ANNUAL REPORT

TELECOM EGYPT

1999/2000

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TELECOM EGYPT MISSION

Pogressive advancement in communications service provision

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TELECOM EGYPT Services 40

The Egyptian Telecommunication Company was established in 1957

CHAIRMAN'S MESSAGE

Over the past few years, Egypt has accelerated its ambitious structural reforms.
In April 1991, the Egyptian Government launched a comprehensive economic stabilisation and reform program. The primary objective of the program is to achieve sustainable economic growth in order to boost employment opportunities for Egypt's ever growing population. Successful implementation will reduce income disparity and ultimately improve the welfare of all Egyptians.

In June 2000, the inflation rate in Egypt was 3.1% and is close to inflation levels of Egypt's EU trading partners.

Egypt has made great strides in privatisation. In this respect we have been ranked among the top four countries, privatising approximately 1.2% of GDP per year. However, I believe that the true challenges still lie ahead.

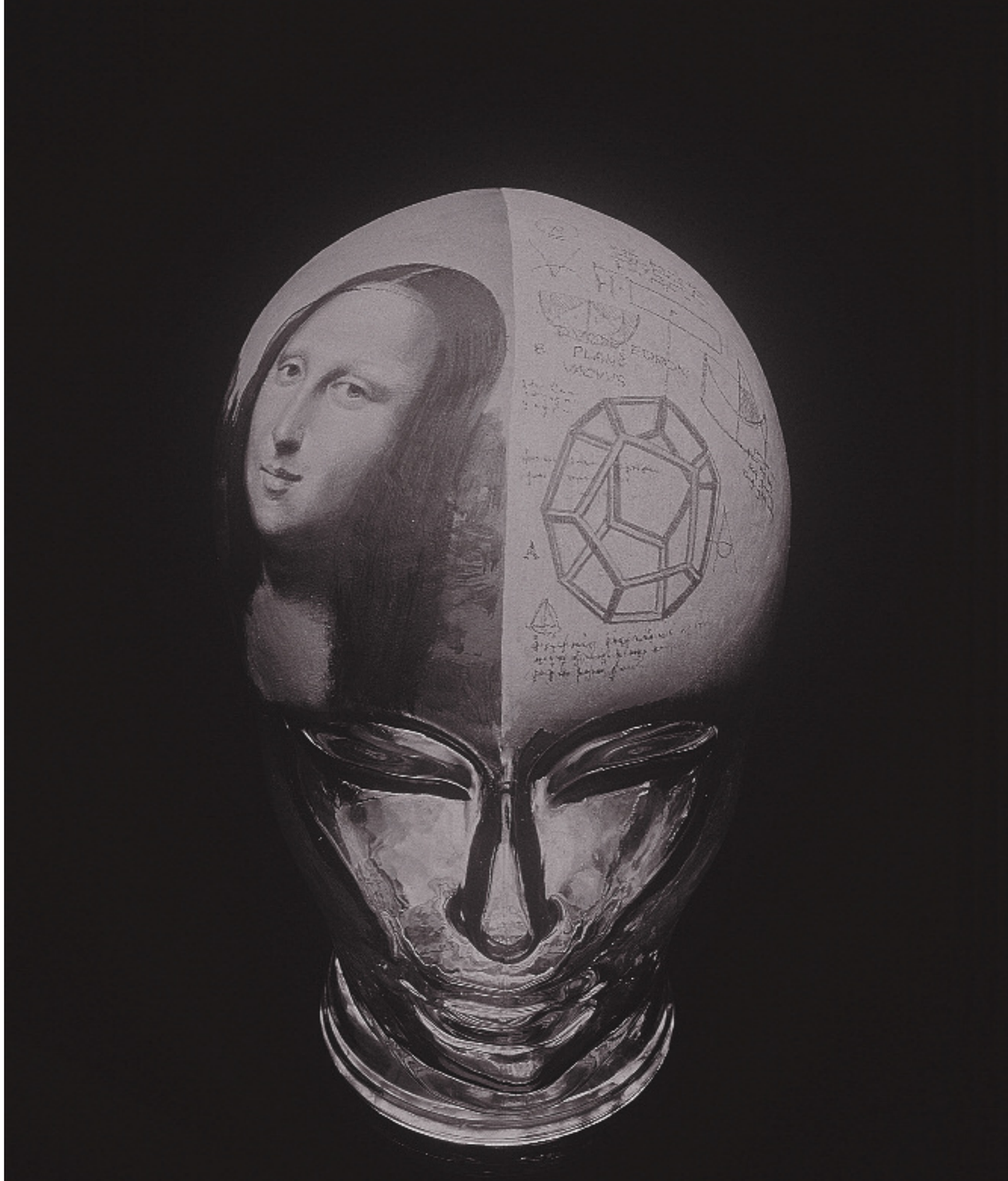
With that same enthusiasm, we at TELECOM EGYPT will play an important part in shaping the Egyptian economy. The incorporation of TELECOM EGYPT, as a joint stock company in 1998 was the first step on the way to position the company as a full communication service provider for the 21st century.

This is our first annual report, and I am pleased to present to you this year's sound financial results which I consider to be only the beginning. In order to stay abreast of the rapid developments in telecommunications world-wide and to continue to deliver superior financial performance, we are currently in the process of implementing our own restructuring program which we hope to complete over the next year or so.

This year's results follow directly from our renewed focus on efficiency and productivity. I would like to thank my fellow directors and all our employees for their continuous efforts to seek new ways of enhancing productivity and quality standards. There is an increasing realisation at TELECOM EGYPT that our relationships with customers are our greatest asset and accordingly we have been and will be focussing on improving customer care and responsiveness to customer needs. Through the roll-out of a modern. high quality telecommunications infrastructure and a superior service offering we are contributing our own part to the development of the Egyptian economy.

We have already changed the face of Egyptian telecommunications significantly. However, a lot of work remains to be done and we look to the future with confidence in our ability to meet the challenges that still lie ahead.

Akil Beshir
Chairman



BOARD OF DIRECTORS

Eng. Akil H. Beshir

Akil H. Beshir
Chairman

Gamal Amin Shehata
Vice Chairman
Project Planning

Gamal Amin Shehata

Azza Torky

Azza Torky
Vice Chairman
International Services, Backbone, New Services and Marketing

Ali Gamal Eldin Salama

Ali Gamal Eldin Salama
Vice Chairman
Financial, Commercial and Administrative Affairs

Adel Rashad Danish

Adel Rashad Danish
Specialist
Communication and Information IT

Taher Samir Helmy

Bahaa Eldin Helmy
Chairman
Banque Misr

Baha Eldin Helmy

Taher Samir Helmy
Lawyer

Tarek Mohamed Kamel

Tarek Mohamed Kamel
Advisor
Ministry of Communications and Information Technology

Ayman Ibrahim Laz

Ayman Ibrahim Laz
Financial Consultant

Mohamed Hamdy Mostafa

Mohamed Hamdy Mostafa
Vice Chairman
State Council

Farghaly Bakry Selim

Farghaly Bakry Selim
President
Communication Employees Syndicate

The true challenge is to change the face of Egyptian telecomunications

EXECUTIVE MANAGEMENT

Akil H. Beshir
Chairman

Gamal Amin Shehata
Vice Chairman
Project Planning

Gamil Ibrahim
Vice Chairman
Operations and Maintenance
(Greater Cairo)

Ali Ahmed Awad
Vice Chairman
Operations and Maintenance
(Alexandria & Delta region)

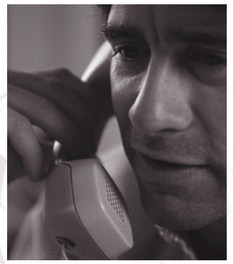
Mohamed Montasser
Vice Chairman
Follow-Up & Technical Affairs

Azza Torky
Vice Chairman
International Services, Backbone, New Services and Marketing

Ali Gamal Eldin Salama
Vice Chairman
Financial, Commercial and Administrative Affairs

Hamdy El Shafie
Vice Chairman
Operations and Maintenance
(Upper Egypt, Canal Area and Sinai)

INTRODUCTION



The incorporation of Egypt into the international economy and its unique geographical position necessitated the early implementation of a telecommunications infrastructure.

TELECOM EGYPT, the Egyptian Telecommunications Company, was the sole public authority entrusted by law to provide all public telecommunication services in Egypt, thus establishing telecommunication networks all over the country and updating services to cope with international standards in these fields.

The company adopted a more modern and open approach to the provision of the communications services and infrastructure .

A comprehensive, efficient and well maintained system of telecommunications is the cornerstone for economic growth of any country. A new law, dated March 26, 1998, separated the operational from the regulatory function. TELECOM EGYPT is being restructured from a public authority to a profitable, customer-oriented joint-stock company. The Telecommunications Regulatory Authority (TRA) has also been established.

TELECOM EGYPT has made great progress in the development of the country's telecommunication infrastructure in recent years. As a result of a massive increase in switching capacity, improved billing, digitalisation, better international links and the introduction of a host of data services, higher levels of customer satisfaction have been attained.

The number of digital lines represents 92% of the total lines in the network

1854
Installation of the first Cairo Alexandria telegraph service

1918
Establishment of the Egyptian Telegraph and Telephone Administration

1926
Installation of the first Automatic Strauger Exchange

1930
Installation of the first Rotary Exchange in Cairo

1957
Establishment of the Egyptian Telecommunication Company

1962
Installation of the first Crossbar Exchange

1972
Installation of the first submarine cable between Egypt and Italy

1975
Installation of the Mobile Automatic Telephone service in Cairo

1978
Installation of the Intelsat Standard A Earth Station

1979
Installation of the first International Automatic Gateway Exchange

1985
Installation of the first Digital Local Exchange

1985
Installation of the first fiber optical cable between exchanges

1987
Installation of the first Inmarsat Earth Station

1988
Installation of the Analog Mobile Cellular Telephone System

1989
Installation of the National Data Network

1990
Installation of the Radio Paging System

1990
Installation of the Radio Rural Telephone System

1990
Installation of the Arabsat Earth Station

1994
Installation of optical the fiber submarine cable SEA-ME-WE-II

1995
Installation of the Automatic Billing System

1995
Installation of the VSAT network

1996
Installation of the GSM Telephone System

1997
Installation of the submarine fiber cable between Egypt, Syria and Lebanon

1998
Incorporation of TELECOM EGYPT into a joint-stock company

1998
Establishment of the Telecommunication Regulatory Authority (TRA)

1998
Two private companies, Menatel & Nile Telecom were awarded licenses to supply, install, operate & maintain payphones

1998
TELECOM EGYPT signed a service provider agreement for the Iridium Mobile satellite system

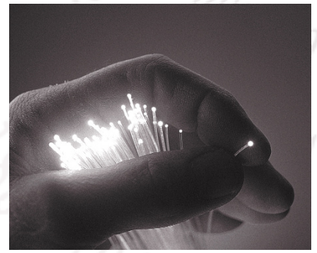
1998
Introduction of the Intelligent Network in Cairo

1998
Introduction of the Integrated Service Digital Network in Cairo

1999
Introduction of the Frame Relay/ATM network for high speed access

1999
Introduction of the Transport network SDH 3 Ring

1999
International submarine cable, SMI, (crossing the Egyptian territory with two landing stations in Egypt) in service SEA-ME-WE-II



The true challenge is yet to come

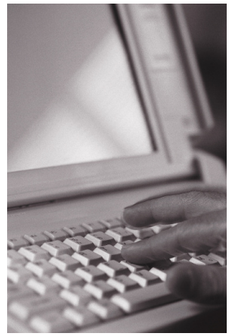
YEAR 2000

In 2000 :

Completion of the Egypt 2000 Project, which overcame the problem of traffic congestion between Cairo switches through the use of SDH rings.

Key Figures

	1981	June 2000	Increase
Telephone Lines (Line)	510 000	7 000 000	14
Teledensity (%)	1.2	8.5	7.1x
Access Lines in Service (ALIS)	418 000	5 535 000	13.2x
No. of cities connected to LDD	7	278	39.7x
International exchange capacity (circuits)	820	15 200	18.5x
No. of international circuits	160	8 480	53.0x
No. of countries with automatic access to Egypt	29	234	8.1x
No. of IDD service sub.	571	144 042	252.3x
No. of trunk calls (m.min.)	53	2 867	54.1x
International traffic volume (m.min.)	28	689	24.6x
No. of paging subscribers	-	26 971	n/a
No. of data network subscribers	-	2 163	n/a
No. of rural services subscribers	-	986	n/a
Iridium	-	285	n/a
No. of payphones			
Telecom Egypt	-	5 160	n/a
Menatel	-	10 762	n/a
Nile Telecom	-	6 065	n/a



Within the last two decades, TELECOM EGYPT adopted an ambitious plan to renew and develop its entire switching and transmission facilities in its network; old exchanges have been replaced by new digital ones. The number of digital lines increased to 92% of the total telephone lines in the network. The local network has been completely renewed as have the inter-exchange connections, utilising fiber optic cables and digital microwave links. The number of cities connected to the LDD (Long Distance Dialling) network reached 254 in comparison with only 7 in 1981.

Despite of the high rate of population increase in Egypt, teledensity increased from 1.2% in 1981 to 10.5% in 2000, showing encouraging signs of success. TELECOM EGYPT'S digital network also made it possible to provide many advanced features which were previously impossible to implement, such as call forwarding, call waiting, etc.

TELECOM EGYPT plans to double the number of lines installed annually to reach one million lines in order to meet the telecommunications needs of residential and business customers and to provide a suitable environment for investment.

In addition to the targeted teledensity increase, and in order to respond to the demand from customers and the business sector, TELECOM EGYPT has introduced some new services and features such as Intelligent Network Services (IN), Integrated Services Digital Network (ISDN), CLIP Calling Line Indentification and high speed data based on Frame Relay (FR). ATM backbone was implemented.

The Growth in June	Number of ALIS (000)
92	2 028
93	2 235
94	2 456
95	2 716
96	3 025
97	3 453
98	3 972
99	4 686
2000	5 484

Geographic coverage extends to the population centers of Egypt and expansion is taking place into remote areas such as Sinai and the oases of the New Valley. The rural telephone service has been expanded as well, with priority being given to areas where land-reclamation and industrial development programs are implemented. Improvement of service in rural areas with already existing networks is taking place as well, with the replacement of semi-automatic connections of these exchanges.

The addition of remotes to digital exchanges and the automatic connection of these exchanges to the national long-distance network is another development of great importance.

Automization of the Billing and Collection System

TELECOM EGYPT has been quick to recognize that the role of today's PTT is not only to provide basic telephone service. In January 1994, the company introduced the automation of billing & contracting procedures in Cairo. As a result, it was possible to improve the performance of its commercial affairs & customer services departments. This in turn has led to a greater level of customer satisfaction.

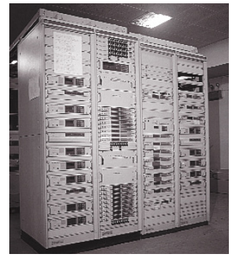
TELECOM EGYPT has since implemented similar systems in Alexandria, the Canal Zone and Upper Egypt.
A voice service is also offered to inform the subscriber of the amount of the bill before presenting it.

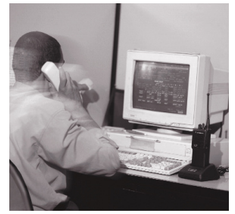
Packet Switching Data Network (Egypt Net)

- Uses X25 protocol
- Has 24 nodes
- Has a capacity of 3500 ports
- Uses leased lines
- Is connected to six foreign international gateways
- Frame relay ATM service was recently introduced

Egypt as a Hub for International Communications

The international telecommunications service witnessed a tremendous growth during the eighties and the nineties. In view of Egypt's unique geographical position, and TELECOM EGYPT's policy of establishing international links with other countries, TELECOM EGYPT has participated in a number of international links which makes Egypt an international telecommunication hub.
The participation of TELECOM EGYPT in the first submarine cable between South East Asia, the Middle East and Western Europe (SEA-ME-WE) had a





Teledensity increased from 1.2% in 1981 to 10.5% in 2000

SERVICES

very positive impact on the expansion of the telecommunication routes with many countries. It has also increased the volume of international traffic. This led TELECOM EGYPT to participate in the second cable (SEA-ME-WE2) which was implemented along the same route, but serves more countries and uses digital fiber optic technology.

Following the inauguration of SEA-ME-WE 2, Egypt also participated in a new project, SEA-ME-WE 3, with extended coverage from Europe to Japan, Australia and many other countries in East Asia. This project used the latest technology. An even higher capacity project, with 40 landing points, was planned to be in service by the end of 1999.

TELECOM EGYPT participated in the FLAG Project (Fiber Optic Link Around the Globe) in addition to introducing a submarine cable with Italy and Greece.

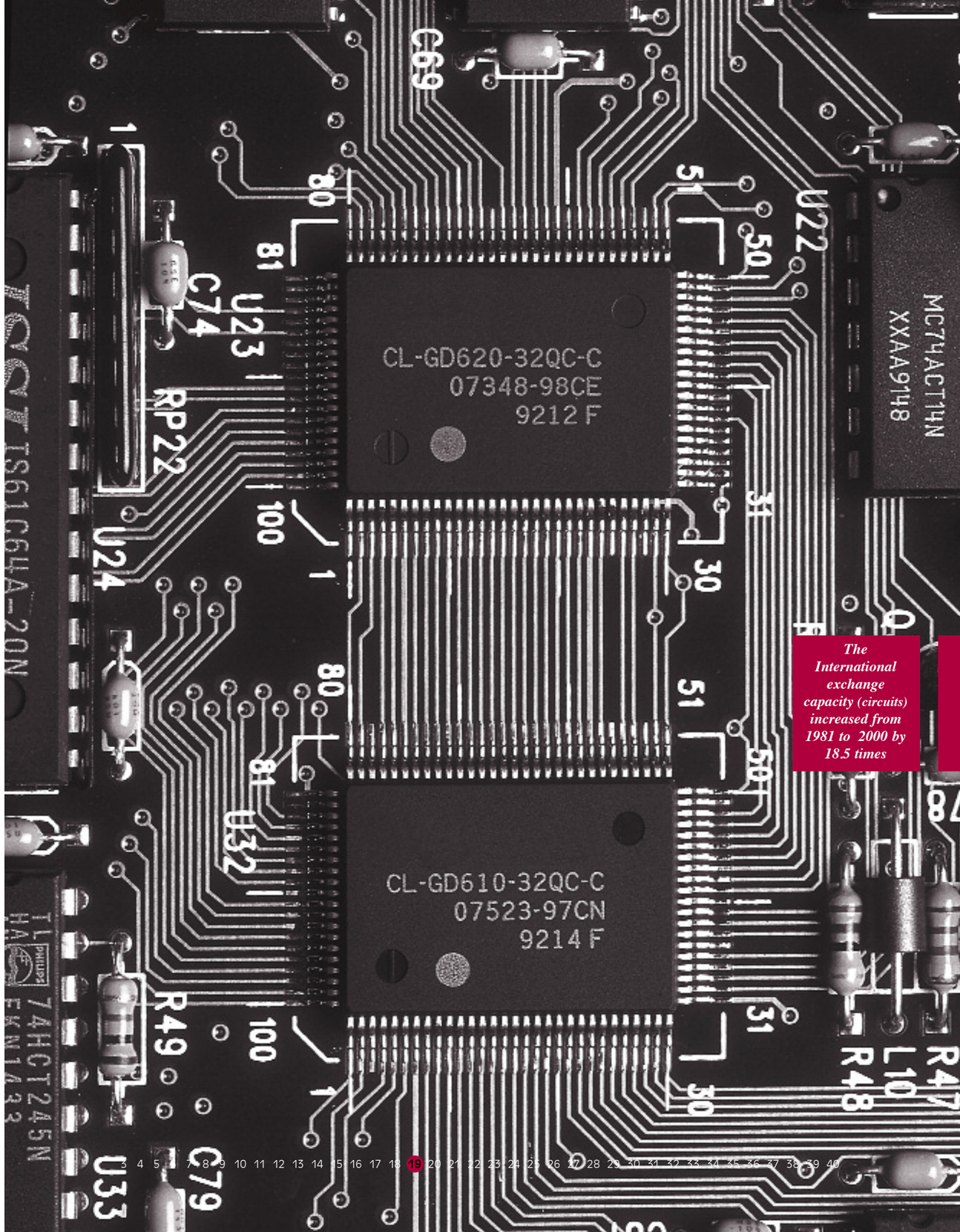
On a regional basis, a submarine fiber optical cable with Syria and Lebanon, called ALITAR-BRITAR, was introduced into service in 1997, in addition to microwave regional links to Libya and Jordon.

Satellites play key roles in the provision of international diversity. They back up the existing submarine cable routes. Nine satellite earth stations are now in operation in the Maadi station. These offer telecommunications, data communications, TV and Radio programs.

Maintaining High Quality Services

TELECOM EGYPT has taken further steps to ensure greater customer satisfaction by introducing automated fault clearance centers in Cairo and Alexandria. This has been particularly necessary because of the tremendous increase in the number of telephone lines and the variety of switching types. Twelve of these centers are now in service. The centers handle customer complaints which are dispatched to technical departments so that any technical problems can be dealt with by the appropriate members of the staff.

A project is currently under implementation to introduce an NOC (Network Operating Center) to overview all switches and outside plants with the intentions of increasing the level of network planning and optimizing fault repair time and disaster recovery.



The International exchange capacity (circuits) increased from 1981 to 2000 by 18.5 times

3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40

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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 June 30, 2000 and the related statements of Income, Cash Flow 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 International 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 statements 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 June 30, 2000 and the results of its operations and its cash flow for the year then ended, in accordance with Egyptian Accounting Standards which are, in all material respects, equivalent to International Accounting Standards and comply with applicable Egyptian laws and regulations.

The company keeps proper accounting records which include all that is required by laws 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 as required by 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.

KPMG Hazem Hassan

(KPMG Hazem Hassan)

Cairo, August 23, 2000

Member Firm of
KPMG International

BALANCE SHEET

For The Year Ended June 30, 2000

	Note No.	30/6/2000	30/6/1999
Assets			
Long Term Assets			
Fixed assets (net)	(4)	19 574 957	21 018 565
Projects in progress	(5)	2 783 364	2 248 757
Long term investments	(6)	133 861	102 445
Other assets (net)	(7)	156 197	153 554
Total Long Term Assets		**22 648 379**	**23 523 321**
Current Assets			
Inventories	(8)	124 500	153 200
Trade receivable	(9)	2 096 100	1 681 539
Debtors and other debit balances	(10)	103 072	62 138
Cash on hand and at banks	(11)	939 612	539 688
Total Current Assets		**3 263 284**	**2 436 565**
Total Assets		**25 911 663**	**25 959 886**
Liabilities & Shareholders' Equity			
Shareholders' Equity			
Share capital	(12)	17 112 149	19 105 038
Reserves		56 989	55 027
Retained earnings		1 033 853	1 033 853
Net profit for the year		1 556 892	-
Total Shareholders' Equity		**19 759 883**	**20 193 918**
Long Term Liabilities			
Loans and facilities	(13)	2 584 462	2 227 973
Other creditors	(16)	784 392	713 851
Total Long Term Liabilities		**3 368 854**	**2 941 824**

(cont.) BALANCE SHEET

For The Year Ended June 30, 2000

	Note No.	30/6/2000	30/6/1999
Current Liabilities			
Provisions	(14)	714 451	537 580
Loans installments - due within a year	(13)	368 531	412 270
Suppliers	(15)	61 014	28 140
Creditors and other credit balances	(16)	1 638 930	1 846 154
Total Current Liabilities		**2 782 926**	**2 824 144**
Total Liabilities		**6 151 780**	**5 765 968**
Total Liabilities and Shareholders' Equity		**25 911 663**	**25 959 886**

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

Chairman
Eng. Akil Beshir

Deputy chairman
for Financial Commercial
and Administrative Affairs
Ali Salama

Head of
Central Department
for Financial Affairs
Ali Barakat

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

INCOME STATEMENT

For The Financial Year Ended June 30, 2000

	Note No.	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Operating Revenues			
Sales of services	(17)	5 520 806	4 316 918
Sales of telephone sets & directories		125 795	114 697
Other operating revenues		25 880	5 698
		5 672 481	**4 437 313**
Operating Expenses			
Interconnection Fees	(18)	817 322	442 253
Fuel		43 855	39 705
Spare parts		27 593	40 808
Maintenance		25 799	25 042
Satellite subscriptions		18 309	20 765
Depreciation		1 506 317	1 307 439
Cost of telephone sets & directories sold		109 712	79 596
Other operating costs	(19)	524 607	370 202
		3 073 514	**2 325 810**
Gross Operating Profit		**2 598 967**	**2 111 503**
Other Operating Expenses			
General & administrative expenses	(20)	454 901	379 890
Provisions	(14)	573 506	212 438
		1 028 407	**592 328**
Operating Profit (net)		**1 570 560**	**1 519 175**

(cont.) INCOME STATEMENT

For The Financial Year Ended June 30, 2000

	Note No.	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Other (Income) Expenses			
Interest income		(50 868)	(49 481)
Income from investments		(15 981)	(20 435)
Interest expenses		181 682	138 334
Assets written down	(21)	-	163 927
Other (income) expenses	(22)	(7 138)	(127 560)
Foreign exchange (gain)		(107 358)	(64 486)
Loss on disposal of fixed assets		13 331	28 541
		13 668	**68 840**
Net Income Before Tax		**1 556 892**	**1 450 335**
Income tax		-	615 122
Net Income For The Year		**1 556 892**	**835 213**

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

STATEMENT OF CASH FLOW

For The Financial Year Ended June 30, 2000

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000
Cash flow from operating activities		
Cash receipts from sales of services	4 467 752	3 865 816
Cash paid to suppliers	(614 178)	(512 796)
Cash paid to employees	(336 199)	(295 216)
Cash generated from operations	**3 517 375**	**3 057 804**
Interest paid	(58 290)	(88 509)
Payment to Tax Authority	(601 967)	(617 017)
Payment to Sales Tax Authority	(212 658)	(200 845)
Other proceeds / (payment) -net	(345 191)	285 663
Net cash provided from operating activities	**2 299 269**	**2 437 096**
Cash flow from investing activities		
Purchase of property, plant and equipment and project in progress	(1 780 581)	(2 423 974)
Proceeds from sale of fixed assets and other assets	1 384	269
Purchase of investments	(11 315)	(1 211)
Proceeds from sale of investments	-	24 068
Interest received	5 148	41 346
Dividends received	13 481	946
Net cash used in investing activities	**(1 771 883)**	**(2 358 556)**
Cash flow from financing activities		
Net payment of long-term borrowings	(127 462)	(200 708)
Net cash used in financing activities	**(127 462)**	**(200 708)**
Net increase (decrease) in cash and cash equivalents	**399 924**	**(122 168)**
Cash and cash equivalents at beginning of the year	539 688	661 856
Cash and cash equivalents at the end of the year	**939 612**	**539 688**

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

TELECOM EGYPT
AN EGYPTIAN JOINT STOCK COMPANY

STATMENT OF CHANGES IN EQUITY

For The Year Ended June 30, 2000

	Share Capital L.E. (000)	Reserves L.E. (000)	Retained Earnings L.E. (000)	Net profit for the year L.E. (000)	Total L.E. (000)
Balance as of July 1, 1999	19 105 038	55 027	1 033 853	-	20 193 918
Decrease in share capital (note No.12)	(1 992 889)	-	-	-	(1 992 889)
Additions during the year	-	1 962			1 962
Net profit for the year	-	-	-	1 556 892	1 556 892
Balance as of June 30, 2000	**17 112 149**	**56 989**	**1 033 853**	**1 556 892**	**19 759 883**

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

1. Background

1.1. Establishment of the company

Arab Republic of Egypt National Telecommunication Organization (ARENTO) was established pursuant to Law No. 153 of 1980. By the issuance of Law No. 19 of 1998 amending the legal form of (ARENTO) it became an Egyptian Joint Stock Company under the name of TELECOM EGYPT Company (TE) as from March 27, 1998.
The company is subject to the provisions of the Law No 159 of 1981 and Money Market Law No. 95 of 1992.

1.2.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.
- Cooperation with international companies and organizations to connect the Arab Republic of Egypt with the world.

1.3.Valuation of assets and liabilities

The value of assets as well as the value of liabilities as of 26/3/1998 were subject to valuation pursuant to Article (5) of Law (19) for1998.

2. Basis for the preparation of the financial statements

The financial statements are prepared in accordance with the Egyptian Accounting Standards.

3. Significant accounting policies applied

3.1 Foreign currency translation

The company maintains its accounts in Egyptian pounds. Transactions, denominated in foreign currencies, are translated at the prevailing exchange rates at the date of transactions. At balance sheet date, monetary assets and liabilities, denominated in foreign currencies, are re-translated at the prevailing exchange rates at that date. Exchange gains or loses are included in the income statement.

TELECOM EGYPT
AN EGYPTIAN JOINT STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2000

3.2 Fixed assets and depreciation

Fixed assets are initially measured at their cost and depreciated using the straight-line method over their estimated useful lives at the following annual rates:-

Description	Useful Life From - To
Buildings & construction	5 - 50 Years
Machinery & equipment	8 - 20 Years
Means of transportation	5 - 10 Years
Tools and supplies	1 - 8 Years
Office furniture and fixtures	5 - 10 Years
Other assets	10 Years

3.3 Projects in progress

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

3.4 Borrowing costs

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

3.5 Long term investments

Long term investments are recorded at cost.
Income from investments is recognized when dividends are declared.
The costs of investments are reduced by any permanent decline in their value.

3.6 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. Costs of obsolete or slow moving items are reduced to their replacement values. Cost is determined using the weighted average method.

3.7 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; therefore, there are no liabilities against the company towards end of service indemnity. The company records this contribution in the “Wages and Salaries” account.

3.8 Revenue recognition

Revenue from telecommunication services is recognized upon providing the service.

3.9 Cash Flow statement

The Cash Flow statement was prepared using the direct method.

4. Fixed assets

Description	Land L.E. (000)	Buildings L.E. (000)	Machinery L.E. (000)	Means of Transportation L.E. (000)	Tools & Supplies L.E. (000)	Office Furniture & Fixtures L.E. (000)	Total L.E. (000)
Cost as of 1/7/99	6 000 561	9 873 557	6 538 061	60 015	23 407	131 846	22 627 447
Additions for the year	12 860	1 143 605	1 079 598	10 868	1 662	19 537	2 268 130
Exclusion & disposals for the year	(1 988 846)	(4 043)	(32 141)	(247)	-	-	(2 025 277)
Cost as of 30/6/2000	**4 024 575**	**11 013 119**	**7 585 518**	**70 636**	**25 069**	**151 383**	**22 870 300**
Accumulated depreciation as of 1/7/99	-	672 908	889 106	19 944	7 243	19 681	1 608 882
Depreciation for the year	-	750 067	919 197	16 978	6 208	17 087	1 709 537
Accumulated depreciation of disposals & adjustments for the year	-	-	(22 174)	(902)	-	-	(23 076)
Accumulated depreciation as of 30/6/2000	**-**	**1 422 975**	**1 786 129**	**36 020**	**13 451**	**36 768**	**3 295 343**
Net book value as of 30/6/2000	**4 024 575**	**9 590 144**	**5 799 389**	**34 616**	**11 618**	**114 615**	**19 574 957**
Net book value as of 30/6/1999	**6 000 561**	**9 200 649**	**5 648 955**	**40 071**	**16 164**	**112 165**	**21 018 565**

Exclusion of land and buildings against the reduction in the company's share capital by the same amount. (Note No. 12)

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2000

5. Projects in progress

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Land	2 166	1 851
Buildings and construction	861 468	1 127 522
Machinery and equipment	1 657 772	857 381
Means of transportation	15 785	1 397
Tools and supplies	2 832	881
Office furniture and fixtures	12 602	733
Advance payments	228 915	258 992
Letter of credit L/C	1 824	-
	2 783 364	**2 248 757**

6. Long term investments

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Foreign investments	73 569	61 468
Local investments	60 292	40 977
	133 861	**102 445**

7. Other assets

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Usufruct for land occupied by TE	19 175	19 175
Leased circuits	19 379	19 379
Right of way (Flag cable)	43 507	22 763
Right of way (SMW2, SMW3, Elitar cables)	110 367	109 225
	192 428	**170 542**
Less Amortization	36 231	16 988
	156 197	**153 554**

8. Inventories

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Spare parts	92 984	105 893
Materials	674	1 115
Telephone sets and directories	19 647	41 898
Others	6 738	1 306
	120 043	**150 212**
Add:		
Letters of credit	4 457	2 988
	124 500	**153 200**

9. Trade receivables

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Trade receivables - governmental sector	443 926	286 947
Trade receivables - private sector	1 556 032	1 122 481
Trade receivables - foreign telecommunication companies and organizations	463 351	589 894
	2 463 309	**1 999 322**
Less		
Provision for doubtful debts	367 209	317 783
	2 096 100	**1 681 539**

10. Debtors & other debit balances

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Suppliers - debit balances	11 349	3 272
Deposits with others	1 058	2 828
Employees loans	10 857	8 709
Customs authority - deposits	3 166	4 439
Receivable from sale of fixed assets	432	172
Accrued revenues	13 347	7 530
Other debit balances	108 308	76 799
	148 517	**103 749**
Less		
Provision for doubtful debts	45 445	41 611
	103 072	**62 138**

11. Cash on hand and at banks

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Banks - time deposits	913 005	378 145
Banks - current accounts	20 613	159 471
Cash on hand	5 994	2 072
	939 612	**539 688**

12. Share capital

The company's authorized, issued and fully paid up capital is determined at L.E. 19 105 038 K representing 191 050 380 shares each of par value of L.E. 100 all owned by the Egyptian government.

The extraordinary shareholders' meeting held on March 5, 2000 resolved to reduce the share capital of the company to L.E. 17 112 149 K against the exclusion of unused plots of land and construction thereon amounting to L.E. 1 992 889 K from its fixed assets, which were transferred to the state.
The company's article of incorporation was amended to reflect the above decision and it was published in the Gazette, Edition No. 854 dated on May 7, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2000

13. Loans and facilities

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Local loans and local suppliers' facilities	153 444	123 009
Governmental loans	525 298	537 752
Foreign loans	829 107	941 972
Bank and foreign suppliers' facilities	1 445 144	1 037 503
	2 952 993	**2 640 243**
Less:		
Installment due within a year	368 531	412 270
	2 584 462	**2 227 973**

14. Provisions

	Balance as of 1/7/1999 L.E. (000)	Amount provided during the year L.E. (000)	Transfer from/to other accounts L.E. (000)	Utilized during the year L.E. (000)	Balance as of 30/6/2000 L.E. (000)
Tax	500 000	403 420	(355 200)	-	548 220
Claims and contingencies	13 220	113 043	-	-	126 263
Others	24 360	5	15 603	-	39 968
	537 580	**516 468**	**(339 597)**	**-**	**714 451**
Provisions for doubtful debts					
Trade receivables	317 783	49 426	-	-	367 209
Debtors and other debit balances	41 611	3 668	501	(335)	45 445
	359 394	**53 094**	**501**	**(335)**	**412 654**
Provisions for obsolete items*	54 507	3 944	-	-	58 451
	951 481	**573 506**	**(339 096)**	**(335)**	**1 185 556**

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

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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2000

15. Suppliers

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Local	56 851	23 033
Foreign	4 163	5 107
	61 014	**28 140**

16. Creditors and other credit balances

	30/6/2000 L.E. (000)	30/6/1999 L.E. (000)
Tax authority	1 216 866	1 232 308
Fixed assets suppliers	313 798	480 253
Deposits from others	370 978	269 938
Accrued interest	144 944	51 581
Accrued expenses	70 787	261 458
Social insurance authority	10 364	8 006
Other credit balances	295 585	229 461
	2 423 322	**2 560 005**
Less		
Tax payment due after one year or more	784 392	713 851
	1 638 930	**1 846 154**

17. Sales of services

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Domestic call revenues		
Local calls	782 793	662 212
Long distance calls (excluding Mobile interconnect and fixed to mobile revenue)	612 892	618 630
Local telegram and telex	12 874	14 993
Total domestic call revenues	**1 408 559**	**1 295 835**
Mobile domestic revenues		
Fixed to mobile revenues	1 125 983	349 497
Mobile to fixed interconnection revenue	92 463	46 616
Mobile to mobile interconnection revenue	-	1 219
Total Mobile revenues	**1 218 446**	**397 332**
Other local revenues		
Connection fees	561 511	469 832
Subscription fees	385 853	297 264
Car services	13 558	19 276
Leased lines	45 340	46 321
Others	263 679	220 080
Total other local revenues	**1 269 941**	**1 052 773**
International revenues		
International calls (excluding mobile to international)	543 065	614 873
Revenue from international operators	804 466	843 724
Mobile to international	269 649	105 632
International telegram and telex	6 680	6 749
Total international revenues	**1 623 860**	**1 570 978**
Total sales of services	**5 520 806**	**4 316 918**

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2000

18. Interconnection fees

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Payments to international operators (telephone)	284 523	284 070
Fixed to mobile interconnection fees	527 963	151 176
Payment to international operators (telegram & telex)	4 836	7 007
	817 322	**442 253**

19. Other operating costs

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Salaries	460 314	309 542
Electricity & water	7 199	5 900
Stationery & printing	28 458	26 579
Means of transportation	7 604	11 823
Telephone business use	21 032	16 358
	524 607	**370 202**

20. General & administrative expenses

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Salaries	180 717	153 669
Depreciation & amortization	67 252	97 348
Bad debts	53	45
Tax and custom duty	2 402	66 929
Others	204 477	61 899
	454 901	**379 890**

21. Assets written down

Represent the difference between the net book value and the replacement value of Analog switches decided by the management to be replaced by the end of year 2000.

22. Other income

	Year ended 30/6/2000 L.E. (000)	Year ended 30/6/1999 L.E. (000)
Rent income	683	1 676
Fines (net)	5 575	15 396
Prior years' income / (expenses) - net	(81 890)	22 883
Sundry revenues	82 770	87 605
	7 138	**127 560**

23. Capital Commitments

As of June 30, 2000 the amount of commitment made in respect of future capital expenditure was L.E 1 188 million (L.E 1 070 as of June 30, 1999).

24. Contingent Liabilities

In addition to the amounts included in the balance sheet, as of June 30, 2000 the company had the following contingent liabilities:

	30/6/2000 L.E. (000)	30/6/1999 L.E (000)
Letters of Guarantee issued by the company's banks on its behalf	279 000	284 000
Letters of Credit	2 200 000	2 009 000

25. Taxation

- The years up to 1996/1997 were inspected for corporate tax purposes and finally assessed by the Tax Authority. The company however, provides for all tax liabilities according to the assessment of the Tax Authority.

- The years 1997/1998 and 1998/1999 are currently under inspection by the Tax Authority.

- Due to the fact that the company was listed during this year in the Stock Exchange Market and according to Article 120 of Law 157 of 1981 as amended, the calculation of corporate tax resulted in no tax due on the company's net profit for 1999/2000.

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NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2000

26. Earnings per share

	Year ended 30/6/2000	Year ended 30/6/1999
Net profit for the year L.E. (000)	1 556 892	835 213
Average number of shares	184 407 417	191 050 380
Earnings per share / L.E.	8.44	4.37

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 cannot be reasonably determined, as there is not a market for these loans since the majority of these loans are preferred loans granted by the government or international Aid Organizations and Institutions.

28. Management of risk

28.1 Interest risk

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

28.2 Exchange rates risk

This risk is represented in the fluctuations in the exchange rates. As some of the loans are granted to the company in foreign currencies, this risk is high because the exchange rates may change in a way that could have a negative impact on the results of operation.

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 whereby delinquency fines are charged and services are disconnected followed by final cancellation of the contracts.

29. Comparative figures

Comparative figures were reclassified to comply with this year's presentation.

TELECOM EGYPT SERVICES

INTELLIGENT NETWORK (IN) SERVICES:

Free Phone
Prepaid Calling Card
Virtual Calling Card
Televoting
Premium Rate
Voice Mail
Universal Personal Number
Virtual Private Network

VALUE ADDED SERVICES

Call waiting
Follow Me
Do Not Disturb
Hot Line
Abbreviated Dialling
Calling Line Identity
Code Barring
Conference Call
Wake-up Call

DATA SERVICES

X.25 Asynchronous
Frame Relay/ATM
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LEASED LINES

Leased Circuits National & International from 9.6 KB to 2 MB/sec.

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