

**MERIS (Middle East Rating & Investors' Service) affirms the senior unsecured debt at "AA" with a "Stable" Outlook of Telecom Egypt following its underlying of additional bank debts amounting to EGP 4.525 bn**

**Cairo, 20<sup>th</sup> November, 2006:** Telecom Egypt (TE) (Ticker: ETEL.CA; TEEG.LN), today announced the official statement of Middle East Rating & Investors' Service (MERIS) that it has affirmed the senior unsecured debt "AA" National Scale Rating of Telecom Egypt Company (TE). The rating outlook remained "Stable" for both the entity and the instrument.

An "AA" grade denotes **very strong** creditworthiness and a low likelihood of credit loss relative to other domestic issuers. The (+/-) signs denote relative status within each rating category. The attached stable outlook assumes that the company will be able to sustain the current business and financial profile in the medium term.

The rating announcement follows the company's raising of its bank debts, with an amount of EGP 4.525 bn, to partially finance the acquisition of an additional 23.47% stake in Vodafone Egypt (VFE). The total value of the deal was EGP 5.63 bn financed through a mix of internal and external resources. In a later action, Vodafone Group launched a tender offer for an additional 4.9% of VFE, part of which will be sourced from TE (between 3.97% to 4.69%). If successful in the above-mentioned tender offer, TE is anticipated to own 45% of VFE, while Vodafone Group will account for the remaining 55%.

In the meantime, the latter two companies have entered into a strategic partnership, the most important aspect of which is that TE will remain the sole supplier for the international gateway service to VFE, especially after liberalizing the international service in Egypt. VFE will also extend its distribution channels through TE's outlets. Moreover, the two parties will co-operate together to implement new joint products.

It is worth mentioning that this action was taken as part of the company's strategy to increase its exposure to the fast growing mobile sector in Egypt, following its unsuccessful bid for the third mobile license. **MERIS** believes that the above mentioned undertaking is considered in line with TE's overall strategy, and is anticipated to have a positive impact on the company's business operation in the long term.

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## **Notes to Editors:**

### **About Telecom Egypt**

Telecom Egypt (TE), Egypt's incumbent telecommunications operator, started its operations in 1854 with the first telegraph line in Egypt. Then it was corporatized in 1998 to replace the former Arab Republic of Egypt National Telecommunication Organization (ARENTO). The Company is the largest provider of fixed-line services in the Middle East and Africa with 10.7 million subscribers as at the end of September 2006 representing a teledensity of 14.9 percent.

TE provides retail telecommunication services including access, local, long distance and international voice, Internet and data, and other services. The company also provides wholesale services including bandwidth capacity leasing to ISPs, and national and international interconnection services. Telecom Egypt's services also include the provision of narrowband and broadband internet access through its subsidiary TE Data. TE Data has active operations in Egypt and Jordan.

TE currently participates in the mobile segment in Egypt by providing mobile interconnectivity through its current, increased 48.97% holding in Vodafone Egypt, one of the two existing Egyptian mobile operators.

TE's shares and GDRs (Ticker: ETEL.CA; TEEG.LN) are traded on the Cairo and Alexandria Stock Exchanges and the London Stock Exchange.