



REPUBLIC OF MOZAMBIQUE

MINISTRY OF ECONOMY AND FINANCE

Communique

The Ministry of Economy and Finance of the Republic of Mozambique (the “**Ministry**”) is pleased to announce that it has reached agreement in principle on the key commercial terms of a proposed restructuring transaction relating to Mozambique's US\$726,524,000 10.5 per cent Notes due 2023 (the “**Bonds**”) with four members of the Global Group of Mozambique Bondholders, being funds managed or advised by Farallon Capital Europe LLP, Greylock Capital Management, LLC, Mangart Capital Advisors SA and Pharo Management LLC (the “**Bondholders**”). The Bondholders currently own or control approximately 60% of the outstanding Bonds. The agreement in principle reached by the parties, and the support of the Bondholders 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 obtaining all necessary approvals, including Parliamentary and government approvals in Mozambique.

The Ministry and the Bondholders expect that the restructuring will likely be implemented through a consent solicitation and exchange offer relating to the Bonds, which will be launched by the Ministry as soon as practicable, likely in early 2019. It is anticipated that holders of Bonds will be invited to exchange their existing holdings for two new instruments representing senior unsecured obligations of the Republic of Mozambique: a new series of debt securities (“**New Bonds**”) and a series of value recovery instruments linked to fiscal revenues from the Area 1 and Area 4 gas projects in Mozambique (“**VRIs**”). The new instruments will include the following key commercial terms:

Terms of New Bonds

- Face Value at Issuance: US\$900,000,000 (note that outstanding principal and accrued but unpaid interest on the Bonds as at 9/30/2018, was \$726,524,000 and \$189,441,133, respectively).
- Maturity: 9/30/2033.
- Coupon: 5.875%, provided that a rate of 4.0% will be payable in cash and 1.875% payable via capitalization through (and including on) 9/30/2023, with 5.875% payable in cash thereafter.
- Interest Payment Dates: semi-annual payments occurring 3/30 and 9/30 of each year, with the first payment occurring 3/30/2019 (Coupon accrual to be calculated beginning 9/30/2018).
- Principal: payable in 5 equal, annual instalments beginning 9/30/2029 and ending 9/30/2033.

Terms of the Value Recovery Instruments

- Annual Payment: an amount equal to 5.0% of the prior year’s aggregate fiscal revenue derived by Mozambique from the Area 1 and Area 4 natural gas projects (including the sum of royalties, production bonuses, government's share of profit gas, corporation

tax, and withholding tax on dividends and interest) to be distributed ratably to the holders of VRIs.

- Cumulative Nominal Payment Cap: US\$500,000,000.
- Final Applicable Fiscal Year: 2033.
- Precise payment dates and mechanism for calculating and verifying payment amounts to be determined in definitive documentation.

The Ministry and the Bondholders have agreed to work in good faith with their respective advisers to reach agreement on mutually acceptable documentation and the implementation of the proposed restructuring as soon as possible.

Maputo, 6 November 2018