

The Republic of Ecuador Announces Commencement of Consent Solicitation and Invitation to Exchange

Quito, Ecuador, July 20, 2020

The Republic of Ecuador (the "**Republic**" or "**Ecuador**") announced today that it is seeking to modify the terms of approximately U.S.\$17.4 billion of its external bonds (as listed in Table A below, the "**Eligible Bonds**") and to that end it has commenced a solicitation of consents from eligible holders to amend each series of Eligible Bonds and their respective indentures (the "**Consent Solicitation**"). In conjunction with the Consent Solicitation, the Republic is inviting those Eligible Holders (as defined below) to exchange their Eligible Bonds for a package of new securities (as listed in Table B below, the "**New Securities**") to be issued by the Republic under a new master indenture. Table C below sets forth certain financial terms of the New Securities. The invitation to exchange and the Consent Solicitation, together, are hereinafter referred to as the "**Invitation**". The terms and conditions of the Invitation are described in the invitation memorandum dated today (the "**Invitation Memorandum**").

Throughout its debt restructuring process, Ecuador engaged in good faith with its bondholders, providing information with transparency and seeking to adjust the terms of its outstanding debt while respecting inter-creditor equity. On July 7, 2020, the Republic announced that it had reached agreement in principle on the commercial terms of its proposed restructuring with an ad hoc group of institutional holders that, at the time, collectively held a substantial portion of the aggregate outstanding principal of the Eligible Bonds. The group has expressed to the Republic its support for the commercial terms of the restructuring of the Eligible Bonds as set forth in the Invitation.

The Invitation constitutes the second step in the process initiated earlier this year to adjust the terms of Ecuador's outstanding debt to its diminished payment capacity and lack of access to the international financial markets. The Republic has pursued prudent fiscal, monetary, and economic policies to consolidate its public finances and boost economic growth. Although these measures have in recent years proven effective in part (i.e., budget deficits have declined, the Ecuadorian Central Bank has increased reserves, and economic reforms have improved the competitiveness of the Ecuadorian economy), additional measures are necessary to put Ecuador's economic development on a long term positive trajectory. Ecuador remains vulnerable to external shocks due to its weak fiscal position, lack of economic buffers and limited monetary tools. The outbreak of the COVID19 crisis and its severe impact on Ecuador, and the significant drop in the export price for Ecuador's crude oil have compromised severely Ecuador's ability to meet its domestic and foreign commercial and financial obligations.

On April 17, 2020, the Republic announced that it had received the consents of the holders to amend the Eligible Bonds and the respective indentures to provide short term relief from its financial obligations. Those amendments and certain related measures allowed Ecuador and the holders of Eligible Bonds as well as other creditors, and official sector partners including the International Monetary Fund (the "**IMF**"), to engage proactively and in an orderly manner in a negotiation intended to create new and appropriate conditions of sustainability for Ecuador's debt burden. Adjusting Ecuador's debt profile to sustainable terms is a condition to the success of any program that Ecuador can develop to achieve the goals referred to above. The Invitation is a key component of that process.

Summary of the Invitation

Pursuant to the Consent Solicitation, by tendering their consents, Eligible Holders will authorize and instruct the trustee for the series of their Eligible Bonds (the "**Trustee**") to modify any outstanding bonds of such series and their respective indentures. If approved, the proposed modifications (the "**Proposed Modifications**") will give effect to the following amendments:

(a) With respect to all series of Eligible Bonds:

- Each series of Eligible Bonds will be modified to replicate the maturity and economic terms as the New 2040 Bonds (see Table B), without changing the ISIN numbers of such Eligible Bonds and without re-issuing new Global Notes. The modifications will include reducing the outstanding principal amount of the applicable Eligible Bond such that, for every U.S.\$1,000 principal amount originally due, only U.S.\$911.30 principal amount will remain outstanding.
- Remove provisions limiting certain modifications in the context of exchange offers and issuances of new notes in the context of consent solicitations.
- Reduce the single series modification threshold for approval of non-reserve matters from at least 66 and 2/3% to more than 50%.

(b) With respect to all series of Eligible Bonds except for the 2024 Bonds:

- Exclude from the events of default cross-defaults, and defaults arising from the entering or issuance of judgments and arbitral awards relating to, (1) any Eligible Bonds (whether or not modified by the Proposed Modifications), (2) any New Securities, (3) the 7.25% Social Housing Notes due 2035 issued by the Republic, and (4) the 4.625% Notes due 2021 issued by La Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP and guaranteed by the Republic.
- Eliminate certain requirements to waive events of default.

(c) With respect to the 2024 Bonds:

- Eliminate all covenants and events of default (except for events of default relating to the payment of principal amounts).
- Incorporate collective action modification provisions for multiple series aggregation, including with securities issued under indentures having similar provisions.
- Incorporate provisions to permit the Republic and the Trustee to agree to certain technical modifications without the consents of holders, as well as to add covenants or security interest to the benefit of holders.

The Proposed Modifications will only become effective if the requisite consents contemplated in the applicable indenture are obtained and the other conditions set forth in the Invitation Memorandum are satisfied or waived in the Republic's sole discretion; however, the Proposed Modifications will not become operative until (i) the Republic has completed (and not terminated) the Consent Solicitation, and (ii) each Eligible Holder who has delivered its consent and whose consent has been accepted by the Republic receives the New Securities and the New PDI 2030 Bond (as defined below), in each case as set forth in the Invitation Memorandum.

The Republic has retained the right, in its sole discretion and subject to the Minimum Participation Condition (as defined below), to (a) re-designate at any time (including after the Consent Deadline) one or more series of Eligible Bonds (other than the 2024 Bonds) that will be subject to the Proposed Modifications on an aggregated basis, (b) consider the Proposed Modifications effective with respect to one or more series of Eligible Bonds if the Republic receives the requisite consents with respect to such series, and (c) re-designate at any time one or more series of the Eligible Bonds (other than the 2024 Bonds) as to which the Proposed Modifications are 'uniformly applicable' (as defined in the respective indenture) and consider the Proposed Modifications effective with respect to such re-designated series if the Republic receives the consent of not less than 75% of the aggregate principal amount of all such re-designated series at the time outstanding.

Eligible Holders who deliver their consents under the Consent Solicitation will also submit a tender order to exchange their Eligible Bonds for New Securities. Such consents may only be delivered at or prior to 5:00 p.m. (Central European Time), on July 31, 2020 (the "**Consent Deadline**"). At or prior to the Consent Deadline, Eligible Holders may not deliver their consents without also tendering their Eligible Bonds, and may not tender their Eligible Bonds without delivering their consents. However, Ecuador may in its sole discretion extend the Consent Deadline for one or more Series of Eligible Bonds.

Eligible Holders who deliver valid consents (together with the related tender orders) at or prior to the Consent Deadline that are accepted will receive at the Settlement Date (as defined below) the New Securities in exchange of their accepted Eligible Bonds, and will also receive 86% of the accrued and unpaid interest on their validly tendered and accepted Eligible Bonds up to, but excluding, the Settlement Date, in the form of a new zero-coupon bond due 2030 (the "**New PDI 2030 Bonds**") (see Table B below). Such Eligible Holders will not receive any payments in respect of accrued and unpaid interest other than the New PDI 2030 Bonds in the applicable amounts. Table D sets forth the principal amount of each New Security that will be delivered to such Eligible Holders, depending on the series of Eligible Bonds tendered pursuant to the Invitation. Eligible Holders whose tender order is delivered after the Consent Deadline and accepted pursuant to the Invitation will not receive any payments or any New PDI 2030 Bonds in respect of accrued and unpaid interest.

Ecuador reserves the right in its sole discretion to reject any and all consents and tender orders with respect to any series of Eligible Bonds. However, if Ecuador accepts consents delivered so as to modify any series of Eligible Bonds, it will accept all Eligible Bonds of any other series of Eligible Bonds that have been validly tendered.

Eligible Holders who do not submit valid consent and tender orders or whose valid consent and tender orders are not accepted by the Republic will have their Eligible Bonds modified pursuant to the Invitation if we receive the requisite consents to the Proposed Modifications with respect to that series of Eligible Bonds. In this event, the economic terms of such holder's modified Eligible Bonds will differ significantly from the economic terms applicable to its Eligible Bonds prior to the effectiveness of the Proposed Modifications.

By delivering their consents and tender orders, Eligible Holders whose Eligible Bonds are accepted by the Republic will agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any additional amounts on each originally scheduled payment date set forth in the Eligible Bonds occurring between March 27, 2020, and September 1, 2020, (ii) a default under any series of Eligible Bonds for which the required consents are not obtained on or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to any series of Eligible Bonds for which the required consents are not obtained on or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation. No interest will accrue on the amount of interest between the originally scheduled payment date set forth in the Eligible Bonds and September 1, 2020. The effectiveness of the foregoing waiver (x) with respect to individual Eligible Holders, will not be subject to any condition, and (y) with respect to each series of Eligible Bonds will only be contingent upon receiving the requisite consents for such Series.

The Invitation is subject to certain conditions, including (i) the announcement of a staff-level agreement on a program with the IMF by the Settlement Date (the “**IMF Condition**”), (ii) the receipt by the Trustee on the Settlement Date of an opinion from the General Legal Coordinator of the Ministry of Economy and Finance with respect to certain legal matters relating to the New Securities and the new indenture (the “**GLC Opinion Condition**”), and (iii) the receipt by the Republic of consents and tender orders that will result in at least 80% of the aggregate principal amount of all series of Eligible Bonds (other than the 2024 Bonds) being modified pursuant to the Proposed Modifications or otherwise exchanged for New Securities on the terms described in the Invitation Memorandum (the “**Minimum Participation Condition**”). None of the IMF Condition, the GLC Opinion Condition or the Minimum Participation Condition may be waived by us.

The Invitation will expire at 5:00 p.m. (Central European time) on July 31, 2020, unless extended or earlier terminated (in each case with respect to one or more series) by the Republic at its sole discretion with respect to each series of Eligible Bonds (the "Expiration Date"). Consents and tender orders may not be revoked or withdrawn at any time at or prior to the Expiration Date except in the limited circumstances described in the Invitation Memorandum in the Republic's sole discretion. In such cases, Eligible Holders may not validly revoke their consent without also withdrawing their tender order submitted in conjunction with such consent. Prior to the Consent Deadline, Eligible Holders may not validly withdraw a tender order without also revoking the consent given in conjunction with such tender order. We will terminate the Invitation unless settlement of the Invitation occurs on or prior to August 20, 2020 (the “**Settlement Deadline**”); provided that, the Republic shall have the right to extend such deadline to September 1, 2020, with the consent of the holders representing a majority of the aggregate principal amount outstanding of all series of Eligible Bonds as reasonably determined by the Republic in its sole discretion.

On August 7, 2020, or as soon as practicable thereafter, but no later than the Settlement Deadline (the “**Settlement Date**”), the supplemental indentures and the new indenture will be executed, the New Securities will be issued and all Eligible Bonds exchanged pursuant to the invitation to exchange will be delivered to the Trustee for cancellation.

The Republic has engaged Citigroup Global Markets Inc. to act as dealer manager (the “**Dealer Manager**”) for the Invitation. Global Bondholder Services Corporation is acting as the information, tabulation and exchange agent (the “**Information, Tabulation and Exchange Agent**”). Any questions or requests for assistance regarding the Invitation may be directed to the Dealer Manager or the Information, Tabulation and Exchange Agent at the contact information set forth below. Lazard Frères is acting as Financial Advisor to Ecuador in connection with the Invitation.

Eligible Holders, or custodians for such holders, of Eligible Bonds may obtain a copy of the Invitation Memorandum by contacting the Information, Tabulation and Exchange Agent at the contact information set forth below, or by download, following registration, via: <https://gbsc-usa.com/ecuador>.

Table A—Eligible Bonds

Title of Security	ISIN / Common Code	Outstanding Amount
10.750% Bonds due March 28, 2022 (the “2022 Bonds”)	XS1458516967; XS1458514673 / 145851696; 145851467	U.S.\$2,000,000,000
8.750% Bonds due June 2, 2023 (the “2023 Bonds”)	XS1626768656; XS1626768730 / 162676865; 162676873	U.S.\$1,000,000,000
7.950% Bonds due June 20, 2024 (the “2024 Bonds”)	XS1080331181; XS1080330704 / 108033118; 108033070	U.S.\$2,000,000,000
7.875% Bonds due March 27, 2025 (the “2025 Bonds”)	XS2058848826; XS2058845210 / 205884882; 205884521	U.S.\$600,000,000
9.650% Bonds due December 13, 2026 (the “2026 Bonds”)	XS1535072109; XS1535071986 / 153507210; 153507198	U.S.\$1,750,000,000
9.625% Bonds due June 2, 2027 (the “9.625% 2027 Bonds”)	XS1626529157; XS1626530320 / 162652915; 162653032	U.S.\$1,000,000,000
8.875% Bonds due October 23, 2027 (the “8.875% 2027 Bonds”)	XS1707041429; XS1707041262 / 170704142; 170704126	U.S.\$2,500,000,000
7.875% Bonds due January 23, 2028 (the “2028 Bonds”)	XS1755432363; XS1755429732 / 175543236; 175542973	U.S.\$3,000,000,000
10.750% Bonds due January 31, 2029 (the “2029 Bonds”)	XS1929377015; XS1929376710 / 192937701; 192937671	U.S.\$2,125,000,000
9.500% Bonds due March 27, 2030 (the “2030 Bonds”)	XS2058866307; XS2058864948 / 205886630; 205886494	U.S.\$1,400,000,000

Table B — New Securities

New Security	Terms
New 2030 Bonds ⁽¹⁾⁽²⁾	Up to U.S.\$3,768,000,000 principal amount of bonds due 2030 ⁽³⁾
New 2035 Bonds ⁽¹⁾⁽²⁾	Up to U.S.\$8,606,000,000 principal amount of bonds due 2035 ⁽³⁾
New 2040 Bonds ⁽¹⁾⁽²⁾	Up to U.S.\$3,460,000,000 principal amount of bonds due 2040 ⁽³⁾
New PDI 2030 Bonds ⁽²⁾	Zero-coupon bonds due 2030

- (1) Interest at varied rates on these New Securities will accrue semi-annually (other than the first interest period) until maturity starting on the Settlement Date, as set forth in Table C.
- (2) Principal on these New Securities will be payable semi-annually in ten equal installments leading up to the respective dates of maturity.
- (3) The principal amount shown for the New Securities assumes a 100% participation in the Invitation.

Table C—Financial Terms of the New Securities

New Securities	Interest Rate Accrual	Maturity	Principal Repayment
New 2030 Bonds	<ol style="list-style-type: none"> 1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 5.000%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 5.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 6.000%; 5. From and including July 31, 2024 to but excluding July 31, 2030: 6.900%. 	July 31, 2030	Principal on the New 2030 Bonds will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2026 through maturity.

New 2035 Bonds	<ol style="list-style-type: none"> 1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 1.000%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 2.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 3.500%; 5. From and including July 31, 2024 to but excluding July 31, 2025: 5.500%; 6. From and including July 31, 2025 to but excluding July 31, 2035: 6.900%. 	July 31, 2035	Principal on the New 2035 Bonds will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2031 through maturity.
New 2040 Bonds	<ol style="list-style-type: none"> 1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 0.500%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 1.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 2.500%; 5. From and including July 31, 2024 to but excluding July 31, 2026: 5.000%; 6. From and including July 31, 2026 to but excluding July 31, 2027: 5.500%. 7. From and including July 31, 2027 to but excluding July 31, 2028: 6.000%. 8. From and including July 31, 2028 to but excluding July 31, 2029: 6.500%. 9. From and including July 31, 2029 to but excluding July 31, 2040: 6.900%. 	July 31, 2040	Principal on the New 2040 Bonds will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2036 through maturity.
New PDI 2030 Bonds	0%	July 31, 2030	Principal on the New PDI 2030 Bonds will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2026 through maturity.

Table D — New Securities Distribution

Eligible Bonds	New Securities (excluding the New PDI 2030 Bonds) ⁽¹⁾
2022 Bonds	U.S.\$300.00 principal amount of New 2030 Bonds U.S.\$495.30 principal amount of New 2035 Bonds U.S.\$116.00 principal amount of New 2040 Bonds
2023 Bonds	U.S.\$229.00 principal amount of New 2030 Bonds U.S.\$495.30 principal amount of New 2035 Bonds U.S.\$187.00 principal amount of New 2040 Bonds
2024 Bonds	U.S.\$300.00 principal amount of New 2030 Bonds U.S.\$495.30 principal amount of New 2035 Bonds U.S.\$116.00 principal amount of New 2040 Bonds

2025 Bonds	U.S.\$189.00 principal amount of New 2030 Bonds
2026 Bonds	U.S.\$495.30 principal amount of New 2035 Bonds
9.625% 2027 Bonds	U.S.\$227.00 principal amount of New 2040 Bonds
8.875% 2027 Bonds	
2028 Bonds	
2029 Bonds	
2030 Bonds	

(1) Principal amount of New Securities per U.S.\$1,000 principal amount of Eligible Bonds.

Eligible Bonds	New PDI 2030 Bonds ⁽¹⁾
2022 Bonds	U.S.\$78.92
2023 Bonds	U.S.\$50.78
2024 Bonds	U.S.\$42.68
2025 Bonds	U.S.\$57.89
2026 Bonds	U.S.\$53.51
9.625% 2027 Bonds	U.S.\$55.90
8.875% 2027 Bonds	U.S.\$59.78
2028 Bonds	U.S.\$36.07
2029 Bonds	U.S.\$47.59
2030 Bonds	U.S.\$69.92

(1) Principal amount of New PDI 2030 Bonds per U.S.\$1,000 accrued and unpaid interest of applicable Eligible Bond up to, but excluding, the Settlement Date (assuming that the Settlement Date occurs on August 7, 2020).

This announcement is for informational purposes only and is not an invitation or a solicitation of consents of any holders of Eligible Bonds. The consent solicitation and invitation to exchange to holders of Eligible Bonds is only being made pursuant to the Invitation. Holders of Eligible Bonds should read the Invitation Memorandum carefully prior to making any decision with respect to delivering their consents or tendering their securities because it contains important information.

Ecuador will make (or cause to be made) all announcements regarding the Invitation by press release in accordance with applicable law.

We have not registered the Invitation or the Eligible Bonds under the Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities law. The Invitation may not be made in the United States or to any U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Invitation is being made only to (A) “qualified institutional buyers” as defined in Rule 144A under the Securities Act, (B) “accredited investors” within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act (“institutional accredited investors”) and (C) (x) persons outside the United States, (y) if located within a member state of the European Economic Area or in the United Kingdom, a “qualified investor” as defined in Regulation (EU) 1129/2017, and (z) if located outside the EEA or the UK, is eligible to receive this invitation under the laws of its jurisdiction. Only holders of Eligible Bonds who have returned a duly completed eligibility letter (available on the website of the Information, Tabulation and Exchange Agent, at <https://gbsc-usa.com/ecuador>) certifying that they are within one of the categories described in the immediately preceding sentence are authorized to receive and review the Invitation Memorandum and to participate in the Invitation (“**Eligible Holders**”).

NONE OF THE DEALER MANAGER, THE TRUSTEE, THE INFORMATION, TABULATION AND EXCHANGE AGENT, THE FINANCIAL ADVISOR NOR ANY OF THEIR RESPECTIVE DIRECTORS, EMPLOYEES, AFFILIATES, AGENTS OR REPRESENTATIVES MAKES ANY RECOMMENDATION AS TO WHETHER HOLDERS SHOULD DELIVER THEIR CONSENTS OR TENDER THEIR ELIGIBLE BONDS PURSUANT TO THE INVITATION, AND NO ONE HAS BEEN AUTHORIZED BY ANY OF THEM TO MAKE SUCH A RECOMMENDATION. EACH HOLDER MUST MAKE ITS OWN DECISION AS TO WHETHER TO CONSENT OR TENDER THEIR ELIGIBLE BONDS.

The Invitation Memorandum will be available from the Information, Tabulation and Exchange Agent.

The Information, Tabulation and Exchange Agent for the Invitation is:

Global Bondholder Services Corporation

65 Broadway – Suite 404
New York, New York 10006
Attn: Corporate Actions
Banks and Brokers call: (212) 430-3774
Toll free (866)-470-3800
By facsimile:
(For Eligible Institutions only):
(212) 430-3775/3779
Confirmation:
(212) 430-3774
Email: contact@gbsc-usa.com

Any questions regarding the terms of the Invitation should be directed to the Dealer Manager or the Information, Tabulation and Exchange Agent at their respective addresses and telephone numbers set forth on this communication. If you have any questions about how to tender your Eligible Bonds in the Invitation, you should contact the Information, Tabulation and Exchange Agent. Requests for additional copies of the Invitation Memorandum, the eligibility letter or any other related documents may also be directed to the Information, Tabulation and Exchange Agent.

The Dealer Manager for the Invitation is:

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The Republic of Ecuador

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