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Ethiopia announces the unsuccessful conclusion of restricted discussions held with a group of holders of its Eurobond 2024 and its intention to hold a Global Investor Call for the holders of its Eurobond

Addis Ababa – The Ministry of Finance ("MoF") of the Federal Democratic Republic of Ethiopia ("Ethiopia") announces today that it has held restricted discussions over the last week with a group of holders (the "Group", and together with Ethiopia, the "Parties") of its US$ 1 billion 6.625% Notes due 2024 (the "Eurobond") and their legal and financial advisors, Weil, Gotshal & Manges (London) LLP and Newstate Partners LLP, respectively, to discuss the potential restructuring of the Eurobond, including a revision of interest payment dates and extension of its bullet maturity due in December next year. Despite constructive discussions, the Parties did not come to an agreement on restructuring terms acceptable to all. Ethiopia now intends to broaden the engagement with the holders of its Eurobond and will, to that effect, convene a Global Investor Call next week where it intends to set out a proposal it may launch related to the Eurobond following the Global Investor Call.

As expressed in a communique published on November 15, 2023, Ethiopia is currently facing acute external liquidity pressures that are impacting the normal servicing of its external debt obligations, including the Eurobond. This situation led the MoF to initiate discussions with its external creditors regarding the provision of a time limited debt service suspension aimed at providing the country with breathing space while it finalizes program discussions with the International Monetary Fund (IMF) and resumes the Common Framework process to secure a broader debt treatment. The country has already secured agreements on an interim debt service suspension with most of its external bilateral creditors as well as some commercial lenders.

Against this backdrop, and consistent with its ongoing engagement efforts with other creditors, the MoF proposed that the Group enter a period of restricted discussions to discuss the terms of a potential restructuring of the Eurobond.

During the restricted discussions, the MoF presented an update of the macroeconomic and fiscal situation of the country, which it also intends to present during the upcoming Global Investor Call. The MoF emphasized Ethiopia's fragile external position, with significantly lower FX reserves, which inevitably impacts the MoF's ability to service imminent external borrowings. While stressing the fact that it has always strived to remain current on its external debt obligations in spite of these constraints and paid the $33m Eurobond coupon falling due in June 2023, the MoF communicated to the Group that Ethiopia is not in a position to pay the upcoming $33m coupon falling due on 11 December 2023 pending a comprehensive resolution of the Eurobond issue and consistent with the need to treat all its creditors equally.

The MoF also provided an update on its program discussions with the IMF, which it expects to complete early next year. Under current discussions, the estimated external financing gap to be filled in the context of an anticipated 4-year program period is expected to be covered by the IMF, the World Bank, and external debt service reduction from commercial and official creditors to ensure fair burden sharing.

As part of the discussions, the MoF submitted to the Group an initial restructuring proposal, as further described in appendix 1, with proposed adjustments to the redemption profile and interest structure of the Eurobond. More precisely, the MoF proposed to postpone the redemption of the Eurobond until after the prospective IMF program period, in ten equal semi-annual installments starting in December 2028 and with a final maturity in June 2033. The coupon rate was proposed at 5% (down from 6.625%), of which 2% would be capitalized during the anticipated program period.

With this initiative, the MoF's intention was to offer the Group and more broadly its bondholders the opportunity to contribute early on to the resolution of the country's debt issue. While the MoF recognizes and acknowledges the uncertainty of the proposed treatment being accepted by all parties in the context of the Common Framework, it firmly believes that the proposed terms would minimize such risk. The MoF further believes that such a pre-emptive solution would avoid a potentially prolonged payment default situation that is in no one's interest.

The Group, in return, shared a counterproposal further described in appendix 2, which contemplates a redemption period of 18 months in three equal semi-annual installments starting in July 2028 with a final maturity in July 2029. The coupon rate is proposed to be kept at the current level of 6.625%, fully payable in cash, with a first long coupon date accruing from December 2023 to July 2024. The December 2023 coupon payment should also be paid in cash in February 2024, and a consent fee of 2% would be payable to consenting bondholders upon implementation of the transaction. The Group further asked that a loss reinstatement provision be added to compensate Bondholders for any present value loss incurred as part of this transaction upon Ethiopia defaulting in the future.

While recognizing the efforts put forward by the Group, the MoF concluded that this proposal does not achieve the country's objective to alleviate immediate FX liquidity constraints and does not provide for sufficient cash flow relief over the next few years. The MoF therefore believes that the proposal would run too high a risk of being revisited during the Common Framework process and would further create a refinancing wall for Ethiopia just after the anticipated IMF program period.

The MoF then submitted to the Group a final counterproposal, which is described in appendix 3. The revised proposal foresees a shorter 4-year amortization period, with a coupon rate increased by 0.5pp to 5.5%, of which 2.5% would be capitalized during the anticipated 4-year program period. The December 2023 coupon would be fully capitalized, and the first coupon payment would be a long coupon accruing from December 2023 until July 2024, with coupon payment dates set in January and July thereafter.

Unfortunately, in the short time available between commencement of discussions and the upcoming interest payment date, an agreement on restructuring terms for the Eurobond could not be reached on the basis of the proposals shared by both Parties.

The MoF is keen to engage with bondholders regarding its plans related to the Eurobond, and so accordingly intends to invite all holders to attend a Global Investor Call. During this call, the MoF intends to provide a comprehensive update on Ethiopia's current macroeconomic situation and set out intended next steps in engaging with Bondholders to resolve the current matter.

Lazard and White Case, acting respectively as financial and legal advisors to the MoF, will be further communicating in the near future to the holders of the Eurobond the exact day and time of the Global Investor Call.

This announcement is made by the Government of the Federal Democratic Republic of Ethiopia and constitutes a public disclosure of inside information under Regulation (EU) 596/2014 (16 April 2014).

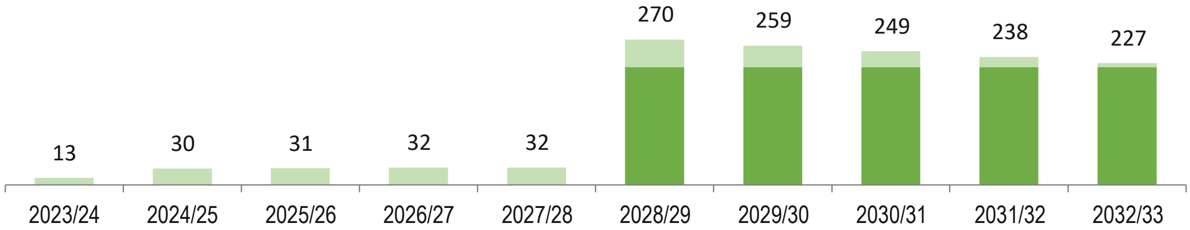
This press release does not constitute an offer of securities for sale or solicitation of an offer to buy any securities in the United States for purposes of the U.S. Securities Act of 1933, as amended.

<u>Appendix 1. Ethiopia's proposed terms for the restructured instrument (initial):</u>

Face value	US$1,000 million
Amortization	10 equal instalments beginning on 11 December 2028 and ending on 11 June 2033
Coupon	5% paid on 11 June and 11 December
Interest capitalization	2% capitalized (payment-in-kind) during the grace period. Full cash payment thereafter (first full cash payment on 11 December 2028)
Other provisions	<u>Payment deferral provisions</u>: Ethiopia may elect to defer up to three debt service payments at its sole discretion (while informing the bondholders and motivating the reason for such choice) and only once in the life of the instrument.

Illustrative redemption profile, in USD million:

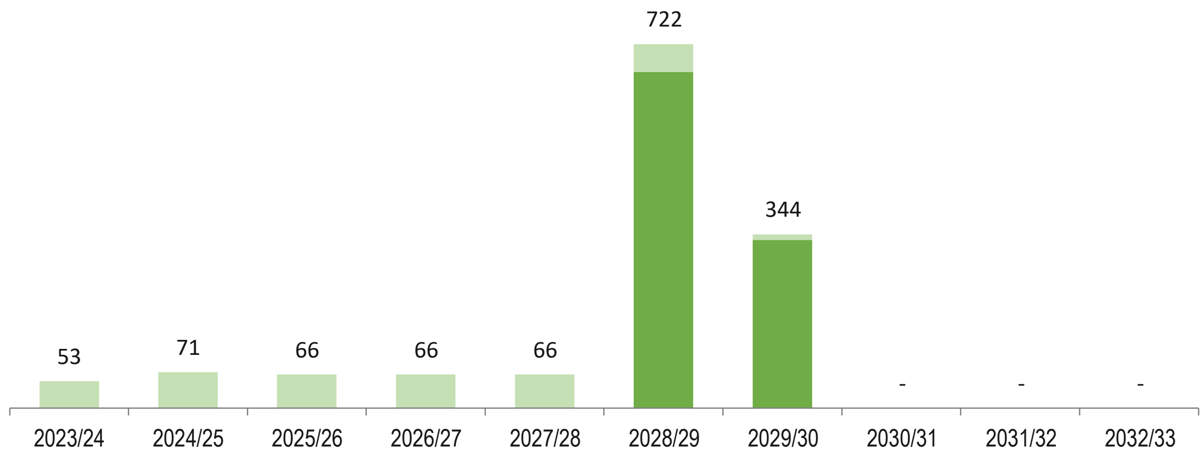
Schedule below on the basis of a transaction date on 1 January 2024 (excl. December 2023 coupon)



<u>Appendix 2. Bondholder's proposed terms for the restructured instrument:</u>

Face value	US$1,000 million
Amortization	3 equal instalments beginning on 8 July 2028 and ending on 8 July 2029
Coupon	6.625% in cash, paid on 8 January and 8 July
Consent fee	2% of original principal (USD 20m)
December 2023 coupon	December coupon due on 11 December 2023 to be paid on 1 February 2024, no interest to accrue on this late payment
Long 1st coupon	First coupon to be paid on 8 July 2024, accruing from 11 December 2023 to 8 July 2024
Other provisions	-<u>Loss Reinstatement</u>: agreement in relation to loss reinstatement provisions which, in the event of an event of default (including in relation to non-payment and a moratorium) would operate to reinstate the NPV of the concessions agreed in the proposed exchange transaction by adjustment to the principal claim, together with additional adjustments to include a principal step up and default interest; -<u>Ad Hoc Group Costs and Expenses</u>: agreement that the Republic will promptly pay or reimburse the Ad Hoc Group directly for all properly documented fees, costs and expenses incurred (including any VAT or other applicable taxes thereon) by them, including those of the -Ad Hoc Group's legal and financial advisors; and -<u>Implementation</u>: agreement on implementation structure of restructuring.

Illustrative redemption profile, in USD million:



Appendix 3. Ethiopia's proposed terms for the restructured instrument (final):

Face value	US$1,000 million (before capitalization of December coupon)
Amortization	8 equal instalments beginning on 30 July 2028 and ending on 30 January 2032
Coupon	5.5% paid on 30 January and 30 July
Interest capitalization	2.5% capitalized (payment-in-kind) during the grace period. Full cash payment thereafter (first full cash payment on 30 July 2028)
Consent fee	To be further discussed once an agreement in principle is reached on other parameters
December 2023 coupon	December coupon due on 11 December 2023 fully capitalized
Long 1st coupon	First coupon to be paid on 30 July 2024, accruing from 11 December 2023 to 30 July 2024 under the revised terms
Other provisions	Payment deferral provisions: Ethiopia may elect to defer up to three debt service payments at its sole discretion (while informing the bondholders and motivating the reason for such choice) and only once in the life of the instrument.

Illustrative redemption profile, in USD million: