be recognized in the financial statements whenever there is a sufficient comfort that these assets will be realized in the foreseeable future.

Notes to the Financial Statements

Year ended December 31, 2002

4- FIXED ASSETS (NET)

	Land L.E(000)	Buildings & construction L.E(000)
Cost		
Cost as of 1/1/2002	4 040 999	12 000 350
Reclassification	-	(459 316)
Additions to the year	18 113	1 931 129
Capitalized foreign exchange losses Note No.(3-1)	-	69 102
Disposals for the year	-	-
Total cost as of 31/12/2002	4 059 112	13 540 665
Accumulated depreciation		
Accumulated depreciation as of 1/1/2002	-	2 358 165
Reclassification	-	(78 122)
Depreciation for the year	-	747 620
Previous year adjustments - depreciation	-	54 019
Accumulated depreciation of disposals	-	-
Accumulated depreciation as of 31/12/2002	-	3 081 682
Carrying amounts as of 31/12/2002	4 059 112	10 458 983
Carrying amounts as of 31/12/2001	4 040 999	9 642 185

Machinery & equipment L.E(000)	Means of transportation L.E(000)	Tools Supplies L.E(000)	Office Furniture & fixtures L.E(000)	Total L.E(000)
8 834 922	86 416	27 583	195 537	25 185 807
459 916	-	-	-	-
2 637 814	26 568	4 187	121 287	4 739 098
155 597	-	-	-	224 699
(124 595)	(28 127)	-	-	(170 722)
11 945 654	84 857	31 770	316 824	29 978 882
3 047 365	55 759	20 242	136 907	5 618 438
78 122	-	-	-	-
1 175 861	13 087	4 021	43 924	1 984 513
332 821	-	-	35	386 875
(99 905)	(28 067)	-	-	(127 972)
4 534 264	40 779	24 263	180 866	7 861 854
7 411 390	44 078	7 507	135 958	22 117 028
5 787 557	30 657	7 341	58 630	19 567 369

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002 31/12/2001
L. E. (000) L. E. (000)

5 - Projects In Progress

Land	2 209	4 898
Buildings and construction *	544 076	1 559 877
Machinery and equipment *	1 092 096	1 807 137
Means of transportation	1 955	17 275
Tools and supplies	4 588	1 898
Office furniture and fixtures	5 612	17 762
Advance payments	234 954	245 379
Letters of Credit	68 994	15
	1 954 484	3 654 241

* Building & construction and machinery & equipment items include an amount of L.E 142 675 K and L.E 222 849 K respectively which represents a capitalized foreign exchange losses as disclosed in note No . (3-1).

6 - Long Term Investments

	Participation %	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
Investments In Subsidiaries			
- Middle East Radio Communication (MERC)	51	3 825	3 825
- Egyptian Telecommunication Company For Information Systems	92.5	2 312	2 312
- Telecom Egypt Data	92.5	55 500	13 875
		61 637	20 012

Available For Sale Investments

Participations in foreign satellites companies & organizations	93 434	94 939
Investments in other local companies	75 023	76 452

168 457 171 391

230 094 191 403

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

7 - Other Assets (Net)

Usufruct for land occupied by TE	18 870	19 175
leased circuits	82 509	73 833
Right of way (Flag cable)	82 618	79 484
Right of way (SMW2, SMW3, Elitar cables)	114 801	121 072

298 781

293 564

Less : Accumulated amortization at year end

114 801

85 132

183 980

208 432

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

8 - Inventories

Spare parts	144 981	151 428
Materials supplies	1 307	532
Telephone sets and directories	37 357	21 299
Others	79 638	102 413

263 283

275 672

Add : Letters of credit

17 961

5 638

281 244

281 310

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

9 - Trade Receivables (Net)

Governmental sector	345 724	334 438
Private sector	1 957 763	2 180 999
Foreign telecommunication companies and organizations	513 504	459 656

	2 816 991	2 975 093
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Less : Provision for doubtful debts	801 420	511 492
--	---------	---------

	2 015 571	2 463 601
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31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

10 - Debtors & Other Debit Balances (Net)

Suppliers - debit balances	43 745	22 534
Deposits with others	969	1 036
Employees loans	2 522	3 764
Customs authority - deposits	826	777
Accrued revenues	1 177	3 408
Tax Authority	34 599	18 653
Employees loyalty grant (Note No 22)	85 822	-
Other debit balances*	2 879 312	1 311 909

	3 048 972	1 362 081
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Less : Provision for doubtful debts	39 864	39 062
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	3 009 108	1 323 019
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Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

Other debit balances include the following amounts:-

Description

- Payments to the Telecommunication Regulatory Authority on account for the license for the National Mobile Phones Company (NMPC).	1 757 600	733 000
- Payments for capital contribution in the National Mobile Phones Company - under establishment	9 800	-
- Advances for the new building paid on behalf of the NMPC	32 094	-
- Payments on the account to the Income Tax Authority for the corporate tax due of the period from 27/3/1998 to 30/6/2000.	880 210	484 685
	2 679 704	1 217 685

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002 31/12/2001
L. E. (000) L. E. (000)

11 - Cash On Hand And At Banks

Banks - time deposits	182 414	439 727
Banks - current accounts	31 112	67 026
Cash on hand	6 052	6 675

219 578 513 428

Time deposits as of 31/12/2002 include an amount of L.E 98 260 K blocked in favor of some banks to guarantee the letters of credit granted to the company (against L.E 178 005 K as of 31/12/2001)

12 - Share Capital

The company's authorized, issued and fully paid up capital is determined at L.E 17 112 149 K represented in 171 121 490 shares each of par value of L.E 100 wholly owned by the Egyptian government.

13 - Loans And Facilities

31/12/2002 31/12/2001
L. E. (000) L. E. (000)

Local loans and local suppliers' facilities	1 028 591	330 313
Governmental loans	925 599	742 943
Foreign loans	1 042 992	846 666
Bank and foreign suppliers' facilities	1 487 114	1 430 959

4 484 296 3 350 881

less : Installments due within one year 1 023 031 820 033

3 461 265 2 530 848

Notes to the Financial Statements

Year ended December 31, 2002

	Balance as of 1/1/2002 L.E. (000)	Addition during the year L.E. (000)	Reclassification L.E. (000)	Used during the year L.E. (000)	Balance as of 31/12/2002 L.E. (000)
14 - Provisions					
Provisions for contingent liabilities					
Tax provision	1 061 109	136 221	-	25 000	1 172 330
Claims and contingencies	84 352	3 428	(10 000)	41 302	36 478
Others	39 715	-	-	305	39 410
	1 185 176	139 649	(10 000)	66 607	1 248 218
Provisions for doubtful debts					
Trade receivables	511 492	279 928	10 000	-	801 420
Debtors and other debit balances	39 062	802	-	-	39 864
	550 554	280 730	10 000	-	841 284
Provisions for obsolete inventory items	18 232	65	-	-	18 297
	1 753 962	420 444	-	66 607	2 107 799

* Provision for obsolete inventory items are netted against their related type of inventory balances.

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

15 - Suppliers

Local - Suppliers	52 106	45 712
Foreign - Suppliers	2 895	281

55 001

45 993

16 - Creditors And Other Credit Balance

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

Tax authority	187 766	319 796
Deposits from others	497 355	464 789
Fixed assets suppliers	262 299	281 025
Accrued interest	93 143	197 311
Accrued expenses	61 091	54 396
Social insurance authority	13 848	12 298
Customers - credit balances	156 816	361 968
Dividends payable	243 000	-
Other credit balances	272 552	130 084

1 787 870

1 821 658

Less : Tax payments due after one year

132 746

132 746

1 655 124

1 688 912

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

17 - Sales Of Services

Domestic call revenues

Local calls	1 064 110	948 657
Long distance calls (excluding Mobile interconnect and fixed to mobile revenue)	427 467	481 285
Local telegram and telex	10 119	9 668

Total Domestic Call Revenues	1 501 696	1 439 610
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Mobile Domestic revenues

Fixed to mobile revenue	1 110 712	1 490 930
Mobile to fixed interconnection revenue	91 782	143 632

Total Mobile Revenues	1 202 494	1 634 562
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Other Local revenues

Connection fees	504 915	456 905
Subscription fees	670 290	560 730
Car services	3 002	5 915
Leased lines	49 360	60 830
Others	630 400	474 712

Total Other Revenues	1 857 967	1 559 092
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International Revenues

International calls (excluding mobile to international)	407 892	324 639
Revenue from international operators	671 493	679 144
Mobile to international	367 164	282 198
International telegram and telex	3 952	5 546

Total International Revenues	1 450 501	1 291 527
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Total Revenues From Sales Of Services	6 012 658	5 924 791
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Notes to the Financial Statements

Year ended December 21, 2001

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

18 - Interconnection Fees

Fixed to mobile interconnection fees	815 951	789 324
Payments to international Operators (telephone)	192 317	244 149
Payments to international operators (telegram & telex)	2 458	2 985

1 010 726

1 036 458

19 - Other Operating Costs

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

Salaries	527 558	505 728
Electricity & Water	10 876	8 812
Stationery & Printing	33 752	27 738
Means of transportation	11 030	10 780
Telephone business use	9 894	10 252

593 110

563 310

20 - General & Administrative Expenses

31/12/2002
L. E. (000)

31/12/2001
L. E. (000)

Salaries	373 275	307 104
End of service compensation - early retirement	61 284	34 702
Depreciation & amortization	22 865	31 062
Bad debts	36	147
Tax and custom duty	5 691	5 922
Others	108 718	77 317
Bank charges & Commissions	18 443	7 016

590 312

463 270

Notes to the Financial Statements

Year ended December 31, 2002

31/12/2002 31/12/2001
L. E. (000) L. E. (000)

21 - Other (Expenses) /Income

Rent income	861	2 820
Fines (net)	6 182	12 950
Sundry revenues	46 902	78 720
Prior years' (expenses) / income net	(140 563)	(185 531)

(86 618) (91 041)

22 - Early Retirement Scheme

- The company's Board of Directors approved in its meeting on May 9, 2001 an early retirement scheme for its employees. This plan is to be implemented during twelve months starting from 1/9/2001, with 500 applications monthly. The cost of these compensations is estimated at L.E 14 000 K per month which will be borne by the company in addition, to a monthly amount of L.E 24 000 K monthly to be financed by a Bank Loan granted to the company. The principle loan will be repaid from the employees' loyalty fund, however, the interest will be charged as expenses for the company.

- The actual compensations charged to income statement for the year 2002 which were paid to the retired employees were L.E 61 284 K.

- The company's board of directors approved in its meetings on March 20, 2002 and December 30, 2002 to finance an amount of L.E 65 000 K and L.E 35 000 K respectively to the employees loyalty fund, in order to facilitate financing of the retired employees' compensation (the second and third phase). These amounts will be refunded from employees' loyalty fund upon their legal retirement dates.

- The amount will be refunded during the year 2003 - the current portion is L.E 1 949 K and the amounts will be refunded starting from the year 2004 to the year 2005 - the long term portion is L.E 83 873 K.

Notes to the Financial Statements

Year ended December 31, 2002

	For the year ended 2002 L. E. (000)	For the year ended 2001 L. E. (000)
23 - Earning Per Share		
Net profit for the year (L.E. 000)	790 871	1 337 611
Less : Employees' share in profit	55 930	59 423
	734 941	1 278 188
Number of outstanding shares	171 121 490	171 121 490
Earning Per Share For The Year (L.E. / Share)	4.29	7.47

24 - Capital Commitments

As of December 31, 2002 the amount of commitments in respect of future capital expenditure was L.E 217 million (L.E 595 million as of December 31,2001).

25 - Contingent Liabilities

In addition to the amounts included in the balance sheet, as of December 31, 2002 the company had the following contingent liabilities:

	31/12/2002 L. E. (000)	31/12/2001 L. E. (000)
- Letters of guarantee issued by the company's banks on its behalf	178 000	200 000
- Letters of credit	418 787	632 057
- Uncalled installments in investees share capital	23 037	63 038

Notes to the Financial Statements

Year ended December 31, 2002

26 - Taxation

- The years up 26/3/1998 were inspected for corporate tax purpose and finally assessed by the Tax Authority. The company accounted for all tax liabilities according to the assessment of the Tax Authority.
- The period from 27/3/1998 to 30/6/2000 was inspected by the tax authority. The company has been informed of the tax assessment, however an objection was submitted by the company on due dates.
- The period from 1/7/2000 to 31/12/2001 was not inspected by the tax authority, and the tax returns were submitted by the company on due dates.

27 - Financial Instruments Fair Value

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

The fair value of the long-term loans can not be reasonably determined, as there is no market for these loans since the majority of these loans are preferred loans granted by the government or International Aid Organizations and Institutions.

The book value of other financial instruments represents a reasonable assessment of their fair value

28 - Management Of Financial Risk

28.1 Interest Risk

This risk is represented in the fluctuation in interest rates, which may impact the results of operation. This risk is expected to be low since all loans have been granted to the company at preferential fixed interest rates.

Notes to the Financial Statements

Year ended December 31, 2002

28.2 Foreign Currency Risk

The foreign currency exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its foreign currency assets and liabilities. As of the date of the balance sheet the company has foreign currency assets and liabilities equivalent to L.E 573 958 K and L.E 3 612 580 respectively. The company's net exposure in foreign currencies are as follows :-

Foreign Currencies	(Deficit)/Surplus(000)
U.S Dollars	(110 746)
Euro	(354 479)
Sterling Pounds	446
Japanese Yen	(10 349 126)
Swedish Krona	(64 580)

As disclosed in note (3-1) "Foreign Currency Translation" the company has used the prevailing exchange rates to re-translate monetary assets and liabilities at the balance sheet date.

28.3 Credit Risk

This risk is represented in the debtors' ability to pay their outstanding balances. In order to mitigate the said risk, the company is following an aggressive policy where by delinquency fines are charged and services are disconnected followed by final cancellation of the contract.

29 - Comparative Figures

- Certain comparative figures were reclassified to comply with this year's presentation.

One company...

Steadily growing in scope
of services

Joint Ventures, Associated Undertakings & Investments

Company Name	% Ownership	Country of Operation
T.E. Data	92.5%	Egypt
T.E. Information Technology	92.5%	Egypt
Middle East Radio Communication	51%	Egypt
Egyptian Company for Internet and Digital Infrastructure (Nile Online)	27.3%	Egypt
Centra Technologies	24.98%	Egypt
Egyptian Company For Networks (Egynet)	20%	Egypt
Ideavelopers	18.75%	Egypt
Egyptian German Company For Telecommunication Industries (EGTI)	10%	Egypt
The Egyptian Telephone Co. (Quicktel)	10%	Egypt
Civil Information Technology Company	10%	Egypt
Menatel	2%	Egypt
Nile Telecom	2%	Egypt
Arabsat	1.5937%	Regional
Thuraya	0.65%	Int'l
Intelsat	0.491336%	Int'l
New Skies	0.481359%	Int'l
ICO	0.04335%	Int'l
Inmarsat Ventures plc	0.36455%	Int'l

