

جمهورية العراق
وزارة المالية



REPUBLIC OF IRAQ
MINISTRY OF FINANCE

Press Release

For Immediate Release

September 16, 2005

**Iraq Announces the Successful Conclusion of First Phase
of Commercial Debt Restructuring**

Baghdad, Iraq: The Republic of Iraq today announced the successful conclusion of the first phase of its offer to repurchase and cancel, at a discount, Saddam-era claims held by commercial creditors.

On August 8, 2005, the first batch of Invitations to settle (at a discount) commercial claims were sent to creditors whose claims had been substantially reconciled. The offer period for the Invitation expired on Friday, September 9, 2005. Of \$750 million in commercial claims eligible for settlement pursuant to this first round of offers, preliminary results are that holders of approximately 78% of claims accepted outright. Only a very small number of holders, approximately 2% of claims, rejected or failed to respond. Holders representing approximately 20% of claims elected to defer making a decision until work on their remaining unreconciled claims could progress further, an option that was expressly permitted by the terms of the offer. The final figures are being verified by the Settlement Agent and will be published on www.eydro.com on or before September 22, 2005.

“We are very encouraged by the results of this first round of offers”, said Ali A. Allawi, Iraq’s Minister of Finance. “Iraq’s debt restructuring program is on track and on schedule. All remaining commercial claimants should receive their invitations in the coming few months as their claims are reconciled.”

On July 26, 2005, Iraq announced its intention to offer to settle all outstanding Saddam-era commercial claims against Iraq and Iraqi public sector obligors through a discounted cash purchase or a debt-for-debt exchange offer, depending upon the aggregate size of a holder's claims. A second offer period to settle claims for cash will begin shortly as the next batch of claimants eligible to receive the cash purchase offer become substantially reconciled. A debt-for-debt exchange targeted to holders of larger aggregate claims is planned for the fourth quarter of 2005.

Further information can be obtained from the Iraq Debt Reconciliation Office:

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Citigroup Global Markets Inc. and JP Morgan are acting as Joint Global Coordinators for the Iraq commercial claims restructuring process.

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Neither this release nor any of the documents referred to herein constitute an offer by the Republic of Iraq or by any other party to settle or exchange any outstanding claims, nor do they constitute an admission or acknowledgement of any such claim, or an acknowledgement that any such claim exists or has been revived or reinstated, or an express or implied promise to pay any such claim or any part thereof. This release and the documents referred to herein are expressly published without prejudice. All defenses available to the Republic of Iraq and any other party based upon any applicable statute of limitations or otherwise are expressly preserved. Neither this release nor the documents referred to herein may be relied upon as evidence of the existence of any claim or the willingness or ability of the Republic of Iraq or any party to pay any such claim.