

جمهورية العراق
وزارة المالية



REPUBLIC OF IRAQ
MINISTRY OF FINANCE

Press Release

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Iraq Announces Results of Commercial Debt Settlement

Baghdad, Iraq: The Government of Iraq today announced that a total of \$18.4 billion of commercial claims against Iraq have been settled over the last eight months as part of the Iraq Government's program to address the huge debt stock accumulated by the Saddam regime.

Iraq commenced this program in December 2004 when commercial (non-governmental) holders were asked to reconcile their claims with Iraq's debt reconciliation agent, Ernst & Young. In response to that request, claims totaling approximately \$19 billion were reconciled by Ernst & Young (or, if unable to be reconciled due to a lack of adequate records, were submitted by the claimants to an independent arbitration process for verification).

The terms of Iraq's settlement offer to commercial claimants were announced on July 26, 2005. Under those terms, claimants holding an aggregate amount of claims (as of August 6, 1990) of U.S.\$35 million or less (or its equivalent in other currencies) were eligible to receive a cash buyback offer at a purchase price of 10.25% of the current value of the claims (principal plus calculated interest). Holders with aggregate claims above this U.S.\$35 million threshold were eligible to receive a debt-for-debt exchange offer in which each \$100 face amount of an existing claim would be exchanged for \$20 face amount of a new Iraqi bond. Those bonds are payable over a 23-year period and bear a fixed interest rate of 5.8%. (Large claimants were also given an option to exchange existing claims for an interest in a multicurrency loan agreement, but very few elected to do so.)

Over the last eight months, Iraq has closed three installments of its cash buyback offer (the most recent installment closed on March 30, 2006) and has concluded a debt-for-debt exchange offer.

As of this date, as a result of these transactions:

- 10,247 individual Saddam-era commercial claims have been cancelled;
- An additional 825 claims have been submitted to a binding arbitration process being conducted by a panel of independent arbitrators. If the claimant receives an arbitral award, the claim will be retired on the same terms as all other claims in the program;
- 456 commercial claimants have participated in the program;
- The aggregate amount of commercial claims retired through this program exceeds \$18.4 billion; and
- The holders of more than 96% (by value) of the eligible claims that received invitations to settle their Saddam-era claims agreed to do so.

With respect to those claims receiving arbitral awards, Iraq expects to have a further closing in late June or early July 2006.

“Despite the enormous difficulties currently facing our country,” said Ali A. Allawi, Iraq’s Minister of Finance, “Iraq has retired more debt in less time than ever before in the history of sovereign finance. The mountainous stock of debts accumulated by the Saddam regime is quickly being reduced to a manageable size. The remnants of that debt stock will not inhibit Iraq’s ability to attract the investment needed to finance the country’s economic reconstruction. This was, from the outset, the primary objective of the Government’s debt management program.”

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