

Telecom Egypt Completes the Issuance of a Two Billion Egyptian Pounds Negotiable and Non-Convertible Bond

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Telecom Egypt (TE) has closed the public subscription period for its EGP 2 billion bond issue on February 3, 2005. TE bond issue was 100% offered for public subscription. The issue consists of 20 million negotiable, callable bonds not convertible into shares at a par value of EGP 100 each. The issue is divided into two tranches; tranche A: fixed rate tranche at an annual coupon rate of 10.95% payable quarterly and tranche B: floating rate at an annual coupon rate based on the following calculation (Central Bank of Egypt discount rate + 0.70%) payable quarterly. The bond has an amortizing repayment structure with a final maturity of 5 years from the day following the close of public subscription. The proceeds of the issue will be mainly used to refinance existing debts and to finance investments.

A consortium of four banks: Banque du Caire, Bank of Alexandria, Arab African International bank and Citigroup was appointed to act as underwriters. Citigroup acted as the global coordinator for the issue. HSBC and Baker and McKenzie acted as the sole financial and legal advisors to the issuer respectively.

The bond was rated "AA" (national scale rating) by Meris, the local affiliate of Moodys, and is currently one of the largest and highest rated corporate bond in the market.

The bond has attracted significant demand as total subscription reached EGP 3,829,859,300, the highest amount raised ever for a corporate bond in Egypt, making the issue 1.91 times oversubscribed. The subscription included a worth of EGP 424,833,000 from foreign investors including US, UK, Belgium and UAE funds and asset managers. Akil Beshir, Chairman of Telecom Egypt, commented that " as part of the company's financial restructuring initiatives, we recognized the opportunity of decreasing the company's cost of borrowing through tapping the local capital market with a bond issue . Being the largest ever corporate bond issue in Egypt and oversubscribed by 1.91 times proves TE's great success, thanks to its efficient, focused and achievement-oriented management team." Moreover, Ali Salama, Vice Chairman for Financial and Commercial Affairs added that "the bond being oversubscribed is a reflection of the strong confidence of investors in TE's current and future financial strength."

About Telecom Egypt

Telecom Egypt (TE), Egypt's incumbent telecommunications operator, was established in 1998 to replace the former Arab Republic of Egypt National Telecommunication Organization (ARENTO). The company has a fixed line subscriber base in excess of 10 million subscribers which makes it the largest fixed line provider in the Middle East and Africa.

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