

LISTING PARTICULARS



THE REPUBLIC OF ANGOLA

U.S.\$ 1,500,000,000 9.500 per cent. Notes due 2025

Issue Price: 100 per cent.

The U.S.\$1,500,000,000 9.500 per cent. Notes due 2025 (the “Notes”) are being offered inside the United States to qualified institutional buyers in reliance on Rule 144A (“Rule 144A”) under the United States Securities Act of 1933 as amended (the “Securities Act”) (the “Restricted Notes”) and outside the United States in reliance on Regulation S under the Securities Act (the “Unrestricted Notes”).

These Listing Particulars have been approved by the Central Bank of Ireland (the “Central Bank of Ireland”) as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the “Prospectus Directive”). The Central Bank of Ireland only approves these Listing Particulars as meeting the requirements imposed under Irish and European Union (“EU”) law pursuant to the Prospectus Directive. Such approval relates only to the Notes of the Republic of Angola (the “Republic” or “Angola”) that are to be admitted to trading on the regulated market (the “Market”) of the Irish Stock Exchange Plc (the “Irish Stock Exchange”) or on another regulated market for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”) and/or that are to be offered to the public in any member state of the European Economic Area (“EEA”) in circumstances that require the publication of a prospectus. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the “Official List”) and to trading on the Market.

The Notes will bear interest from and including 12 November 2015 at the rate of 9.500 per cent. per annum payable semi-annually in arrear on 12 May and 12 November in each year commencing on 12 May 2016. Payments on the Notes will be made in US Dollars without deduction for, or on account of, taxes imposed or levied by Angola to the extent described under “Terms and Conditions of the Notes – Taxation”. Interest on the Notes will accrue from and including 12 November 2015 (the “Issue Date”). Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 November 2025.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT. PROSPECTIVE PURCHASERS THAT ARE QUALIFIED INSTITUTIONAL BUYERS ARE HEREBY NOTIFIED THAT THE SELLER OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER “NOTICE TO INVESTORS” AND “TRANSFER RESTRICTIONS”.

An investment in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 4.

The Notes will be offered and sold in the minimum denomination of U.S.\$200,000 and denominations which are integral multiples of U.S.\$1,000 in excess thereof. The Unrestricted Notes will initially be represented by interests in a global unrestricted note certificate in registered form (the “Unrestricted Global Note”), without interest coupons, which will be deposited with a common depository for, and registered in the name of a nominee of, Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) on the Issue Date. Beneficial interests in the Unrestricted Global Note will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. The Restricted Notes will initially be represented by a global restricted note certificate in registered form (the “Restricted Global Note”) and, together with the Unrestricted Global Note, the “Global Note Certificates”), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) on the Issue Date. Beneficial interests in the Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See “Clearing and Settlement”. Individual definitive note certificates in registered form (the “Individual Certificates”) will only be available in certain limited circumstances as described herein.

The Notes are expected to be rated B+ by Fitch Ratings Ltd (“Fitch”) and Ba2 by Moody’s Investors Service (“Moody’s”). All references to Fitch and Moody’s in these Listing Particulars are to the entities as defined in this paragraph. Each of Fitch and Moody’s is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “CRA Regulation”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

These Listing Particulars are referred to as the “Prospectus” herein.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Republic and the Notes. The Republic accepts responsibility for the information contained in this Prospectus and confirms that (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is to the best of its knowledge in accordance with the facts and contains no omission likely to affect the import of such information.

The Republic has not authorised the making or provision of any representation or information regarding the Republic or the Notes other than as contained in this Prospectus. Any other representation or information given or provided should not be relied upon as having been authorised by the Republic or the Joint Lead Managers. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Republic and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Republic since the date of this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. This Prospectus may not be used for, or in connection with and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorised or is unlawful. Persons into whose possession this Prospectus may come are required by the Republic and the Joint Lead Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other offering material relating to the Notes is set out under “*Subscription and Sale*”, “*Summary of Provisions relating to the Notes while in Global Form*”, “*Clearing and Settlement*” and “*Transfer Restrictions*”.

Neither the Joint Lead Managers nor any of their directors, affiliates, advisers or agents has made an independent verification of the information contained in this Prospectus in connection with the issue or offering of the Notes and no representation or warranty, express or implied, is made by the Joint Lead Managers or any of their directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Prospectus is, is to be construed as, or shall be relied upon as, a promise, warranty or representation, whether to the past or the future, by the Joint Lead Managers or any of their respective directors, affiliates, advisers or agents in any respect. The contents of this Prospectus are not, are not to be construed as and should not be relied on as, legal, business or tax advice and each prospective investor should consult its own legal and other advisers for any such advice relevant to it.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Republic and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Angola of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, GOLDMAN SACHS INTERNATIONAL (THE “**STABILISING MANAGER**”) OR ANY PERSON ACTING ON THE STABILISING MANAGER’S BEHALF, MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE SUCH STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF

THE ALLOTMENT OF THE NOTES. ANY STABILISING ACTION OR OVER-ALLOTMENTS MUST BE CONDUCTED IN FULL COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO INVESTORS

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby. Each purchaser of the Restricted Notes offered hereby will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A (a “**QIB**”), (b) acting for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Republic and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
2. It understands that the Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.
3. It understands that the Restricted Notes, unless otherwise agreed between the Republic and the Fiscal Agent in accordance with applicable law, will bear a legend to substantially the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

4. The Republic, the Registrar (as defined in “*Terms and Conditions of the Notes*”), the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Notes is no longer accurate, it shall promptly notify the Republic and the Joint Lead Managers. If it is acquiring any Restricted Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.
5. It understands that the Restricted Notes will be evidenced by the Restricted Global Notes. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Unrestricted Global Note, it will be required to provide a Paying and Transfer Agent (as defined in “*Terms and Conditions of the Notes*”) with a written certification (in the form provided in the Agency Agreement (as defined in “*Terms and Conditions of the Notes*”)) as to compliance with applicable securities laws.

This Prospectus has been prepared by the Republic for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States in reliance on Rule 144A under the Securities Act and the admission of the Notes to the Official List and to trading on the Market. The Republic and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB and to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S.

person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Republic of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The English courts have exclusive jurisdiction to settle any dispute arising from or connected with the Notes (the “**Proceedings**”). The Republic has agreed that the courts of England are the most appropriate and convenient courts to settle a dispute and, accordingly, that it will not argue to the contrary. The Republic has appointed Sociedade Nacional De Combustiveis De Angola Ltd. (“**Sonangol UK**”) of Merevale House, Brompton Place, London, SW3 1QE, as its agent on whom process may be served in any action arising out of or based on the Notes in an English court and has further undertaken that, in the event of Sonangol UK ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

The Republic has submitted to the jurisdiction of the English courts for the benefit of the Noteholders and, as a result, to the extent allowed by law, Noteholders may take concurrent proceedings in any number of jurisdictions. Angolan courts have exclusive jurisdiction to resolve any dispute in connection with property located in Angola. If the enforcement proceedings involve seizure of the Republic’s assets located in Angola, such proceedings must be brought before Angolan courts. If proceedings in relation to the Notes are commenced in Angola, any process must be served on the Republic’s Attorney General.

Article 41 of the Angolan Civil Code provides that the creation, perfection and enforcement of contracts between the parties, as well as the contractual liability arising from such contracts are governed by the law chosen by the parties, provided that such election has an effective link with a relevant element of the contract or is otherwise supported by a *bona fide* interest of the parties. However, Article 22 of the Angolan Civil Code provides that a foreign law elected in accordance with those rules will not be upheld if it involves a violation of a fundamental principle of Angolan public order or breaches a mandatory Angolan principle or rule, even if the foreign law is validly chosen. The capacity, powers and authority to enter into an agreement and bind the Angolan parties, as well as any related mandatory approvals, authorisations and permits, are subject to Angolan law. The Angolan conflict of law provisions also determine that the creation, assignment and cancellation of rights of possession, ownership and other related rights, including guarantees, over movable or immovable property are governed by the *lex rei sitae*. In view of the above, the choice of the laws of England to govern the Notes may be deemed valid, binding and enforceable against the Republic and in any proceeding for the enforcement of its obligations under the Notes in Angola, the Angolan courts would give effect thereto, subject to the compliance with the above requirements.

The Republic is a sovereign state. To the extent that the Republic may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process in respect of any Proceedings and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets or revenues, the Republic has agreed not to claim and has irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction (and consented generally for the purposes of the United Kingdom State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceeding). The execution, offer, issue and delivery of the Notes and the execution and delivery of the Fiscal Agency Agreement and of the Deed of Covenant (as defined herein), and the performance by the Republic of its obligations thereunder and the exercise of its rights thereunder constitute private and commercial acts rather than governmental or public acts. The waiver shall otherwise constitute a limited and specific waiver for the purposes of the Fiscal Agency Agreement and the Deed of Covenant and the Notes. Furthermore, certain issues relating to the authorisation and issuance of the Notes have involved exercise by the Angolan authorities of their sovereign or legislative powers. As a matter of Angolan law, the Republic cannot, and does not, waive its rights to interpret, *inter alia*, decrees of the National Assembly or Government authorising issuance of the Notes, the Fiscal Agency Agreement or the Deed of Covenant. Further, under the Terms and Conditions of the Notes, the Republic has not waived immunity from execution or attachment in respect of: (a) assets that have been expressly recognised as belonging to the public domain of the Republic (*domínio publico*), which may not be sold, encumbered or pledged in any way in accordance with the laws of the Republic; (b) assets which constitute private domain assets expressly assigned to a public purpose (*domínio privado indisponível do Estado*) in accordance with Article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*), which are not available for enforcement unless the same is in respect of a debt guaranteed by a registrable security; (c) military assets belonging to the Republic and assets or property under the control of a military authority or defence agency of the Republic; (d) assets belonging to any diplomatic mission or consulate of the Republic that do not otherwise belong to the public domain (*domínio publico*) or fall under article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*); (e) assets of the National Bank or other monetary authority of the Republic which are assigned to a public purpose;

(f) properties belonging to the cultural heritage of the Republic or which are a part of its archives and are not intended for sale; or (g) assets that form part of an exhibition of scientific, cultural or historical interest and which are not intended for sale.

Any judgment against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant or the Notes in the English courts will only be recognised and enforced in Angola after such judgment has been validated and recognised by the Angolan Supreme Court. Enforcement of foreign court judgments in Angola is subject to the following conditions:

- the foreign judgment must be legible and genuine on its face;
- the foreign judgment must be final, non-appealable and conclusive in accordance with relevant laws;
- the Angolan courts must have no jurisdiction to hear the dispute, and the foreign court which rendered the judgment must have such jurisdiction;
- the foreign proceedings were conducted in accordance with the applicable procedures and the parties to the dispute had been duly notified and properly represented in the proceedings;
- no concurrent proceedings are pending in an Angolan court;
- the foreign judgment does not conflict with a prior Angolan or foreign judgment in the same matter;
- the foreign judgment is not contrary to the public policy of Angola or to the Angolan conflict of laws; and
- where a foreign judgment is handed down against an Angolan citizen, the same must not offend provisions of Angolan private law when the decision should have been determined under Angolan law pursuant Angolan conflict of law rules.

Angola is not party to the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents. Therefore, as a matter of Angolan law, any document executed by the Republic outside Angola must be notarised, translated into Portuguese language and legalised at the Angolan Embassy in the country of execution to be entirely enforceable before Angolan courts. Likewise, any document executed by the Republic in Angola must be notarised and legalised in Angola in order to be enforceable outside Angola. Each of the Fiscal Agency Agreement, Deed of Covenant and Notes have been translated into Portuguese, notarized and legalized. Physical copies of these documents in English are available to holders of the Notes from the Fiscal Agent.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that may be considered to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Republic’s beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Republic believes that beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Prospectus identifies important factors that could cause such differences, including, but not limited, to the following:

- Adverse external factors, such as:
 - changes in international commodity prices, particularly oil, or prevailing interest rates, which could adversely affect Angola’s balance of payments, external reserves and budgetary expenditures;
 - changes in the monetary policy applicable to the members of the International Monetary Fund which could affect inflation and/or growth rates;
 - recession or low economic growth in Angola’s trading partners or changes in the terms on which international financial institutions provide financial assistance to Angola or fund new or existing projects, which could decrease exports, adversely affect Angola’s economy and, indirectly, reduce tax and other public sector revenues, so adversely affecting Angola’s budget;
 - civil strife, wars, insurrections, and terrorism; or
 - adverse events in other emerging market countries, which could dampen foreign investment or adversely affect the trading price of the Notes.
- Adverse domestic factors, such as:
 - a decline in foreign direct investment, increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth or a decrease in Angola’s international reserves; or
 - trade and political disputes between Angola and its trading partners and other political factors in Angola, which could affect the timing and structure of economic reforms, the climate for foreign direct investment and the pace, scale and timing of privatisations.

The sections of this Prospectus entitled “*Risk Factors*”, “*The Republic of Angola*” and “*The Economy*” contain a more complete discussion of the factors that could adversely affect the Republic. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Prospectus may not occur.

The Republic does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations. All subsequent written and oral forward-looking statements attributable to the Republic or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Republic), unless otherwise indicated. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them.

Statistical Information

Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Republic including by the Banco Nacional de Angola (the “**BNA**”), the Ministry of Economy, the Ministry of Oil, the Ministry of Geology and Mining, the Ministry of Finance and the Ministry of Planning and Territorial Development and Sonangol. Some statistical information has also been derived from information made publicly available by the International Monetary Fund (the “**IMF**”), the International Bank for Reconstruction and Development (the “**World Bank**”), the Organisation of Petroleum Exporting Countries (“**OPEC**”) and other third parties. Where information has been so sourced, the source is stated where it appears in this Prospectus. The Republic confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data produced by a ministry or an agency of the Republic may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions or methodology. For example, the Republic’s official gross domestic product (“**GDP**”) data is produced by the Ministry of Planning and Territorial Development, though the BNA from time to time includes GDP data in its publications that are based on its own underlying assumptions and methodologies that differ from those used by the Ministry of Planning. Certain historical statistical information contained herein is provisional or otherwise based on estimates that the Republic and/or its agencies believe to be based on reasonable assumptions. The Republic’s official financial and economic statistics are subject to internal review as part of a regular confirmation process. Accordingly, financial and economic information may be subsequently adjusted or revised and such adjustments or revisions will not be reflected in this Prospectus. While the Republic does not expect revisions to be material, no assurance can be given that material changes will not be made. See “*Risk Factors – Statistics published by Angola and appearing in this Prospectus may be more limited in scope and published less frequently and differ from those produced by other sources*” and “*– Estimated and projected financial and statistical data may be based on imprecise or incorrect assumptions and, along with historical financial statistical data, are subject to period review and revision*”.

The IMF’s General Data Dissemination Standards

Angola participates in the IMF’s General Data Dissemination System (“**GDDS**”) which is designed to guide all member countries in the provision of their economic and financial data to the public. Data covered includes the real, fiscal, financial and the external sectors as well as socio-demographic data.

By participating in the GDDS, Angola has undertaken to:

- use the GDDS as a framework for statistical development;
- designate a country coordinator; and
- provide metadata to the IMF describing the current practices and plans for short- and long-term improvements in these practices.

A summary of the methodology under which Angola prepares its metadata is found on the internet under the IMF’s Dissemination Standards Bulletin Board. Angola’s metadata may be found on the IMF’s website at <http://dsbb.imf.org/Pages/GDDS/CtyCtgList.aspx?ctycode=AGO>. Information obtained from the above mentioned website is not incorporated by reference in this Prospectus, and is therefore not part of this Prospectus.

Unless otherwise specified, all references in this Prospectus to (i) “**Angolan Kwanza**”, “**Kwanza**” and “**AOA**” are to the currency of the Republic, (ii) “**US dollars**”, “**USD**” and “**U.S.\$**” are to the currency of the United States of America, and (iii) “**euro**”, “**Euro**” “**EUR**” or “**€**” are the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The BNA's foreign exchange rate for US Dollars on 6 November 2015 was 135.3 AOA = U.S.\$1.00 and the BNA's foreign exchange rate for euro on 6 November 2015 was 147.2 AOA = EUR1.00.

All references in this Prospectus to gross domestic product ("**GDP**") are to nominal GDP, unless otherwise stated. Nominal GDP figures are based on current prices. All references in this Prospectus to GDP growth are to real GDP growth, unless otherwise stated. Real GDP and expenditure numbers relating to the Republic in this Prospectus are based on 2002 constant prices.

The Republic's GDP for any given year in this Prospectus is calculated at market prices which includes indirect taxes on products. Sectoral contribution to GDP, whether expressed as percentage contribution to GDP of a sector of the economy or real GDP growth of such sector, is calculated at factor cost which excludes indirect taxes on products, unless otherwise stated. Comparison of statistical information calculated in accordance with different methodologies may not be possible.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

EXCHANGE RATE HISTORY

Angola's currency is the Kwanza. As at October 2014, the IMF classified Angola's exchange rate arrangement as a stabilised arrangement as a result of the Kwanza's de facto exchange rate anchor to the US dollar.

For ease of presentation, certain financial information included in this Prospectus is presented as translated into US dollars.

In order to protect Angola's foreign exchange reserves, the BNA restricted the supply of foreign exchange in May 2009 and fixed the exchange rate at AOA 78 per US dollar. While the measure brought about stability of the Kwanza, it also led to an increase in the difference between the official and the parallel rate which increased approximately to AOA 90. From 2 October 2009, the BNA lifted restrictions in the foreign exchange market and abolished the fixed rate of exchange of the Kwanza.

The Kwanza's exchange rate against the US dollar consistently depreciated from 2010 until 2014, reflecting the BNA's intervention in the foreign exchange market so as to manage the impact of oil-related inflows on the exchange rate. The value of the Kwanza has been under pressure from the significant declines in oil prices in recent years, as well as local oil production pressures.

On 4 June 2015, the BNA devalued the Kwanza by 6%, the largest single reduction since 2009. At the time of this devaluation, the Kwanza's exchange rate against the US dollar was approximately AOA 116.9 and had significantly weakened in the days preceding the devaluation. On 10 September 2015, the BNA again devalued the Kwanza by reducing the official selling rate for the Kwanza to AOA 130.4 against the US dollar. The devaluations were a result of continuing low oil prices which have significantly reduced Angola's government revenues and export earnings. Additional devaluations may occur prior to the end of 2015. To date, the BNA's devaluations have not resulted in a decrease in the parallel rate (a market-determined exchange rate that co-exists with the pegged exchange rate), which remains at approximately AOA 180-200 per US dollar. Angola currently expects the Kwanza to continue to depreciate modestly against the US dollar as a result of a decline in Angola's current-account surplus and the moderation of extraordinary monetary easing by the U.S. Federal Reserve, which is expected to strengthen the US dollar. See "*Risk Factors – Devaluation in the value of the Kwanza could have a material adverse effect on Angola's economy*" and "*The Economy – Monetary System – The Central Bank of Angola (BNA)*".

The tables below set forth the exchange rate history for the years indicated unless otherwise stated, expressed in Kwanza per US dollar and Kwanza per Euro, not adjusted for inflation:

	AOA per U.S.\$			AOA per Euro		
	<i>Average</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>	<i>Minimum</i>	<i>Maximum</i>
2010	91.979	91.749	92.208	121.508	121.196	121.820
2011	93.895	93.661	94.130	131.817	131.477	132.157
2012	95.421	95.183	95.659	123.272	122.980	123.564
2013	96.567	96.326	96.808	128.471	128.160	128.782
2014	98.643	98.471	98.814	130.156	129.931	130.381

	AOA per U.S.\$			AOA per Euro		
	<i>Average</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>	<i>Minimum</i>	<i>Maximum</i>
January 2015	104.469	103.950	104.989	118.213	117.640	118.785
February 2015	106.329	105.800	106.858	119.370	118.781	119.958
March 2015	108.255	107.717	108.794	116.310	115.742	116.877
April 2015	109.308	108.764	109.852	122.059	121.468	122.650
May 2015	110.319	109.770	110.868	121.225	120.627	121.822
June 2015	122.157	121.550	122.765	136.859	136.197	137.521
July 2015	125.776	125.150	126.402	137.863	137.202	138.524
August 2015	125.783	125.157	126.409	141.645	140.952	142.337
September 2015	135.304	134.631	135.977	148.471	147.748	149.195
October 2015	135.306	134.633	135.979	152.126	151.384	152.869

Source: National Bank of Angola (BNA)

EXCHANGE CONTROLS

Law no. 5/97 of 27 June 1997 (the “**Exchange Law**”) establishes Angola’s exchange controls and regulates both foreign exchange operations and foreign exchange trade. The Exchange Law defines foreign exchange operations as:

- the acquisition and disposal of foreign currency;
- the opening and operation of foreign currency bank accounts in Angola;
- the opening and operation of Kwanza bank accounts in Angolan held by non-Angolan residents;
- the opening and operation of bank accounts in Angola in foreign currency by Angolan residents and non-residents;
- the settlement of transactions in foreign currency, as well as current and capital transactions; and
- the acquisition and disposal of gold coins, gold bars and non-crafted gold.

The Exchange Law prescribes that all foreign currency operations require the intermediation of an Angolan financial institution that is authorized to engage in foreign exchange trading.

The authorization framework for each transaction type is described in a decree that sets out, in more general terms, the procedure to be followed in order to obtain authorization and the conditions attached to such authorization. A regulation issued by the BNA describes the type of documentation (for each category of transaction) that needs to be submitted to the BNA in order to obtain the approval.

In respect of any transaction, application is made to the BNA for an authorization, which when granted, is only valid for a certain period of time, during which the foreign exchange transaction should be effected.

However, in respect of (a) the receipt by Angola of payments for Notes and (b) payments of principal and interest under the Notes, the BNA has issued a foreign exchange licence which substitutes the capital import and export licences otherwise required for the importation of foreign currency into Angola and the payment to payees outside Angola of interest and principal in foreign currency. This foreign exchange licence does not require renewal by the BNA or any other authority.

TABLE OF CONTENTS

	Page
NOTICE TO INVESTORS	iv
OVERVIEW	1
RISK FACTORS	4
USE OF PROCEEDS	20
THE REPUBLIC OF ANGOLA	22
THE ECONOMY	43
PUBLIC FINANCE	91
PUBLIC DEBT	102
MONETARY SYSTEM	114
TERMS AND CONDITIONS OF THE NOTES	125
SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM	143
CLEARING AND SETTLEMENT	146
TAXATION	150
SUBSCRIPTION AND SALE	153
TRANSFER RESTRICTIONS	158
GENERAL INFORMATION	159

OVERVIEW

This overview highlights information contained elsewhere in this Prospectus. It does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Prospectus carefully, including, in particular, "Risk Factors". See "Terms and Conditions of the Notes" for a more detailed description of the Notes.

The Offering

Issuer:	The Republic of Angola
Issue:	U.S.\$ 1,500,000,000 9.500 per cent. Notes due 2025
Issue Price:	100 per cent. of the principal amount of the Notes
Maturity Date:	12 November 2025
Fiscal Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Registrar and Paying and Transfer Agent:	Deutsche Bank Trust Company Americas
Interest:	The Notes will bear interest from and including 12 November 2015. Interest on the Notes will be payable semi-annually in arrear on 12 May and 12 November in each year, commencing on 12 May 2016, at the rate of 9.500 per cent. per annum.
Form and Denomination:	The Notes will be issued in registered form, without coupons, in the minimum denomination of U.S.\$200,000 and in denominations which are integral multiples of U.S.\$1,000 in excess thereof. The Notes sold in reliance on Regulation S, will be represented by the Unrestricted Global Note and the Notes sold in reliance on Rule 144A will be represented by the Restricted Global Note, in each case without coupons. The Global Notes will be exchangeable for Note Certificates in the limited circumstances specified in the Global Notes.
Initial Delivery of Notes:	On or before the Issue Date, the Unrestricted Global Note will be deposited with Deutsche Bank AG, London Branch as common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg and the Restricted Global Note will be deposited with Deutsche Bank Trust Company Americas as custodian for, and registered in the name of a nominee of, DTC.
Investment Considerations:	An investment in the Notes involves certain risks. See "Risk Factors".
Status of the Notes:	The Notes are the direct, unconditional and unsecured obligations of the Republic and (subject as provided in Condition 4 (<i>Negative Pledge and Other Covenants</i>) of the Notes) rank and will rank <i>pari passu</i> , without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Republic, from time to time outstanding, provided, however, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

Meetings of Noteholders and Amendment:

A summary of the provisions for convening meetings of Noteholders and amendments is set forth in Condition 12 (*Meetings of Noteholders; Written Resolutions*) of the Terms and Conditions of the Notes. The Terms and Conditions of the Notes contain a “collective action” clause which permits defined majorities to bind all Noteholders. If the Republic issues future debt securities which contain collective action clauses in the same form as the collective action clause in the Terms and Conditions of the Notes, the Notes would be capable of aggregation with any such future debt securities.

Listing:

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (“**Official List**”) and to trading on the Market.

Selling Restrictions:

Dubai International Financial Centre, European Economic Area, Hong Kong, Japan, Nigeria, Qatar, the Republic of Angola, Singapore, South Africa, Switzerland, United Arab Emirates, United Kingdom and United States. See “*Subscription and Sale*”.

Governing Law:

The Notes are governed by and shall be construed in accordance with English law.

Use of Proceeds:

The Republic intends to deposit the net proceeds of the issue of the Notes into a designated account maintained by the Ministry of Finance, separate from the general funds of the Ministry of Finance, and used by the Republic to finance the following public infrastructure projects:

- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Luanda;
- construction of new water supply and sanitation systems for 21 municipal headquarters;
- the development of the water system in Huambo to improve the water supply system and drainage capacity;
- the repair and development of the water supply and drainage system in M’banza Congo;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Benguela;
- the upgrading of a road linking Samba Cashew, Banga, Quiculungo and Bolongongo municipalities and connecting the national roads EN225 and EN320;
- the upgrading of the EN354 road linking the capital cities of the provinces of Huambo and Huila;
- the upgrading of the EN120 road linking Ondjiva, Omala and Jamba Mineira in the Huila province;
- the expansion of medium and low voltage electricity networks, public lighting and domestic electrical connections in Huambo;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Lubango;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in the city of Cabinda;
- the repair and development of the water supply and drainage system in the cities of Cabinda and Lândana;
- the repair and development of the water supply and drainage system in the city of Kuito;

- the repair and development of the water supply and drainage system in the city of Malange; and
- the upgrading of the EN240 road linking Ebo and Condé.

See “*Use of Proceeds*”.

Ratings:

It is expected that the Notes will be rated B+ by Fitch and Ba2 by Moody’s. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of Fitch and Moody’s is established in the European Union and registered under the CRA Regulation.

Security Codes:

The Common Code and ISIN for the Unrestricted Notes and the Common Code, ISIN and CUSIP number for the Restricted Notes are as follows:

Unrestricted Notes:

Common Code: 131857608
ISIN: XS1318576086

Restricted Notes:

Common Code: 131979665
ISIN: US035198AA89
CUSIP: 035198AA8

Clearing:

Euroclear and Clearstream, Luxembourg (in the case of the Unrestricted Notes) and DTC (in the case of the Restricted Notes).

RISK FACTORS

The purchase of the Notes involves substantial risk and is suitable only for, and should be made only by, investors that have the knowledge and experience in financial, business and foreign currency matters to enable them to evaluate the risks and merits of an investment in the Notes.

The Republic believes that the following factors may affect its ability to fulfil its obligations under the Notes about which prospective holders of Notes should be aware. These factors are contingencies which may or may not occur, and the Republic is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Republic believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Republic to pay principal, interest or other amounts on or in connection with any Notes may occur for other reasons and the Republic does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

These risk factors are not intended to be exhaustive and prospective holders of Notes should carefully read this Prospectus in its entirety and should consider carefully the information set forth below before making an investment in the Notes.

Risks Factors Relating to Angola

Investing in securities involving emerging markets generally involves a higher degree of risk than investing in securities in more developed markets.

Investing in securities involving emerging markets, such as Angola, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries. These higher risks include, but are not limited to, higher volatility and limited liquidity, as well as risks relating to the issuers themselves, including but not limited to narrow export bases and instability and changes in the social, political and economic environment. Emerging markets also experience corruption of government officials and misuse of public funds more often than more mature markets, which could affect the ability of an emerging market government to meet its obligations under securities that it has issued. As a consequence, an investment in securities issued by the Government such as the Notes carries risks that are not typically associated with investing in securities issued in more mature markets.

Angola's economy is susceptible to adverse developments similar to those suffered by other emerging market countries. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Investment in emerging markets, such as Angola, is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making an investment in the Notes.

Emerging markets, including Angola, have been and may continue to be significantly affected by the current global financial and economic crisis. As a consequence, they have experienced a dramatic economic downturn, which may continue in the foreseeable future.

Angola's economy is highly dependent on oil production and vulnerable to global market prices for oil.

Despite economic diversification efforts to increase Angola's non-oil sector contribution to GDP from 40% in the mid-1980s to 64.6% in 2014, the Angolan economy and the Government's revenues have been, and are expected to continue to be, significantly dependent on the oil sector which, in 2014, also accounted for 97.4% of export earnings and 67.5% of government revenue.

Oil prices have fluctuated widely worldwide over the past two decades and in recent years have declined sharply. International oil prices fluctuate due to many factors, including global demand, changes in governmental regulations, general economic conditions, international conflicts, competition from alternative energy sources and weather. In addition, adverse worldwide economic conditions, such as the global economic downturn precipitated by the global financial crisis in 2008 and 2009, may cause oil prices to decline. The average spot price of crude oil was U.S.\$111.6 per barrel in 2012, U.S.\$107.7 per barrel in 2013, U.S.\$96.9 per barrel in 2014 and U.S.\$53.0 per barrel on 30 October 2015.

Recent declines in oil prices have had a significant impact on Angola's fiscal performance. In March 2015, the Government revised Angola's national budget to lower its oil price assumption and adopted measures designed to cut spending and prevent fiscal deterioration. The revised 2015 national budget targets an overall budget deficit of 7% of GDP assuming an overall average oil price of U.S.\$40 per barrel of oil. See "*Public Finance*". Any decline in oil prices below the level assumed in Angola's revised national budget may materially and adversely affect Angola's revenues which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes. Neither Angola nor Sonangol hedge oil prices.

In addition to oil prices, Angola's revenues depend on oil production volumes. The Angolan oil sector produced 1.76 million, 1.66 million, 1.73 million and 1.72 million barrels per day ("**bpd**") in 2010, 2011, 2012 and 2013, respectively. In 2014, mainly due to maintenance projects, the occurrence of incidents at oil extraction facilities and to a decline in rates of production at older deep water fields, Angolan oil production decreased to 1.67 million bpd. Further oil production declines, whether due to quotas imposed by OPEC or by a failure to attract the substantial levels of investment in exploration and development of Angola's oil resources that Angola requires, may result in lower economic growth in Angola and declines in Angola's revenues which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes.

Angola is targeting an increased crude oil production rate in 2015 and 2016 as new deep water oilfields are scheduled to come online. However, in recent years, Angola has not achieved its production targets and crude oil production declined in 2014. Technical problems and a steep decline in rates of production at older deep water fields have resulted in lower than expected production levels, which have been partly mitigated as a result of new fields coming online. The technical problems experienced relate to water injection systems, gas cooling, and FPSO (floating, production, storage and offloading) units associated with some projects. Such technical problems have caused lengthy maintenance work and disruption to supply in respect of some fields.

Any further decline in global market prices for oil or in Angola's crude oil production rate would negatively impact Angola's revenues which could require significant reductions in public spending and could materially and adversely affect Angola's financial condition and its ability to repay the Notes.

If the Government is unable to achieve budgetary targets and limit Angola's fiscal deficit, Angola's economic growth may be adversely affected.

Angola's fiscal deficit has risen in recent years, reaching 6.6% of GDP in 2014. Unless the Government is able to realize additional revenues or cut expenditure significantly, it has budgeted the fiscal deficit to rise to 7.0% of GDP in 2015 as Angola's fiscal position becomes more strained. The Government is currently taking active measures to reduce expenditures in order to reduce its fiscal deficit. The Government expects that, going forward, the financing of Angola's deficit will lead to increased external indebtedness, particularly in light of high interest rates on domestic debt. If the Government is not able to raise sufficient debt to address the deficit, it may be forced to cut capital and/or current expenditures (such as subsidies). The increasing fiscal uncertainty may also serve to discourage foreign investment in Angola. If the Government is not able to implement policies to achieve budgetary targets and limit Angola's fiscal deficit, it may result in a material adverse impact on the Angolan economy.

The Government expects to significantly increase borrowings in 2015 and in future years, and high levels of debt or failure to adequately manage its debt could have a material adverse effect on Angola's economy and its ability to repay its debt, including the Notes.

As of August 2015, the Government has estimated that it needs to raise U.S.\$14.0 billion (13.7% of GDP) in 2015 to fund its fiscal deficit and debt service obligations. As of 31 August 2015, U.S.\$8.1 billion was raised, of which U.S.\$5.1 billion was raised in the domestic market and U.S.\$3.0 billion was raised from the external sector. If the Government incurs debt to fund the balance of U.S.\$5.9 billion, it expects its debt to GDP ratio will be 45.9% in 2015, an increase from 32.5% in 2014. In addition, the Government may raise additional debt (such as the Notes offered hereby, as the proceeds are not going to fund the existing fiscal deficit or debt service obligations) to fund capital expenditure plans that were not included in the revised 2015 budget (such as the projects to be funded with the proceeds of the Notes offered hereby).

The Government's current policy is that capital expenditures be funded by a mixture of its own resources and by external indebtedness, which may lead to a significant increase in external indebtedness, and higher related interest costs, as the Government seeks to fund significant capital expenditure plans.

Any significant future borrowings beyond sustainable thresholds, including domestic debt to finance Angola's fiscal deficits, borrowing under credit agreements with entered into with lenders and the issuance of further

external debt in the international capital markets (including the Notes offered hereby), could increase Angola's risk of external debt distress, including risks related to the Notes. The terms and conditions of the Notes do not restrict additional unsecured borrowing by the Republic. Total Government external debt increased from 11.5% of GDP in 2010 to 15.4% of GDP in 2014 and total Government domestic debt increased slightly from 16.9% of GDP in 2010 to 17.1% of GDP in 2014. Relatively high levels of debt through continued borrowing or decreasing GDP may materially and adversely affect Angola's ability to repay the Notes.

Under Law No. 1/14 of 6 February 2014, the Government is not permitted to incur public indebtedness in excess of 60% of GDP. For the purposes of the calculation of the debt to GDP ratio, the public debt includes external and domestic government debt and the debt of public entities, but excludes the debt of state-owned companies (such as Sonangol) unless guaranteed by the Government. See "*Public Debt – External Public Debt – Background*". However, if this law is repealed or not complied with, or if the Government does not carefully manage its debt strategy, debt levels could rise to an unsustainable level which may negatively impact Angola's ability to service the Notes.

While Angola has a draft medium-term debt management strategy under discussion, as of the date of this Prospectus no such strategy has been approved by the Government. There has been no audit of the Government's debt activities by the Court of Auditors during the last five years. Further, the Government has not undertaken a debt sustainability analysis since 2012.

Approximately 17% of Angola's external creditors provide financing to Angola under oil pre-payment facilities, whereby debt servicing and repayment of a loan is made from a designated offshore account into which Angola's receivables from a particular oil sales contract is deposited. That account further provides credit support in respect of that particular loan, providing the relevant creditor with a degree of security not enjoyed by Noteholders. See "*Public Debt – External Public Debt – Composition of Angola's external debt*".

Any failure to adequately manage Angola's current and future debt, including new borrowings beyond sustainable levels, may adversely impact Angola's economy and its ability to repay its debt, including the Notes.

Angola has concentrated debt exposure to China and Brazil and an adverse impact in their economies may impact the future ability of Angola to increase its borrowings.

In 2014, outstanding bilateral external debt due to China and Chinese commercial banks amounted to U.S.\$5.4 billion and debt due to Brazil amounted to U.S.\$2.4 billion, respectively. Angola is currently in the process of negotiating a new debt facility with the China Development Bank, which is expected to materially increase Angola's debt exposure to China and Chinese commercial banks. Angola enjoys good relations with both China and Brazil. See "*The Republic of Angola – International Relations – China*" and "*– Brazil*". In addition, as a consequence of the Petrobras corruption allegations in Brazil (see "*The Republic of Angola – International Relations – Brazil*"), Brazilian companies may have difficulties benefitting from export credit financing for construction projects they undertake overseas and as a result Angola's ability to increase bilateral borrowings from the Brazilian development bank BNDES may be adversely affected in the future if BNDES scales back its lending for infrastructure projects. However, Angola's reliance on China and Brazil for such a significant portion of its bilateral external debt means that any disruption to China's or Brazil's economic stability could have an adverse effect on Angola's ability to increase bilateral borrowings from these two countries in the future.

Challenges in the implementation of economic and financial reforms, and the lack of available financing, may have a negative effect on the performance of the Angolan economy.

In order to ensure sustainable growth of Angola's economy, the Government has been implementing a wide range of economic, financial and banking system reforms, and improvements of the legal and regulatory environment. The Government is pursuing these measures to promote private sector investments, diversify the economy away from the oil sector and facilitate access to credit to further foster private investment in Angola by both local and foreign investors. Although the Government intends to continue implementing these reforms, any challenges or delay in their implementation may materially and adversely affect Angola's economic, political and/or financial condition and its ability to repay the Notes.

Continued pursuit of long-term objectives, including those set forth in the National Development Plan 2013-2017, will depend on a number of factors including continued political support in Angola and across multiple government ministries, adequate funding, the outcome of policy reviews, improved security, power sector reform, availability of human capital and significant coordination. In order to fund these plans, the Government has budgeted capital expenditure of U.S.\$5.6 billion in 2015, U.S.\$10.3 billion in 2016 and

U.S.\$11.2 billion in 2017 (each excluding capital expenditure by Sonangol). As of 30 September 2015, U.S.\$1.8 billion of the 2015 budgeted capital expenditure has been spent. The significant funding requirements for these plans may prove difficult to meet, and the funding requirements for these initiatives may lead to an increase in Angola's outstanding debt. If fiscal resources prove inadequate, it may not be possible to pursue adequately all of the public capital projects set forth in the National Development Plan 2013-2017. In 2015, the Government expects to reduce its budgeted expenditures due to the unavailability of financing.

The economic and other assumptions underlying the objectives set forth in these plans including with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit may not be met, which would undermine Angola's ability to achieve the stated objectives. Failure to achieve one or more of the objectives or complete certain public capital projects set forth in these plans may render it difficult to achieve other stated objectives, and Angola's ability to achieve its strategic objectives may be affected by many factors beyond its control. Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. If the Government is not able to fund or implement the medium-term objectives contained in the National Development Plan 2013-2017, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives set forth in the National Development Plan 2013-2017, which could result in an adverse effect on the economy of Angola and its ability to service the Notes.

Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently.

Angola's further economic growth and the success of its initiatives to diversify its economy will depend upon it having adequate infrastructure. Good quality roads, bridges and railway networks, efficient ports and airports, as well as reliable power sources, developed telecommunication technologies, and extensive water supply throughout Angola's territory are critical preconditions to greater private sector investment and increased economic productivity. Despite the reconstruction efforts, Angola's infrastructure is still damaged, destroyed, undeveloped or absent as a result of the country's 27 year long Civil War. Angola is reliant on foreign funding, technical assistance and investment to rebuild, rehabilitate and expand its infrastructure.

In particular, in 2015, 2016 and 2017 the Government plans to invest in various infrastructure projects in the energy production, transmission and distribution sector, the water supply and sanitation sector, the road, rail, maritime and airport sectors, the telecommunication sectors, as well as in the surveying of natural resources, requiring approximately U.S.\$27.2 billion of funding, from the Government's own funds, from creditors both external and domestic, and from FDI. If this funding cannot be raised, Angola may have to reduce the number and/or scale of the projects in which it plans to invest, or increase the level of funding raised from creditors. The Government is unlikely to meet its 2015 funding targets, which will adversely impact its infrastructure plans.

The low price of crude oil has placed pressure on the Angolan construction and real estate sectors and job creation in these sectors has decreased during the course of 2015. The '*União Nacional dos Trabalhadores de Angola Confederação Sindical*', Angola's largest trade union, estimates that, as of 29 September 2015, approximately 7,000 jobs had been lost in the construction sector since the beginning of 2015. If Angola is not able to fund new opportunities in the construction and real estate sectors it may have to reduce the number and/or scale of the projects in which it plans to invest, which could result in continued loss of jobs. See "*The Economy – Primary Industry Sectors – Construction*".

Although in recent years Angola has made significant investments to rebuild, rehabilitate and develop its infrastructure, Angola's inability for any reason to achieve adequate progress in these initiatives, as Angola has experienced in the past, including due to increased time requirements to complete the projects, delays in commencing work, disruption of work, significant cost overruns, the Government's decision to delay projects in the event that deficit is higher than expected (see "*Public Finance – The 2015 National Budget – Expenditure*") any inability to raise the amounts required to fund the rebuilding, rehabilitation and development (regardless of whether Angola has committed to spend such amounts), could materially affect its ability to diversify its economy and meet its economic growth targets which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes. In addition, in August 2015 in announcing a new loan agreement to be provided to Angola, a representative of the African Development Bank (the "**AfDB**") asked the Angolan authorities to improve the pace of implementation of projects, in particular in the areas of procurement and financial management, stating that these challenges were seen as a serious risk and that the AfDB recently placed long-term consultants in its Angolan Field Office to provide support in these areas.

Following the Petrobras corruption allegations in Brazil, the Brazilian development bank BNDES has significantly restricted credit to some of Brazil's leading contractors, including Odebrecht SA, which has been awarded a series of significant contracts in Angola. See *"The Republic of Angola – International Relations – Brazil"*. Many of these Brazilian contractors are active in Angola, particularly with respect to rebuilding Angola's infrastructure, as well as in the energy, water supply, construction and telecommunications sectors. Any significant reduction of credit by BNDES to Brazilian contractors active in Angola may result in delays or cancellations of Angolan projects involving such contractors and, consequently, may adversely affect Angola's ability to diversify its economy and meet its economic growth rates.

Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy.

According to Transparency International, an international non-governmental organisation that monitors and publicises corporate and political corruption, Angola currently ranks in the top 15 most corrupt countries of those surveyed. In addition, independent international organisations have identified corruption and misuse of funds by public officials as significant challenges facing Angola. Specifically, there have been allegations of corruption in Angola relating to senior public officials having business interests in sectors for which they have responsibility or can otherwise exert influence or using Government influence to channel lucrative business opportunities to a relatively small political elite.

In response to this, Angola has recently introduced a series of laws and regulations to deal with corruption. See *"The Republic of Angola – Anti-money laundering, anti-bribery, anti-corruption and anti-terrorism measures"*. However, there is currently no data on how effective these measures have been in preventing corruption in Angola and there can be no assurances that they will be effective in the future. Further, in 2010 Angola introduced a law to govern public procurement processes and established a body overseen by the Ministry of Finance to oversee public procurement processes. However, the President of the Republic is entitled to approve contract tenders of any value in certain limited circumstances. Depending on the value of the contract, other public authorities are entitled to approve contract tenders under delegation of the President of the Republic. When a contract is approved by the President or by a public official with delegated authority, the awarding of such contract is not subject to Angola's usual public procurement procedures. See *"The Republic of Angola – Public procurement procedures – Presidential Approval of Public Procurement"*. Further, Angola's public procurement laws do not prohibit the awarding of contracts to companies where public officials have an interest.

Payments in respect of certain contracts are financed by credit lines such as those provided by CEXIM, LUMINAR and BNDES. See *"Public Debt – Composition of Angola's external debt"*. Contracts funded under those facilities are not currently subject to Angola's public procurement regime. See *"The Republic of Angola – Public procurement procedures"*.

Corruption has many implications for a country, including increasing the risk of political instability, distorting decision-making processes and adversely affecting its international reputation. Failure to address these issues, corruption, and any future allegations of or perceived risk of corruption in Angola could have an adverse effect on the political stability of Angola, on Angola's ability to attract foreign investment and on the Angolan economy which, in turn, may have a material adverse effect on Angola's ability to meet its debt obligations, including those under the Notes.

Angola's banking sector has high rates of NPLs which could have an adverse impact on the banking sector as a whole and may impact the ability of Angola to diversify its economy away from oil.

While there are a total of 29 banks in Angola, the country's banking assets are highly concentrated in five major banks, with the five banks accounting for 71% of deposits and 71% of loans as at 31 December 2014. At least two of these banks, BPC and Banco Economico (formerly BESA), have very high rates of non-performing loans ("NPLs"). BPC's NPLs at 30 June 2015 were 14.4% (relative to total loans) and 88.4% (relative to own funds) and Banco Economico's NPLs at 30 June 2015 were 43.9% (relative to total loans) and 432.9% (relative to own funds). Total deposits in the banking sector as at 31 December 2014 exceeded AOA 4,763.8 billion (U.S.\$46.2 billion) and total loans outstanding were AOA 2,946.7 billion (U.S.\$28.6 billion).

In the first quarter of 2014, following the discovery of significant NPLs at BESA, BESA was investigated by the BNA for significant irregularities with respect to its loan book, including allegations that a large portion of its NPLs were provided to unidentified individuals or entities or were loans provided to BESA's management and high level government officials. In December 2013, in order to restore confidence in the creditworthiness and

liquidity of BESA (the predecessor to Banco Económico), and to promote stability and reduce systemic risk in the banking sector, the Republic provided a comfort letter to BESA. This comfort letter was revoked in August 2014 at the same time the bailout, asset splitting and BNA administration of BESA occurred. See “*Monetary Policy—The Banking System*”.

Failure to properly supervise the Angolan banks or to control the level of NPLs at Angola’s major banks could result in a material adverse effect on Angola’s banking sector, which in turn could impact the ability of Angola to diversify its economy away from oil.

Angola’s oil and mining sectors may create environmental hazards.

Angola’s oil and mining sectors represent a significant section of Angola’s economy. Oil exploration and extraction and mining activities create and increase the risk of environmental hazards, in particular in the case of oil exploration and extraction, of oil spills and pollution of both onshore and offshore environments, and in the case of mining the silting of rivers due to erosion of mine soil waste and residue minerals washed into the rivers. As with all other mining and oil exploration countries, there can be no guarantee that an incident causing significant environmental damage in Angola will not occur, which could have an adverse effect on the stability and growth of the oil and mining industries in Angola and on the Angolan economy. See “*The Economy – Environment*” for a discussion of the programmes designed to improve the Angolan environmental regime.

Challenges in diversifying its economy may constrain Angola’s economic growth.

In recent years, Angola has been diversifying its economy away from the oil sector by expanding other economic sectors, such as agriculture, construction, financial services and mining, and is currently planning a number of economic and fiscal measures to further progress this economic diversification strategy. However, in 2014 the oil sector represented more than 97.4% of Angola’s exports and accounted for 35.4% of its GDP. Deficiencies in infrastructure levels, lack of private investment, shortages of skilled labour, a developing financial sector and a challenging business environment, including but not limited to the length of time required (and complexity of the processes) to start and close a business and difficulties in enforcing contracts present challenges to the implementation by Angola of an economic diversification strategy. See “– *Angola’s economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*”. No assurances can be given that Angola will succeed in continuing to diversify its economy on a timely basis or at all. If Angola does not successfully further diversify its economy, its economic growth may be limited which, in turn, may materially and adversely affect Angola’s financial condition and its ability to repay the Notes.

Challenge in ensuring smooth governmental succession could lead to political and social instability.

The People’s Movement for the Liberation of Angola (“MPLA”) has been the ruling party in Angola since Angola obtained independence in 1975 and the current administration has been in power since 1979. The MPLA was elected by a large margin in Angola’s 2008 general elections, the first such elections after the end of Civil War. In 2012, the MPLA was re-elected by a large margin, in an electoral process that was considered fair by international organisations.

Under the terms of the Constitution, the presidency is limited to two five year terms and the next elections are scheduled to occur in 2017. The Government may not be able to continue to pursue and/or implement in a timely manner a number of the structural measures in its reform agenda in the run up to the election, especially if such measures could be politically sensitive.

Further, given that Angola has not had a change in the majority government since 1979, there can be no assurance that the handing over of power to a new president and/or a new political party will be smooth. Whatever the outcome of the election, the next administration may pursue policies and have priorities which differ from those of the current administration and may alter or reverse certain reforms or take actions that make domestic and foreign investment in Angola less attractive.

If the political climate in Angola were to change significantly, it could lead to political and social instability which, in turn, may materially and adversely affect the Angolan economy, Government revenues or foreign reserves, and, as a result, have a material adverse effect on Angola’s ability to make payments under the Notes.

The MPLA has a majority that allows it to pass legislation with limited opposition.

The MPLA has more than a two-thirds majority in the National Assembly. As a result of the current constitutional system which allows the majority of laws to be passed by a simple majority, and constitutional changes to be affected by a two-thirds majority, the President may rely on the MPLA to ensure that a high proportion of any new laws proposed to Parliament will be passed. If the MPLA were to abuse these powers, despite a history of low levels of popular unrest in Angola, the opposition parties and the disaffected population may rally against the President and the MPLA. In addition, public disaffection with the MPLA concerning its parliamentary majority could result in a degree of political instability. Any such popular unrest or political instability could have an adverse effect on Angola's economy and therefore on its ability to make payments under the Notes.

There are risks related to security in Angola.

In spite of the Government's efforts, continued criminal activity, unrest and political conflicts in the country may lead to lower oil production, deter foreign direct investment and lead to increased political instability. For instance, while the Government does not consider them to represent a serious threat to the territorial integrity or political stability of Angola, the Front for the Liberation of the Province of Cabinda ("FLEC"), a Cabindan separatist movement, claimed responsibility for the shooting at a bus transporting the Togo national football team to Cabinda for the start of the 2010 Africa Cup of Nations, which was hosted by Angola. See "*The Republic of Angola – History – The Province of Cabinda*". Such conflicts and activity, including an increase in the activity of FLEC, could have a material adverse effect on Angola's economy and therefore on Angola's ability to meet its debt obligations, including those under the Notes.

Angola is located in a region that has been subject to ongoing political and security concerns.

Angola is located in a region which has, at times, experienced political instability. Wars, political instability, social unrest, epidemics and/or increased fragility in other countries bordering or close to Angola are common. In particular, the ongoing civil war in the Democratic Republic of Congo poses a threat to stability in the region. Such regional threats and fragility among Angola's neighbouring countries may have a material adverse effect on Angola's economy and its ability to engage in international and regional trade which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes.

Angola may face a lack of continued access to foreign direct investment for several reasons.

Foreign direct investment ("FDI"), which comprises equity capital and other capital inflows into Angola, as well as reinvested oil revenues, increased from U.S.\$9.2 billion in 2010 to U.S.\$13.3 billion in 2014. However, absent a decrease in the perceived risks associated with investing in Angola, including those described in this Prospectus, as is common with other countries, FDI may fail to increase or may even decline, which could adversely affect Angola's economy and limit sources of funding for infrastructure and other projects which are dependent on significant investment from the private sector. This could, in particular, have an adverse impact on the Angolan economy. If existing levels of FDI decrease or do not continue to increase, this could significantly impede progress of sectors important to the Angolan economy and its growth, and slow down or halt its economic development.

Angola's legal and judicial system is relatively underdeveloped and may not always function adequately.

Angola moved away from socialism in 1991 and was involved in a 27 year long Civil War until 2002, during which it lacked an adequate economic regulatory framework and effective legal enforcement. Since the end of the Civil War, Angola has moved away from a centrally planned economy into a decentralised market economy. Angola is still in the process of developing the legal framework required to support a market economy, and as a result, regulation of the economy remains underdeveloped. Angola's judiciary may not be completely independent from political, social and commercial forces, and Governmental authorities generally have a high degree of discretion, leaving significant opportunities for arbitrary Government action. The absence of a sophisticated legal and regulatory framework to support a free market economy and inadequacies in the functioning of Angola's judiciary could adversely affect Angola's ability to attract future or retain current investments which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes.

Health risks could adversely affect Angola's economy.

Tuberculosis (which can be exacerbated in the presence of HIV/AIDS), malaria, yellow fever, dengue fever and typhoid fever are major healthcare challenges in Angola, and life expectancy in Angola remains one of the lowest in the world, though it has increased to 51.9 years in 2013 from 45.2 years in 2000. Compared with other sub-Saharan African countries, Angola has a low HIV prevalence rate among its population of adults aged between 15 and 49 years old, accounting for less than 2% of population. However, due to low levels of basic sanitation and the low quality of the water supply, Angola has struggled in tackling Malaria, which remains the single largest cause of child mortality in the country, and is considered to be Angola's greatest public health problem.

In 2014 the World Bank estimated that there were 98.8 deaths in every 1,000 live births, and that in 2013 maternal mortality was 460 deaths per 100,000 live births.

No assurance can be given that infant and maternal mortality rates will improve nor that the diseases currently present in Angola decline in prevalence. If infant and maternal mortality rates worsen and/or the prevalence of diseases such as malaria in Angola increases, no assurance can be given that these factors will not have a material adverse effect on the economy of Angola and therefore on Angola's ability to meet its debt obligations, including those under the Notes.

A large proportion of Angola's exports are to China and any negative impact on relations with China could disrupt levels of exports from Angola.

Since 2006, China has been the largest single importer of Angolan oil and in 2014, China accounted for 49.2% of Angola's crude oil exports, amounting to U.S.\$27.7 billion. In addition, Angola enjoys good relations with China. See "*The Republic of Angola – International Relations – China*". However, Angola's reliance on China for such a significant proportion of its trade means that any disruption to economic stability or growth in China, or any rupture in economic or political relations between Angola and China, could have an adverse effect on the Angolan economy which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes.

Devaluation in the value of the Kwanza could have a material adverse effect on Angola's economy.

On 4 June 2015, the BNA devalued the Kwanza by 6%, the largest single reduction since 2009. At the time of the devaluation, the Kwanza's exchange rate against the US dollar was approximately AOA 116.9 and had significantly weakened in the days preceding the devaluation. On 10 September 2015, the BNA again devalued the Kwanza by reducing the official selling rate for the Kwanza to AOA 130.4 against the US dollar. The devaluations were aimed at stimulating foreign currency inflows (through both FDI and exports) that have decreased as a result of continuing low oil prices. To date, the BNA's devaluations have not resulted in a decrease in the parallel rate (a market-determined exchange rate that coexists with the pegged exchange rate), which remains at approximately AOA 180-200 per US dollar. Angola currently expects the Kwanza to continue to depreciate modestly against the US dollar as a result of a decline in Angola's current-account surplus and the rate increase by the U.S. Federal Reserve, which is expected to strengthen the US dollar. Since 1 January 2015 through 30 October 2015, the Kwanza has depreciated by 31.5%. See "*Exchange Rate History*".

The recent devaluation of the Kwanza, and any further devaluations in the future, could have a material adverse effect on Angola's rate of inflation as a result of higher import prices and rising demand for exports. See "*High inflation could have a material adverse effect on Angola's economy*".

High inflation could have a material adverse effect on Angola's economy.

Consumer inflation has declined from 15.3% in 2010 to 7.5% in 2014. As at 30 September 2015, inflation over the previous 12 months was 11.7%. In the past, Angola has experienced very high levels of inflation due to economic instability caused by the Civil War. For example, in 2000 Angola's inflation rate reached 268%. For more information on historical inflation rates see "*Monetary System – Inflation*".

Although Angola has recently experienced growth in the agricultural sector, with improved harvests, it continues to rely heavily on food imports as well as imports of components necessary for use in the construction and manufacturing sectors. A major factor affecting Angola's inflation relates to the exchange rate flexibility affecting those imported goods on which Angola relies heavily on.

Although Angola's monetary policies are aimed at containing inflation, there can be no assurance that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on Angola's economy and Angola's ability to meet its debt obligations, including those under the Notes.

Angola is both an importer and an exporter of commodities and, as such, is exposed to fluctuations in global commodity prices.

The Government has taken and continues to take significant measures in order to diversify the economy and the range of its exports. A more diverse export base would better manage Angola's exposure to key commodity price fluctuations, as well as increase the value of exports overall. However, a challenge in further diversifying the country's export base and/or increase exports, or the occurrence of significant fluctuations in the prices of key import and export products, could result in increasing trade deficits and lower GDP growth which may, in turn, result in a material adverse effect on Angola's ability to perform its obligations under the Notes.

A significant decline in the level of external reserves as a result of the BNA's major role as a main supplier of foreign currency to domestic residents for imports purposes, could materially impair Angola's ability to service its external debt, including the Notes.

Given the fluctuations in Angola's external reserves, its high dependence on oil exports and the fact that Angola pays for its key imports, such as food and petroleum, in US dollars, the Kwanza will remain vulnerable to external shocks which could lead to a sharp decline in its value. See "*The Economy – Foreign Revenue*". The BNA monitors the Angolan banking system's current account, with a view to maintaining minimum reserves totaling six months of imports. Following the drop in oil prices in 2014, Angola has experienced a lack of US dollars in circulation. The reduced US dollar liquidity has negatively affected imports to Angola due to the fact that many imports are paid for in US dollars. If Angola continues to run current account deficits and oil prices remain low it may deplete its foreign exchange reserves, which, in turn, may result in Angola not being able to meet its debt obligations, including those under the Notes.

Further, the Government has estimated that it needs to raise U.S.\$14.0 billion in 2015 to fund its fiscal deficit and debt service obligations. As of 31 August 2015, U.S.\$8.1 billion of additional debt had been raised. If the Government is unable to raise additional debt to make up the U.S.\$5.9 billion shortfall (not taking into account the use of the proceeds of the Notes offered hereby which will not be used to fund the fiscal deficit or debt service obligations), it may be required to access its foreign reserves. To the extent that the Government uses BNA deposits (as such deposits are described under "*The External Sector – Foreign Reserves*" and "*Monetary System*" below) to fund its fiscal deficit and/or to service its debt obligations (as currently indicated under "*Public Debt – Sources and Needs for 2014 and 2015*" below), its foreign reserves will decrease accordingly.

Angola is highly dependent on foreign imports, in particular food and refined petroleum.

Angola is highly dependent on foreign imports, primarily food and refined petroleum. The 27 year Civil War and a failure to maintain systematic and continuous agricultural practices post-independence, led to a decrease in agricultural activity in Angola consequent shortfalls in food production have meant that, in recent years, it has needed to rely on food imports to satisfy domestic food requirements. While the Government is focused on developing the agricultural sector, the country will continue to rely heavily on food imports in the near future, a reduced focus on the growth of the agricultural sector and/or adverse weather conditions may affect Angola's internal production of food and therefore increase its dependence upon foreign imports. Angola's high reliance on food imports in an environment of rising prices may lead to significant increases in inflation which could have a negative impact on the economy.

While Angola produces significant amounts of crude oil, mainly due to a lack of refining capacity, it imports between approximately 75% and 80% of the petroleum it consumes. Angola currently has only one oil refinery, *Refinaria De Luanda*, which currently meets between 25% and 30% of Angola's refined petroleum needs and has experienced several maintenance-related shutdowns. Two further oil refineries are in construction, but significant investment is required in order to bring them online and no assurances can be provided as to when they will do so. See "*The Economy – Primary Industry Sectors – Oil Industry – Midstream and downstream services*". As a result, continued volatility in the price of petroleum and other commodities could have an adverse effect on Angola's economy. Despite its intention to reduce and eliminate existing subsidies, in an environment of rising prices the Government may need to create new subsidies resulting in unplanned budgetary outlays and inflation. Any such budgetary outlays or excessive inflation may adversely impact Angola's economy and its ability to make payments under the Notes.

Stability and growth in Angola may be threatened if the Government fails to address high levels of poverty, inequality in income and unemployment.

Poverty levels in Angola remain high. The Government's most recent survey of social indicators in 2012-13 found that an estimated 30% of the population lived below the poverty line (although this proportion has declined substantially from 68% in 2001) and that there were high levels of income inequality, with the World Bank estimating that Angola's GINI coefficient was 42.7, ranking it 149th in the world for income inequality as of November 2013. In addition, the World Bank estimates that unemployment in Angola was 6.8% in 2013. See "*A significant portion of the Angolan economy is not recorded*".

If Angola continues to suffer from these or increased levels of poverty, income inequality and unemployment, they could become a source of political and social instability. Furthermore, challenges in reducing poverty, income inequality and unemployment may individually or in the aggregate have negative effects on the Angolan economy and, as a result, a material and adverse effect on Angola's ability to meet its debt obligations, including those under the Notes.

Angola's growth prospects are vulnerable to the performance of the power sector.

Despite important energy resources and on-going energy sector reforms in order to significantly increase Angola's energy production capacity through 2017, the lack of sufficient, affordable and reliable energy supply remains a serious impediment to Angola's economic growth and development. Only 35% of Angola's population is estimated by the Government to have access to the state-owned electricity supply, although it is estimated that some additional users have access to small private and local electricity sources, leaving an estimated 15 million Angolans without access. Insufficient power generation, aging or insufficient infrastructure, inadequate funding, weak distribution networks and overloaded transformers result in high cost of electricity, frequent power outages, high transmission and distribution losses and poor voltage output. For instance, an estimated 80% of electricity users are unmetered and the power sector experiences a high level of illicit connections and other fraud which has resulted in a lack of revenue collection by electricity suppliers and consequent losses for the sector. While the Government has adopted several measures to deal with these fraud issues, such as the development of electronic electricity meters, there is no assurance that the sector will not continue to experience fraud issues.

In 2014, approximately 47.5% of Angola's electricity was generated by thermal power plants, including 33 diesel power plants. These power plants are expensive to operate despite the fact that the cost of diesel is subsidised by the Government with the average diesel price in Angola being 32% lower than the world's average diesel price. In the future, in addition to satisfying a large proportion of Angola's energy needs, diesel power plants are expected to play an important part in balancing power supply in the event of significant future fluctuations in demand for power after the hydroelectric modernisation programme has been completed. See "*The Economy – Energy – Power Generation – Hydroelectric Generation Facilities*" for a discussion of Angola's on-going energy reforms. Under its Power Sector Reform Support Program the Government plans to invest U.S.\$23.0 billion in the power sector through 2017, raised from a combination of the Government's own funds, FDI and domestic and external debt. If this funding cannot be raised, Angola may have to reduce the number and/or scale of its investments in the power sector.

While the Government is committed to continuing to implement policies to develop the skills of the labour force by improving the quality of education across the board, developing specialist courses, introducing the opportunity for part-time and temporary work and working in partnership with the private sector to develop employment opportunities and provide on-the-job training, there remains a lack of highly-skilled workers to manage and work in the power sector. A continued lack of skilled personnel in the power sector could hinder Angola's ability to establish a sufficient, affordable and reliable energy supply.

If Angola is unable to provide a regular and adequate supply of electricity to its citizens, this could have an adverse effect on Angola's economy which, in turn could have a material and adverse effect on Angola's ability to meet its debt obligations, including those under the Notes.

A significant portion of the Angolan economy is not recorded.

A significant portion of the Angolan economy is comprised of the informal, or shadow, economy. The informal economy is not recorded, resulting in a lack of revenue for the Government, ineffective regulation, unreliability of statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. Lack of

effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by, among other things, simplifying the tax regime and reducing the corporate tax rate from 35% to 30%, there can be no assurances that such measures will adequately address the issues and bring the informal economy into the formal sector.

Statistics published by Angola and appearing in this Prospectus may be more limited in scope and published less frequently and differ from those produced by other sources.

A range of Ministries and institutions produce statistics relating to Angola and its economy, including the Angolan Institute for National Statistics (in respect of the real economy and other social figures), the BNA (in respect of monetary and financial statistics and those relating to the external sector) and the Ministry of Finance (in respect of fiscal statistics), all of whom are members of the Angolan national statistics system. While Angola intends to adhere to the IMF's General Data Dissemination Standards, the estimated and projected financial and statistical data contained in this Prospectus may be more limited in scope and published less frequently than in the case of other countries, for example those in Western Europe and the United States, and adequate monitoring of key fiscal and economic indicators may be difficult. Estimated and projected financial and statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

There may be material differences between preliminary or estimated statistical data set forth in this Prospectus and actual results, and between the statistical data set forth in this Prospectus and corresponding data previously published by or on behalf of Angola.

Consequently, the statistical data contained in this Prospectus should be treated with caution by prospective investors.

Estimated and projected financial and statistical data may be based on imprecise or incorrect assumptions and, along with historical financial statistical data, are subject to periodic review and revision.

Assumptions used in order to calculate projected or estimated financial and statistical data may differ from those used by other sources and may be subject to revision. Some statistics, including some of those for 2014, are preliminary figures that are subject to later review. Prospective investors should be aware that estimates relating to GDP, balance of payments and other aggregate figures cited in this Prospectus may become outdated relatively quickly. Although significant improvements have been made in the compilation of the financial and statistical data, errors and omissions in both historical and estimated and projected data may persist as data collection is not always complete, which may result in such figures being revised in future periods. Compared to more developed countries, statistics produced by the Government may be more limited in scope, published less frequently and differ between sources. In addition, the significant size of the informal economy in Angola means that statistics may overstate or understate the indicators to which they pertain.

Impact of the global economic crisis on the Angolan economy.

The global recession and financial crisis in 2008 and 2009 affected Angola, particularly through the resulting fluctuations in oil prices and increased investor aversion to risk, which resulted in a withdrawal of capital and reduced access of private sector borrowers to external credit lines. The impact of the global recession on Angola was felt mainly through falling commodity prices and reduced net capital inflows. As the global economy began to improve, the real GDP growth of the country rose to 6.8% in 2013, from 3.5% in 2010. Angola's real GDP growth was 4.8% in 2014. If the global economy remains volatile, this may have a continuing adverse effect on the Angolan economy and on Angola's ability to meet its debt obligations, including those under the Notes.

Angola has no history of directly issuing securities listed on a regulated market.

Angola has no history of directly issuing securities listed on regulated markets. The offering of the Notes is the debut issue of securities on a regulated market made by the Republic of Angola. A lack of historical information regarding previous issues of Angolan securities will mean that it is difficult to assess the potential performance of the Notes and the risks involved in investing in the Notes.

The Government is not contractually obliged in the Conditions, and may fail, to appoint technical adviser(s) to monitor and report on the progress of the projects that will be financed with the proceeds of the Notes and to certify payments made to such project contractors.

Although the Government intends to appoint one or more international reputable technical advisers in respect of the public infrastructure projects that it will finance with the proceeds of the issue of the Notes to confirm the valuation of such projects, review the project design and construction programmes, prepare semi-annual reports on the projects' progress, review any claims made by project contractors and any proposed variation orders involving an increase in the contract price, advise on any land expropriations, utility relocations and environmental matters relating to the projects, and certify payments made by the Government to project contractors (all as described under the caption "Use of Proceeds" in this Prospectus), the Government is not contractually obliged in the Conditions to make any such appointment(s). Moreover, the Government may fail to appoint such technical adviser(s) on a timely basis or at all due to, among other things, a lack of sufficiently qualified candidates with relevant technical expertise tendering for such appointment, an inability to agree acceptable terms of appointment (including scope of work and/or contract price) with prospective candidates, and / or the inability to satisfy Angola's procurement process requirements (including the obtaining of Audit Court approval for any such appointment). Should the Government fail to appoint one or more international reputable advisers for these purposes, the progress of – and payments in respect of – the public infrastructure projects that will be financed with the proceeds of the issue of the Notes will be monitored solely by the relevant public contracting entity within the Government and the Ministry of Finance without third party independent oversight.

Additionally, the technical adviser is intended to be appointed by the Republic only and not by or on behalf of the holders of the Notes. Holders will not be able to rely on any information prepared by any technical adviser and will not have any rights to pass on the appointment, retention or dismissal of any technical adviser or otherwise direct the scope of work of such technical adviser.

Angola is a sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in England or any other country against Angola.

Angola is a sovereign state and, consequently, it may be difficult for Noteholders to obtain judgment against Angola in a foreign or Angolan court or to enforce judgments against Angola obtained in courts outside of Angola, including the courts of England, to which Angola has irrevocably submitted in respect of the Notes. The Notes do not provide any alternative dispute resolution mechanism, such as arbitration, and accordingly Noteholders will have legal recourse in the event of any dispute under the Notes only through the courts. Angola's waiver of sovereign immunity described above under "Service of Process and Enforcement of Civil Liabilities" will have the fullest scope permitted under the State Immunity Act of 1978 of the United Kingdom and is intended to be irrevocable for the purposes of such Act. In any proceedings whereby any action related to the Angolan laws, rules, regulations or decrees enacted to approve and regulate the issuance of the Notes, the Republic may be entitled to claim immunity from suit as said statutes imply the exercise of powers of a sovereign state. The waiver shall otherwise constitute a limited and specific waiver for the purposes of the Fiscal Agency Agreement and the Deed of Covenant and the Notes. Under the Terms and Conditions of the Notes, the Republic has not waived immunity from execution or attachment in respect of: (a) assets that have been expressly recognised as belonging to the public domain of the Republic (*domínio publico*), which may not be sold, encumbered or pledged in any way in accordance with the laws of the Republic; (b) assets which constitute private domain assets expressly assigned to a public purpose (*domínio privado indisponível do Estado*) in accordance with Article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*), which are not available for enforcement unless the same is in respect of a debt guaranteed by a registrable security; (c) military assets belonging to the Republic and assets or property under the control of a military authority or defence agency of the Republic; (d) assets belonging to any diplomatic mission or consulate of the Republic that do not otherwise belong to the public domain (*domínio publico*) or fall under article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*); (e) assets of the National Bank or other monetary authority of the Republic which are assigned to a public purpose; (f) properties belonging to the cultural heritage of the Republic or which are a part of its archives and are not intended for sale; or (g) assets that form part of an exhibition of scientific, cultural or historical interest and which are not intended for sale. Moreover, judgments against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant or the Notes in the English courts will only be recognised and enforced in Angola after such judgment has been validated and recognised by the Angolan Supreme Court. The enforcement of foreign judgments in Angola is subject to a number of conditions, limitations and procedures broadly described under "Service of Process and Enforcement of Civil Liabilities". Among other things, a judgment obtained in the English courts would only be recognised and enforced by an

Angolan court without re-litigation and re-examination of the merits of such judgment provided that such judgment did not violate any public policy principles of Angolan law and were compliant with the provisions of the Angolan Procedural Code, including article 1096 which provides, inter alia, that where a foreign judgment is handed down against an Angolan, the same must not offend provisions of Angolan private law when the decision should have been determined under Angolan law pursuant to Angolan conflict of law rules. Additionally, before any judgment obtained in a foreign court can be enforced in the courts of Angola it must be translated into the Portuguese language (and such translation certified by a competent body) and legalised by an Angolan consulate. Any breach or non-compliance with these limitations, provisions and procedures may prevent the recognition of foreign courts judgements or orders, making it difficult for investors to obtain or realise judgments of courts outside the Republic.

A claimant may not be able to enforce a court judgment against certain assets of Angola in certain jurisdictions.

There is a risk that, notwithstanding the waiver of sovereign immunity by Angola, a claimant will not be able to enforce a court judgment against certain assets of Angola in certain jurisdictions (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) without Angola having specifically consented to such enforcement at the time when the enforcement is sought.

The foreign exchange reserves of Angola are controlled and administered by the BNA, which conducts monetary and supervisory activities independently from the Government and acts as banker and fiscal agent to the Government. Accordingly, such reserves would not be available to satisfy any claim or judgment in respect of the Notes.

A judgment by an Angolan court will ordinarily be awarded in Kwanza, but may be awarded in a foreign currency, depending on the underlying type of contract or transaction. Similarly, when enforcing a foreign judgment awarded in a currency other than Kwanza, an Angolan court may convert such award into Kwanza in order to calculate the Angolan justice tax, a tax that is charged on legal proceedings in Angola. In that event, there may be a discrepancy between the rate of exchange used by the Angolan court to convert such award into Kwanza, and the rate of exchange which may be obtained in the market to convert such award from Kwanza back into another currency. A Noteholder who is awarded a judgment may therefore incur a loss as a result of such exchange rate differences. A currency indemnity has been included in the terms and conditions (see Condition 17 (*Currency Indemnity*)), however, the cost of enforcement of such condition may nevertheless result in a loss by such Noteholder.

The Angolan courts have a wide discretion in determining whether or not to enforce a foreign judgement on the grounds set out in the Angolan Civil Procedure Code ('Código de Processo Civil'), including on grounds related to matters of public policy.

Risk Factors Relating to the Notes and the Trading Market for the Notes

The Notes may not be a suitable investment for all investors.

Investors must determine the suitability of investment in the Notes in the light of their own circumstances. In particular, investors should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on their overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from their currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment in the Notes and their ability to bear the applicable risks.

An active trading market for the Notes may not develop and any trading market that does develop may be volatile.

The trading market for the Notes will be influenced by economic and market conditions in Angola and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, the European Union Member States and elsewhere. There can be no assurance that an active trading market for the Notes will develop. If a market does develop, it may not be liquid. In addition, liquidity may be limited if the Republic makes large allocations of the Notes to a limited number of investors. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the economic and political condition of Angola.

Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future.

In 2012, the Republic incurred external debt in the form of a U.S.\$1 billion loan from Northern Lights III B.V. (“**Northern Lights**”) (the “**Northern Lights Facility**”), a private Dutch special purpose vehicle, that was repackaged as a capital markets bond in the form of loan participation notes (“**LPNs**”) issued, in equal amount, by Northern Lights (the “**Northern Lights LPNs**”). In addition, in the near term, there may be a significant amount of new LPNs (or other capital markets instruments) similar to the Northern Lights LPNs issued on the basis of Angolan sovereign credit. See “*Public Debt*”.

The Government has not granted any security interest in favour of Northern Lights or any other person in respect of its obligations under the Northern Lights Facility. The Terms and Conditions of the Notes contain a negative pledge (the “**Negative Pledge**”) pursuant to which, so long as any of the Notes remain outstanding, the Republic is restricted, subject to certain exceptions specified therein, from creating or permitting to subsist any Lien upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Republic or any other person unless, at the same time or prior thereto, the obligations of the Republic under the Notes are secured equally and rateably therewith or have the benefit of such other arrangements as may be approved by Noteholders. See “*Terms and Conditions of the Notes – 4. Negative Pledge*”. However, the Negative Pledge would not restrict the Republic from creating or permitting to subsist any such Lien to secure External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Republic in respect of which a third party has issued LPNs or any other form of capital markets debt instrument. While the Government has stated it has no intention to do so, there can be no assurance that the Republic will not, in the future, grant security in respect of External Indebtedness which is then repackaged by a third party into the capital markets by way of an LPN or any other form of capital markets debt instrument. Additionally, such other External Indebtedness (as defined in the Terms and Conditions of the Notes) may have terms that are more favourable to the holders of those debt securities than are contained in the Terms and Conditions of the Notes, including upon an event of default.

Any new Angolan capital markets debt issued by way of an LPN or other capital markets instruments (whether secured or unsecured), could have a material adverse impact on the trading price of the Notes offered hereby.

The Notes contain a “collective action” clause under which the terms of the Notes may be amended, modified or waived without the consent of all the Noteholders.

The terms and conditions of the Notes (the “**Conditions**”) contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

In the future, the Republic may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, then this could mean that the Notes would be capable of aggregation with any such future debt securities. This means that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of debt securities in all the relevant aggregated series, including the Notes.

Any modification or actions relating to Reserved Matters (as defined in the Conditions), including in respect of payments and other important terms, may be made to the Notes with the consent of the holders of 75% of the

aggregate principal amount outstanding of the Notes, and to multiple series of debt securities which may be issued by the Republic with the consent of both (i) the holders of 66 2/3% of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each series of debt securities being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to reserved matters may be made to multiple debt securities with the consent of 75% of the aggregate principal amount outstanding of all debt securities being aggregated only, without requiring a particular percentage of the holders in any individual affected debt securities to vote in favour of any proposed modification or action. Any modification or action proposed by the Republic may, at the option of the Republic, be made in respect of some debt securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Republic will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Republic.

There is a risk therefore that the Conditions of the Notes may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of an amendment, modification or waiver may be holders of different debt securities and, as such, less than 75% of the Noteholders would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

Definitive Notes not denominated in an integral multiple of U.S.\$200,000 or its equivalent may be illiquid and difficult to trade.

The Notes have denominations consisting of a minimum of U.S.\$200,000 plus integral multiples of U.S.\$1,000 in excess thereof. It is possible that the Notes may be traded in amounts that are not integral multiples of U.S.\$200,000. In each, such holder who, as a result of trading such amounts, holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time would not be entitled to trade such Notes and may not receive a Certificate in respect of such holding (should Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amount to U.S.\$200,000.

If Certificates are issued, holders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and more difficult to trade than Notes denominated in an integral multiple of U.S.\$200,000.

The Republic's credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes.

The Notes have been rated B+ by Fitch and Ba2 by Moody's. Each of Fitch and Moody's is established in the European Union and registered under the CRA Regulation. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Other than pursuant to Article 16 of the Prospectus Directive, the Republic has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Republic may adversely affect the market price of the Notes.

Payments made in certain EU Member States may be subject to withholding tax under the EU Savings Directive.

Under Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the "EU Savings Directive"), each member state is required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain entities (as described in Article 4.2 of the EU Savings Directive, each a "Residual Entity") established in that other member state; however for a transitional period, Austria may instead apply a withholding system in relation to such payments. The end of this transitional period depends on the conclusion of certain other agreements relating to exchange of information with certain other countries.

A number of non-EU countries, including Switzerland, (“**Third Countries**”) and certain dependent or associated territories of certain member states (“**Dependent and Associated Territories**”) have adopted similar measures (either provision of information or transitional withholding) in relation to payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or Residual Entities established in another member state, or certain Third Countries or Dependent and Associated Territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described above. Member states have until 1 January 2016 to adopt national legislation to comply with the Amending Directive (and such national legislation must apply from 1 January 2017). The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of “interest payment” to cover income that is equivalent to interest.

The EU Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which Member States will be required to apply other new measures on mandatory automatic exchange of information from January 1, 2016.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment pursuant to the EU Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, the EU Savings Directive, neither the Republic nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Republic is, however, required to maintain a paying agent in a Member State, if any, that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive. Holders of the Notes should consult their own tax advisers regarding the implications of the EU Savings Directive in their particular circumstances.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to approximately U.S.\$1,492,500,000 after deduction of the underwriting and selling commission, will be deposited into a designated account maintained by the Ministry of Finance, separate from the general funds of the Ministry of Finance, and used by the Republic to finance the following public infrastructure projects:

- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Luanda;
- construction of new water supply and sanitation systems for 21 municipal headquarters;
- the development of the water system in Huambo to improve the water supply system and drainage capacity;
- the repair and development of the water supply and drainage system in M'banza Congo;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Benguela;
- the upgrading of a road linking Samba Cashew, Banga, Quiculungo and Bolongongo municipalities and connecting the national roads EN225 and EN320;
- the upgrading of the EN354 road linking the capital cities of the provinces of Huambo and Huila;
- the upgrading of the EN120 road linking Ondjiva, Omala and Jamba Mineira in the Huila province;
- the expansion of medium and low voltage electricity networks, public lighting and domestic electrical connections in Huambo;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in Lubango;
- the expansion of medium and low voltage networks, public lighting and domestic electrical connections in the city of Cabinda;
- the repair and development of the water supply and drainage system in the cities of Cabinda and Lândana;
- the repair and development of the water supply and drainage system in the city of Kuito;
- the repair and development of the water supply and drainage system in the city of Malange; and
- the upgrading of the EN240 road linking Ebo and Condé.

The Ministry of Energy and Water is the responsible Ministry for each of these projects.

As part of the Government's internal policy and pursuant to Law 1/14 (*Public Debt*) and Law 15/10 (*Basis of the State Budget*), external financing (including the proceeds of the Notes offered hereby) will only fund capital expenditures and not the budget deficit. Approximately 15% of a capital expenditure project will be funded by the Government from internal resources. The remainder of the financing for such projects will be funded by external debt (including the proceeds of the Notes offered hereby).

The project contracts awarded will be subject to the Angolan public procurement regime including approval by Angola's Audit Court. See "*The Republic of Angola – Public procurement procedures*".

With respect to each project, the Government intends to appoint an international technical adviser of appropriate qualification and standing (with experience in monitoring the relevant project and that, to the knowledge of the Government, has not been prosecuted for bribery, corruption or money laundering by any governmental or regulatory agency) to confirm the valuation of such project, review the project design and construction programmes, prepare semi-annual reports on the projects' progress, review any claims made by project contractors and any proposed variation orders involving an increase in the contract price, and to advise on any land expropriations, utility relocations and environmental matters relating to the projects, among other things. The semi-annual project progress reports of the technical adviser(s) with respect to all projects will be made available to the Ministry of Finance and the Ministry of Finance intends to publish the reports on its website within 60 days of the date of such reports.

The Government intends that the technical adviser(s) it appoints would also review and certify to the Government each invoice rendered by the project contractors, both in advance of payment (to ensure payments correspond to the programme of works that have been completed and have properly fallen due) and post-payment (to confirm that payments have been made directly to project contractors for appropriate amounts certified by the technical adviser(s)).

The appointment of the technical adviser(s) will be subject to the Angolan public procurement regime. See “*The Republic of Angola – Public Procurement Procedures*”. There is no contractual obligation in the Conditions that requires Angola to appoint a technical adviser. See “*Risk Factors – The Government is not contractually obliged in the Conditions, and may fail, to appoint technical adviser(s) to monitor and report on the progress of the projects that will be financed with the proceeds of the Notes and to certify payments made to such project contractors.*”

THE REPUBLIC OF ANGOLA

Location and Geography

Angola occupies 1,246,700 square kilometres of southern Africa, bordered by the DRC and the Republic of the Congo in the north, Namibia in the south, Zambia in the east, with its 1,650 kilometre west coast on the Atlantic Ocean. Angola is divided into a coastal strip from Cabinda to Namibe, an interior highland, savannas in the interior south and southeast and a rainforest in the north.

Angola's climate varies considerably. The north, from Cabinda to Zaire, has a damp tropical climate. The zone from Luanda to Namibe and the eastern strip have a moderate tropical climate. Damp conditions prevail south of Namibe, dry conditions in the central plateau zone, and a desert climate in the southern strip between the plateau and the border with Namibia. There are two seasons and the average temperature is 20 degrees centigrade with temperatures being warmer along the coast and cooler on the central plateau.

Angola has an abundance of natural resources, being the second largest crude oil producer in sub-Saharan Africa (after Nigeria), and the third largest diamond producer in value in sub-Saharan Africa with the potential to become one of the leading global diamond producers.



Source: United Nations.

History

The Portuguese founded Angola as a colony during the fifteenth century, and the modern-day capital, Luanda, was founded in 1575. Colonial rule by Portugal continued into the twentieth century and in 1951, the colony was renamed the Overseas Province of Angola. The 1950s produced the first significant wave of Angolan nationalism and in 1961, the conflict known as the National Liberation War began when the Portuguese regime refused to

accede to the nationalists' demands for independence for Angola. The principal protagonists in the National Liberation War were the MPLA, founded in 1956, the National Front for the Liberation of Angola (the "FNLA"), formed in 1961, and the National Union for the Total Independence of Angola ("UNITA"), founded in 1966. In 1974, a coup d'état in Portugal's capital city of Lisbon overthrew the Portuguese authoritarian regime headed by Marcelo Caetano, and in January 1975, an agreement was reached to grant Angola its independence from Portugal.

However, prior to Angola officially becoming independent on 11 November 1975, fighting had erupted within the country. A transitional government in Angola quickly collapsed, thus leading to the outbreak of the Angolan Civil War (the "Civil War"). The Civil War featured a conflict between the two main political parties, the socialist MPLA led by Agostinho Neto, and the western-supported UNITA, led by Jonas Savimbi. The other faction engaged in the conflict was the Front for the Liberation of the Enclave of Cabinda ("FLEC", an association of separatist militant groups), which fought for the independence of Cabinda province.

The MPLA, supported predominantly by funding from the Soviet Union and approximately 50,000 Cuban troops, fought against UNITA, who were supported by the United States, South Africa and several other African nations (including Zaire (now the DRC), which helped UNITA to expand its control to the diamond-rich north-eastern region). The enduring pattern was that the MPLA controlled urban areas while UNITA held most of the rural regions.

The United States, the Soviet Union and several other countries took direct and indirect part in the Civil War. In 1990, after a long period of negotiations, the MPLA and UNITA signed a peace agreement, *Acordos de Bicesse*, pursuant to which the first democratic elections were held in 1992. During these elections, the MPLA won the majority of the parliamentary seats and the first round of the presidential elections. The second round never took place. Further clashes ensued and Mr. Savimbi died fighting with government troops in 2002.

Following the death of Mr. Savimbi in February 2002, military commanders for UNITA and the Government met in Cassamba and agreed to a ceasefire, signing a memorandum of understanding to end the Civil War on 4 April 2002. UNITA's new leadership recognised the MPLA's political party as Angola's governing party and officially demobilised its armed forces in August 2002.

By the time the 27-year Civil War was formally brought to an end in 2002, an estimated 1.5 million people had been killed and approximately 10 million landmines had been laid across Angola. More than four million of Angola's population had been internally displaced. The vast majority of Angola's roads, railways and bridges had been destroyed, and economic losses of approximately U.S. \$40 billion had been caused. Since the end of the Civil War in 2002, the Government has made substantial progress in its consolidation of peace, destroying vast amounts of weaponry, de-mining substantial amounts of roads and railway lines and reintegrating thousands of former soldiers into civil society.

Political stability in Angola has now improved. The MPLA has declared social democracy to be its official ideology. The country held legislative elections in September 2008, in which the MPLA won 81.6% of the popular vote. The National Assembly approved a new constitution in January 2010, which abolished the need for Presidential elections leaving the President to be the leader of the party with the biggest share of the vote in parliamentary elections. The President may serve for a maximum of two consecutive five-year terms. See "*Political System*" below. The latest parliamentary elections took place in 2012 under the 2010 Constitutional Law (defined below), resulting in another victory for the MPLA, which won 175 of the 220 seats available in the National Assembly. The next general elections in Angola are expected to take place in 2017.

In 2000, shortly before the Civil War ended, the Government laid down a long-term strategy for comprehensive social and economic development of Angola for the period from 2000 to 2025, which became known as *Angola 2025* (the "**2025 Strategy**"). The study leading to the development of the 2025 Strategy was commissioned by the Government and involved a wide-scale consultation with a broad spectrum of Angola's civil society. The 2025 Strategy was subsequently updated to take into account post-Civil War developments, and the updated version was published by the Ministry of Planning in 2008. The 2025 Strategy sets forth a goal of developing Angola into a prosperous and modern nation, similar to the most dynamic emerging economies. The main strategic objectives of the 2025 Strategy include: (i) consolidation of peace and internal security; (ii) fostering of social stability, unity and cohesion of the nation; (iii) building a strong economy; (iv) ensuring sustainable use of the environment and natural resources; (v) the development of the private sector; (vi) elimination of poverty; (vii) promotion of employment and job security; (viii) fair distribution of wealth; (ix) building a just and equitable society; (x) ensuring social justice and the rule of law; (xi) ensuring efficient

and transparent governance; (xii) and the creation of a truly democratic, participatory society. In addition to containing broad socio-economic plans, the 2025 Strategy outlines overall strategies for the development of Angola's principal industry sectors. Development plans covering shorter periods of time (such as the National Development Plan 2013-2017, referred to under "*The Economy – Recent Economic Performance – The Government's Principal Economic Strategies*") are prepared by the Government on the basis of the vision and strategies set forth in the 2025 Strategy.

According to IMF data, since the end of the Civil War, Angola has become the second-fastest growing economy in sub-Saharan Africa after Equatorial Guinea, based on real GDP growth rates. Fueled by record-high international oil prices and robust growth in the oil sector and non-oil sectors Angola has experienced high growth rates in recent years.

Province of Cabinda

Angola is divided into 18 provinces. See "*Local Authorities*" below.

With an area of approximately 7,270 square kilometres, the northern Angolan province of Cabinda is unique in being separated from the rest of the country by a strip, some 60 kilometres wide, of the DRC along the lower Congo River. Consisting largely of tropical forest, Cabinda's major product is oil. Cabinda's petroleum production from its considerable offshore reserves now accounts for more than half of Angola's oil output, with the balance coming largely from deepwater fields in the Lower Congo basin. Angola has small-scale productions from onshore fields, but onshore exploration and production have been limited in the past because of the conflict. Most of the oil along Cabinda's coast was discovered under Portuguese rule by the Cabinda Gulf Oil Company ("**CABGOC**") from 1968 onwards. Offshore oil production continued to grow off the coast of Cabinda throughout the 27 years of the Civil War. Since Portugal ceded sovereignty of Angola, the territory of Cabinda has been a focus of separatist guerrilla actions opposing the Government (which has employed its military forces, the *Forças Armadas Angolanas*). However, the division of FLEC, the original Cabindan separatists, into smaller factions has significantly weakened the separatist opposition to the Government.

On 1 August 2006, Government representatives and Antonio Bento Bembe, former president of the Cabindan Forum for Dialogue, and Vice-President and Executive Secretary of FLEC, signed a memorandum of understanding in an attempt to end the 29 year long Cabindan war. However, many faction leaders in Cabinda considered Bembe's signing illegitimate and rejected the agreement, which only granted Cabinda relative autonomy, not independence. Furthermore, FLEC claimed responsibility for shooting at a bus transporting the Togo national soccer team to Cabinda for the start of the 2010 Africa Cup of Nations hosted by Angola carried out on 8 January 2010. Three people were killed including two support members of the Togolese team, with several others reportedly injured. The DRC responded in support of the Angolan Government by labelling FLEC as a "terrorist organisation" and has stripped FLEC members of their refugee status in the DRC. Since then, no other incidents have occurred.

The Government does not consider the remnants of the Cabindan separatist movement to represent a serious threat to the territorial integrity or political stability of Angola.

Population, Education, Health and Housing

Population

Data from an official census in Angola in 2014, the first such census since 1970, indicates a total population of 24.3 million and a population density of approximately 20 inhabitants per square kilometre.

The World Bank estimated Angola's population to be 23.4 million in 2013, and an estimated population growth of 3.3% in 2013, which is one of the highest rates of population growth in sub-Saharan Africa. Angola has a very young population with only 2.3% of the population over 65 years and 49.8% between the ages of 15-64, with the remaining 47.9% under the age of 15. The population of Angola has an estimated average age of 18 years.

As at the end of 2014, millions of Angolans, who were internally displaced in the course of the Civil War, have been resettled since 2002, and others have returned to the country.

According to preliminary results from the 2014 census, the largest city in Angola is Luanda, the capital, with a population of approximately 6.5 million. The next largest cities, Lubango, Huambo, Benguela, Lobito and

Malanje, are substantially smaller. According to preliminary results from the 2014 census, it is estimated that approximately 62% of Angola's population currently live in urban areas. This is mainly attributable to a large proportion of the rural population having fled the countryside during the Civil War, leading to the expansion of the shanty town areas in the major cities, particularly in Luanda.

The official language of Angola is Portuguese. There are three major ethnic groups in Angola, which together account for approximately 75% of the population: Ovimbundu (37%), Kimbundu (25%) and Bacongo (13%). The Umbundu-speaking Ovimbundu, concentrated in the fertile central and northern highlands, made up approximately 37% of the population in the 1980s. In the same period, the Mbundu, who speak Kimbundu, live in the north and north-west, particularly in Luanda and have the strongest Portuguese influence, made up approximately 25% of the population. The Bacongo, who speak Kikongo, made up approximately 13%. The other main ethnic groups include the Tchokwe/Lunda, Ganguela, Nhaneca-Humbe, Herero and Ambo. Some 3.5% of the population are mixed-race mestiços, concentrated mainly in the urban areas. In 2014, there was a significant number of non-Angolan nationals living legally in Angola, most of who were Chinese, Portuguese and Brazilian.

The table below sets forth selected comparative statistics:

	<u>Angola²</u>	<u>Nigeria</u>	<u>South Africa</u>	<u>U.S.A</u>
GDP per capita (current U.S. \$) (2014) ¹	5,423.6	3,203.3	6,477.9	54,629.5
Real GDP growth (annual %) (2014)	3.9	6.3	1.5	2.4
Population growth (annual %) (2014)	3.3	2.7	1.6	0.7
Life expectancy at birth (years) (2013)	51.9	52.5	56.7	78.8
Infant mortality rate (of under 5s, per 1,000 live births) (2014)	162.2	112.5	41.4	6.7

¹ GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars.

² The statistics for Angola included in this table are those of the World Bank. The Government's own GDP and related statistics are different

Source: World Bank

The Government's most recent survey of social indicators in 2012-13 found that 30% of the population lived below the poverty line (on U.S.\$2 per day), a significant proportion of which lived in extreme poverty (on less than U.S.\$1.25 per day), although that proportion has declined substantially from 68% in 2001. As a result of the Civil War, much of Angola's population became and remains concentrated in the coastal regions of Angola. Only 35% of Angolans are estimated by the Government to have access to electricity, leaving approximately 15 million without access. In rural areas, the electrification rate is approximately 8%. Consequently, more than half of Angolans use solid biomass and waste to meet heating and cooking needs.

Education

The Civil War significantly undermined Angola's education system, particularly in rural areas. Provision of education remained generally poor in rural areas, as it was difficult to attract teachers and most classrooms were destroyed during the conflict. Since the end of the Civil War, the Government has sought to revive and improve education in Angola at all levels. Building more educational establishments has been a major part of the Government's education strategy, and has resulted in an increase in classrooms, schools, teachers and student numbers since the end of the Civil War in 2002.

The table below sets forth historical information on the number of students enrolled in each segment of Angola's education system for the years indicated unless otherwise indicated.

	2012	Change from previous year	2013	Change from previous year	2014	Change from previous year
	(No. of students)	(%)	(No. of students)	(%)	(No. of students)	(%)
Basic literacy	578,267	5.3	636,387	10.1	731,278	14.9
Special education	23,888	4	26,651	11.6	31,762	19.2
Primary school	5,022,144	16.4	5,162,879	2.8	5,189,717	0.5
Secondary school	962,222	22.9	1,015,896	5.6	1,389,574	36.8
University	161,197	12.4	218,678	35.7	146,001	(33.2)
Total	<u>6,747,718</u>	<u>—</u>	<u>7,060,491</u>	<u>—</u>	<u>7,488,332</u>	<u>—</u>

Source: Ministry of Education.

Angola's education system comprises a four-year period of compulsory primary school education, followed by secondary school composed of two cycles beginning at age 11, when students complete a compulsory four-year cycle, followed by a non-compulsory three-year cycle. Following this, students may enrol in higher education. Higher education comprises four to six year courses, depending on the specialty chosen. Angola has 15 universities. Education at all levels within the state education system is free, although there are shortages of qualified teaching personnel and insufficient school places. The country has introduced the option of tuition fee-based private education at the primary school, secondary school and university levels.

In higher education, particular emphasis is made on offering training in those fields which the Government considers to be key for Angola's future development, including teachers, nurses, doctors, civil engineers and lawyers, as well as managerial personnel in the education, medical and civil engineering sectors. In order to overcome the current shortage of qualified personnel, Angola has engaged a significant number of Cuban teachers, nurses, doctors and civil engineers to work in the country until the current shortages in these professions can be remedied.

Furthermore, the Government and the Angolan state oil company, Sonangol, grant a number of full or partial scholarships for Angolan students to pursue studies abroad, particularly in Brazil, France, Portugal, Russia, South Africa, the United Kingdom and the United States.

As a result of a Government-led mass literacy drive in the post-independence period adult literacy rose from 15% in 1974 to 36% in 1985, 60% at the end of the Civil War in 2002 and was estimated by the CIA Factbook as 71.1% in 2015. In 2006, the Government launched a ten-year literacy strategy, with the aim of increasing adult literacy to 91% by 2016. In order to achieve this, Angola recruited new literacy teachers to teach over 500,000 students. In addition, the Government has substantially increased the number of secondary and higher education students.

Expenditure on education, which was low during the Civil War, was budgeted to rise to 6.2% of GDP in 2014.

Health

Angola has a comprehensive free national healthcare system financed by Angola's state budget. Each of Angola's 18 provinces has a minimum of one state hospital, with a higher number of state hospitals in more populated areas. In recent years, the private healthcare sector has also begun to develop. Although it represents an insignificant share of the healthcare sector, private healthcare is gaining popularity, particularly among employees of large companies and Government establishments whose private medical insurance premiums are subsidised by their employers. In addition, medical care is provided through a variety of projects sponsored by NGOs, particularly in relation to the treatment and prevention of malaria, HIV/AIDS and other infectious diseases.

Due to low levels of basic sanitation and the low quality of the water supply, Angola has struggled in tackling Malaria. While a series of programs have been initiated aimed at improving water supply, these have had limited success due to the large size of the country and the low population concentration in rural areas. See "The

Economy – Infrastructure – Water supply”. Malaria is the single largest cause of child mortality in Angola, and the greatest public health problem. However, as a result of the Government’s efforts, the situation has been improving year-on-year. The Government launched Angola’s National Malaria Control Program 2012-2020 (“PNCM”) in 2012 with a target of reducing by 60% deaths caused by Malaria by 2020. This plan includes measures aimed at prevention, diagnosis, treatment and social mobilisation. Preventive measures, such as the installation of insecticide treated nets and indoor residual spraying, have been implemented. In addition, the implementation of the programme has improved both laboratorial and clinical diagnosis, as well as the early treatment of patients. During the period 2010-2014, the number of cases of malaria reported nationwide has decreased as a result of the PNCM. Anti-malaria treatment is not always available in the health network and is not yet standardised in all health units, particularly in rural areas, but the PNCM is providing improvements. Coupled with malaria, epidemics of cholera, rabies and African haemorrhagic fevers are common diseases in several parts of the country.

Many provinces have high incidents of tuberculosis and high HIV/AIDS prevalence rates. The Civil War closed many transport routes which prevented a more rapid spread of HIV/AIDS, thus helping Angola to achieve the lowest rate of HIV prevalence in continental southern Africa. However, since peacetime there has been an increase in prevalence. According to the Angolan National Institute Against HIV/AIDS, an estimated 250,000 people were living with HIV/AIDS in 2014, representing approximately 1.16% of the population.

Although life expectancy in Angola remains one of the lowest in the world, it has increased to 51.9 years in 2013 from 45.2 years in 2000. There has also been a gradual decline in the under-one year infant mortality rate, and in 2014 the World Bank estimated that there are 98.8 deaths in every 1,000 live births.

Access to clean, piped water remains limited in certain areas. In 2005 the Government launched a program called “*Aguas para todos*” (“Water for all”). See “*The Economy – Infrastructure – Water supply*”. Under this program, water plants were built throughout the country so as to extend access to clean water to the most rural areas.

Some of the Government’s principal strategies for further development of healthcare in Angola include the improvement of the infrastructure for healthcare services, the expansion of the medical education system, investment in medical technology and the establishment of a national pharmaceuticals industry. In recent years, the Government obtained external financing to build new municipal hospitals, central hospitals, specialised hospitals and new medical centres throughout Angola. The Government is currently using local finance to rehabilitate old hospitals and medical centres and make them operational.

Millennium Development Goals

The Millennium Development Goals (“MDGs”) comprise 8 international development goals that were established following the Millennium Summit of the United Nations in 2000. Angola achieved the hunger target (MDG 1) in 2013 and reduced under-nutrition by more than 50%. Angola has been struggling to improve universal primary education (MDG 2) and is still recording a completion rate of below 50% in primary school. Angola has faced difficulties in improving gender parity in primary education, however, in relation to the promotion of gender equality and empowerment of women (MDG 3), Angola reached the target of having at least 30% of women in its National Assembly. Angola has struggled to reduce the child mortality rate (MDG4), to improve maternal health (MDG 5) and to combat HIV/AIDS, malaria and other diseases (MDG 6).

Angola is on track in the meeting the drinking water and sanitation MDG (MDG 7).

While Angola has been working towards developing a global partnership for development (MDG 8), following the Eurozone debt crisis, Angola has experienced a slowdown in the growth of duty-free imports by developed nations.

Housing

One of the key priorities under the 2025 Strategy, in addition to the provision of clean water and electricity to the Angola’s population, is social housing. In 2009, the Government launched an initiative known as “*Casa para todos*” (“Housing for all”), with an aim to provide the Angolan population with one million new homes. Under the scheme, there are houses built by private individuals, with the Government providing them with the land, the infrastructure (water, sewage and electricity) and a construction kit containing key building materials and tools. On land provided by the Government, a further 105,000 houses are expected to be built by private companies, and 85,000 houses are expected to be built under public private partnerships with contractors (and the

Government also paying for the required infrastructure). The Government grants various forms of financial assistance to Angola's poorest citizens in order to enable them to raise finance to purchase a home, including by providing guarantees in respect of money borrowed to purchase a property, interest subsidies and/or credit lines.

The Government's currently proposed Urban Lease Act sets out new rules for Angola's rental sector. It requires all rental payments to be made in Kwanza, and states that landlords cannot require more than six months' rent in advance from their tenant. Lease terms can range from six months to 30 years. It is currently common practice in Angola for landlords to ask for at least a year's rent as an upfront cash deposit. This makes property leasing prohibitively expensive and almost impossible for the large majority who do not have easy access to bank credit. It is a major obstacle for small and medium-sized businesses, especially those based in the capital, Luanda, where space is at a premium and rents are very high. Requiring rents to be paid in Kwanza is in line with the Government's de-dollarization policy, and is expected to lead to more transactions in local Angolan currency. The new law, which was approved by Angola's Council of Ministers in March 2015 and the National Assembly in August 2015, replaces colonial-era legislation from 1961. The proposed legislation includes protection for renters and better-defined landlord responsibilities regarding repairs and maintenance. The post-war construction boom has greatly increased the housing stock available, but the rental market has remained speculative and poorly controlled. The large number of expatriate oil workers requiring accommodation in Luanda has created significant price inflation.

Political System

On gaining independence from Portugal in 1975, there have been three constitutions in Angola which came into force in 1975, 1992 and 2010, respectively. The 1975 constitution established a unitary republic with a presidential form of government and single party political system. The constitutional law approved in 1992 followed negotiations between the Government and opposition parties, including UNITA. The 1992 constitution changed the single party political system into a multiparty system, provided for the direct election of the president, and integrated economic reform legislation adopted in 1988. The 1992 constitution also aimed to implement some of the terms and conditions of the *Acordos de Paz* (General Peace Agreement) entered into by the Government and UNITA. In September 1992, under supervision of the UN, Portugal, Russia and the United States, Angola held its first multiparty elections, both presidential and legislative. Although the second round of the presidential election process in 1992 was not completed due to the withdrawal of the opposing candidate, the current President of Angola, José Eduardo dos Santos, won the single largest proportion of votes in the first round. The second legislative elections took place in September 2008.

The National Assembly approved a new constitution in January 2010 (the "**2010 Constitutional Law**") which names the President of Angola as Head of State, Head of the Executive and Commander-in-Chief of the Angolan Armed Forces. The 2010 Constitutional Law abolished the need for Presidential elections, leaving the President to be the leader of the party with the biggest share of votes in parliamentary elections (which are held every five years). The president is limited to two five-year terms by the 2010 Constitutional Law. The presidential term limitations commenced from the parliamentary elections held in 2012, allowing President dos Santos to potentially remain president until 2022. The 2010 Constitutional Law abolished the position of prime minister and instead provides for the position of an elected Vice-President. The Vice-President is the person voted second on the list of candidates of the majority party in the National Assembly, a position currently held by Manuel Vicente since September 2012. Vice-President Vicente served as chief executive of Sonangol from 1999 to 2012. Under the 2010 Constitutional Law, should the office of President become vacant (through resignation, removal, death or incapacity) the Vice-President performs the duties of the President through the end of the term the ex-President would otherwise have served with full Presidential powers. The National Assembly retains the right to remove the president from office but this decision must be approved by the Supreme Court and, in certain circumstances specified by the 2010 Constitutional Law, the Constitutional Court. See "*Judicial Branch*" below. The President has the power to appoint judges to the Constitutional Court and the Supreme Court and to appoint the head of the Court of Audits, which is responsible for reviewing public expenditure. See "*Executive Branch*" below.

Supreme Court judges are appointed by the President upon recommendation of the Supreme Judicial Council, an 18-member body presided over by the President. Constitutional Court judges are appointed as follows: four judges are appointed by the President, four judges are elected by the National Assembly by a two-thirds majority, two judges are elected by the Supreme Council of the Judiciary and one judge is elected through a public tender process. The President of the Audit Court, its Vice-President and the remaining judges are each appointed by the President. Each member of the Audit Court is appointed for a seven year term.

The most recent elections were held in 2012 under the 2010 Constitutional Law. Of the 220 seats, 130 were elected from closed lists by proportional representation, and the remaining 90 elected in 18 five-seat constituencies. The MPLA remained the majority party, taking 175 of the 220 seats available, and, as a result Mr. dos Santos's presidency was automatically renewed for another five year term. Of the remaining seats, UNITA took 32 and its splinter (Convergence Angola Salvation Wide-Electoral Coalition) took eight, with the Social Renewal Party and the FNLA taking the remaining five seats. The election had a 62.8% turnout, and of those elected 35% were women.

Angola's constitutional arrangements vest sovereignty in the Angolan people, who exercise political power through elections by universal periodic ballot for the choice of representatives. The voting age in Angola is 18, and parliamentary candidates must be aged at least 35. Angola has a bill of rights.

The President

Under the current 2010 Constitutional Law, the President is Angola's Head of State, the Holder of the Executive Power and the Commander-in-Chief by virtue of being the leader of the party with the biggest share of the vote in parliamentary elections. Presidential candidates are elected by their party. The President may be re-elected for a maximum of two five-year mandates, successive or interposed. José Eduardo dos Santos has served as President of Angola since 21 September 1979.

The President, in his capacity as Head of State, is responsible for, among other things:

- calling general and local elections under the terms established in the 2010 Constitutional Law;
- appointing and discharging the Ministers of State, Ministers and Secretaries of State;
- appointing the presiding judge, and other judges of the Constitutional Court, the Supreme Court, the Audit Court and the Supreme Military Court;
- appointing and discharging the Governor and Deputy Governors of the Angolan National Bank;
- calling referendums under the terms of the 2010 Constitutional Law;
- declaring a state of war and making peace, in consultation with the National Assembly;
- declaring a state of siege and a state of emergency, in consultation with the National Assembly;
- representing the Republic in international relations; and
- signing and ratifying international treaties, conventions, agreements and other instruments.

The President, as Holder of the Executive Power, leads the Executive Branch and among other things, is responsible for:

- defining the political orientation of Angola;
- directing Angola's national policy;
- submitting Angola's proposed state budget to the National Assembly;
- defining Angola's organisational structure and establishing the composition of executive power;
- requesting from the National Assembly authorisation to legislate under the terms of the 2010 Constitutional Law;
- initiating legislation on the basis of proposals presented to the National Assembly;
- directing and guiding the work of the Vice-President, Ministers of State, Ministers and Provincial Governors; and
- drawing up regulations required for the execution of laws.

The President, in his capacity as Commander-in-Chief, is responsible for, among other things:

- serving as Commander-in-Chief of the Angolan armed forces;
- assuming high command of the Angolan armed forces in the event of war;
- appointing and discharging from office the Chief of the General Staff of the Angolan Armed Forces and its deputy, in consultation with the National Security Council; and

- appointing and discharging the remaining commanders and heads of the Armed Forces, as well as the General Commander of the National Police Force and its deputy, in consultation with the National Security Council.

Under the 2010 Constitutional Law, the President, as the Holder of the Executive Power (assisted by the Vice-President, Ministers of State, Ministers and Secretaries of State) formulates and implements the general policy of Angola and heads the public administration.

Currently there are 46 Secretaries of State and 33 Governmental ministries, including the:

- Ministry of Defence;
- Ministry of Interior;
- Ministry of Foreign Affairs;
- Ministry of Economy;
- Ministry of Planning and Territorial Development;
- Ministry of Finance;
- Ministry of Petroleum;
- Ministry of Public Administration, Employment and Social Security;
- Ministry of Commerce;
- Ministry of Public Works; and
- Ministry of Geology and Mines.

Legislative branch

Under the 2010 Constitutional Law, the Angolan Parliament, known as the National Assembly, consists of one house composed of 220 representatives, who are each elected by universal, direct, equal, secret and periodic ballot for a five-year term, in accordance with a system of proportional representation at the national and provincial levels. Political parties or coalitions of political parties nominate the parliamentary candidates. Members of the judiciary, the armed forces and Chairmen of the Board of state-owned corporations in office cannot be elected to the National Assembly.

The National Assembly is responsible for, among other things, amending and approving the constitutional laws of Angola; approving laws (except laws relating to the composition, organisation and workings of the Executive Branch, which is within the exclusive power of the President); approving the state budget; enacting laws on matters such as nationality, fundamental rights, freedoms of citizens, the status and legal capacity of persons; elections; approval of the regulatory codes applicable to public and governmental officials and local government; the definition of crimes, criminal procedures, penalties and security measures; associations and political parties; concessions relating to natural resources; the transfer of ownership of state property; the definition of territorial waters; the monetary system; the organisation of the judiciary and the status of judges; and the organisation of national defence and the armed forces.

The National Assembly may delegate to the President the power to enact legislation (in the form of Legislative Presidential Decrees and Provisional Legislative Presidential Decrees) on matters such as the general organisation of public administration; the participation of traditional chiefs and citizens in local government; the status of civil servants and civil liability of the public administration; the regimes of the public domain; nationalisation; expropriation; requisition and privatisation of nationalised or expropriated property; user charges; bases of the systems of education; health and social welfare; ownership of land; lease and tenancy; and protection of nature; the ecological equilibrium and the cultural heritage.

The National Assembly approves the national development plans and budgets; consults with the President on the declaration of states of emergency and war, as well as peace accords; approves international treaties and the participation of Angola in international organisations; and defines the administrative division within Angola. The National Assembly also has powers to order the impeachment of the President on the basis of corruption or treason.

Judicial Branch

Under the 2010 Constitutional Law, the high courts of Angola consist of the Constitutional Court, the Supreme Court, the Audit Court and the Supreme Military Court. The administration of the courts is under the jurisdiction of the Supreme Court, with jurisdiction of the Supreme Military Court headed by the military. The court system consists of the Supreme Court at the appellate level plus provincial and municipal courts (District Courts) of original jurisdiction under the authority of the Supreme Court. The Supreme Court serves as the appellate division for questions of law and fact. Angola recently created a Court of Appeal to sit between the District Courts and the Supreme Court. It is intended that the new Court of Appeal will be assigned much of the responsibility and jurisdiction currently assigned to the Supreme Court, with the Supreme Court adopting an appellate role in respect of Court of Appeal decisions on matters of law.

The Constitutional Court, established in 2008, is responsible for the administration of justice in legal and constitutional matters. Judges of the Constitutional Court are appointed for a non-renewable seven-year term and enjoy the same guarantees of independence, security of tenure, impartiality and immunity as judges of the other courts in Angola's judicial system. Judges of the Constitutional Court are only removable from office in the event of permanent physical disability, acceptance of an office legally incompatible with the office of a judge of the Constitutional Court, or as a result of disciplinary proceedings. If the judges of the Constitutional Court are removed from office in these circumstances, or otherwise die in, or resign from office, they must be replaced on the Constitutional Court.

The Audit Court, introduced under the 1992 Angolan constitution, is the supreme supervisory body responsible for overseeing the legality of public finances and performing several auditing functions for the Executive Branch, public institutions and the public sector. See “– *Public Procurement Procedures – Supervision and Audit of Public Procurement*” below.

The Public Prosecutor's Office is part of the Attorney-General's Office and is responsible for representing the Republic of Angola before the courts, defending the democratic principles established under the 2010 Constitutional Law, and formulating penal procedure. The Attorney-General's Office represents the Republic of Angola, defends the rights of individuals and corporate bodies, adjudicates on the legality of the exercise of the judicial function, and oversees the implementation of penalties.

The 2010 Constitutional Law provides for an independent judiciary.

The Public Prosecutor is responsible for laying charges and bringing prosecutions under Angola's anti-money laundering, anti-bribery, anti-corruption and anti-terrorism legislation. See “– *Anti-money laundering, anti-bribery, anti-corruption and anti-terrorism measures*”.

The 2010 Constitutional Law provides defendants with the presumption of innocence, the right to a defence and the right to appeal. Legal reform in 1991 established the right to public trials, a system of bail, and recognised the accused's right to counsel. Trials are open to the public; however, judges have the discretion to close proceedings in certain circumstances. There is a lack of trained lawyers in rural parts of the country because of the mass migration to the cities which occurred during the Civil War, though since the end of the Civil War there has been a considerable increase in lawyers throughout Angola. All magistrates in Angola hold a law degree.

Since the end of the Civil War in 2002, Angola has been taking steps to improve its judiciary, including in cooperation with the UN and the African Union (the “AU”). The expansion and improvement of the quality of legal training has been one of the Executive's priorities. At the end of the Civil War, only one university (in the capital city Luanda), was offering full legal training while legal training is now offered in universities across the country. In addition, all law graduates may either attend the National Institute of Legal Studies for training as judges, or prosecutors or undergo an internship of at least 18 months with a law firm registered with the Angolan Bar Association in order to be admitted to legal practice. Extensive continuing professional development education programmes are also now being offered to Angola's judges and public prosecutors, as well as to lawyers practising at the Angolan bar. Angola has recently significantly increased the salaries of members of the judiciary, aimed at increasing the independence of Angola's judiciary and attracting highly-qualified legal professionals to serve as judges. Additionally, Angola has actively promoted the use of alternative dispute resolution methods domestically, including extra-judicial arbitration and mediation, and introduced training programmes for mediators and arbitrators.

Political Parties

The main political parties in Angola are the MPLA and UNITA.

The MPLA has ruled Angola since independence in 1975. The MPLA was the sole political party recognised under Angolan law from 1975 until 1990. Once a firmly socialist party, since the early 1990s the MPLA has espoused a form of democratic socialism. The MPLA still heavily emphasises the role of the state in developing Angola, and the Government is overseeing a multi-billion-dollar programme of public investment in infrastructure. See “*The Economy – Infrastructure*”.

In the 2008 legislative elections, there were 80 registered parties in Angola, of which 18 were admitted for election and only five of which won parliamentary seats, namely MPLA, UNITA, the Social Renewal Party (*Partido da Renovação Social*), FNLA, and the coalition Nova Democracia. The MPLA received 81.6% of the popular vote, followed by UNITA with 10.4%. The MPLA held 191 seats in the National Assembly, leaving 16 seats to UNITA and the remaining 13 seats spread among the other parties (including the FNLA). Following the 2008 elections, those parties which won less than 0.5% of the vote were automatically dissolved by law.

In the 2012 legislative elections 27 parties applied to compete in the elections but only 5 took parliamentary seats. The MPLA remained the majority party, taking 175 of the 220 seats available. UNITA took 32 and its splinter (*Convergence Angola Salvation Wide-Electoral Coalition*) took 8 seats, with the Social Renewal Party and the FNLA taking the remaining 5 seats.

Local Authorities

Angola is divided into 18 provinces which are organised into 157 municipalities. The provinces of Angola are Bengo, Benguela, Bié, Cabinda, Kuando Kubango, North Kwanza, South Kwanza, Cunene, Huambo, Huíla, Luanda, North Lunda, South Lunda, Malanje, Moxico, Namibe, Uíge and Zaire.

Governors for each province are currently appointed by the President. Municipal governmental bodies are appointed by the relevant provincial governor. Angola’s Ministry of Territorial Administration is currently consulting on holding the first local elections in Angola pursuant to which those elected would hold execution powers.

Legal Framework

The Angolan legal system is based on the continental European legal system. Before Angola’s independence from Portugal, Portuguese laws were in full force and effect in Angola. Since independence, Angola has established its own legal framework, although the Portuguese legal heritage has remained influential. Since the end of the Civil War in 2002, Angola has sought to significantly improve its legal system to promote the economic and social development of the country. During this period, Angola’s laws and regulations were drafted taking into account recent legislative developments in a number of developed jurisdictions, including major European countries, particularly in such areas as financial services, commercial, property and consumer protection laws.

Armed Forces

The Angolan Armed Forces (*Forças Armadas Angolanas*) (the “**FAA**”) was created in 1991 by the amalgamation of the MPLA’s Armed Forces for the Liberation of Angola (“**FAPLA**”), UNITA’s Armed Forces for the Liberation of Angola and the FNLA’s Army for the National Liberation of Angola. The FAA is responsible for both external and domestic security, including border security and occasional small-scale actions against FLEC in Cabinda. The FAA is headed by Chief of Staff Geraldo Nunda since 2010, who reports to the Ministry of Defence.

Military service is compulsory by law for all men aged between 20 and 45, and men can volunteer from the age of 18. Women aged between 20 and 45 can also volunteer. The service obligation is 2 years. The current FAA has three components – the Army, the Navy (entirely staffed by volunteers) and the Air Force, and total manpower was estimated to be approximately 107,000 in 2013 by the International Institute for Strategic Studies (“**IISS**”). The Army is the largest of the services with approximately 100,000 soldiers, and in 2014 approximately 4.9% of Angola’s GDP was spent on the military.

International Relations

From 1975 until 1989, Angola's international relations were controlled by the dominant political party, the socialist MPLA. The MPLA were aligned with the Eastern bloc, receiving weaponry from the USSR and troops from Cuba. Since the end of the Civil War, the MPLA has focused on improving relationships with Western countries, cultivating links with other Portuguese-speaking countries and asserting its own national interest in Central Africa, through military and (more frequently) diplomatic intervention. In 1993, it established formal diplomatic relations with the United States and ratified the Southern African Development Community ("SADC") as a vehicle for improving ties with its largely anglophone neighbours to the south. Angola has sought to further develop its international relations and raise further direct investment through its annual Feira Internacional de Luanda ("FIL") trade fair, last held in Luanda in July 2015. Companies from more than 40 countries and approximately 1,000 exhibitors took part in the FIL with strong representations from Portugal, Italy, Germany, South Africa and Brazil.

As of the date of this Prospectus, Angola maintains diplomatic relations with 149 countries.

Angola's principal foreign policy objectives are:

- to preserve and strengthen its national sovereignty;
- to protect the rights of Angola citizens abroad;
- to promote peace, security and global stability;
- to promote international cooperation and regional integration; and
- to promote the sovereign equality of states.

As a matter of its external policy, Angola follows the principle of peaceful co-existence and resolution of international disputes by peaceful means. Angola does not use its troops in military conflicts outside Angola. Angola has sought to contribute to the establishment of peace through diplomatic means in several regional conflicts, including the Côte d'Ivoire and Guinea-Bissau.

Angola maintains strategic partnerships principally with the following countries:

United States

Angola established diplomatic relations with the United States in 1993. Angola is currently the second largest U.S. trading partner in sub-Saharan Africa and the United States is a significant market for Angolan oil exports. Since the discovery in 1996 of large deepwater oilfields offshore mainland Angola, the country has assumed rising strategic importance for the United States, which is seeking to improve its relations with African states in the Gulf of Guinea and diversify its oil suppliers away from the Middle East.

In May 2009, Angola and the United States signed the Trade and Investment Framework Agreement which aims to diversify the movement of goods between the two countries, strengthening bilateral cooperation in trade and intensifying international economic relations.

In 2009, Secretary of State Hillary Clinton visited Angola in furtherance of President Obama's positive foreign policy towards African states. The visit promoted cordial relations between Angola and the United States. In particular, a number of significant protocols were agreed regarding cooperation between the two countries in relation to areas including: the provision of technical assistance by the United States to Angola in connection with the development of legislation, the judicial system and agriculture; promoting trade, including an increase of commercial airline traffic between the countries; increasing foreign investment to Angola; the mobilisation of funding for Angola from United States financial institutions; the implementation of investments by Sonangol in the Gulf of Mexico; and the provision of technical assistance to Angola on the production of bio fuels, which Angola exports.

Furthermore, the United States and Angolan governments have negotiated and implemented an arrangement under which United States treasury officials would be seconded to Angola's Ministry of Finance and the BNA to assist with development of Angola's debt management strategy.

In addition, the United States Agency for International Development ("USAid") has signed a memorandum of understanding with Chevron and the Cooperative League of the United States of America to assist Angola in

diversifying its economy by revitalising small and medium-scale commercial farming, and promoting agricultural development that is environmentally friendly, socially just and economically sustainable. See “*The Economy – Agriculture*”. USAid promotes the increased provision of better health care in Angola. However, no funding has yet been made available under this arrangement.

Portugal

Portugal ruled Angola for 400 years, ending with Angola’s independence in 1975. Since Angola moved away from a centralised economic model in 1991, relations with its former colonial power have significantly improved. Portugal and Angola have become key trading partners. In particular, Angola imports significant amounts of construction materials from Portugal and a number of Portuguese construction companies are active in Angola, particularly in the public works sector. See “*The Economy – The External Sector – Imports*”.

In 2015, the two countries entered into an agreement for the promotion and reciprocal protection of investment. This agreement relates to areas such as support for the promotion of secondary education in Angola; a cooperative protocol for energy regulators of the two countries; support for the Angolan agricultural sector; and provision of a Portuguese credit line designed to promote Portuguese private investment in Angola.

Separately, there are arrangements designed to provide technical research support to Angolan universities and to grant university scholarships for Angolan students to study in Portugal.

In June 2015, an economic cooperation initiative between Portugal and Angola, the *Observatório de Investimentos*, was launched with the aim of boosting bilateral economic flows by facilitating and improving investment flows between both countries.

Brazil

Brazil was the first country to recognise the independence of Angola in 1975 and commercial, cultural and economic ties dominate the relations between Angola and Brazil, which were both part of the Portuguese Colonial Empire. Brazil has been one of Angola’s major trade partners, lenders and contributors to the inflow of foreign direct investment. More than 35 Brazilian companies operate in Angola, principally engaged in rebuilding Angola’s infrastructure, as well as in the energy, water supply, construction and telecommunications sectors. Brazilian companies are major suppliers of equipment for use in the agriculture, transport and education sectors as well as for utilization by police and security companies.

The government of Brazil and the Brazilian National Bank for Social and Economic Development (“**BNDES**”) have been major lenders to Angola in recent years, with U.S.\$2.4 billion in aggregate principal amount outstanding as at 31 December 2014. Contracts funded by BNDES are not currently subject to Angola’s usual public procurement procedures. See “– *Public procurement procedures*” below. Brazil currently holds 12.5% of Angola’s total external debt. Brazil and Angola also cooperate extensively in the area of education, with a significant number of students attending Brazilian universities on student exchange programmes sponsored by the Brazilian government.

Angola plans to attract further Brazilian investment in the agri-business sector with the aim of making Angola more self-sufficient and reducing imports of agricultural produce.

The Brazilian company Odebrecht SA, one of Latin America’s largest construction conglomerates, has been awarded a series of significant construction contracts in Angola, including the construction of the Capanda, Chicapa and Laúca hydroelectric power plants. See “*The Economy – Energy – Power Generation – Hydroelectric generation facilities*”.

On 19 June 2015, the CEO of Odebrecht was arrested by Brazilian authorities as part of a corruption investigation into the awarding to Odebrecht of construction and supply contracts by Brazil’s state-owned oil company, Petrobras. As part of those investigations the Brazilian authorities are also investigating certain individuals who have, in the past, been members of the Brazilian government. No such investigations into Odebrecht have been undertaken by the Republic with respect to Odebrecht’s activities in Angola. See “*Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola’s economy*”.

China

Angola has seen a significant expansion of its relations with China since 2003. China accounts for a growing share of oil exports, and, in 2008, Angola became China's single largest source of crude oil. In 2014, about half of all Angola's crude oil exports went to China, with 8.3% to India and 3.6% to the United States. Despite borrowing significant amounts under export credit lines from Chinese lenders, the Government does not consider that it is becoming over-dependent on China and it intends to maintain a diversified funding base. In 2014, China and Chinese commercial banks held 27.6% of Angola's total external Government debt (excluding debt incurred by Sonangol). The Chinese president recently commented that China is seeking to replicate its Sino-Angolan relations in other parts of Africa.

There are protocols in place between China and Angola relating to the provision of expertise by China in relation to the economic and financial sector, infrastructure, energy, mining, justice and health. Chinese companies have established themselves in the construction, telecommunications, commerce, power and mining sectors of Angola.

In June 2015, a delegation from Angola, including President dos Santos and several Ministers, visited China in order to reinforce bilateral relations between the two countries. During this visit, discussions were held in respect of a broad range of topics relating to the mutual co-operation between the two countries, including partnerships in the areas of science, education, the economy, energy, agriculture, manufacturing, geology and construction.

Russia

Relations between the countries have continued to develop, with Russian petroleum and diamond production companies seeking to expand through new international mining opportunities. Russia, along with the United States and China, consistently seeks to secure rights to exploit Angola's resources.

Presently, Russia and Angola have a number of co-operation projects in progress across a number of sectors including defence, education, health, telecommunications and finance. In 2014, Russian commercial banks held 9.3% of Angola's total external Government debt (excluding debt incurred by Sonangol).

Relations with Neighbouring Countries

DRC

Angola (joined by Namibia and Zimbabwe) conducted military intervention in the DRC to support the existing government in that country from 1998 to 2003, to defend Angola's borders and prevent the discord spreading further from the DRC into Angola. Since this time, relations between the two countries have improved.

As described under "*International and other territorial disputes*" below, in October 2009, agreements aiming to resolve a long-standing dispute over the movement of illegal DRC immigrants were signed by the leaders of Angola and the DRC. The United Nations High Commissioner for Refugees's ("**UNHCR**") Statistical Yearbook in 2013 estimated that around 21,100 refugees from the DRC were in Angola.

Namibia

Angola contributed decisively to the implementation of UN Security Council Resolution 435/78 which led to the independence of Namibia from South Africa in 1990.

In 1999, Namibia and Angola signed a mutual defence pact as Namibia sought to support the MPLA in the ongoing Civil War. The ruling party in Namibia, the South West Africa People's Organisation, and the MPLA shared common ideological ground, which has resulted in co-operation between the countries from the 1960s.

During the Civil War a large number of Angolans sought refuge in Namibia. In 2001, there was an estimated 25,000 Angolan refugees in Namibia. Since the end of the Civil War, many Angolans have returned, and UNHCR's Statistical Yearbook of 2013 estimated only around 1,660 Angolans refugees remained in Namibia.

Angola and Namibia have concluded several agreements on reciprocal protection and promotion of investments, trade and economic cooperation that seek to create favourable business conditions for both countries and to promote and facilitate bilateral trade. The countries continue to be significant trading partners. The countries also cooperate on key infrastructure and resource projects, including water cooperation and resource management, and the building of Olubido railway.

Zambia

During the Angolan Civil War, Zambia maintained a neutral position, although Zambia had an interest in seeing the Civil War end in order to promote better trade and cooperation between the two countries. Relations between Zambia and Angola were historically strained due to reports that Zambian citizens were supporting UNITA and UNITA military activities along their common border.

Approximately 220,000 Angolans sought refuge in Zambia during the Civil War years but this number had fallen to approximately 23,000 in 2013. Some Angolans also chose to repatriate to Zambia.

Angola and Zambia have recently signed two bilateral agreements in February 2015 on water and railway transport, which are expected to facilitate the movement of people (particularly in rural areas) and goods and boost trade, particularly in relation to the development of the Shangombo-Rivungu canal, a 10km waterway which links western Zambia to the south-eastern part of Angola. The Benguela railway project has also strengthened cooperation between the two nations. See “*The Economy – Primary Industry Sectors – Infrastructure – Railways*”.

Botswana

On 13 October 2015, Angola and Botswana signed a memorandum of understanding to boost co-operation in various areas, including agriculture, energy, water, telecommunications and trade. It is expected that this initiative will improve cross-border investment in several fields, including the mining sector.

International and other territorial disputes

Dispute with DRC

There has been a longstanding diplomatic dispute between the DRC and Angola regarding boundaries in the lower half of the Gulf of Guinea, a border area which is rich in oil and diamonds. In 2007, a bilateral meeting between representatives of both countries was held with the intention of resolving this dispute. A team from the former colonial powers, Portugal and Belgium, demarcated the border of approximately 2,500 kilometres, which was ratified by the African Union. However, the DRC has since made claims in relation to oil deposits in the Gulf of Guinea which were attributed to Angola under the 2007 demarcation. The Government of Angola believes that there is no merit in those continuing claims. In 2009 another meeting between representatives of both countries was held, in which the parties reaffirmed their commitment to respecting the borders established during the colonial period.

Thousands of illegal diamond miners and DRC illegal immigrants have been deported from Angola in the past and the DRC subsequently retaliated by expelling thousands of Angolan immigrants to Angola. An agreement is in place between Angola and the DRC to prevent further reprisals.

In total, the Government estimates that since 2004 more than 24,000 citizens of the DRC have been expelled from Angola as a result of both administrative and judicial proceedings. See “– *History – Enclave of Cabinda*” above.

Membership of Organisations

Angola has been a member of the UN since 1976 and the World Trade Organisation since 1996. In the 2003–2004 term, Angola assumed its first mandate as a non-permanent seat on the UN Security Council and is currently serving its second mandate as a non-permanent member for the 2015–2016 term.

Angola supports the purposes and principles of the United Nations Charter, including the maintenance of international peace and security, the development of friendly relations among nations, the achievement of international cooperation on economic, social, cultural and humanitarian issues, and the protection of human rights and fundamental freedoms. As a member of the UN, Angola has been working closely with all member states to enhance the UN’s effectiveness, particularly in preventing and resolving conflicts around the world with an emphasis on Africa.

Angola is a member of all key agencies of the United Nations, including the Food and Agriculture Organisation (“FAO”), the United Nations Industrial and Development Organisation (“UNIDO”), the International Labour

Organisation (“**ILO**”) and the World Tourism Organisation (“**WTO**”), among others. Angola works closely with all members of the international community to promote social and economic progress and sustainable development.

Angola has been a member of the World Bank since 1989. Angola extensively cooperates with the World Bank and formerly benefitted from a ‘country partnership framework’ (a systematic, evidence-based and focused program aimed at ending extreme poverty) which covered the period 2010 to 2013. Among other things, the World Bank is in the process of implementing the Water Sector Institutional Development Project, the Small Holder Agriculture Development Project and the Social Fund Project for Municipal Development and Local Delivery of Public Goods in Angola. In the past, Angola has obtained funding from the International Development Agency (the “**IDA**”), a development institution of the World Bank Group designed for assistance to less developed countries. However, since 1 July 2014, it is no longer eligible for IDA funding as a result of its economic growth.

Angola has been a member of the IMF since 1989. On 23 November 2009, the IMF approved a 27-month stand-by arrangement facility to Angola under the IMF Stand-By Arrangement Programme which allows IMF members to access general funds. Angola’s U.S. \$1.4 billion stand-by arrangement, which expired in March 2012, aimed to assist Angola to cope with the effects of the global economic crisis, including restoring Angola’s macroeconomic balances and replenishing its international reserves, thus helping to rebuild confidence in the Kwana and mitigating the repercussions of the adverse terms of trade shocks linked to the global crisis. Since early 2012, Angola has not required financial support from IMF funds. The Government may return to the IMF for technical support, and may return for funding in the event of a prolonged decline in international oil prices. See “*Public Debt – Relations with the IMF*”.

Angola has been a member of OPEC since January 2007. Angola joined OPEC because, given the significance of the oil sector to the Angolan economy, the Government considered it important for Angola to have a voice in an organisation which has a substantial influence on oil prices. In 2009, Angola held the OPEC presidency.

The SADC was founded in 1992 as a successor to the Southern African Development Coordinating Conference (the “**SADCC**”) founded in 1980. Angola was a founding member of the SADCC in 1980 and later, in 1993, ratified the SADC. Angola currently provides the Deputy Secretary General of SADC and is a member of the body that coordinates policy, defence and security.

Angola is one of 54 members of the AU, the successor to the Organisation of African Unity. The AU is modelled on the European Union and has had a parliament since March 2004, when the Pan African Parliament was created. In addition, the AU aims to have a central bank, a court of justice, a common defence policy and a single currency. The AU’s constitution requires member states to pledge 0.5% of their GDP to fund the AU. This level of funding will allow the AU to double its staff and make headway with the implementation of the New Partnership for Africa’s Development (“**NEPAD**”). NEPAD is a vision and strategic framework for Africa, designed to address issues such as escalating poverty levels and underdevelopment in Africa. However, few member states comply with the funding requirement. As a result, expansion remains unimplemented and the AU is reliant on donor support. In addition, many members are reluctant to make the necessary concessions regarding their sovereignty. The AU is, however, prepared to sanction military interventions, through its Peace and Security Council. In 2004, it sent 7,000 troops to Sudan on a peacekeeping mission in the Darfur region. More recently in 2007, the AU sent peacekeeping troops to Mogadishu, Somalia.

Angola is a member of the Economic Community of Central African States (the “**ECCAS**”). The organisation was set up in 1985, but was dormant between 1992 and 1997 before becoming active again in 1998. Ten central African states are members. The organisation focuses on economic, political and cultural development and cooperation; the maintenance of peace, security and stability; the elimination of tariffs on exports between member states and other barriers to commerce; the establishment of a common tariff and foreign policy; the elimination of barriers to the free movement of goods, capital and services; the harmonisation of national policies in areas such as industry, energy and agriculture; and the creation of a development and cooperation fund. The ECCAS also operates as a driving force for NEPAD in Central Africa. As at the date of this Prospectus, Angola provides the Deputy General Secretary of ECCAS and is a member of its Peace and Security Council.

Angola is a member of a significant number of other international organisations and development institutions including, but not limited to, the African Development Bank (“**ADB**”), African Countries Diamond Producers Association and the Community of the Portuguese Language Countries.

Legal proceedings

In 1993, the state-owned mining company, Endiama, entered into a joint venture agreement with the Portuguese company *Sociedade Portuguesa de Empreendimentos* (“SPE”), pursuant to which *SML-Sociedade Mineira do Lucapa, Limitada* (“SML”) was constituted with a view to prospecting for diamonds in the region of the Luachilo and Lucapa Rivers. The Government granted a concession to SML for these purposes. As a result of the Civil War, there was a hiatus in mining activity by SML, leading SML to fail to meet certain of its obligations, including payment of workers and taxes. SML’s concession was eventually withdrawn by the Government and Endiama entered into a further joint venture with an Angolan company, *Grupo Mosquito*. Following the revocation of SML’s concession, SPE commenced arbitration proceedings against Endiama, which were stayed by the Supreme Court of Angola in January 2014. Subsequently, SPE has commenced arbitration proceedings in Luanda against the Ministry of Geology and Mines arguing that it should be compensated for a failure by the Republic to protect SPE’s rights as a foreigner investor. In those proceedings, SPE is seeking compensation of up to U.S.\$5.0 billion. However, in July 2015, it was announced that Endiama had withdrawn from these arbitration proceedings as a result of an Angolan court decision ruling that the arbitration proceedings had been unlawfully constituted. Endiama has also initiated proceedings against SPE, seeking compensation for SPE’s breach of its obligations under the joint venture agreement between Endiama and SPE.

The Republic is not a party to any other pending or threatened legal proceedings which could have a material adverse impact on the Republic or its ability to satisfy its payment obligations under the Notes.

Anti-money laundering, anti-bribery, anti-corruption and anti-terrorism measures

According to Transparency International’s Corruption Perception Index 2014, Angola was ranked 161st out of the 175 countries surveyed. Since 2011, Angola has enacted several new laws to reduce corruption and to combat money laundering, bribery and terrorism.

The Government approved Law 34/11 of 12 December 2011 to combat money laundering and the financing of terrorism. This law establishes measures to counter the laundering of the proceeds of illegal activities and terrorism financing. Law 1/12 of 12 January 2012 on the Designation and Implementation of International Legal Acts provides for procedures to freeze terrorist funds and the other assets of persons designated by the United Nations Security Council Committee, in accordance to the Resolution 1267 of the United Nations Security Council, as well as for the freezing of funds and assets from entities listed on the Angolan designation list. Following the passing of Law 1/12, the Regulation on the Designation and Execution of Legal Acts was passed by way of Presidential Decree 214/13. This Regulation appoints the National Designation Committee which coordinates the process of implementation of international and national designation and the process for the listing of persons on, and removal from, the Angolan designation list.

Law 2/14 of 12 January 2014 regulates searches and seizures in the criminal law context in Angola, including in the domain of money laundering and the financing of terrorism.

Further, the Government has approved Law 3/14 of 10 February 2014 on offences connected to money laundering. This law criminalises money laundering and the financing of terrorism in accordance with the Financial Action Task Force Against Money Laundering 40 Recommendations.

Law 13/15 of 19 June 2015 on international judicial cooperation in criminal matters regulates international cooperation, including extradition, the transfer of proceedings to a foreign court, execution of criminal sentences, transfer of persons condemned to imprisonment and mutual legal assistance in criminal matters. In June 2015 the Financial Action Task Force (the “FATF”) noted Angola’s adoption of this law, declaring that the country has taken significant steps towards improving its anti-money laundering and combatting the financing of terrorism regime through its adoption.

In June 2011, Angola acceded to the United Nations International Convention for the Suppression of the Financing of Terrorism. Angola also acceded in August 2006 to the United Nations Convention against Corruption and signed the African Union Convention on Preventing and Combating Corruption in January 2007. In 2005 Angola ratified the Southern African Development Community Protocol against Corruption.

Presidential Order 212/13 of 13 December 2013 created the Financial Information Unit (“*Unidade de Informação Financeira*”), an independent body established in order to combat money laundering and the financing of terrorism in Angola by, among other things, receiving, collating and analysing data regarding suspicious financial transactions in Angola. The Financial Information Unit is supervised by the BNA.

Presidential Order 239/14 of 22 December 2014 created a working group tasked with considering the adoption by Angola of the Extractive Industries Transparency Initiative. Representatives of the Ministries of Finance, Petroleum, and Geology and Mines are represented on the working group, along with the Governor of the BNA and the President's Secretary for Economic Matters.

Presidential Order 17/15 of 20 February 2015 created a technical group which is tasked with developing a National Observatory on Terrorism. Once established, the National Observatory on Terrorism will be coordinated by the Minister of the Interior in conjunction with one of the Secretaries of State for National Defence and one of the Secretaries of State for Foreign Relations, as well as the Directors of the *Serviço de Inteligência e Segurança de Estado* and the *Serviço de Inteligência Externa*, a representative of the Security Office for the President and a representative of the Attorney General.

In 2012, the BNA issued a number of notices, decrees and instructions which establish and regulate in Angola's financial sector, among things, customer due diligence procedures, reporting requirements in respect of suspicious transactions, the freezing of funds and assets belonging to designated persons, groups and entities, and money laundering procedures for bureaux de change. Further, in 2013, the BNA issued Directive 02/DSI/2013 providing guidance for financial institutions on the implementation of their own anti-money laundering and terrorist financing procedures and in 2014, the Ministry of Urbanism and Housing issued Order 713/14 which aims to combat money laundering and the financing of terrorism in the property sector.

Given the recent nature of much of the legislation in this area, there are no statistics currently available in respect of the number of prosecutions or convictions in corruption cases. See "*Political system – Judicial Branch*".

Following an evaluation of Angola's anti-money laundering and counter-terrorist financing regime, the FATF produced in June 2015 a post-evaluation implementation plan and progress report, in which a series of recommendations was made. Angola is working to implement the recommendations made in the FATF report.

There are investigations currently underway in Angola in connection with various allegations of corruption against public officials. As these investigations have yet to result in prosecutions, they are subject to confidentiality arrangements in respect of the relevant individuals. See "*Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*".

Public procurement procedures

Public Procurement Law 2010

Public procurement in Angola is governed by Law 20/2010 of 7 September 2010 (the "**Public Procurement Law**") and applies to public entities, including the Presidency of the Republic, central and local government authorities, the National Assembly, the courts and the public prosecutor's office, public institutions, public funds and public associations. The Public Procurement Law establishes certain procedures in relation to tendering for public contracts. Under the Public Procurement Law, contracts worth AOA 500 million or more can only be awarded following a public tender process or following a restricted tender process involving qualified candidates with specialised expertise for a particular project. Under the Public Procurement Law, contracts worth between AOA 18 million and AOA 500 million can be awarded in circumstances where the public contracting authority invites three or more entities (that it considers to be most suitable and specialised) to submit bids. Under the Public Procurement Law, contracts worth up to AOA 5 million can be awarded following a negotiation procedure between interested parties invited to bid for the contract.

Contracts funded by export credit facilities provided by institutions such as CEXIM, LUMINAR and BNDES are not currently subject to Angola's usual public procurement procedures.

Public Procurement Process

Once a particular contracting public sector entity identifies a project that is to be carried out, it must submit a proposal to the Ministry of Planning which ensures that the proposed project accords with the strategy and priorities of the Government (as set forth in the National Development Plan 2013-2017) and, if so, allocates budget for a feasibility study, which identifies costs and timing for the project. The relevant contracting public sector entity sponsoring the project can thereafter commence a public procurement process to select a contractor in accordance with the Public Procurement Law.

A public tender procedure requires the publication of a notice in the Official Gazette and in a widely-read national newspaper. All entities that meet the requirements of the notice or tender programme may bid. In the case of a restricted tender process involving qualified candidates with specialised expertise for a particular project, once the relevant notices have been published, a second process takes place in order to ascertain the technical and financial capabilities of the entities that have offered to take part in the restricted tender process. Only the entities deemed by the contracting public sector entity sponsoring the project to have suitable qualifications then proceed to submit their final bids.

Once a contractor is selected, the relevant contracting public sector entity then submits details of the public procurement process and the contractor to the National Service of Public Procurement (the “NSPP”). If the NSPP approves the project, the Ministry of Planning then allocates budget for the cost and timing of such project. Once the project is budgeted, it is then submitted to the Audit Court for approval. Only when the Audit Court approves the cost of the project and verifies that the Public Procurement Law has been complied with can the project be implemented. See “– *Supervision and Audit of Public Procurement*” below for a description of the supervisory and auditing role that both the NSPP and Audit Court perform in relation to the public procurement process in Angola.

Presidential Approval of Public Procurement

Under the Public Procurement Law, in certain limited circumstances, the usual public procurement regime described above does not apply and the President of the Republic is entitled to approve contract tenders of any value that meet one of the following requirements:

- the public expenditure is urgent and strictly necessary and the deadlines or formalities specified for entry into the relevant contract cannot be complied with as a result of an unpredictable event that is not attributable to the contracting public sector entity;
- the nature of the contract (be it for construction work, goods or services) does not permit an overall price to be stipulated in advance;
- there are too few contractors, suppliers or service-providers to bid because of a lack of technical or artistic expertise, or because the contract relates to the protection of exclusive rights or copyright; or
- a public tender process (or a restricted tender process limited to qualified candidates with specialised expertise) has been followed but no candidate submits a proposed bid. In such instance, the minimum technical and financial requirements from the public or restricted tender process must be adhered to in the contractor appointed by the President.

In addition, for the President of the Republic to approve contract tenders in one of the limited circumstances set forth above, the following additional requirements must be met:

- the contracting public sector entity has to present a reasoned proposal to the President explaining the need for the contract to receive Presidential approval, as well as evidence that a public tender process has already been undertaken;
- the public expenditure under the contract to be approved by the President must not exceed 10% of the overall annual budget of the contracting public sector entity concerned; and
- the contracting public sector entity must provide documentary evidence that proposals have been obtained from at least three potential contractors.

Assuming the above criteria are met, any exercise of the Presidential approval of public expenditure contracts must be exercised proportionately. The President of the Republic has not exercised his power to approve contract tenders under the limited and exceptional procedures described above since 2013.

Public Official Approval of Public Procurement

Public officials are entitled to approve contract tenders in circumstances where the usual public procurement regime described above does not apply, but (unlike the Presidential approval described above which relates to contract tenders of any value) such approvals relate to contracts the value of which are set forth as follows:

- Ministers of State may approve contracts valued at up to AOA 91 million; and
- other ministers, provincial governors and heads of public institutions, public companies and public funds may approve contracts valued at up to AOA 36 million.

Supervision and Audit of Public Procurement

Angola's Public Procurement Law created the NSPP (previously known as the Public Procurement Office) in 2010. The NSPP supervises and audits the application of the Public Procurement Law. Its director general is appointed by and reports to the Minister of Finance. Rosária Filipe is currently the director general of the NSPP and has previously held executive positions with the Ministry of Finance's public debt management unit and the former Public Procurement Office. While the NSPP is separate from the Ministry of Finance and is an autonomous institution, its director general can be dismissed by the Minister of Finance in cases of non-compliance with rules of conduct and where there have been conflicts of interest.

Angola's Audit Court, introduced under the 1992 Angolan constitution, is the supreme supervisory body responsible for overseeing the legality of public finances (including the Public Procurement Law) and performing several auditing functions with respect to public institutions and the public sector. Audit Court judges are appointed by the President for a seven year term and their independence is guaranteed under the 2010 Constitutional Law. See *"The Republic of Angola – Political System – Judicial Branch"*.

Angola's Audit Court is a member of the International Organization of Supreme Audit Institutions ("**INTOSAI**") (an organization currently consisting of 188 national institutions – as well as the European Court of Auditors – whose members are the primary external auditors of the United Nations) and INTOSAI's regional working group in Africa, called the African Organization of Supreme Audit Institutions ("**AFROSAI**").

In addition to receiving information from the NSPP regarding compliance with the Public Procurement Law, before authorising the budgeted expenditure, the Audit Court also independently confirms compliance with the Public Procurement Law. The Audit Court employs staff with requisite technical, financial and public projects expertise to check and verify budgeted expenditures made in respect of public projects, as well as to conduct ongoing surveillance of the physical progress of public projects. Audit Court staff are independent of the Government, being outside of Angola's civil service and recruited and remunerated directly by the Audit Court (which is largely funded through the proceeds of fines and visa issuances). The Audit Court has the legal power, acting independently of Government, to require relevant public officials to repay funds and to prosecute and punish public officials that violate Angola's Public Procurement Law.

In its supervision and auditing of Angola's public procurement, the Audit Court has full and unfettered access to the Government's financial management system (known as "**SIGFE**"), an integrated system for the financial management of government resources which tracks all government revenue and expenditure at both the national and provincial level. SIGFE contains details of the Government's programme of expenditures, the nature and costs of projects to be executed, financing agreements in place and budgetary classifications. SIGFE is configured such that identified resources for public projects cannot be assigned to other expenditures. With access to SIGFE, the Audit Court performs both preventative evaluation (the assessment of the legality of the public expenditure and the public sector contracts relating thereto, as well as the conformity to the budget) and sequential evaluation (the assessment of the public expenditure relative to the public expenditure and contracts the Audit Court assesses pursuant to its preventative evaluation).

After Audit Court approval is given, all invoices for public sector expenditure are settled in SIGFE, with payments made directly to the relevant contractor (and not to the contracting public sector entity or any other intermediary).

The debt management unit within the Ministry of Finance has responsibility for the operation and oversight of SIGFE, and the IMF and World Bank each has the right to request and receive information from SIGFE for the purpose of preparing country reports on Angola.

Funding of Public Projects

Public sector projects valued at less than U.S.\$10 million are funded from Angola's internal resources. In such instances, the contracting public sector entity approaches the Treasury directly to receive a financial commitment to the project. Once such commitment is received, the project can commence and, as invoices are rendered, they are submitted to the Treasury for verification before they are settled directly with the relevant contractor. The Treasury uses third-party technical project experts to verify such invoices, as well as to monitor the progress of such projects.

Projects valued at greater than U.S.\$10 million may be funded either from Angola's internal resources or with external funding. If the project is to be funded from internal resources, it must be approved by the President's

Cabinet. Once approved, a Presidential Decree is passed and published in the Official Gazette, at which point the project is budgeted by the Ministry of Planning and then is subject to Audit Court approval, before funding by the Ministry of Finance is given. See “– *Supervision and Audit of Public Procurement*” above.

If a project has a value of over U.S.\$10 million and is to be funded from external sources, the debt management unit of the Ministry of Finance must review the project proposal to ensure all approvals have been given and that the project is budgeted. External lenders are then approached to secure financing on a competitive basis. Once financing is secured, the project details and financing arrangements are recorded in SIGFE and the project commences. All payments are made directly to contractors through SIGFE only after Audit Court approval. See “– *Supervision and Audit of Public Procurement*” above.

Proposed Reform of Angola’s Public Procurement Law

Angola is currently in the process of implementing an additional procurement law designed to strengthen the rationalisation, reduce and control of public spending, enhance the speed of execution of public expenditure, and further improve the transparency and competition within the public procurement process with the aim of reducing the costs thereof. Among other things, the proposed new procurement law seeks to reduce the time limits for approvals and introduces requirements aimed at enhancing the protection of the environment and Angola’s public health. New expedited procedures for smaller projects are provided for in the draft legislation, such that a limited tender procedure (by invitation) can be followed for contracts valued at less than AOA 182 million and a simplified procedure followed for contracts valued at less than AOA 5 million. Angola’s Council of Ministers approved the new proposed procurement law on 23 September 2015 and it has been sent to the National Assembly for scrutiny and debate, with a National Assembly approval currently expected by the end of 2015.

See “*Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola’s economy*”.

THE ECONOMY

Overview

Before independence in 1975, Angola, as a Portuguese Overseas Colonial province, had a diversified and prosperous, albeit distorted, economy. Its infrastructure was relatively well developed. Angola was self-sufficient in food and agricultural products and had an export-oriented economy. The mining sector, in particular in diamonds and iron ore, and the manufacturing sector, which focused on light industry and consumption goods were, together with the agricultural sector, the main drivers of Angola's economic activity, while oil production and exports were gradually increasing. In 1973, Angola's GDP was comprised of trade (including exports) (24%), services (15%), agriculture (12%), manufacturing (12%), public administration (11%) and extractive industries (mining) (10%), with other industries making up the remaining 16%. In 1974, GDP per capita was U.S.\$639 and exports comprised agriculture (including coffee, cotton and sugar) (44%), extractive industries (40%), and fishing (6%), with other exports making up the remaining 10%.

However, Angola's largely successful pre-independence economy was based on significant social imbalances. Only a small minority of Angola's population – mainly Portuguese settlers and their descendants – enjoyed relatively high levels of education, engaged in skilled employment, owned businesses and were involved in governance. Colonial policy denied those who did not assimilate into the Portuguese culture access to education and the civil service. A large proportion of agricultural workers were, in essence, slaves, or “*contratados*”.

Following independence, from 1974 to 1976, many Portuguese left Angola, resulting in the departure of the majority of Angola's skilled workforce at that time. During the civil war, production in all economic sectors came to a virtual halt, except for the petroleum sector. As a result, a well-diversified and largely self-sufficient economy became very dependent on oil production and its associated revenues.

Angola's current economic structure, which is very dependent on the oil industry, is the legacy of three major political events during the past 40 years which severely disrupted Angola's economic activity. These events were: (i) the turbulent transitional period prior to independence in 1974-75 that led to the break-out of the Civil War; (ii) the sharp decline of crude oil prices in 1985-86; and (iii) the escalation of the Civil War following the 1992 general elections. The oil sector (with most oil output obtained offshore and largely unaffected by the Civil War) became the single most important sector for the Angolan economy. Its contribution to Angola's GDP increased from approximately 12% in the mid-1970s, to approximately 50-60% from the mid-1980s. As of 31 December 2014, and despite the strong revival of the non-oil economy sectors since the end of the Civil War in 2002, the oil sector still represented 35.4% of total GDP, 97.4% of export earnings and 67.5% of total government revenues.

The major structural changes in the Angolan economy that ensued following independence and during the Civil War may be summarized as follows:

- an increasing reliance on oil production and exports;
- a greater dependence on imports, deterioration in the balance of payments and exchange rate instability;
- an increase in Government intervention in the economy and the repression of economic activity in the financial and private sector;
- macroeconomic instability, in particular rampant inflation as the Government monetized large fiscal deficits; and
- shortages of basic products following the introduction of price controls.

Angola's dependence on the oil sector left it vulnerable to the worldwide slump in oil prices during 1985 and 1986. The sharp fall in oil-related revenues led the Government to default on its obligations to the Paris Club, an informal group of creditor governments from major industrialized countries, formed in 1956, which meets every month in Paris to agree on restructuring debtor countries' debts. Angola's lack of access to international financial markets led the Government to rely on inflationary finance and, later, to resort to oil pre-payment foreign currency loans as the country's only source of foreign exchange funding. See “*Public Debt – External public debt*”.

At the end of the Civil War in 2002, Angola had approximately 4.28 million displaced people, the country's basic infrastructure had been destroyed and the Government held significant external debt arrears. GDP per capita was U.S.\$806. Following the end of the Civil War in 2002, the Government embarked on the reconciliation and reconstruction of the country. Policies focused on the social and economic integration of those who had been displaced in the conflict, the reconstruction of the country's basic infrastructure, and the restoration of macroeconomic stability. Peace and political stability have become entrenched in Angola and there has been significant progress in the reconstruction of Angola's basic infrastructure, including notable improvements in the delivery of essential public services. In addition, Angola has made significant strides towards macroeconomic stabilization as reflected by the decline in inflation, improvements in fiscal and external performance, and the normalizations of its relations with external creditors.

Recent Economic Performance

According to the World Bank and the IMF, in 2014, Angola had the third largest economy in sub-Saharan Africa (in terms of nominal GDP). Its economy has had an annual average real GDP growth rate of 4.8% between 2010 and 2014, although Angola's GDP growth in 2014 significantly decreased from 6.8% in 2013 to 4.8% in 2014, principally due to a decline in oil production and reduced growth of production in the agriculture sector. The Government currently expects that GDP growth for 2015 will be approximately 4.0%, revised downward from an original estimate of 6.6% included in the 2015 revised National Budget which was approved by the National Assembly in March 2015.

Angola's GDP per capita is one of the highest amongst sub-Saharan African economies, at U.S.\$5,181.3 in 2014. Between 2010 and 2014, GDP growth has been fueled by growth of the non-oil sector, in particular in agriculture, construction, market services, offset by decreasing oil production and lower oil prices. Annual non-oil real GDP growth averaged 8.4% between 2010 and 2014, whereas the annual oil sector real GDP contraction averaged 1.5% during the same period.

Angola's GDP growth rate in 2014 was 4.8% (3.2% lower than predicted in the National Development Plan 2013-2017 described under “ – *The Government's principal economic strategies*” below). Annual non-oil real GDP growth was 8.2% in 2014 driven principally by growth in the fishing industry (19.1%), agriculture (11.9%), manufacturing (8.1%), construction (8.0%), market services (8.0%) and energy (17.3%) sectors. Non-oil real GDP growth in 2014 was partially offset by lower than expected GDP growth in the diamond extractive industry (1.0% in 2014). Annual real GDP contracted by 2.6% in the oil sector in 2014 due to the decline in oil prices, production restrictions on certain Blocks (as defined below) and the consequences of certain well closures for maintenance and repair work, electrical, mechanical and operational problems. The decline in oil prices, resulted in an approximate 21.0% reduction in public investment in the oil sector.

Macroeconomic stabilization is evidenced in the decline of inflation, from 15.3% in 2010 to 7.5% in 2014, and the relative stability in Angola's fiscal and external positions. Both the fiscal and current account balances have shown large surpluses in the period 2010 through 2013, allowing for the expansion of capital expenditure and an increase in foreign exchange reserves. Due to the declines in both oil prices and oil production, Angola's foreign exchange reserves decreased to approximately U.S.\$25.2 billion as of 30 June 2015 from U.S.\$27.8 billion in December 2014 and from U.S.\$32.2 billion in December 2013 and Angola's external Government debt position was approximately 15.4% of GDP in 2014 compared to 11.5% in 2010. Total Government debt as a proportion of GDP has increased, from 28.4% in 2010 to 32.5% in 2014, a large proportion of the domestic debt having been issued for monetary policy reasons. Angola's banking system has evolved and grown rapidly since the end of the Civil War. There are currently 23 commercial banks, most of which are privately-owned. The Government is actively pursuing several measures to further develop and expand Angola's banking sector. See “*Monetary System – The Banking System*”.

Advances have been made, in particular, in the reconstruction of the country's basic infrastructure, the vast majority of which was severely damaged or destroyed during the Civil War. At the end of the Civil War in 2002 there were only 1,000 kilometers of usable roads in Angola. Between 2010 and 2014, the Government invested an amount of approximately U.S.\$60 billion on infrastructure reconstruction and the building of new infrastructure (an average of 12.6% of Angola's GDP during the same period). Between 2010 and 2014, 8,662 kilometers of roads were built or rebuilt (out of a total usable road network of 73,000 kilometers) and 2,700 kilometers of railways, an extensive refurbishment program continued on Angola's three largest ports, building of a second international airport near the capital city Luanda continued and there was continued implementation of a program for the extensive upgrade and refurbishment of Angola's domestic airports. Although absorption capacity constraints remain, the Government's policy of prioritizing key projects and

partnerships with international investors has resulted in an increased realization of investment plans. With capital spending at 13.5% of the budgeted amounts in 2014, absorption capacity and the implementation of investment plans compare favorably with most sub-Saharan countries. See “– *Infrastructure*” below. See “*The External Sector – Foreign Direct Investment (“FDI”)*”.

The normalization of Angola’s relations internationally, both politically and economically, has resulted in an increase in foreign direct investment and access to external, non-concessional funding.

Despite Angola’s strong recent economic record, economic performance in 2010-2014 has suffered as a result of the global economic crisis and the consequent decline in oil prices during this period. Despite earlier expectations that the Angolan economy would contract, there was some positive growth in 2010-2014 largely driven by growth in the non-oil sector, but significantly below the 13.8% real GDP growth in 2008. Despite ongoing and increased diversification, Angola’s economy remains very dependent on the oil sector. With average crude oil production of 1.7 million barrels per day in 2014, Angola is currently sub-Saharan Africa’s second largest oil producer and is amongst the world’s top 13 oil-producing nations, according to the Organization of the Petroleum Exporting Countries (“OPEC”). The oil sector accounted for 35.4% of GDP, 97.4% of export earnings and 67.5% of total revenues in 2014.

As of the date of this Prospectus, the Government estimates that its actual revenues for 2015 are likely to be higher than the revenues included in the revised 2015 National Budget. This is primarily due to the fact that the average price per barrel of oil actually received by Angola in 2015 (from January 1 to September 30) was higher compared to the revised 2015 National Budget assumption of U.S.\$40 per barrel. The average price of Brent crude oil for the first nine months of 2015 was U.S.\$60.50. Additionally, because oil revenues in the form of taxes and royalties are paid in Kwanza (rather than US dollars), the Government’s revenues have benefited from the depreciation of the Kwanza against the US dollar in 2015.

With regard to expenditures, the Government is continuing to execute on its budgeted plans to restrict current expenditures. The Government is also continuing to execute its capital expenditure plan. However, as at 30 September 2015, U.S.\$1.8 billion of capital expenditure has been spent (compared to U.S.\$5.6 billion budgeted in the revised 2015 National Budget).

The table below sets forth a summary of Angola's key economic ratios for the periods indicated:

	2010	2011	2012	2013	2014 (preliminary)
GDP and inflation					
Real GDP growth (%), of which:	3.5	3.9	5.2	6.8	4.8
oil sector (%)	(2.8)	(5.6)	4.3	(0.9)	(2.6)
non-oil sectors (%)	7.8	9.7	5.6	10.9	8.2
GDP per capita (U.S.\$)	4,731.0	5,789.2	6,135.6	6,508.0	5,181.3
Nominal GDP at market price (kwanza bn)	7,584.6	9,780.1	10,876.0	12,056.3	12,462.3
Nominal GDP at factor cost (kwanza bn), of which:	7,396.9	9,549.3	10,630.3	11,575.3	12,153.6
oil sector (kwanza bn)	3,401	4,641	4,981	4,817	4,304
Inflation year-end (%)	15.3	11.4	9.0	7.7	7.5
M3 growth (%)	12	37	6	13	16
Oil					
Production ('000 b/d)	1,757.6	1,659.5	1,729.9	1,715.6	1,671.7
Average oil export price (U.S.\$/b)	77.9	110.1	111.6	107.7	96.9
Fiscal account					
Revenues (% of GDP)	43.4	48.8	46.5	40.2	35.3
of which oil (% of GDP)	33.0	39.0	37.7	30.1	23.8
Total expenditures (% of GDP)	38.2	38.6	39.8	39.9	41.9
Fiscal surplus/(deficit), accrual basis (% of GDP) ¹	5.3	10.2	6.7	0.3	(6.6)
Fiscal surplus/(deficit), cash basis (% of GDP) ²	5.3	11.8	9.3	3.0	(2.4)
Total Government debt (% of GDP)	28.4	21.9	21.9	24.3	32.5
of which domestic debt (% of GDP)	16.9	11.8	10.9	12.3	17.1
External sector					
Exports FOB (% of GDP)	61.4	64.6	62.4	54.7	46.8
of which oil (U.S.\$ bn)	59.8	63.0	61.2	53.6	45.6
Imports FOB (% of GDP)	(20.2)	(19.4)	(20.8)	(21.1)	(22.6)
Current account balance (% of GDP)	9.1	12.6	12.2	6.7	(2.9)
FX rate					
Kwanza to USD (Average)	92.0	93.9	95.4	96.6	98.6
External debt and foreign reserves					
External Government debt (U.S.\$bn)	9.5	10.5	12.6	14.9	19.5
External Government debt (% of GDP)	11.5	10.1	11.1	11.9	15.4
External debt service to exports (%)	4.4	2.7	3.0	3.6	5.8
Gross int'l reserves (U.S.\$bn)	19.7	27.5	32.2	32.2	27.8
Gross int'l reserves to months of imports	6.7	7.5	8.4	7.9	6.2

¹ Fiscal surplus / (deficit) on an accrual basis measures the cost of the government's annual operations and represents the amount by which the government's expenses exceed its revenues in a given fiscal year. The accrual deficit records costs that are known to have occurred in a particular period (as opposed to recording the resulting cash payments) and includes assumptions for interest rates, inflation and wage growth, among other things. The accrual deficit provides information on the longer-term implications of current government operations.

² Fiscal surplus / (deficit) on a cash basis represents the amount by which the government's cash outlays exceed its cash receipts in a given fiscal year. The cash deficit closely approximates to the government's short-term borrowing needs.

Source: Ministry of Finance and National Bank of Angola (BNA)

See "The External Sector – Fiscal Performance" and "– 2015 National Budget" for a description of the Government's 2015 National Budget.

The Government's principal economic strategies

Since the 2002 Peace Accord that ended the Civil War, the key to Angola's reconstruction and economic success has been the rapid progress in implementing the Government's 2025 Strategy. A more detailed plan for the development of Angola's economy was laid down in the national program adopted in December 2012 (the "**National Development Plan 2013 – 2017**"). The National Development Plan 2013 – 2017 was the first medium-term plan drawn up after Angola's 2010 Constitutional Law took effect. The Government's principal strategies set forth by the National Development Plan 2013-2017 include the following:

- post-war consolidation of peace;
- reconstruction of Angola's basic infrastructure and economy;
- normalization of economic activity leading to sustainable economic growth, employment and macroeconomic stability, principally through economic diversification and the promotion of private sector growth;
- sustainable socio-economic development and poverty reduction; and
- democratic governance and political stability.

The National Development Plan 2013 – 2017 focuses in particular on energy and water supplies, education, health and the diversification of the Angolan economy.

In 2013 and 2014, the Government spent U.S.\$30.0 billion on reconstructive and upgrading infrastructure projects identified in the National Development Plan 2013-2017. The Government anticipates spending a further U.S.\$27.2 billion in the period 2015-2017 on various infrastructure projects identified in the National Development Plan 2013-2017, including those in the energy production, transmission and distribution, water supply and sanitation, road, rail, maritime and airport, and the telecommunication sectors. In 2015, the proposed total budget for capital expenditure is approximately U.S.\$5.6 billion. See "*–Infrastructure*" below and "*Risk Factors – Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*".

Gross Domestic Product

GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. Real GDP figures are based on constant 2002 prices.

Angola has experienced very high real GDP growth rates since the end of the Civil War in 2002, driven mostly by the production and export of oil. In recent years, Angola's real GDP growth has been fueled by significant growth of the non-oil sector, in particular in agriculture, construction, market services. Preliminary figures show that non-oil real GDP growth was 8.2% in 2014 whereas oil sector GDP contracted by 2.6% in 2014. The nominal GDP (market price) was estimated by the Ministry of Planning at U.S.\$82.5 billion in 2010, U.S.\$104.2 billion in 2011, U.S.\$114.0 billion in 2012, U.S.\$124.8 billion in 2013 and U.S.\$126.3 billion in 2014.

GDP by Sector

The table below provides information regarding Angola's nominal GDP (factor cost) by sector for the years indicated unless otherwise stated:

	2010	2011	2012	2013	2014 (preliminary)
	(U.S.\$ billions)				
Oil GDP (factor cost)	37.0	49.4	52.2	49.9	43.6
Non-oil GDP (factor cost)	43.4	52.3	59.2	70.0	79.6
Total nominal GDP (factor cost)	80.4	101.7	111.4	119.9	123.2
	(% of GDP)				
Primary sector	10.1	9.5	7.3	10.2	11.6
Agriculture	9.9	9.3	7.0	9.9	11.3
Livestock and fishing	0.2	0.2	0.2	0.3	0.3
Secondary sector	61.5	63.6	63.2	59.1	54.6
Extractive industries, <i>of which</i>					
Oil	46.0	48.6	46.9	41.6	35.4
Diamonds and other extractive industries	1.0	0.9	0.8	0.8	0.7
Manufacturing industries	6.3	6.1	6.8	7.3	8.1
Construction	8.1	7.9	8.6	9.2	10.2
Energy	0.1	0.1	0.1	0.2	0.2
Tertiary sector	28.4	26.9	29.5	30.7	33.8
Market services	21.0	19.9	22.1	23.3	25.8
Other	7.4	7.0	7.4	7.4	8.0

Source: Ministry of Planning and Territorial Development

The table below provides information regarding Angola's real GDP growth rates with a breakdown between oil and non-oil sectors as at 31 December for the years indicated unless otherwise stated:

	2010	2011	2012	2013	2014
	(%)				
Oil GDP	(2.8)	(5.6)	4.3	(0.9)	(2.6)
Non-oil GDP	7.8	9.7	5.6	10.9	8.2
Total real GDP	3.5	3.9	5.2	6.8	4.8

Source: National Bank of Angola (BNA)

See "The External Sector – Fiscal Performance" and "– 2015 National Budget" for a description of the Government's 2015 National Budget.

Primary Industry Sectors

Oil Industry

Overview

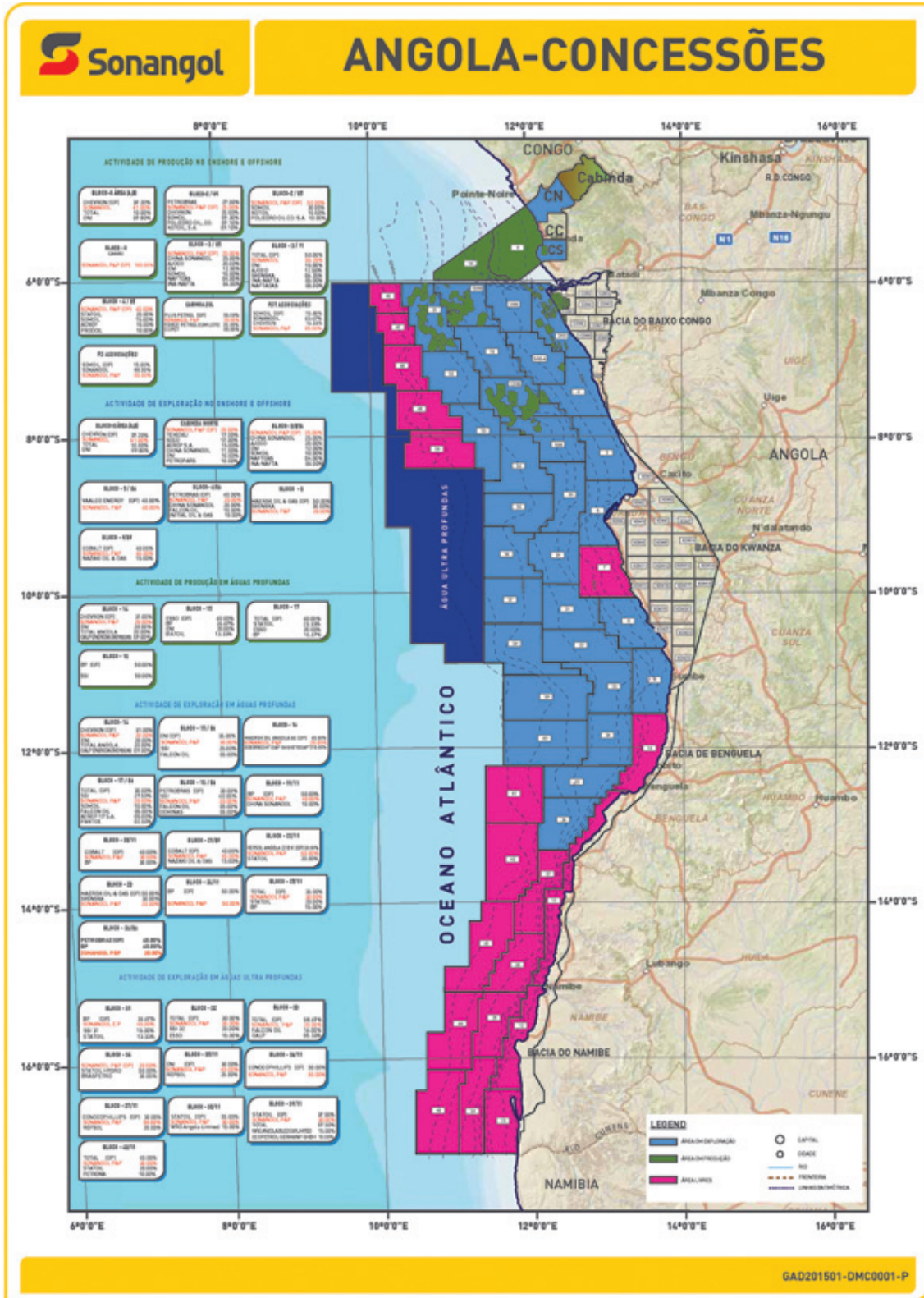
The oil industry is Angola's single most important economic sector and oil is the most important Angolan export. More than 97.4% of Angola's exports are in the oil sector and oil accounted for 35.4% of Angola's GDP in 2014.

Angola is currently the second largest crude oil producer in sub-Saharan Africa, and the 13th largest producer in the world. According to the Ministry of Petroleum, Angola produced a total of 610.2 million barrels of oil in 2014. In 2014, Angola's state-owned oil company, Sonangol, produced 275 million barrels (as national concessionaire and as investor), equivalent to 45% of total production. In 2014, Angola produced an average of 1.7 million barrels per day ("bbl/d").

The Ministry of Petroleum estimated that Angola's proven and probable oil reserves stood at 10.3 billion barrels in 2014. See "*Reserves*" below. Investment in the oil sector has been significant with companies investing in excess of U.S.\$18.3 billion in oil exploration and development expenditure in 2014 alone and a total of U.S.\$74.6 billion for the period from 2010 to 2014. See "*Investment*" below. Angola's oil production grew by an annual average of 13.4% from 2002 to 2008 as production started from multiple deepwater fields that were discovered in the 1990s. Angola's oil production contracted by an average 1.5% in the five year period 2010 to 2014 and has declined year-on-year since 2012. See "*Production*" below. The first deepwater field to come online was the Chevron-operated Kuito field (Block 14) in 1999.

Angola's current oil reserves are divided, for exploration and production purposes, into license areas or "**Blocks**". Under the Petroleum Activities Law, Sonangol E.P. as the national concessionaire ("**National Concessionaire**"), may either explore for crude oil directly or through an association with third parties. Any company that wishes to carry out petroleum operations in Angola outside the scope of a survey license may only do so together with the National Concessionaire, subject to the prior consent of the Angolan Government pursuant to a concession Decree. The Blocks are licensed for exploration and production activities under production sharing agreements ("**PSAs**"), unincorporated joint venture agreements ("**JVs**") or Risk Service Contracts ("**RSCs**"). The power to negotiate and execute such arrangements on behalf of Angola belongs to Sonangol. In addition to acting in its capacity as sole concessionaire for Angola's petroleum reserves, Sonangol P&P, a Sonangol subsidiary, also operates as an exploration and production company which participates in the PSAs and JVs along with petroleum companies which were permitted to engage in the exploration and production of petroleum in association with Sonangol E.P. The oil company associates of Sonangol E.P. are typically major international petroleum companies and include Chevron, ExxonMobil, BP, Total, Statoil and Eni. China's national oil companies Sinopec and the China National Offshore Oil Corporation ("**CNOOC**"), and participate in Angola's oil production industry and provide development assistance as well as oil-based loans and trade. China Sonangol, established in 2004, in which Sonangol E.P. has a 30% interest, and Sinopec have a joint venture company called Sonangol Sinopec International ("**SSI**"), which is a non-operator shareholder in three major producing deepwater projects.

Set forth below is a map showing Angola's oil Blocks and information concerning Sonangol's partner oil companies engaged in exploration and production activities on those Blocks. (Source: Sonangol.)



Reserves

The Angolan Ministry of Petroleum estimated that Angola's proven oil reserves stood at 8.4 billion barrels and that Angola's proven and probable reserves stood at 10.3 billion barrels in 2014. In accordance with estimates by OPEC (which uses different methodology and sources for reserve estimation), Angola's proven crude oil reserves in 2014 stood at 8.4 billion barrels and ranked 17th largest worldwide.

The following table sets forth information regarding Angola's proven and probable reserves as at 31 December 2014:

Block	Proven (1P)	Proven and Probable (2P)
	<i>(million barrels)</i>	
Block 0	2,436	2,706
Block 2	2	3
Block 2/05	21	27
Block 3/05	233	289
Block 4/05	7	9
Block 14	817	889
Block 15	807	945
Block 15/06	372	468
Block 16	270	300
Block 17	1,732	2,452
Block 18	342	402
Block 21	225	250
Block 31	631	836
Block 32	494	658
FS/FST Onshore Blocks	16	16
Cabinda South	14	15
Total	8,419	10,265

Source: Sonangol

Angola's deepwater offshore reserves account for 71% of proven and probable reserves, shallow water offshore reserves account for 29% of proven and probable reserves and onshore reserves account for less than 0.03% of proven and probable reserves.

Assuming there are no further discoveries of oil reserves in Angola, it is estimated that crude oil production from Angola will peak in 2016 with the production levels above 2 million barrels per day. However, Angola's oil fields are subject to significant investment and extensive ongoing exploration activities.

Exploration

During the Civil War, onshore exploration activities were limited and the majority of discoveries were made offshore in the Lower Congo basin. However, from 2004 onwards, onshore exploration, including in Cabinda South and the Kwanza basin, resumed. In 1979, Angola's oil exploration areas were divided into 14 Blocks. Over the years, various new Blocks, both onshore and offshore, have been opened up to exploration and, currently, there are 51 offshore Blocks and 35 onshore Blocks covering a total surface area of 174,395 square kilometers. As at 31 December 2014, 130,235 square kilometers, or 75% of Angola's total exploration area, was under operation.

Most of Angola's current resources are located in the offshore parts of the Lower Congo and Kwanza basins. Most exploration and production activities have been located in the offshore part of the Lower Congo basin, but the onshore and offshore Kwanza basin is receiving more attention from international oil companies ("IOCs") and Sonangol because of its pre-salt formations, which are estimated to hold large quantities of hydrocarbon resources.

Between 2010 and 2014, 8.7 billion barrels of oil were discovered in Angola, which represents an annual average of 2.2 billion barrels per year in new discoveries. In addition to expanding Angola's oil reserves, this has generated substantial commercial discovery bonus payments by contractor groups to Angola. See "*Current principal commercial and fiscal terms of oil production*" below.

The table below sets forth the historical data for exploration expenditure on Angola's oil Blocks from 2010 to 2014. Exploration expenditure includes expenditure up to the point of declaration of commercial discovery and excludes capital expenditure incurred subsequent to the declaration of commercial discovery, during the development stage (such as capital expenditure on infrastructure and wells and labor costs):

Block	Operator	2010	2011	2012	2013	2014
		<i>U.S.\$ (millions)</i>				
18		16	26	17	16	7
19	BP Exploration Angola	—	6	42	12	29
24		—	14	48	23	214
31		48	135	34	140	18
20/11		—	—	23	320	179
21/09	Cobalt International Energy ¹	10	170	297	412	415
9/09		17	3	2	1	106
0	Chevron	169	112	70	125	317
14		79	8	4	3	3
36/11	ConocoPhillips Angola	—	—	34	26	304
37/11		—	—	33	33	137
15/06	ENI Angola SPA	371	616	73	606	955
35/11		—	—	54	17	116
15	ESSO Exploration Angola	67	43	2	(13)	(2)
EQAP	Angola LNG Limited	17	72	2	2	9
16	Maersk Oil Angola	119	176	365	588	181
23		4	181	13	9	11
8		5	1	5	13	17
CABS	Pluspetrol Angola Corporation	63	27	36	17	18
18	Petrobrás Angola	205	32	3	13	36
26		4	42	221	4	(55)
6/06		51	2	3	1	1
38/11	Statoil Angola	—	—	61	20	270
39/11		—	—	59	14	228
22/11	Repsol Angolal	—	—	45	18	294
CABS	ROC Oil Company	—	—	—	—	—
GB2	Sonangol Gás Natural	44	70	98	11	15
2/05	Sonangol Pesquisa & Produção	12	9	13	17	19
3/05A		53	10	(11)	—	—
34		3	2	—	—	—
4/05		62	(5)	4	6	6
CABN		28	25	15	71	32
17	TOTAL E&P Angola	41	70	53	114	2
17/06		149	207	8	4	3
25/11		—	—	63	17	194
32		95	205	245	144	475
33		5	25	15	65	(2)
40	—	—	49	14	115	
1/06	Tullow Angola BV	—	—	—	—	—
5/06	Vaalco Angola Kwanza	1	1	1	—	9
Total		\$1,738	\$2,285	\$2,099	\$2,883	\$4,676

¹ On 24 August 2015, New York stock exchange listed oil explorer Cobalt International Energy signed a sale and purchase agreement with Sonangol to divest certain of its Angolan prospects and sell to Sonangol its 40% interest in offshore blocks 21/09 and 20/11 for U.S.\$1.8 billion, with an effective date of 1 January 2015. Cobalt retained its interest in Block 9/09.

Source: Ministry of Petroleum and Sonangol

Blocks that are currently subject to the bidding process include seven onshore Blocks in Kwanza basin and three onshore Blocks in Congo basin. Blocks that are open for future bidding include four onshore Blocks in Kwanza

basin, one onshore and five offshore Blocks in Congo basin, 12 offshore Blocks in Namibe basin and one offshore Block in Benguela basin. 48 companies have recently been approved as non-operating bidders, including Petrobras, Maersk Oil and Mitsubishi, as well as a number of Angolan private-sector entities, and 37 companies have been approved as operating bidders (bidders for equity interests only in the blocks), including Chevron, ENI, Galp Energia, Tullow Oil and Ecopetrol. The companies listed by Sonangol were invited to bid for the blocks by 1 October 2015, and the bidding process has now completed. Sonangol expects to announce a decision in relation to these bids by the end of November 2015.

The table below sets forth the historical data for development costs on Angola's oil Blocks for 2010 to 2014:

Block	Operator	2010	2011	2012	2013	2014
		<i>U.S.\$ (millions)</i>				
Cabinda South	Pluspetrol Angola	—	23	103	78	35
FS/FST	Somol	45	23	28	4	6
Block 0	Chevron	1,325	1,292	1,849	2,487	2,797
Block 2/05	Sonangol P&P	7	—	1	4	6
Block 2/85	Sonangol P&P	—	—	—	—	—
Blok 3/85	Total E&P Angola	—	—	—	—	—
Block 3/91	Total E&P Angola	—	—	—	—	—
Block 3/05	Sonangol P&P	140	57	54	133	22
Block 3/05-A	Sonangol P&P	—	—	36	40	132
Block 4/05	Sonangol P&P	16	3	(1)	1	2
Block 14	Chevron	1,097	499	764	1,076	828
Block 15	Esso Exploration Angola	1,537	1,675	1,558	1,517	1,949
Block 15/05	ENI Angola	—	—	721	1,108	1,032
Block 17	Total E&P Angola	3,590	4,218	3,912	3,887	4,235
Block 18	BP Angola	653	450	572	727	764
Block 31	BP Angola	2,196	2,250	2,423	1,763	1,619
Block 32	Total E&P Angola	—	—	—	—	1,777
Total		\$10,606	\$10,490	\$12,018	\$12,825	\$15,204

Source: Ministry of Petroleum and Sonangol

Production

Angola produced a total of 610.2 million barrels of oil in 2014 (or 1.7 million barrels per day), a decrease of 2.6% in comparison to the 626.3 million barrels of oil it produced in 2013 (or 1.7 million barrels per day) and 633.6 million barrels of oil it produced in 2012 (or 1.7 million barrels per day). As at 31 December 2014, in accordance with OPEC's statistics, Angola was the 13th largest oil producer in the world.

The following table sets forth the 16 leading world crude oil producers by country, between 2010 and 2013:

	2010	2011	2012	2013	2014
	<i>(1,000 b/d)</i>				
Russia	9,841.3	9,943.3	10,042.9	10,146.6	10,221.1
Saudi Arabia ¹	8,165.6	9,311.0	9,763.0	9,637.0	9,712.7
United States	5,470.8	5,652.5	6,484.6	7,441.2	8,662.7
China	4,076.4	4,052.1	4,074.2	4,164.1	4,194.6
Iran	3,544.0	3,576.0	3,739.8	3,575.3	3,117.1
Iraq	2,358.1	2,652.6	2,942.4	2,979.6	3,110.5
Kuwait ¹	2,312.1	2,658.7	2,977.6	2,924.7	2,866.8
United Arab Emirates	2,323.8	2,564.2	2,653.0	2,796.5	2,794.0
Venezuela	2,853.6	2,880.9	2,803.9	2,789.5	2,682.6
Mexico	2,577.2	2,552.5	2,547.9	2,522.2	2,428.9
Brazil	2,054.7	2,105.4	2,061.3	2,023.9	2,254.6
Nigeria	2,048.3	1,974.8	1,954.1	1,753.7	1,807.0
Angola²	1,757.6	1,618.0	1,704.0	1,701.2	1,653.7
Norway	1,798.6	1,680.1	1,532.8	1,463.6	1,517.8
Canada	1,227.1	1,260.8	1,308.5	1,381.6	1,399.0
Kazakhstan	1,333.4	1,325.9	1,306.5	1,372.8	1,344.8

¹ Figures include share of production from Neutral Zone.

² The statistics for Angola included in this table are those of OPEC. The Government's own crude oil production statistics are different.

Source: OPEC Statistical Bulletin, 2014. OPEC may use methodology and sources for compilation of production data other than the methodology and sources used by the Ministry of Petroleum, and OPEC data may differ from the data produced by the Ministry of Petroleum.

The following table sets forth information regarding Angola's oil production by Block, for the years 2010 to 2014:

Block	2010	2011	2012	2013	2014
	<i>Oil produced (bbl/d thousands)</i>				
Block 0	345.8	322.0	290.3	265.1	256.8
Block 2	19.2	17.7	15.2	7.1	4.5
Block 3	64.5	61.5	56.6	47.1	47.9
Block 4	16.1	17.0	12.8	9.8	7.3
Block 14	197.3	187.3	156.5	133.6	118.5
Block 15	519.8	441.4	407.5	373.1	330.2
Block 17	430.6	488.5	607.4	594.0	596.5
Block 18	154.6	114.3	170.4	178.3	137.6
Block 31	—	—	4.9	99.5	166.2
FS/FST Onshore Blocks	9.7	9.8	8.4	7.3	4.2
Cabinda South	—	—	—	0.6	1.9
Total	1,757.6	1,659.5	1,729.9	1,715.6	1,671.7

Source: Ministry of Petroleum and Sonangol

Angola produces 14 types of crude, most of which are medium viscosity. Cabinda Blend, which is a medium viscosity and low sulphur content (32.5° API and 0.13% sulphur), is the standard type of crude for evaluation of crude produced in Angola and is used for reference purposes internationally. Nemba Blend type crude produced in both Block 0 and Block 14 has the highest gravity (39.7° API and 0.23% sulphur) with low viscosity and low sulphur content. Dalia type crude produced in Block 17 has medium viscosity (22.7° API and 0.49% sulphur) and is considered to be semi-acidic type. The closest international price reference for Angolan crude is the Brent Crude Oil Index.

The following table sets forth information regarding Angola's current oil producing projects, operators, and loading ports in Angola:

Operator	Partners	Location	Projects	Crude Streams	Leading Ports	2014 Loadings ('00 bbl/d)
ExxonMobil	BP, Eni, Statoil	Block 15 deepwater	Kizomba A (Hungo, Chocalho, Marimba)	Hungo	Kizomba A FPSO	321
			Kizomba B (Kizomba, Dikanza)	Kissanje	Kizomba B FPSO	
			Kizomba C (Mondo Saxi Batuque)	Mondo; Saxi Batuque	Mondo FPSO; Saxi Batuque FPSO	
			Kizombo satellites project (Clochas, Mavacola)	Blended with Hungo & Kissanje	Kizomba A & B FPSOs	

<u>Operator</u>	<u>Partners</u>	<u>Location</u>	<u>Projects</u>	<u>Crude Streams</u>	<u>Leading Ports</u>	<u>2014 Loadings ('00 bbl/d)</u>
Chevron	Sonangol, Total, Eni	Block 0- Area A offshore	Takula, Malongo, Mafumeira Norte	Cabinda	Malongo terminal	368
		Block 0- Area B offshore	Bomboco, Kokongo, Lomba, N'Dola, Sanha			
		Block 0- Area B offshore	Nemba, Tombua, Landana			
BP	Sonangol Sinopec International (SSI)	Block 14 deepwater	Kuito, BBLT (Benguela-Belize-Lobito-Tomboco)	Nemba		
		Block 18 deepwater	Greater Plutonio (Plutonio, Galio, Cromio, Paladop, Cobalto)	Plutonio	Plutonio FPSO	128
		Block 31 ultra deepwater	PSVM (Plutão, Saturno, Vênus, Marte)	Saturno	PSVM FPSO	168
Total	Statoil, ExxonMobil, BP	Block 17 deepwater	Dalia	Dalia	Dalia FPSO	179
			Pazflor (Perpetua, Zinia, Hortensia, Acacia)	Pazflor	Pazflor FPSO	203
			Girassol, Jasmin, Rosa Clov (Cravo, Lirio, Orquidea and Violeta)	Girassol	Girassol FPSO	146
Eni	Sonangol, SSI, Falcon	Block 15/06 deepwater	West Hub ¹	NA	N'Goma FPSO	NA
Pluspetrol	Sonangol, Force Petroleum, Cubapetroleo	123-5 Cabinda onshore	Cabinda C (South)	Cabinda	Malongo terminal	2.3
Somoil	Chevron, Sonangol	Onshore	Soyo			1.8
	Total, Chevron, Petrobras, Somoil, Kotoil, Poliedro, BTG Pactual	Block 2/85 offshore	Lombo East			1.3

<u>Operator</u>	<u>Partners</u>	<u>Location</u>	<u>Projects</u>	<u>Crude Streams</u>	<u>Leading Ports</u>	<u>2014 Loadings ('00 bbl/d)</u>
Sonangol	Total, Eni, Inpex, Mitsui, Naftagas, Naftaplin, Mitsubishi, Somoil, Svenska	Block 3 offshore	Palanca, Cobo, Pambi, Oombo, Nunce Sul	Palanca	Planca terminal	15.4
	Statoil, Somoil, Angola Consulting Resources	Block 4/05 deepwater	Gimboa	Gimboa	Gimboa FPSO	7.1

¹West Hub Development's production started on 30 November 2014

Source: Ministry of Petroleum and Sonangol

There are several oil projects scheduled to start production over the next five years in Angola. The latest projects to come online were the CLOV (Cravo, Lirio, Orquidea, and Violeta) and the West Hub development. CLOV, operated by the France-based Total, started commercial production in June 2014. CLOV's production capacity is 160,000 bbl/d. The West Hub development, operated by Eni, started commercial production on 30 November 2014. The West Hub's production capacity is 75,000 bbl/d. Two more deepwater fields are expected to start production: the Mafumeira Sul (140,000 bbl/d of crude oil) in 2016 and the Lianzi (36,000 bbl/d of crude oil) field in 2015. Natural gas will also be produced from these fields. The Lianzi field, operated by Chevron Congo, is located in a unitized offshore zone between Angola and the Republic of Congo (Brazzaville), and it is the first cross-border development of its kind in the region.

Angola has more than 10 offshore and/or deepwater oil projects projected to come online within the next few years. Of those planned projects, six have received a final investment decision to develop and are estimated by the Government to potentially contribute 500,000 bbl/d of new crude oil production within five years. Despite the recent drop in oil prices, projects that are past the financial investment decision stage will most likely not be cancelled because the procurement and construction phase has already started. However, project start times could be delayed if global crude oil prices remain low. Because several of Angola's older deepwater fields are past their peak production, the new capacity additions from the upcoming projects are more likely to sustain Angola's crude oil production at or above current levels over the next five years, rather than provide any substantial increase thereto.

The following table sets forth information regarding upcoming crude oil projects in Angola:

<u>Project</u>	<u>Plateau output ('000 bbl/d)</u>	<u>Operator</u>	<u>Estimated Start</u>	<u>Location</u>	<u>FID¹</u>	<u>Notes</u>
Mafumeira Sul	140	Chevron	2016	Block 0 offshore	Yes	Associated natural gas will be sent to the LNG plant in Soyo, Angola. An additional 140,000 bbl/d of non-crude liquids will be produced.
Lianzi field	36	Chevron Congo	2015	Block 14 deepwater	Yes	Located in the offshore unitization zone between Angola and Congo (Brazzaville) field is expected to produce a total of 36,000 bbl /d of crude oil, non-crude liquids, and natural gas.

<u>Project</u>	<u>Plateau output (,000 bbl/d)</u>	<u>Operator</u>	<u>Estimated Start</u>	<u>Location</u>	<u>FID¹</u>	<u>Notes</u>
Kizomba Satellites Phase 2	70	ExxonMobil	2015	Block 15 deepwater	Yes	Combines the development of Kakocha, Bavuca, and Mondo South fields. The field is expected to produce 70,000 bbl/d of crude oil.
East Hub project (Cabaca Norte, South-East)	80	Eni	2017	Block 15/06 deepwater	Yes	Additional development phases are planned to start production from neighbouring discoveries. The field is expected to produce 80,000bbl/d of crude oil.
Greater Plutonio Phase 3	22	BP	2016	Block 18 deepwater	No	The production will sustain current production at the Great Plutonio.
Kaombo Project	170	Total	2017	Block 32 ultra deepwater	Yes	Final investment decision to develop the project was made April 2014. The field is expected to produce 170,000 bbl/d of crude oil.
Chissonga	100	Maersk Oil	2017	Block 16	No	The project was declared commercial in 2011. The field is expected to produce 100,000 bbl/d of crude oil.
Cameia	70	Sonangol	2017	Block 21/09 offshore pre-salt	No	Sonangol expects to make a final investment decision to develop Cameia by the end of 2015. The field is expected to produce 70,000 bbl/d of crude oil.

¹ Companies have made a final investment decision (FID) to develop the project.

Source: Ministry of Petroleum and Sonangol

Onshore production exploration

Most exploration activity is conducted offshore at depths of more than 1,200 meters (3,937 feet). Exploration activities in Angola's onshore have been limited over the past decades because of the Civil War. Over the past few years, onshore exploration has resumed, but at a much slower pace compared with offshore activities.

Recent onshore exploration activity is mostly conducted in the Lower Congo basin onshore area in the Cabinda North and South Blocks. Sonangol, with China Sonangol, carried out exploration activity at Cabinda North. Exploration at the onshore Cabinda South Block was initially led by Roc Oil Company based in Australia, but was later taken over by Pluspetrol Angola, a subsidiary of Argentinian group Pluspetrol, with partners Sonangol and Cubapetroleo. Exploration at the Cabinda South Block initially started in 2007, and production started in late 2013.

Somol, a privately-owned Angolan company, is pursuing exploration activities in the onshore Soyo areas. Somol typically produces small quantities of oil (less than 5,000 bbl/d), which is blended and exported with the

Sonangol-operated fields that makes up the Palanca blend, though the Soyo fields are currently closed for operational reasons and are expected to reopen later in 2015. Somoil is the only privately-owned company based in Angola that operated oil fields in the country.

Pre-salt exploration

The first pre-salt discoveries in Angola were the Denden 1 well in Block 9 in 1983, operated by Cities Services at the time (currently operated by Cobalt International Energy), and the Baleia 1A well in Block 20 in 1996, operated by Mobil (now ExxonMobil) at the time (currently operated by Sonangol). Maersk Oil made the first recent pre-salt discovery in the Kwanza basin in late 2011 with the Azul well on Block 23. Maersk continues to study the results of the well and plans to appraise it.

Multiple pre-salt well discoveries have been made in Blocks 20 and 21 (Cameia, Mavinga, Lontra, Bicular, and Orca) in the form of liquid and gas. Pre-salt discovery in the Cameia field in Angola is the only commercially viable discovery to date. Sonangol plans to move toward sanctioning the Cameia field by the end of 2015. However, if oil prices remain low, a decision to develop may be postponed.

In January 2011, Angola announced that it awarded 11 pre-salt offshore Blocks in the Kwanza basin, following a closed licensing round in which a few selected IOCs were invited. IOCs that were awarded Blocks include Petrobras, Maersk Oil, BP, Repsol, Total, Eni, Conoco Phillips, and Statoil. Some of these companies have slowed their investments in Angola's pre-salt, and some wells have been closed and abandoned. The combination of disappointing results and geological complexity, compounded by the low-oil-price environment, has resulted in reduced investment in Angola's pre-salt areas. Nonetheless, Angola has commenced the auction of 10 onshore Blocks believed to hold pre-salt prospects in the Kwanza and Lower Congo basins and expects to announce a decision in relation to the bids received, by the end of November 2015.

Development of regulatory framework

Oil was first discovered in Angola in the 1950s but significant production did not begin until the late 1960s, when oil was discovered offshore the province of Cabinda. The early oil industry in Angola was regulated by colonial Portuguese law, under which initially taxes and later also royalties were payable to Portugal.

Following Angola's independence in November 1975, a restructuring of the regulatory framework took place. The major change was the creation of the state oil company, *Sociedade Nacional de Combustiveis de Angola* ("**Sonangol**"). Under a 1978 Angolan law governing operations in the petroleum sector, Sonangol was granted exclusive rights for the exploration and production of oil in Angola and, in addition, the power to grant, on behalf of Angola pursuant to decrees (the "**Concession Decrees**"), exploration and production rights to other petroleum companies, which were permitted to engage in the exploration and production of petroleum in partnership with Sonangol. This position was confirmed in the Petroleum Activities Law (Law no. 10/04) passed in November 2004, which maintained the fundamental principle of state ownership of petroleum resources and the regime of a sole concessionaire.

Since 2004 various legislation has been enacted to regulate the oil and gas industries in Angola, including the introduction of a specific tax regime for this sector, and regulations regarding customs, training for workers, refining, transportation and the storage of oil products.

While the existing regulatory framework functions across all elements of the oil and gas sector, the Government is currently considering adapting its existing regulations to cater specifically for deep-water and ultra-deep-water exploration and extraction, and for the LNG sector.

Sonangol is currently a shareholder in almost all oil and natural gas production and exploration projects in Angola, with the exception of two deepwater producing projects, and Sonangol operates Angola's only oil refinery, *Refinaria De Luanda*. Sonangol owns 17 subsidiaries that operate throughout the oil and natural gas industry, performing functions such as exploration, production and marketing of crude oil, storage and marketing of petroleum derivatives.

Sonangol's key subsidiaries include *Sonangol Pesquisa e Produção* ("**P&P**"), which undertakes exploration and production activities for Sonangol in Angola; *Sonaref*, which runs refining operations in Angola; and *Sonagás*, which runs Angola's natural gas sector. Sonagás was formed in 2004 and is tasked with the exploration, evaluation, production, storage, and transport of Angola's natural gas and natural gas derivatives. *Sonagás* is working with Sonangol P&P to establish a regulatory environment – including taxation – to help increase research and development in the natural gas sector of Angola.

Sonangol is becoming increasingly involved in international ventures, and currently has interests in Brazil, Cuba, São Tome and Príncipe, Venezuela and in the Gulf of Mexico. In early 2012, Sonangol pulled out of Iran's South Pars-12 natural gas project after U.S. sanctions on Iran were tightened. Sonangol was also forced to halt all operational activities in Iraq in 2014 because it had been experiencing repeated attacks on the oil fields it was operating (Qaiyarah and Najmah) because of militant violence in Iraq's northwest Ninawa Province. Sonangol continues to explore opportunities around the globe as it aims to establish itself as a major international player.

The Concession Decrees referred to above establish Sonangol's key obligations, which include execution of approved work plans and marketing of Angola's share of profit oil. The current principal commercial and fiscal term of oil product are as follows:

Current principal commercial and fiscal terms of oil production

Sonangol has three principal commercial arrangements for the exploration for, and production of, oil:

- production sharing arrangements (PSAs);
- joint ventures; and
- risk service contracts,

each of which is more fully described below.

In 2014, PSAs accounted for 84.2% of revenues derived from the oil exploration and production activities in Angola, while joint ventures accounted for 15.8%. No risk service contracts have been granted since 2009.

- *Production sharing agreements (PSAs)* – Since 1978, when the first PSAs were implemented, PSAs have become the most commonly used type of arrangement for exploration for, and production of, oil in Angola. PSAs provide significant benefits to Angola in that unlike under JV arrangements, all capital costs associated with exploration, development and production are incurred by the contractors (typically, major international oil companies), thus minimizing the burden on Angola for development of the industry but still giving Angola ownership of the resources. Where Sonangol retains a stake in a PSA, it will incur costs *pro rata* to this stake in its capacity as a contractor. In addition, the contractor companies are typically able to provide the projects with the benefit of modern and advanced oil exploration and extraction techniques which is particularly useful with the predominance of deepwater reserves. The terms of each PSA vary according to the different circumstances of the relevant area, including the difficulty of extracting oil and the size of the relevant reserves. Up until the mid-1990s, Sonangol generally took around a 25% stake as a contractor in the PSAs; more recently, its stake has tended to be closer to 20%. The general terms such PSAs typically provide are as follows:
 - *Production and profit sharing:* Production from the particular concession area is used firstly for the recovery of production costs (including a yearly surface rental of U.S.\$300 per square kilometer payable by the contractors). Cost recovery is generally fixed at 50% of revenues from the total production, with variations up to 65% for some deeper water Blocks and in circumstances where development expenditures have not been recovered within four years. The remainder of the oil so produced (i.e. profit oil) is then divided as profit between the contractors and Sonangol as concessionaire. Since 1991, the split has been calculated quarterly based on the contractors' rate of return in respect of the relevant Block (with Sonangol's share as concessionaire increasing as the contractors' rate of return increases), having previously been based on cumulative production in the relevant development area with specified profit splits applicable to each tier. 90% of Sonangol's revenues derived from the sale of its share of profit oil in Sonangol's capacity as the concessionaire is remitted to Angola, with Sonangol retaining 10% to cover its costs relating to acting as Angola's oil sector concessionaire.
 - *Bonuses:* Signature bonuses (one-time fees for the assignment and securing of licenses paid irrespective of success for the contractor or licensee) and commercial discovery and production bonuses are payable by the contractor group, which vary depending on the type of concession to which the PSA relates, with deepwater and more prospective concessions being subject to higher signature and production bonuses. The bonuses are neither cost recoverable nor tax deductible and are collected from the contractors by Sonangol and are passed on to Angola.
 - *Taxes and royalties:* Goods and production imported and exported under PSAs are exempt from import and export duties. No royalties are payable by contractors under PSAs. However, petroleum income tax

is charged on the contractors' share of profit oil (at 50%) less any price cap excess fee (see below), where applicable. This tax is paid directly by the contractors to the state revenue and by Sonangol acting in its capacity as oil production company (in respect of its share of profit oil, deriving to Sonangol as contractor). There are also minor taxes due, including payroll and training taxes.

- *Price cap:* A price cap mechanism, which incorporates an annual inflation index rate based on the UN price index, sets a limit on the excess fee due to Sonangol in its capacity as concessionaire under the PSA and only applies to cumulative production profit share under the PSA.
- *Other duties:* PSAs normally impose social development, training of local personnel and environmental duties on the contractors, and the Government is entitled to request that the contractors supply 50% of total production from the concession to Sonangol at market price in order to satisfy Angola's domestic oil consumption requirements.
- *Depreciation:* Depreciation rate is 25% on a straight line basis.
- *Joint ventures* – For concessions in Congo onshore and Block 0, JVs are used, typical principal provisions of which are as follows:
 - *Participation:* Sonangol acts as a joint venture partner of foreign oil companies in Congo onshore (where it holds approximately 80% in the joint venture, with CABGOC holding a minority interest) and in Block 0 (where Sonangol initially held 51% and since 1991, 41% in joint ventures). All costs are shared according to the partners' respective participation interests.
 - *Bonuses:* Signature and production bonuses are payable, and not tax deductible.
 - *Taxes and royalties:* Import and export duties are not payable, but royalties are charged at 20%. Corporate income tax from petroleum revenue is payable at the rate of 65.8%. Additional profits are also taxed at a rate of 70%. Other minor taxes such as training taxes are payable.
 - *Depreciation:* Depreciation rate is 16.7% on a straight line basis.
 - *Other duties:* JV agreements normally impose social development, training of local personnel and environmental duties.
- *Risk service contracts (RSCs)* – In 2009 Angola re-introduced into its oil industry RSCs (which are now envisaged under the 2004 Petroleum Law). Two RSCs were granted to Cobalt International Energy in 2009 for pre-salt concessions in Blocks 9/09 and 21/09, and their terms differ significantly from those granted previously. Cobalt International Energy sold its interest in Block 21/09 to Sonangol effective 1 January 2015. See “– Primary Industry Sectors – Oil Industry – Exploration”. Cobalt International Energy retains its interest in Block 9/09, in which it is the operator. No RSCs have been granted since 2009. Principal provisions of the 2009 RSCs are as follows:
 - *Costs:* All costs are born by the consortium of contractors, and at their risk in the event that no oil will eventually be discovered;
 - *Ownership to oil and payment to consortium:* All produced oil belongs to Sonangol, but Sonangol must pay the consortium an agreed fee, in the form of part of the oil production;
 - *Taxes and royalties:* Tax and royalties terms are similar to those used under JV arrangements. Import and export duties are not payable, but royalties are charged at 20%. Corporate income tax from petroleum revenue is payable at the rate of 65.75%. Additional profits are also taxed at a rate of 70%. Other minor taxes such as training taxes are payable.
 - *Depreciation:* Depreciation rate is 16.66% on a straight line basis, which is the same as for JV arrangements.

Based on the above structures of arrangements used in the oil industry, Angola's revenues derived from oil production activities comprise principally (i) taxes collected from foreign contractors and from Sonangol operating in its capacity as an oil production company; (ii) 93% of Sonangol's share of profit oil under PSAs (Sonangol retains 7% of its profit oil on account of its costs incurred in acting in its capacity as the concessionaire); and (iii) bonuses and royalties payable to Sonangol in respect of upstream contracts. In addition, as the company is wholly owned by Angola, Sonangol pays dividends to Angola as its sole shareholder.

The table below sets forth information concerning revenues of Angola derived from the oil production activities in Angola for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
Oil tax revenue, <i>of which</i> :	27.2	40.7	43.0	37.6	30.1
From Sonangol	20.1	31.3	32.4	26.1	20.0
From foreign operators	7.1	9.4	10.6	11.5	10.1
Dividends from Sonangol	—	—	—	—	—
Total	<u>27.2</u>	<u>40.7</u>	<u>43.0</u>	<u>37.6</u>	<u>30.1</u>

Source: Ministry of Finance

As a matter of Angolan law, each province in which oil (or any other mineral production) operations are conducted receives from the Government an allocation of 10% of the aggregate amount of corporate income tax collected from the activities in the mineral sector conducted in the province. In 2014, Cabinda province received the largest allocation, due to significant amounts of corporate income tax collected from oil producing companies including Sonangol.

Sonangol

- *History* – There were only two producing regions in Angola prior to independence, being the Cabinda concession (Block 0, operated by CABGOC) and the onshore concession operated by Fina (known as FS and FST). Both of these concessions had been initially awarded by the Portuguese colonial authorities that had control of Angola at the time. In June 1976, Sonangol was established by the new Angolan Government. Sonangol took 51% interests in each of these concessions under contract reorganizations conducted in 1978, although its stake in Cabinda offshore (Block 0) was reduced to 41% in 1991. As stated above, under an Angolan law governing operations in the petroleum sector, which was passed in 1978, Sonangol was granted the exclusive rights to exploration for, and production of, petroleum in Angola and, in addition, the right to contract with domestic and international petroleum companies to permit them to engage in the exploration and production of petroleum in partnership with Sonangol, subject to the consent of the Angolan Government.

Until 1992, when Sonangol set up its oil production subsidiary, *Sonangol Pesquisa e Produção S.A.* (“**Sonangol P&P**”), Sonangol concentrated on its role as concessionaire rather than undertaking its own oil production activities. Sonangol continues to be wholly owned by Angola and remains the sole concessionaire for oil exploration and production in Angola. Sonangol mandates oil companies, through PSAs, JVs, and RSCs, to carry out the exploration for, and production of, oil and gas in both onshore and offshore Angola. In the early years of Sonangol’s history, JVs were more commonly used, but in 1979, Sonangol began to utilize PSAs, as such contracts do not require an investment to be made by Sonangol until a discovery has been confirmed. In 1991, Sonangol developed a new PSA specifically tailored for the then-open deepwater license areas, which included a profit split mechanism based on an internal rate of return mechanism. See “*Current principal commercial and fiscal terms of oil production – PSAs*”.

- *Governance* – Sonangol is managed by its board of directors, consisting of 7 executive directors and 4 non-executive directors. All directors, including the Chairman, are appointed by the President of the Republic.
- *Revenues* – Sonangol derives its revenues from three main sources: (a) as the sole concessionaire of Angola, (b) from its participation as a contractor in PSAs, from its participation in JVs and from revenues from RSCs, and (c) from non-upstream activities including logistics and supply chain, retail and marketing, shipping, aviation and telecommunications. In 2013, Sonangol’s profits fell by 54%, with sales and earnings before interest, taxes, depreciation and amortisation both decreasing by 14%. Sonangol’s net profits fell by 77% in 2014. Sonangol’s assets as of December 2014 were recorded as AOA 5.36 trillion (U.S.\$42.7 billion).

Sonangol does not undertake any quasi-fiscal operations on behalf of the Government.

Sonangol has seven separate commercial divisions operated through subsidiaries, each generating their own income. These subsidiaries are engaged in exploration and production of oil; gas; logistics and supply; retail and

marketing; shipping; aviation; and telecommunications. Although in the long-term, Sonangol's intention is to spin-off its non-core activities, the current lack of relevant services in the market makes Sonangol rely on those services from its subsidiaries.

- *Funding* – Sonangol has borrowed approximately U.S.\$29.5 billion over the last 10 years from the syndicated loan market, for which loans Credit Agricole Corporate and Investment Bank (formerly CALYON), Standard Chartered Bank, China Development Bank, Industrial and Commercial Bank of China and BNP Paribas have, respectively, acted as agents. As at 31 December 2014, approximately U.S.\$15.2 billion was outstanding under these loans. As at 30 September 2015, Sonangol's financial indebtedness was U.S.\$14.1 billion.

Historically, Sonangol's borrowing policy was based on dedicated revenue streams deriving from its sales of crude oil accruing to it from its oil interests in Angola. Since 2006, however, Sonangol's borrowings have assumed a more typically corporate structure. Borrowings are contracted by Sonangol's wholly-owned subsidiary, Sonangol Finance Limited ("SFL"), under guarantee of Sonangol, supported by oil receivables sale and purchase agreements between Sonangol and SFL. Since the Government established a policy of not borrowing against its future oil sales revenues, Sonangol has discontinued its former policy of hedging against changes in oil prices.

Sonangol intends to invest across its business U.S.\$26.7 billion by the end of 2017, which it intends to fund through a combination of Sonangol's own cash flow, as well as debt financing, including in the international capital markets. In 2015, Sonangol plans to raise approximately U.S.\$4 billion in debt financing from commercial banks. The balance of its funding requirements in 2015 will be met through Sonangol's internal funds. Sonangol plans to raise approximately U.S.\$4 billion in 2016 and U.S.\$2 billion in 2017, with the balance funded through its own cash flow.

Sonangol's capital expenditure principally consists of costs associated with building facilities for the exploration and production of oil, LNG and natural gas. Over the past 3 years, Sonangol has spent approximately U.S.\$4.9 billion per annum on capital expenditure. It estimates that it will spend U.S.\$1.8 billion per annum in the next 3 years on capital expenditure related to the refining facility at Soyo (described below under "*– Midstream and downstream services – Refining*") and the expansion of its shipping division, with the intention of purchasing 2 drillships and 2 tankers to carry crude oil by 2016. These capital expenditure figures exclude Sonangol's investment in the Lobito refinery (described below under "*– Midstream and downstream services – Refining*"), which was originally estimated to cost U.S.\$6.4 billion of which U.S.\$1 billion has been invested to date. The costs of constructing the Lobito refinery are subject to an ongoing engineering review process that is aimed at reducing capital expenditure, the results of which are not due until the end of 2015.

In response to reduced revenues following a decrease in oil prices in 2014 and 2015, Sonangol intends to cut its costs by approximately U.S.\$1 billion by the end of 2015, reducing expenditure in 2015 by approximately 25% compared to 2014, principally through renegotiating contractual arrangements with its partners.

The following table sets forth Sonangol's historic investment program for the periods indicated:

<u>Description</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ millions)</i>		
Exploration and production	3,090	7,538	4,262
Refining and shipping	335	161	586
Distribution and transportation	345	310	456
Total	<u>\$3,770</u>	<u>\$8,009</u>	<u>\$5,304</u>

Source: Sonangol

The following table sets forth Sonangol's projected investment program for the periods indicated:

<u>Description</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>(U.S.\$ millions)</i>		
Exploration and production (crude oil and natural gas)	4,682	5,964	3,765
Refining and shipping	1,013	5,623	2,872
Logistics and distribution of refined products	580	937	353
Non-core activities	280	398	209
Total	<u>\$6,555</u>	<u>\$12,922</u>	<u>\$7,199</u>

Source: Sonangol

- *Investments and international operations* – Sonangol has a number of financial investments from which it derives dividend income. Investments outside of Angola include direct and indirect shareholdings in Millennium BCP (10%), GALP (10%) and Carlyle Energy Funds 1 and 2 (10% in each). Sonangol’s investments in Angola include shareholdings in Banco Millennium Angola (49.9%), Banco Africano de Investimentos (8.5%), Banco do Comércio e Indústria (1.04%), Manubito (33.3%), Banco Caixa Geral Tota de Angola (25%) and Banco Privado Atlântico (10%). Sonangol’s telecoms subsidiary also owns a 25% shareholding in Unitel.

In addition to petroleum production activities in Angola, Sonangol holds a number of concessions internationally. These include concessions in the Gulf of Mexico and Brazil. In addition to being engaged in the petroleum industry, the Sonangol corporate group holds equity interests in a variety of industries including telecommunications and banking.

Midstream and downstream services

- *Transportation* – Oil produced offshore Angola is directly exported by tanker from Floating Production, Storage and Offloading systems (“FPSOs” or “FSOs”). The oil produced in the shallow water of Cabinda and onshore is transported by pipeline to onshore terminals and then exported overseas by tanker.
- *Refining* – Angola has one operating oil refinery, which was built in 1955 outside Luanda and has a capacity of 47,500 bbl/d. It currently meets between only approximately 25% and 30% of Angola’s refined petroleum needs and has experienced several maintenance-related shutdowns.

In order to support Angola’s need for oil and its continuously expanding oil industry, Angola started construction of a second refinery at Lobito in Benguela province in December 2012 and it is currently expected to be operational in 2017/18. This refinery is being constructed by Odebrecht and the construction is being supervised by KBR Inc., the NYSE listed U.S. engineering, procurement and construction company. KBR has been operating in Angola since 1968 and has executed a significant number of projects in the region. The Lobito refinery was originally estimated to cost Sonangol U.S.\$6.4 billion, of which U.S.\$1 billion has been invested to date. The costs of constructing the Lobito refinery are subject to an ongoing engineering review process that is aimed at reducing capital expenditure, the results of which are not due until the end of 2015. Financing for the Lobito refinery is being provided by Sonangol, as the investor in this refinery. The Lobito refinery is expected to initially process 120,000 bbl/d, increasing to 200,000 bbl/d within a year of becoming operational. The new refinery is expected to run on Angola’s crude oil with refined products sold to domestic and international markets.

A further refinery is being built in Angola’s northern Zaire province, in the town of Kifukuena, southwest of Soyo and is expected to become operational in 2017. When completed the refinery is expected to have capacity to process 110,000 barrels of oil per day. The Soyo refinery is being constructed by China Tianchen Engineering Corporation. The Soyo refinery is expected to cost Sonangol U.S.\$700 million, of which U.S.\$200 million has been invested to date, and it is being financed by Sonangol and China International Fund, as the investors in this refinery. The refinery is expected to produce on an annual basis, 44,500 tons of liquefied petroleum gas, 558,500 tons of gasoline, 20,700 tons of benzene, 437,200 tons of jet A1 fuel, 853,400 tons of diesel fuel and 180,000 tons of kerosene.

See “*Risk Factors – Angola’s economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*”.

- *Marketing and retail* – Sonangol markets its own oil through its three trading offices in London, Houston and Singapore. Oil is marketed and sold on a cargo by cargo basis, at market prices.

Angolan consumption of petroleum products

Angola consumed approximately 147,000 bbl/d of petroleum products in 2014, triple the volume consumed a decade ago. Angola imports approximately 75% to 80% of the petroleum products it consumes. Low fuel prices in Angola have contributed to rising petroleum products demand. According to a 2012 report by the IMF on fuel subsidies in Angola, fuel prices in Angola were among the lowest in the world, with the average gasoline price in Angola being 55% lower, and diesel 67% lower, than the average prices in sub-Saharan Africa. Angola’s energy subsidies accounted for 4.4% of GDP in 2014, which included fuel subsidies for electricity generation. In September 2014, the Government raised retail fuel prices (by 25% for gasoline and diesel, by 21.6% for liquefied petroleum gas, by 34.6% for kerosene, by 100% for heavy fuels, and by 18.8% for asphalt). The IMF estimates that the reduction in subsidies resulted in a saving of 0.5% of Angola’s GDP in 2014. The Government aims to reduce the level of total subsidies to below 1% of GDP by the end of 2017 and currently believes it will meet this target. See “*Public Finance – Budget Framework and Process – Framework*”.

Exports

The United States had been the largest importer of Angola's oil for a number of years until 2006, when it was overtaken by China. China is currently the fastest growing market for Angolan oil and Angola was the second largest supplier of crude oil to China in 2014 (after Saudi Arabia), accounting for 49.2% of Angola's crude oil exports. The United States (3.6% in 2014), India (8.3% in 2014), Spain (6.5% in 2014) and the European Union (20.3% in 2014) are also major destinations for Angolan oil. However, U.S. imports of Angolan crude oil continue to decline because of increased U.S. production of similar quality crude grades. Angola accounted for 5% of total U.S. crude oil imports in 2010, decreasing to 2% of total U.S. crude oil imports in 2014.

Most of Angolan crude oil is medium-to-light in density, but some grades (such as Dalia, Pazflor, and Hungo), are heavy grades. Nearly all of Angola's oil production is exported because Angola's domestic refining capacity is limited.

The table below sets forth certain information regarding the composition of Angola's crude oil exports for the years indicated, unless otherwise stated, by country:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
China	21.0	24.3	33.4	31.7	27.7
United States	8.9	10.4	6.1	4.9	2.0
Canada	3.4	5.9	3.5	3.0	2.7
France	1.8	2.1	1.1	1.3	2.0
India	5.1	6.9	7.0	6.8	4.7
South Africa	1.7	1.7	3.1	1.8	2.0
The Netherlands	0.7	1.5	1.0	1.6	2.1
Spain	0.9	0.5	1.6	2.4	3.7
Chile	—	—	—	—	0.4
Taiwan	2.4	5.4	4.7	4.0	2.3
Brazil	0.4	0.2	0.3	0.4	1.0
Others	2.4	5.7	7.2	7.7	5.7
Total	<u>48.6</u>	<u>64.5</u>	<u>68.9</u>	<u>65.6</u>	<u>56.4</u>

Source: Ministry of Petroleum

Investment

Investment in the oil sector exceeded U.S.\$18.3 billion in 2014 and totaled U.S.\$74.6 billion for the period 2010 to 2014. The following table sets forth the growth in investment in the oil sector for the years indicated unless otherwise stated, showing an average growth of 8.0% per year:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ million)</i>				
Exploration	2,945	1,739	2,285	2,099	2,884
Development	10,606	10,490	12,018	12,825	15,204
Administration & Services (A&S)	280	255	373	376	237
Total	<u>13,831</u>	<u>12,484</u>	<u>14,676</u>	<u>15,300</u>	<u>18,325</u>

Source: Ministry of Petroleum and Sonangol

In total, oil companies invested U.S.\$18.3 billion in exploration and development of new fields in 2014, compared with U.S.\$15.3 billion in 2013 and U.S.\$14.7 billion in 2012. The Government expects that investment by oil companies will increase in the future. However, there can be no assurance that such increased investment will take place.

Natural Gas

Alongside its oil reserves, Angola has significant reserves of natural gas. Most of Angola's natural gas production is associated gas at oil fields. However, currently natural gas is reinjected into oil wells to enhance oil recovery. See " – Environment" for a discussion of the Government's restrictions on the flaring of natural gas.

The Government seeks to make natural gas economically exploitable and recently built a major LNG plant at Soyo, in the Zaire region of Angola. This project has been established between Sonangol, Chevron, BP, Eni and Total. The plant cost approximately U.S.\$10 billion in total, representing the largest single investment in Angola's history. It exported its first cargo in June 2013 to Brazil, also exporting to Japan, China and South Korea. This plant temporarily closed in April 2014 due to technical issues (including an electrical fire) but is expected to resume operations in late 2015 with exports due to resume in early 2016. The plant was built with a capacity to process 110,000 bpd, producing 5.2 million tons per year of LNG, as well as natural gas plant liquids (such as petrol, benzene, jet fuel and kerosene) thus helping Angola reduce imports of fuel products.

Mining

While oil represents the single most important mineral resource produced in Angola, the country has significant reserves of other minerals. Prior to gaining independence, Angola had been a significant producer of diamonds, iron ore, gold and copper. The country's mining infrastructure was severely disrupted during the Civil War, but, towards the end of the Civil War, the diamond industry, in particular, began to recover. The Government is currently seeking to expand and diversify its mining sector, which it sees as playing an important part in reducing Angola's reliance on the oil sector. The mining sector has consistently shown real GDP growth in recent years, at a rate of 2.9% in 2010, 2.8% in 2011, 2.6% in 2012, 2.5% in 2013 and 2.5% in 2014. In addition to improving revenue streams from the mining sector, the Government considers the expansion of the mining sector to be an important tool in improving employment rates across Angola, particularly in rural areas. In contrast to the oil sector, which is capital-intensive but does not require a large number of employees, the mining sector is significantly more labor-intensive. Furthermore, unlike the oil sector, employment in the mining sector does not require a high level of skill, thus a significantly broader segment of Angola's population is eligible for employment in mining.

Before independence, Portuguese mining companies embarked on a wide-scale comprehensive geological survey of Angola's mineral resources. This work was interrupted by the Civil War. Countries neighboring Angola, such as the DRC, Namibia and Zambia have significant proven reserves of a variety of mineral resources including diamonds, copper, gold, manganese and phosphate. The Government has adopted a five-year geological survey program, which commenced in 2013, to identify other mineral resources in Angola with the use of highly sophisticated technology. The Government held a tender among major international geological exploration companies to perform the survey. The program involves airborne and radiometric surveys, of the entire territory of Angola, as well as gravity and electromagnetic surveys over selected areas.

Diamonds

Mining for diamonds commenced in Angola in the early twentieth century. Angola continues to possess considerable diamond reserves, particularly in the Lunda Norte and Lunda Sul provinces and the Government estimates that Angola's total diamond reserves amount to 369.4 million carats. The Government estimates that Angola produced 7.2% of the world diamond output in 2013, and was in the top 5 largest producers of diamonds by value and the top 7 largest producers of diamonds by volume. Angolan diamond production amounted to 8.9 million carats in 2014 as compared to 8.2 million carats in 2013, 9.0 million carats in 2012 and 8.6 million carats in 2011. The diamond sector represented 0.7% of Angola's GDP in 2014 as compared to 0.8% of Angola's GDP in 2013, 0.8% of GDP in 2012 and 0.9% of GDP in 2011. Total diamond production in 2014 totaled 8.9 million carats, generating revenue of U.S.\$1.3 billion.

The table below sets forth information regarding estimated world diamond production by country, total volume of carats and value, in 2014:

<u>Country</u>	<u>Volume</u> <i>(million carats)</i>	<u>Value</u> <i>(U.S.\$ billion)</i>
Russia	41.3	3.4
Botswana	25.6	4.0
DRC	15.8	0.1
Canada	11.6	2.1
South Africa	9.0	1.3
Australia	9.5	0.3
Angola	8.9	1.3
Other	6.9	1.2

Source: Ministry of Geology and Mining

As world diamond prices declined by approximately 20-30% in 2007-2008, mainly as a result of the global financial crisis, the Government introduced a policy providing that, should diamond prices fall below the point at which production under the relevant concession would be loss-making (the “**break even price**”), so as to ensure continued employment in the Angolan mining sector, the Government would purchase diamonds from Angolan mines at the break-even price. However, since the policy was introduced, world diamond prices have not fallen below the break-even price and Angola has not needed to purchase any diamonds on this basis.

Both local and foreign companies are allowed to operate in the diamond sector. However, in order to explore for diamonds in Angola, companies must, by law, partner with the state-owned mining company, Endiama. Endiama’s interest in each project must not be less than 10%. In addition to being engaged in diamond production, Endiama acts as the agent of the Government in granting rights to diamond mining projects to third parties. In doing so, Endiama holds competitive tenders in respect of mining fields nominated by the Government and grants concessions on behalf of the Government to the successful bidders for such tenders.

Major mining companies operating in the Angola’s mining sector apart from Endiama include De Beers (South Africa), Alrosa (Russia) and Odebrecht (Brazil). In most mining projects they act as investors and/or project operators. Participation of local private companies in the mining sector remains limited to the investor role, with the operator role typically taken by a major international mining company (which may or may not also act as an investor in the same project). Angola’s major mining projects include the following:

- *Catoca Mine.* The Catoca diamond mine is located in the Lunda Sul province and covers an area of 370 square kilometers, being the fourth largest diamond mine in the world. It is owned by a consortium comprising Endiama (which holds a 32.8% interest in the project), Alrosa (also 32.8%), Odebrecht (16.4%) and DFC (16.8%). The Catoca mine produced 6.6 million carats of diamonds in 2014. The mine’s production is 35% gem quality, compared to a global average of 20%. The diamonds produced at Catoca have an average value of U.S.\$92.5 per carat. Estimated reserves are 178 million carats.
- *Cuango Mine.* The Cuango diamond mine is located in Lunda Norte province, between the municipalities of Cuango and Xá-Muteba, alongside the Cuango River, and covers an area of 3,000 square kilometers. It is owned by a consortium comprising Endiama (41%), ITM Mining (38%) and Sociedade Mineira de Lumanhe (21%). The Cuango mine produced 0.34 million carats of diamonds in 2014. The diamonds produced at Cuango have an average value of U.S. \$226 per carat. Estimated reserves are 7.6 million carats.
- *Chitotolo Mine.* The Chitotolo diamond mine is located in Lunda Norte Province, in the Nzagi region and covers an area of 5,400 square kilometers. It is owned by a consortium comprising Endiama (45%), ITM Mining (40%) and Sociedade Mineira de Lumanhe (15%). The Chitotolo mine produced 0.26 million carats of diamonds in 2014. The mine’s production is 80% gem quality, compared to the global average of 20%. The diamonds produced at Chitotolo have an average value of U.S.\$349 per carat. Estimated reserves are 1 million carats.

In 2014, the major importers of Angola’s diamonds were the United Arab Emirates (69%), Switzerland (14%), Israel (8%), Belgium (4%) and Hong Kong (3%).

As a country that has suffered from conflict financed by diamonds in the past, Angola is taking steps to achieve full compliance with the Kimberley Process Certification Scheme (an international government, industry and civil society initiative to stem the flow of rough diamonds used by rebel movements to finance wars against legitimate governments) in the foreseeable future. The Kimberley Process was introduced by the United Nations in 2003 to certify the origin of rough diamonds, providing an assurance to purchasers that in buying diamonds certified under the Scheme, they are not financing war and human rights abuses. This was a consequence of the 1998 U.N. Security Council Resolution 1173, where it imposed sanctions against UNITA, requiring all UN member states to prohibit the import of Angolan diamonds unless they bore a certificate of origin issued by the Government. Angola has participated in the Kimberley Process since its inception and has chaired the working group for the Artisan Alluvial Producers since 2006. Angola received its first peer review of compliance in 2005 and its second peer review of compliance in December 2009. Angola has not been sanctioned under the Scheme.

Angola is currently chairing the Kimberley Process Certification Scheme and hosted the annual Kimberley Process meeting in Luanda in June 2015. Angola will host a further meeting of this international body in November 2015.

Agriculture

Crops

Prior to Angola gaining independence and the outbreak of the Civil War, much of Angola's arable land was farmed. Angola was self-sufficient for food crops and was an exporter of certain crops such as coffee, cotton and sugar, with coffee being Angola's major export prior to the discovery of its oil reserves. Angola, by 1973, was the world's second-largest coffee producer. However, the 27 year Civil War and a failure to maintain systematic and continuous agricultural practices post-independence, led to a decrease in agricultural activity and Angola's consequent shortfalls in food production have meant that, in recent years, it has needed to rely on food imports to satisfy domestic food requirements.

Currently, one of the Government's priorities is to significantly improve the agriculture sector in order to reduce Angola's dependency on imports from other countries to a minimum and to reduce agriculture's susceptibility to natural conditions, including Angola's rainy season that lasts four to five months each year. The most fertile areas are located in and around the center of Angola, such as in the Huíla, Huambo, Malanje and Bie provinces, where there is abundant rainfall between September and April. See "*The External Sector – Trade Policy*".

While it currently constitutes a limited proportion of Angola's GDP, agriculture is, nonetheless, the biggest and fastest growing non-mineral sector of Angola's economy. The sector contributed 11.3% of nominal GDP in 2014, 9.9% in 2013 and 7.0% in 2012.

The table below sets forth information regarding Angola's agricultural production in the crop years indicated, with a breakdown by product:

<u>Products</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
	<i>(tons per crop year)</i>			
Corn	1,072,737	1,262,222	454,343	1,548,750
Millet/ sorghum	46,787	62,169	11,491	46,423
Rice	17,697	23,209	21,492	37,608
Beans	250,117	303,521	96,217	311,988
Ground nut	115,164	161,116	66,616	191,728
Soya	6,087	7,743	5,898	10,326
Cassava	5,682,059	5,876,739	4,360,924	6,765,445
Potato	841,279	841,252	654,160	670,136
Sweet potato	986,563	1,045,104	644,854	1,199,749
Commercial coffee	9,951	9,550	11,950	12,530

Source: Ministry of Agriculture

The substantial decrease in agricultural production in respect of several products in 2012 was due to the effects of a longer dry season that year.

Agricultural production in Angola is currently mostly carried out by small-holders in which approximately 2 million households (or approximately 9 million people or 36% of Angola's population) are involved. The Government of Angola adopted a national program for the development of the agricultural sector in the National Development Plan 2013-2017, the two principal objectives of which are the modernization of small-holdings to more market-orientated businesses and the establishment of large, modern industrial farming businesses.

Small-holder farms, on which Angola's agricultural sector is currently based, have much lower production efficiency levels than those in more developed countries. Under the National Development Plan 2013-2017, the Government has set a goal of increasing the current production efficiency levels by 40% through an increased and wider use of fertilization, agricultural machinery and seed production, and the construction of irrigation systems. The Government has launched several programs for the construction of irrigation systems with the assistance of export credit lines from China, Brazil and Spain, with a number of large-scale irrigation systems already completed and in operation in the Bengo province next to Luanda, the Kwanza Sul province in the center of Angola, the Huíla province in the south and the Moxico province in the east of Angola. Additionally, the Government has launched a U.S.\$350 million agricultural loan guarantee program under which it guarantees loans granted by Angolan commercial banks to small-holder businesses. U.S.\$150 million of this will be lent by local banks, with the interest payments being subsidized by the Government. The remaining U.S.\$200 million will be lent by BDA, the Angolan Development Bank, for development of commercial farming.

Under the National Development Plan 2013-2017, the Government also encourages the establishment of large, modern industrial farming businesses, which are expected to operate as joint ventures between local investors and experienced international agricultural businesses, from, among others, Israel, Brazil, Argentina and South Africa. These businesses are expected to produce and process food products. Incentives, through which the Government intends to encourage establishment of such agri-business, will include tax breaks, lower land rental rates, tax exemptions on imported agricultural equipment and state subsidies for training of local personnel. Among other things, the Government has implemented a public-private partnership project for production of biofuels, which is intended to be one of Angola's exports in the near future. In June Biocom sugar-to-fuel plant is due to start full-time production. The facility in Malanje province aims to produce 6,000 cu metres of industrial ethanol in 2015, and to deliver 254,000 tonnes/year of sugar by 2021. Electricity generated by biomass waste at the plant will power the nearby city of Malanje. The business is run by a Brazilian conglomerate, Odebrecht, which has a 40% stake in the operation, along with private Angolan investors and Sonangol.

There are several smaller programs aimed at developing the agricultural sector which are implemented in Angola, including programs implemented with the technical collaboration of the U.N. Food and Agriculture Organisation, other programs implemented with the support of U.S. Aid and the European Community. These mostly aim at improving productivity of small-holder businesses and improving social infrastructure in rural communities.

The majority of food imports come from Brazil, Portugal, Spain, South Africa, Argentina and the United States. These imports are expected to continue for the foreseeable future. The Civil War resulted in a large number of landmines being left throughout much of rural Angola impacting agricultural growth and development. The Government, with technical assistance from international organizations, is carrying out de-mining projects to be able to normalize and expand the agricultural sector. See "*The External Sector – Trade Policy*".

Livestock

Angola's livestock production consists principally of cattle and pig farming. This sub-sector has declined in recent years due to a decrease in commercial farming activity levels generally and a deterioration of facilities and services, especially vaccinations, that are crucial for livestock production. Consequently volumes of livestock slaughtered have declined in the years 2010 to 2014. In August 2015, the Government announced a new credit scheme designed to support Angola's livestock farmers and increase domestic meat production. The credit scheme is designed to assist with the costs of imported goods necessary to maintain livestock farming operations, which goods have become more expensive in 2015 due to the declining value of the Kwanza.

Fisheries

Angola has 1,650 kilometers of coast line and the Government believes that potential for commercial fishing is considerable. Currently, fishing does not significantly contribute to the Angolan economy because Angolan fisheries are small, family run businesses. However, Angolan waters are rich in a variety of sea products, including prawn, fish, mussels and squid. In the 2010-2014 period, total fishing production increased, with most of the fishing production consumed domestically.

The Government intends to increase the protection and production of this resource, particularly by replacing and restoring fishing boats; improving fishing infrastructure, such as the ports in Luanda, Tombwa and Baia Farta; establishing codes of conduct for fisheries, aquaculture and aquatic environment; and preventing unauthorized fishing in its waters. The Government investigates fish stocks on an annual basis and imposes an annual moratorium on fishing activities, the length of which depends on the Government's assessment of depletion of this reserve.

Construction

Construction is a major growth industry in Angola, driven by the efforts to rebuild the country following the end of the Civil War. The industry is very competitive and driven by the provision of bilateral infrastructure financing agreements, which specify the nationalities of the contractors. The main companies are from Brazil, China, Portugal, Spain and South Africa, with a number of well-established local companies.

In recent years, the construction industry has grown, reaching 10.2% of GDP in 2014, as compared to 9.2% in 2013, and 8.6% in 2012. Real GDP growth in the construction industry for the same period was 8.0% in 2014, 8.1% in 2013 and 11.7% in 2012. Growth from the private construction sector is higher than growth in the public

construction sector. Continued real GDP growth of the construction sector of 6.0% was budgeted in the revised 2015 National Budget (published in March 2015) given the pipeline of projects envisaged, such as ports, airports, roads, refineries, dams, coastal protection and the construction of one million new homes under the Government's "Casa para todos" program. The Government currently expects real GDP growth of the construction sector will be approximately 3.5% in 2015. See "– Infrastructure" and "The Republic of Angola – Population, Education, Health and Housing".

The low price of crude oil has placed pressure on the Angolan construction sector and job creation in this sector has decreased during the course of 2015. The 'União Nacional dos Trabalhadores de Angola Confederação Sindical', Angola's largest trade union, estimates that, as of 29 September 2015, approximately 7,000 jobs had been lost in the construction sector since the beginning of 2015. See "Risk Factors – Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently".

Infrastructure

Angola has made and continues to make significant investments with a view to rebuilding its infrastructure ("reconstructive infrastructure projects"), which was severely damaged during the 27 year Civil War, and to substantially upgrading key infrastructure facilities that survived ("upgrading infrastructure projects"). The Government considers this of vital importance not only to service its current economic needs, but also to achieve further sustainable economic growth and diversification of its economy.

Angola's total capital expenditure on infrastructure projects (both reconstructive infrastructure and upgrading infrastructure projects) amounted to U.S.\$15.8 billion in 2014, U.S.\$14.3 billion in 2013, U.S.\$12.1 billion in 2012, U.S.\$9.0 billion in 2011 and U.S.\$8.0 billion in 2010, accounting for 12.5%, 11.4%, 10.6%, 8.6%, and 9.7% of Angola's GDP in those years, respectively. Angola's capital expenditure on reconstructive infrastructure projects is principally focused on port, railway, energy, water, road, airport and telecommunication projects. Angola's capital expenditure on upgrading infrastructure projects is principally focused on defense, education, housing, health, security and public order projects.

In 2014 total capital expenditure on reconstructive infrastructure projects was U.S.\$5.1 billion, of which 4.7% was allocated for ports, 6.0% for Angola's railway network, 12.9% for the energy sector, 12.5% for water sector, 46.9% for roads, 13.4% for airports and 3.6% for telecommunication sector projects. Angola's capital expenditure on upgrading infrastructure projects was U.S.\$10.7 billion, of which 13.8% was allocated for defense, 5.0% for education, 34.7% for housing, 4.9% for health, 3.6% for security and public order and 38.0% for other social projects.

In 2015 the proposed total budget for capital expenditure on infrastructure projects (both reconstructive infrastructure and upgrading infrastructure projects) is U.S.\$5.6 billion (though it is possible for this to be revised upwards if the oil price rises above the U.S.\$40 per barrel price assumed by Angola's revised 2015 budget). Of this U.S.\$5.6 billion, U.S.\$2.3 billion is budgeted for reconstructive infrastructure projects, of which 1.8% is allocated for ports, 6.7% for Angola's railway network, 24.7% for the energy sector, 23.3% for water sector, 38.8% for roads, 1.2% for airports and 3.4% for telecommunication sector. Angola's budgeted 2015 capital expenditure on upgrading infrastructure projects is U.S.\$3.3 billion, of which 3.0% is allocated for defense, 6.3% for education, 29.5% for housing, 8.5% for health, 2.1% for security and public order, and 50.6% for other social projects. However, given the lack of available financing in 2015, unless the Government is able to realise higher revenues than budgeted, it intends to take active measures to reduce actual expenditure in 2015. See "Risk Factor – Challenges in the implementation of economic and financial reforms, and the lack of available financing may have a negative effect on the performance of the Angolan economy".

The funding of Angola's reconstructive and upgrading infrastructure projects is derived from oil proceeds and external financing, including bilateral financing agreements with countries including Brazil, China and Portugal. Such agreements often require a large proportion of works to be contracted to companies from the financing countries. See "Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy" and "Risk Factors – Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently."

Roads

In 2005 the Government commenced concerted efforts to clear landmines from, and rebuild and repair, Angola's road network, which had suffered significant damage during the Civil War. Post-independence and prior to the Civil War, Angola had a road network comprising 8,953 kilometers of useable roads. Improving road safety and the re-establishment of the road network remains a key priority for the Government in its efforts to improve Angola's infrastructure, and there are a number of programs in place to rebuild roads and bridges so as to re-establish the main road routes around the country.

Between 2010 and 2014, 8,662 kilometers of roads were built or rebuilt out of a total road network of 73,000 kilometers. The completion of this exercise has finalized the rebuilding of roads connecting all of Angola's 18 provincial capital cities. Construction currently concentrates on the rebuilding of Angola's provincial road network, much of which is usable but in poor condition. Works have started to build a coastal highway which will stretch from Angola's boarder with Namibia in the South to the Angola's border with the DRC in the north.

Road construction is managed by the Angolan National Road Institute ("INEA"), which operates under the auspices of the Ministry of Construction. The construction of roads is mainly carried out by international road construction companies, most of them from Brazil, China and Portugal, with local companies mainly involved in the construction of smaller roads or acting as sub-contractors of international companies on bigger projects. Road construction is financed mainly by export credit facilities from China, Brazil and Portugal and from Angola's public funds.

Railways

Similarly to Angola's road network, the Angolan rail network suffered significant deterioration during the Civil War but efforts have been made to commence its rebuilding and reorganization since 2007, when the Angola Government began a repair and refurbishment program. This program aims to fully rebuild the three main railway lines in Angola, being the Benguela ("CFB"), Luanda ("CFL"), and Mocamedes ("CFM") railways, with budgets for each line of U.S.\$1.8 billion, U.S.\$532 million and U.S.\$931 million, respectively. The lines, which are connected, cross Angola from west to east, with a total length of approximately 2,700 kilometers and serve the main agricultural and mining areas. The main line is the Benguela line, which links central southern Angola to the DRC and Zambia, and ends on the coast at the port of Lobito, upon which substantial work has been carried out in order to make the line fully operational once more.

The reconstruction of Angola's railway network is managed by CFL (Luanda Railway Company), CFB (Benguela Railway Company) and CFM (Mocamedes Railway Company), state-owned companies responsible for the Benguela, Luanda, and Mocamedes lines, respectively. These companies report to the Ministry of Transport and Ministry of Economy. The reconstruction of the railways is mainly being carried out by Chinese railway construction companies, with equipment supplied and financed by the Export-Import Bank of China and the Angolan Government. A concession contract for CFB to operate rolling stock on the Benguela line was recently approved by the Government and a concession for CFM to operate rolling stock on the Mocamedes line is currently being considered by the Government.

In addition to being responsible for the reconstruction of railways, CFB, CFL and CFM own railway rolling stock and are monopoly providers of cargo and passenger railway transportation services on the Benguela, Luanda, and Mocamedes lines, respectively. There are no immediate plans to involve the private sector in the Angolan railway sector, with the exception of the provision of ancillary services such as warehousing, logistics and catering services.

Ports

Angola has 6 ports: Luanda, Lobito, Namibe, Cabinda, Porto Amboim and Soyo. Of these, Luanda, Lobito, Namibe and Cabinda are of strategic importance for Angola's economy as it currently relies heavily on imports. Accordingly, the ports primarily cater for imports into Angola, with export activity being limited.

Luanda is the biggest port, handling approximately 5.4 million tons of cargo a year. Luanda port underwent a U.S.\$130 million refurbishment program, which was completed in 2014. Prior to this, Luanda port was highly congested with the current waiting time averaging 10 days or more. The Government plans to build a second commercial port in the vicinity of Luanda, the port of Barro do Dande, with a capacity to handle 3.2 million tons of cargo a year. Luanda port is owned by Angola but operation of its terminals is concessioned to eight private companies.

The second-largest port is Lobito, which was refurbished in 2014 in anticipation of the completion of the Benguela railway for the export of copper and other minerals from Zambia and the DRC, in a U.S.\$1.2 billion program. Lobito port now has the capacity to handle 2.9 million tons of cargo a year including the export of refined oil products.

Namibe is currently Angola's third-largest port. Namibe port is mostly used for transportation of mining products, including exports of granite and iron ore as well as transportation of fuel to Angola's southern provinces. Namibe underwent a U.S.\$3 billion refurbishment program completed in 2015 and has the capacity to handle 1.4 million tons of cargo a year.

Cabinda is a relatively small port, through which a variety of cargo is currently transported. However, Cabinda port capacity is insufficient for the growing needs of Cabinda’s cargo traffic, the majority of which is currently transported through Pointe Noire in the Republic of Congo. The Government is currently constructing a breakwater to allow for expansion of this port and to increase its capacity so that it can satisfy the transportation needs of the Cabinda enclave. The Government has also entered into negotiations with a contractor for the construction of a new port at Caio at Cabinda. This port, named ‘Porto de Caio’, is expected to commence operation in 2017.

Airports

Air travel played a key role in Angola’s recent history as it was the primary method of transportation during the Civil War. The air network is, as a result, well-established.

Angola currently has five international airports, in Luanda, Benguela, Namibe, Huíla and Huambo and domestic airports in all provincial capital cities. A new international airport is currently being built at Bom Jesus, in the eastern Luanda province. Work began in 2007 and is scheduled for completion in mid-2017, with a budget of approximately U.S.\$3.8 billion. The airport was originally scheduled to open in December 2015, but was delayed due to negotiations surrounding a change in the nature of the contractual arrangement between the Government and the contractor, from a build-operate-transfer arrangement to a turnkey project arrangement. See “*Risk Factors – Angola’s economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*”. Bom Jesus airport is expected to have an annual capacity of 15 million passengers, which is five times the current capacity of Luanda airport. The construction of Bom Jesus airport is currently being funded by the internal resources of the Government, which has invested U.S.\$1.7 billion in the project to date (U.S.\$1.1 billion in 2014 and U.S.\$0.3 billion in 2015 through the date of this Prospectus, with an additional U.S.\$0.3 billion of invoices to process for payment in October and November 2015). The Government will fund from its internal resources the remaining U.S.\$2.1 billion budgeted for completion of Bom Jesus airport through mid-2017. The contractor on the airport is China International Fund. A number of projects that are synergistic to the construction of Bom Jesus airport are expected to be financed through export credit lines from China.

In addition to the construction of Bom Jesus airport, the Government is carrying out an extensive airport refurbishment program which covers all of Angola’s domestic airports. Refurbishment work on the airports of Catumbala, Benguela, Cabinda, Huambo, Namibe, Luena, Saurimo, Soyo, Uíge, Luau, Menongue and Kuito Kuanavale was completed in 2012. However, further refurbishment work is currently required in respect of several airports for which a permanent a maintenance program is not in place, including the airports at Huambo, Lubango, Cabinda and Benguela. The Government’s airport refurbishment program did not extend to the modernization of equipment, which requires the further allocation of funds, as well as for the modernization of passenger and freight terminals, runways and aerial navigation support equipment. The program provides for the conversion of two domestic airports into airports able to accept international air traffic – Catumbela in the center of Angola’s shoreline and Huambo in the central region of Angola.

All airports in Angola are operated by a state-owned company, ENANA, which in turn employs private operators to render specific services.

The national airline is TAAG – *Linhas Aéreas de Angola, E.P.* – which provides both international and domestic flights. A number of major international airlines operate flights in and out of Luanda, including British Airways, Air France, TAP Air Portugal, South African Airways, Ethiopian Airlines, Iberia, China Airways and Lufthansa.

Telecommunications

Telecommunication sector revenue is estimated at 2.3% of GDP in 2013. The Government has invested heavily in the telecommunications sector in recent years. Approximately 40% of Angola’s population has either fixed-line or cellular telephone service. The Government has expanded fixed-line telephone coverage to 43% of Angola’s municipalities and cellular telephone coverage to 68% of Angola’s municipalities.

The table below sets forth the number of telecommunications subscribers at the end of the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(Number of subscribers, millions)</i>				
Telephone, of which:	9.9	12.7	12.5	13.5	14.2
Fixed-line	0.7	0.8	0.2	0.2	0.3
Cellular	9.2	11.9	12.3	13.3	13.9
Broadband	1.0	1.5	2.2	2.7	3.7

Source: Ministry of Planning and Territorial Development

Fixed line communication

Angola's fixed line sector has experienced significant growth in the past several years (although the growth levels of the mobile segment have been substantially higher). In 2014, Angola had approximately 800,000 fixed-line subscribers as compared with approximately 700,000 subscribers in 2010.

Angola's fixed line sector is dominated by the state-owned fixed-line operator Angola Telecom ("AT"), which in 2014 provided telephone services to 85.8% of Angola's fixed-line subscribers. The remainder of the market is currently shared by two small telecommunication companies – Mundo Startel and Mercury Telecom, which started providing fixed line telephone services following demonopolisation of the sector in 2002.

The Ministry of Telecommunications and AT have been pursuing a significant expansion of the fixed-line telephone sector since 2007, connecting each of Angola's 18 provincial capitals through a 7,000 km fiber-optic network by 2014, and increasing the number of fixed-line subscribers to 354,342 by the end of 2014.

Mobile network

Angola's mobile network has grown rapidly since its inception in 1993. Angola had approximately 14 million mobile telephone subscribers as at 31 December 2014, up from 13.3 million in 2013 and 12.5 million in 2012. There are currently only two mobile network operators in Angola – Unitel, whose market share of mobile telecommunications subscribers accounted for 77.7% as at 31 December 2014, as compared with 72.9% in 2013 and 68.0% in 2012, and Movitel, whose market share was 22.3% as at December 2014.

Unitel is 25% owned by AfricaTel (a 75% subsidiary of Portugal Telecom), 25% owned by Mercury Telecom (a subsidiary of Angolan state-owned oil company, Sonangol), with other local companies holding the remaining shareholding.

Movitel was initially established as AT's mobile communications subsidiary in 1993. In 2009, Movitel was sold, with AT retaining 18% of shares, 40% being sold to Angolan-registered investment fund Porturil, 19% to communications company Modus Comunicare and 10% to industrial company Ipang (Indústria de Papel e Derivados), with the remainder sold mostly to private industrial and communications companies.

Both Movitel and Unitel currently provide Angola with GSM-based mobile network.

A project financed by Russian investors to build Angola a satellite system is in place and is set to complete in the first quarter of 2017. The cost of this project is expected to be U.S.\$300 million and, once completed, will make Angola the second country in Africa (after Nigeria) to operate its telecommunications services through its own satellite.

The South Atlantic 3/West Africa Submarine Cable ("WASC") is a submarine communications cable linking Portugal and Spain to South Africa, with connections to several West African countries along the route. It was built by a consortium of operators that currently has 36 shareholders, including Vodafone, MTN and France Telecom. None of the members of the consortium currently operate in Angola, therefore, so as to benefit from the reduced costs and better quality of using WASC as opposed to satellite, the Government has paid for the integration of Angola into the WASC system.

Internet services

Internet services began in Angola in 2002. Internet services are provided by AT, Mundo Startel, TV Cabo and Mercury Telecom, with mobile internet services being provided by Movitel and Unitel. Numbers of subscribers and coverage, particularly of broadband quality, is limited, with only 3.7 million subscribers as at 31 December 2014.

Telecommunications regulator

The *Instituto Angolano das Telecomunicações* was created in June 1999 to act as Angola's independent telecommunications regulator. It is, in turn, overseen by the Ministry of Telecommunications and Information Technology.

Financial services

Banking

See "Monetary System – The Angolan Banking System".

Insurance

At the end of the Civil War in 2002, there was only one insurance company. There are now four major insurance companies in Angola out of total of 11 countrywide. The largest is state-owned ENSA, which possessed a monopoly in the Angolan insurance market until 2000, when AAA was registered as the first private Angolan insurance company post-independence. ENSA and AAA remain the two main competitors in the Angolan insurance market although Global Seguros entered the Angolan insurance market in 2006 and A. Nossa Seguros did so in 2005.

Although attempts have been made to modernize and reform the insurance market in recent years, including in particular the removal of ENSA's monopoly, the range of insurance services available in Angola remains limited.

Manufacturing

Angola's manufacturing sector is currently small, making up only 8.6% of its GDP in 2014. However it is growing rapidly, having increased from 3.8% of Angola's GDP in 2003. This sector is currently largely dominated by the production of beverages and construction materials, representing 50% and 26% of the manufacturing sector in 2014, respectively. The manufacture of metal products (representing 6% of the manufacturing sector in 2014), of plastic products (representing 4% of the manufacturing sector in 2014) and of food products (representing 4% of the manufacturing sector in 2014) also contribute to the manufacturing sector. The Government predicts strong growth in the production of metals in the medium term as a result of investments in new steel mills.

Under the National Development Plan 2013-2017, the Government is seeking to support a diversified and competitive industrial structure, to modernize the legal and institutional framework, to develop industrial production to meet the needs of the population and to use manufacturing to increase local employment. Currently, the Government is focusing the industry on expanding its manufacturing of building materials and chemicals, due to the construction boom following the end of the Civil War. Investments in agro-industry, textiles, clothing and paper are also fostering the emergence of a diversified and competitive industrial structure that can increasingly meet the needs of the population and generate employment.

Building materials

With the current and expected level of construction, particularly in the infrastructure and housing sectors, the Government views the construction materials industry as one of the most significant growth segments of the industrial sector. National reconstruction has been a key priority of the Government which continues to focus on creating conditions and supporting projects aimed at the production of building materials to meet the reconstruction needs of Angola. Angola's building materials industry comprised approximately 26% of the manufacturing industry in 2014 and is fast growing.

Angola has faced construction materials shortages in the past. For example, historically the supply of locally produced cement, which is one of the main construction materials used, accounted for approximately 30% of the aggregate consumption of cement in Angola, with the balance being mainly imported from China, Turkey and other countries. However, since 2010 the Government has taken significant steps to develop Angola's domestic construction materials sector and to encourage private sector participation in the sector. As a result of the Government's support of private sector investment in the building materials sub-sector over the last five years, in 2014 almost all building materials used in Angola were produced domestically and domestic production of building materials is expected to result in a surplus during 2015.

The Government's program, pursuant to which it has encouraged investment in building materials plants, has resulted in the construction of 5 private-sector cement facilities (two in Luanda, two in Benguela and one in Kwanza-South) being constructed in the last five years, together drawing an installed capacity of 9.3 million tons of cement per annum. In 2014, only 54% of this combined installed capacity was utilized, taking into account the Government's January 2014 ban on cement imports.

The Government is currently assessing the existing production chains in the Angolan building materials sector to identify where it is necessary to attract further private investment, such as the production of ceramic products (including sanitary ware).

Food and beverages

Alcoholic and soft-drink beverages constituted 50% of Angola's manufacturing segment in 2014 comprising the largest sub-sector within Angola's manufacturing sector. Of this amount, approximately 55% was made up of

beer, which was dominated by the national beer, “*Cuca*”, while soft drinks accounted for approximately 22% in 2014 and the balance comprised food (bread, biscuits and edible oil). Angola has 10 industrial alcoholic beverage plants located throughout 7 provinces, representing a combined installed capacity of 11 million hectoliters per annum. 9 of these alcoholic beverage plants are owned by the Castel Group, France and together represent an installed capacity of 10 million hectoliters, and 1 beverage plant – which became operational in late 2014 – is owned by the Lowenda Brewery Company, part of China International Food Ltd, and has a production capacity of 1 million hectoliters per annum. The beverage industry employs approximately 14,000 people, 9,000 of which are employed in the production process. Supply of locally produced alcoholic beverages accounts for around 80% of the aggregate consumption of beverages in Angola (8.7 million hectoliters, well below Angola’s installed production capacity), with the remaining 20% being imported from Europe, South Africa, Brazil and other countries.

Angola currently has nine industrial soft-drink plants located throughout seven provinces, representing a combined installed capacity of 14 million hectoliters, with domestic consumption estimated at 7 million hectoliters in 2014. The excess soft-drink capacity (principally “*Refriango*”, juice and soft drinks) is exported to over 10 different countries.

Angola also has 30 industrial mineral water plants located throughout all its provinces and holding 50 exploration licenses issued by the Ministry of Industry. These plants have a combined installed capacity of 14 million hectoliters, with domestic consumption estimated at 4.5 million hectoliters in 2014.

Packaging (light) industry

The remainder of Angola’s manufacturing segment, approximately 24%, is made up of the production of plastics, glass and plastic bottles, paper packages (boxes and crates principally used in the agricultural and beverage industries), detergents, clothing, hygiene and cleaning products, metal products (steel pipes, window frames, wood products and furniture) and books.

Employment and Labor

The labor market in Angola can be divided into three segments: the public sector, the private formal sector (including state-owned companies) and the informal sector. The informal sector is made up of unofficial economic activities and are outside mainstream industry and commerce. Available data on the labor market is limited because a significant part of Angola’s workforce is employed in the informal sector and the surveys of the labor market that are made on a regular basis do not include the informal sector. The Angolan Government is the biggest formal employer in the country.

As at 31 December 2014, approximately 7.6 million people were employed in the private sector (including state-owned companies), as compared to 7.4 million people in 2013 and 7.2 million people in 2012. In the public sector, approximately 507,000 people were employed in 2014, as compared to approximately 478,000 people in 2013, and approximately 461,600 people in 2012.

While the oil sector accounted for 35.4% of GDP as at December 2014, only 122,400 workers (1.6% of the total workforce employed in the private sector) were employed in the oil industry. In 2014, of those employed in the private sector around 4.1 million were engaged in agriculture (54.1%), 351,500 in construction (4.6%), 1.3 million in commerce (17.2%) and 30,500 in the fisheries sector (0.4%).

Angola has strict local content requirements in its oil and natural gas industry. Aims to increase the number of Angolans in management positions and Angolan hired as local contractors. Government regulations require independent oil companies (“**IOCs**”) operating in Angola to employ a minimum of 70% local Angolans in their projects. IOCs are also required to use local banks for all their transactions and contribute to training programs in Angola. IOCs are expected to provide \$200,000 per year per Block during the exploration phase of their operations and \$0.15 per barrel of oil during the production phase to fund Angolan training programs. These regulations are designed to improve the technical and financial capacity of Sonangol, its subsidiaries and Angola’s citizens.

The table below sets forth information regarding the number of jobs created in each division of the public and private sectors for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(Number of jobs created)</i>				
Private Sector					
Commerce	13,158	27,736	17,740	24,189	84,785
Agriculture	22,336	21,045	9,863	15,259	4,144
Fishing	548	985	4,100	1,937	671
Transport	13,489	199	410	20,757	40,599
Geology and Mining	23,550	1,020	975	17,938	2,999
Manufacture	3,702	4,559	2,332	3,403	3,756
Energy and Water	21,158	4,478	13,245	39,309	57,349
Urbanization and Construction	20,423	7,082	11,966	4,747	8,789
Hospitality and Tourism	4,220	6,697	3,074	15,497	29,288
Subtotal	122,584	73,801	63,705	143,036	232,380
Public Sector					
Public Officials	20,239	3,939	607	26	6,781
Education	30,129	20,013	18,806	4,924	20,059
Health	10,000	12,022	7,600	1,806	4,137
Other	—	—	2,952	5,037	33,311
Subtotal	60,368	35,974	29,965	11,793	64,288
Total	182,952	109,775	93,670	154,829	296,668

Source: Ministry of Public Administration, Work and Social Security

The Government believes there are a substantial number of people of working age that are engaged in part-time employment and a substantial number that are employed in the informal economy. The World Bank estimates that 6.8% of the official Angolan workforce was unemployed in 2013. World Bank data does not reflect unemployment in the shadow economy. In the years 2010 through 2012, the World Bank estimates that 6.9% of the Angolan workforce was unemployed. Unemployment is mainly due to the workforce's general lack of qualifications when compared with the skilled labor required to implement mining, restructuring and reconstruction contracts, for which companies frequently hire suitably-skilled foreign workers. The Government hopes that the diversification of the economy sectors and the external investment in Angola will reduce unemployment and increase employment in the formal economy.

In 2011, a study into the informal sector in the Province of Luanda was carried out at the request of the National Bank of Angola. The study concluded that out of the estimated population of 5.1 million inhabitants, 1.8 million were working in the informal sector. However, no study has been carried out on a country-wide basis.

The minimum monthly statutory wage varies depending on the industry sector, being AOA 15,003 in agriculture, AOA 18,754 in transport and services, and AOA 22,505 in commerce, petroleum and mining. The Government revises minimum statutory wages on an annual basis and was last set on 9 June 2014. Total wages in Angola grew in line with inflation in 2014. The Government does not pay unemployment benefits.

The right to form unions and to strike is guaranteed under Angola's constitutional laws. However, there are only a small number of trades unions and trade union membership in Angola is limited due both to a limited formal economy, and a high unemployment rate. Currently, the main Angolan trade unions are SIPEQMA, STOSPA and SAECGOC which pertain to the oil sector. Within the non-oil sector, UNTA and SIMA – for maritime employees – are the most active trade unions.

Increasing employment among young Angolans and reintegrating workers into the labor market is the Government's principal strategy for employment. The Government intends to achieve this by improving the quality of education across the board, developing specialist courses aimed at developing skills in those industries in which there is a lack of skilled workers, providing incentives for newly established local businesses and entrepreneurship, introducing the opportunity for part-time and temporary work and working in partnership with the private sector to develop employment opportunities and provide on-the-job training. In the National Development Plan 2013-2017, the Government set a goal of providing one million young Angolans with their first job in the private and public sector by 2017.

In order to boost local employment, in May 2015 Angola passed the *Lei Geral do Trabalho*. This law reduces redundancy payments and cuts statutory overtime rates and sick pay. It also abolishes the requirement for employers to notify provincial authorities when they wish to terminate an employee's employment.

Social Security

Angola provides a social security system available to public and private employees, to which employees and employers must contribute three per cent. and eight per cent. of the employee's salary, respectively.

To be eligible to receive a pension under the social security system, a person must either have worked and contributed to national social insurance for 35 years or must have reached 60 years of age and must have had a minimum of 15 years of contributions.

Pension payments are capped at a maximum of 35 times the minimum wage. Pensions provided to the families of military personnel and to working mothers are treated separately.

The Government's contribution expense to the social security system was an estimated U.S.\$2 billion for 2014.

Environment

Angola faces a number of environmental issues, including those arising from waste management, deforestation, soil degradation, droughts, desertification, a decrease in biodiversity, the alteration of water courses, water pollution, and the negative effects of the mining and oil industries. During the Civil War, many of these long-standing environmental problems were not addressed and many of them were aggravated. The Ministry of Environment, established in 2008 and charged with ensuring the preservation of Angola's environment and the promotion of sustainable development, has adopted a number of policies and programs to tackle these problems pursuant to a Government-approved National Environmental Management Plan.

All proposed projects that could potentially negatively impact Angola's environment must be submitted to the Ministry of Environment for evaluation before an environment license is granted for the project. Angola has a multi-sectorial environmental commission, constituting technical experts from each ministry, to encourage the open discussion of environmental issues. There are also various steering committees, such as for climate change and national oil spillages. The president of these committees is the Minister of Environment, who may then approach the relevant ministry or the Council of Ministers if an issue remains unresolved.

There is only one controlled landfill site in Angola, established in 2004 in Luanda. Waste in the other provinces of Angola is dumped unsystematically, causing health and safety issues together with the degradation of the local environment. The Ministry of Environment is currently in negotiations with foreign investors for the construction of further landfill sites in the other provinces of Angola.

The decrease in biodiversity is an issue in Angola. This is largely attributable to deforestation for the sale of timber and the production of biomass. It is estimated that 80% of Angolans depend on biomass (e.g. charcoal) for their daily needs, such as cooking and fuel. The Government has made it a target to increase biodiversity by increasing Angola's protected areas, which currently occupy 6% of Angola's territory, to 15% by 2015. There are currently six national parks and eight national reserves in Angola.

Angola is addressing the environmental issue caused by the flaring of natural gas. Flaring is where gas is burnt off as a by-product of oil production, which has damaging consequences for the biodiversity of the environment. In 2007, the Government issued Decree No. 59/07 which restricted flaring unless it was necessary for safety purposes. Non-flared gas is re-injected into oil wells to enhance oil recovery or transported to the LNG plant at Soyo, which transforms unused gas to make it commercially usable and exports it. See "*Primary Industry Sections – Oil Industry – Natural Gas*".

The Environment Fund, approved by the Council of Ministers in January 2010, has the authority to institute financial incentives to discourage companies in Angola from damaging the environment. The Environment Fund provides financial support to management to promote environmental conservation; promotes the sound management of environmental protection in sensitive areas, as well as the rehabilitation and restoration of degraded areas; supports technical scientific activities relating to clean technologies and sustainable development; and supports the activities of various environmental associations and civil society participation in environmental initiatives. The Ministry of Environment has administrative oversight of the Environment Fund and is also committed to increasing the general awareness of environmental issues and environmental compliance in Angola.

Angola has received environmental loans from a number of bilateral and multilateral providers, including the European Union, United Nations Environment Program, the Global Environment Facility, the African Development Fund and the United Nations Development Program. Angola also received a loan of U.S.\$22 million from the African Development Bank for the implementation of a variety of projects in natural resource management in four provinces and the creation of a biodiversity institute.

Energy

The supply of electricity varies across Angola, with availability being notably higher in urban rather than rural areas. While Angola has extensive hydroelectricity resources capable of supplying sufficient power for the country's needs, the Civil War damaged much of the electricity infrastructure needed to deliver electricity to a significant portion of Angola's population. Electricity production in 1974, post-independence and prior to the Civil War, was 1,029MW. At the end of the Civil War in 2002, it was 1,768MW. The Government, with financial assistance from China, has made significant improvements to its power sector and electricity capacity has more than doubled since the end of the Civil War. In 2014, electricity production in Angola was 9,500MW. Approximately 35% of Angola's population has access to the state-owned electricity supply, although it is estimated that some additional users have access to small private electricity sources leaving an estimated 15 million Angolans without access.

During the months of December to May, typically, Angola experiences energy shortages. To reduce these energy shortages, Angola is investing in the construction of hydroelectric power generation facilities. See *"The Economy – Power Generation – Hydroelectric generation facilities"*.

Energy is one of the President's three key priorities (alongside water and housing). In 2014 Angola implemented a Power Sector Reform Support Program ("**PSRSP**") pursuant to which it restructured its power sector, improved the power sector regulatory environment, improved private sector participation in the power sector, improved budget transparency and improved efficiencies in procurement. The aims of the PSRSP are to improve operational efficiency, competitiveness and sustainability in Angola's electricity sector and to expand access to electricity at affordable costs for the Angolan population, particularly those in rural areas and those living in poverty.

The PSRSP unbundled the generation, transmission and distribution systems in Angola previously carried out through state-owned enterprises, National Electricity Enterprise ("**ENE**") and Electricity Distribution Company of Luanda ("**EDEL**"). Previously ENE managed and operated most of Angola's transmission system and its power generation plant outside of Luanda, whereas EDEL previously operated the distribution system in Luanda. Under Angola's electricity sector transformation program, both ENE and EDEL were dissolved and three new utility companies were created: (a) *Empresa Pública de Produção de Electricidade* ("**PRODEL**"), focused on power production, (b) *Rede Nacional de Transporte de Electricidade* ("**RNT**"), the new national transmission company and sole purchaser of electricity, and (c) *Empresa Nacional de Distribuição de Electricidade* ("**ENDE**"), the new national distribution company.

Angola's power generation, transmission and distribution network is currently undergoing a wide-scale refurbishment, modernization and expansion process under the PSRSP. The Government plans to invest U.S.\$23.0 billion in the power sector through 2017 under the PSRSP in order to increase power output and the volume of power generation at the existing and newly built hydro- and diesel-power generation plants as well as diversifying Angola's energy generation capabilities, through the establishment of a small-scale hydrothermal generation facilities program as well as researching the feasibility of solar and wind power generation. Energy projects are expected to be funded through a combination of government funds, bilateral funding, commercial loans and the sale of commodities (oil in particular), subject to increases in the market price of such commodities. The Government's long-term plan is to increase hydropower capacity to approximately 10,000MW by 2025 by building up to 15 new plants with private sector backing. The Government hopes that this proposed growth in power generation capacity will increase Angola's electrification rate to 60% by 2025. The significant modernization and expansion of Angola's power transmission facilities aims at establishing a single national power grid which is intended to be integrated into the regional power pool covering Southern Africa and to bring electricity to Angola's remote rural regions. The Ministry of Energy is responsible for the overall policy in the energy sector.

Currently, Angola does not have a national electricity grid, and instead relies on three principal independent systems that provide electricity to different parts of the Country: the Northern, Central and Southern Systems. The Government hopes to link the three independent grids as part of a national grid system and eventually link its

grid with neighboring Southern African Power Pool (“SAPP”) members. Angola is a member of SAPP, a group of African countries that includes Botswana, the Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The SAPP is designed to promote cooperation among member countries with the aim of creating a common electricity market that can provide reliable and affordable electricity to the citizens of SAPP’s member countries.

The Government is in the process of developing new legislation and a regulatory framework for the power industry. Such proposals are currently before the National Assembly. The current version of the draft legislation contemplates increased private sector participation in generation and distribution.

Energy prices are currently heavily subsidized by the Government, with the Government subsidizing approximately 70% of the cost of energy in Angola. The Government’s policy is to reduce the levels of energy subsidies that it gives and has the ultimate aim of energy tariffs equaling energy costs. See “– *Angolan consumption of petroleum products*”.

Power generation

The table below sets forth information regarding production of energy in Angola for the years indicated unless otherwise stated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(Production in MW)</i>				
Hydro	3,703	4,007	3,771	4,719	4,990
Thermal	<u>1,745</u>	<u>1,641</u>	<u>2,431</u>	<u>3,421</u>	<u>4,509</u>
Total	<u>5,448</u>	<u>5,648</u>	<u>6,202</u>	<u>8,140</u>	<u>9,499</u>

Source: Ministry of Energy and Water

In 2014, the production of energy in Angola was 9,500MW, approximately 52.5% of which was generated by hydroelectric plants and the remaining 47.5% by thermal power plants. Most power generation facilities are owned and operated by PRODEL (the successor entity to ENE), and only a small share of power generation facilities have been concessioned on the basis of build-operate-transfer schemes. Under the National Development Plan 2013-2017, the Government has established a policy of encouraging private sector participation in the power generation sector through build-operate-transfer schemes.

Hydroelectric generation facilities

In 2014, approximately 52.5% of Angola’s electricity output was generated by hydroelectric plants, primarily from hydroelectric dams on the Kwanza, Catumbela and Cunene Rivers. The Government estimates that Angola’s potential hydroelectric generating capacity is at least ten times Angola’s current installed capacity. The current structure of Angola’s hydroelectric power generation sector dates back to pre-independence, when the Portuguese carried out a comprehensive plan for power generation throughout Angola. Angola has a number of large operating hydroelectric power plants with current aggregate generation capacity of 4,990MW as at December 2014. There are, in addition, further plants that are under construction or are being refurbished, each of which are detailed below, with the Ministry of Energy expecting additional capacity of 780MW to come online in 2016, 2,800MW to come online in 2017 and a further 2,120MW to come online in 2021, at a combined cost of U.S.\$11.3 billion. See “*Risk factors – Angola’s growth prospects are vulnerable to the performance of the power sector*”.

- *Capanda hydroelectric power plant.* Capanda hydroelectric power plant is the largest power generation plant in Angola and is located in Malanje, at the center of one of the main mining areas in the proximity of Luanda. The Capanda plant has capacity of 520MW. It was built by the Government with the assistance of Odebrecht with equipment supplied and installed by Technopromexport (a Russian power equipment supplier). Construction began in 1985, but was interrupted several times as a result of the Civil War, and finally completed in 2007.
- *Cambambe hydroelectric power plant.* Cambambe hydroelectric power plant is located in the Kwanza Norte province in the north west of Angola. The Cambambe plant has a capacity of 180MW. It was built by the Portuguese prior to independence, in 1962. The Cambambe plant is currently being upgraded to increase its capacity to 960MW and modernize the facility. The total cost of the upgrade is

budgeted at U.S.\$1.4 billion and is being financed from the Government's internal resources as well as external financing. See "*Public Debt – Composition of Angola's external debt – Euler Hermes Facility*". The upgrade works are being carried out by a consortium of Brazilian, Spanish and German companies and are expected to be completed by 2016.

- *Gove hydroelectric power plant.* Gove hydroelectric power plant was constructed in 2012. The project is located in the Huambo province in the center of Angola. Gove plant was constructed on the basis of the dam built by the Portuguese before independence for agricultural irrigation purposes. The Gove plant's capacity is 60MW. The budgeted cost of the project is U.S.\$279 million and is being financed from the Government's internal resources. The project was built by a consortium of Brazilian, Spanish and German companies.
- *Matala hydroelectric power plant.* Matala hydroelectric power plant is located in Huíla province in the south west of Angola. In addition to generating electricity, the Matala dam plays an important role in agricultural irrigation. The Matala plant has a current capacity of 40.8MW. It was built by the Portuguese prior to independence, in 1958. The Government has recently approved feasibility and environmental studies for the refurbishment of the dam and the plant, which includes a railway bridge. The Angolan Government held a competitive tender and granted construction contracts to Canadian companies. The total cost of the works is estimated at over U.S.\$249 million and will be financed by the Export Development Corporation of the Government of Canada. Works commenced in 2009 and were completed in June 2015.
- *Chicapa hydroelectric power plant.* Chicapa hydroelectric power plant is a build-operate-transfer project built by a consortium of mining companies comprising Endiama, Alrosa, Odebrecht and PRODEL (the successor entity to ENE) as part of the Catoca diamond mining project – primarily to supply power to Catoca mine, with excess capacity intended to be supplied to the Saurimo village grid. The Chicapa plant is located in Lunda Sul province in the east of Angola and has current capacity of 16MW. In the long-term the Government expects that at least five future power generation projects will be built on a build-operate-transfer basis similar to the Chicapa plant. The funding for this plant has been obtained by the private sector consortium of entities that is constructing this plant.
- *Laúca hydroelectric power plant.* Laúca hydroelectric power plant will be located on the Kwanza river between the Capanda hydroelectric and Cambambe hydroelectric power plants. The project contractors and sub-contractors are Odebrecht, Bardella and Andritz. The construction of the Laúca plant was started in 2012 and the plant is expected to begin operating in 2017 with a capacity of 400 MW. Within two years of becoming operational, it is expected that the Laúca plant will have an installed capacity of approximately 2,070 MW. The project is expected to cost approximately U.S.\$4.1 billion. Financing of up to U.S.\$1.8 billion for the civil engineering aspects of the project is being provided by BNDES, with U.S.\$500 million in place, and U.S.\$1.3 billion subject to approval by Brazil and BNDES. Financing of up to U.S.\$1.2 billion for the supply and installation of electromagnetic equipment at the plant involves nine international banks with export credit cover from Euler Hermes and CESCE.
- *Caculo Cabaça hydroelectric power plant.* On 11 June 2015, a consortium led by China Gezhouba Group Corporation entered into an engineering, procurement and construction contract with the Government for the construction of the Caculo Cabaça hydroelectric power plant. The Caculo Cabaça plant will be located on the middle reaches of the Cuanza River and when complete is expected to have a capacity of 2,171 MW. The project is valued at approximately U.S.\$4.5 billion and the financing of this project is currently being negotiated. See "*Public Debt—External Public Debt—New Facilities*".
- *Other hydroelectric generation facilities.* There are four further smaller hydroelectric generation plants throughout Angola with current capacities ranging between 0.9 and 14.4MW each, all of which were damaged during the Civil War. The National Development Plan 2013-2017 envisages the refurbishment and expansion of these four plants, although a specific budget and project plans have yet to be approved.
- *Small-scale hydroelectric generation facilities ("minihydros").* Minihydros are small-scale hydroelectric generation equipment which typically have power generation capacity of 1.5-4MW each and are intended for rural electrification as well as small-scale irrigation and water supply. The Government has launched a scheme for establishing 140 minihydros which will be installed across Angola by private sector companies on the basis of built-operate-transfer agreements under which the Government will purchase power produced by the minihydros. The Government expects that by 2016, up to 2,025 minihydros will be operational.
- *Lomaum and Mabubas hydroelectric generation facilities.* On 5 November 2009, the Government announced that it had granted a 20 year concession to electricity company Kamazuro Electric S.A. for

the rehabilitation and expansion of two hydroelectric facilities that were destroyed during the Civil War in Lomaum and Mabubas. The Mabubas facility has been operational since 2013 with a capacity of 26MW. The Lomaum facility is expected to be operational in 2015 with an installed capacity of 50MW.

Thermal power generation

In 2014, approximately 47.5% of Angola’s electricity was generated by thermal power plants. There are currently over 33 diesel power plants with an average generation capacity of 36MW each and 10 other thermal plants in operation. These are situated primarily in the localities not yet covered by the national grid. Most of them are owned and operated by PRODEL (the successor entity to ENE).

In the future, in addition to satisfying a large proportion of Angola’s energy needs in those localities, diesel power plants are expected to play an important part in balancing power supply in the event of significant future fluctuations in demand for power after the hydroelectric modernization program has been completed.

Electricity transmission

Angola’s power transmission system comprises three independent transmission systems in each of the northern, central and southern regions of Angola. Since the end of the Civil War, the Government has worked on the rebuilding and refurbishment of each of the systems and, in 2007, commenced works on connecting the three independent systems into a national grid network and further integrating Angola’s national grid into the regional power pool which covers Southern Africa. This involves the installation of new power transmission lines of more than 4,500 kilometers long across Angola, a significant amount of which has been completed. The entire project is expected to be completed by 2016. The first phase of this program is being financed mainly through export credit lines from Brazil, China, Portugal and Spain.

Power distribution

Electricity is currently distributed through the state-controlled electricity network by RNT, and in provincial capitals, ENDE. In some municipalities electricity is distributed through the Northern, Central and Southern Systems outside of Luanda and EDEL within Luanda.

The provision of electricity is subsidized in Angola, with the 2014 cost of distribution being approximately U.S.\$57 to 82 per MWh and the retail price being U.S.\$21 to 30 per MWh, representing a total subsidy of U.S.\$26 to 61 per MWh in 2014. In 2015, the Government has been working to gradually reduce power subsidies. See “– *Angolan consumption of petroleum products*”.

Since 2005, the Government has overseen the expansion of low- and medium- voltage networks in all 18 provincial capitals. This expansion has been completed in Cabinda and Benguela by Spanish contractors. The expansion in Luanda is currently in the second part of a four-stage process, financed principally by internal resources and financing provided by Portuguese, Spanish, Brazilian and Chinese lenders. The expansion program is ongoing.

Further, submarine cables are shortly to be introduced to transport electricity to the island of Musulu, off the coast of Luanda.

Water Supply

The table below sets forth information regarding the supply of water in Angola for the years indicated, unless otherwise stated:

<u>Supply</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Production of drinking water in the provincial offices	<u>652,162</u>	<u>679,805</u>	<u>710,926</u>	<u>790,748</u>	<u>891,096</u>

Source: Ministry of Energy and Water

The Ministry of Energy and the Secretary of State for Water are responsible for overall policy in the water sector. In eight out of 18 of Angola’s provinces, the production, treatment and distribution of water is managed by the local governments. In the other provinces it is provided by state-owned water companies.

Safe drinking water is less readily available in Angola's rural regions than in urban areas. However, a number of Angolan and international initiatives have sought to address this key issue in recent years and work continues to ensure the supply of safe drinking water in rural areas throughout Angola.

Supply of safe, clean water to the population is one of the Government's three key social policy priorities, along with social housing and electricity. To promote supply of safe, clean water to those areas where the water distribution network has yet to be built or expanded, the Government has implemented and continues to promote the creation of suitable communal water distribution points. The Government estimates that in rural areas in 2014, 5.2 million people benefited from such facilities, as compared to 0.5 million people in 2010. Furthermore, in 2005, the Government launched a program known as "*Água para todos*", which aims at providing all Angolans with access to clean water. The Government has been engaging contractors through public private partnerships to build new water plants throughout the country. The program is funded by internal resources, with the Government making the initial investment and the daily operation and management being shared by local governments and NGOs. Water supply in Angola is subsidized.

The number of people with access to clean water has increased. The Government believes that as a result, there has been a significant reduction in fatalities caused by the use of untreated water over the past several years.

Privatization

In 1994, Angola introduced a new privatization law (the "**Privatization Law**") which sought to increase the efficiency and productivity of, and competition in, Angola's economy through a wider participation in business and enterprise by, in particular, Angolan individual investors and small businesses. The Privatization Law provides for privatization through a public tender, although in certain circumstances companies can be privatized through a direct private sale to a restricted circle of investors, as happened with the privatisations of *CUCA* and *NGOLA* (beverage companies), *Liangol* (a coffee company), *Manauto 4* (a transportation company) and *Vidrul* (a glass factory). Angola also adopted the Private Enterprise Law which was intended to serve as the legal basis for the operation of privatized companies. However, the privatization legislation remained largely dormant in subsequent years largely because no implementing regulations were adopted and the Civil War distracted the Government's privatization efforts. In 2001, the Government set out a privatization program and adopted privatization strategies for the period from 2001 to 2005, naming approximately 102 business units as designated for full or partial privatization (including through management privatization) during that period. However, the Government's 2001 privatization program remained largely uncompleted.

In August 2009, the Council of Ministers of Angola established the Institute for the Public Sector Enterprises ("**ISEP**") under the auspices of the Ministry of Economy, with the purpose of reviving the privatization process. ISEP replaced two previously established agencies: GARE (Cabinet for Enterprise Restructuring), the role of which was to manage the privatization process, and IAPE (Angolan Institute for State Participations), the function of which was to manage Angola's interests in companies. ISEP now carries out the function of the two previous agencies. ISEP has 44 members of staff and is organized into several separate departments which include administration, research, the privatization process itself and the managing of the Republic's stakes in state-owned enterprises.

Shortly after its establishment, following a public tender, ISEP produced a study of Angola's privatization experience in the period 1989-2009, which was approved by the Government in 2011. It is intended that the study will form the basis for the Government's efforts to develop a privatization program for the short to medium term.

It is intended that future privatizations will be carried out through a clear and competitive process, for which, to the extent necessary, Angola's privatization laws will be updated and implementing legislation enacted in the future.

Between 1989 and 1993, 116 small companies were privatized. These companies were mainly in the industrial and fishery sectors. Between 2012 and 2015, 17 small companies were privatized. These privatizations were initiated in 2001 and generated approximately U.S.\$9 million in Government revenues.

Angola intends to privatize a further 37 companies in the medium term. Generally, the Government intends to sell its entire interest in these companies, the majority of which operate in the industrial sector. The Government policy is that companies which the Government does not consider should be held public as a matter of policy are eventually privatized.

THE EXTERNAL SECTOR

Balance of Payments

Angola's current account recorded significant surpluses in the period 2010 through 2013, driven by large trade surpluses generated from Angola's oil exports. Angola's current account surplus peaked at U.S.\$13.9 billion in 2012 (12.2% of GDP) but in 2014 Angola's current account recorded a deficit of U.S.\$3.7 billion (2.9% of GDP). The services and income balance have shown consistent deficits due to the level of imports of services required by the oil industry, as well as large payments resulting from the repatriation of profits and the repayment of external debt arrears since 2007. Foreign direct investment ("FDI") has increased in recent years, largely in the oil industry. Investment outside Angola by Angolan companies (primarily Sonangol) coupled with disposals by Portuguese banks of their investments in the Angolan banking sector, have resulted in net FDI outflows. Angola's capital and financial account has continuously recorded a deficit, due to the deficits in the financial account resulting from the Government's substantial investment in Angola's infrastructure. However, the financial account deficit decreased significantly from U.S.\$8.2 billion in 2013 to U.S.\$1.0 billion in 2014 due to the increase in FDI in Angola during this period. Capital account contributions are insignificant in Angola. This is due to the absence of forgiveness of Angola's debt by foreign countries and low levels of donor aid.

Angola's balance of payments accounts are compiled and disseminated by the BNA. The table below sets forth certain information regarding Angola's balance of payments for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
Current account	<u>7.5</u>	<u>13.1</u>	<u>13.9</u>	<u>8.3</u>	<u>(3.7)</u>
Trade balance	33.9	47.1	47.4	41.9	30.6
Exports FOB	50.6	67.3	71.1	68.2	59.2
of which oil sector	49.4	65.6	69.7	66.9	57.6
of which non-oil sector	1.2	1.7	1.4	1.3	1.5
Imports FOB	(16.7)	(20.2)	(23.7)	(26.3)	(28.6)
Services (net)	(17.9)	(22.9)	(21.3)	(21.5)	(23.2)
Income (net)	(8.1)	(9.7)	(10.4)	(9.9)	(8.8)
Current transfers (net)	(0.4)	(1.4)	(1.8)	(2.1)	(2.2)
Capital and financial account	<u>(1.1)</u>	<u>(4.0)</u>	<u>(8.9)</u>	<u>(8.2)</u>	<u>(1.0)</u>
Capital account	—	—	—	—	—
Financial account	(1.1)	(4.0)	(8.9)	(8.2)	(1.0)
FDI (net)	(4.6)	(5.1)	(9.6)	(13.2)	(2.3)
Medium and long term capital (net)	2.9	3.3	1.6	5.6	7.2
Disbursements	5.7	6.5	5.5	10.2	13.3
of which oil companies	3.5	4.0	1.5	7.0	5.5
Amortizations	(2.8)	(3.3)	(4.0)	(4.6)	(6.1)
of which oil companies	(1.4)	(1.8)	(2.2)	(2.5)	(3.2)
Other Capital (net)	0.5	(2.1)	(0.8)	(0.7)	(5.8)
Errors and omissions	0.2	—	(0.3)	(0.1)	0.3
Overall balance	<u>6.6</u>	<u>9.1</u>	<u>4.6</u>	<u>0.1</u>	<u>(4.4)</u>
Financing	(6.6)	(9.1)	(4.6)	(0.1)	4.4
Variation of reserves	6.4	7.8	4.6	0.1	(4.4)
Arrears	(0.5)	—	—	—	—
Rescheduling	—	—	—	—	—
Debt forgiveness	—	—	—	—	—

Source: National Bank of Angola (BNA)

Foreign trade

The following table below sets forth an overview of Angola's trade balance as at 31 December of the years stated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
Exports					
Crude Oil	48.6	64.5	68.9	65.6	56.4
Refined Oil	0.4	0.7	0.5	0.7	0.7
Gas	0.3	0.4	0.3	0.6	0.6
Diamonds	1.0	1.2	1.2	1.2	1.3
Other	0.2	0.5	0.2	0.1	0.2
Total exports	<u>50.6</u>	<u>67.3</u>	<u>71.1</u>	<u>68.2</u>	<u>59.2</u>
Imports					
Current consumption goods	9.8	11.8	13.8	15.4	16.7
Intermediate consumption goods	2.0	2.4	2.9	3.2	3.4
Capital goods	4.9	6.0	7.0	7.8	8.4
Total imports	<u>16.7</u>	<u>20.2</u>	<u>23.7</u>	<u>26.3</u>	<u>28.6</u>

Source: National Bank of Angola (BNA)

Between 2010 and 2014, the total value of exports increased by 17%, from U.S.\$50.6 billion to U.S.\$59.2 billion, principally driven by the increase in the value of oil exports from U.S.\$49.4 billion to U.S.\$57.6 billion, a 16.6% increase, in the same period.

There has also been an increase in the total value of non-oil exports, but they still represented a very modest 2.6% of total Angolan exports in 2014. The pace of growth of non-oil exports in the past couple of years has slowed due to weak global demand and prices for diamonds, Angola's second largest export, with 2% of total exports in 2014.

Between 2010 and 2014, the total value of imports increased from U.S.\$16.7 billion to U.S.\$28.6 billion, an increase of 71%. This increase was largely driven by imports of consumer goods, which accounted for 59% of total imports. Since the end of the Civil War, Angola has developed into a consumer society. In addition, the ongoing gradual recovery in the agricultural and manufacturing sectors keeps the economy highly dependent on imports of foods and consumption goods.

Capital goods represented 29% of Angola's imports in 2014. This can be largely ascribed to the Government's investment in the reconstruction of Angola's infrastructure and in the oil and diamond sectors since the end of the Civil War.

Exports

The table below sets forth the destination of Angola's crude oil exports for the years indicated by country:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
China	21.0	24.3	33.4	31.7	27.7
United States	8.9	10.4	6.1	4.9	2.0
Canada	3.4	5.9	3.5	3.0	2.7
France	1.8	2.1	1.1	1.3	2.0
India	5.1	6.9	7.0	6.8	4.7
South Africa	1.7	1.7	3.1	1.8	2.0
The Netherlands	0.7	1.5	1.0	1.6	2.1
Spain	0.9	0.5	1.6	2.4	3.7
Chile	—	—	—	—	0.4
Taiwan	2.4	5.4	4.7	4.0	2.3
Brazil	0.4	0.2	0.3	0.4	1.0
Others	2.4	5.7	7.2	7.7	5.7
Total	<u>48.6</u>	<u>64.5</u>	<u>68.9</u>	<u>65.6</u>	<u>56.4</u>

Source: National Bank of Angola (BNA)

The following table sets forth Angola's exports of goods in value terms by product for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Crude Oil (U.S.\$ billion)	48.6	64.5	68.9	65.6	56.4
Volume (bbl/d thousands)	625.1	586.4	617.0	609.3	586.9
Price (U.S.\$)	77.8	110.1	111.6	107.7	96.0
Refined Oil (U.S.\$ billion)	0.4	0.7	0.5	0.7	0.7
Volume (In metric tons)	750.9	869.3	664.7	931.4	1012.6
Price (U.S.\$/metric ton)	563.2	777.6	774.8	738.2	654.7
Gas (U.S.\$ billion)	0.3	0.4	0.3	0.6	0.6
Volume (bbl/d thousands)	5419.9	5383.8	5065.6	10232.1	10444.6
Price (U.S.\$/barrel)	55.3	69.9	65.1	59.0	58.9
Diamonds (U.S.\$ billion)	1.0	1.2	1.2	1.2	1.3
Volume (in thousand carats)	8363.1	8612.6	9011.4	8246.6	8870.6
Price (U.S.\$/carats)	116.7	139.9	128.7	141.5	150.5
Other exports (U.S.\$ billion)	0.3	0.5	0.2	0.2	0.2
Total Exports (U.S.\$ billion)	<u>50.6</u>	<u>67.3</u>	<u>71.1</u>	<u>68.2</u>	<u>59.2</u>

Source: National Bank of Angola (BNA)

The following table sets forth the percentage share of Angola's key export products in total for the years indicated unless otherwise stated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Crude Oil	96.1	95.9	96.9	96.1	95.3
Refined oil	0.8	1.0	0.7	1.0	1.1
Gas	0.6	0.6	0.5	0.9	1.0
Diamonds	2.0	1.8	1.7	1.8	2.2
Other exports	0.6	0.7	0.3	0.3	0.3
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Source: National Bank of Angola (BNA)

Oil remains by far Angola's single major export. Angola's technology to produce oil efficiently has been improving, enabling it to export large quantities more quickly. China, India and Spain are Angola's principal trading partners in Angola's exports of oil. Between 2010 and 2014, oil exports to China and India, while decreasing in absolute terms between 2012 and 2014, remained significant due to Angola's production of a large quantity of lower grade heavy crude oil (from Blocks 14, 15 and 17), for which China and India have the majority of appropriate refineries worldwide. Between 2010 and 2014, crude oil exports to the United States decreased significantly, from U.S.\$8.9 billion to U.S.\$2.0 billion in 2014, while crude oil exports to China increased from U.S.\$21.0 billion in 2010 to U.S.\$27.7 billion in 2014.

Non-oil exports included principally diamonds.

Imports

The table below sets forth the source of Angola's imports (including oil) for the years indicated by country:

<u>2010</u>	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>		
			<i>(U.S.\$ million)</i>						
Portugal	2.4	Portugal	3.1	Portugal	3.9	Portugal	4.3	Portugal	4.4
Netherlands	1.7	Netherlands	2.6	Singapore	2.7	Singapore	3.5	Singapore	4.1
China	1.4	Korea	2.2	China	2.2	China	2.7	China	3.5
U.S.	1.2	U.S.	1.7	Netherlands	1.8	Korea	1.7	U.S.	1.9
Belgium	1.2	China	1.5	Belgium	1.6	Belgium	1.4	Belgium	1.7
U.K	0.8	Belgium	1.2	U.S.	1.3	U.S.	1.2	UAE	1.6
Brazil	0.8	Brazil	0.8	Brazil	1.0	Brazil	1.1	Brazil	1.3
South Africa	0.7	South Africa	0.8	South Africa	0.9	UAE	1.1	U.K	1.2
France	0.5	U.K	0.6	UAE	0.9	South Africa	1.0	South Africa	1.0
Namibia	0.5	UAE	0.5	U.K	0.6	U.K	0.9	France	0.7
Others	<u>5.3</u>	Others	<u>5.1</u>	Others	<u>6.9</u>	Others	<u>7.3</u>	Others	<u>7.2</u>
Total	<u>16.7</u>	Total	<u>20.2</u>	Total	<u>23.7</u>	Total	<u>26.3</u>	Total	<u>28.6</u>

Source: National Bank of Angola (BNA)

Since 2010, and reflecting Angola's expansion of its commercial relations internationally, the origin of imports has diversified, with imports from China, Brazil, Portugal, Singapore, Japan, Belgium and South Africa increasing significantly. Angola's largest import partners in 2014 were Portugal (15%), Singapore (14%), China (12%), the U.S. (7%), certain EU countries (in particular, Belgium and the UK) (10%), the UAE (6%) and Brazil (5%).

The gradual recovery in the production of agriculture and manufactured products and the effects of Angola's infrastructure investment program means that Angola must import most consumption and investment goods. However, the consolidation of the peace process and the Government's economic policies are expected to support progress towards import substitution.

Following the drop in oil prices in 2014, Angola has experienced a lack of US dollars in circulation. See "*Monetary System – The Central Bank of Angola (the "BNA")*". The reduced US dollar liquidity has negatively affected imports to Angola due to the fact that many imports made be paid for in US dollars. See "*Risk Factors – A significant decline in the level of external reserves as a result of the BNA's major role as a main supplier of foreign currency to domestic residents for imports purposes, could materially impair Angola's ability to service its external debt, including the Notes*".

The following table sets forth Angola's imports of goods in value terms by product for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>U.S.\$ (billions)</i>				
Petroleum imports	2.4	3.4	4.0	5.0	4.8
Animal products	0.7	1.0	1.2	1.3	1.4
Vegetable products	0.5	0.7	0.8	1.0	0.8
Animal & vegetable- derived products	0.2	0.3	0.4	0.5	0.1
Food, tobacco and beverages	1.0	1.3	1.6	1.9	1.6
Minerals (ore, cement, salt, sulphur, chalk and others)	0.2	0.1	0.2	0.2	0.1
Chemical and pharmaceutical	0.7	0.9	1.1	1.2	1.4
Plastic and rubber-based products	0.4	0.6	0.7	0.8	0.9
Wood and charcoal	0.1	0.1	0.1	0.1	0.1
Raw material/pulp for paper production	0.2	0.3	0.3	0.4	0.3
Textile industry products	0.3	0.3	0.3	0.4	0.5
Shoe industry	0.1	0.1	0.1	0.1	0.2
Ceramic, glass and similar products	0.2	0.2	0.3	0.3	0.3
Jewels and precious stones	0.3	0.5	0.7	0.7	0.8
Metals, including aluminum, magnesium, zinc, copper	1.9	1.4	1.7	1.9	2.4
Machinery and electrical equipment	4.4	4.0	5.1	5.3	6.4
Motor cars, aircraft, ships and related	2.2	4.1	4.1	4.1	3.6
Optical, photography, cinematograph & medical – surgical	0.3	0.3	0.4	0.4	0.7
Weapons, ammunition and related	—	—	—	—	—
Art, artefacts and antiques	0.1	0.2	0.3	0.2	1.6
Other products	0.4	0.4	0.5	0.6	0.7
Total	<u>16.7</u>	<u>20.2</u>	<u>23.7</u>	<u>26.3</u>	<u>28.6</u>

Source: National Bank of Angola (BNA)

Trilateral free trade agreement

On 10 June 2015, 26 African countries signed the trilateral free trade agreement. When it comes into force in 2017, the common market created by the customs union under the trilateral free trade agreement is expected to encompass 51% of the African continent's GDP.

Angola has not yet signed-up to the trilateral free trade agreement but is currently contemplating whether to do so.

Foreign Direct Investment ("FDI")

Under Angola's socialist regime during the Civil War FDI in any sector in Angola was permitted only on the condition that the foreign investor formed a joint venture with an Angolan company, with the Angolan entity holding at least 51% of the shares of the joint venture. Furthermore, it was compulsory for foreign investors to keep 75% of their revenues in Angolan banks. Since the 1980s, Angola has moved towards a more free-market economy and restrictions on FDI have gradually diminished. The Government acknowledges the key importance of encouraging FDI, not only in the oil sector but most importantly in agriculture, construction, infrastructure and manufacturing. In the short-term, the oil sector will continue to attract the most significant amount of FDI. The Government has policies in place to protect local industries in other sectors, including local contract legislations and certain bans on some imports, including cement.

Regulation and monitoring of FDI

The definition and promotion of domestic and FDI policy rests with the President in his capacity as holder of executive power, assisted by the Ministerial Departments. Angola's amended Private Investment Law came into force on 11 August 2015 (the "**2015 PIL**"), sets forth the requirements for domestic and FDI in Angola, and provides for tax and customs incentives for private investment projects approved under the PIL.

Until 11 August 2015, the National Agency for Private Investment ("**ANIP**") was the body in charge of promoting private investment inside and outside the country, headed by Maria Luisa Abrantes, a member of President dos Santos's family. ANIP has now been dissolved and it has been replaced by the Angolan agency for the promotion of investment and exportation ("**APIEX – Angola**").

Within certain economic sectors, the 2015 PIL provides that, in the context of the establishment of compulsory partnerships with Angolan companies or citizens, the management of the investment process and approval of the ultimate investment is undertaken by the Ministerial Department in charge of the appropriate sector in which the FDI project will be implemented if the value of the related project is no greater than the equivalent in Kwanzas to U.S.\$10 million, or directly by the President in his capacity as holder of executive power if the project value exceeds the equivalent in Kwanzas to U.S.\$10 million. Further, the 2015 PIL formally authorizes foreign investments of any amount and grants foreign investors the right to repatriate dividends, and creates an additional tax rate applicable to the profits generated by investment projects approved under the 2015 PIL. This additional tax rate is progressive and only applies to profits exceeding certain thresholds provided by law, and calculated by reference to the relevant company's equity.

Certain tax benefits (including exemptions from or reductions of corporate income tax, capital income tax, real estate transfer tax, as well as customs duties exemptions and reductions) can be granted under the 2015 PIL subject to prior approval from the Minister of Finance or the President in his capacity as holder of executive power. However, the President in his capacity as holder of the executive power, upon recommendation from the Commission for the Negotiation of Benefits and Incentives, may be appointed to approve tax benefits for projects exceeding the equivalent in local currency of U.S.\$50 million if these generate substantial amounts of employment for national citizens (as calculated on an area-specific basis as set forth in the 2015 PIL).

Admission requirements for FDI

Under Angolan law, a requirement to form a joint venture with an Angolan partner used to apply only to investment in the oil and gas, mining, security, civil aviation, media and fishery sectors. The 2015 PIL has extended this requirement to other economic sectors, including the electricity and water, hotels and tourism, transportation and logistics, civil construction, telecommunications, IT, insurance and media sectors. Angolan companies or citizens must hold no less than 35% of the joint venture's share capital and shall participate in the management of the company, both of which must be reflected in the articles of association and in any shareholders' agreements relating to the relevant venture.

In other industries, foreign investors are allowed to establish businesses wholly owned by them, although most still prefer to partner-up with a local investor as the latter provides much-needed knowledge of the local market, business customs and procedures.

In order to qualify for FDI in Angola, investors must submit their investment proposal to the Ministerial Department in charge of the appropriate sector in which the FDI project will be implemented setting out a business plan for the project envisaged (in case of projects which do not exceed the equivalent in Kwanzas to U.S.\$10 million) or to the Technical Unit for Private Investment ("UTIP"), working under the direct supervision of the President in his capacity as holder of executive power (in case of projects which exceed the equivalent in Kwanzas to U.S.\$10 million). Although these projects are considered on a case by case basis, Angola encourages investment projects with the potential to replace imports and boost exports. Furthermore, Angola compels foreign companies to commit to investing in the training of locals to work on the projects planned, as well as a gradual replacement of the foreign workforce (over a defined period of time) by local Angolan workforce, before granting the project's approval.

The 2015 PIL applies to foreign investments of any amount and to national investments at or above the equivalent in local currency of U.S.\$500,000. For FDI of up to the equivalent in local currency of U.S.\$10 million, the project must be approved by the Ministerial Department in charge of the economic sector concerned. For FDI exceeding the equivalent in local currency of U.S.\$10 million, UTIP must assess and support the FDI and then remit the project to the President in his capacity as holder of the executive power for approval.

FDI by sector and country of origin

While the oil sector remains by far the major recipient of FDI, there has been significant growth in the volume of FDI other industries, which the Government sees as an encouraging factor in its effort to diversify Angola's economy.

The table below sets forth a breakdown of FDI by industry sector, for the years indicated:

<u>Industry Sector</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billion)</i>				
Oil	8.9	9.4	10.0	10.9	13.2
Diamonds	—	—	—	0.2	0.1
Agriculture	—	—	—	—	—
Industry	0.1	0.1	—	—	0.1
Construction	0.1	—	—	—	—
Commerce	—	—	—	—	—
Provision of Services	0.1	0.1	0.2	—	—
Transport	—	—	—	—	—
Total	9.2	9.6	10.3	11.2	13.3

Source: Ministry of Finance

The most significant volumes of FDI in Angola's oil sector have historically come from the United States (with Chevron and its subsidiary CABGOC acting as operator on two out of Angola's 21 currently producing oil Blocks, and ExxonMobil acting as the operator of Block 15), France (with Total acting as operator for three oil Blocks), Italy (with ENI acting as operator of one oil Block) and Brazil (with Petrobras acting as operator for two oil Blocks). In the non-oil sectors, most significant volumes of FDI came from Portugal, China and Brazil. While China and Brazil are expected to remain major investors in Angola, the Government is currently in the process of diversifying its foreign investment partnerships, which are expected to be reflected in the medium term by rising FDI inflows from Russia, India and South Africa, in particular. During the period 2010-2014, 82% of FDI was invested in the coastal areas of Angola, primarily in the province of Luanda.

In 2014, 69.3% of FDI originated from Europe, 30.1% originated from the United States of America, and 0.6% from other parts of the world.

The table below sets out the main sources of FDI (excluding FDI directed at the mining sector, which was insignificant at U.S.\$0.1 billion in 2014) in Angola during the course of 2010 through 2014:

<u>Country</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2010-2014</u>
	<i>(U.S.\$ millions)</i>					<i>(%) of total FDI</i>
United States of America	2,364.8	2,452.5	2,604.5	3,105.6	3,923.0	27.1
France	1,921.1	2,106.6	2,062.9	2,180.8	2,980.4	21.1
United Kingdom	1,976.3	2,100.2	2,410.2	2,086.4	2,318.5	20.4
Norway	1,389.5	1,547.1	1,549.2	1,416.4	1,824.3	14.5
Italy	875.2	832.6	1,004.2	1,408.0	1,617.1	10.7
Denmark	82.0	205.2	245.8	393.2	132.4	2.0
Portugal	214.1	90.7	102.6	127.1	93.5	1.2
Others	345.9	311.4	331.4	282.4	380.6	3.1
Total	9,168.9	9,646.3	10,310.8	11,000.0	13,269.8	100.0

Source: Ministry of Finance

Encouragement of FDI

Since the end of the Civil War in 2002, the Government has particularly encouraged foreign investment in those areas that would contribute to diversification of Angola's economy, including agriculture, fisheries, health and education, energy and water infrastructure, civil construction, roads and railways, ports and airports, telecommunications, heavy cargo and passenger equipment. Angola has been divided into two foreign investment zones that are granted different tax incentives.

The 2015 PIL provides tax incentives under the Industrial Tax, Investment Income Tax and SISA Tax.

The 2015 PIL allocates points to a given investment project taking into account the creation of jobs for Angolan nationals, the amount of the investment, the region where the project shall be implemented, the sector of the

economy, the production volume that will be exported, Angolan citizens' participation in the project, the value added to Angola. The points allocated to a particular project, shall determine for how long (from one to 10 years) such tax exemptions and benefits are granted.

Once FDI status is approved for a particular project and after its implementation, the investor is granted the right to repatriate dividends once the full investment has been made. In any event, such repatriation of dividends remains subject to Angola's foreign exchange legislation.

Angola's Government is committed to providing competitive conditions for FDI in Angola.

As with Angola's prior Private Investment Law, the 2015 PIL retains the use of special economic zones and introduces the concept of a "development hub", which is land equipped with the necessary infrastructures in which the companies may settle and benefit from the facilities granted by the law. The 2015 PIL also introduces "free zones" (being space located in port, airport or border facilities) that are exempted from tax and custom duties, and that in general offer storage, distribution and other logistics services to commerce, transshipment and re-export operations.

Since 2002, Angola has inserted international arbitration clauses into all contracts with foreign investors so as to increase efficiency and independence of resolution of any disputes and encourage investor confidence. Angola is also currently seeking to further simplify the conditions for admission of FDI in Angola and to shorten the review period of FDI projects. The Government expects further improvements will be addressed in further amendments to the 2015 PIL. Furthermore, the Government is confident that Angola's still significant needs for infrastructure investment will serve to encourage more FDI in Angola. See "*Economy – Infrastructure*".

To increase confidence in foreign investment, Angola has entered into Foreign Investment Promotion and Protection Agreements with South Africa, Germany, Russia and Namibia and is currently negotiating Foreign Investment Promotion and Protection Agreements with Portugal, Spain, India, the UK, France, Switzerland, Singapore, Japan, China and South Korea.

The table below sets out the number of projects and amounts of FDI (excluding FDI directed at the oil and mining sectors) approved by ANIP between 2010 and 2014:

	2010	2011	2012	2013	2014	Total
No. of projects	524	168	62	104	122	980
Amount of FDI (U.S.\$ millions)	1,507.6	490.4	203.3	327.5	404.9	2,933.7

Source: National Bank of Angola (BNA)

Foreign Reserves

Surpluses in Angola's Balance of Payments in the period 2010 through 2013 resulted in a significant strengthening of the country's foreign exchange ("FX") reserves position. FX reserves increased by U.S.\$8.1 billion between 2010 and 2014. The total gross FX reserves were U.S.\$27.8 billion as at 31 December 2014, equivalent to 6.2 months of imports of goods and services. The decline in oil revenues since mid-2014 and an increase in dollarization (the alignment of Angola's economy to the US dollar) resulted in a decrease in gross FX reserves during 2014, as the BNA intervened in the FX market to avert a sharp depreciation of the Kwanza.

Between October 2013 and June 2014 Angola transferred U.S.\$5 billion from the Oil for Infrastructure Fund to its sovereign wealth fund, the FSDEA. See "*Public Finance – Fundo Soberano de Angola ("FSDEA")*". Assets of FSDEA are not included in the calculation of foreign reserves. Angola paid a total of U.S.\$5 billion into the FSDEA between October 2013 and June 2014, of which 34% has been invested. As at 30 October 2015, gross FX reserves stood at U.S.\$23.6 billion, equivalent to 6.4 months of import cover.

The table below sets forth certain information regarding Angola's gross accumulated FX reserves as at 31 December of the years indicated and as at 30 June 2015:

	2010	2011	2012	2013	2014	30 June 2015
			<i>(U.S.\$ billion)</i>			
Total gross FX Reserves	19.7	27.5	32.2	32.2	27.8	25.2
Months of import cover	6.7	7.5	8.4	7.9	6.2	6.9

Source: National Bank of Angola (BNA)

The table below sets forth certain information regarding the components of Angola's gross FX reserves as at 31 December for the year indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
			<i>(U.S.\$ billion)</i>		
Monetary gold	—	0.5	1.0	0.7	0.7
SDR holdings	0.4	0.4	0.4	0.4	0.3
Foreign exchange	—	—	—	—	—
BNA deposits	19.3	22.6	20.3	16.8	13.5
Securities	—	0.9	6.3	9.8	9.5
Reserve position in the IMF	—	—	—	—	—
Shares and other equity	—	<u>3.2</u>	<u>4.2</u>	<u>4.5</u>	<u>3.8</u>
Total foreign exchange reserves	<u>19.7</u>	<u>27.5</u>	<u>32.2</u>	<u>32.2</u>	<u>27.8</u>

Source: National Bank of Angola (BNA)

The National Bank of Angola continues to monitor the banking system's current account, with a view to maintaining minimum reserves totaling six months of imports.

Trade Policy

The Ministries of Economy, Commerce and Industry are the Government departments responsible for formulation, monitoring and implementation of Angola's trade policy.

Angola is a full member of the World Trade Organization and is an advocate of free trade. Angola has signed bilateral trade agreements with a number of different countries including Brazil, China, Portugal and other members of the SADC. In April 2015, Angola's Foreign Minister stated Angola's intention to join the SADC's free-trade zone in 2017.

The SADC Protocol on Trade, which intended to establish a free trade area in the SADC Region, achieved to attain zero duty on 85% of intra-regional trade amongst partner states in 2008.

12 out of 15 SADC member states are part of the SADC's free trade area. Angola is not currently part of this, however.

Since 2000, when implementation of the SADC Protocol on Trade started, intra-SADC trade has grown from approximately U.S.\$13.2 billion in 2000 to U.S.\$34 billion in 2009, representing an increase of approximately 155%.

Prior to independence and the Civil War, Angola engaged in more diversified and balanced foreign trade. In addition to exporting crude oil, its main export item, Angola exported agricultural products (such as coffee, cotton and maize). The Civil War significantly undermined Angola's economy, particularly Angola's non-oil sectors. As a result, Angola became significantly more reliant on its foreign trade of exporting oil and on importation of non-oil goods, including those that were produced locally and exported prior to independence. Since the end of the Civil War, Angola has been to diversifying its exports away from oil to significantly increase its non-oil exports pursuant to the Government's strategy to increase Angola's share of foreign trade, as well as the principal target market for such products.

In January 2015, in an effort to increase national production of certain food products (particularly in rural areas of Angola), Joint Executive Decree 22/15 of January 2015 established import quotas for 2015 in respect of certain foods, which are set out in the decree. These import quotas are only intended to affect imports of foods where domestic supply covers more than 60% of domestic consumption. These quotas comprise a limit of 2,045,440 tons for certain staple goods (including flour, salt, sugar, rice, water, meat and fish), a limit of 950,000 tons of certain beverages, 156 million eggs and 184,500 tons of fruit and vegetables. As part of the quota's implementation, all firms sending food to Angola were required to obtain new licenses. These measures were in addition to raised customs tariffs.

Also in January 2015, Joint Executive Decree 2/15 of 8 January 2015 established a prohibition on the importation of cement without the authorization of the Cement Sector Commission, though certain categories of cement were exempt from the prohibition, and the provinces of Cunene, Cabinda and Cuando Cubango have specific quotas under the decree. This prohibition was introduced as a result of the fact that in 2014, domestic production of cement was approximately 8.7 million tons of cement, exceeding domestic demand by 6.7 million tons.

PUBLIC FINANCE

Overview

Angola's high dependence on the oil sector means that oil revenues represent by far the largest proportion of fiscal revenues, at 67.5% in 2014. Non-oil tax revenues represented 25.6% of the total in 2014. On the expenditure side, 70.2% of resources were allocated to current expenditures and 29.8% to capital expenditure.

Driven by the increase in oil production and oil prices, Angola has experienced large fiscal surpluses in recent years, with an annual average surplus of 3.2% of GDP in the period 2010 to 2014. Large fiscal surpluses also reflect the improvements to fiscal management, including the gradual increase in efficiency and transparency of public expenditure. The introduction of the information system, *Integrated Management System of the State Finances*, in 2004 has contributed significantly in strengthening budget execution and fiscal reporting.

In addition, the Government has sought to adopt prudent budgeting practices. The Government has adopted conservative oil price assumptions for budgeting purposes and oil revenues in excess of those budgeted for are deposited in a separate account at the BNA as precautionary savings. As of the end of 2014, the reserve account held approximately U.S.\$11.5 billion of treasury deposits in foreign currency (representing 9.1% of GDP). In November 2008, the Government established a commission to prepare strategies and legislation to establish the Fundo Soberano de Angola ("FSDEA"), to be funded via surplus oil revenues. In 2011, the FSDEA was legally ratified, and officially established in 2012. See "*– Fundo Soberano de Angola ("FSDEA")*" below.

The average spot price of crude oil was U.S.\$111.6 per barrel in 2012, U.S.\$107.7 per barrel in 2013, U.S.\$96.9 per barrel in 2014 and U.S.\$53.0 per barrel on 30 October 2015. The decline in oil prices has had a significant impact on Angola's fiscal performance. In March 2015, the Government amended the 2015 national budget (the "**2015 National Budget**") to lower oil price assumptions and adopted measures designed to cut spending and prevent fiscal deterioration. The previous 2014 national budget (the "**2014 National Budget**") estimated a projected deficit of 4.9% of Angola's GDP and the actual deficit was 6.6%. See "*– The 2014 National Budget*" below. The 2015 National Budget targets an overall deficit of 7.0% of GDP assuming an average oil price of U.S.\$40/bbl. See "*– The 2015 National Budget*" below.

Budget Framework and Process

Framework

Angola is a unitary state comprising 18 provinces and 157 municipalities. The administration of the provinces and municipalities remains a function of the central Government, and there are currently no provincial or municipal taxes due to the fact that the administrative and fiscal decentralization provided for under the Angolan Constitution has yet to be implemented.

The structure of Angola's budget has been designed so that, in principle, the general Government budget is the final level of consolidation. Angola's national budgets include the budgets of the central Government, local governments and autonomous funds (including the National Institute for Social Security and the Social Security Fund). In practice, local government are extensions of the central Government. The relations between the Government and public enterprises are recorded through the consolidated flows of subsidies, transfers, investment financing and taxes.

Angola's national institutes are administrative public institutions with autonomy, established by the central Government either as regulatory bodies, public policy institutions or public service providers. The autonomous funds are also administrative public institutions with autonomy, established by the central Government in the pursuit of specific economic and social policy objectives, to finance private activities, either through the provision of loans at below market interest rates or through social and capital subsidies. Autonomous funds and government agencies are entitled to have independent budgets, though few of them have their own sources of revenues, with their main source of funding being transfers from the central Government.

The public sector is comprised of central Government, local government, autonomous funds and government agencies, non-financial public enterprises and financial public enterprises. In addition to the state-owned oil and diamond companies (Sonangol and Endiama, respectively), there are a number of other state-owned enterprises including with respect to finance (e.g. banking and insurance), services and utilities (e.g. telecommunications), transport (e.g. airlines, airports, ports, railways and roads) and national services (e.g. postal delivery services and trade).

Angola's central bank, the BNA, is a public fiscal institution. However, since the BNA's aim is not to generate profits, Angolan law requires that any loss it makes must be covered by Government issued bonds. If BNA generates a profit, any such amount must be transferred to the Government treasury.

Each province in which mineral resource exploration and production activities are carried out receives from the Government an allocation of 10% of the aggregate amount of corporate income tax collected from such activities. The entire revenues from taxes on employment income, consumption, excise, stamp duty, property, motor vehicles, and other minor non-tax revenues (mainly emoluments on service charges provided by municipalities) are allocated by the central Government back to the local government for expenditure in the province in which such taxes were collected.

A proportion of the Government's expenditure consists of subsidies. The table below sets out the subsidies provided by Angola split across the water, transport and energy sectors:

Sector	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>% of GDP</i>				
Price subsidies	6.3	7.6	4.4	4.6	4.5
Water sector	0.1	0.1	0.1	0.1	0.1
Transport Sector	0.1	0.1	0.1	0.1	—
Energy sector ¹	6.1	7.3	4.3	4.5	4.4
Non-price subsidies	<u>0.4</u>	<u>0.3</u>	<u>0.6</u>	<u>1.3</u>	<u>0.9</u>
Total subsidies	<u>6.7</u>	<u>7.8</u>	<u>5.0</u>	<u>5.9</u>	<u>5.4</u>

¹ Energy sector subsidies include (and have included in the past) refined oil and electricity tariffs, among others.

Source: Ministry of Finance

The Government's policy is to gradually reduce the overall levels of subsidies that it provides, though its policy is to maintain a minimum level of subsidies for those in society who continue to require them. In particular, the Government aims to reduce the level of total subsidies to below 1% of GDP by 2017. In September 2014, the Government raised retail prices (by 25% for gasoline and diesel, by 21.6% for liquefied petroleum gas, by 34.6% for kerosene, by 100% for heavy fuels, and by 18.8% for asphalt). The IMF estimates that this reduction in fuel subsidies resulted in a saving of 0.5% of Angola's GDP in 2014. In 2015, the Government fully eliminated all subsidies on gasoline and reduced subsidies on diesel products from a 60% subsidy on the price of diesel in 2014 to a 20% subsidy on the price of diesel in 2015. The Government plans to fully eliminate subsidies on diesel by the end of 2015. The Government has budgeted to reduce energy sector subsidies to 1.3% of GDP in 2015 and currently estimates that total subsidies for 2015 will be reduced to 1.6% of GDP from 5.4% in 2014. The Government believes it will meet its target of reducing total subsidies to below 1% of GDP by 2017.

Budget process

The budget process formally starts in June with the issue of a circular by the Minister of Finance requesting all Government bodies (excluding public enterprises) to submit their proposed budgets (including estimates of their revenue sources and expenditures) within the limit set by the Ministry of Finance, based on the preliminary projections of the Government's total revenue for the forthcoming year. Each body's proposal for capital expenditure must match the amount included in the public investment program (the "PIP"), prepared by the Ministry of Planning.

The Ministry of Finance then consolidates the proposed budgets and begins the discussion process with the budget units. Once this is completed, the Ministry of Finance submits its proposed budget (the "Budget") to the Economic Commission for review, which must, by law, be approved by the President by 30 September. Following approval, the Budget is submitted to the National Assembly by 31 October. The National Assembly must approve the Budget by 15 December of that year. If it fails to do so, the budget of the current year will continue to apply into the new fiscal year until a new budget is approved, no later than 31 March. Any amendments to the Budget Law also need to be ultimately approved by the National Assembly.

Taxation

All taxes in the Angola tax system qualify as national taxes. There are currently no provincial or municipal taxes, because the administrative and fiscal decentralization provided for in Angola's constitutional laws has yet to be implemented.

The Angolan tax system includes the following key taxes on income and non-economic activity:

- (i) Personal income tax, levied on income of individuals working as employees or self-employed, with certain items listed in the IRT Code, such as vacation allowance, 13th month bonus and housing allowances (up to 50% of the rent amount) specifically excluded from taxation, and rates that range from 7% to 17% (established by Law No. 18/14). Individuals carrying on industrial and commercial activities are also subject to personal income tax at rates of between 6.5 and 30%, depending on turnover.
- (ii) Employers' social security contributions, which are governed by Decree No. 38/08. Employers are required to pay 8% on the gross payroll, whereas employees pay 3% of their salaries.
- (iii) Consumption tax (Presidential Legislative Decree No. 3-A/14), with a standard rate of 10% and specific rates for listed goods and services which range between 2% and 30%. Consumption Tax rates on imports are currently set forth in the Customs Schedule and vary between 2% and 30%.
- (iv) Stamp duty is levied over certain specific acts, documents, agreements and transactions in securities, as set forth in the Stamp Duty General Chart (as approved by Presidential Legislative Decree No. 3/14). Interest on treasury bills, treasury bonds and central bank securities and marketable securities sold over regulated markets are exempt from stamp duty.
- (v) Motor vehicles pay a fixed amount, depending on the engine power of the vehicle.
- (vi) Capital gains tax, levied on dividends, interest from financial investments and royalties, with rates that range from 10% to 15% (established by Presidential Legislative Decree No. 2/14). As to any interest paid in Angola, interest is regarded as investment income and, therefore, subject to Investment Income Tax (IT). This tax is typically assessed through withholding at a 10 to 15% rate on the gross interest paid on a wide variety of debt instruments, securities and on other types of investment or capital income, including, interest on loans, interest on other debt instruments, interest on deposit accounts, dividend distributions, royalties, etc. There is a specific 5% rate for interest, premium or redemption or refund and other forms of remuneration of corporate bonds, treasury bills, central bank bonds and treasury securities listed on regulated markets with a maturity equal to or greater than three years.
- (vii) The transfer and acquisition of real estate is subject to 2% Property Transfer Tax, as set by Legislative Diploma No. 230 and Law No. 16/11 (plus 0.3% Stamp Duty over the amount of Property Tax due).
- (viii) The ownership of urban real estate is annually subject to an Urban Properties Tax, as set by the Legislative Diploma No. 4044 and Law No. 18/11, of 15% on rental income or 0 – 0.5% on the property's ratable valuation, as applicable.
- (ix) Corporate income tax, known as "Industrial Tax", with a rate of 15% for agriculture, aquaculture, poultry, fishing and forestry, and 30% for all other activities (Law No. 19/14). 6.5% Industrial withholding tax is levied on provisional assessment on income from the provision of services and final withholding tax on fees from services provided by non-residents without a permanent establishment in Angola. 2% industrial withholding tax is levied on provisional assessment on income from the sale of goods.
- (x) Duties are levied on imports (as per Presidential Legislative Decree No. 10/13), as follows: (i) customs duties (rates vary between 2% and 50%); (ii) 1.0% Stamp Duty on customs clearance document; (iii) fees payable for services actually provided by customs agencies. Among other minor charges, General Customs Fees (*Emolumentos Gerais Aduaneiros*), at a rate of 0.1% -2% apply. Exports are generally exempt from customs duties, except for Stamp Duty and fees payable for services provided by customs agencies, as outlined under ii) and iii) of this paragraph.

The oil industry is governed by a specific tax regime (which was systematized by Law No. 13/04). This regime includes the following taxes:

- petroleum production tax, with rates ranging from 10% to 20%;
- petroleum income tax, with a rate of 50 or 65.75%; and
- petroleum transaction tax, with a rate of 70%.

Under PSAs, the Government is entitled to receive a share of the oil produced; after the investor deducts the costs relating to oil recovery (capital expenditures and operational expenditures). See "*Economy – Oil industry – Current principal commercial and fiscal terms of oil production*".

There is also a specific tax regime for mining production (set by Law No. 31/11), which includes royalties with rates that range from 2% to 5% and an income tax of 25%.

As a response to the reduction in oil revenues resulting from the recent fall in the oil price, in September 2015 the Government has implemented an increase in its consumption tax and customs duties in respect of certain goods, such as alcohol, tobacco, perfume, make-up, jewelry and cars.

Based on the data from 2010 to 2014, tax revenue was, on average, 40.5% of GDP, constituting 32.7% of GDP for oil revenue, and 7.8% of GDP for non-oil tax revenue.

Fiscal Performance

The following tables set forth the revenue, expenditure and fiscal balance of the Government for the five fiscal years indicated (in Kwanza and US dollars) and as provided in the 2015 revised National Budget for 2015:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Preliminary	2015 National Budget (revised)
	<i>(Kwanza billions)</i>					
Revenue	3,295.5	4,775.6	5,054.7	4,849.4	4,402.6	2,692.6
Tax revenue	3,094.5	4,527.7	4,825.9	4,602.0	4,098.0	2,476.0
Oil	2,500.4	3,817.1	4,102.7	3,629.8	2,969.8	1,039.2
Non-oil	594.1	710.6	723.2	972.2	1,128.2	1,436.8
Social security contributions	75.6	89.8	106.6	120.7	86.9	127.5
Other revenue	123.5	156.2	119.8	124.0	215.7	87.6
Grants	1.9	1.8	1.6	1.8	1.5	1.5
Expenditures	2,893.9	3,774.2	4,329.2	4,816.3	5,221.9	3,499.1
Current expenditures	2,160.6	2,928.3	3,173.2	3,437.2	3,666.5	2,862.3
Personnel	713.8	877.3	1,031.0	1,154.8	1,318.9	1,487.9
Goods and services	619.1	1,030.7	1,296.6	1,228.3	1,247.7	692.2
Interest payments due	89.5	94.6	105.3	99.1	149.5	231.0
<i>Of which: External</i>	62.8	38.4	36.8	40.1	61.9	93.5
Domestic	26.7	56.2	68.4	59.0	87.6	137.5
Transfers	738.2	925.7	740.3	955.0	950.4	451.2
<i>Of which: subsidies</i>	506.6	766.3	548.2	710.2	668.2	154.3
Capital expenditures	733.3	845.9	1,156.0	1,379.1	1,555.4	636.8
Fiscal surplus/(deficit) (accrual basis)¹	401.6	1,001.4	725.5	33.1	(819.3)	(806.5)
Change in arrears (net)	(1.3)	151.3	288.9	323.5	517.3	—
Domestic	(1.3)	151.3	288.9	323.5	517.3	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis)²	400.3	1,152.7	1,014.4	356.6	(302.0)	(806.5)
Financing	(400.3)	(1,152.7)	(1,014.4)	(356.6)	302.0	806.5
Domestic financing (net)	(416.2)	(1,203.5)	(1,232.3)	(539.8)	(135.6)	93.6
Bank	(300.0)	(826.0)	(405.0)	(731.0)	(329.9)	(279.9)
Non-bank	(116.2)	(377.5)	(827.3)	191.2	194.3	373.5
External financing (net)	15.9	50.8	217.9	183.2	437.6	712.9
Assets	—	—	—	—	—	—
Liabilities	15.9	50.8	217.9	183.2	437.6	712.9
Foreign loans (net)	15.9	50.8	217.9	183.2	437.5	712.9
Disbursements	153.7	186.1	383.5	379.9	731.5	1,105.5
Amortization	(137.8)	(135.3)	(165.6)	(196.7)	(294.0)	(392.6)
Memorandum items:						
Inflation (year-to-year) (%)	15.3	11.9	9.0	7.7	7.5	9.0
Average exchange rate (AOA/U.S.\$)	92.0	93.9	95.4	96.6	98.6	112.5
Oil exports (<i>million barrels</i>)	625.1	586.4	617.0	609.3	586.9	669.8
Average oil export price (<i>U.S.\$/barrel</i>)	77.9	110.1	111.6	107.7	96.9	40.0
Nominal GDP (<i>AOA billion</i>)	7,584.6	9,780.1	10,876.0	12,056.3	12,462.3	11,534.9

¹ Fiscal surplus / (deficit) on an accrual basis measures the cost of the government's annual operations and represents the amount by which the government's expenses exceed its revenues in a given fiscal year. The

accrual deficit records costs that are known to have occurred in a particular period (as opposed to recording the resulting cash payments) and includes assumptions for interest rates, inflation and wage growth, among other things. The accrual deficit provides information on the longer-term implications of current government operations.

- ² Fiscal surplus / (deficit) on a cash basis represents the amount by which the government's cash outlays exceed its cash receipts in a given fiscal year. The cash deficit closely approximates to the government's short-term borrowing needs.

Source: Ministry of Finance

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Preliminary	2015 National Budget (revised)
	<i>(U.S.\$ billions)</i>					
Revenue	35.8	50.9	53.0	50.2	44.6	23.9
Tax revenue	33.6	48.2	50.6	47.7	41.5	22.0
Oil	27.2	40.7	43.0	37.6	30.1	9.2
Non-oil	6.5	7.6	7.6	10.1	11.4	12.8
Social security contributions	0.8	1.0	1.1	1.3	0.9	1.1
Other revenue	1.3	1.7	1.3	1.3	2.2	0.8
Grants	—	—	—	—	—	—
Expenditures	31.5	40.2	45.4	49.9	52.9	31.1
Current expenditures	23.5	31.2	33.3	35.6	37.2	25.4
Personnel	7.8	9.3	10.8	12.0	13.4	13.2
Goods and services	6.7	11.0	13.6	12.7	12.7	6.2
Interest payments due	1.0	1.0	1.1	1.0	1.5	2.1
<i>Of which:</i> External	0.7	0.4	0.4	0.4	0.6	0.8
Domestic	0.3	0.6	0.7	0.6	0.9	1.2
Transfers	8.0	9.9	7.8	9.9	9.6	4.0
<i>Of which:</i> subsidies	5.5	8.2	5.7	7.4	6.8	1.4
Capital expenditures	8.0	9.0	12.1	14.3	15.8	5.6
Fiscal surplus/(deficit) (accrual basis) ¹	4.4	10.7	7.6	0.3	(8.3)	(7.2)
Change in arrears (net)	—	1.6	3.0	3.3	5.2	—
Domestic	—	1.6	3.0	3.3	5.2	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis) ²	4.3	12.3	10.6	3.7	(3.1)	(7.2)
Financing	(4.3)	(12.3)	(10.6)	(3.7)	3.1	7.2
Domestic financing (net)	(4.5)	(12.8)	(12.9)	(5.6)	(1.4)	0.8
Bank	(3.3)	(8.8)	(4.2)	(7.6)	(3.3)	(2.5)
Non-bank	(1.3)	(4.0)	(8.7)	2.0	2.0	3.3
External financing (net)	0.2	0.5	2.3	1.9	4.4	6.3
Assets	—	—	—	—	—	—
Liabilities	0.2	0.5	2.3	1.9	4.4	6.3
Foreign loans (net)	0.2	0.5	2.3	1.9	4.4	6.3
Disbursements	1.7	2.0	4.0	3.9	7.4	9.8
Amortization	(1.5)	(1.4)	(1.7)	(2.0)	(3.0)	(3.5)

¹ Fiscal surplus / (deficit) on an accrual basis measures the cost of the government's annual operations and represents the amount by which the government's expenses exceed its revenues in a given fiscal year. The accrual deficit records costs that are known to have occurred in a particular period (as opposed to recording the resulting cash payments) and includes assumptions for interest rates, inflation and wage growth, among other things. The accrual deficit provides information on the longer-term implications of current government operations.

² Fiscal surplus / (deficit) on a cash basis represents the amount by which the government's cash outlays exceed its cash receipts in a given fiscal year. The cash deficit closely approximates to the government's short-term borrowing needs.

Source: Ministry of Finance

The table below sets forth the fiscal-to-GDP ratios (in (%) terms) of the Government's fiscal operations, from 2010 to 2014, and as provided in the 2015 revised National Budget for 2015:

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Preliminary	2015 National Budget (revised)
	<i>% of GDP</i>					
Revenue	43.4	48.8	46.5	40.2	35.3	23.3
Tax revenue	40.8	46.3	44.4	38.2	32.9	21.5
Oil	33.0	39.0	37.7	30.1	23.8	9.0
Non-oil	7.8	7.3	6.6	8.1	9.1	12.5
Social security contributions	1.0	0.9	1.0	1.0	0.7	1.1
Other revenue	1.6	1.6	1.1	1.0	1.7	0.8
Grants	—	—	—	—	—	—
Expenditures	38.2	38.6	39.8	39.9	41.9	30.3
Currents expenditures	28.5	29.9	29.2	28.5	29.4	24.8
Personnel	9.4	9.0	9.5	9.6	10.6	12.9
Goods and services	8.2	10.5	11.9	10.2	10.0	6.0
Interest payments due	1.2	1.0	1.0	0.8	1.2	2.0
<i>Of which: External</i>	0.8	0.4	0.3	0.3	0.5	0.8
Domestic	0.4	0.6	0.6	0.5	0.7	1.2
Transfers	9.7	9.5	6.8	7.9	7.6	3.9
<i>Of which: subsidies</i>	6.7	7.8	5.0	5.9	5.4	1.3
Capital expenditures	9.7	8.7	10.6	11.4	12.5	5.5
Fiscal surplus/(deficit) (accrual basis)¹	5.3	10.2	6.7	0.3	(6.6)	(7.0)
Change in arrears (net)	—	1.5	2.7	2.7	4.1	—
Domestic	—	1.5	2.7	2.7	4.1	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis)²	5.3	11.8	9.3	3.0	(2.4)	(7.0)
Financing	(5.3)	(11.8)	(9.3)	(3.0)	2.4	7.0
Domestic financing (net)	(5.5)	(12.3)	(11.3)	(4.5)	(1.1)	0.8
Bank	(4.0)	(8.4)	(3.7)	(6.1)	(2.6)	(2.4)
Non-bank	(1.5)	(3.9)	(7.6)	1.6	1.6	3.2
External financing (net)	0.2	0.5	2.0	1.5	3.5	6.2
Assets	—	—	—	—	—	—
Liabilities	0.2	0.5	2.0	1.5	3.5	6.2
Foreign loans (net)	0.2	0.5	2.0	1.5	3.5	6.2
Disbursements	2.0	1.9	3.5	3.2	5.9	9.6
Amortization	(1.8)	(1.4)	(1.5)	(1.6)	(2.4)	(3.4)

¹ Fiscal surplus / (deficit) on an accrual basis measures the cost of the government's annual operations and represents the amount by which the government's expenses exceed its revenues in a given fiscal year. The accrual deficit records costs that are known to have occurred in a particular period (as opposed to recording the resulting cash payments) and includes assumptions for interest rates, inflation and wage growth, among other things. The accrual deficit provides information on the longer-term implications of current government operations.

² Fiscal surplus / (deficit) on a cash basis represents the amount by which the government's cash outlays exceed its cash receipts in a given fiscal year. The cash deficit closely approximates to the government's short-term borrowing needs.

Source: Ministry of Finance.

The 2012 National Budget

Revenue

Under the 2012 National Budget, total projected revenue for 2012 was AOA 3,760.7 billion. Actual revenue for 2012 was AOA 5,054.7 billion, 34.4% higher than budgeted mainly due to an increase in oil revenue by 60.3% in comparison to the budget. Oil revenues increased 7.5% from 2011 to 2012, while non-oil related tax revenues increased around 1.8%. As a proportion of GDP, both non-oil and oil revenues decreased.

Under the 2012 National Budget, oil revenue was expected to represent 68.1% of total revenue, down by 11.9% in comparison to 2011, while non-oil tax revenue was expected to represent 26.7%, compared to 14.9% in 2011. Actual oil revenue was 81.2% of total revenue in 2012, with non-oil tax revenue representing 14.3% of total revenue.

Expenditure

The 2012 National Budget included a cut in expenditure equal to 2.5% of 2012 GDP, in comparison to actual expenditure in the previous year. Overall, actual expenditure amounted to AOA 4,329.2 billion, an increase of 14.7% from actual expenditure in 2011. Current expenditure increased by 8.4% and capital expenditure grew by 36.7% compared with 2011.

The allocation of resources to Government function was: social sector, 34.5%, economic sector, 12.0%, general administration, 16.3%, defense and public safety, 18.6%, and public debt obligations, 18.7%.

Performance

Both actual revenue and actual expenditure were considerably higher than budgeted under the 2012 National Budget. While the 2012 National Budget catered for a fiscal surplus of 2.7% of GDP, a significantly higher surplus of 6.7% was achieved because the average oil price was considerably higher than assumed. The 2012 National Budget was prepared using an assumed oil price of U.S.\$77.9 per barrel, though the average oil price during U.S.\$111.60 per barrel for 2012.

The 2013 National Budget

Revenue

Under the 2013 National Budget, total projected revenue for 2013 was AOA 4,570.4 billion. Actual revenues for 2013 were AOA 4,849.4 billion, 6.1% higher than budgeted due to a slight increase in oil revenues compared to the budget. Oil revenues decreased 11.5% from 2012 to 2013, while non-oil related revenues increased by approximately 34.4%. As a proportion of GDP, oil revenues decreased by 7.6%, while non-oil tax revenues increased by 1.4%.

Under the 2013 National Budget, oil revenue was expected to represent 71.8% of total revenue, down by 9.4% in comparison to 2012, whereas non-oil tax revenue was expected to represent 24.5%, compared to 14.3% in 2012. Actual oil revenue was 74.9% of total revenue in 2013, with non-oil tax revenue representing 20.1% of total revenue.

Expenditure

In 2013 actual expenditure increased by an amount equal to 4.0% of 2013 GDP, in comparison to actual expenditure for 2012, principally relating to increased investments in infrastructure projects and an increase in public sector worker costs. Overall, actual expenditure amounted to AOA 4,816.3 billion, an increase of 11.3% in comparison to actual expenditure in 2012. Current expenditure increased by approximately 8.3% and capital expenditure grew by 19.3% in nominal terms compared with 2012.

The allocation of resources to Government function was: social sector, 32.4%, economic sector, 20.3%, general administration, 20.4%, defense and public safety, 16.1%, and public debt obligations, 10.9%.

Performance

The actual revenue for 2013 was 6.1% higher than budgeted under the 2013 National Budget, while actual expenses were 3.2% lower. As a result, while the 2013 National Budget catered for a fiscal deficit of 3.4% of the GDP, a fiscal surplus of 0.3% was achieved. The 2013 National Budget was prepared using an assumed oil price of U.S.\$96 per barrel, while there was an actual average oil price of U.S.\$107.7 per barrel in 2013.

The 2014 National Budget

Revenue

Under the 2014 National Budget, total projected revenue for 2014 was AOA 4,744.8 billion, a decline from 2013 due to lower than expected oil price and output assumptions. The actual revenues for 2014 were AOA 4,402.6 billion. In 2014, the non-oil related tax revenues increased by 16.1% in nominal terms. While, as a proportion of GDP, non-oil tax revenues increased, this largely reflects the decline in oil revenues due to lower output and oil prices and only moderate gains in non-oil tax revenue collection.

Under the 2014 National Budget, oil revenue was expected to represent 69.8% of total revenue, down by 5.0% in comparison to 2013, whereas non-oil tax revenue was expected to represent 25.9%, although actual oil revenue was 67.5% of total revenue in 2014, with non-oil tax revenue representing 25.6% of total revenue.

Expenditure

The 2014 National Budget included an increase in expenditure equal to 4.5% of 2014 GDP, principally relating to increased investments in infrastructure projects and an increase in public sector worker costs. Overall, spending amounted to AOA 5,221.9 billion, up 8.4% from actual expenditure in 2013. Current expenditure increased by 6.7% and capital expenditure grew by 12.8% in nominal terms compared with 2013.

The allocation of resources to Government function was: social sector, 31.8%, economic sector, 19.9%, general administration, 18.0%, defense and public safety, 17.1%, and public debt obligations, 13.1%.

Performance

Actual revenue was lower than budgeted under the 2014 National Budget, though the level of expenditure also decreased by 2.8% from budgeted expenditure.

While the 2014 National Budget catered for a fiscal deficit of 4.9% of GDP, a higher fiscal deficit of 6.6% resulted, due to the fall in oil prices. The 2014 National Budget was prepared using an assumed oil price of U.S.\$98 per barrel as compared to an actual average oil price of U.S.\$96.9 per barrel for 2014.

The 2015 National Budget

In light of the fiscal deterioration due to the international economic crisis, the sharp decline in oil prices and the cut in OPEC production quotas, the Angolan Government revised its National Budget in early 2015. The revised 2015 National Budget included a revision of oil price assumptions, as well as setting out measures to reduce current expenditure and prioritize capital spending.

The initial macroeconomic assumptions in Angola's budget were revised in the 2015 National Budget as shown in the table below and are compared against Angola's actual performance in 2014:

	<u>2014 (preliminary)</u>	<u>2015 Initial</u>	<u>2015 Revised</u>
Annual inflation (%)	7.5	7.0	9.0
Annual oil production (<i>million barrels</i>)	610.2	669.1	669.8
Average oil export price per barrel (<i>U.S.\$</i>)	96.9	81.0	40.0
Gross Domestic Product			
Nominal value (<i>AOA billions</i>)	12,462.3	13,480.9	11,534.9
Real growth rate (%)	4.8	9.7	6.6
Oil sector growth rate (%)	(2.6)	10.7	9.8
Non-oil sector growth rate (%)	8.2	9.2	5.3

Source: Ministry of Finance.

In its revised 2015 National Budget, the Government budgeted that, while oil production will increase by 9.8%, oil prices will fall by 58.7% in 2015 compared to 2014.

Notwithstanding the 2015 budgeted increase in oil production, due to the budgeted decrease in oil price, the Government expects that Angola's oil sector contribution to nominal GDP will contract by 48.2% in 2015. As a result, it is expected that Angola's total nominal GDP will decrease by 7.4% in 2015.

Real GDP is calculated on constant 2002 prices of goods, including the price of oil, and measures changes in production. As oil production is budgeted by the Government to increase significantly in 2015, Angola's real GDP growth in the oil sector was budgeted in the revised 2015 National Budget (published in March 2015) to be 9.8%. The Government currently expects Angola's real GDP growth in the oil sector will be approximately 7.8% in 2015. As a result, the Government's revised 2015 National Budget provided that Angola's total real GDP would grow by 6.6% in 2015. This total real GDP growth estimate was revised downward in October 2015 to 4.0%. There can be no assurances that the Government will meet its budgeted targets. See “– *Risk Factors – If the Government is unable to achieve budgetary targets and limit Angola's fiscal deficit, Angola's economic growth may be adversely affected*”.

Revenue

Given the macroeconomic assumptions, total fiscal revenue under the revised budget is estimated at AOA 2,692.6 billion (U.S.\$23.9 billion), which represents a nominal decrease of 43.3% of the budgeted figure for 2014. The nominal decrease in oil revenue compared to 2014 is expected to be 65.0%, while that of non-oil tax revenue is expected to increase by 27.3%. Oil revenue is expected to represent 38.6% of total revenue, and non-oil tax revenue is expected to represent 53.4% of revenue.

In the 2015 National Budget, the Government adopted a number of measures to prevent fiscal deterioration, including continuing to: (i) expand Angola's tax base in the non-oil sector; (ii) improve and modernize the public revenue collection system; (iii) increase Angola's treasury reserves from revenue in excess of budgeted revenue in order to stabilize expenditure during periods when revenues are lower than expected; (iv) strengthen the Government's regulatory role, particularly with respect to fair trading, gaming and price monitoring; (v) improve Angola's business environment; (vi) guarantee the normal functioning of Government administration, healthcare, education, social services, defence and security; (viii) improve attendance rates of Government officials and employees; (viii) reduce delays in both the physical and financial execution of public investment projects; (ix) reduce subsidies on petroleum products and revise subsidies for public enterprises in the water and electricity sectors so as to reduce consumption and promote efficiency; and ensure greater observance of local content laws for publicly funded projects.

In the six months ended 30 June 2015, total revenue was AOA 1,435.5 billion, a decrease of AOA 681.5 billion (or 32.2%) compared to the six months ended 31 December 2014, principally due to a decrease in oil revenues of AOA 676.4 billion (or 48.7%), a decrease in other current revenues of AOA 21.1 billion (or 24.0%) and a decrease in social security contributions of AOA 4.1 billion (or 4.7%) for the same comparative period. The decrease in total revenue in the six months ended 30 June 2015 was partially offset by an increase of AOA 19.8 billion (or 3.6%) in non-oil tax revenue compared to the six months ended 31 December 2014. The decrease in oil revenue has been driven mainly by a decrease in oil prices of 42.5% between 30 June 2014 and 30 June 2015. Average oil production in the six months ended 30 June 2015 increased by 2.1% compared to the six months ended 31 December 2014.

Expenditure

Total expenditure under the revised budget for 2015 is estimated at AOA 3,499.1 billion, down 33.0% from the actual expenditure of 2014. The decrease in current expenditure is projected to be lower (21.9%) than that of capital expenditure (59.1%).

The projected allocation of resources to Government function is: social sector, 32.5%, economic sector, 10.7%, general administration, 15.3%, defense and public safety, 15.5%, and public debt obligations, 25.9%.

As part of the Government's internal policy and pursuant to Laws 1/14 (Public Debt) and 15/10 (Basis of the State Budget), external financing will only fund capital expenditures and not the budget deficit. Approximately 15% of a capital expenditure project will be funded by the Government, the remainder being financed through external financing.

In the 2015 National Budget, the Government adopted a number of measures designed to rationalize expenditure, including: (i) limiting public sector pay; (ii) making greater use of the Government's integrated state financial management system; (iii) reducing resources previously aimed at stimulating private sector economic activity; (iv) reviewing all Government contracts for consulting and technical support services; (v) restricting the use of budget reserves to strictly unforeseen events; (vi) reducing spending on transportation fares, transport subsidies and transport services; (vii) increasing inspection and monitoring of spending on public sector goods and services; (viii) attracting new public investment programme projects in 2015 and ensuring physical and financial completion of 2014 public investment programme projects; (ix) allocating financial resources for operating expenses on a monthly basis; and (x) promoting private investment projects through the commercial banking sector, limiting Government intervention to the provision of guarantees.

In the six months ended 30 June 2015, total expenditure was AOA 1,329.0 billion, a decrease of AOA 1,660.4 billion (or 55.5%) compared to the six months ended 31 December 2014, principally due to a decrease in capital expenditure of AOA 869.1 billion (or 86.9%) in the six months ended 30 June 2015 compared to the six months ended 31 December 2014, as well as a decrease of AOA 791.3 billion (or 39.8%) in current expenditure for the same comparative period.

As of the date of this Prospectus, the Government estimates that its actual revenues for 2015 are likely to be higher than the revenues included in the revised 2015 National Budget. This is primarily due to the fact that the average price per barrel of oil actually received by Angola in 2015 (from January 1 to September 30) was higher compared to the revised 2015 National Budget assumption of U.S.\$40 per barrel. The average price of Brent crude oil for the first nine months of 2015 was U.S.\$60.50. Additionally, because oil revenues in the form of taxes and royalties are paid in Kwanza (rather than US dollars), the Government's revenues have benefited from the depreciation of the Kwanza against the US dollar in 2015.

With regard to expenditures, the Government is continuing to execute on its budgeted plans to restrict current expenditures. The Government is also continuing to execute its capital expenditure plan. However, as at 30 September 2015, U.S.\$1.8 billion of capital expenditure has been spent (compared to U.S.\$5.6 billion budgeted in the revised 2015 National Budget).

For the first six months ended 30 June 2015, Angola had a fiscal surplus of AOA 106.6 billion.

The table below sets out an illustrative sensitivity analysis to oil prices for the 2015 Revised National Budget, showing the expected revenue and fiscal deficit assuming an oil price of U.S.\$30, U.S.\$40 or U.S.\$50 per barrel:

Assumed oil price per barrel (U.S.\$)	30	40	50
Revenue (U.S.\$ billion)	21.6	23.9	26.4
Fiscal deficit (U.S.\$ billion)	9.5	7.2	4.7

Fiscal Reforms for 2014 -2015

The Government seeks to establish a profile of public expenditures that is consistent with its goal of sustainable development.

The adjustment in the Government's fiscal program for 2015 relies on both revenue growth and expenditure restraint. Oil revenues are projected to increase due to increased oil production and more favorable terms of trade. Non-oil tax revenues are expected to increase, but given that they accounted for 25.6% of total revenues in 2014, their impact on the overall fiscal program will be limited.

The Government is committed to reforming the tax system, the efficiency of which needs to be improved and efforts will be geared towards simplifying the tax system and reducing the large informal sector and tax evasion. The Government is also undertaking a process of subsidizing reduction and implementing tariffs to protect local industries. To launch these reforms, the Government is to submit a proposal to the National Assembly on tax reform strategy. On the expenditure side, the Government aims to reduce the non-oil current deficit. This will include reducing subsidies to state-owned enterprises, and cutting spending on goods and services.

As part of the proposed tax reform intended to broaden the tax base, Angola's corporate tax rate was reduced to 30% from 35%. While the reduction in the rate was introduced on 1 January 2015, the reduced rate applies to the 2014 tax year as well as to future tax years. This reduction was introduced in order to encourage the payment of tax and the Government believes that this measure has contributed to an increase in tax receipts.

To reduce expenditure, the Government has sought to restrict hiring of government employees by suspending open enrollments for government positions, by filling open spots with existing government employees and by allowing wage increases to be decided independently from inflation.

The Government is also implementing new software in its revenue collection departments, introducing reforms to the public procurement process and examining alternative means of funding projects aside from the use of fiscal revenues (such as through the use of public private partnerships), each of which the Government hopes will contribute to a reduction in any fiscal deficit.

Reliance on oil revenues remains high, and the Government recognizes the need to further develop an institutional framework which will help to minimize the impact of international oil price fluctuations on public finance and consequently on the broader economy. To facilitate the convergence toward a sustainable fiscal position, the Government has as its objective to establish an institutional framework that de-links the country's economic stability from the consequences of unpredictable oil revenues and ensures that a larger proportion of windfall oil revenue is saved. In this context the Government set up a sovereign wealth fund. Related legislation was approved by the National Assembly and became law in June 2010. See “– *Fundo Soberano de Angola (“FSDEA”)*”.

It is the intention of the Government to institute a stronger budgetary framework that will guarantee sound fiscal management and oblige all branches of the Government to adhere to prudent fiscal rules. The Government intends to carry out reforms to increase the efficiency and accountability of state owned enterprises (“SOEs”). Out of Angola’s 91 SOEs, only 57 submitted accounts for inspection in 2014 to the *Instituto para o Sector Empresarial Publico* or (“ISEP”), an entity affiliated with the Ministry of Economy. Of these, only 48 of these were approved by the ISEP. The Government’s policy is that, by 2017, all SOEs must have their accounts ratified by the ISEP or face changes in the management of the relevant SOE.

To the extent concessional funding becomes available to Angola, the Government intends to reduce its reliance on non-concessional debt to finance infrastructure projects (particularly in the areas of transportation, water and energy). The Government is also working with the World Bank and the ADB to reduce costs of infrastructure projects by strengthening the project appraisal framework and improving the procurement system. The Government intends to enhance its surveillance of the debt management of state-owned enterprises as part of its strategy.

Fundo Soberano de Angola (“FSDEA”)

In November 2008, the Government established a commission to prepare strategies and legislation to establish the FSDEA, to be funded via surplus oil revenues. Legislation relating to the FSDEA was approved by the National Assembly and became law in June 2010. At creation, FSDEA was the second largest investment fund in sub-Saharan Africa.

FSDEA is a sovereign wealth fund which aims to protect Angola from the consequences of unpredictable oil revenues and ensure that a large proportion of oil revenue is saved for future generations if and when output from non-renewable resources starts to decline. FSDEA is focused on Angola’s social and economic development, including educational, clean water, healthcare and energy projects. FSDEA is funded by proceeds of license fees, bonuses and royalties relating to exploration and production rights to non-renewable mineral deposits, which are currently expended as part of Angola’s annual budget, as well as by a transfer to the FSDEA of some of the financial investments made by Sonangol on behalf of the Government in Sonangol’s capacity as the Government’s investment vehicle. See “*The Economy – Primary industry sectors – Oil industry – Sonangol – Investments and international operations*”. The FSDEA has invested in a diversified asset portfolio in the international markets, as well as the Angolan domestic markets, principally in the agricultural, mining, infrastructure, real estate and hospitality sectors. The FSDEA is run by a board of directors comprised of Hugo Miguel Évora Gonçalves and Artur Carlos Andrade Fortunato. The chairman of the board of directors is José Filomeno de Sousa dos Santos.

The FSDEA is committed to adhering to the Santiago Principles, a voluntary set of principles and practices jointly developed by the IMF and the International Working Group of Sovereign Wealth Funds (“SWFs”). The Santiago Principles aim to promote transparency in relation to institutional frameworks, governance and operations of SWFs, leading to a more open and stable investment environment.

The Santiago Principles are based on the following objectives for SWF:

- to help maintain a stable global financial system and free flow of capital and investment;
- to comply with all applicable regulatory and disclosure requirements in the countries in which they invest;
- to invest on the basis of economic and financial risk and return-related considerations; and
- to have in place a transparent and sound governance structure that provides for adequate operational controls and risk management.

Angola paid a total of U.S.\$5 billion into the FSDEA between October 2013 and June 2014, of which 34% has been invested in debt and equity securities in international companies.

PUBLIC DEBT

The following table sets forth the total Government debt (excluding debt incurred by Sonangol) as at 31 December for the years indicated with a breakdown between domestic and external debt:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> <u>(preliminary)¹</u>
	<i>(U.S.\$ billions)</i>				
Domestic	13.9	12.3	12.4	15.4	21.5
General Government debt (central Government)					
<i>Of which:</i>					
Short-term	4.4	3.9	2.4	3.3	4.1
Medium and long-term	9.5	8.4	9.9	12.1	17.5
External	9.5	10.5	12.6	14.9	19.5
<i>Of which:</i>					
Short-term	0.1	0.1	0.1	0.1	0.1
Medium and long-term	9.4	10.4	12.5	14.8	19.4
<i>Of which:</i> TAAG Guaranteed Debt	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>
Total	<u>23.4</u>	<u>22.8</u>	<u>25.0</u>	<u>30.3</u>	<u>41.1</u>

Source: Ministry of Finance

The following table sets forth Angola's total public debt (including debt incurred by Sonangol, Angola's state-owned oil company, which indebtedness is not guaranteed by Angola but which is included in public debt data as a matter of course.) as at 31 December for the years indicated with a breakdown between domestic and external debt:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> <u>(preliminary)</u>
	<i>(U.S.\$ billions)</i>				
Domestic¹	13.9	12.3	12.4	15.4	21.5
General Government debt (central Government)					
<i>Of which:</i>					
Short-term	4.4	3.9	2.4	3.3	4.1
Medium and long-term	9.5	8.4	9.9	12.1	17.5
External	16.9	20.1	21.5	28.3	34.7
<i>Of which:</i>					
Short-term	0.1	0.1	0.1	0.11	0.1
Medium and long-term	<u>16.8</u>	<u>20</u>	<u>21.4</u>	<u>28.17</u>	<u>34.6</u>
<i>Of which:</i> Sonangol	<u>7.4</u>	<u>9.6</u>	<u>8.9</u>	<u>13.34</u>	<u>15.2</u>
TAAG Guaranteed Debt	<u>0.2</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>
Total	<u>30.8</u>	<u>32.4</u>	<u>33.9</u>	<u>43.7</u>	<u>56.2</u>

¹ Domestic debt of state-owned companies is not provided because their debt is accounted for as supply of goods and services.

Source: Ministry of Finance

The table below sets forth certain information regarding Angola's debt service for the period ended 31 December for each year indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billions)</i>				
Domestic debt service					
Principal	8.7	4.6	5.3	3.6	5.3
Interest	0.6	0.6	0.7	0.6	0.9
Total domestic debt service	9.3	5.2	6.0	4.2	6.2
External debt service					
Principal	1.5	1.5	1.8	2.0	2.8
Interest	0.7	0.3	0.4	0.4	0.6
Total external debt service	<u>2.2</u>	<u>1.8</u>	<u>2.1</u>	<u>2.4</u>	<u>3.4</u>
Total debt service	<u><u>11.5</u></u>	<u><u>7.1</u></u>	<u><u>8.1</u></u>	<u><u>6.7</u></u>	<u><u>9.6</u></u>

Source: Ministry of Finance

External Public Debt

Background

During the Civil War, Angola accumulated significant amounts of overdue bilateral, multilateral and commercial bank debt, with arrears owed to creditors including Paris Club creditors. These arrears significantly affected Angola's ability to obtain further financing, either from multilateral agencies or on non-concessional terms. As a result, during the early 2000s a large part of the financing obtained was from oil pre-payment loans (i.e. debt servicing and repayment of the loan would be made from a designated offshore account into which Angola's oil receivables would be deposited. That account would further provide credit support in respect of the relevant loan (such loans referred to in this Prospectus as "**Oil Pre-payment Facilities**"). Following the end of the Civil War, the Government sought to normalize its relations with external creditors through the repayment of principal and interest arrears.

In 2002, the Government signed an agreement with Portugal to eliminate the significant arrears that had accumulated with Portuguese banks and suppliers. Subsequently, at the end of 2006, Angola agreed with its Paris Club creditors to repay U.S.\$2.3 billion of the principal and accrued regular interest arrears by June 2007. In December 2007, Angola further agreed to settle U.S.\$1.8 billion of penalty arrears in three installments. Angola paid the last installment of U.S.\$400 million, as agreed with the Paris Club creditors, in January 2010. The normalization of Angola's relations with Paris Club creditors has facilitated the opening of bilateral credit lines and new export credit facilities for Angola since January 2008, which has allowed Angola to attract significant further funding and to begin to move away from the contracting of oil pre-payment loans, although Angola continues to obtain part of its funding on an oil pre-payment basis where the pricing terms of such funding are more favorable.

As at 31 December 2014, Angola's outstanding external Government debt was U.S.\$19.5 billion, as compared to U.S.\$14.9 billion in 2013, U.S.\$12.6 billion in 2012, U.S.\$10.5 billion in 2011 and U.S.\$9.5 billion in 2010. Its aggregate external debt has risen since 2010 when Angola, having largely cleared its external debt arrears which previously prevented it from attracting non-oil pre-payment financing, began to attract significant volumes of external financing, which has been primarily utilized to finance the rebuilding and expansion of Angola's infrastructure.

Bilateral debt has historically constituted the principal component of Angola's external Government debt and accounted for 39.9% (U.S.\$7.8 billion) in 2014, as compared to 53.1% (U.S.\$7.9 billion) in 2013, 55.6% (U.S.\$7.0 billion) in 2012, 59.0% (U.S.\$6.2 billion) in 2011 and 61.1% (U.S.\$5.8 billion) in 2010. The composition of Angola's major bilateral creditors, however, has changed over time. Until the mid-2000s, Angola's principal bilateral creditors were Brazil, Spain, Portugal and France. Since 2010, China has become Angola's major bilateral creditor, primarily due to a significant volume of Chinese export credit financing for infrastructure projects across Angola, in which Chinese construction and infrastructure companies are extensively engaged. In 2014, Angola's outstanding external debt due to China and Chinese commercial banks amounted to U.S.\$5.4 billion. Angola's second and third largest bilateral creditors in the last three years were Brazil and Portugal, with outstanding principal amounts of U.S.\$2.4 billion and U.S.\$1.0 billion, respectively, in 2014.

Historically, loans from foreign commercial banks constituted an important share of Angola's external Government debt. Since 2010, Angola's commercial bank Government debt has increased from U.S.\$2.4 billion in 2010 to U.S.\$2.7 billion in 2011, U.S.\$4.2 billion in 2012, U.S.\$5.2 billion in 2013 and U.S.\$8.3 billion in 2014. The increase in debt owed to commercial banks also reflects the normalization of the Angolan Government's relations with international creditors which has also facilitated Government access to commercial loan lending.

Multilateral debt has, historically, constituted an insignificant share of Angola's external debt, with the outstanding principal amounts at less than U.S.\$1.1 billion over the past five years. The IMF facility expired in March 2012 and Angola did not seek to renew it. See “– *Relations with the IMF*”.

The following table sets forth certain information regarding Angola's outstanding external Government debt (excluding debt incurred by Sonangol) as at 31 December for each of the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(U.S.\$ billions)</i>				
Bilateral	5.8	6.2	7.0	7.9	7.8
Paris Club	0.2	0.1	0.1	0.2	0.1
Others	5.6	6.1	6.8	7.7	7.7
Multilateral	0.4	0.5	0.5	0.5	1.1
Commercial banks	2.4	2.7	4.2	5.2	8.3
Suppliers (by country of origin)	<u>0.9</u>	<u>1.1</u>	<u>0.9</u>	<u>1.2</u>	<u>2.3</u>
Total	<u><u>9.5</u></u>	<u><u>10.5</u></u>	<u><u>12.6</u></u>	<u><u>14.9</u></u>	<u><u>19.5</u></u>

Source: Ministry of Finance

External Government debt increased from 11.5% of GDP in 2010 to 15.4% of GDP in 2014. In US dollar nominal terms, Angola's external Government debt has increased gradually since 2010, reflecting easier access to external funding through bilateral credit and export lines and the country's large financing needs for infrastructure investment, in particular in the face of the decline in oil revenues. As at 31 December 2014, Angola's outstanding external Government debt was U.S.\$19.5 billion, compared with U.S.\$14.9 billion in 2013, U.S.\$12.6 billion in 2012 and U.S.\$10.5 billion in 2011.

The Government monitors indebtedness, often with assistance from the World Bank and IMF. While Angola has a draft medium-term debt management strategy under discussion, as of the date of this Prospectus no such strategy has been approved by the Government. There has been no audit of the Government's debt activities by the Court of Auditors during the last five years. Further, the Government has not undertaken a debt sustainability analysis since 2012. See “*Risk Factors – The Government expects to significantly increase borrowings in 2015 and in future years, and high levels of debt or failure to adequately manage its debt could have a material adverse effect on Angola's economy and its ability to repay its debt, including the Notes*”.

Under Law No. 1/14 of 6 February 2014, the Government is not permitted to incur public indebtedness (including domestic and external indebtedness and short, medium and long term indebtedness) in excess of 60% of GDP.

Composition of Angola's external debt

Angola's public external debt comprises debt under bilateral loans from foreign countries (including members of the Paris Club), debt owed to multilateral agencies such as the World Bank, African Development Bank (the “**AfDB**”) and OPEC, commercial bank debt and long-term debt in foreign currencies owed by Angola to suppliers and contractors.

Although in the past, Angola's external debt indicators have improved as a direct result of fast economic growth, the build-up of foreign exchange reserves and the repayment of arrears, over the last five years the estimated external debt service-to-exports ratio, the key indicator of short-term external liquidity, increased from 4.4% in 2010 to 5.8% in 2014. Angola's external debt continued to rise in US dollar terms in 2010 and 2014.

The table below sets forth information regarding outstanding external Government debt as at 31 December of each of the years indicated unless otherwise stated. The table contains references only to those financing facilities under which amounts were outstanding as at the relevant dates. As at those dates, Angola was entitled to draw down, but had not drawn, further funds under those and other facilities.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> (preliminary)
	<i>(U.S.\$ billions)</i>				
Bilateral	5.8	6.2	7.0	7.9	7.8
China (China Exim Bank)	2.3	2.5	2.9	3.8	4.0
Brazil (Government of Brazil and National Bank for Social and Economic Development)	2.0	2.2	2.5	2.5	2.4
Portugal (Government of Portugal/COSEC)	1.2	1.2	1.2	1.2	1.0
Others	0.3	0.3	0.4	0.4	0.4
Multilateral	0.4	0.5	0.5	0.5	1.1
World Bank (International Development Agency)	0.4	0.4	0.4	0.5	0.5
African Development Bank (African Development Fund)	—	—	0.1	0.1	0.6
Commercial banks (by lender)	2.4	2.7	4.2	5.2	8.3
Northern Lights III and IV	—	—	1.0	1.0	2.0
CDB	—	—	0.3	0.6	1.2
Deutsche/ Espanha	1.2	1.0	0.9	1.1	0.9
VTB Plc	—	—	—	—	0.8
DBSA	—	—	—	0.5	0.7
JBIC	—	—	0.2	0.2	0.6
Others	1.2	1.7	1.8	1.9	2.1
Suppliers (by country of origin)	0.9	1.1	0.9	1.2	2.3
Israel	0.5	0.7	0.6	0.9	1.9
Others	0.4	0.4	0.3	0.3	0.4
Total external Government debt	9.5	10.5	12.6	14.9	19.5
of which TAAG guaranteed debt	0.2	0.3	0.2	0.2	0.4

¹ Includes a number of smaller facilities with, among others, Barclays Bank, DBSA and Crédit Agricole, as facility agents.

Source: Ministry of Finance

As at 30 June 2015, funding in the aggregate amount of approximately U.S.\$8.0 billion was available to Angola to be drawn down under its existing financing facilities.

A proportion of Angola's outstanding public external debt consists of Oil Pre-payment Facilities, with 13% of its public external debt consisting of such facilities in 2010, 12% in 2011 and 17% in 2012 through 2014.

The table below sets forth Angola's external Government debt denominated in US dollars, as a percentage of Angola's total external Government debt:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(%)</i>				
External Government debt in (US dollars)/total external Government debt	70.5	71.9	75.8	79.2	84.2

Source: Ministry of Finance

Since 2010, Angola entered into several financing facility agreements either for general budgetary purposes or for the financing of specific projects. Projects intended to be financed under these facilities are intended to be executed over a period of several months or years and, accordingly, drawdown of funds under these new facilities will be subject to the timing of commencement and implementation of those projects.

Set forth below is a description of all of Angola's existing external debt financing with a facility amount at or above U.S.\$500 million:

- **VTB Facilities**

Angola has entered into a series of three facility agreements with VTB Capital plc and its affiliates:

- In August 2012, Angola entered into a U.S.\$1 billion term loan facility agreement with VTB Capital plc and VTB Africa S.A. as arrangers, VTB Capital plc as agent and Northern Lights III B.V. as original lender ("**Northern Lights**") (the "**Northern Lights Facility Agreement**"). The facility is to be used for general financing purposes of Angola. The facility is for a term of 7 years and is not secured. As of 30 June 2015, U.S.\$1.0 billion was outstanding under this facility which has been drawn in full.

Also in August 2012, Northern Lights issued U.S.\$1.0 billion of loan participation notes due August 2019, such notes secured by Northern Lights' rights under the Northern Lights Facility Agreement. See "*Risk Factors – Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future*".

- In January 2014, Angola, as borrower, entered into a term loan facility agreement with VTB Capital plc and VTB Africa S.A. as arrangers, VTB Capital plc as agent, Deutsche Bank AG as account bank and Northern Lights IV B.V. and VTB Capital plc as original lenders (the "**January VTB Facility**"). The facility is for U.S.\$1 billion to be used for general financing purposes of Angola. The facility is for a term of 7 years and is not secured. As of 30 June 2015, U.S.\$1.0 billion was outstanding under this facility, which has been drawn in full.

Under the terms of the January VTB Facility facility agreement, the lenders were prohibited from issuing loan participation notes secured on or otherwise based on their interests under the facility agreement. While this prohibition expired on 30 March 2015, the Minister of Finance sent a letter notifying VTB that the prohibition should be extended to December 2016. See "*Risk Factors – Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future*".

- In October 2014, Angola, as borrower, entered into a U.S.\$1.5 billion term loan facility agreement with VTB Capital plc (as arranger, agent, account bank and original lender). The purpose of the facility is to finance specific public investment projects identified in Angola's National Development Plan 2013-2017. The facility is for 7 years and is not secured. As of 30 June 2015, U.S.\$750 million was outstanding under this facility and U.S.\$750 million was available at the lender's discretion.

Under the terms of the facility agreement, the lenders were prohibited from issuing loan participation notes secured on or otherwise based on their interests under the facility agreement. While this prohibition expired on 30 March 2015, the Minister of Finance sent a letter notifying VTB that the prohibition should be extended to December 2016. See "*Risk Factors – Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future*".

- **Gemcorp Facility**

In June 2015, Angola entered into a U.S.\$250 million term facility agreement with Gemcorp Capital LLP as arranger, Commerzbank International S.A. as agent and Avenir II B.V. as original lender. The original lender was funded through the issuance of privately-placed notes. The agreement provides for an option to upsize up to U.S.\$550 million within two years of first utilisation. The facility is to be used solely for Angola's general budgetary requirements and is for a term of 30 years on an unsecured basis with an option for the lenders to request repayment after 8 years. As of 30 June 2015, U.S.\$250 million was outstanding under this facility and the option to upsize remains outstanding.

Under the terms of the facility agreement, the lenders are prohibited, save in certain specified circumstances, from issuing certain derivative instruments linked to or related to their interests under the facility agreement. This prohibition expires on the earlier of (i) 3 June 2016; (ii) 12 months after the issuance of the Notes offered in this Prospectus; and (iii) the date on which Angola confirms it does not intend to issue debt securities in the international capital markets. See "*Risk Factors – Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future*".

- ***BNDES Facilities***

Angola has entered into six Protocols of Understanding with the Federal Republic of Brazil, pursuant to which *Banco Nacional de Desenvolvimento Econômico e Social* (“**BNDES**”) and PROEX, a Brazilian government Export Financing Program, has agreed to lend various amounts to Angola. Amounts under these Protocols of Understanding are drawn down pursuant to specific financing agreements (*acordos de financiamento*) entered into among the Republic of Angola, BNDES and the relevant Brazilian exporter of goods and services to Angola, with each financing agreement specifying the terms and conditions of the specific drawdown, including, among other provisions, representations and warranties, conditions precedent, events of default and acceleration provisions. As of 30 June 2015, the Republic of Angola has executed 96 financing agreements under the Protocols of Understanding for the export to Angola of goods and services, mainly by the following Brazilian companies: *Construtora Norberto Odebrecht S.A.*, *Embraer S.A.*, *Queirós Galvão*, *Andrade Gutierrez*, *Camargo Correa*, *Nigata* and *Consortium SIEMENS*. As of the date of this prospectus, the Republic of Angola is in compliance with its obligations under outstanding Protocols of Understanding and their corresponding financing agreements.

Borrowings under five of the Protocols of Understanding remain outstanding and no borrowings have to date been made under one Protocol of Understanding. The purpose of these facilities is to finance imports of Brazilian goods and services to Angola. The facilities are Oil Pre-payment Facilities. As of 30 June 2015, an amount of U.S.\$3.4 billion was outstanding under the facilities and U.S.\$3.8 billion was available to draw down.

- ***CEXIM Facilities***

Angola, as borrower, has entered into a series of four master loan facility agreements (each an “**MLFA**”) with The Export-Import Bank of China (“**CEXIM**”). Each facility is an Oil Pre-payment Facility, and is structured as a framework agreement under which individual loan agreements (“**ILAs**”) are entered into. Under all four MLFAs, Angola and CEXIM have entered into a total of 112 ILAs:

- On 2 March 2004, Angola entered into a MLFA with CEXIM as lender for up to U.S.\$2.0 billion. The facility is split between a U.S.\$1.0 billion phase I facility and a U.S.\$1.0 billion phase II facility. Availability of the phase II facility was subject to confirmation by the lender on or prior to the date falling five years after satisfaction of the conditions precedent to the MLFA and was made available by CEXIM during that period. The MLFA is a framework agreement under which Angola and CEXIM may conclude ILAs for the purpose of financing up to 90% of the contract price owing to certain contractors in respect of certain contracts. As of 30 June 2015 this MLFA has been fully drawn.
- On 19 July 2007, Angola entered into a second MLFA with CEXIM as lender for up to U.S.\$500.0 million. This MLFA is a framework agreement under which Angola and CEXIM may conclude ILAs for the purpose of financing up to 90% of the contract price owing to certain contractors in respect of certain contracts. As of 30 June 2015 an aggregate principal amount of U.S.\$492.1 million had been drawn down under this MLFA and the availability period for further drawdowns has now expired.
- On 28 September 2007, Angola entered into a third MLFA with CEXIM as lender for up to U.S.\$2.0 billion. The facility is split between a U.S.\$1.0 billion phase I facility and a U.S.\$1.0 billion phase II facility, under which Angola and CEXIM may conclude ILAs for the purpose of financing up to 90% of the contract price owing to certain contractors in respect of certain contracts. As of 30 June 2015, an aggregate principal amount of U.S.\$1.7 billion had been drawn down under this MLFA and the availability period for further drawdowns has now expired.
- On 18 November 2009, Angola entered into a fourth MLFA with CEXIM as lender which was amended on 8 June 2011 to provide that the amount available under the MLFA is a function of the number of barrels of oil per day sold by Sonangol to Chinese importers designated by CEXIM. The amount available under this MLFA increases from a minimum of U.S.\$3.0 billion to a maximum of U.S.\$6.0 billion, with increments of U.S.\$1.0 billion, depending on the number of barrels per day sold by Sonangol to CEXIM’s designated importers. The MLFA is a framework agreement under which Angola and CEXIM may conclude ILAs for the purpose of financing up to 90% of the contract price owing to certain contractors in respect of certain contracts and/or in respect of projects consented to by the lender. As of 30 June 2015 an aggregate principal amount of U.S.\$1.2 billion had been drawn down under this MLFA. The availability of further drawdowns depends on the matter set forth herein. The availability period for drawdowns under this MLFA expires on 26 November 2016.

In accordance with Angola's revised 2015 national budget (see "*Public Finance – The 2015 National Budget*"), Angola significantly decreased its 2015 capital expenditure programme which has resulted in a reduction in the number and / or scale of certain public investment projects in which it had planned to invest in accordance with its prior budget. Consequently, on 9 June 2015 Angola and CEXIM entered into amendments in respect of all four above-mentioned MLFAs in order to realign repayments of drawn amounts under certain ILAs with the revised schedules of progress and / or completion of certain specified public investment projects, the timing and / or scale of which was altered when the revised 2015 national budget was adopted in March 2015. Pursuant to those amendments, Angola and CEXIM agreed that Angola is not obliged to make repayments of principal until 29 June 2017 in respect of specific ILAs, though interest payments continue to be paid quarterly pursuant to all four MLFAs.

- ***Development Bank of Southern Africa Facility***

On 16 December 2013, Angola, as borrower, entered into a term loan facility agreement with Development Bank of Southern Africa Limited (as arranger, agent and original lender) of up to U.S.\$1.5 billion. The agent role has since been transferred to Banco Bilbao Vizcaya Argentaria, S.A. The purpose of the facility was to finance the rehabilitation of a 535km stretch of the National Road EN180 (Dundo – Saurimo – Luena) and a 556km stretch of the National Road EN225 in Angola. The facility is for a term of 10 years from the date of utilization. As of 30 June 2015, U.S.\$700 million was outstanding under this facility. Angola is currently negotiating with the Development Bank of Southern Africa Limited a further drawdown under this facility of U.S.\$500 million.

- ***Euler Hermes Facility***

On 28 June 2013, Angola, as borrower, entered into export credit facility agreements with HSBC Bank plc, Société Generale, BHF-BANK Aktiengesellschaft, Banco Bilbao Vizcaya Madrid Argentaria, S.A., Banco Santander S.A. and Caixabank S.A. (as lenders and, variously, mandated lead arrangers) for an aggregate amount of up to €559.5 million. The facilities are supported by guarantees from The Federal Republic of Germany, represented by the consortium consisting of Euler Hermes Deutschland AG and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, as agents under a mandate from The Federal Republic of Germany, with Euler Hermes Deutschland AG being the lead partner in the consortium ("**Euler Hermes**"), Compañía Española de Seguros de Creditos a la Exportación, S.A., Cía de Seguros y Reaseguros ("**CESCE**") and the Multilateral Guarantee Agency ("**MIGA**"). The facilities are to be used to finance Phase II of the expansion and modernization of the Cambambe Hydroelectric Power Plant. The facilities are to be repaid over a period of 10 years commencing on the earlier of commissioning and 15 April 2016. The facilities are not secured. As of 30 June 2015 €296.9 million was outstanding under this facility and U.S.\$262.6 million was available to draw down.

- ***CDB Facility***

On 9 November 2009, Angola, as borrower, and China Development Bank Corporation ("**CDB**") as lender entered into a U.S.\$1.5 billion common terms agreement. The common terms agreement is a master agreement under which Angola and CDB may conclude individual facility agreements for the purpose of financing the contract price owing to certain approved contractors and suppliers in respect of certain approved social and economic infrastructure projects in Angola, primarily in the areas of basic social housing, agriculture, roads and railways, schools and hospitals, water and energy production, and transportation and telecommunication, as agreed by CDB and Angola. The term and amount of each facility is set out in each relevant individual facility agreement. As of 30 June 2015, the facility is no longer available, with an aggregate of U.S.\$1.2 billion outstanding under the individual facility agreements entered into under this common terms agreement and U.S.\$0.1 billion yet to be disbursed.

On 9 May 2014, Angola, as borrower, and CDB as lender entered into a U.S.\$2.5 billion master facility agreement. The facility agreement is a master agreement under which Angola and CDB may conclude individual facility agreements for the purpose of financing up to 85% of the contract price owing to certain approved contractors in respect of certain approved infrastructure projects in Angola, primarily in the areas of housing, transportation, agriculture, roads and railways, hospitals, schools, telecommunication, water and electricity, sanitation and other human livelihood areas agreed by CDB and Angola. Each facility will be for a minimum of U.S.\$10 million and have a term of 10 years. Currently, the parties have not entered into any facility agreements under this master agreement. The availability period for drawdowns under this master facility agreement ends 36 months after the date of the master facility agreement.

- ***LUMINAR Finance Facilities***

Angola has entered into three facility agreements with LUMINAR Finance Limited (“LUMINAR”). LUMINAR is a privately held entity incorporated in the British Virgin Islands which provides financing in emerging market countries (including the Republic of Congo, Angola and several in Latin America), primarily in respect of large-scale infrastructure projects. LUMINAR was established in 2003 is funded with private capital, retained earnings and short and medium-term loans. The majority of LUMINAR’s loan portfolio is focused on projects carried out by contractors from many countries, including (but not limited to) Israel, Germany, the Netherlands, China, Brazil and the United States of America.

Pursuant to the three facility agreements with Angola, LUMINAR has agreed to provide finance to Angola of up to 85% of the amounts due to be paid in respect of supply contracts entered into with third party contractors approved by LUMINAR. The supply contracts include (but are not limited to) the design, implementation and execution of large-scale turnkey projects, such as the construction of housing, power generation and distribution, agriculture, sports and education facilities; the provision of primary and secondary education; professional training, information technology and telecommunications equipment and services; the provision of security programs (such as simulators and training for customs, border control and maritime and fishing rights management); and the implementation of modern land ownership and environmental initiatives.

The facilities are all Oil Pre-payment Facilities, pursuant to which Sonangol and an oil offtaker designated by LUMINAR have entered into separate agreements to provide for the sale of a designated number of barrels of oil per day to LUMINAR’s designated offtaker. Moreover, the Israeli government, through the Israel Foreign Trade Risks Insurance Company Ltd (or ASHRA), insures some of the Israeli suppliers to Angolan projects against political risk, allowing (thereby allowing such suppliers to apply for financing from commercial banks).

Payment for the oil is deposited into a secured account that is used to fund the interest payments to LUMINAR. As at 30 June 2015 a total of U.S.\$1.6 billion was outstanding under the LUMINAR facilities, and U.S.\$2.4 billion was available to draw down.

- ***AfDB Facility***

On 28 July 2014, Angola and African Development Bank (“AfDB”) entered into a U.S.\$1 billion term loan agreement. The purpose of the facility is to assist in financing a reform support program for Angola’s power sector and enhance the transparency of and efficiency in public finance management. The facility is for a term of 20 years, which includes an initial grace period of five years during which Angola is not required to repay the principal amount of the loan. The facility is not secured. As of 30 June 2015, U.S.\$600 million was outstanding under the facility and U.S.\$400 million is available to draw down until 31 December 2015.

- ***Société Generale Facility***

On 8 April 2015, Angola entered into a framework agreement with Société Generale (as agent and original lender) for up to U.S.\$500 million subject to conclusion of individual credit agreements. The loans may be denominated in US dollars or Euros, depending on the currency of the underlying commercial supply contract. The term of each loan under an individual credit agreement concluded under the framework agreement is to be agreed in the relevant individual credit agreement. The facilities are not secured but will be supported by insurance policies from the relevant Export Credit Agency in the jurisdiction of the supplier. The first credit agreement to be concluded under this framework is for a proposed amount of €59.9 million, which agreement is currently being negotiated by the parties.

- ***ICBC Facility***

On 9 June 2015, Angola and Industrial and Commercial Bank of China Limited (“ICBC”) as arranger, agent and original lender entered into a U.S.\$837.5 million facility agreement. The purpose of the facility is to finance up to 85% of the contract price owing to certain contractors in respect of the contract for the construction and installation of the Soyo I Combined Cycle Power Plant. The facility is for a term of up to 15 years, which includes an initial grace period of five years during which Angola is not required to repay the principal amount of the loan. The facility is not secured but is insured by China Export & Credit Insurance Corporation. The facility is currently undrawn. The availability period applicable to the loan ends on 9 June 2020.

New Facilities

In addition to the above, Angola is currently negotiating a number of new facilities. As of August 2015, the Government has estimated that it needs to raise U.S.\$14.0 billion (13.7% of GDP) in 2015 to fund its fiscal deficit and debt service obligations. As of 31 August 2015, U.S.\$8.1 billion was raised, of which U.S.\$5.1 billion was raised in the domestic market and U.S.\$3.0 billion was raised from the external sector. Some of the facilities currently in advanced stages of negotiation include the following:

Angola is negotiating a master facility agreement with CDB. It is intended that this master facility agreement will be in the form of oil prepayment facilities with repayments being serviced through receivables from designated oil contracts. The amount of this master facility agreement has not been confirmed and will be subject to CDB's credit committee approval. If approved, the Government expects that this new debt facility will materially increase Angola's debt exposure to China and Chinese commercial banks. See "*Risk Factors – Angola has concentrated debt exposure to China and Brazil and an adverse impact in their economies may impact the future ability of Angola to increase its borrowings*".

In July 2015, the World Bank agreed to provide Angola with U.S.\$650 million worth of financial support. This support is expected to take the form of a U.S.\$450 million loan, plus a guarantee of U.S.\$200 million. This support from the World Bank is to be provided in order to assist Angola in its introduction of a fiscal policy that allows it to continue its efforts to diversify the economy. The \$450 million loan element of this financial support was signed on 9 July 2015, but is currently undrawn. The guarantee element of this financial support is currently being negotiated by the parties.

Angola is negotiating a U.S.\$514 million facility agreement with CEXIM in order to finance construction of the 'Nzeto Soyo' road.

Angola is negotiating a U.S.\$3.8 billion facility with ICBC, backed by the China Export and Credit Insurance Corporation (known as Sinosure), in relation to the Caculo Cabaça hydro power plant project. See "*The Economy – Energy – Power Generation – Hydroelectric generation facilities*". Funding is expected to take place in the second half of 2016.

The Government currently intends to issue U.S.\$2 billion of US dollar-denominated Treasury bonds before the end of 2015. See "*–Domestic Public Debt – (iv) US dollar-denominated Treasury bonds (USD Obrigações do Tesouro)*" below.

Sources and Needs for 2014 and 2015

The following table sets forth Angola's projected financing sources and needs for 2014 and 2015:

	<u>2014</u>	<u>2015</u>
	<i>(U.S.\$ billions)</i>	
Needs		
(1) Total debt repayment (including principal excluding interest)	8.1	6.8
(2) Fiscal deficit	8.3	7.2
(3) Others ¹	8.1	—
Projected funding requirements (1) + (2) + (3)	24.5	14.0
Sources		
(1) Total Debt Borrowing	19.3	8.1
Domestic Debt Borrowing	11.8	5.1
External Debt Borrowing	7.4	3.0
(2) Others	5.2 ²	5.9 ³
Projected debt borrowing (1) + (2)	24.5	14.0

¹ Deposits and treasury operations.

² Accounts payable, including overpaid fiscal revenue.

³ If no further funds are raised through debt financing in 2015, BNA deposits of U.S.\$5.9 billion can be used to finance debt servicing obligations and/or the fiscal deficit.

Source: Ministry of Finance

As of August 2015, the Government has estimated that it needs to raise U.S.\$14.0 billion (13.7% of GDP) in 2015 to fund its fiscal deficit and debt service obligations. As of 31 August 2015, U.S.\$8.1 billion was raised, of which U.S.\$5.1 billion was raised in the domestic market and U.S.\$3.0 billion was raised from the external

sector. The Government may incur debt to fund the balance of U.S.\$5.9 billion and/or it may use BNA deposits (as such deposits are described under “*The External Sector – Foreign Reserves*” and “*Monetary System*”). To the extent that the Government uses BNA deposits to fund its fiscal deficit and/or to service its debt obligations, its foreign reserves will decrease accordingly. The Government also has the ability to further reduce its budgeted capital expenditure programme for projects, which may reduce its 2015 funding gap. See “*Risk Factors – The Government expects to significantly increase borrowings in 2015 and in future years, and high levels of debt or failure to adequately manage its debt could have a material adverse effect on Angola’s economy and its ability to repay its debt, including the Notes*” and “*Risk Factors – A significant decline in the level of external reserves as a result of the BNA’s major role as a main supplier of foreign currency to domestic residents for imports purposes, could materially impair Angola’s ability to service its external debt, including the Notes*”.

Projected Debt Service Obligations: 2015 – 2021 and onwards

The following table sets forth estimated projected obligations in respect of principal and annual payments of interest on Angola’s current outstanding domestic and external indebtedness for each of the five fiscal years ending 31 December 2020 (excluding payments on the Notes offered hereby), excluding projected obligations by Sonangol under its loans.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021 and onwards</u>
	<i>(U.S.\$ billion)</i>						
Domestic debt principal repayments	4.4	5.5	4.2	2.9	1.3	0.6	4.0
Domestic debt interest repayments	1.2	1.0	0.5	0.2	0.1	0.1	0.6
Total domestic debt repayments	5.7	6.5	4.7	3.2	1.4	0.7	4.6
External debt principal repayments	2.4	2.6	2.6	2.4	2.2	1.8	4.1
External debt interest repayments	0.7	0.7	0.6	0.4	0.3	0.2	0.4
Total external debt repayments	3.0	3.3	3.1	2.8	2.5	2.0	4.5
Total debt repayment	8.7	9.9	7.8	6.0	3.9	2.7	9.0

Source: Ministry of Finance and National Bank of Angola (BNA)

- ***Relations with the IMF***

Angola joined the IMF on 19 September 1989. On 23 November 2009, the IMF’s Executive Board approved a 27-month Stand-By Arrangement with Angola (the “**SBA**”) which enabled Angola to borrow up to SDR 858.9 million (approximately U.S.\$1.4 billion from the general resources account of the IMF to assist Angola to cope with the effects of the global economic crisis. Angola’s SDR expired in March 2012 and was not subsequently renewed. While in place, the IMF-supported economic program aimed to restore Angola’s macroeconomic balances and replenish its international reserves which together, helped to rebuild confidence in the Kwanza. While the goal of the program was to mitigate the repercussions of the adverse terms of trade shocks linked to the global crisis, the program also included a reform agenda aimed at medium-term structural changes to foster the non-oil sector growth.

- ***Domestic Public Debt***

In the past, in addition to external borrowing supported by oil proceeds from the sale of crude oil by Sonangol, the Angolan Government has borrowed from the BNA, a practice that ended in 1999. In 2003, Angola started issuing domestic treasury bonds, largely securitization instruments of domestic arrears to suppliers of goods and services. In 2003, the Angolan Government issued domestic bills and bonds for the first time to raise liquidity and to fund specific projects. Historically, domestic debt was a minor component in Angola’s overall debt, amounting to less than 25% of total public sector debt until 2008. With the phasing out of loans supported by oil proceeds from the sale of crude oil by Sonangol and Government policies directed at strengthening the domestic financial markets, the issuance of domestic debt has become a more important source of Government financing.

In 2014, the Government issued the equivalent of U.S.\$4.1 billion of treasury bills. In 2014, the domestic debt largely increased as the Government refinanced most maturing treasury bills with longer-term Government bonds and new treasury bills.

In 2014, Angola's total outstanding public internal debt was AOA 2,121.2 billion (U.S.\$21.5 billion). The table below sets forth information regarding the Angolan Government's outstanding domestic debt as at 31 December for each of the years indicated unless otherwise stated:

	2010		2011		2012		2013		2014	
	(AOA bil)	(U.S.\$ bil)	(AOA bil)	(U.S.\$ bil)	(AOA bil)	(U.S.\$ bil)	(AOA bil)	(U.S.\$ bil)	(AOA bil)	(U.S.\$ bil)
Long-term bonds	859.2	9.3	763.4	8.1	941.4	9.9	1,166.0	12.1	1,495.5	15.2
60 months	226.5	2.5	264.8	2.8	332.6	3.5	363.0	3.8	274.0	2.8
54 months	7.4	0.1	1.7	—	77.3	0.8	2.8	—	9.7	0.1
48 months	48.4	0.5	50.9	0.5	86.9	0.9	230.5	2.4	289.3	2.9
36 months	145.2	1.6	60.2	0.6	61.1	0.6	159.6	1.7	184.8	1.9
30 months	44.2	0.5	12.5	0.1	29.1	0.3	25.9	0.3	128.7	1.3
24 months	387.5	4.2	373.4	4.0	354.4	3.7	384.1	4.0	609.1	6.2
Short term bills	380.7	4.1	258.4	2.8	147.4	1.5	265.8	2.8	374.8	3.8
12 months	324.4	3.5	218.4	2.3	109.8	1.2	153.8	1.6	293.3	3.0
6 months	28.3	0.3	31.0	0.3	26.1	0.3	75.3	0.8	46.0	0.5
3 months	27.9	0.3	9.0	0.1	11.5	0.1	36.7	0.4	35.5	0.4
63 days	—	—	—	—	—	—	—	—	—	—
28 days	—	—	—	—	—	—	—	—	—	—
14 days	—	—	—	—	—	—	—	—	—	—
Other domestic debt USD	36.8	0.4	131.5	1.4	95.4	1.0	57.9	0.6	250.9	2.5
Accrued interest	295.3	3.2	302.0	3.2	205.3	2.2	205.3	2.1	235.1	2.6
Total domestic debt	1,276.7	13.9	1,153.3	12.3	1,184.3	12.4	1,489.7	15.4	2,121.2	21.5

Source: Ministry of Finance and the National Bank of Angola (BNA)

The Government finances the budget deficit through the following internal public debt instruments placed in the domestic market.

(i) *Medium- to long-term AOA-denominated Government bonds (Obrigações do Tesouro)*

Obrigações do Tesouro are medium to long-term AOA-denominated Government bonds which have been issued by the Ministry of Finance since July 2003 and placed in the domestic monetary markets. *Obrigações do Tesouro* are typically issued on a weekly basis between the last week of January and December of each year. As at 31 December 2014, *Obrigações do Tesouro* for an aggregate principal amount of AOA 1,261.2 billion were outstanding (equivalent to U.S.\$12.8 billion). *Obrigações do Tesouro* are capable of being issued with maturities of between 2 and 20 years, *Obrigações do Tesouro* can be repaid before their stated maturity (subject to certain conditions), although the Government has never exercised this right. *Obrigações do Tesouro* normally carry a fixed rate of interest. Interest is payable semi-annually. In 2014, the Ministry of Finance issued (i) *Obrigações do Tesouro* with maturities of 2 years or 5 years with coupon rates of 7% and 7.75% a portion of which were linked to the exchange rate of the US dollar to the Kwanza and to US dollar LIBOR.

(ii) *Short-term AOA-denominated Treasury Bills (Bilhetes do Tesouro)*

Bilhetes do Tesouro are short-term AOA-denominated treasury bills which have been issued by the Ministry of Finance since October 2003 and placed in the monetary market. *Bilhetes do Tesouro* are typically issued on a weekly basis between the last week of January and December of each year. As at 31 December 2014, *Bilhetes do Tesouro* for an aggregate principal amount of AOA374.8 billion (equivalent to U.S.\$3.8 billion) were outstanding. *Bilhetes do Tesouro* typically have a maturity of between 91 and 364 days. *Bilhetes do Tesouro* can be repaid before their stated maturity (subject to certain conditions), although the Government has never exercised this right. *Bilhetes do Tesouro* are issued at a discount and bear no interest.

(iii) *AOA-denominated BNA Bills (Títulos do Banco Central)*

Títulos do Banco Central are short-term AOA-denominated BNA bills which have been issued by the BNA since 1999 on the monetary market. *Títulos do Banco Central* are typically issued on a weekly basis. As at 31 December 2014, no *Títulos do Banco Central* were outstanding. *Títulos do Banco Central* typically have a maturity of between 14 to 364 days. *Títulos do Banco Central* can be repaid before their stated maturity

(subject to certain conditions), although the Government has never exercised this right. *Títulos do Banco Central* are issued at a discount and bear no interest.

(iv) *US dollar-denominated Treasury bonds (USD Obrigações do Tesouro)*

USD Obrigações do Tesouro are medium- to long-term US dollar-denominated Government bonds which have been issued by the Ministry of Finance solely to Angolan investors since July 2003. *USD Obrigações do Tesouro* were issued between 2005 and 2010 and again in 2014. As at 31 December 2014, *USD Obrigações do Tesouro* for the aggregate principal amount of U.S.\$2.4 billion were outstanding and as at 30 June 2015, *USD Obrigações do Tesouro* for the aggregate principal amount of U.S.\$2.2 billion were outstanding. The Government currently intends to issue an additional U.S.\$2.0 billion of *USD Obrigações do Tesouro* by the end of 2015. *USD Obrigações do Tesouro* normally have a maturity of between 2 and 10 years. *USD Obrigações do Tesouro* can be repaid before their stated maturity (subject to certain conditions), although the Government has never exercised this right. *USD Obrigações do Tesouro* typically carry a floating rate of interest. Interest is payable semi-annually. The Ministry of Finance most recently issued *USD Obrigações do Tesouro* in 2014, which have a maturity of 5 years and a rate of interest which is linked to 6 month US dollar LIBOR, plus a spread of 2.5%.

Debt Management Policy

The Government was unable to establish a comprehensive debt management policy until the end of the Civil War. The Government has since established a Debt Management Unit and formulated a debt management policy. The Government has commenced work on the establishment of a debt sustainability analysis. This analysis will focus on promoting the domestic financial market, minimizing the financing costs associated with external and domestic debt, stretching the income curve, principally through the issuance of bonds with longer maturities, and increasing liquidity in the domestic debt securities market through the creation of the secondary market.

The Government's principal debt management policies include:

1. Financial needs assessment for the medium (3 to 5 year) term. Such assessment involves projecting probable fiscal revenue, establishing a medium-term fiscal framework including current expenditures, operation and maintenance expenditures and development expenditures; and projecting probable debt service, based on the actual stock and projected disbursements;
2. Evaluation of the financing gap;
3. Inclusion of the financing needs in a debt sustainability analysis; and
4. Sourcing financing, governed in accordance with the following procedures:
 - the Ministry of Finance has sole responsibility for proposing, and budgeting for, debt finance;
 - domestic finance should be preferred to foreign direct investment;
 - treasury bonds and bills should be preferred to contractual agreements;
 - financial terms and conditions should be benchmarked so as to ensure debt sustainability and to encourage improvement of the public debt profile.

While Angola has a draft medium-term debt management strategy under discussion, as of the date of this Prospectus no such strategy has been approved by the Government. There has been no audit of the Government's debt activities by the Court of Auditors during the last five years. Further, the Government has not undertaken a debt sustainability analysis since 2012. See "*Risk Factors – The Government expects to significantly increase borrowings in 2015 and in future years, and high levels of debt or failure to adequately manage its debt could have a material adverse effect on Angola's economy and its ability to repay its debt, including the Notes*".

MONETARY SYSTEM

The Central Bank of Angola (the “BNA”)

The Central Bank of Angola, previously one of two major Angolan banks, had its name changed to *Banco Nacional de Angola* (“BNA”) after independence in 1975, and inherited the responsibilities of a central bank, bank of issue and commercial bank, the only legal holder of foreign currency and responsibility for all foreign transactions. Further reforms restricted the BNA’s role to monetary policy, issuing bank, banker of the Government and reserve bank, effectively transforming the BNA into a pure central bank. The BNA is also responsible for supervising financial institutions domiciled in Angola.

The BNA was legally established by Law No. 69/76 of 5 November 1976 and is currently governed by Law No. 16/10 dated 15 July 2010.

The BNA’s main function is to maintain price stability and ensure that the value of the national currency is sustained. Additionally, it has the authority to supervise financial institutions, control their liquidity and solvency and maintain their deposit accounts under terms and conditions that the Board of Directors may decide.

Responding to the adverse fallout from the global economic crisis and the decline in international oil prices, the BNA has taken action to stabilize Angola’s international reserve position as well as to control inflation. Given the structure of the Angolan economy, with significant dependence on oil revenues, the Government continues to face challenges in macroeconomic management.

In order to protect Angola’s foreign exchange reserves and control inflation, the BNA restricted the supply of foreign exchange in May 2009 and fixed the exchange rate at AOA78 per US dollar. While the measure brought about stability of the Kwanza, it also led to the widening of the difference between the official and the parallel rate which increased approximately to AOA90. From 2 October 2009, the BNA lifted restrictions in the foreign exchange market and abolished the fixed rate of exchange of the Kwanza. See “*Exchange Rate History*”. See “*Risk Factors – Risk Factors Relating to Angola – A significant decline in the level of external reserves as a result of the BNA’s major role as a main supplier of foreign currency to domestic residents for imports purposes, could materially impair Angola’s ability to service its external debt, including the Notes*”.

The BNA has established a new foreign exchange regime applicable to the oil and gas sector in Angola. Prior to 2012, the oil and gas sector operated under a different foreign exchange control regime to other sectors of the Angolan economy. However, in order to standardize the foreign exchange system in Angola, and to give additional support to the domestic finance sector, the law requires the oil and gas sector to pay local expenses in Kwanza, Law 2/12 was introduced on 13 January 2012. Since the introduction of this regime, and through a gradual process, oil and gas companies have migrated to a new foreign exchange system. This new regime allows oil and gas companies to conduct foreign exchange operations without BNA approval, while also requiring them to make all payments via banks domiciled in Angola and to make payments to foreign entities that are resident in Angola in Kwanza. It also requires oil and gas companies to sell foreign currency to the BNA in order to obtain the Kwanza necessary to pay any taxes due in Angola, to provide their provisional budget to the BNA on a quarterly basis, and to provide to the BNA a list of contracts entered into by that entity with non-resident counterparts, under which payments are made in foreign currency. There are some exceptions to the standardization introduced by Law 2/12, such as the ability for oil and gas services companies to make payments to overseas suppliers of amounts up to U.S.\$3.0 million without the approval of the BNA. The introduction of this measure in 2012 has significantly contributed to dedollarization of the Angolan economy.

The BNA’s objectives for 2015 and 2016 are (i) to maintain stability in the foreign exchange market; (ii) to strengthen supervision of, and to improve the regulatory framework for, the banking sector including through conducting stress tests of Angola’s banking system; (iii) to review Angola’s current exchange control regulations; and (iv) to further reduce dollarization in the Angolan economy and to promote an increased circulation of the Kwanza.

Monetary Policy

Monetary policy is conducted by the BNA’s monetary policy committee (“MPC”) which was established in 2011, conducting its first meeting in October of that year. The MPC consists of the Governor, the Deputy Governors and the Directors of the BNA, meets each month and sets each of the BNA midpoint rate, the liquidity providing rate and the liquidity absorption rate.

In 2012 the BNA entered into a protocol (the “**Fiscal and Monetary Policy Protocol**”) with the Ministry of Finance in respect of the management of Angola’s fiscal and monetary policy, in order to provide the necessary institutional and operational coordination required for macroeconomic measures to be efficiently implemented. Among other things, this protocol established the Monetary Policy Coordination Committee (the “**MPCC**”), which consists of various representatives from the BNA and the Ministry of Finance, including the Minister of Finance, the Governor of the BNA, the Secretary of State for the Treasury and a Vice-Governor of the BNA. The MPCC meets monthly and discusses an agenda agreed between the Minister of Finance and the Governor of the BNA.

The MPCC has subsequently been reconstituted pursuant to Presidential Order 34/15, which gave it powers to:

- approve the methodology and timetable for financial planning and disbursements;
- establish spending category limits, in a manner consistent with changes in revenues and possible financing alternatives, and to make adjustments to such limits where necessary;
- recommend corrective measures where financing amounts exceed levels consistent with the other economic policy objectives, such as those related to liquidity levels and interest rates;
- recommend that any corrective measures include increasing revenues, imposing limitations on commitment to expenditure, or both;
- devise and submit for the approval of the Economic Committee of the Council of Ministers the Government’s annual financial program;
- establish disaggregated monthly and weekly targets in national and foreign currency, for treasury revenues and expenditure and for account balances, in order to serve as a reference for the implementation of the monetary program and management of net foreign exchange reserves;
- monitor those fiscal and monetary indicators that influence the growth of the monetary base and money supply and adopt any necessary corrective measures;
- take steps to avoid the dollarization of the economy;
- examine and approve draft legislation to be issued by the Minister of Finance and the BNA concerning decisions that have effects on the coordination of fiscal and monetary policy;
- ensure strict compliance with the Fiscal and Monetary Policy Protocol, and to apply administrative and disciplinary sanctions in the event of non-compliance; and
- produce and submit to the Economic Committee of the Council of Ministers monthly reports on the coordinated implementation of fiscal and monetary policy.

The monetary base, which comprises the notes and coins in circulation and deposits in the BNA made by financial institutions, is the variable used by the BNA to conduct monetary policy. The BNA monitors liquidity in the markets and restores imbalances to the desired levels through open market transactions.

Due to the large amounts of foreign currency that are circulating in Angola, particularly US dollars, the BNA has controlled liquidity excesses in recent years, through the regular sale of foreign currency.

The BNA also adjusts required reserves to ease monetary pressures. In 2014, the BNA raised the required reserves from 12.5% to 15% so as to mitigate the potential consequences of rising inflation and excess liquidity. In early 2015, the BNA allowed required reserves to be partially made up of Government and central bank securities.

In 2014, the BNA decreased its discount window from 15.0% to 9.8%. Alteration of the discount window is considered to be a last resort source of short term financing for banks with a shortage of funds in their accounts with the BNA to meet their reserve requirements.

The recent monetary tightening by the BNA has led to a substantial deceleration in the growth of broad money (M3) to below 17% by the end of 2014. By contrast, in 2007 M3 growth was approximately 80%. The BNA intends to continue to maintain a tight monetary policy stance under the principle of neutralizing US dollar revenues coming from the oil sector that are to be used for budget expenditure in Kwanza. To support exchange rate policy, the BNA intends to increase its base rate to allow market interest rates to rise to a level that would achieve the BNA’s targets for reserve money and broad money. However, as is best practice for fiscal policy, the BNA intends to prevent the costs of monetary policy from leading to the unsustainable growth of the public deficit service.

The Government intends to use prudent domestic debt management to limit the drawdown of its deposits at the BNA and thereby support the BNA's international reserves. More broadly, as part of monetary and fiscal coordination, the treasury will issue securities for its domestic financing of the Government deficit and, in case of a shortfall in market financing, will drawdown its deposits at the BNA. To facilitate the market absorption of Government debt, the treasury will price its securities according to a market based interest rate, and gradually extend their maturity to long-term as market confidence improves. The BNA will neutralize liquidity injections due to the Government's reduction in deposits at the BNA through issuing BNA securities at the short-end of the yield curve. The Government's liquidity management framework ensures that the liquidity management instruments are appropriately geared towards its overall monetary objectives.

Inflation

The following table sets forth certain information regarding inflation for the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Inflation, year-end	<u>15.3%</u>	<u>11.4%</u>	<u>9.0%</u>	<u>7.7%</u>	<u>7.5%</u>

Source: National Bank of Angola (BNA)

Angola's rate of inflation as of 30 September 2015 over the previous 12 months was 11.7%.

While inflationary pressures are rising, in part because of price rises associated with a reduction in imports, which in turn have caused increases in the price of food, fuel and imported components necessary for use in the manufacturing and construction sectors (such as tubing), the BNA and the Government expects annual inflation to remain at approximately 13.8% or below in the medium-term. On 30 June 2015, the BNA raised its benchmark interest rate for a second time in 2015 by 0.5% to 9.75%, in July 2015 to 10.25% and again in August 2015 to 10.5% to counter further devaluation of its currency. The Kwanza fell to 121.965 against the US dollar and inflation over the previous 12 months was 10.2% in July 2015, exceeding the BNA's 7-9% target for 2015. Angola's rate of inflation as of 30 September 2015 over the previous 12 months was 11.7%. See "*Risk Factors – Devaluation in the value of the Kwanza could have a material adverse effect on Angola's economy*" and "*High inflation could have a material adverse effect on Angola's economy*".

In response to increases to inflation in December 2014, the BNA increased the BNA midpoint rate, increased the liquidity providing rate, decreased the liquidity absorption rate and increased mandatory reserves to 25%, comprising 15% cash and 10% treasury bonds.

The table below sets out T-Bill and T-Bond rates as at 9 October 2015:

	<u>Maturity of 91 days</u>	<u>Maturity of 364 days</u>
T-Bill	9.3%	9.8%

Source: National Bank of Angola (BNA)

	<u>Maturity of two years</u>	<u>Maturity of three years</u>	<u>Maturity of four years</u>	<u>Maturity of five years</u>
T-Bonds	7.0%	7.3%	7.5%	7.8%

Source: National Bank of Angola (BNA)

Rapid disinflation has been one of Angola's major achievements towards macroeconomic stabilization in recent years. Inflation reached 268% in 2000, reflecting the monetization of budget deficits and rapid growth in reserve money and broad money. In 2003, the BNA adopted a new anti-inflationary policy which resulted in the rapid decline of inflation to 7.48 % on average in 2014. Assisted by increasing foreign exchange inflows, the BNA was able to neutralize rapid growth in the money supply through intervening in the foreign exchange markets in support of the Kwanza and selling a range of liquidity instruments, such as treasury bills and Government bonds. The Government has also made significant investments in infrastructure, taking advantage of Angola's natural resources, manufacturing and construction industries, as well as strengthening Angola's foreign investment and strategically developing Angola's human resources, all of which have had anti-inflationary effects on the Angolan economy.

Money supply

The following table sets forth certain information regarding Angola's money supply as at 31 December for each of the years indicated:

	2010	2011	2012	2013	2014
	<i>(AOA millions)</i>				
Foreign assets (net)	1,629,800.2	2,915,687.6	3,155,250.4	3,116,232.4	3,097,463.6
Foreign assets	2,163,909.7	3,580,089.5	3,797,719.0	3,828,130.1	3,550,027.2
Foreign liabilities	534,109.6	664,401.8	642,468.6	711,897.6	452,563.6
Claims on the government (net)	(232,474.1)	(453,935.3)	(942,737.0)	(666,018.1)	69,099.4
Claims on government	714,716.0	1,205,263.4	1,186,053.6	1,441,308.4	2,001,718.0
Liabilities to government	947,190.1	1,659,198.8	2,128,790.7	2,107,326.5	1,932,618.5
<i>of which: in foreign currency</i>	602,016.8	1,231,957.8	1,528,523.7	1,365,323.6	1,210,590.2
Claims on other resident sectors	1,622,863.1	2,136,278.7	2,647,773.8	2,926,430.5	2,946,702.3
Claims on other financial corporations	70,407.4	11,422.4	112,720.7	33,793.7	33,078.0
<i>of which: in foreign currency</i>	140.3	210.0	98,777.1	234.4	4,973.9
Claims on the public sector, excl. central government	80,371.2	88,786.1	85,185.3	72,119.7	61,581.1
<i>of which: in foreign currency</i>	31,048.1	20,437.9	8,874.3	6,196.7	2,465.2
Claims on other resident sectors	1,472,084.5	2,036,070.3	2,449,867.9	2,820,517.1	2,852,043.2
<i>of which: in foreign currency</i>	961,290.1	1,037,322.2	1,066,158.2	1,042,545.9	742,099.1
Shares and other equity	524,720.5	997,211.6	941,396.6	1,067,685.3	1,030,998.0
Other assets/liabilities (net)	(185,803.2)	(72,291.2)	(35,853.1)	(87,721.1)	(27,848.6)
Broad money (M3)	2,681,271.9	3,673,110.6	3,883,037.4	4,396,680.5	5,110,115.9
Currency outside depository corporations	171,827.0	208,397.8	244,250.1	275,552.0	339,667.9
Transferable deposits	1,495,096.2	1,947,400.9	2,027,662.4	2,309,085.4	2,757,193.7
Other deposits	905,636.4	1,365,085.4	1,477,105.7	1,810,107.3	2,006,621.3
Securities other than shares	49,977.9	107,534.6	4,678.8	1,789.1	6,546.3
Repurchase agreements	58,734.4	44,691.9	129,340.5	146.7	86.8

Source: National Bank of Angola (BNA)

The Banking System

Angola's banking system has evolved and grown rapidly since the end of the Civil War in 2002. The banking system has transformed from being dominated by two state-owned banks to currently comprising 23 commercial banks, of which only three are state-owned. Similarly to most emerging markets, Angolan banks focus on deposit-taking, have a relatively low but increasing loan to deposit ratio, and have a high proportion of deposits invested in treasury bills. The Government is actively pursuing several measures to further develop Angola's banking sector, aimed at, among other things, increasing competition, expanding lending activities and the range of banking products, and making financial services more accessible to a wider part of Angola's population and businesses.

The following table sets forth the combined balance sheet of Angola's commercial banks as at 31 December for each of the years indicated:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<i>(AOA millions)</i>				
Assets					
Currency holdings	88,898.3	126,636.3	140,839.1	176,613.9	170,236.8
Deposits with non-residents	94,186.6	181,633.1	192,305.1	101,125.0	208,266.3
Deposits with depository corporations	552,142.6	723,839.0	674,117.5	770,960.3	778,880.7
National Bank of Angola	464,844.2	636,068.8	671,384.6	764,689.9	772,425.4
Other depository corporations	87,298.4	87,770.3	2,732.9	6,270.4	6,455.3
Debt securities	1,104,256.5	1,132,391.1	1,060,649.1	1,228,049.5	1,546,244.0
Loans	1,880,158.4	2,982,924.5	3,543,645.7	3,984,703.2	4,015,786.2
Non residents	208,277.5	546,445.3	361,030.6	424,649.1	286,804.0
Central government	24,105.3	21,494.4	12,163.0	26,939.7	261,129.5
Public sector excluding central government	72,056.6	88,743.0	85,156.7	72,118.8	61,578.5
National Bank of Angola	5,927.1	142,992.4	212,756.9	212,682.9	318,840.1
Other depository corporations and other financial corporations	138,571.8	180,411.9	442,438.8	470,994.4	278,300.9
Private sector	1,431,220.1	2,002,837.6	2,430,099.8	2,777,318.2	2,809,133.1
Shares and other equity	23,265.5	25,693.1	26,543.0	30,936.2	47,237.1
Other Assets	438,244.8	484,592.4	568,988.1	665,014.9	771,221.5
Total assets	4,181,152.8	5,657,709.5	6,207,087.6	6,957,402.7	7,537,872.5
Liabilities					
Liabilities included in Broad Money M3	2,509,444.9	3,464,712.8	3,638,787.4	4,121,128.6	4,770,448.0
Transferable deposits	1,495,096.2	1,947,400.9	2,027,662.4	2,309,085.4	2,757,193.7
Other deposits	905,636.4	1,365,085.4	1,477,105.7	1,810,107.3	2,006,621.3
Securities other than shares	49,977.9	107,534.6	4,678.8	1,789.1	6,546.3
Repurchase agreements	58,734.4	44,691.9	129,340.5	146.7	86.8
Liabilities excluded from broad money M3	250,716.9	327,823.4	384,031.5	526,755.7	587,182.8
Loans	577,581.3	837,455.9	961,477.0	1,034,078.4	733,663.8
Shares and other equity	422,071.7	588,363.4	551,825.5	730,394.4	722,476.4
Other liabilities	421,338.1	439,353.9	670,966.2	545,046.6	724,101.5
Total liabilities	4,181,152.8	5,657,709.5	6,207,087.6	6,957,402.7	7,537,872.5

Source: National Bank of Angola (BNA)

Major banks, banking sector concentration and competition

There are a total of 29 banks in Angola, of which 25 are currently operational. Three of the banks are state-owned, eight banks are subsidiaries of foreign entities and the remainder are privately-owned Angolan banks. 83 exchange offices exist in Angola, of which 76 are currently operational.

Currently, ten microcredit companies and five entities authorized to transfer money abroad operate in Angola.

Although the use of banking facilities has become increasingly attractive to members of the public in Angola as a result of the introduction of debit card usage in private transactions, the mortgage market is yet to develop due to problems with recording and registering property ownership and a reluctance on the part of the banking sector to develop this market.

Four of Angola's five largest banks are privately owned, with two being controlled by Portuguese banks. There are eight banks with foreign shareholdings representing 35% of the banking sector assets.

Banking activity is concentrated in Luanda, although each provincial capital has at least five bank branches. The number of bank branches across Angola has increased significantly in recent years. Currently there are over 1,452 bank branches in Angola compared to 42 as at the end of 2000.

The BNA created a database in 2011 in connection with which banks provide certain information regarding borrowers and their financing arrangements. This information is shared among banking institutions in Angola and is intended to operate as a local credit rating system.

Concentration in the banking sector is high with five major banks – *Banco Angolano de Investimentos* (“**BAI**”), *Banco do Fomento Angola* (“**BFA**”), *Banco de Poupanca e Credito* (“**BPC**”), *Banco Internacional de Crédito* (“**BIC**”) and *Banco Económico, S.A.* (formerly known as *Banco Espírito Santo de Angola*) (“**Banco Económico**”), jointly accounting for 71% of deposits and 71% of loans as at 31 December 2014.

- BAI, Angola’s largest Angolan bank by deposits, is 8.5% owned by Sonangol, Angola’s state-owned oil company, with the remaining shares owned by private investors. As at December 2014, BAI held 18% of deposits and 12% of loans in Angola’s banking sector. BAI concentrates on corporate banking but has been expanding into the retail segment of the banking sector. In addition to its head office in Luanda, BAI operates 62 branches in Luanda and 44 branches in other provincial centers.
- BFA, Angola’s second largest bank by deposits, is formerly a wholly owned subsidiary of the Portuguese bank, BPI, which in 2007 sold 49% of its shares in BFA to Angola’s largest mobile telephone operator, Unitel. As at December 2014, BFA held 17% of deposits and 7% of loans in Angola’s banking sector. BFA provides both corporate and retail banking services. In addition to the head office in Luanda, BFA operates 102 branches in Luanda and 69 branches in other provincial centers.
- BPC, the third largest bank by deposits, is 99% owned by the Angolan State. As at December 2014, BPC held 16% of deposits and 28% of loans in Angola’s banking sector. In addition to the head office in Luanda, it operates 100 branches in Luanda and 191 branches in other provincial centers. BPC concentrates on both corporate and retail banking. In addition to providing banking services to private companies and individuals, BPC counts most Government institutions and agencies as its customers. For instance, BPC offers cash management services to the treasury account. The Government has no current intention of privatizing BPC in the near future.
- BIC is 65% owned by domestic private investors with the remaining 35% of shares owned by foreign investors. As at December 2014, BIC held 13% of deposits and 9% of loans in Angola’s banking sector. BIC concentrates on retail banking services. In addition to its head office in Luanda, it operates 103 branches in Luanda and 75 branches in other provincial centers.
- Banco Económico was formed in October 2014 when the Portuguese parent (*Banco Espírito Santo*, once the second largest private bank in Portugal) of Banco Económico’s predecessor (*Banco Espírito Santo de Angola*) received a €4.4 billion bailout by the Portuguese central bank in August 2014. As part of the bailout arrangements, *Banco Espírito Santo* was split into two new entities: *Novo Banco*, which retained the deposits and healthy assets of (*Banco Espírito Santo*) and received a large capital injection from the Portuguese central bank, while problematic exposures, including its Angolan subsidiary *Banco Espírito Santo de Angola* were retained in *Banco Espírito Santo*. *Banco Espírito Santo* was then placed into administration and managed by a bankruptcy administrator. Angola similarly appointed BNA administrators to manage *Banco Espírito Santo de Angola*.

Banco Económico is owned by Sonangol (39.4%), Lektron Capital SA, a Chinese entity (31.0%), *Geni Novas Tecnologias, S.A.* (20%), and *Novo Banco* (9.7%). As at December 2014, Banco Económico held 7% of deposits and 14% of loans in Angola’s banking sector. Banco Económico offers both corporate and retail banking services, but is primarily focused on investment banking activity to support the Angolan economy, including the financing of large national projects in Angola and the development of Angola’s capital markets. In addition to its head office in Luanda, it operates 39 branches in Luanda and 19 branches in other provincial centers. In December 2013, in order to restore confidence in the creditworthiness and liquidity of *Banco Espírito Santo de Angola* (the predecessor to Banco Económico), and to promote stability and reduce systemic risk in the banking sector, the Republic provided a comfort letter to *Banco Espírito Santo de Angola*. This comfort letter was revoked in August 2014 at the same time the bailout, asset splitting and BNA administration of *Banco Espírito Santo de Angola* occurred, as described above. See also “– Banking Regulatory Authority” below for a description of the measures taken by the BNA in respect of Banco Económico and its predecessor (*Banco Espírito Santo de Angola*) to date.

The following table sets forth the capital adequacy ratio, the asset quality profiles, and the profitability of each of the five major banks in Angola for the years ended 2012, 2013 and 2014 and as at 30 June 2015:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>As at 30 June 2015</u>
			(%)	
Capital Adequacy Ratio				
BAI	16.7	18.3	17.4	18.3
BFA	24.2	25.8	24.0	23.0
BPC	12.1	10.0	10.1	13.3
BIC	16.3	20.6	19.1	14.1
Banco Económico ⁽⁵⁾	11.6	12.8	5.4	5.1
Asset Quality (NPLs relative to total loans)⁽¹⁾				
BAI	21.6	6.8	6.8	5.2
BFA	4.0	4.2	3.1	4.4
BPC	7.8	30.8	13.5	14.4
BIC	1.4	4.3	6.2	7.3
Banco Económico ⁽⁵⁾	0.2	0.2	34.5	43.9
Asset Quality (NPLs relative to own funds)⁽²⁾				
BAI	68.5	18.2	14.1	1.7
BFA	5.0	4.9	5.1	6.4
BPC	0.4	205.4	122.3	88.4
BIC	4.8	0.3	5.7	4.8
Banco Económico ⁽⁵⁾	1.3	1.3	392.5	432.9
Return on Capital (ROE)⁽³⁾				
BAI	25.5	16.9	14.4	14.1
BFA	29.3	29.0	31.3	16.6
BPC	9.5	8.4	8.6	3.2
BIC	22.6	23.8	23.2	16.6
Banco Económico ⁽⁵⁾	12.7	2.8	(145.4)	(1.0)
Return on Assets (ROA)⁽⁴⁾				
BAI	2.1	1.4	1.1	1.2
BFA	2.8	2.7	3.1	1.6
BPC	0.8	0.7	0.7	0.3
BIC	2.4	2.7	2.5	1.6
Banco Económico ⁽⁵⁾	1.4	0.3	(8.7)	(0.1)

(1) Calculated as overdue bad debt divided by total own loans.

(2) Calculated as overdue bad debt minus provision for overdue bad debt, divided by own funds.

(3) Calculated as net income divided by the average of total own funds.

(4) Calculated as net income divided by the average of total assets.

(5) Includes Banco Económico's predecessor *Banco Espirito Santo de Angola* for the periods up to August 2014.

Source: National Bank of Angola (BNA)

See “– Banking Regulatory Authority” below for a description of the BNA’s supervisory role and certain matters relating to *Banco Espirito Santo de Angola*.

The remaining Angolan banks together account for no more than 29% of deposits and no more than 30% of the sector’s aggregate loan portfolio. The Government views increased competition in the banking sector as one of its priorities for the sector. The BNA actively encourages the expansion of the banking sector’s customer base into medium- to lower-income segments of Angola’s population, which are currently significantly underrepresented amongst Angolan banking customers. The Government estimates that between 40% and 50% of the population currently has access to a bank account.

In addition to stakes in two commercial banks, Angola owns the entire share capital of a development bank, *Banco de Desenvolvimento de Angola* (“BDA”). BDA was previously funded through the allocation by the Angolan Government of 5% of oil and 2% of diamond revenues, which BDA uses to subsidize lending to the private sector. On 8 September 2014, Presidential Decree 241/14 was approved and the obligation to transfer a percentage of oil and diamond revenues was terminated.

Stability of the banking system is monitored by the BNA's Stability Committee. Although non-performing loans for the industry as a whole made up approximately 11% of all loans in Angola in June 2015, the banking sector was considered to be stable by the BNA's Stability Committee. The BNA's Stability Committee considers that Angola's banking sector is well-equipped to handle the current economic situation in Angola, including the recent fall in the oil price. While the current situation is similar in nature to that experienced by Angola in 2009, the Angolan banking sector is considered more resilient than in 2009 mainly due to the de-dollarization of the Angolan economy that has taken place since 2009, which has resulted from, among other things, the introduction of legislation allowing borrowers to repay US dollar-denominated loans in Kwanza, and the fact that loans to consumers may no longer be made in US dollars.

Deposit taking

The deposit-taking activities of Angolan banks have grown rapidly in recent years. As at 31 December 2014, total deposits exceeded AOA 4,763.8 billion (U.S.\$46.2 billion), up from AOA 2,400.7 (U.S.\$26.9 billion) as at 31 December 2010. This growth was mainly as a result of a gradual improvement in economic conditions driven by the high levels of oil prices in recent years. However, bank deposits continue to represent a relatively small but growing portion of Angola's GDP as compared to more developed economies: 33.9% of GDP in 2010, 35.4% of GDP in 2011, 33.5% of GDP in 2012, 34.2% of GDP in 2013 and 38.2% of GDP in 2014. The corporate segment dominates the deposit activities in Angola's banks, representing 68% of total deposits compared to 32% of deposits that were made by individuals. 36% of the deposits are denominated in a foreign currency, mostly US dollars. Angolan banks are able to take foreign deposits, which amounted as at 31 December 2014 to approximately 2% of the total amount of deposits.

Lending

The lending segment of Angola's banking sector has grown over the past few years at a faster pace than deposits, and remains rather limited as compared to more developed economies. The Angolan banking sector had AOA 2,946.7 billion (U.S.\$28.6 billion) of loans outstanding as at 31 December 2014, compared to AOA 2,926.4 billion (U.S.\$30.5 billion) as at 31 December 2013, AOA 2,647.8 billion (U.S.\$27.8 billion) as at 31 December 2012, AOA 2,136.3 billion (U.S.\$23.1 billion) as at 31 December 2011 and AOA 1,622.9 billion (U.S.\$18.2 billion) as at 31 December 2010. The loan to deposit ratio of Angolan banks has generally improved in recent years, amounting to 61.9% in 2014, compared to 71.0% of deposits in 2013, 75.5% of deposits in 2012, 64.5% of deposits in 2011 and 67.6% of deposits in 2010. The corporate segment dominates lending activities, representing 73% of total loans compared to 27% for the retail segment. Companies in Angola's dominant economic sector, oil and gas, finance their operations outside Angola and their contribution to the expansion of Angola's banking sector is therefore limited. In 2014, loans to local businesses amounted to 17% of GDP and the share of loans to individuals was 6% of GDP.

The expansion of Angola's bank lending in the retail segment has historically been hindered by a lack of a reliable and centralized credit reference system. In 2010 the Government established a central credit reference agency, which was fully operational by 2011, to resolve this issue. A limitation on the expansion of retail lending is that a majority of potential borrowers only have limited assets that are acceptable to banks as collateral. Lending is mostly asset-based with a small mortgage market in part due to the lack of a reliable system for the registration of property rights.

In December 2014, the rate of non-performing loans in Angola was 12%, compared to 4% in December 2010. The increase in non-performing loans was mostly driven by adjustments of such non-performing loans in banks' portfolios and remains low as compared to current non-performing loan rates in major world economies.

Income-generating banking activities

In 2014, fee and commission income accounted for 21% of the total bank income and net interest income of 56%. The average interest rate payable on Government securities was 7%. The average interest rate on corporate loans was 14% in domestic currency and 11% in foreign currency. Average rates of interest payable on retail and corporate deposits were 6% in domestic currency and 4% in foreign currency, thus the net interest income was driven by banks investing low rate deposits in risk-free Government securities and relatively low risk corporate loans. Fee and commission income was driven by income from foreign exchange transactions, trade finance income, and fees on lending activities.

Government main strategies for the development of the banking sector

The Government's current priorities in the banking sector are the improvement of competition in the sector, making banking products and services more accessible to a wider proportion of Angola's population, increasing the lending segment of the banking sector and improving the regulatory framework for the banking sector.

The Government considers making financial products and services more accessible to a wider proportion of Angola's population to be important for the overall growth and development of the economy as well as an important strategy for addressing the social imbalances in Angolan society. To achieve this, the Government encourages those new entrants into the banking market which are capable of offering suitable financial products and services to a wider population, particularly those on medium to lower incomes, such as, among other things, microfinance loans.

The Government's principal measures which are aimed at the expansion of the lending sector include introducing legislation establishing a unified property register which is expected to encourage a greater use of secured lending and decreasing the cost of borrowing through the improvement of competition in the banking sector.

The Government continues to work on the further improvement of banking laws and regulations. Further regulatory changes are being prepared by the Government aimed at improving corporate governance in banks, developing consumer protection regulations applicable specifically to the banking sector, establishing stronger rules towards lending in foreign currency, better regulation of electronic banking and the regulation of financial leasing activities which would enable companies not registered as banks to offer financial leasing services.

Banking Regulatory Authority

The BNA acts as the supervisory authority in the banking sector. Since the end of the Civil War, Angola has taken significant steps to improve its banking regulations to bring them into line with internationally acceptable practices of banking regulation and supervision. Angola enacted several important pieces of banking legislation and has introduced regulations based on the provisions of Basel II. Angola has adopted internal controls and corporate governance regulations relating to the market discipline provisions of Basel III and is currently regulating for risk management, also based on the provisions of Basel III. Angola also enacted new accounting standards for banks which came into force from 2010 and which, in general, comply with the International Financial Reporting Standards. The BNA is currently implementing a project to adopt the International Standards for Auditing and Accounting in the Angolan accounting profession. These standards are expected to be adopted in Angola in January 2016.

The current minimum capital adequacy requirement is 10% and the actual current capital adequacy ratio maintained by the banking system as a whole is in excess of 19.9%.

Banks are required to monitor their liquidity on a daily basis and are not permitted to have liquidity gaps in excess of 90 days. The BNA has recently adopted a new regulation relating to liquidity risk that is in line with the recommendations in Basel III and which, when effective, will introduce a liquidity coverage ratio and a net stable funding ratio.

There is also a requirement to have a minimum of 20% of the bank's deposits held as cash with the BNA as a minimum reserve requirement.

Pursuant to Article 65 of Law 12/2015 ("**Financial Institutions Base Law**"), it is the responsibility of the BNA to undertake supervision of banking financial institutions based in Angola, as well as supervision of branches and representative offices in Angola of financial institutions headquartered abroad (which are subject to the same legal regime as Angolan banks). Pursuant to article 94 of the Financial Institutions Base Law, the BNA:

- monitors the activities of financial institutions under its supervision and carries out risk assessments to ensure the adequacy of capital to support such risks;
- ensures the observance of governance standards applicable to Angola's financial institutions;
- issues recommendations and guidelines to remedy irregularities, to control and manage deficiencies and to detect capital insufficiency;
- imposes intervention and remediation measures; and
- imposes sanctions for infringements.

In the period 2011 through 2014, due to liquidity issues experienced at *Banco Espirito Santo de Angola* (the predecessor to Banco Económico), the BNA conducted several inspections. The BNA's 2014 inspection of *Banco Espirito Santo de Angola* in the first quarter of 2014 identified several irregularities, including a significant level of overdue debt and lack of provisioning for such overdue debt, such that *Banco Espirito Santo de Angola*'s regulatory capital ratio was inadequate and deteriorating. In August 2014 the BNA announced the adoption of extraordinary remediation measures for *Banco Espirito Santo de Angola*, with the appointment of interim administrators for *Banco Espirito Santo de Angola*.

Based on a report prepared by the interim administrators of *Banco Espirito Santo de Angola* that highlighted significant losses in *Banco Espirito Santo de Angola*'s loan portfolio and other assets, as well as inadequate provisioning therefor, the BNA took measures to require *Banco Espirito Santo de Angola* to:

- accurately record its credit operations,
- more appropriately provision for overdue debt,
- implement a recovery and remediation plan,
- implement an adjustment of capital to strengthen the provisions of *Banco Espirito Santo de Angola*'s loan portfolio;
- establish provisions on *Banco Espirito Santo de Angola*'s property portfolio;
- require *Banco Espirito Santo de Angola* to recognise as a total loss the capitalized amounts associated with investment projects that had been discontinued;
- implement a further capital increase through conversion of senior interbank lending of BES, followed by a reduction in equity of shareholders due to full absorption of accumulated losses;
- implement a further capital increase in cash from shareholders and other entities invited and accepted by the BNA; and
- sell subordinated instruments (maturing in December 2015) in the market to ensure the maintenance of regulatory ratios.

The BNA is committed to strengthening its oversight of the financial sector, including its risk-based bank supervision, with the enactment of prudential rules that appropriately reflect the balance sheet risks of foreign currency lending. The Government continues to expand its on-site and off-site supervision activities; to regularly discuss balance sheet developments and contingency plans with bank managers, including the impact of exchange rate changes that have already taken place on bank books; and to review the implementation of Angola's banking resolution framework.

The Government is considering amending the Law of Financial Institutions in order to facilitate the issuance of regulations in respect of the operation of financial institutions.

Angolan Stock Exchange

In 2005, the Government established a regulator to oversee the development of Angola's capital markets, the *Comissão de Mercado de Capitais* ("CMC"). In March 2014, the Angolan stock exchange, or "*Bolsa de Dívida e Valores de Angola*" ("**BODIVA**"), was established. BODIVA has a management board which is responsible for ensuring the transparency, efficiency and security of transactions, encouraging the participation of small investors and competition between operators.

While BODIVA's equity market is yet to commence operations, the physical infrastructure for the Angolan Stock Exchange, including the building and equipment, is in existence and capable of being operational within a short time. Furthermore, the Angolan Stock Exchange's staff has undergone extensive training by the Canadian firm, the Development Partnership, and is involved in simulation trades. BODIVA began trading government bonds in May 2015 and has announced that it will launch corporate debt sales in 2016. Over the counter trading on the equity market of the BODIVA is expected to commence by the end of the first quarter of 2016 with the full exchange commencing operations by the end of 2017 and the trading of futures to commence in 2019.

On 19 December 2014, BODIVA launched two secondary public debt trading markets: the *Mercado de Registo de Títulos de Tesouro* (the treasury securities registration market, or "**MRTT**") and the *Mercado por Grosso de Títulos do Tesouro* (the wholesale treasury securities market, or "**MGTT**"). The MGTT is designed for trading among specialists (for their own account or on behalf of clients) such as banks, brokers and dealers. The MRTT

is designed to record over the counter transactions that have previously been agreed between market participants, thus providing information about asset values to the market. It enables individuals and institutional investors to operate in the regulated market with the registration of purchase and sale of Treasury securities, which were previously entirely private transactions.

Trading volumes on the MRTT in May 2015 were equivalent to approximately U.S.\$55 million, though this rose to an equivalent of approximately U.S.\$166 million following the entry of two new market participants. There are currently three market participants trading on the MRTT and CMC is considering applications from six further operators, which would allow them to trade on the MRTT. Trading on the MGTT is yet to commence.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each Note Certificate (if issued).

The U.S.\$1,500,000,000 9.500 per cent. Notes due 2025 (the “**Notes**”, which expression includes any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of the Republic of Angola (the “**Republic**”) are constituted by and subject to, and have the benefit of, a deed of covenant dated on or about 12 November 2015 (the “**Deed of Covenant**”). A fiscal agency agreement dated on or about 12 November 2015 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Notes between the Republic, Deutsche Bank AG, London Branch, as fiscal agent (the “**Fiscal Agent**”), Deutsche Bank Luxembourg S.A., as registrar and transfer agent in respect of the Unrestricted Notes (as defined in the Fiscal Agency Agreement), and Deutsche Bank Trust Company Americas, as registrar and transfer agent in respect of the Restricted Notes (as so defined) (each, a “**Registrar**” or “**Transfer Agent**”, as the case may be) and as paying agent (the “**Paying Agent**” and together with the Fiscal Agent, the “**Paying Agents**”).

In these Conditions, “**Registrars**”, “**Transfer Agents**”, “**Fiscal Agent**” and “**Paying Agents**” mean and include each Registrar, Transfer Agent, Fiscal Agent and Paying Agent and shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement and any reference to an “**Agent**” or “**Agents**” shall mean any or all (as applicable) of such persons.

Certain provisions of these Conditions are summaries of the Fiscal Agency Agreement. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement are available for inspection by holders of the Notes during usual business hours at the principal office of the Fiscal Agent (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom) and at the specified offices of each of the other Agents. The holders of Notes are bound by and are deemed to have full notice of the provisions of the Fiscal Agency Agreement.

References to “**Conditions**” are, unless the context otherwise requires, to the numbered paragraphs of these terms and conditions.

1. Form and Denomination

The Notes are in registered form in minimum denominations of U.S.\$200,000 or any amount in excess thereof which is an integral multiple of U.S.\$1,000.

2. Status

The Notes are issued as the direct, unconditional and unsecured obligations of the Republic and (subject as provided in Condition 4 (*Negative Pledge and Other Covenants*)) rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness of the Republic, from time to time outstanding, provided, however, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

3. Register, Title and Transfer

(a) Register

Each Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. In these Conditions, the “**Holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (each a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding or holdings of Notes only in certain limited circumstances. Each such Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title

Title to the Notes will pass by and upon registration in the Register. Each Noteholder shall (except as otherwise required by law) be treated as the absolute owner of such Notes for all purposes (whether or

not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no person shall be liable for so treating such Holder.

(c) *Transfers*

Subject to paragraphs (e), (f) and (g) below, a Note may be transferred in whole or in part in an authorised denomination upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the specified office of the relevant Registrar or the relevant Transfer Agent, together with such evidence as such Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the transfer form (the “**Transfer Form**”); provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and Delivery of Note Certificates*

Subject to paragraphs (e) and (f) below, within five Business Days (as defined below) of the surrender of a Note Certificate in accordance with paragraph (c) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of the same aggregate principal amount as the Notes transferred to each relevant Holder at its specified office or (as the case may be) the specified office of the relevant Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**Business Day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

Where some but not all the Notes in respect of which a Note Certificate is issued are to be transferred, a new Note Certificate in respect of the Notes not so transferred will, within five Business Days of the surrender of the original Note Certificate in accordance with paragraph (c) above, be mailed by uninsured first class mail (airmail if overseas) at the request of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register.

(e) *No Charge*

Registration or transfer of a Note will be effected without charge by or on behalf of the Republic, the relevant Registrar or the relevant Transfer Agent but against payment by the Holder of such indemnity as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

(f) *Closed Periods*

Noteholders may not require the transfer of a Note to be registered during the period beginning on the 15th calendar day before the due date for any payment of principal or interest in respect of that Note.

(g) *Regulations Concerning Transfers and Registration*

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Republic with the prior written approval of the relevant Registrar. A copy of the current regulations will be mailed (free of charge) by such Registrar to any Noteholder who requests in writing a copy of such regulations.

4. Negative Pledge

(a) *Negative Pledge*

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement) the Republic shall not create, incur assume or permit to arise or subsist any Lien (as defined below) (other than a Permitted Lien (as defined below)) upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness (as defined below) of the Republic or any other Person (as defined below) in respect thereof unless, at the same time or prior thereto, the Republic's obligations under the Notes are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution or by a Written Resolution (each as defined in Condition 12(a)). For the avoidance of doubt, any such approval shall not constitute a Reserved Matter (for the purposes of and as defined in Condition 12(e)).

(b) *Certain Definitions*

For the purposes of these Conditions:

"External Indebtedness" means all Indebtedness in a currency other than the lawful currency of the Republic.

"Guarantee" means any guarantee of or indemnity in respect of Indebtedness.

"Indebtedness" means all obligations, and Guarantees in respect of obligations, for the payment or repayment of money borrowed or raised (whether or not evidenced or represented by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable.

"Lien" means any lien, pledge, hypothecation, mortgage, security interest, charge or other encumbrance or arrangement having a similar legal and economic effect including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

"National Bank" means the National Bank of Angola (BNA).

"Permitted Lien" means:

- (i) any Lien upon property to secure Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (ii) any Lien existing on property at the time of its acquisition (and not created in contemplation of such acquisition) to secure Public External Indebtedness or any Guarantee of Public External Indebtedness and any renewal and extension of such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased;
- (iii) any Lien securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction, development of a project (including any renewal or extension thereof provided that the principal amount secured by any such additional encumbrance does not exceed the principal amount outstanding and secured by the original encumbrance), provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and/or revenues (including, without limitation, insurance proceeds) of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets, revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties;
- (iv) any Lien on any assets securing Public External Indebtedness which arises pursuant to any order or attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings; and

- (v) any Lien arising by operation of law, provided that such Lien is not created or permitted to be created by the Republic to secure any Public External Indebtedness or Guarantee of Public External Indebtedness.

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, a state or agency of a state (including the Ministry of Finance of the Republic) or other entity (including the National Bank), whether or not having separate legal personality.

“**Public External Indebtedness**” means External Indebtedness which (i) is in the form of, or represented by, bonds, notes, or other securities thereof, in each case with a stated maturity of more than one year from the date of issue, and (ii) is, or is capable of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over the-counter or on any other securities market.

5. Interest

Each Note bears interest on its principal amount from and including 12 November 2015 (the “**Issue Date**”) at the rate of 9.500 per cent. per annum (the “**Rate of Interest**”). Interest is payable semi-annually in arrear on 12 May and 12 November in each year commencing on 12 May 2016 (each an “**Interest Payment Date**”) until maturity. Interest due on an Interest Payment Date will accrue during the immediately preceding Interest Period (as defined below) and will be paid subject to and in accordance with the provisions of Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the rate specified above (after as well as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder of Notes and (b) the day which is seven days after notice has been given to the holders of Notes that the Fiscal Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any failure in the subsequent payment to the relevant holders under these Conditions).

The amount of interest payable in respect of each Note subject to Condition 7 (*Payments*) shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for any period other than an Interest Period, it will be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

6. Redemption, Purchase and Cancellation

(a) *Final Redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 November 2025, subject as provided in Condition 7 (*Payments*).

(b) *No other Redemption*

The Republic shall not be entitled to redeem the Notes other than as provided in paragraph (a) above.

(c) *Purchase and Cancellation*

The Republic may, directly or indirectly or through any public sector instrumentality (as defined in Condition 12(i)), at any time, purchase Notes in the open market or otherwise at any price. Any Notes so purchased may be cancelled or held and resold. Any Notes so purchased, while held by or on behalf of the Republic or by any public sector instrumentality, shall not entitle the holder to vote at any meeting of holders of Notes or for the purposes of any Written Resolution and shall not be deemed outstanding, all as more particularly set out in Condition 12(i). Any Notes cancelled shall not be reissued and for so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of such exchange require, the Republic shall promptly inform such exchange of the cancellation of any Notes under this Condition 6(c).

7. Payments

(a) *Principal*

Payment of principal in respect of each Note and payment of interest due other than on an Interest Payment Date will be made to the person shown in the Register at the close of business on the Record Date (as defined below) and subject to the surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the specified office of the relevant Registrar or of the Paying and Transfer Agents.

(b) *Interest*

Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date (as defined in paragraph (h) (*Record Date*) below).

(c) *Method of Payment*

Payments of principal and interest in respect of the Notes will be made by transfer to the registered account of the Holder or if it does not have a registered account by United States Dollar cheque drawn on a bank that processes payments in United States Dollars and mailed to the registered address of the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of business on the relevant Record Date (as defined below) or, upon the request of a Noteholder to the specified office of an Agent not later than the Record Date (as defined in paragraph (h) (*Record Date*) below), by transfer to a United States Dollar account maintained by the payee with a bank that processes payments in United States Dollars.

For the purposes of this Condition, a Noteholder's "registered account" means the United States Dollar account maintained by it or on its behalf with a bank that processes payments in United States Dollars, details of which appear on the Register at the close of business, in the case of principal, on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant Record Date, and a Noteholder's "registered address" means its address appearing on the Register at that time.

(d) *Payments Subject to Fiscal Laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations of the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

(e) *No Commissions*

No commission or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

(f) *Payments on Business Days*

Where payment is to be made by transfer to a United States Dollar account, payment instructions (for value the due date, or, if the due date is not a Business Day, on the next succeeding Business Day) will be initiated and, where payment is to be made by a United States Dollar cheque, the cheque will be mailed on the due date for payment or, if the due date is not a Business Day, for value the next succeeding Business Day. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day, the Holder being late in surrendering its Certificate (if required to do so) or a cheque mailed in accordance with this Condition 7 arriving after the due date for payment or being lost in the mail.

(g) *Partial payments*

If an Agent makes a partial payment in respect of any Note, the relevant Registrar shall procure that the amount and date of such payment are noted on the Register.

(h) *Record Date*

Payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the relevant Registrar's specified office on the 15th day before the due date for such payment (the "**Record Date**").

“**Business Day**” in respect of the Notes means a day (not including Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in both New York City and in the city in which the Fiscal Agent has its specified office.

(i) *Agents*

The Republic has initially appointed the Fiscal Agent, the Paying Agents, the Registrars and the Transfer Agents named above. The Republic reserves the right under the Fiscal Agency Agreement by giving to the relevant Agent concerned at least 90 days’ prior written notice to that effect, provided that (a) the notice shall not expire less than 45 days before any due date for the payment of interest; and (b) so long as any of the Notes is outstanding notice shall be given under Clause 19 of the Fiscal Agency Agreement (*Notices*) at least 30 days before the removal or appointment of an Agent, to vary or terminate the appointment of any such Agent and appoint another Agent or additional or other Agents outside the United States, provided that, it will at all times, and while any Note is outstanding, (i) maintain a Fiscal Agent, (ii) maintain a Paying and Transfer Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Directive; and (iii) maintain a Registrar, provided that the Republic shall not appoint nor maintain a Registrar in the United Kingdom and no register of the Notes shall be kept in the United Kingdom.

Notice of any such termination or appointment and of any change in the specified office of any Agent will be given in accordance with Condition 16 (*Notices*) as soon as practicable.

8. **Taxation**

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic or any regional or local subdivision or any authority thereof or therein having power to tax (together “**Taxes**”), unless such withholding or deduction is required by law. In that event, the Republic shall pay such additional amounts as will result in the receipt by the holders of Notes of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes in respect of such Note by reason of having some connection with the Republic other than the mere holding of such Note; or
- (b) if the Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days; or
- (c) where any withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union.

For the purpose of these Conditions, “**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount plus any accrued interest having been so received) notice to that effect has been given to the holders of Notes.

Any reference in these Conditions to payments of principal or interest in respect of the Notes shall be deemed to include any additional amounts which may be payable under this Condition 8 or any undertaking given in addition to or substitution for it under the Fiscal Agency Agreement.

9. **Events of Default**

If any of the following events (“**Events of Default**”) shall have occurred and be continuing:

(a) *Non-payment*

- (i) the Republic fails to pay any principal on any of the Notes when due and payable and such failure continues for a period of 15 Business Days; or

- (ii) the Republic fails to pay any interest on any of the Notes or any amount due under Condition 8 (Taxation) when due and payable, and such failure continues for a period of 30 days; or

(b) *Breach of Other Obligations*

the Republic does not perform or comply with any one or more of its other obligations in the Notes or the Agency Agreement, which default is incapable of remedy or is not remedied within 45 days following the service by any Noteholder on the Republic of notice requiring the same to be remedied; or

(c) *Cross-acceleration*

- (i) any other External Indebtedness of the Republic becomes due and payable prior to the stated maturity thereof by reason of default, or
- (ii) any such External Indebtedness is not paid at maturity; or
- (iii) any Guarantee of such External Indebtedness is not honoured when due and called upon, and, in the case of (ii) or (iii), that failure continues beyond any originally applicable grace period;

provided that the aggregate amount of the relevant External Indebtedness in respect of which one or more of the events mentioned in this paragraph (c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent; or

(d) *Moratorium*

a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Republic shall be declared by the Republic; or

(e) *International Monetary Fund Membership*

the Republic shall cease to be a member of the International Monetary Fund (the “IMF”) or shall cease to be eligible to use the general resources of the IMF; or

(f) *Validity*

- (i) the validity of the Notes shall be contested by the Republic; or
- (ii) the Republic shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or
- (iii) it shall be or become unlawful for the Republic to perform or comply with all or any of its obligations set out in the Notes or the Fiscal Agency Agreement, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in the Republic or any ruling of any court in the Republic whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or

(g) *Consents*

if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Republic under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting,

then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Republic (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Republic.

If the Republic receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Republic shall, give notice thereof to the Noteholders

(with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Republic gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10. Prescription

Claims in respect of principal and interest will become void unless made within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the relevant Registrar or the relevant Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Republic may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

12. Meetings of Noteholders; Written Resolutions

(a) Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (i) The Republic may convene a meeting of Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Republic will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (ii) The Republic or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 12(i) (*Notes controlled by the Republic*)) have delivered a written request to the Republic or the Fiscal Agent (with a copy to the Republic) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Republic promptly. The Republic or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (iii) The Republic (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Republic and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Republic proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (iv) The notice convening any meeting will specify, *inter alia*:
 - (A) the date, time and location of the meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (C) the record date for the meeting, which shall be no more than five Business Days before the date of the meeting;
 - (D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
 - (F) whether Condition 12(b) (*Modification of this Series of Notes only*), or Condition 12(c) (*Multiple Series Aggregation – Single limb voting*), or Condition 12(d) (*Multiple Series*

Aggregation – Two limb voting) shall apply and, if relevant, in relation to which other series of debt securities it applies;

- (G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (H) such information that is required to be provided by the Republic in accordance with Condition 12(f) (*Information*);
 - (I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 12(g) (*Claims Valuation*); and
 - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (v) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to this Condition 12(a) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
- (vi) A “**record date**” in relation to any proposed modification or action means the date fixed by the Republic for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
- (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
- (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (ix) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities issued by the Republic in one or more series with an original stated maturity of more than one year.
- (x) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 12 and Condition 13 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.
- (b) *Modification of this Series of Notes only*
- (i) Any modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
 - (ii) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
 - (A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.
 - (iii) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) *Multiple Series Aggregation – Single limb voting*

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (v) The “**Uniformly Applicable**” condition will be satisfied if:
- (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
- (B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (vi) It is understood that a proposal under Condition 12(c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of

instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal: the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (vii) Any modification or action proposed under Condition 12(c)(i) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) *Multiple Series Aggregation – Two limb voting*

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 12(a) (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (A) at least 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (v) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 12(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) *Reserved Matters*

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (vi) to change the definition of “Uniformly Applicable”;
- (vii) to change the definition of “outstanding” or to modify the provisions of Condition 12(i) (*Notes controlled by the Republic*);
- (viii) to change the legal ranking of the Notes;
- (ix) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 9 (*Events of Default*);
- (x) to change the law governing the Notes, the courts to the jurisdiction of which the Republic has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Republic’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, as set out in Condition 18 (*Governing Law and Jurisdiction*);
- (xi) to impose any condition on or otherwise change the Republic’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (xii) to modify the provisions of this Condition 12(e);
- (xiii) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (xiv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Republic or any other person, or to modify any provision of these Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Republic, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or debt securities of the Republic or any other person resulting from the relevant exchange or conversion; or
 - (B) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) *Information*

Prior to or on the date that the Republic proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple*

Series Aggregation – Single limb voting) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Republic shall publish in accordance with Condition 13 (*Aggregation Agent; Aggregation Procedures*) and provide the Fiscal Agent with the following information:

- (i) a description of the Republic’s economic and financial circumstances which are, in the Republic’s opinion, relevant to the request for any potential modification or action, a description of the Republic’s existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (ii) if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Republic’s proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of Noteholders in Condition 12(a)(iv)(G).

(g) *Claims Valuation*

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) and Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), the Republic may appoint a Calculation Agent. The Republic shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) *Manifest error, etc.*

The Notes, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Republic shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

(i) *Notes controlled by the Republic*

For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (ii) this Condition 12 (*Meetings of Noteholders; Written Resolutions*) and (iii) Condition 9 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Republic or by any public sector instrumentality of the Republic shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the National Bank or any department, ministry or agency of the government of the Republic or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Republic has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Republic shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 12(d) (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Republic or by any public sector instrumentality of the Republic and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) *Publication*

The Republic shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 13(g) (*Manner of publication*).

(k) *Exchange and Conversion*

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Republic's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13. Aggregation Agent; Aggregation Procedures

(a) *Appointment*

The Republic will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Republic.

(b) *Extraordinary Resolutions*

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) *Written Resolutions*

If a Written Resolution has been proposed under these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant

Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) *Certificate*

For the purposes of Condition 13(b) (*Extraordinary Resolutions*) and Condition 13(c) (*Written Resolutions*), the Republic will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 12(b) (*Modification of this Series of Notes only*), Condition 12(c) (*Multiple Series Aggregation – Single limb voting*) or Condition 12(d) (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (ii) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 12(i) (*Notes controlled by the Republic*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) *Notification*

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 13 to be notified to the Fiscal Agent and the Republic as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

(f) *Binding nature of determinations; no liability*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 13 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Republic, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) *Manner of publication*

The Republic will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 12 (*Meetings of Noteholders; Written Resolutions*), this Condition 13, Condition 14 (*Noteholders' Committee*) and Condition 9 (*Events of Default*):

- (i) through any clearing system in which the Notes are held;
- (ii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iii) in such other places and in such other manner as may be customary.

14. Noteholders' Committee

(a) *Appointment*

- (i) Holders of at least 25 per cent. of the aggregate principal amount of the outstanding debt securities of all series of affected debt securities (taken in aggregate) may, by notice in writing to the

Republic (with a copy to the Fiscal Agent), appoint any person or persons as a committee to represent the interests of such holders (as well as the interests of any holders of outstanding debt securities who wish to be represented by such a committee) if any of the following events has occurred:

- (A) an Event of Default under Condition 9 (*Events of Default*);
 - (B) any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfillment of any other requirement provided for in Condition 9 (*Events of Default*) become an Event of Default;
 - (C) any public announcement by the Republic, to the effect that the Republic is seeking or intends to seek a rescheduling or restructuring of the Notes or any other affected series of debt securities (whether by amendment, exchange offer or otherwise); or
 - (D) with the agreement of the Republic, at a time when the Republic has reasonably reached the conclusion that its debt may no longer be sustainable whilst the Notes or any other affected series of debt securities are outstanding.
- (ii) Upon receipt of a written notice that a committee has been appointed in accordance with Condition 14(a)(i) and a certificate delivered pursuant to Condition 14(d) (*Certification*), the Republic shall give notice of the appointment of such a committee to:
- (A) all Noteholders in accordance with Condition 16 (*Notices*); and
 - (B) the holders of each affected series of debt securities in accordance with the terms and conditions of such affected series of debt securities,
- as soon as practicable after such written notice and such certificate are delivered to the Republic.

(b) *Powers*

Such committee in its discretion may, among other things:

- (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders;
- (ii) adopt such rules as it considers appropriate regarding its proceedings;
- (iii) enter into discussions with the Republic and/or other creditors of the Republic; and
- (iv) designate one or more members of the committee to act as the main point(s) of contact with the Republic and provide all relevant contact details to the Republic.

Except to the extent provided in this Condition 14(b), such committee shall not have the ability to exercise any powers or discretions which the Noteholders could themselves exercise.

(c) *Engagement with the committee and provision of information*

- (i) The Republic shall:
 - (A) subject to paragraph (B) immediately below, engage with the committee in good faith;
 - (B) provide the committee with information equivalent to that required under Condition 12(f) (*Information*) and related proposals, if any, in each case as the same become available, subject to any applicable information disclosure policies, rules and regulations; and
 - (C) pay any reasonable fees and expenses of any such committee (including without limitation, the reasonable and documented fees and expenses of the committee's legal and financial advisers, if any) following receipt of reasonably detailed invoices and supporting documentation.
- (ii) If more than one committee has been appointed by holders of affected series of debt securities in accordance with the provisions of this Condition 14 and/or equivalent provisions set out in the terms and conditions of any affected series of debt securities, the Republic shall not be obliged to engage with such committees separately. Such committees may appoint a single steering group (to be comprised of representatives from such committees), whereupon the Republic shall engage with such steering group.

(d) *Certification*

Upon the appointment of a committee, the person or persons constituting such a committee (the “**Members**”) will provide a certificate to the Republic and to the Fiscal Agent signed by the authorised representatives of the Members, and the Republic and the Fiscal Agent may rely upon the terms of such certificate.

The certificate shall certify:

- (i) that the committee has been appointed;
- (ii) the identity of the Members; and
- (iii) that such appointment complies with the terms and conditions of the relevant bond documentation.

Promptly after any change in the identity of the Members, a new certificate which each of the Republic and the Fiscal Agent may rely on conclusively, will be delivered to the Republic and the Fiscal Agent identifying the new Members. Each of the Republic and the Fiscal Agent will assume that the membership of the committee has not changed unless and until it has received a new certificate.

The provisions of this Condition 14(d) shall apply, *mutatis mutandis*, to any steering group appointed in accordance with Condition 14(c) (*Engagement with the committee and provision of information*).

In appointing a person or persons as a committee to represent the interests of the Noteholders, the Noteholders may instruct a representative or representatives of the committee to form a separate committee or to join a steering group with any person or persons appointed for similar purposes by other affected series of debt securities.

15. Further Issues

The Republic may from time to time, without notice to or the consent of the holders of Notes, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects save for the date for and amount of the first payment of interest thereon) so as to be consolidated and form a single series with the Notes.

16. Notices

All notices to Noteholders may be delivered in person or sent by mail or facsimile transmission to them at their respective addresses or facsimile numbers reflected in the Register (or any other manner approved by the relevant Registrar which may be by electronic transmission). Any such notice shall be deemed to have been given, in the case of a letter delivered by hand, at the time of delivery, or in the case of a letter sent by mail, at the time of dispatch, except that, so long as the rules of the Irish Stock Exchange so require, notices must be sent to the Companies Announcement Office of the Irish Stock Exchange.

17. Currency Indemnity

The Fiscal Agency Agreement provides that if any Noteholder receives or recovers any amount in a currency other than the Contractual Currency (as defined in the Fiscal Agency Agreement) (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise), in respect of any sum expressed to be due to it from the Republic that amount will only discharge the Republic to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Republic will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Republic and delivered to the Republic or to the Specified Office of the Registrar or any Paying and Transfer Agent with its Specified Office in London. In any event, the Republic will indemnify the relevant Noteholder against the cost of making any such purchase.

18. Governing Law and Jurisdiction

(a) *Governing Law*

The Notes (including any non-contractual obligations arising out of or in connection with the Notes) are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*

The Republic agrees for the benefit of the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with the Notes (including any non-contractual obligations arising out of or in connection with the Notes) (“**Proceedings**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Nothing in this paragraph shall (or shall be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings by any Noteholder in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(c) *Appropriate Forum*

For the purpose of Condition 18(b) (*Jurisdiction*), the Republic irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim that any such court is not a convenient or appropriate forum.

(d) *Service of Process*

The Republic agrees that the process by which any Proceedings are commenced in England pursuant to Condition 18(b) (*Jurisdiction*) may be served on it by being delivered to Sociedade Nacional De Combustiveis De Angola Ltd., marked for the immediate attention of the President and CEO, currently located at Merevale House, Brompton Place, London SW3 1QE. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Republic, the Republic shall, on the written demand of the Noteholders, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, the Noteholders shall be entitled to appoint such a person by written notice to the Republic. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) *Enforcement of Judgments; Waiver of Immunity*

The Republic agrees that any final judgment in any Proceeding commenced in a court to the jurisdiction of which the Republic is or may be subject may be enforced in that or any other such court by appropriate Proceedings. To the extent that the Republic may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets, property or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction. The Republic does not waive any immunity with respect to: (a) assets that have been expressly recognised as belonging to the public domain of the Republic (*domínio publico*), which may not be sold, encumbered or pledged in any way in accordance with the laws of the Republic; (b) assets which constitute private domain assets expressly assigned to a public purpose (*domínio privado indisponível do Estado*) in accordance with Article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*), which are not available for enforcement unless the same is in respect of a debt guaranteed by a registrable security; (c) military assets belonging to the Republic and assets or property under the control of a military authority or defence agency of the Republic; (d) assets belonging to any diplomatic mission or consulate of the Republic that do not otherwise belong to the public domain (*domínio publico*) or fall under article 823 of the Angolan Civil Procedure Code (*Código de Processo Civil*); (e) assets of the National Bank or other monetary authority of the Republic which are assigned to a public purpose; (f) properties belonging to the cultural heritage of the Republic or which are a part of its archives and are not intended for sale; or (g) assets that form part of an exhibition of scientific, cultural or historical interest and which are not intended for sale. The Republic reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of, or in, the United States of America under any United States federal or state securities law.

19. Rights of Third Parties

No person who is not a Noteholder has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the Terms and Conditions of the Notes.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Note Certificates

The Notes will be evidenced on issue by the Unrestricted Global Note (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and the Restricted Global Note (deposited with a custodian for, and registered in the name of BT Globenet Nominees Limited as nominee of, DTC).

Beneficial interests in the Unrestricted Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See “*Clearing and Settlement – Book-Entry Ownership*”. By acquisition of a beneficial interest in a Unrestricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day restricted period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in the Restricted Global Note (if applicable). See “*Transfer Restrictions*”.

Beneficial interests in the Restricted Global Note may only be held through DTC at any time. See “*Clearing and Settlement – Book-Entry Ownership*”. By acquisition of a beneficial interest in the Restricted Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Agency Agreement. See “*Transfer Restrictions*”.

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement, and with respect to Restricted Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”. A beneficial interest in the Unrestricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note in denominations greater than or equal to the minimum denominations applicable to interests in the Restricted Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Beneficial interests in the Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in the Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in the Restricted Global Note will, upon transfer, cease to be an interest in the Unrestricted Global Note and become an interest in the Restricted Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Restricted Global Note for as long as it remains such an interest. Any beneficial interest in the Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Note will, upon transfer, cease to be an interest in the Restricted Global Note and become an interest in the Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of the Individual Certificates. No Notes will be issued in bearer form.

Legends

The holder of an Individual Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Republic will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the

case may be, unless there is delivered to the Republic and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Republic that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Amendments to Terms and Conditions of the Notes

Each Global Note Certificate contains provisions that apply to the Notes that they evidence, some of which modify the effect of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made against presentation for endorsement by the Fiscal Agent and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Fiscal Agent or such other Paying and Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be prima facie evidence that such payment has been made in respect of the relevant Notes. All payments in respect of Notes represented by a Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

Meetings

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each integral U.S.\$1,000 in principal amount of Notes.

Cancellation

Cancellation of any Note required by the Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note Certificate.

Exchange for Individual Certificates

Exchange

Each Global Note Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual Certificates if: (i) it is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or (ii) if the Republic would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the Notes in definitive form, by the Republic giving notice to the Registrar and the Noteholders, in each case of its intention to exchange the relevant Global Note Certificate for Individual Certificates on or after the Exchange Date (as defined below) specified in the notice.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

“**Exchange Date**” means a day falling not later than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the relevant Paying and Transfer Agent is located.

Delivery

If any of the events in limbs (i) or (ii) of the first paragraph of “*Exchange*” above occurs, the relevant Global Note Certificate shall be exchangeable in full for Individual Certificates and the Republic will, free of charge to

the Noteholders (but against such indemnity as the Registrar or any relevant Paying and Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion and despatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Republic and the Registrar may require to complete, execute and deliver such Individual Certificates and (b) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for an interest in the Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

CLEARING AND SETTLEMENT

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “*Book-Entry Ownership*” and “*Settlement and Transfer of Notes*” below.

Investors may hold their interests in a Global Note Certificate directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders (the “**Direct Participants**”) or indirectly (the “**Indirect Participants**”) and, together with Direct Participants, the “**Participants**”) through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Republic as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Restricted Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Republic that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Restricted Global Note as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Summary of Provisions Relating to the Notes while in Global Form – Exchange for Individual Certificates*”, DTC will cause its custodian to surrender the Restricted Global Note for exchange for Individual Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Payments through DTC

Payments of principal and interest in respect of a Global Note Certificate registered in the name of, or in the name of a nominee for, DTC will be made to the order of such nominee as the registered holder of such Note.

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Unrestricted Global Note evidencing Unrestricted Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Restricted Global Note evidencing the Restricted Notes will have an ISIN, Common Code and a CUSIP number and will be deposited with a custodian (the “**Custodian**”) for, and registered in the name of BT Globenet Nominees Limited as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made by the Republic to the holder of such Global Note and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Republic expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depository or its nominee. The Republic also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Republic in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Republic will be discharged by payment to the registered holder of such Global Note Certificate in respect of each amount so paid. None of the Republic, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct and Indirect Participants’ records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates evidencing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants,

the ability of a person having an interest in a Restricted Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Euronotes.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Unrestricted Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Restricted Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of BT Globenet Nominees Limited and evidenced by the Restricted Global Note and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Restricted Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Restricted Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note; and (ii) increase the amount of Notes registered in the name of BT Globenet Nominees Limited and evidenced by the Restricted Global Note.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Republic, the Fiscal Agent or any other Paying and Transfer Agent will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Settlement of Pre-issue Trades

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (“**T+3**”), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Issue Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

TAXATION

The following is a summary of certain tax consequences resulting from the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of Angolan tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

The Republic of Angola

The “*Imposto sobre a aplicação de capitais*” or “Capital Investment Tax” applies to income resulting from the application of capital, including (inter alia) interest, redemption or repayment premiums and to other forms of remuneration of bonds, participation titles or other similar titles issued by any company at the following rates (articles 27.2, 27.3 and 29 of the Angolan Investment Income Tax – Presidential Legislative Decree No. 2/14):

- a) a 10% withholding tax over interest / redemption or repayment premiums and to other forms of remuneration of bonds; or
- b) a 5% withholding tax in respect of (*inter alia*) the same type of interest, redemption or repayment premiums and to other forms of remuneration of bonds, provided that these bonds are traded or admitted to negotiation on regulated markets and its issue has a maturity date equal to or exceeding three years.

Accordingly, payments of interest under the Notes are, pursuant to applicable legislation, subject to a 5% withholding tax, in respect of which Angola will have a gross-up obligation pursuant to the Condition 8 of the Notes. Pursuant to Condition 8, all payments of principal and interest in respect of the Notes must be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Angola or any regional or local subdivision or any authority thereof or therein having power to tax (together “**Taxes**”), unless such withholding or deduction is required by law. In that event, and subject to certain exceptions, Angola must pay such additional amounts as will result in the receipt by the holders of Notes of such amounts as would have been received by them had no such withholding or deduction been required. See “– *Terms and Conditions of the Notes – Taxation*”.

Article 6 of Legislative Presidential Decree no. 3/14, of 21 October 2014 – Amendment and Republication of the Stamp Duty Code provides that the Republic is exempt from paying stamp duty.

U.S. Federal Income Taxation

The following discussion summarizes certain U.S. federal income tax considerations that may be material to “U.S. Holder” (as defined below). This overview does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Notes, including tax considerations that arise from rules of general application to all taxpayers or to certain classes of taxpayers or that are generally assumed to be known by investors. This overview applies only to holders that purchase Notes in the initial offering at their issue price (i.e., the first price at which a substantial amount of Notes is sold to investors) and that hold the Notes as capital assets for United States federal income tax purposes. This overview also does not address the tax considerations applicable to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as, banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, partnerships and partners therein, traders in securities that elect to mark-to-market and dealers in securities or currencies, (ii) persons that hold or will hold Notes as part of a position in a “straddle” or as part of a “hedging,” “conversion” or other integrated investment transaction for U.S. federal income tax purposes, or (iii) persons whose functional currency is not the US dollar.

This overview is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis. The discussion does not describe any tax consequences arising out of the laws of any state, local or foreign jurisdiction or the Medicare levy.

If a partnership (including any entity or arrangement, domestic or foreign, treated as a partnership for United States federal income tax purposes) is a beneficial owner of the Notes, the United States federal income tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the

partnership. A beneficial owner of the Notes that is a partnership, and partners in such partnership, should consult their own independent tax advisors with regard to the United States federal income tax treatment of the purchase, beneficial ownership and disposition of the Notes.

This section applies to U.S. Holders. As used herein, the term “U.S. Holder” means a beneficial owner of a Note who or that is, for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons, as defined in the Code (each, a “United States person”), have authority to control all of its substantial decisions, or (B) that was in existence on August 20, 1996 and has made a valid election under applicable Treasury regulations to be treated as a domestic trust.

Interest Income

Payments of stated interest on a Note (including any Additional Amounts) will generally be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. Holder’s regular method of tax accounting. It is expected that the Notes will not be issued with original issue discount (“OID”) for U.S. federal income tax purposes in excess of a *de minimis* amount, and this disclosure assumes as much.

Foreign Tax Credits

Interest income on the Notes will be treated as foreign-source income for U.S. foreign tax credit purposes. A U.S. Holder may be entitled to claim a deduction or a foreign tax credit for any tax withheld against its U.S. federal income tax liability, subject to applicable limitations. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Disposition of Notes

A U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of the Notes in an amount equal to the difference between the amount the holder realizes on such sale, exchange or other disposition (less any accrued and unpaid interest, which will be taxable as interest income) and the holder’s adjusted tax basis in the Notes. A U.S. Holder’s adjusted basis in a Note will, in general, equal the U.S. Holder’s cost for the Note. The gain or loss that the holder recognizes on the sale, exchange or retirement of a Note generally will be capital gain or loss and will be long-term capital gain or loss if the holder has held the Note for more than one year on the date of disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of taxation on long-term capital gain. The ability of U.S. Holders to offset capital losses against ordinary income is limited. Any capital gain or loss that is recognized on the sale, exchange, or other disposition of the Notes will be treated as income or losses from sources within the United States for foreign tax credit limitation purposes. Therefore, a U.S. Holder may not be able to claim a credit for foreign taxes imposed upon a disposition of a Note unless such U.S. Holder has other income from foreign sources and other requirements are met.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments in respect of the Notes that are made within the United States unless the U.S. Holder establishes it is an exempt recipient such as a corporation. Backup withholding will apply to such payments if the U.S. Holder fails to establish it is an exempt recipient and fails to provide an accurate taxpayer identification number or is notified by the IRS that it has failed to report all interest and dividends required to be shown on its federal income tax return.

EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required, since 1st July 2005, to provide to the tax authorities of another Member State, inter alia, details of payments of interest within the meaning of the Savings Directive (interest, premium or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or to certain limited types of entities established in that other Member State (the “**Disclosure of Information Method**”).

For these purposes, the term “**paying agent**” is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals.

However, during a transitional period, certain Member States (the Grand-Duchy of Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States (unless the relevant beneficial owner elects for the Disclosure of Information Method, or unless the Member State elects otherwise during this transitional period) withhold an amount on interest payments. The rate of such withholding tax is currently 35%.

This transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the “**OECD Model Agreement**”) with respect to interest payments within the meaning of the Savings Directive and the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.

With effect from 1 January 2015, the Luxembourg Government abolished the withholding system in favour of automatic information under the Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

Pursuant to the terms and conditions of the Notes, if a payment under a Note were to be made or collected through a Member State which has opted for a withholding system under the Savings Directive and an amount of, or in respect of, tax is withheld from that payment, neither the Republic nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Notes, as a result of the imposition of such withholding tax. The Republic will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

SUBSCRIPTION AND SALE

Goldman Sachs International, Deutsche Bank AG, London Branch and ICBC International Securities Limited (the “**Joint Lead Managers**”) have, in a subscription agreement dated 5 November 2015 (the “**Subscription Agreement**”) and made between the Republic and the Joint Lead Managers upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount less a combined management, underwriting and selling commission of 0.5 per cent. of their principal amount. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States. Each Joint Lead Manager has represented and agreed that the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Subscription Agreement provides that the Joint Lead Managers may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Lead Joint Lead Managers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Dubai International Financial Centre

In the Dubai International Financial Centre (the “**DIFC**”), the Notes have not been and are not being, publicly offered, sold, promoted or advertised other than in compliance with the laws of the DIFC and applicable rules of the Dubai Financial Services Authority (the “**DFSA**”). No offer of the Notes shall be made to any person in or from the DIFC unless such offer is

- (i) an “Exempt Offer” for the purposes of the Markets Rules (“**MKT**”) module of the DFSA Rulebook; and
- (ii) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the Conduct of Business (“**COB**”) module of the DFSA Rulebook.

This document has not been and will not be filed with the DFSA or with any other authority in the DIFC and no such authority assumes any liability for its contents.

Hong Kong

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell in Hong Kong (Hong Kong Special Administrative Region of the PRC), by means of any document, any Notes other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (iii) in other circumstances which do not result in the documents being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and no advertisement, invitation or document relating to the Notes may be issued, or may be in the possession of any person for the purpose of issue (whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) of Hong Kong and any rules made thereunder.

This Prospectus has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and each Joint Lead Manager has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Nigeria

This Prospectus and the Notes have not been and will not be registered with the Nigerian Securities and Exchange Commission, or under the Nigerian Investment Securities Act No. 29 of 2007 (“**ISA**”). Further, neither this Prospectus nor any other offering material related to the Notes may be utilised in connection with any offering to the public within Nigeria, and the Notes may not be offered or sold within Nigeria or to, or for the account or benefit of, persons resident in Nigeria, except in certain transactions exempt from the registration requirements of the ISA.

Accordingly, this Prospectus is not directed to, and the Notes are not available for subscription by, any persons within Nigeria, other than the selected investors to whom the Prospectus has been addressed as a private sale, or domestic concern, within the exemption and meaning of Section 69 of ISA.

Each Joint Lead Manager has agreed that, subject to the provisions of the ISA and regulations made thereunder, it will not offer, sell or deliver the Notes in Nigeria as part of their distribution at any time.

Qatar

Each of the Joint Lead Managers has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in Qatar, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

The Republic of Angola

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Notes in Angola except in compliance with all applicable rules and regulations.

Singapore

Each Joint Lead Manager has acknowledged, that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005 of Singapore.

South Africa

Each Joint Lead Manager has agreed that:

1. it has not and will not offer for sale, subscription, sell or transfer, whether directly or indirectly, within the Republic of South Africa, any Notes to any person, company or other juristic person resident in the Republic of South Africa except in accordance with:
 - (a) all South African Reserve Bank Exchange Control Regulations or with the approval of the South African Reserve Bank (where applicable);
 - (b) the Companies Act, 2008 (the “**Companies Act**”);
 - (c) the Banks Act, 1990 (the “**Banks Act**”), and the regulations promulgated in terms thereof (including but not limited to the Commercial Paper Regulations promulgated in Government Notice No. 2172 (Government Gazette 16167) of 14 December 1994 pursuant to the provisions of the Banks Act);
 - (d) the Financial Advisory and Intermediary Services Act, 2002;
 - (e) the Financial Markets Act, 2012; and
 - (f) in circumstances which would not constitute an offer to the public within the meaning of the Companies Act; and
2. it shall not offer any Notes for subscription or sell any Notes to any single addressee for an amount of less than R1,000,000.

Switzerland

The Notes are not being offered to the public in Switzerland. Therefore, this document constitutes neither a public offer in Switzerland nor a prospectus in accordance with applicable legislation in Switzerland and may not be issued, distributed or published in Switzerland in a manner which would be deemed to constitute a public offer of the Notes in Switzerland.

United Arab Emirates

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

General

No action has been or will be taken in any jurisdiction by the Republic or the Joint Lead Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Republic and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

Certain Relationships

Certain of the Joint Lead Managers and their affiliates from time to time have performed, and in the future will perform, banking, investment banking, advisory, consulting and other financial services for the Republic and its affiliates, for which they may receive customary advisory and transaction fees and expenses reimbursement.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Republic or the Republic’s affiliates (including the Notes). Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Republic may hedge their credit exposure to the Republic consistent with their customary risk management policies. Such Joint Lead Managers and their affiliates may hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short

positions in securities (potentially including the Notes). Any such short positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

Each purchaser of Restricted Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acting for its own account, or for the account of a QIB, (c) not formed for the purpose of investing in the Republic, and (d) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
2. It understands that the Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.
3. It understands that the Restricted Notes, unless otherwise agreed between the Republic and the Fiscal Agent in accordance with applicable law, will bear a legend to substantially the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A “**QIB**”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

4. It acknowledges that the Republic, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Notes is no longer accurate, it shall promptly notify the Republic and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.
5. It understands that the Restricted Notes will be evidenced by the Restricted Global Note. Before any interest in a Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Unrestricted Global Note, it will be required to provide a Paying and Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

GENERAL INFORMATION

1. Clearing Systems

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Unrestricted Notes and the Common Code, ISIN and CUSIP number for the Restricted Notes are as follows:

Unrestricted Notes

Common Code: 131857608

ISIN: XS1318576086

Restricted Notes

Common Code: 131979665

ISIN: US035198AA89

CUSIP: 035198AA8

2. Admission to Trading

It is expected that admission of the Notes to the Official List and to trading on the Market will be granted on 12 November 2015 (or the next business day), subject only to the issue of the Global Note. Transactions will normally be effected for settlement in US Dollars and for delivery on the fifth working date after the day of the transaction.

3. Authorisation

The creation and the issuance of the notes have been authorised by Angola, through the obtaining of the following authorisations:

- (a) a Presidential Order approving the issuance by Angola of the Notes and authorising the Angolan Ministry of Finance to execute and implement the necessary actions and measures required in connection with the issuance of the Notes, together with an Executive Decree of the Minister of Finance setting out the complementary rules necessary for the implementation of the measures referred to in the Presidential Order;
- (b) a Presidential Order and a Ministerial Order approving the appointment of the Joint Lead Managers to act as agents representing Angola in connection with the issuance of the Notes;
- (c) a special approval of the Angolan Audit Court confirming that the expenses of the Republic arising in connection with the issuance of the Notes, including all principal, interest, coupons, commissions, fees and indemnities, are authorised and can be paid by the Republic; and
- (d) a special foreign exchange license from the National Bank of Angola (BNA).

4. Litigation

Save as referred to in “*The Republic of Angola – Legal Proceedings*”, the Republic is not and has not been involved in any Governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Republic is aware) during the previous 12 months which may have, or have had in the recent past, a significant effect on the Republic’s financial position.

5. Address

The address of the Republic is: The Republic of Angola, (acting through the Ministry of Finance of the Republic of Angola), Ministry of Finance Building, Largo da Mutamba Luanda, Republic of Angola. The telephone number of the Republic is +244 222 39 68 43.

6. Significant Change

There has been no significant change in relation to the public finances, balance of payments and trade, respectively, of the Republic since the fiscal year ended 31 December 2014 and no material adverse change in relation to the public finances, balance of payments and trade, respectively, of the Republic since the fiscal year ended 31 December 2014.

7. Documents available for inspection

For so long as any of the Notes are outstanding, physical copies of the following documents may be inspected (and in the case of (a), obtainable) during normal business hours at the Specified Office of each Fiscal Agent:

- (a) this Prospectus;
- (b) the Fiscal Agency Agreement;
- (c) the Deed of Covenant; and
- (d) the published budget for the last two fiscal years.

8. Interested Persons

No person involved in the offering of the Notes (the “**Offering**”) has any interest in the Offering which is material to the Offering.

9. Estimated Expenses

The estimate of the total expenses related to admission to trading is €14,540.

10. Managers Transacting with the Republic

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Republic in the ordinary course of business.

11. Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

THE REPUBLIC

Ministry of Finance of the Republic of Angola

Ministry of Finance Building
Largo da Mutamba
Luanda
Republic of Angola

GLOBAL COORDINATOR

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

JOINT LEAD MANAGERS

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

**Deutsche Bank AG, London
Branch**

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**ICBC International Securities
Limited**

37/F, ICBC Tower
3 Garden Road
Hong Kong

FISCAL AGENT

**Deutsche Bank AG, London
Branch**

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

**REGISTRAR, PAYING AGENT AND TRANSFER
AGENT**

Deutsche Bank Trust Company Americas

Trust and Agency Services
60 Wall Street, 16th Floor
New York, NY 10005

**REGISTRAR AND TRANSFER
AGENT**

Deutsche Bank Luxembourg S.A.

2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS TO THE REPUBLIC

As to English and United States law:

Norton Rose Fulbright LLP

3 More London Riverside
London SE1 2AQ
United Kingdom

As to Angolan law:

FBL Advogados

Rua dos Enganos, nº 1, 7º andar
Luanda
Republic of Angola

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to English and United States law:

White & Case LLP

5 Old Broad Street
London EC2N 1DW
United Kingdom

As to Angolan law:

AVM Advogados

Largo 17 de Setembro, nº 3 3.º andar
Edifício Presidente Business Center
Luanda
Republic of Angola

LISTING AGENT

Deutsche Bank Luxembourg S.A.

2, boulevard Konrad Adenauer
L-1115 Luxembourg

