



REPUBLIC OF MOZAMBIQUE

**MINISTRY OF ECONOMY AND FINANCE**

**Communique**

Mozambique reaches an agreement in principle on the key commercial terms of a proposed restructuring transaction relating to Mozambique's USD 726,524,000 10.5 per cent Notes due 2023

The Ministry of Economy and Finance of the Republic of Mozambique (the “**Ministry**”), advised by Lazard Frères and White & Case, acting respectively as financial and legal advisors, is pleased to announce that following discussions it has reached agreement in principle on the key commercial terms of a proposed restructuring transaction (the “**Restructuring**”) relating to Mozambique's USD 726,524,000 10.5 per cent Notes due 2023 (the “**Bonds**”, and the holders thereof, the “**Bondholders**”) with members of the Global Group of Mozambique Bondholders (the “**GGMB**”), being funds managed or advised by Farallon Capital Europe LLP, Greylock Capital Management, LLC, Mangart Capital Advisors SA and Pharo Management LLC. These members of the GGMB currently own or control approximately 60% of the outstanding Bonds.

The agreement in principle announced today replaces in its entirety the agreement in principle between the Ministry and the members of the GGMB announced in November 2018 (the “**November 2018 In Principle Agreement**”). The key change to the November 2018 In Principle Agreement is that the Restructuring will no longer include the issue of value recovery instruments linked to fiscal recoveries from the Area 1 and Area 4 gas projects in Mozambique. The New Bonds (as described below) will have different commercial terms to reflect this change.

**New Bonds**

It is anticipated that Bondholders will be invited to vote in favour of an exchange of their Bonds for a new series of debt securities representing senior unsecured obligations of the Republic of Mozambique (“**New Bonds**”), which will be issued on the following key commercial terms:

**Currency:** USD

**Accrual Date:** July 15<sup>th</sup>, 2019

**Amount of Issuance:** USD 900,000,000

**Maturity Date:** September 15<sup>th</sup>, 2031

**Interest Rate:** interest is computed on the basis of a 360-day year of twelve 30-day months and is payable as follows:

- 5.000% cash interest rate, from (but excluding) the Accrual Date up to (and including) September 15<sup>th</sup> 2023
- 9.000% cash interest rate thereafter until the Maturity Date

**Interest Period:** the Republic will pay interest semi-annually in arrears on March 15<sup>th</sup> and September 15<sup>th</sup> of each year, commencing March 15<sup>th</sup> 2020

**Redemption:** eight equal semi-annual instalments of USD 112.5 million on March 15<sup>th</sup> and September 15<sup>th</sup> of the years 2028, 2029, 2030 and 2031

**Governing Law:** English law

### **Cash Payment**

In addition to the New Bonds, the Republic of Mozambique will make a cash payment to eligible Bondholders of up to USD 40.0 million in aggregate on the closing date of the Restructuring, which is comprised of a Consent Fee and an Exchange Payment (each as described below).

**Consent Fee:** The Republic shall pay a consent fee of up to USD 8.0 million in aggregate to eligible Bondholders who vote in favour of the Restructuring. The Consent Fee will be paid to each Bondholder that votes in favour of the exchange on the basis of USD 11 per USD 1,000 of Bonds so voted.

**Exchange Payment:** The Republic shall pay an exchange payment of USD 32.0 million in aggregate to all Bondholders.

An amount (to be determined) will be deducted from the Exchange Payment to defray the GGMB's unreimbursed fees, costs and expenses reasonably and properly incurred in connection with the negotiation and implementation of the Restructuring, so that these fees, costs and expenses are borne equally and fairly amongst all Bondholders.

The remainder of the Exchange Payment shall be distributed to Bondholders pro rata at the closing of the Restructuring.

### **Implementation**

The Ministry and the members of the GGMB expect that the Restructuring will likely be implemented through a consent solicitation and formal exchange relating to the Bonds, which the Ministry intends to launch as soon as practicable such that implementation of the Restructuring is targeted to occur by no later than 1 September 2019, and sooner if feasible.

The agreement in principle reached by the parties, and the support of the members of the GGMB for the proposed restructuring, is conditional on the parties reaching agreement on mutually satisfactory documentation setting out the detailed terms of the Restructuring including

implementation, and the Ministry proceeding in good faith to obtain all necessary approvals for completion of the Restructuring, some of which will only be obtained following formal approval of the Restructuring by holders of at least 75% of the outstanding principal amount of the Bonds.

The Ministry and the GGMB have agreed to commence work immediately on, and to work in good faith with their respective advisers to reach agreement on, mutually acceptable documentation and the implementation of the proposed Restructuring.

**Maputo, 31 May 2019**