Press Release

Telecom Egypt reaches an agreement with the Tax Authority for resolving the capital gain tax dispute

Cairo 14th October, 2004

In 1998, a committee was formed to value the net assets of the Arab Republic of Egypt National Telecommunication Organization (ARENTO), Telecom Egypt's (TE) predecessor, in preparation for the corporatization process that resulted in issuing Law 19 for the year 1998 which establishes TE with its new capital and asset base which increased in value by EGP 11.4bn. The Tax Authority filed a claim requesting capital gain taxes of EGP 4.8bn on the capital gain resulting from the valuation of the company's net assets. After a series of negotiations, TE and the tax authority agreed on the following (amongst other things):

1. TE is not subject to the EGP 4.8bn capital gain tax
2. Starting from 2004, TE's tax shield due to stock exchange listing will be based on a paid-up capital base of EGP 17.112bn less the increase resulting from the net asset valuation
3. For tax purposes, depreciation expense will be based on the fixed assets value prior to revaluation.

Akil Beshir, Chairman and CEO, stated "the agreement reached between Telecom Egypt and the Tax Authority is a fair solution to both parties; moreover, such agreement is expected to have a positive impact on the Company's bond offering".

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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