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DISTRIBUTION WOULD BE PROHIBITED BY APPLICABLE LAW**

**Government of the Republic of Zambia Reaches Agreement in Principle on Debt
Restructuring Terms with the Steering Committee of the Ad Hoc Creditor
Committee of holders of Zambia’s Eurobonds**

Lusaka, Zambia, October 26, 2023 – The Ministry of Finance and National Planning of the Government of Zambia (the “**Government**”), advised by Lazard Frères and White & Case, acting respectively as financial and legal advisors, is pleased to announce that following private discussions with the members of the Steering Committee (the “**Steering Committee**”) of the Ad Hoc Creditor Committee (the “**Committee**”), advised by Newstate Partners LLP and Weil, Gotshal & Manges LLP, between October 9 to 26, 2023, it has reached agreement in principle with the Steering Committee on the key commercial terms of a proposed restructuring transaction (the “**Restructuring**”) relating to the Government’s bonds due 2022, 2024 and 2027 (the “**Bonds**”, and the holders thereof, the “**Bondholders**”). The members of the Steering Committee currently own or control approximately 18% of the outstanding Bonds, while all the members of the Committee currently own or control more than 40% of the outstanding Bonds.

Pursuant to the agreement-in-principle, Bondholders will be invited to exchange and/or vote in favor of a consent to amend the terms of their Bonds for new fixed income instruments representing unsecured obligations of the Government (the “**New Bonds**”). The New Bonds will be issued on the commercial terms outlined in Annex A hereto.

The Government believes the agreement in principle is compatible with the targets and parameters of the Debt Sustainability Analysis embedded in the approved IMF programme, the Comparability of Treatment principle as agreed with its Official Creditor Committee, and achieves the Government’s need for debt relief. The agreement in principle builds upon the same principles agreed upon with its Official Creditors Committee through a Base Case Treatment and Upside Case Treatment depending on Zambia’s future debt carrying capacity. The New Bonds are comprised of two bonds, Bond A and Bond B. The financial terms of Bond A remain unchanged in both the Base Case and Upside Case treatments. However, in case the Upside Treatment is triggered, the financial terms of Bond B will improve through an accelerated payment schedule and higher interest rates. The Government acknowledges that a one-time validation test based on the debt carrying capacity assessment by the IMF and the World Bank to determine whether the Upside Case Treatment would apply may not form the basis of a marketable instrument. To ensure liquidity and adequate market pricing of the New Bonds, the agreement in principle entails a dual trigger mechanism.

The agreement in principle entails important concessions from the Bondholders, while providing the required debt relief to the Government. Under the agreement, Bondholders would permanently forego approximately \$700 million of their claims, and provide cash flow relief of approximately \$2.5 billion during the IMF programme period. Respective weighted average maturity will be 15 years and 9 years under the Base Case Treatment and the Upside Case Treatment. As a result, the present value concessions from the Bondholders at current market rates will be significant. However, these concessions are necessary given the restraints faced by Zambia and are essential to achieve the relief required under the Debt Sustainability Analysis to restore financial stability to the country.

The Government and Restricted Investors intend to put their best efforts to finalize the execution of this agreement in principle by year-end, with the implication that the exchange offer needs to be launched no later than the third week of November.

The Restructuring will be implemented through an exchange offer and/or consent solicitation. Implementation of the Restructuring remains subject to agreement between the Government and the Steering Committee on the definitive legal documentation for the New Bonds and exchange offer and/or consent solicitation.

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

ANNEX A

The “observation period” of the trigger mechanism is to extend over the period January 2026 to December 2028, with assessments to be made at each semiannual payment date with enhanced terms applicable from the date of the trigger and payable from the next payment date. The agreement in principle assumes the Upside Case treatment is triggered irrevocably in case one of the two below conditions is met during the “observation period.”

- Zambia’s Composite Indicator¹ meets or exceeds a score of 2.69 for two consecutive semi-annual reviews, paving the way for an upgrade to medium debt-carrying capacity.
- The 3-year rolling average of the USD exports and the USD equivalent of fiscal revenues (before taking into consideration grants) exceeds the IMF’s projections as laid out in the First Review of the IMF’s Extended Credit Facility Arrangement released in July 2023.²

The financial features of the Base Case and Upside Case Treatment are presented in the next page. The financial structure is composed of two bonds, Bond A and Bond B. In case the Upside Treatment is triggered, financial features of Bond B will be improved through an accelerated payment schedule and higher interest rates. The financial terms of Bond A remain unchanged in both the Base Case and Upside Case treatments.

¹ See <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf> for more details on the Composite Indicator.

² See <https://www.imf.org/en/Publications/CR/Issues/2023/07/13/Zambia-2023-Article-IV-Consultation-First-Review-Under-the-Extended-Credit-Facility-536340>

Financial features		"Base Case" Treatment		"Upside Case" Treatment	
Outstanding Eurobonds (15/12/2023)	Total outstanding claim	USD 3.821bn (USD 3bn of original face value + USD 821m PDIs)			
	Nominal haircut (% of outstanding claims)	18%			
New bonds (exchanged on 15/12/2023)	New Bonds	Bond A	Bond B	Bond A	Bond B
	New Face Value	USD 3.135bn		USD 3.135bn	
		USD 2.00bn	USD 1.135bn	USD 2.00bn	USD 1.135bn
Amortization profile	Average life	6.9-yr	28.8-yr	6.9-yr	9.8-yr
	First amortization year	2023	2051	2023	2032
	Final maturity year	2035	2053	2035	2035
	Amortization profile	<ul style="list-style-type: none"> USD 30m "down payment" (principal repayment) paid on the date of the exchange 5.25% in Mar-24 5.50% in Sep-24 7.50% in Mar-25 and Sep-25 1.50% p.a. from Mar-26 to Mar-31 4 equal instalments of the remainder from Mar-32 to Mar-35 	<ul style="list-style-type: none"> 3 equal instalments in Sep-51, Sep-52 and Sep-53 	<ul style="list-style-type: none"> USD 30m "down payment" (principal repayment) paid on the date of the exchange 5.25% in Mar-24 5.50% in Sep-24 7.50% in Mar-25 and Sep-25 1.50% p.a. from Mar-26 to Mar-31 4 equal instalments of the remainder from Mar-32 to Mar-35 	<ul style="list-style-type: none"> 4 equal instalments from Mar-32 to Mar-35
Coupon structure	<ul style="list-style-type: none"> 5.75% p.a. accruing from Dec-23 until Sep-31 8.00% p.a. accruing from Sep-31 until maturity 	<ul style="list-style-type: none"> 0.50% accruing from Dec-23 until maturity 	<ul style="list-style-type: none"> 5.75% p.a. accruing from Dec-23 until Sep-31 8.00% p.a. accruing from Sep-31 until maturity 	<ul style="list-style-type: none"> 0.50% accruing from Dec-23 until Mar-26 6.00% p.a. accruing from Mar-26 until Sep-31, o/w 3.00% PIK accruing over the same period 8.00% p.a. accruing from Sep-31 until maturity 	

Note: In addition, the execution of the transaction would involve the introduction of a consent fee of 1.5% of the original face value amount of bonds (US\$ 3bn) to incentivize participation to the exchange offer.

This press release does not constitute an offer of the New Bonds for sale in the United States, and the New Bonds (if issued) will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States and they may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. This press release does not constitute an offer of the New Bonds for sale, or the solicitation of an offer to buy any securities, in any state or other jurisdiction in which any offer, solicitation or sale (if made) would be unlawful. Any person considering making an investment decision relating to any securities must inform itself independently based solely on an offering memorandum to be provided to eligible investors in the future in connection with any such securities before taking any such investment decision.

This announcement is directed only to beneficial owners of the Government's Bonds who are (A) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or (B) outside the United States in offshore transactions in compliance with Regulation S under the Securities Act, that may lawfully participate in the Restructuring in compliance with applicable laws of applicable jurisdictions.

No offer of any kind is being made to any beneficial owner of Bonds who does not meet the above criteria or any other beneficial owner located in a jurisdiction where the offer would not be permitted by law.

Forward-Looking Statements

All statements in this press release, other than statements of historical fact, are forward-looking statements. These statements are based on expectations and assumptions on the date of this press release and are subject to numerous risks and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements. Risks and uncertainties include, but are not limited to, market conditions and factors over which the Government has no control. The Government assumes no obligation to update these forward-looking statements and does not intend to do so, unless otherwise required by law.

Notice to Investors in the European Economic Area and the United Kingdom

Notice to EEA retail investors. The announcement contained in this press release is not being directed to any retail investors in the European Economic Area ("EEA"). As a result, no "offer" of new securities is being made to retail investors in the EEA.

This announcement is only directed to beneficial owners of Bonds who are within a Member State of the European Economic Area or the United Kingdom (each, a "Relevant State") if they are "qualified investors" as defined in Regulation (EU) 2017/1129 (as amended or superseded, the "Prospectus Regulation").

The New Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in a Relevant State. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as

amended, the “PRIIPs Regulation”) for offering or selling the New Bonds or otherwise making them available to retail investors in a Relevant State has been prepared and therefore offering or selling the New Bonds or otherwise making them available to any retail investor in a Relevant State may be unlawful under the PRIIPs Regulation. References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

United Kingdom

For the purposes of section 21 of the Financial Services and Markets Act 2000, to the extent that this announcement constitutes an invitation or inducement to engage in investment activity, such communication falls within Article 34 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), being a non-real time communication communicated by and relating only to controlled investments issued, or to be issued, by the Republic of Zambia.

Other than with respect to distributions by the Republic of Zambia, this announcement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This announcement is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the announcement relates is available only to relevant persons and will be engaged in only with relevant persons.