Statement by the Republic of Ethiopia on agreement with bondholder committee

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Ethiopia reaches agreement in principle with Ad Hoc Committee of bondholders on principal financial terms of restructuring of 2024 Notes

ADDIS ABABA, Ethiopia, Jan. 2, 2026 /PRNewswire/ -- The Ministry of Finance ("**MoF**") of the Federal Democratic Republic of Ethiopia ("**Ethiopi**a") announces today that between 23 December and 1 January 2026 (the "**Restricted Period**"), it held restricted discussions with a group of holders (the "**Ad Hoc Committee**", and together with Ethiopia, the "**Parties**") of its US$ 1 billion 6.625% Notes due 2024 (ISIN US29766LAA44) (the "**2024 Notes**") to discuss the potential restructuring of the 2024 Notes. Ethiopia was joined by its legal and financial advisors, White & Case LLP and Lazard, respectively, and the Ad Hoc Committee was joined by its legal and financial advisors, Weil, Gotshal & Manges (London) LLP and Ankura Sovereign Advisors LLP, respectively. The Ad Hoc Committee comprises institutional holders controlling in aggregate more than 45% of the 2024 Notes.

The MoF is pleased to announce that the discussions yielded an agreement in principle (the "**Agreement in Principle**") between Ethiopia and the Ad Hoc Committee on the principal financial terms of a restructuring of the 2024 Notes. Such terms are attached hereto as Annex A.

Ethiopia believes that the Agreement in Principle is consistent with: (i) the targets and parameters of Ethiopia's International Monetary Fund ("**IMF**") programme; and (ii) the Comparability of Treatment principle as applied by Ethiopia's official creditor committee ("**OCC**"). The terms of the Agreement in Principle have been communicated to the OCC for their non-objection as well as to the IMF to ensure compliance with Ethiopia's long-term debt sustainability.

In parallel, Ethiopia has committed to work collaboratively and in good faith with the Ad Hoc Committee and its advisors to reach agreement on non-financial terms of the new instruments to be issued in the restructuring. The Agreement in Principle remains subject to reaching agreement on such non-financial terms and receipt of the confirmations from the IMF and the OCC referenced above.

Ethiopia also commits to expedite the implementation of the restructuring of the 2024 Notes through an exchange offer and/or consent solicitation as early as possible in 2026.

Ethiopia would like to thank the Ad Hoc Committee and the Ad Hoc Committee's advisors for their close collaboration, constructive spirit and continuous support throughout the negotiations.

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.

Annex A

Indicative Terms

PROPOSED RESTRUCTURING OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA'S U.S. DOLLAR NOTES

This is an indicative term sheet (the "**Term Sheet**"). It describes the principal financial terms for a proposed restructuring of the Federal Democratic Republic of Ethiopia's ("**Ethiopia**" or the "**Issuer**") US$1,000 million 6.625% Notes due 2024 (the "**2024 Notes**") (the "**Restructuring**").

Unless otherwise defined, capitalized terms used in this Term Sheet are as defined in the prospectus dated 9 December 2014 in respect of the 2024 Notes.

This Term Sheet is to be used as a basis for continued discussions only and does not constitute a legal commitment on the part of the parties. These terms have been shared with the IMF and Ethiopia's Official Creditor Committee (the "**OCC**"), and remain subject to further receiving non-objection from the IMF and OCC as it relates to compliance with Ethiopia's IMF program targets and compliance with the Comparability of Treatment ("**CoT**") principle. Ethiopia commits to deploy its best efforts to secure such non-objection expeditiously.

Following agreement in principle between Ethiopia and certain holders of the 2024 Notes (the "**Ad Hoc Group**") regarding the contents of this Term Sheet, the parties will negotiate in good faith the principal non-financial indicative terms, and other transaction-related matters, including, among other things, the key restructuring steps required for the prompt implementation of the transaction set out in this Term Sheet and settlement of the Ad Hoc Committee's costs and expenses. The terms set out herein are subject to negotiation and execution of definitive documentation.

This Term Sheet does not constitute (nor will it be construed as) (i) an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of the securities referred to herein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction or (ii) a solicitation of any consent to any action, it being understood that such an offer or solicitation of consents, if any, will only be made in compliance with applicable provisions of securities, bankruptcy, and/or other applicable laws.

Indicative Financial Terms

New Bond Issue

		Description
1.	**Issue Amount:**	• US$850 million (15% haircut to original US$1,000 million principal outstanding of 2024 Notes, excluding past due interest)
2.	**Amortisation Schedule:**	Principal payments of • US$350 million payable on 15 July 2026; • US$350 million payable on 15 July 2028; and • US$150 million payable on 15 July 2029 ("**Final Amortisation**")
3.	**Maturity Date**	• 15 July 2029
4.	**Interest Rate:**	• 6.125%, payable on 15 January and 15 July of each year until maturity • Long first coupon, interest accruing from 11 December 2024 until 15 January 2026, payable on settlement
5.	**Consent Fee:**	• 0.5% of original nominal value of 2024 Notes (equivalent to a maximum of US$5 million), payable on settlement on a prorate basis to consenting holders
6.	**Past Due Interest:**	• 3 missed coupons (December 2023 to December 2024) totalling US$99.375 million to be paid in full at settlement
7.	**Downside Adjustment**	• Final Amortisation reduced to either: o US$100 million in the event that total exports of goods in nominal US dollars in fiscal year ("**FY**") 26/27 and FY 27/28 is less than 95% of the projected total exports of goods in nominal US dollars in the IMF's third review under Ethiopia's Extended Credit Facility (the "**IMF Third Review Report**") over the same period; or o US$50 million in the event that total exports of goods in nominal US dollars in FY 26/27 and FY 27/28 is less than 85% of the projected total exports of goods in nominal US dollars in the IMF Third Review Report over the same period

New Value Recovery Instrument

		Description
1.	**Value Recovery Parameter:**	• Ethiopia's annual exports of goods, in nominal US Dollars
2.	**Value Recovery Mechanism:**	Percentage Payment of Additional Exports, where: • *IMF Assumed Baseline*: is the US Dollar amount of projected exports of goods in each fiscal year as defined in paragraph 3 (*IMF Assumed Baseline*) below • *Achieved Exports:* is the US Dollar amount of exports of goods[1] that Ethiopia reports for each respective fiscal year, as published on or before each Evaluation Date (waterfall of information sources and time horizon for publishing data to be agreed) • *Additional Exports*: is the US Dollar amount of Achieved Exports above the IMF Assumed Baseline in each fiscal year • *Percentage Payment:* is 2.5% of the Additional Exports in each fiscal year, payable in US Dollars • *Annual Cap*: Total payments in each fiscal year shall be capped at US$35million (the "**Annual Cap**") • *Carry Over*: In circumstances where payment of the Percentage Payment in any given year where the Reserve Requirement (as defined below) has been met exceeds the Annual Cap, the amount of such Percentage Payment above the Annual Cap (the "**Excess Amount**") can be carried over and paid the following year in accordance with the Payment Priority (described below); *it being understood* that any portion of such Excess Amount not paid in such following year shall no longer be due and payable, unless the Reserve Requirement has not been met and payment is deferred. • *Control Variable*: payments under the VRI in respect of any fiscal year are subject to a control variable test. o The *control variable* is the amount of gross official reserves[2] in US Dollar millions at the end of each fiscal year for which the Percentage Payment is being determined o *Reserve Requirement*: No payment under the VRI shall be due in respect of a fiscal year where gross official reserves in US Dollar millions at the end of such year does not equal or exceed the Reserve Requirement as defined in paragraph 4 (*Reserve Requirement*) below. o *Two-year deferral mechanism*: if the Reserve Requirement for a particular fiscal year is not met, the Percentage Payment in respect of such year, together with any Excess Amount for the previous fiscal year which remains due and payable (together, the "**Deferred Amount**") shall be deferred. Such Deferred Amount shall become payable in the following year in which the Reserve Requirement has been met (pursuant to the Payment Priority and subject to the Annual Cap for such year). Payment of any portion of a Percentage Payment for a particular fiscal year cannot be deferred for more than two years, and any such portion of a Deferred Amount that remains outstanding following the end of the two-year period shall no longer be due and payable. • *Payment Priority:* On a given Payment Date, payments shall be subject to a payment priority waterfall based on time seniority.
3.	**IMF Assumed Baseline**	Projected exports of goods in the IMF's Third Review under the Extended Credit Facility Arrangement, published in July 2025, in each fiscal year commencing 2026/27 until 2029/30, and held as a constant percentage of projected GDP thereafter until the VRI End Date, rounded to the nearest US Dollar millions, with projected GDP in US Dollar billions as published in the same report, as follows: • FY2026/27: 6,938 • FY2027/28: 8,062 • FY2028/29: 8,970 • FY2029/30: 10,046 • FY2030/31: 11,408 • FY2031/32: 12,976 • FY2032/33: 14,791 • FY2033/34: 16,869 • FY2034/35: 19,206 • FY2035/36: 21,816

4.	**Reserve Requirement**	The Reserve Requirement for each fiscal year is as follows (in USD millions)[3]: • FY2026/27: 6,575 • FY2027/28: 7,022 • FY2028/29: 7,795 • FY2029/30: 8,816 • FY2030/31: 10,008 • FY2031/32: 11,383 • FY2032/33: 12,975 • FY2033/34: 14,798 • FY2034/35: 16,849 • FY2035/36: 19,138
5.	**VRI Notional**	• US$180 million
6.	**VRI End Date**	• 15 January 2037
7.	**Evaluation Date:**	• For any given fiscal year, 1 December of the calendar year before the Payment Date
8.	**Payment Date:**	• 15 January of each year following the end of the respective fiscal year, commencing 15 January 2028 for the fiscal year 2026/2027, until and including the VRI End Date; provided that in the event the Reserve Requirement is not met in fiscal year 2034/2035 and/or 2035/2036, then any Deferred Amount(s) in respect of such fiscal year(s) may be paid on 15 January 2038 or 15 January 2039 (i.e. after the VRI End Date) subject to the Annual Cap in each such year and to satisfaction of the Reserve Requirement in respect of the immediately preceding fiscal year.

Ad Hoc Committee Costs

A portion of the Ad Hoc Committee fees and expenses will be covered by Ethiopia in cash on the settlement date, with any remaining balance being borne rateably by the bondholders, through a deduction from the settlement consideration.

[1] Note: Mechanism for attribution/assessment to be addressed in non-financial terms
[2] Note: Mechanism for attribution/assessment to be addressed in non-financial terms
[3] Note: this is equal to 3.7 months of imports of goods as set out in the IMF Third Review Report to the nearest US Dollar million for FY 2026/27 until FY 2029/30 and then held as a constant percentage of GDP thereafter