THE REPUBLIC OF ANGOLA

U.S.$1,750,000,000 8.25 per cent. Notes due 2028
Issue Price: 99.987 per cent.

U.S.$1,250,000,000 9.375 per cent. Notes due 2048
Issue Price: 99.976 per cent.

The U.S.$1,750,000,000 8.25 per cent. Notes due 2028 (the "**2028 Notes**") and the U.S.$1,250,000,000 9.375 per cent. Notes due 2048 (the "**2048 Notes**" and, together with the 2028 Notes, the "**Notes**", and each a "**Series**") 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**") (respectively, the "**2028 Restricted Notes**" and the "**2048 Restricted Notes**" and, together, the "**Restricted Notes**") and outside the United States in reliance on Regulation S under the Securities Act (respectively, the "**2028 Unrestricted Notes**" and the "**2048 Unrestricted Notes**" and, together, the "**Unrestricted Notes**").

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Market**"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). This Prospectus has been approved by the UK Listing Authority in accordance with Directive 2003/71/EC, as amended (the "**Prospectus Directive**").

The 2028 Notes will bear interest from and including 9 May 2018 at the rate of 8.25 per cent. per annum payable semi-annually in arrear on 15 June and 15 December in each year commencing on 15 December 2018. The 2048 Notes will bear interest from and including 9 May 2018 at the rate of 9.375 per cent. per annum payable semi-annually in arrear on 15 June and 15 December in each year commencing on 15 December 2018. Payments on the Notes will be made in U.S. dollars without deduction for, or on account of, taxes imposed or levied by Angola to the extent described under "*Terms and Conditions of the 2028 Notes – Taxation*" and "*Terms and Conditions of the 2048 Notes – Taxation*". Interest on each Series of Notes will accrue from and including 9 May 2018 (the "**Issue Date**"). Unless previously redeemed or purchased and cancelled, the 2028 Notes will be redeemed at their principal amount on 9 May 2028 and the 2048 Notes will be redeemed at their principal amount on 8 May 2048.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the applicable securities laws of any state of the United States and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered (a) in the United States to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A under the Securities Act (the "**Rule 144A Notes**") and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (the "**Regulation S Notes**").

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. Each of the 2028 Unrestricted Notes and the 2048 Unrestricted Notes will initially be represented by interests in a global unrestricted note certificate in registered form (the "**2028 Unrestricted Global Note**" and the "**2048 Unrestricted Global Note**", respectively, and, together, the "**Unrestricted Global Notes**"), without interest coupons, which will be deposited with a common depositary for, and registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on the Issue Date. Beneficial interests in the Unrestricted Global Notes 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 "**2028 Restricted Global Note**" and the "**2048 Restricted Global Note**", respectively, and, together, the "**Restricted Global Notes**" and, together with the Unrestricted Global Notes, 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 Depositary Trust Company ("**DTC**") on the Issue Date. Beneficial interests in the Restricted Global Notes 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 B3 by Moody's Investors Service ("**Moody's**"). All references to Fitch and Moody's in this Prospectus 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 organization.

Global Coordinator

GOLDMAN SACHS INTERNATIONAL

Joint Lead Managers

Deutsche Bank AG, London Branch | **Goldman Sachs International** | **ICBC**

Financial Adviser to the Republic

Lion's Head Global Partners

This Prospectus is dated 3 May 2018

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 authorized 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 authorized 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 authorized 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*".

None of the Joint Lead Managers, Lion's Head Global Partners (the "**Financial Adviser**") or any of their respective 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, the Financial Adviser or any of their respective 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, the Financial Adviser 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 EACH SERIES OF NOTES, GOLDMAN SACHS INTERNATIONAL (THE "**STABILIZATION MANAGER**") OR ANY PERSON ACTING ON THE STABILIZATION MANAGER'S BEHALF, MAY OVER-ALLOT NOTES OF THE RELEVANT SERIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE RELEVANT SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES OF THE RELEVANT SERIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES OF SUCH SERIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES OF SUCH SERIES. ANY STABILIZATION ACTION OR OVER-ALLOTMENTS MUST BE CONDUCTED IN FULL COMPLIANCE WITH APPLICABLE LAWS AND RULES.

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 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 QIB within the meaning of Rule 144A, (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 RESALES OF THE NOTES.

4. The Republic, the Registrar (as defined in "*Terms and Conditions of the 2028 Notes*" and in "*Terms and Conditions of the 2048 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 2028 Notes*" and in "*Terms and Conditions of the 2048 Notes*") with a written certification (in the form provided in the relevant Fiscal 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 unauthorized 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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Republic has agreed that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the LCIA Rules (the "**Rules**"), with the seat of arbitration being in London, England, and the language of arbitration being English. However, the Republic has also agreed that at any time before any Noteholder has nominated an arbitrator to resolve any Dispute or Disputes pursuant to the above (i.e., through *Arbitration*), the Noteholders, at their sole option, may elect by notice in writing (an "**Election Notice**") to the Republic that such Dispute(s) shall instead be resolved in the courts as stated below. Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

The Republic has further agreed for the benefit of the Noteholders that in the event that any of the Noteholders serves an Election Notice in respect of any Dispute(s) pursuant to the above, the English courts shall have exclusive jurisdiction to hear and determine any such Dispute(s) arising from or connected with the Notes (the "**Proceedings**") and that the Republic may not commence proceedings for the determination of any such Dispute(s) in any other jurisdiction. The Republic has agreed that if any of the Noteholders serves an Election Notice, the courts of England shall be the most appropriate and convenient courts to settle a dispute and, accordingly, that it will not argue to the contrary. Further, the Republic has agreed that following the service of an Election Notice by the Noteholders, nothing in the above shall (or shall be construed so as to) limit the right of the Noteholders to bring Proceedings for the determination of any Dispute(s) in the courts of England or in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law. 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. 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, authorizations 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) of each Series of Notes, 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 of each Series of Notes and the Notes. Furthermore, certain issues relating to the authorization 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 authorizing issuance of the Notes, the Fiscal Agency Agreement or the Deed of Covenant of each Series of Notes. Further, under the Terms and Conditions of either Series of Notes, the Republic has not waived immunity from execution or attachment in respect of: (a) assets that have been expressly recognized 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law, 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 defense 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law; (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. Furthermore, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it may not be possible to obtain a judgement in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the Foreign Sovereign Immunities Act of 1976 of the United States to sovereign immunity with respect to such action.

In respect of foreign arbitral awards, in 2016, the Republic of Angola approved, by means of Resolution No. 38/2016, of 12 August 2016, its accession to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**NY Convention**"), and the instrument of accession to the NY Convention was deposited and, therefore, the NY Convention entered into force for Angola on 4 June 2017. Therefore, any foreign arbitral awards against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant of each Series of Notes or the Notes will be recognised and enforced by the Angolan courts provided that the requirements imposed by applicable laws of the Republic of Angola are satisfied, and that:

- within the framework of the reciprocity principle, the arbitral award has been made in the territory of another contracting party to the NY Convention (as it is the case of England) and which is recognized by Angola;

- the party applying for recognition and enforcement submits its application together with a duly authenticated original award or a duly certified copy thereof and the original or duly certified copy of the written agreement between the parties undertaking to submit to arbitration;

- the above documents are translated into Portuguese language by a certified translator and legalised at the Angolan Embassy in the country where the award was made; and

- after the recognition by the Angolan Supreme Court, the enforcement request is submitted and conducted by the common jurisdiction courts following the proceedings set out in the Civil Procedure Code.

Any judgment against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant of each Series of Notes or the Notes in the English courts will only be recognized and enforced in Angola after such judgment has been validated and recognized 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 Legalization for Foreign Public Documents. Therefore, as a matter of Angolan law, any document executed by the Republic outside Angola must be notarized, translated into Portuguese language and legalized 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 notarized and legalized in Angola in order to be enforceable outside Angola. Each of the Fiscal Agency Agreement, Deed of Covenant of each Series of Notes 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;
    - the impact of changes in the credit rating of Angola;
    - 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 privatizations.

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 and Planning, the Ministry of Mineral Resources and Petroleum, the Ministry of Finance, *Sociedade Nacional de Combustiveis de Angola* ("**Sonangol**") and the Angolan National Institute of Statistics. 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 Organization 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 presented in this Prospectus for 2016, 2017 and 2018 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics, 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 Economy and 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. Executed and approved statistical information for the 2017 fiscal performance indicators presented in this Prospectus is expected to be approved once the 2019 National Budget is approved. 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) "**U.S. 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 end of period foreign exchange reference rate for U.S. dollars on 6 April 2018 was AOA 218.249 = U.S.$1.00 and the BNA's end of period foreign exchange reference rate for euro on 6 April 2018 was AOA 267.094 = €1.00.

All references in this Prospectus to 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.

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

The Kwanza's average exchange rate against the U.S. dollar depreciated by 69.9 per cent. between 2013 and 2016. In order to stabilize the exchange rate of the Kwanza, the BNA fixed the exchange rate at AOA 166 per U.S. dollar in April 2016 and maintained the fixed rate until December 2017 pursuant to the Crisis Recovery Program. See "*Monetary System – Money supply – Government main strategies for the development of the banking sector*". While the measure brought about stability of the Kwanza, it also led to increased pressure on Angola's foreign currency reserves and an increase in the difference between the official and the parallel rate which increased to approximately AOA 474.2 per U.S. dollar at the end of 2016. Maintaining the fixed rate of exchange contributed to a decrease in the rate of inflation in Luanda from 42.0 per cent. at the end of 2016 to 26.3 per cent. at the end of 2017 and a decrease in the rate of inflation in Angola from 41.1 per cent. at the end of 2016 to 23.6 per cent. in 2017. Following the decrease in the rate of inflation, in order to ease pressure on Angola's foreign exchange reserves, in January 2018, the BNA abolished the fixed rate of exchange of the Kwanza and lifted restrictions in the foreign exchange market which led to further depreciation of the Kwanza. The significant declines in oil prices in recent years, as well as local oil production pressures have adversely impacted the value of the Kwanza.

On 9 January 2018, after the BNA abolished the fixed rate of exchange of the Kwanza to the U.S. dollar and lifted restrictions in the foreign exchange market, the Kwanza depreciated by 11 per cent. to AOA 187.95 per U.S. dollar following the BNA's first auction of foreign exchange. As of 6 April 2018 the average exchange rate of the Kwanza for 2018 was AOA 204.490 per U.S. dollar. In order to avoid a multiple currency practice and to comply with the policy of the IMF against multiple currency practices, following the abolition of the fixed Kwanza to U.S. dollar exchange rate, the BNA has introduced in January 2018 a requirement which limits commercial banks from placing bids for currency in excess of a 2 per cent. margin over or below the BNA's reference rate. See "*Risk Factors – Further depreciation 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 U.S. dollar and Kwanza per Euro, not adjusted for inflation:

	AOA per U.S.$			**AOA per Euro**		
	Average	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
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
2015	121.136	120.534	121.739	133.697	133.047	134.347
2016	164.021	163.205	164.837	182.942	182.051	183.833
2017	165.917	165.091	166.742	185.393	184.490	186.296

	AOA per U.S.$			**AOA per Euro**		
	Average	*Minimum*	*Maximum*	*Average*	*Minimum*	*Maximum*
January 2018	206.934	206.692	207.176	257.716	257.393	258.038
February 2018	214.868	214.643	215.093	261.978	261.650	262.306
March 2018	214.558	214.324	214.791	264.378	264.047	264.709

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 Angola 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 operations in foreign currency 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 license which substitutes the capital import and export licenses 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 license does not require renewal by the BNA or any other authority.

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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". Capitalized terms not otherwise defined in this overview have the same meaning as in the terms and conditions (for the purposes of this section, the "**Conditions**") of the 2028 Notes and/or the 2048 Notes. See "Terms and Conditions of the 2028 Notes"* and the "*Terms and Conditions of the 2048 Notes" for a more detailed description of the 2028 Notes and the 2048 Notes, respectively.*

The Offering

Issuer:	The Republic of Angola
Issue:	U.S.$1,750,000,000 8.25 per cent. Notes due 2028 (the "**2028 Notes**") U.S.$1,250,000,000 9.375 per cent. Notes due 2048 (the "**2048 Notes**" and, together with the 2028 Notes, the "**Notes**")
Issue Price:	99.987 per cent. of the principal amount of the 2028 Notes 99.976 per cent. of the principal amount of the 2048 Notes
Maturity Date:	In respect of the 2028 Notes, 9 May 2028 In respect of the 2048 Notes, 8 May 2048
Joint Lead Managers:	Deutsche Bank AG, London Branch, Goldman Sachs International, ICBC International Securities Limited and ICBC Standard Bank Plc.
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:	Each Series of the Notes will bear interest from and including 9 May 2018. Interest on the 2028 Notes will be payable semi-annually in arrear on 15 June and 15 December in each year, commencing on 15 December 2018, at the rate of 8.25 per cent. per annum. Interest on the 2048 Notes will be payable semi-annually in arrear on 15 June and 15 December in each year, commencing on 15 December 2018, at the rate of 9.375 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 Notes and the Notes sold in reliance on Rule 144A will be represented by the Restricted Global Notes, in each case without coupons. The Global Note Certificates will be exchangeable for Note Certificates in the limited circumstances specified in the Global Note Certificates.
Initial Delivery of Notes:	On or before the Issue Date, the Unrestricted Global Notes 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 Notes 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 of each Series (as the case may be) are the direct, unconditional and unsecured obligations of the Republic and (subject as provided in Condition 4 (*Negative Pledge and Other Covenants*) of each Series of Notes) rank and will rank *pari passu*, without preference among themselves, with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the 2028 Notes and /or the 2048 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 each Series of 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 each Series of Notes. The Terms and Conditions of each Series of Notes contain a "collective action" clause which permits defined majorities to bind all Noteholders of the relevant Series of Notes. 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 each Series of Notes, the Notes would be capable of aggregation with any such future debt securities.
Listing:	Application has been made to the London Stock Exchange for the each Series of the Notes to be admitted to the official list ("**Official List**") and to trading on the Market.
Negative Pledge:	The terms of each Series of Notes will contain a negative pledge provision as further described in Condition 4 of each Series of Notes.
Events of Default:	The terms of each Series of Notes will permit the acceleration of the relevant Series of Notes following the occurrence of certain events of default as further described in Condition 9 of each Series of Notes.
Taxation:	All payments in respect of each Series of Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 of each Series of Notes. In the event that any such deduction is made, the Republic will, save in certain limited circumstances provided in Condition 8 of each Series of Notes, be required to pay additional amounts to cover the amounts so deducted.
Transfer Restrictions:	The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*". Holders of the Notes will not have the benefit of any registration rights.
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 use the net proceeds of the Offering for its general budgetary purposes. See "*Use of Proceeds*".
Ratings:	It is expected that the Notes will be rated B by Fitch and B3 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: *2028 Unrestricted Notes:* Common Code: 181968028 ISIN: XS1819680288 *2028 Restricted Notes:* Common Code: 181968087 ISIN: US035198AB62 CUSIP: 035198 AB6 *2048 Unrestricted Notes:* Common Code: 181968052 ISIN: XS1819680528 *2048 Restricted Notes:* Common Code: 181968095 ISIN: US035198AC46 CUSIP: 035198 AC4
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.

Risk 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 developed markets, which could affect the ability of an emerging market issuer to meet its obligations under securities that it has issued. As a consequence, an investment in securities issued by Angola such as the Notes carries risks that are not typically associated with investing in securities issued in more developed markets.

Angola's economy is susceptible to adverse developments similar to those suffered by other emerging market countries. Investors should also note that emerging markets such as Angola are subject to rapid change and that the information set out in this Prospectus may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Notes is appropriate. Investing 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 global economic downturn that followed the global financial and economic crisis of 2008 to 2009. In the aftermath of this crisis, the global financial markets have frequently experienced periods of volatility and many countries experienced much slower economic growth than in the pre-crisis period, which may continue in the foreseeable future. If the global financial markets remain volatile and the global economy contuse to struggle, 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's economy is highly dependent on oil production and vulnerable to decreases in global market prices for oil.

Despite economic diversification efforts to increase Angola's non-oil and gas sector contribution to GDP from 40 per cent. in the mid-1980s to 76.3 per cent. in 2017, the Angolan economy and its revenues have been, and are expected to continue to be, significantly dependent on the oil and gas sector which, in 2017 is estimated to have represented 23.7 per cent. of total GDP, 96.2 per cent. of export earnings and 52.4 per cent. of total revenues.

Oil prices have fluctuated widely worldwide over the past two decades and, following the oil price shock that started in mid-2014, declined sharply reaching less than U.S.$30 per barrel of Brent crude oil in January 2016. Oil prices have rebounded since then, with Brent crude oil price increasing to over U.S.$70 per barrel in April 2018. 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 a repeat of 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.$96.0 per barrel in 2014, U.S.$50.0 per barrel in 2015, U.S.$41.8 per barrel in 2016 and U.S.$54.3 per barrel in 2017.

In November 2016, the members of OPEC, together with certain oil exporting countries outside OPEC (particularly Russia), agreed to reduce crude oil exports with a view to limiting excess supply and reversing the decline in prices. In November 2017, the agreement was extended throughout 2018. As of the date of this Prospectus, the cap on Angola's production per its agreement with OPEC was set at 1.67 million barrels per day.

The decline in oil prices that began in mid-2014, have had a significant impact on Angola's fiscal performance with the recording of an estimated budget deficit equivalent to 5.4 per cent., 3.7 per cent. and 2.2 per cent. of Angola's GDP for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, respectively. The 2018 national budget targets an overall budget deficit of 3.4 per cent. of GDP assuming an overall average oil price of U.S.$50.0 per barrel of oil. See "*Public Finance*". Any decline in oil prices below the level assumed in the 2018 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.

In addition to oil prices, Angola's revenues depend on oil production volumes. The Angolan oil sector produced 1.67 million, 1.78 million, 1.72 million and 1.63 million barrels per day ("**bpd**") in 2014, 2015, 2016 and 2017, respectively. Future oil production decreases, whether due to quotas imposed by OPEC (currently set at 1.67 million barrels per day) 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 decreases in Angola's revenues which, in turn, may materially and adversely affect Angola's financial condition and its ability to repay the Notes.

Angola has budgeted an increased crude oil production rate in 2018 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 2016 and 2017. 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. Furthermore, bureaucracy in the concession and bidding process, together with high realization periods between the auction of oil blocks and production commencing at sites, adversely impacts oil production capacity.

Any 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 an estimated 5.4 per cent. of GDP in 2017. The Government has budgeted a fiscal deficit of 3.4 per cent. of GDP in 2018. 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 Republic is not able to raise sufficient debt to address the deficit, it may be forced to cut capital and/or current expenditures. 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. In response to changing macro-economical conditions, Angola has in the past, and may in the future, revise the budgets that are approved by its National Assembly. For example, the 2015 National Budget and the 2016 National Budget were both revised after they were approved and published. There is no assurance that the budgeted targets of the Government will not change or that they will be achieved.

The Republic expects to significantly increase borrowings in 2018 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.

The Government has estimated that it needs to raise from revenues, borrowings and other sources U.S.$44.3 billion (40.6 per cent. of budgeted GDP) in 2018 to fund its expenditure, including its debt service obligations in 2018. Of this amount,

U.S.$20.1 billion is budgeted to come from revenues, U.S.$21.9 billion is expected to come from debt and U.S.$2.3 billion is expected to come from other sources. In the first quarter of 2018, Angola has raised approximately U.S.$3.4 billion of debt, of which approximately U.S.$1.3 billion was raised in the domestic market and approximately U.S.$2.1 billion was raised from the external sector. Angola expects that its total debt (excluding Sonangol debt) as at the end of 2018 will reach U.S.$77.3 billion (U.S.$36.3 billion of domestic debt and U.S.$40.9 billion of external debt) which would account for 70.8 per cent. of 2018 budgeted GDP, an increase from 67.0 per cent. of GDP in 2017. In addition, the Republic may raise additional debt to fund capital expenditure plans that were not included in the 2018 National Budget. The Government expects that debt servicing (interest and principal repayments) will account for approximately U.S.$23.4 billion in 2018, of which approximately 62.7 per cent. would account for domestic debt and 37.3 per cent. would account for external debt. Angola expects that in 2018 its total debt service to total revenues ratio will reach approximately 116.3 per cent. from 103.8 per cent. in 2017, 82.0 per cent. in 2016, 45.7 per cent. in 2015, 21.0 per cent. in 2014 and 13.1 per cent. in 2013.

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 deficit, borrowing under credit agreements 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 2028 and/or 2048 Notes (the "**Conditions**") do not restrict additional unsecured borrowing by the Republic. As at 31 December 2017, the total Angolan debt (excluding Sonangol debt) to GDP ratio was 67.0 per cent. Total Angolan external debt (excluding Sonangol debt) increased from 11.9 per cent. of GDP in 2013 to 34.5 per cent. of GDP in 2017 and total domestic debt (excluding Sonangol debt) increased from 12.3 per cent. of GDP in 2013 to 32.5 per cent. of GDP in 2017. Should the Republic incur relatively high levels of debt through continued borrowing or suffer from decreasing GDP, it may materially and adversely affect Angola's ability to repay the Notes.

While previous 2014 laws stated that the Republic should not incur public indebtedness in excess of 60 per cent. of GDP, the relevant provisions were revoked by the Law No. 21/16 of 29 December 2016. Law No. 21/16 provides that, while the Government should strive to ensure that public indebtedness remains below 60 per cent. of GDP, the Government is not obliged to adhere to such threshold. In cases where the prescribed threshold is exceeded, the General State Budget should contain safeguard measures aimed at promoting compliance with the prescribed threshold within the medium-term. 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) and the debt of the BNA. See "*Public Debt*" and "*Public Debt – External Public Debt – Background*". 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 repay the Notes.

While Angola has a draft medium-term debt management strategy and an annual debt plan for 2018 under discussion, as of the date of this Prospectus, neither such strategy nor the 2018 annual debt plan has been approved by the Government. Angola's draft medium term strategy focuses on refinancing internal and external debt and developing a more sophisticated domestic securities market (including the creation of a direct debt settlement fund to reduce exposure to volatility in the domestic market). While the Government is currently in the process of undertaking a debt sustainability analysis which is intended to be published in 2018, the Government has not published a debt sustainability analysis since 2012. The Government has engaged an external entity to undertake an audit process of the Government's arrears to contractors or other parties with claims against the Government, totaling approximately AOA 1 trillion (U.S.$5.0 billion). This audit process is still ongoing. However, the Government estimates, based on a sample review, that approximately 25 per cent., or U.S.$1.25 billion of the arrears could be invalid. Following statements by the Secretary of State for Finance that a significant portion of the Republic's public debt was incurred in respect of fictitious projects, in April 2018, UNITA, the principal opposition party in Angola, requested the National Assembly to authorize an independent audit of the Republic's public debt. See "*Risk Factors – Risk Factors Relating to Angola – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*".

As of the end of 2017, 59.0 per cent. of Angola's external debt consisted of 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, Brazil and Russia and an adverse impact in their economies may impact the future ability of Angola to increase its borrowings.

In 2017, outstanding bilateral and commercial external debt due to China and Chinese commercial banks amounted to U.S.$21.5 billion, debt due to Brazil amounted to U.S.$1.2 billion and debt due to Russian commercial banks amounted to U.S.$1.8 billion.

Angola enjoys good relations with China, Brazil and Russia. See "*The Republic of Angola – International Relations – China", "– Brazil*" and *"– Russia*".

Since 2006, China has been the largest single importer of Angolan oil and, in 2017, China accounted for 61.6 per cent. of Angola's crude oil exports amounting to U.S.$19.2 billion. 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.

In addition, as a consequence of the Petrobras corruption scandal 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. In 2016, the Brazilian National Bank for Social and Economic Development (the "**BNDES**") suspended its funding for projects involving Brazilian contractors active in Angola, causing delays to the development of infrastructure projects (for example, the Laúca Hydroelectric Plant). See "*The Republic of Angola – International Relations – Brazil*". Angola's exposure to Brazil for a significant portion of its bilateral external debt means that any disruption to Brazil's economic stability could have an adverse effect on Angola's ability to increase bilateral borrowings from Brazil in the future.

Angola's exposure to Russian commercial banks for a significant portion of its external debt means that any disruption to Russia's economic stability or any rupture in economic or political relations between Angola and Russia could have an adverse effect on Angola's ability to increase bilateral borrowings from Russian commercial banks 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, tax and regulatory environment. Presidential Decree Nr. 258/17, of 27 October 2017, approved policy measures and actions to reform the customs regime, promote private sector investments, diversify the economy away from the oil sector, to broaden the tax base and to facilitate access to credit to further foster private investment in Angola by both local and foreign investors. The staged introduction of value added tax is currently expected to be implemented from January 2019.

In April 2018, the Government and the IMF announced that Angola had requested a policy coordination instrument ("**PCI**") as part of the IMF's technical policy coordination program. The aim of the PCI is to accelerate the diversification of the economy, and promote inclusive growth while restoring macroeconomic stability and safeguarding financial stability. The Government expects that the PCI will help Angola unlock and coordinate financing from the public and private sectors. The PCI will not result in Angola drawing on any IMF funding.

Although the Government intends to continue implementing the aforementioned reforms and the PCI in coordination with the IMF, 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 2018-2022, 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.$4.5 billion in 2018 (excluding capital expenditure by Sonangol). 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 2018-2022.

The economic and other assumptions underlying the objectives set forth in the National Development Plan 2018-2022 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 the National Development Plan 2018-2022 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 2018-2022, 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 2018-2022, which could result in an adverse effect on the economy of Angola and its ability to repay the Notes.

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

The maintenance and strengthening of Angola's 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 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.

The Government has been investing heavily in energy related infrastructure development, with the Laúca Hydroelectric Plant (the largest dam in Angola) and Soyo Combined Cycle Power Plant starting energy production in 2017. Furthermore, construction of a deep-water commercial port in Cabinda commenced in 2016. Going forward, 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 telecommunications sector, as well as in the surveying of natural resources, requiring 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. The Government was unable to meet its 2017 funding targets, which adversely impacted its infrastructure plans.

The relatively low price of crude oil, and volatility in the foreign exchange market, has placed pressure on the Angolan construction and real estate sectors pushing up the price of imports and adversely impacting job creation in these sectors during the course of 2017. 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 2018 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.

Following the Petrobras corruption scandal in Brazil, 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, and in 2016, BNDES suspended its funding for projects involving Brazilian contractors active in Angola on account of the corruption scandal. 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. If BNDES's funding suspension for projects involving Brazilian contractors active in Angola continues, delays or cancellations of Angolan projects involving such contractors may result and, consequently, Angola's ability to diversify its economy and meet its economic growth rates may be adversely affected.

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

According to Transparency International, an international non-governmental organization that monitors and publicizes corporate and political corruption, Angola was ranked 167th out of the 180 countries surveyed in 2017. In addition, independent international organizations have identified corruption and misuse of funds by public officials as significant challenges facing Angola. For example: (i) José Filomeno dos Santos, the son of former Angolan president José Eduardo dos Santos, has been charged with fraud, embezzlement, criminal association, trafficking of influence and money-laundering in Angola relating to a U.S.$500 million fraud from the BNA while head of the Fundo Soberano de Angola ("**FSDEA**"), the Angolan sovereign wealth fund, from which he was removed by President Lourenço in January 2018. José Filomeno dos Santos has also been barred from leaving Angola in connection with such fraud allegations. The United Kingdom National Crime Agency ("**UK NCA**") blocked the transfer of the U.S.$500 million on suspicion of fraud and the funds have since been returned to the Government through a process involving the English courts. The UK NCA's investigations are continuing with the cooperation of the Angolan authorities. In connection with the same alleged fraud, Valter Filipe da Silva, the former governor of the BNA, was charged in March 2018 with fraud in connection with the unauthorized transfer of the U.S.$500 million from the BNA in 2017. The Government has stated that the transfer of the U.S.$500 million was part of an unsuccessful plan to defraud the Republic of U.S.$1.5 billion; (ii) in October 2017, Carlos Aires da Fonseca Panzo, the former economic adviser to the President, was removed from office by a formal decree signed by President João Lourenço. The Angolan Attorney General's Office (*PGR*) has since launched an investigation into his involvement in various criminal complaints; (iii) in November 2017, Edson Vaz, the former national director of the Angolan Treasury, was detained for allegedly diverting funds from the state through contracts entered into with fictitious companies; (iv) in November 2017, the Provincial Court of Luanda initiated a trial against three former officials of the Ministry of Health for allegations regarding the diversion of international funds originally designated for fighting Malaria in Angola, with charges including fraud and the improper allocation of funds; (v) former managers of the Water and Sanitation Company of Benguela and Lobito (*EASBL*) are being tried for alleged diversion of approximately U.S.$60 million. The allegations include suspected under-invoicing and payments for fictitious services; (vi) Mr. Manuel Vincente, who served as Angola's vice president between 2012 and 2017, has been charged with corruption and accused of bribing a high-ranking Portuguese prosecutor, see "*The Republic of Angola – International Relations – Portugal*" and (vii) in March 2018, Angola's deputy attorney general, Luís Ferreira Benza Zanga, also announced that charges have been laid against General Geraldo Nunda, the former chief of staff of Angola's armed forces as well as three other generals. These charges are in connection with an allegedly fraudulent finance scheme involving a business consortium from Thailand. The Angolan Armed Forces were headed by Chief of Staff Geraldo Nunda from 2010 through April 2018. See "*The Republic of Angola – Armed Forces*". Moreover, 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 addition, Angola's Attorney General's Office has ordered an investigation into alleged misappropriation of funds at Sonangol. The Government is currently undertaking an audit process, using an external entity, of the Government's arrears to contractors or other parties with claims against the Government, totaling approximately AOA 1 trillion (U.S.$5.0 billion). This audit process is still ongoing. However, the Government estimates, based on a sample review, that approximately 25 per cent., or U.S.$1.25 billion of the arrears could be invalid. Following statements by the Secretary of State for Finance that a significant portion of the Republic's public debt was incurred in respect of fictitious projects, in April 2018, UNITA, the principal opposition party in Angola, requested the National Assembly to authorize an independent audit of the Republic's public debt. It has been reported that in April 2018, the Mauritius Supreme Court froze several bank accounts and suspended the business licenses of seven of the funds of Quantum Global Investment Management, a firm through which the FSDEA has invested many of its assets. Quantum Global Investment Management is headed by Jean-Claude Bastos de Morais, a business partner of José Filomeno dos Santos, referenced above. The FSDEA terminated the asset management agreement with Quantum on 17 April 2018 and is in the process of procuring a replacement asset manager. See "*Public Finance – Fundo Soberano de Angola*". See "*The Republic of Angola – Anti-money Laundering, anti-bribery, anti-corruption and anti-terrorist measures*".

Since 2010, Angola has introduced a series of laws and regulations to deal with corruption and promote good governance. In February 2016, Angola was removed from the Financial Action Task Force's list of countries with strategic deficiencies in their anti-money laundering and combating financial terrorism regime. 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.

Furthermore, 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. The public procurement regime was further strengthened in 2016 by Law No. 9/16 of 16 June 2016 (which approved the "**Public Procurement Law**"), which, among other things, extended the application of public procurement laws to state owned companies and those controlled by the state. The

President of the Republic is still entitled to approve contract tenders of any value in certain limited circumstances. Depending on the value of the contract, other public authorities are also entitled to approve contract tenders under delegation of the President of the Republic. However, even when a contract is approved by the President or by a public official with delegated authority, the awarding of such contract remains subject to Angola's usual public procurement procedures. See "*The Republic of Angola – Public procurement procedures*". Further, Angola's public procurement laws do not prohibit the awarding of contracts to companies in which public officials have an interest but subject public officials to a set of rules (article 8 of the Public Procurement Law), which includes disclosure requirements, namely aimed at avoiding situations of conflict of interests and ensuring that public officials perform their activities with impartiality and in accordance with the public interest. Presidential Decree 86/18 of 2 April 2018 increased the thresholds above which oil companies operating in Angola are required to hold a public tender process so that a public procurement process and prior approval from the National Concessionaire (Sonangol) will not be required for goods and services contracts under U.S.$1 million or the equivalent amount in Kwanzas (compared to U.S.$250,000 previously), notwithstanding the need of providing quarterly reports to the National Concessionaire listing the contracts concluded throughout the relevant period. For goods and services contracts above U.S.$1 million and up to U.S.$5 million, or the equivalent amount in Kwanzas, operator oil companies must hold a public tender process but prior approval from Sonangol will not be required. Above U.S.$5 million, or the equivalent amount in Kwanzas, both a public tender process and Sonangol approval are required. The same conditions will apply to Sonangol whenever it acts as operator.

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 faces challenges such as 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 operating in Angola, the country's banking assets are highly concentrated in six major banks, with the six banks accounting for 69.8 per cent. of deposits and 74.7 per cent. of loans as at 31 December 2017.

The health of the banking sector has recently deteriorated driven by slower economic growth. In 2017, two banks (*Banco de Poupanca e Credito* ("**BPC**") and *Banco Angolano de Negócio e Comércio* ("**BANC**"), were undercapitalized and needed to meet prudential requirements. BPC and BANC, have very high rates of non-performing loans ("**NPLs**"). BPC's NPLs as at 31 December 2017 were 71.1 per cent. (relative to total loans) and 446.8 per cent. (relative to own funds) and BANC's NPLs at 31 December 2017 were 16.3 per cent. (relative to total loans) and 57.3 per cent. (relative to own funds). Such issues with the banking sector have and may continue to materially and adversely affect the liquidity, business activity and financial conditions of banking customers, which, in turn, may hinder business activity generally and Angola's attempts to diversify its economy.

In March 2017, BPC shareholders (including the Ministry of Finance which holds a 75 per cent. stake in the public bank) approved a restructuring and recapitalization plan for BPC. This plan comprises instating new management and the replacement of its board of directors, capital increases, and the sale of underperforming assets and NPLs to the new state-owned entity Recredit (as defined below), financed by the issuance of certain domestic Government bonds. See "*Monetary System – The Banking System – Major banks, banking sector concentration and competition*".

Since December 2015, global banks have discontinued the supply of U.S. dollar banknotes and withdrawn U.S. dollar correspondent banking relationship ("**CBR**") status with Angolan banks. Angolan banks have responded to the loss of direct U.S. dollar CBRs for their customers by finding alternative payment channels, for example, using intermediary banks in countries such as South Africa and Portugal and a greater use of euros. It is expected that the continued strengthening of the supervisory and regulatory prudential framework, greater training for market participants and a more robust enforcement regime consistent with international best practice will lead to U.S. dollar CBR status being reinstated. However, until this occurs, restrictions for both exports and imports of U.S. dollars could have a material adverse effect on Angola's banking sector, and, accordingly, the wider economy.

Failure to properly supervise the Angolan banks, to control the level of NPLs at Angola's major banks or to mitigate the adverse impact of the loss of U.S. dollar CBR status 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 programs 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 2017, the oil and gas sector represented 96.2 per cent. of Angola's exports and accounted for 23.7 per cent. of its estimated 2017 GDP. Deficiencies in infrastructure levels, lack of private investment, shortages of skilled labor, 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 administration of former president - José Eduardo dos Santos - had been in power since 1979 through October 2017. The MPLA was elected by a large margin in Angola's 2008 general elections, the first such elections after the end of the Civil War. In 2012, the MPLA was re-elected by a large margin in an electoral process that was considered fair by international organizations.

On 23 August 2017, a nationwide election took place that resulted in the MPLA winning 61 per cent. of the popular vote and 150 out of 220 seats in the national assembly (the "**National Assembly**") and Mr. Joao Lourenco of the MPLA being elected President. Mr. José Eduardo dos Santos currently remains leader of the MPLA. In April 2018, the MPLA announced that it will hold an extraordinary congress in September 2018 to elect a new leader to replace Mr. José Eduardo dos Santos. President Joao Lourenco has been endorsed by the MPLA to become its new leader. While leading the MPLA party, which itself controls the National Assembly, Mr. José Eduardo dos Santos retains significant political influence on legislative voting and on party policy proposals.

Given that Angola has not had a change in the presidency since 1979, there can be no assurance that the administration of the new President Joao Lourenco will continue to fully support policies of the previous President intended to encourage political stability and economic growth or that ministerial and other personnel changes in the Government and public sector that have been carried out by President Joao Lourenco will not adversely affect the operations of the Government. The new administration may also pursue policies and have priorities that differ from those of the previous 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.

In the August 2017 elections, the MPLA won more than a two-thirds majority in the National Assembly with 150 of 220 seats. 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 adopted 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. However, if the MPLA were to abuse its majority, despite a history of low levels of popular unrest in Angola since the end of the Civil War, 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. Since the death of FLEC leader Nzita Tiago in June 2016, there has been conflict between various factions of FLEC fighting for control of the group, as well as skirmishes and military ambushes in Cabinda as a result of FLEC's continuing campaign for the independence of the Province of Cabinda. 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 DRC poses a threat to stability in the region and there can be no assurance that a political solution to the civil war is obtainable or sustainable. For example, tensions in the Kasai region of the Democratic Republic of Congo has caused high levels of displacement and approximately 30,000 refugees entered Angola during the course of 2017, seeking safety in and around the city of Dundo on the north-eastern border of Angola where it adjoins the DRC. Between 25 and 27 February 2018, Angola has returned 530 Congolese refugees to the DRC, of which, 480 were unregistered refugees staying at a centre managed by aid agencies (Source: The United Nations Refugee Agency). Such regional threats and fragility among Angola's neighboring 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. See "*The Republic of Angola - International and other territorial disputes".*

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, decreased from U.S.$18.3 billion in 2013 to U.S.$ 5.7 billion in 2017. However, absent a decrease in the perceived risks associated with investing in Angola, including those described in this Prospectus, as is common with other emerging markets, FDI may decline further, which could adversely affect Angola's economy and limit sources of funding for infrastructure and other projects that 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 continue to decrease, 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 decentralized market economy. Angola is still in the process of developing the legal framework required to support a strong market economy and, as a result, regulation of the economy remains underdeveloped. Possible ambiguities in legislation lead the authorities to interpret applicable legislation leading to sometimes unpredictable decisions. Also, the lack of any established system of precedent, means that the risks involved in doing business in Angola could be more pronounced than in jurisdictions with more developed legal systems. Furthermore,

inconsistent legislation and the lack of administrative guidance on its interpretation create an uncertain environment for investment and business activities. 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. According to the World Bank, life expectancy in Angola remains one of the lowest in the world, though it has increased to 61.5 years in 2016 from 47.1 years in 2000. Tuberculosis rose 16 per cent. in Angola between 2002 and 2016, according to the World Health Organisation. 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 per cent. 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 the first three months of 2018, more than 300,000 cases of malaria were reported. In addition, in the first half of 2016, Angola experienced an outbreak of yellow fever, with approximately 4,000 suspected cases and 380 deaths. Angola also faces a risk of epidemics of cholera, rabies and African hemorrhagic fever, as well as other serious diseases spreading from neighboring countries, including the DRC. (See "*Republic of Angola – Population, education, health and housing – Health*").

In 2016, the World Bank estimated that for children under five years there were 82.5 deaths in every 1,000 live births, and that, in 2015, maternal mortality was 477 deaths per 100,000 live births.

Angola has budgeted to spend AOA 388.5 billion on the health sector in 2018, an increase from AOA 210.6 billion in 2017. Angola is currently experiencing short supplies and delayed distributions of certain essential medication, including drugs used to treat tuberculosis and malaria, antibiotics generally, and antiretrovirals for the treatment of HIV. Angola's public healthcare system experiences significant delays in healthcare decision-making processes, including for project approvals and with respect to the payment for and distribution of essential healthcare supplies, including medicines. Angola's Ministry of Health estimates that approximately one per cent. of the drugs it distributes do not reach their intended destination due to the lack of adequate electronic information management systems, human resources and current information on the consumption of drugs. Angola is also currently experiencing a shortage of qualified doctors and has in the past failed to train sufficient numbers of doctors and nurses to adequately support its public health system. Angola has engaged a significant number of Cuban doctors and nurses to work in the public health sector until the current shortages can be remedied. The operational efficiency of many of Angola's healthcare facilities is also significantly impaired by lack of effective power supplies, particularly outside of urban areas.

No assurance can be given that infant and maternal mortality rates will improve; nor that the diseases currently present in Angola will decline in prevalence; nor that Angola will not experience outbreaks (or epidemics) of more serious diseases. If infant and maternal mortality rates worsen and/or the prevalence of diseases (including 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.

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

The Kwanza's average exchange rate against the U.S. dollar depreciated by 69.9 per cent. between 2013 and 2016. In order to stabilize the exchange rate of the Kwanza, the BNA fixed the exchange rate at AOA 166 per U.S. dollar in April 2016 and maintained the fixed rate until December 2017 pursuant to the Crisis Recovery Program. See "*Monetary System – Money supply – Government main strategies for the development of the banking sector*". While the measure brought about stability of the Kwanza, it also led to increased pressure on Angola's foreign currency reserves and an increase in the difference between the official and the parallel rate which increased to approximately AOA 474.2 per U.S. dollar at the end of 2016. Maintaining the fixed rate of exchange contributed to a decrease in the rate of inflation in Luanda from 42.0 per cent. at the end of 2016 to 26.3 per cent. at the end of 2017 and a decrease in the rate of inflation in Angola from 41.1 per cent. at the end of 2016 to 23.6 per cent. in 2017. Following the decrease in the rate of inflation, in order to ease pressure on Angola's foreign exchange reserves, in January 2018, the BNA abolished the fixed rate of exchange of the Kwanza and lifted restrictions in the foreign exchange market which led to further depreciation of the Kwanza and may lead to an increase in the rate of inflation.

The significant declines in oil prices in recent years, as well as local oil production pressures have adversely impacted the value of the Kwanza.

On 9 January 2018, after the BNA abolished the fixed rate of exchange of the Kwanza to the U.S. dollar and lifted restrictions in the foreign exchange market, the Kwanza depreciated by 11 per cent. to AOA 187.95 per U.S. dollar following the first auction of foreign exchange by the BNA in January 2018. As of 6 April 2018 the average exchange rate of the Kwanza for 2018 was AOA 204.490 per U.S. dollar. Further depreciation may occur in the near future.

Since 1 January 2018 through 6 April 2018, the Kwanza has depreciated by 31.5 per cent. against the U.S. dollar. See "*Exchange Rate History*". Since January 2018, the BNA is holding auctions to sell foreign currencies to commercial banks, and in order to avoid a multiple currency practice and to comply with the policy of the IMF against multiple currency practices, following the abolition of the fixed Kwanza to U.S. dollar exchange rate, the BNA has introduced in January 2018 a requirement which limits commercial banks from placing bids for currency in excess of a 2 per cent. margin over or below the BNA's reference rate. The BNA has mainly auctioned euros as a result of the withdrawal of CBR status.

The recent depreciation of the Kwanza, and any further depreciation 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 and inflate the cost of servicing Angola's existing U.S. dollar denominated debt and Angola's existing debt indexed to the U.S. dollar. As of the end of 2017, Angola had AOA 2,741.5 billion outstanding under its domestic debt indexed to the U.S. dollar, compared to AOA 2,690.9 billion in 2016, AOA 1,700.0 billion in 2015, AOA 823.7 billion in 2014 and AOA 902.0 billion in 2013. Additionally, in February 2018, Angola issued a further AOA 178.1 billion of debt indexed to the U.S. dollar. All of Angola's outstanding domestic debt indexed to the U.S. dollar remains exposed to any further devaluation of the Kwanza in relation to the U.S. dollar. See "– *High inflation could have a material adverse effect on Angola's economy*" and "–*The Republic expects to significantly increase borrowings in 2018 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"*.

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

Angola suffers from high inflation. Inflation in Luanda has increased from 7.7 per cent. at the end of 2013 to 26.3 per cent. at the end of 2017 and reached 42.0 per cent. at the end of 2016. The rate of inflation in Angola reached 41.1 per cent. at the end of 2016 and 23.6 per cent. at the end of 2017. The increase in inflation reflects the increase in domestic fuel prices, resulting from the removal of certain fuel subsidies, and a weaker Kwanza. 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 per cent. For more information on historical inflation rates, see "*Monetary System – Inflation*". Annual inflation is projected to remain high reflecting the effects of the depreciation of the Kwanza and while the Government and the BNA work to tighten the monetary policy. Under the 2018 National Budget, the rate of inflation in Angola is expected to reach 28.7 per cent. at the end of 2018.

Although Angola has recently experienced real GDP growth in the agricultural sector estimated at 4.4 per cent. in 2017 and 6.7 per cent. in 2016 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 continue to 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. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*". 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 foreign 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 gross foreign reserves, which decreased from U.S.$32.2 billion in December 2013 to U.S.$17.9 billion in December 2017, and Angola's net foreign reserves, which decreased from U.S.$31.2 billion in December 2013 to U.S.$13.3 billion in December 2017, its high dependence on oil exports and the fact that Angola pays for its key imports, such as food and refined petroleum**,** in U.S. dollars, the Kwanza will remain vulnerable to external shocks which could lead to a sharp decline in its value. The BNA expects that gross and net foreign reserves will decrease by more than U.S.$3.7 billion by the end of 2018 compared to the end of 2017 as a result of the foreign exchange rate policy pursued by the BNA. 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 U.S. dollars in circulation. The reduced U.S. dollar liquidity has negatively affected imports to Angola due to the fact that many imports are paid for in U.S. dollars. If Angola continues to run current account deficits, 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.

The Government has estimated that it needs to raise from revenues, borrowings and other sources U.S.$44.3 billion (40.6 per cent. of budgeted GDP) in 2018 to fund its expenditure, including its debt service obligations in 2018. Of this amount, U.S.$20.1 billion is budgeted to come from revenues, U.S.$21.9 billion is expected to come from debt and U.S.$2.3 billion is expected to come from other sources. In the first quarter of 2018, Angola has raised approximately U.S.$3.4 billion of debt, of which approximately U.S.$1.3 billion was raised in the domestic market and approximately U.S.$2.1 billion was raised from the external sector. If the Government is unable to raise additional debt, it may be required to access its foreign reserves to fund its expenditure. 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 2016 and 2017*" 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. A decrease of food stock in Angola has contributed to an increase of total imports in 2017. Overall, imports in 2017 increased by 7.1 per cent. compared to 2016. 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 60 per cent. and 70 per cent. of the refined petroleum it consumes. Angola currently has only one oil refinery, *Refinaria De Luanda*, which currently meets between 20 per cent. and 30 per cent. 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 refined petroleum 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 survey of social indicators in 2012-13 found that an estimated 30 per cent. of the population lived below the poverty line and pursuant to recent data obtained in 2017 the proportion of the population living below the poverty line has increased to an estimate of 40 per cent. (although this proportion has declined substantially from 68 per cent. in 2001) and that there were high levels of income inequality, with the United Nations Development Program in its 2016 Human Development Report estimating that Angola's GINI coefficient was 42.7, ranking

it 150th in the world for income inequality as of 2016. In addition, the World Bank estimates that unemployment in Angola was 8.2 per cent. in 2017. 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 2022, the lack of sufficient, affordable and reliable energy supply remains a serious impediment to Angola's economic growth and development. Only 36 per cent. 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, of approximately 1.3 million customers served by the Empresa Nacional de Distribuição de Electricidade (the "**ENDE**") in 2017, an estimated 80 per cent., 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. The sector experiences technical and commercial losses amounting to 53 per cent. of the energy produced (6 per cent. from transport, 22 per cent. from distribution, and 36 per cent. from collection), making the sector dependent on Government financing to subsidize income not received due to such losses. The Government has been investing heavily in energy related infrastructure development, with the Laúca Hydroelectric Plant (the largest dam in Angola), the Cambambe hydroelectric power plant and Soyo Combined Cycle Power Plant starting energy production in 2017. Production capacity in Angola is expected to reach an installed capacity of 6.4 GW in 2018, of which, on average 5.5 GW of energy is expected to be available. However, the supply of electricity relative to consumption remains uneven across Angola, caused principally by underdeveloped transport and distribution infrastructure.

In 2017, approximately 29 per cent. of Angola's electricity was generated by thermal power plants, including diesel power plants. These power plants are expensive to operate and since 2015, the Government has eliminated diesel subsidies. 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 modernization program has been completed. See "*The Economy – Energy – Power Generation – Hydroelectric Generation Facilities*" for a discussion of Angola's on-going energy reforms. Under its Action Plan for the Energy and Water Sector 2018-2022, the Government plans to invest U.S.$13.5 billion (U.S.$9.2 billion of which relate to on-going projects) in the power sector between 2018 and 2022, raised from a combination of the Government's own funds, FDI and domestic and external debt. If additional 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 labor 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 and businesses, 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 streamlining certain regulations, 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 which are members of the Angolan national statistics system. The Republic's official GDP data presented in this Prospectus for 2016, 2017 and 2018 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics. The Ministry of Economy and Planning prepares projections of GDP derived from the supply of goods and services in Angola, while the Angolan National Institute of Statistics is responsible for preparing preliminary and final GDP data based on both the supply and the demand for goods and services in Angola. The Government expects the Angolan National Institute of Statistics to publish in the first half of 2018 preliminary GDP data for 2016 and 2017 which will differ from the GDP data of the Ministry of Economy and Planning and pursuant to which Real GDP in each of 2016 and 2017 is expected to have decreased in contrast to the Ministry of Economy and Planning which has projected Real GDP to have grown by 0.1 per cent. in 2016 and by 1.4 per cent. in 2017.

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 2017, are preliminary figures that are subject to later review. Executed and approved statistical information for the 2017 fiscal performance indicators presented in this Prospectus is only expected to be approved once the 2019 National Budget is approved. 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.

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

Angola is a sovereign state and has agreed to resolve disputes by arbitration in accordance with rules and procedures of the LCIA, seated in London, England. Angola has also agreed that in the event that any of the Noteholders of either Series of Notes serves an Election Notice in respect of any Dispute(s) as described above under "Service of Process and Enforcement of Civil Liabilities", the courts of England shall have jurisdiction to resolve such Dispute(s). It may be difficult for Noteholders of either Series of Notes to obtain judgment against Angola in a foreign or Angolan court or to enforce arbitral awards or judgments against Angola made by a tribunal or obtained in courts outside of Angola, including the courts of England. 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 related to the Angolan laws, rules, regulations or decrees enacted to approve and regulate the issuance of either Series of 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 of each Series of Notes and the Notes. Under the Conditions, the Republic has not waived immunity from execution or attachment in respect of: (a) assets that have been expressly recognized 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law, 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 defense 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law; (e) assets of the BNA 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. LCIA arbitral awards against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant of each Series of Notes or the Notes will not be recognized and enforced by the Angolan courts unless the requirements imposed by applicable laws and procedures of the Republic of Angola are satisfied, and subject to the conditions described under *"Service of Process and Enforcement of Civil Liabilities"*. Judgments against the Republic in relation to the Fiscal Agency Agreement, the Deed of Covenant of each Series of Notes or the Notes in the English courts will only be recognized and enforced in Angola after such judgment has been validated and recognized 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 recognized 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 legalized 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 realize 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 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 behavior 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 of either Series 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 one or both Series of 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 of either Series 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**"). As of 31 December 2017, U.S.$437.5 billion was outstanding under this facility which has been drawn in full.

In addition, there may be new LPNs (or other capital markets instruments) similar to the Northern Lights LPNs issued on the basis of the Angolan sovereign credit. See "*Public Debt*".

The Government has not granted any security interest in favor of Northern Lights or any other person in respect of its obligations under the Northern Lights Facility. The Conditions contain a negative pledge (the "**Negative Pledge**") pursuant to which, so long as any of the Notes of either Series remain outstanding, the Republic is restricted, subject to certain exceptions specified therein, from creating or permitting to subsist any Lien (as defined in the Conditions) upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness (as defined in the Conditions) of the Republic or any other Person (as defined in the Conditions) unless, at the same time or prior thereto, the obligations of the Republic under each Series of Notes are secured equally and rateably therewith or have the benefit of such other arrangements as may be approved by Noteholders of the relevant Series of Notes (see Condition 4 (*Negative Pledge*)). However, the Negative Pledge does not restrict the Republic from creating or permitting to subsist any such Lien to secure External Indebtedness (as defined in the Conditions) 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 may have terms that are more favorable to the holders of those debt securities than are contained in the Conditions, 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 either Series of 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 Conditions contain provisions regarding amendments, modifications and waivers, commonly referred to as "collective action" clauses. Such clauses permit defined majorities to bind all Noteholders of the relevant Series of Notes, including Noteholders of the relevant Series of Notes who did not vote and Noteholders of the relevant Series of Notes who voted in a manner contrary to the majority.

The Republic issued the 2015 Notes which contained collective action clauses in the applicable terms and conditions. In the future, the Republic may also issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. Accordingly, either Series of Notes are capable of aggregation with the 2015 Notes and any such future debt securities of the Republic. 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 either Series of Notes with the consent of the holders of 75 per cent. of the aggregate principal amount outstanding of the relevant Series of 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 per cent. of the aggregate principal amount outstanding of all debt securities being aggregated and (ii) the holders of 50 per cent. 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 per cent. 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 favor 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 may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favor of an amendment, modification or waiver may be holders of different debt securities and, as such, less than 75 per cent. of the Noteholders of the relevant Series of Notes would have voted in favor of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple debt securities may make either Series of Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default (as defined in the Conditions) or in a distress situation. Further, any such amendment, modification or waiver in relation to either Series of 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.

Both Series of 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 either Series of 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 the respective Series of Notes such that its holding amount to U.S.$200,000.

If Certificates are issued, holders of either Series of Notes 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 of either Series 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 are expected to be rated B by Fitch and B3 by Moody's and Angola has been assigned a long-term foreign current debt rating of B (stable outlook) by Fitch, B3 (stable outlook) by Moody's and B- (stable) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). However, on 7 February 2018, Moody's placed Angola's ratings under review for downgrade. Each of Fitch, S&P 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.

The Republic has no obligation to inform Noteholders of either Series of Notes of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A revision, suspension, downgrade or withdrawal at any time of a credit rating assigned to the Republic may adversely affect the market price of the Notes.

A proposed financial transactions tax ("FTT") is being considered which could affect future transactions in the Notes.

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of either Series of Notes are advised to seek their own professional advice in relation to the FTT.

As the Global Note Certificates are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC, investors will have to rely on their procedures for transfer, payment and communication with the Republic.

The Notes of either Series will be represented by Global Note Certificates except in certain limited circumstances described therein. The Unrestricted Global Notes will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. The Restricted Global Notes will be registered in the name of a nominee of, and deposited with a custodian for, DTC. Except in certain limited circumstances described in the Global Note Certificates, investors will not be entitled to receive Individual Certificates. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by the Global Note Certificates, investors will be able to trade their beneficial interests only through DTC, Euroclear and Clearstream, Luxembourg.

The Republic will discharge its payment obligations under the either Series of Notes by making payments through DTC or to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Note Certificate for either Series of Notes must rely on the procedures of DTC, Euroclear and Clearstream, Luxembourg to receive payments under the respective Series of Notes. The Republic has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

USE OF PROCEEDS

The Republic will use the net proceeds of the issue of the Notes, expected to amount to approximately U.S.$1,741,022,500 in respect of the 2028 Notes and approximately U.S.$1,243,450,000 in respect of the 2048 Notes, in each case after deduction of the underwriting and selling commission, for its general budgetary purposes.

THE REPUBLIC OF ANGOLA

Location and Geography

Angola occupies 1,246,700 square kilometers of southern Africa, bordered by the Democratic Republic of Congo ("**DRC**") and the Republic of the Congo in the north, Namibia in the south and Zambia in the east, with its 1,650 kilometer 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 largest crude oil producer in sub-Saharan Africa (*Source:* OPEC Annual Statistical Bulletin 2017), and the third largest rough diamond producer in value in sub-Saharan Africa with the potential to become one of the leading global diamond producers (*Source*: Kimberley Process Statistics Annual Global Survey 2016 Rough Diamond Production).

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, which was 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 recognized the MPLA's political party as Angola's governing party and officially demobilized 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 per cent. 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 2017 under the 2010 Constitutional Law (defined below), resulting in another victory for the MPLA, which won 150 of the 220 seats available in the National Assembly.

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 Economy and 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; and (xii) 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 2018-2022, referred to under "*The Economy – Recent Economic Performance – The Government's Principal Economic Strategies*", and the Support Program for Production, Diversification of Exports and Replacement of Imports, referred to under "*Public Finance – Fiscal Reforms for 2018*", which is in the early stages of its implementation) are prepared by the Government on the basis of the vision and strategies set forth in the 2025 Strategy.

Since the end of the Civil War, Angola has become one of the fastest growing economies in sub-Saharan Africa, based on real GDP growth rates (*Source*: IMF DataMapper Real GDP Growth 2017).

Province of Cabinda

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

With an area of approximately 7,270 square kilometers, the northern Angolan province of Cabinda is unique in being separated from the rest of the country by a strip, some 60 kilometers 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 limited production from onshore fields, as 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 organization" and has stripped FLEC members of their refugee status in the DRC. Since the death of FLEC leader Nzita Tiago in June 2016, there has been conflict between various factions of FLEC fighting for control of the group, as well as skirmishes and military ambushes in Cabinda as a result of FLEC's continuing campaign for the independence of Cabinda province.

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 "**2014 Census**"), the first such census since 1970, indicates a total population of 24.3 million and a population density of approximately 20 inhabitants per square kilometer.

The Angolan National Institute of Statistics estimates that Angola's population was approximately 28.3 million in 2017 (*Source:* Angola Population Projection (Population, total)). According to the 2014 Census, Angola has a very young

population with only 2.3 per cent. of the population over 65 years and 49.8 per cent. between the ages of 15 and 64, with the remaining 47.9 per cent. under the age of 15. In 2014, the population of Angola had 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 the end of the civil war in 2002, and others have returned to the country.

According to 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 the 2014 Census, it is estimated that approximately 62 per cent. of Angola's population lived 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 per cent. of the population: Ovimbundu (37 per cent.), Kimbundu (25 per cent.) and Bacongo (13 per cent.) (*Source*: The CIA World Factbook 2017, Angola). The Umbundu-speaking Ovimbundu, concentrated in the fertile central and northern highlands, made up approximately 37 per cent. 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 experienced the strongest Portuguese influence, made up approximately 25 per cent. of the population. The Bacongo, who speak Kikongo, made up approximately 13 per cent. The other main ethnic groups include the Tchokwe/Lunda, Ganguela, Nhaneca-Humbe, Herero and Ambo. Some 3.5 per cent. of the population are mixed-race mestiços, concentrated mainly in the urban areas. In 2014, there were 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:

	Angola	Nigeria	South Africa	United States
GDP per capita (current U.S.$) (2016)[1]	3,308.7	2,175.7	5,274.5	57,638.2
Real GDP growth (annual percentage) (2016)	(0.7)	(1.6)	0.3	1.5
Population growth (annual percentage) (2016)	3.4	2.6	1.3	0.7
Life expectancy at birth (years) (2016)	61.5	53.4	62.8	78.7
Infant mortality rate (of under 5s, per 1,000 live births) (2016)	82.5	104.3	43.3	6.5

(*Source*: World Bank Data 2017 (GDP per capita (current U.S.$); Real GDP Growth (annual percentage); Population Growth (annual percentage); Life Expectancy At Birth, total (years); Mortality Rate, infant (per 1,000 live births)))

[1] GDP per capita is gross domestic product divided by mid-year 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.

The Government's most recent survey of social indicators in 2012-13 found that 30 per cent. of the population lived below the poverty line (on U.S.$2.00 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 per cent. in 2001. Recent data obtained in 2017 indicates that the proportion of the population living below the poverty line increased to 40 per cent. As a result of the Civil War, much of Angola's population became and remains concentrated in the coastal regions of Angola. Only 36 per cent. 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 per cent. 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 in 2015, 2016 and 2017.

	2015	Change from previous year	2016	Change from previous year	2017	Change from previous year
	(No. of students)	*(%)*	*(No. of students)*	*(%)*	*(No. of students)*	*(%)*
Basic literacy	781,000	6.8	570,900	(26.9)	500,100	(12.4)
Special education	26,000	(19.5)	27,200	4.6	27,300	0.3
Primary school	5,300,379	2.1	5,937,762	12.0	6,110,000	2.7
Secondary school	1.704.549	22.7	1.838.403	7.9	2,589,900	40.8
University	218,433	51.4	241,284	10.4	254,816	5.6
Total	**8,539,000**	**6.4**	**9,086,600**	**10.4**	**10,034,300**	**10.4**

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. Following this, students may enroll in higher education. Higher education comprises four to six year courses, depending on the specialty chosen. Angola has 25 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 per cent. in 1974 to 36 per cent. in 1985 and 60 per cent. at the end of the Civil War in 2002. In 2006, the Government launched a ten year literacy strategy with the aim of increasing adult literacy to 91 per cent. 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. Adult literacy in Angola reached 71.1 per cent. in 2017. (*Source*: The CIA World Factbook 2017, Angola). To date more than 10 million students have enrolled in Angola's education system.

In April 2018, Angolan teachers commenced a strike to encourage more investment in the education system and higher pay. The Government and the Angolan National Union of Teachers are working to address their concerns. Expenditure on education, which was low during the Civil War, increased to 2.2 per cent. of GDP in 2017 and is budgeted to increase to 2.3 per cent in 2018.

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 entities

whose private medical insurance premiums are subsidized 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 per cent. deaths caused by malaria by 2020. This plan includes measures aimed at prevention, diagnosis, treatment and social mobilization. Preventive measures, such as the installation of insecticide treated nets and indoor residual spraying, have been implemented. In addition, the implementation of the program 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, with data from 2015 showing that the number of deaths caused by malaria decreased by 26.1 per cent. as compared to 2012. Anti-malaria treatment is not always available in the health network and is not yet standardized in all health units, particularly in rural areas, but the PNCM is providing improvements. Coupled with malaria, epidemics of cholera, rabies and African hemorrhagic fevers are common diseases in several parts of the country.

In December 2015, an outbreak of yellow fever was detected in Luanda. From January 2016, Angola experienced a rapid increase in the number of yellow fever cases reported and observed. The outbreak was notable due to its largely urban nature, prompting the vaccination of millions of Angolans in the first half of 2016. In August 2016 the outbreak was contained and there had been no further confirmed cases since July 2016. The country has since remained vigilant, with approximately 16 million people having been vaccinated as at September 2016. Monitoring and prevention of the international spread of the virus remains a priority and visitors over nine months of age are currently required to present evidence of yellow fever vaccination upon entry into Angola. 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 HIV prevalence. It has been estimated that 280,000 people were living with HIV/AIDS in 2016, representing approximately 1.9 per cent. of the population (*Source*: The CIA World Factbook 2017, Angola).

The Global Fund for AIDS, Tuberculosis and Malaria (the "**GFATM**") was founded in 2002 as a partnership organization between governments, private sector entities and victims of these diseases. The aim of GFATM is to accelerate the end of AIDS, tuberculosis and malaria as epidemic diseases, and it raises and invests approximately U.S.$4 billion per year to support programs run by local experts in selected countries. As of the date of this Prospectus, the GFATM has agreed to provide Angola with more than U.S.$278.0 million to combat these diseases, with more than U.S.$109.3 million, U.S.$34.5 million and U.S.$134.1 million designated for HIV/AIDS, tuberculosis and malaria support, respectively. According to GFATM, as a result of its operations in Angola, (i) approximately 67,000 people underwent antiretroviral therapy to combat AIDS in 2014, 2015 and 2016; (ii) approximately 178,000, 190,000 and 202,000 people (cumulative) had been diagnosed and treated for tuberculosis in 2014, 2015 and 2016, respectively; and (iii) approximately 3.1 million, 9.7 million and 10.9 million insecticide-treated mosquito nets were distributed in order to prevent malaria in 2014, 2015 and 2016, respectively. The GFATM's effort in delivering nearly 30 million insecticide-treated mosquito nets in Angola since 2013 has contributed to the Government's national strategy to reach and maintain universal coverage of mosquito nets.

Gavi, the Vaccine Alliance ("**Gavi**") is a public-private global health partnership which was created in 2002, with the common goal of creating equal access to new and underused vaccines for children in the world's poorest countries. In June 2014, the Gavi Board approved a new five-year strategy to ensure it completes its overall mission for 2016-2020, the implementation of which will result in developing countries immunizing 300 million children. The 2016-2020 strategy has four goals, namely (i) the vaccine goal, to accelerate the equitable uptake and coverage of vaccines; (ii) the systems goal, to increase effectiveness and efficiency of immunization delivery as an integrated part of strengthened health systems; (iii) the sustainability goal, to improve the sustainability of national immunization programs; and (iv) the market shaping goal, to shape markets for vaccines and other immunization products. Gavi has approved U.S.$113.2 million for investment in Angola across areas such as health system strengthening, injection safety devises, pentavalent vaccine support (which protects against diphtheria, tetanus, pertussis, hepatitis B and haemophilius influenzae type b), pneumococcal vaccine support and vaccine introductions. As at 18 October 2017, Gavi had committed the entire approved amount of U.S$113.2 million for investment in Angola and had disbursed U.S.$112.6 million of this amount. (*Source*: Gavi Angola Factsheet, 2018)

The United States President's Emergency Plan for AIDS Relief ("**PEPFAR**") is a United States government initiative designed to address the global AIDS epidemic and help treat those suffering from the disease. Through PEPFAR, the United States seeks to strengthen the global capacity to prevent, detect and respond to new and existing risks posed by AIDS. At the time of its inception in 2003, PEPFAR supported the treatment of 50,000 people in sub-Saharan Africa, and now supports over 13.3 million people with lifelong antiretroviral treatment. PEPFAR's two key outcomes for Angola are (i) improved quality and coverage of testing and antiretroviral therapy services through institutional capacity building and the use of high quality models; and (ii) supporting high quality key and priority (military) populations to achieve 80 per cent. support coverage in selected locations. In PEPFAR's 2017 Country Operational Plan for Angola 2017, PEPFAR planned to apply U.S.$17.7 million in funding for Angola through various United States agencies.

Although life expectancy in Angola remains one of the lowest in the world, it has increased to 61.5 years in 2016 from 47.1 years in 2000. There has also been a gradual decline in the under-one year infant mortality rate, and, in 2016, the World Bank estimated that children under five years there were 82.5 deaths in every 1,000 live births in Angola. (*Source*: World Bank Data 2016 (Mortality rate, under-5 (per 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"). Under this program, water plants were built throughout the country so as to extend access to clean water to the most rural areas. In 2018, the Government launched its medium-term action plan for the energy and water sector for 2018-2022 (the "**Action Plan for the Energy and Water Sector 2018-2022**"). Pursuant to the Action Plan for the Energy and Water Sector 2018-2022, the Government intends to maximize access to water by continuing to strengthen the supply capacity of water to Luanda through the Bita and Quilonga systems and through rural parts of Angola. Pursuant to the Action Plan for the Energy and Water Sector 2018-2022, the Government intends to extend water supply coverage to 85 per cent. of people in urban areas and 80 per cent. of people in rural areas in Angola from an average water supply coverage rate of 63 per cent. in 2014. See "*The Economy – Infrastructure – Water supply*".

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, specialized 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 eight 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 per cent. Angola has been struggling to improve universal primary education (MDG 2) and is still recording a completion rate of below 50 per cent. 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 per cent. of women in its National Assembly in the 2012 elections, but not in the 2017 elections. 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.

In September 2015, over 150 countries attending the United Nations Sustainable Development Summit adopted the new 2030 Agenda for Sustainable Development, including the Sustainable Development Goals ("**SDGs**"). The SDGs include 17 goals and 161 targets which cover a range of social and economic development issues, and build on the MDGs which ended in 2015. The Government has publicly acknowledged Angola's commitment to the SDGs, starting with a public workshop in Luanda in December 2015. At the same time, the Ministry of Economy and Planning led a Rapid Assessment Analysis in order to assess which of, and the extent to which, the SDGs are already integrated into Angola's National Development Plan 2018-2022, which is currently being developed and which projects that the Human Development Index will increase to 0.60 by 2022 from 0.533 in 2016 (Source: *2016 Human Development Report published by the United Nations Development Program*). Data collected in Angola's 2014 census have provided the Government with updated information which will be useful in monitoring and reporting on its progress with achieving the SDGs. The SDGs are (1) no poverty; (2) zero hunger; (3) good health and well-being for people; (4) quality education; (5) gender equality; (6) clean water and sanitation; (7) affordable and clean energy; (8) decent work and economic growth; (9) industry, innovation and infrastructure; (10) reduced inequalities; (11) sustainable cities and communities; (12) responsible consumption and production; (13) combat climate

change; (14) life below water (ocean and marine resource conservation); (15) life on land (conservation of terrestrial ecosystems and resources); (16) peace, justice and strong institutions; and (17) partnership for the SDGs (strengthening means of implementing the SDGs and revitalizing the global partnership for sustainable development). The National Institute of Statistics is implementing measures to monitor progress of the SDGs and is collaborating with the United Nations to identify a set of indicators to monitor and evaluate Angola's progress of the SDGs.

Housing

One of the key priorities under the 2025 Strategy, in addition to the provision of clean water and electricity to Angola's population, is social housing. In 2009, the Government launched an initiative known as "*Casa para todos*" ("Housing for all"), with the goal to provide the Angolan population with one million new homes. Under the scheme, houses are 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 (with 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 Urban Lease Act (approved by the Law No. 26/15 of 23 October 2015) adopted in 2015 set 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 was previously common practice in Angola for landlords to ask for at least a year's rent as an upfront cash deposit. This made property leasing prohibitively expensive and almost impossible for the large majority who did not have easy access to bank credit. It was 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 Urban Lease Act replaced colonial-era legislation from 1961. It 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 remained speculative and poorly controlled. The large number of expatriate oil workers requiring accommodation in Luanda 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 former 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 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 Bornito de Sousa since September 2017. Vice-President de Sousa previously served as president of the National Assembly that was responsible for drafting the 2010 Constitutional Law, and as the president of the MPLA Parliamentary Group until being appointed as Minister for Territorial Administration. Under the 2010 Constitutional Law, should the office of the President become vacant (through resignation, removal, death or incapacity) the Vice-Present 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 2012 election was the first to be held under the 2010 Constitutional Law, during which Mr. dos Santos' presidency was renewed for another five year term. The most recent elections, in which Mr. dos Santos did not stand as a presidential candidate, were held in August 2017. Of the 220 seats, 130 were elected from closed lists by proportional representation, and the remaining 90 were elected in 18 five-seat constituencies. The MPLA remained the majority party, taking 150 of the 220 seats available, with João Manuel Gonçalves Lourenço (Minister of Defense from 2014 to 2017 and MPLA Vice-President) standing as the presidential candidate of the MPLA. Mr. Lourenço was officially sworn into office on 26 September 2017, to succeed Mr. dos Santos as President of Angola. Of the remaining seats, UNITA took 51 and its splinter party (Convergence Angola Salvation Wide-Electoral Coalition) took 16, with the Social Renewal Party and the FNLA taking the remaining three seats. The August 2017 election had a 76.1 per cent. turnout, and of those elected 27 per cent. 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, having served as President of Angola since 21 September 1979, did not stand as a presidential candidate in the 2017 elections. João Manuel Gonçalves Lourenço, previously Secretary General, Minister of Defense and Vice-President of the MPLA, was elected as President in the August 2017 elections.

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 organizational structure and establishing the composition of executive power;
- requesting from the National Assembly authorization 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 51 Secretaries of State and 31 Governmental ministries, including the:

- Ministry of National Defence;
- Ministry of Interior;
- Ministry of Foreign Affairs;
- Ministry of Economy and Planning;
- Ministry of Finance;
- Ministry of Mineral Resources and Petroleum;
- Ministry of Public Administration, Labor and Social Security;
- Ministry of Commerce; and
- Ministry of Energy and Water.

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, organization 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 organization of the judiciary and the status of judges and the organization of national defense 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 organization 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; nationalization; expropriation; requisition and privatization of nationalized 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 organizations 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

The 2010 Constitutional Law provides for an independent judiciary.

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 and the military is under the jurisdiction of the Supreme Military Court. 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.

Law 1/16 of 10 February 2016 has established a Court of Appeal to sit between the District Courts and the Supreme Court. Budgetary constraints have limited the functioning of the Court of Appeal over the last two years but the first two Court of Appeal hearings are scheduled to start in 2018, and the funds for the construction and operation of the Courts of Appeal of Luanda and Benguela are included in the 2018 National Budget. The 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, which was 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.

The Audit Court, which was 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 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 defense and the right to appeal. Legal reform in 1991 established the right to public trials, a system of bail and recognized the accused's right to counsel. Trials are open to the public, although, 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 that occurred during the Civil War, though since the end of the Civil War there has been a considerable increase in the number of 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 programs are also now being offered to Angola's judges and public prosecutors, as well as to lawyers practicing 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 programs for mediators and arbitrators. On 16 June 2016, Angola ratified and became the 176th contracting state of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958), which provides common legislative standards for recognition of arbitration agreements and enforcement of foreign and non-domestic arbitral awards.

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 recognized 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 emphasizes the role of the state in developing Angola, and the Government is overseeing a multi-billion-dollar program 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 to participate in the elections. Only five 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 per cent. of the popular vote, followed by UNITA with 10.4 per cent. 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 that won less than 0.5 per cent. of the vote were automatically dissolved by law.

In the 2012 legislative elections, 27 parties applied to compete in the elections, but only 5 won 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 five seats.

In the most recent 2017 legislative elections, all of the parliamentary seats were taken by the same five parties as those in the 2012 elections, with MPLA taking a majority of 150 out of the total 220 seats. UNITA took 51 seats and the Convergence Angola Salvation Wide-Electoral Coalition took 16 seats, with the remaining three seats split between the Social Renewal Party (two seats) and the FNLA (one seat).

Local Authorities

Angola is divided into 18 provinces which are organized 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 executive powers. The President, João Lourenço, has said that Angola will hold its first municipal elections before the next parliamentary poll, which is due to take place in 2022.

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 was headed by Chief of Staff Geraldo Nunda from 2010 through April 2018. General António Egídio de Sousa Santos replaced General Nunda on 23 April 2018 and he reports to the Ministry of National Defense. See "*Risk Factors – Risk Factors Relating to Angola – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*".

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 term of the service obligation is two years. The FAA's personnel is currently estimated by the Government to be approximately 150,000. The FAA has three components – the Army, the Navy (entirely staffed by volunteers) and the Air Force.

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 interventions. 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 neighbors 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. The 33rd and most recent trade fair was held in Luanda in July 2017 under the motto "*Diversify the economy and boost national production, aiming at a self-sufficient and exporting Angola*". The 32nd trade fair was held in July 2015 and saw companies from more than 40 countries and approximately 1,000 exhibitors taking part, with strong representations from Portugal, Italy, Germany, South Africa and Brazil.

In 2018, the Government established a Support Program for Production, Diversification of Exports and Replacement of Imports ("**PRODESI**"), which contains seven key initiatives to reduce imports, increase self-sufficiency and diversify

Angolan exports, with the aim of significantly decreasing its historical over-reliance on oil export revenues. One key initiative focuses on improving the Angolan business environment which includes, among other things, expanding international trade by facilitating economic conditions to attract foreign investment, reduce costs in order to boost exports and connect Angolan businesses with global consumers. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

As of the date of this Prospectus, Angola maintains diplomatic relations with 151 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 in 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 third largest U.S. trading partner in sub-Saharan Africa and the United States is a significant market for Angolan oil exports (*Source*: United States Department of State, Bureau of African Affairs 2017). 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.

Angola and the United States maintain a 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. Relations are cordial between Angola and the United States. In particular, a number of significant protocols are in place 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 into Angola; the mobilization 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.

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 to assist Angola in diversifying its economy by revitalizing 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 healthcare in Angola. However, no funding has yet been made available under this arrangement.

The African Growth and Opportunity Act ("**AGOA**"), which has been in force since May 2000, is designed to enhance market access to the United States for qualifying sub-Saharan countries. Qualification depends on countries fulfilling certain criteria, such as undertaking efforts to improve the rule of law, human rights and core labor standards, which Angola has met. After completing an initial 15-year period of validity, AGOA was extended on 29 June 2015 for a further 10 years through 2025. (*Source*: AGOAP, 2015) During 2017, U.S. imports from sub-Saharan Africa totaled U.S.$22.5 billion, with Angola

being the third largest source of imports, and volumes of Angolan imports into the US rising by 11 per cent. compared with 2016. In 2017, Angola was also the third-largest destination for U.S. exports under AGOA, a decrease of 4.7 per cent. compared to 2016. This decrease was in part due to large sales of aircraft and parts, machinery and electrical components during 2016. In January 2018, the BNA lifted restrictions in the foreign exchange market and abolished the fixed rate of exchange of the Kwanza to the U.S. dollar. (*Source*: United States Department of Commerce, 2016) See "*Risk Factors – Further depreciation in the value of the Kwanza could have a material adverse effect on Angola's economy*".

Portugal

Portugal ruled Angola for 400 years, ending with Angola's independence in 1975. Since Angola moved away from a centralized 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.

Since 2017, Portugal and Angola have been negotiating a framework in respect of court proceedings connected to Mr. Manuel Vicente, who served as Angola's vice president between 2012 and 2017. In court proceedings situated in Lisbon, Portugal, Mr. Vicente has been charged with corruption and has been accused of bribing a high-ranking Portuguese prosecutor to close certain investigations into Mr. Vicente. The Government is of the view that the proceedings against Mr. Vicente should be transferred to Angola and officials from Angola and Portugal have agreed a framework to allow Mr. Vicente to be tried in Angola.

Brazil

Brazil was the first country to recognize 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 BNDES have been major lenders to Angola, with U.S.$1.2 billion in aggregate principal amount outstanding as at 31 December 2017. As at 31 December 2017, Brazil held 3.0 per cent. of Angola's total external debt (excluding debt incurred by Sonangol). Following the Petrobras corruption scandal in Brazil, 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, and in 2016, the BNDES suspended its funding for projects involving Brazilian contractors active in Angola, causing delays to the development of infrastructure projects (for example, the Laúca Hydroelectric Plant). See "*Risk Factors – Risk Factors Relating to Angola – Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*."

Brazil and Angola also cooperate extensively in the area of education, with a significant number of Angolan students attending Brazilian universities on student exchange programs 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 SA was arrested by Brazilian authorities as part of a corruption investigation into the awarding to Odebrecht SA of construction and supply contracts by Brazil's state-owned oil company, Petrobras. Since then, the CEO of Odebrecht SA and 76 other company executives have been successfully prosecuted, having admitted to paying bribes to secure contracts in Brazil and other parts of the world. As part of those investigations the Brazilian authorities are also investigating and prosecuting certain individuals who have, in the past, been members of the Brazilian government. As a result of the Petrobras corruption scandal in Brazil, BNDES, in 2016, suspended credit to Brazil's leading contractors operating in Angola, including Odebrecht SA. Following the suspension of funding by the BNDES, the Government had to fund a number of projects which had previously relied on BNDES funding including the financing of the works undertaken in respect of the Laúca hydroelectric power plant. See "*The Economy – Energy – Power generation – Hydroelectric generation facilities*". See "*Risk Factors – Angola has concentrated debt exposure to China, Brazil and Russia and an adverse impact in their economies may impact the future ability of Angola to increase its borrowings*" and "*Risk Factors – Angola's economic growth targets may not be achievable if it fails to rebuild and rehabilitate its infrastructure efficiently*". No such investigations have been undertaken by the Republic with respect to Odebrecht's activities in Angola.

In February 2018, the Angolan and Brazilian governments signed a protocol of understanding pursuant to which Brazil intends to grant U.S.$2 billion of credit for the development of public investment projects in Angola involving Brazilian contractors and exporters. Brazilian banks will benefit from the credit available under this protocol of understanding which will guarantee financing provided by Brazilian banks for the purpose of financing projects in Angola involving Brazilian contractors and exporters. The signing of the protocol of understanding was the culmination of a visit to Angola by a senior Brazilian government delegation which focused on the promotion of financial relations between the two countries. Despite the signature of the protocol of understanding with Brazil, such credit has not yet been utilized.

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 2017, China accounted for 61.6 per cent. of Angola's crude oil exports. 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. As of 31 December 2017, China and Chinese commercial banks held 56.0 per cent. of Angola's total external Government debt (excluding debt incurred by Sonangol). For example, on 9 December 2015, Angola, as borrower, and CDB as lender entered into a U.S.$15 billion facility agreement. The facility is an oil pre-payment facility with repayments being serviced through receivables from a designated oil contract. The loan is for a term of 12 years and the availability period expired on 9 December 2017. The loan is for multiple purposes including financing approved projects in Angola, prepaying certain facilities between Sonangol and CDB and financing certain of Sonangol's strategic projects. The facility was drawn in full. In 2016, disbursements amounting to U.S.$10 billion from China Development Bank were contributed as capital by the Government to Sonangol.

See "*Risk Factors – Angola has concentrated debt exposure to China, Brazil and Russia and an adverse impact in their economies may impact the future ability of Angola to increase its* borrowings". 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.

China has recently developed more than 6,200 kilometers of railways in Africa, including the Lobito-Luao railway in Angola. The 1,344 kilometer project across Angola was initiated in 2015 and the railway, which links the city of Lobito (on the western coast) and the city of Luau (bordering the DRC), is the second longest railway built by a Chinese company in Africa. It is expected to be linked with the Angola-Zambia railway and the Tanzania-Zambia railway in the future.

In 2017, Bank of China opened its first branch in Luanda in order to promote Chinese investment and lending in Angola. Chen Siqing, president of Bank of China, stated that the establishment of the Luanda branch will effectively promote bilateral economic and trade exchanges. The branch will focus on information consultations for businesses, business promotion,

customer support and risk prevention. The bank will also serve Chinese enterprises investing in Angola, and Angolan enterprises entering the Chinese markets.

In January 2018, a Chinese delegation led by Foreign Minister Wang Yi visited Angola to meet with President Lourenço in order to strengthen bilateral relations between the two countries. During the visit, China signed an agreement with Angola to abolish visas for ordinary passports. The agreement has streamlined visa mechanisms for travelers engaged in business, academia, scientific research, culture, sports and for those in need of medical treatment.

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 explore and extract Angola's resources.

Presently, Russia and Angola have a number of co-operation projects in progress across a number of sectors including defense, education, health, telecommunications and finance. As at 31 December 2017, Russian commercial banks held 4.6 per cent. of Angola's total external Government debt (excluding debt incurred by Sonangol).

Since 2009, Russia has provided assistance to enable Angola to join the international space community. The Angosat project, agreed in 2009 and costing approximately U.S.$280 million, included the production and launch of Angola's first telecommunications satellite, Angosat-1, as well as establishing on-ground infrastructure in Luanda. Angosat-1, launched in December 2017, will provide Angolans with access to satellite-based technologies in sectors including media, education and healthcare. It is anticipated that Angosat-1 will increase information flow and boost Angola's development of its industry, banking services and defense.

European Union

Angola's partnership with the European Union is based on the ACP-EU Cotonou Partnership Agreement which aims to reduce poverty by developing the Angolan economy and integrating it into the global economy.

The European Union is currently Angola's largest aid donor under the European Development Fund and intends to contribute EUR210 million between 2014-2020 to improve vocational training and higher education; sustainable agriculture and water and sanitation.

In April 2018, the European Union and the United Nations Conference on Trade and Development launched a four-year U.S.$6.9 million program aimed at assisting Angola diversify its economy.

India

Both Angola and India are part of the Non-Aligned Movement, a group of approximately 120 nation states that are not formally aligned with or against any major power bloc. Being a member of the African Union, Angola supports India's candidature for a permanent seat in a reformed Security Council. India has an embassy in Luanda and Angola has an embassy in New Delhi.

India is one of Angola's principal trading partners in relation to crude oil exports. Between 2013 and 2017, oil exports to India, while decreasing in absolute terms, 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 India (along with China) has the majority of appropriate refineries worldwide. Between 2013 and 2017, crude oil exports to India decreased, from U.S.$6.8 billion in 2013 to U.S.$2.6 billion in 2017, primarily driven by the decrease in oil prices during this period. Moreover, 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 India (along with Russia and South Africa) in particular. To increase confidence in foreign investment, the Government is currently negotiating a Foreign Investment Promotion and Protection Agreement with India, among other countries. In March 2018, India sent a senior diplomatic mission (including a minister of the Indian government) to Luanda to identify new areas of cooperation between India and Angola, as well as to strengthen other sectors through the signing of cooperation agreements relating principally to technical, economic and health care cooperation. The Indian delegation attended a reception organized by the Angola-India Chamber of Commerce and Industry (formed in October 2017 with the

aim of strengthening economic cooperation between the two countries) and he was also welcomed by members of the Angolan government.

India has in the past extended credit to the Government for certain projects, including the rehabilitation of CFM (Railway Company of Mocamedes) Railway, the first major government–to-government initiative between the two countries, and EXIM Bank of India and the State Bank of India have extended credit to Angola for agricultural equipment, Indian tractors, the import of capital equipment from India, the establishment of an industrial park and a cotton ginning and spinning plant.

Relations with Neighboring 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 that time, relations between the two countries have improved. In March 2018, it was announced that rail traffic between Angola and the DRC would resume after a 34-year interruption.

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.

Clashes between internal militia groups within DRC have now displaced more than 1.3 million people from the DRC. In 2017, the United Nations High Commissioner for Refugees ("**UNHCR**") estimated that approximately 30.000 refugees from the DRC entered Angola in 2017, seeking safety in and around the city of Dundo on the north-eastern border of Angola where it adjoins the DRC. Between 25 and 27 February 2018, Angola returned 530 Congolese refugees to the DRC, of which, 480 were unregistered refugees staying at a centre managed by aid agencies (Source: The United Nations Refugee Agency). Prior to the influx in 2017, Angola was hosting approximately 15,600 refugees, according to the UNHCR Statistical Yearbook of 2015. See "*Risk Factors – Angola is located in a region that has been subject to ongoing political and security concerns*".

Namibia

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

In 1999, Namibia and Angola signed a mutual defense pact as Namibia sought to support the MPLA in the ongoing Civil War. The ruling party in Namibia, the South West Africa People's Organization, 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, the majority of Angolan refugees in Namibia have been repatriated. (*Source*: UNHCR Statistical Yearbook of 2015)

Angola and Namibia have entered into several agreements on reciprocal protection and promotion of investments, trade and economic cooperation that seek to create favorable 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 19,000 in 2017. Some Angolans also chose to repatriate to Zambia.

Angola and Zambia have 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 10 kilometers 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 kilometers, which was ratified by the African Union. However, the DRC has since made claims in relation to oil deposits in the Gulf of Guinea that were allocated 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. Angola and the DRC remain engaged in dealing with the delimitation and delineation of the disputed maritime areas, in accordance with the 1982 United Nations Convention on the Law of the Sea.

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, between 2004 and 31 December 2017, more than 462 thousand 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 Organizations

Angola has been a member of the UN since 1976 and the World Trade Organization since 1996. In the 2003–2004 term, Angola assumed its first mandate as a non-permanent seat on the UN Security Council and served 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 Organization ("**FAO**"), the United Nations Industrial and Development Organization ("**UNIDO**"), the International Labor Organization ("**ILO**") and the World Tourism Organization ("**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 from 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 Association (the "**IDA**"), a development institution of the World Bank Group designed for assistance to less developed countries. However, since 1 July 2014, Angola 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 Program 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 Kwanza 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. Angola has increased its collaboration with the IMF since 2014 which has been providing increased technical support to Angola and in the event of a prolonged decline in international oil prices Angola has the possibility to return to the IMF for funding. See "*Public Debt – Relations with the IMF*". On 16 March 2018, the IMF completed its most recent Article IV consultation mission to Angola.

In April 2018, the Government and the IMF announced that Angola had requested a policy coordination instrument ("**PCI**") as part of the IMF's technical policy coordination program. The aim of the PCI is to accelerate the diversification of the economy, and promote inclusive growth while restoring macroeconomic stability and safeguarding financial stability. The Government expects that the PCI will help Angola unlock and coordinate financing from the public and private sectors. The PCI will not result in Angola drawing on any IMF funding.

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 organization that 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, defense and security.

Angola is one of 55 members of the AU, the successor to the Organization 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 defense policy and a single currency. The AU's constitution requires member states to pledge 0.5 per cent. 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. In 2007, the AU sent peacekeeping troops to Mogadishu, Somalia. In July 2016, at the 27th AU Summit in Rwanda, a decision was adopted to direct all AU members to implement a 0.2 per cent. levy on eligible imports to further fund the AU. The purpose of the decision, which took effect in January 2017, was, in part, to provide reliable and predictable funding for continental peace and security through the AU's Peace Fund.

Angola is a member of the Economic Community of Central African States (the "**ECCAS**"). The organization 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 organization 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 harmonization 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.

Angola is a member of a significant number of other international organizations 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

The U.S. oil company Cobalt Energy International ("**Cobalt**") has filed two claims in the International Chamber of Commerce ("**ICC**") against Sonangol for breach of sale-and-purchase agreements relating to two deepwater oil blocks. Cobalt International is seeking U.S.$2 billion plus interest and costs as compensation for an alleged failure by Sonangol to purchase Cobalt's 40 per cent. stake in two oil blocks off the coast of Angola (blocks 20 and 21). It is alleged that, in 2015, Sonangol agreed to purchase the 40 per cent. interest for U.S.$1.75 billion. Having made an initial U.S.$250 million payment in 2015, Sonangol announced that it would withdraw from such agreement. The sale-and-purchase agreement, which Cobalt has claimed terminated in August 2016 due to the alleged failures by Sonangol, provides for ICC arbitration seated in London. A second claim has been filed in the ICC against a Sonangol subsidiary under a production sharing agreement, for compensation in excess of U.S.$174 million. The production sharing agreement provides for ICC arbitration seated in Geneva. In December 2017, Sonangol and Cobalt agreed to settle the claims and Sonangol agreed to acquire Cobalt's share in the two oil blocks for U.S.$500 million. Sonangol paid U.S.$150 million to Cobalt in February 2018 and is scheduled to pay the remaining U.S.$350 million by July 2018.

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 2017, Angola was ranked 167th out of the 180 countries surveyed. Since 2011, Angola has enacted several new laws to reduce corruption and to combat money laundering, bribery and terrorism.

Law No. 3/10 of 29 March 2010 – the Probity Law, was the first law addressing anti-corruption measures in Angola, reflecting the need and the concern on the part of Angola to promote accountability and transparency. The law codifies the duties of loyalty, impartiality, probity and others of a professional and public nature, regulates the legal regime applicable to the receipt of offers by public officials and sets forth acts of improbity and the consequence for those who commit such acts.

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. In 2017, Law 19/17 of 25 August 2017 was passed which sets out additional measures that prevent and restrain the funding activities of terrorist movements, organizations, elements and measures that support national security.

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 of 13 December 2013. 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 10 February 2014 regulates searches and seizures in the criminal law context in Angola, including in the domain of money laundering and the financing of terrorism. In February 2016, Angola was removed from the Financial Action Task Force's (the "**FATF**") list of countries with strategic deficiencies in their anti-money laundering and combating financial terrorism regime.

Further, the Government has approved Law 3/14 of 10 February 2014 on offences connected to money laundering. This law criminalizes 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 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 Decree 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 analyzing data regarding suspicious financial transactions in Angola. Presidential Decree 212/13 was replaced by Presidential Decree 2/18 of 11 January 2018, which forms the new legal basis for the Financial Information Unit and creates a Supervision Committee responsible for assisting the President in defining the guidelines, priorities and strategies of Angola regarding the implementation of anti-money laundering and counter-terrorist financing measures. The Financial Information Unit, previously under the supervision of the BNA, is now supervised directly by the President of Angola and assisted by a Supervision Committee composed of different Ministries and Secretaries of the President.

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 Ministry of Finance and Ministry of Mineral Resources and Petroleum are represented on the working group, along with the Governor of the BNA and the President's Secretary for Economic Matters.

Angola is currently carrying out a National Risk Assessment Program with the technical assistance of the World Bank. The aim of this program is for Angola to implement a comprehensive National Risk Assessment, a risk-based action plan, and detailed working papers. This will help Angola to take suitable anti-money laundering and countering financing of terrorism actions. See "*Monetary System – The Banking System – Government main strategies for the development of the banking sector*".

Presidential Order 17/15 of 20 February 2015 created a technical group that is tasked with developing a National Observatory on Terrorism. 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 Defense 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 Angolan Attorney General.

In 2012, the BNA issued a number of notices, decrees and instructions which establish and regulate, in Angola's financial sector, among other 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 bureau de change. Furthermore, in 2013, the BNA issued Directive 02/DSI/2013 of 1 July 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 of 27 March 2014 that 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*".

There are investigations currently underway in Angola in connection with various allegations of corruption against public officials. For example: (i) José Filomeno dos Santos, the son of former Angolan president José Eduardo dos Santos, has been charged with fraud, embezzlement, criminal association, trafficking of influence and money-laundering in Angola relating to a U.S.$500million fraud from the BNA while head of the FSDEA, the Angolan sovereign wealth fund, from which he was removed by President Lourenço in January 2018. José Filomeno dos Santos has also been barred from leaving Angola in connection with the fraud allegations. The UK NCA blocked the transfer of the U.S.$500 million on suspicion of fraud and the funds have since been returned to the Government through a process involving the English courts. The UK NCA's investigations are continuing with the cooperation of the Angolan authorities. In connection with the same alleged fraud, in March 2018 Valter Filipe da Silva, the former governor of the BNA, was charged with fraud in connection with the unauthorized transfer of the U.S.$500 million from the BNA in 2017. The Government has stated that the transfer of the U.S.$500 million was part of an unsuccessful plan to defraud the Republic of U.S.$1.5 billion; (ii) in October 2017, Carlos Aires da Fonseca Panzo, the former economic adviser to the President, was removed from office by a formal decree signed by President João Lourenço. The Angolan Attorney General's Office (*PGR*) has since launched an investigation into his involvement in various criminal complaints; (iii) in November 2017, Edson Vaz, the former national director of the Angolan Treasury, was detained for allegedly diverting funds from the state through contracts entered into with fictitious companies; (iv) in November 2017, the Provincial Court of Luanda initiated a trial against three former officials of the Ministry of Health

for allegations regarding the diversion of international funds originally designated for fighting Malaria in Angola, with charges including fraud and the improper allocation of funds; (v) former managers of the Water and Sanitation Company of Benguela and Lobito (*EASBL*) are being tried for alleged diversion of approximately U.S.$60 million. The allegations include suspected under-invoicing and payments for fictitious services; (vi) Mr. Manuel Vincente, who served as Angola's vice president between 2012 and 2017, has been charged with corruption and accused of bribing a high-ranking Portuguese prosecutor, see "*The Republic of Angola – International Relations – Portugal*" and (vii) in March 2018, Angola's deputy attorney general, Luís Ferreira Benza Zanga, also announced that charges have been laid against General Geraldo Nunda, the former chief of staff of Angola's armed forces as well as three other generals. These charges are in connection with an allegedly fraudulent finance scheme involving a business consortium from Thailand. The Angolan Armed Forces were headed by Chief of Staff Geraldo Nunda from 2010 through April 2018. See "*The Republic of Angola – Armed Forces*". In addition, there are corruption, money laundering and influence peddling investigations against civil servants and a former manager working for the Angolan tax authority that have yet to result in prosecutions and thus are subject to confidentiality arrangements in respect of the relevant individuals. Angola's Attorney General's Office has ordered an investigation into alleged misappropriation of funds at Sonangol. The Government is currently undertaking an audit process, using an external entity, of the Government's arrears to contractors or other parties with claims against the Government, totaling approximately AOA 1 trillion (U.S.$5.0 billion). This audit process is still ongoing. However, the Government estimates, based on a sample review, that approximately 25 per cent., or U.S.$1.25 billion of the arrears could be invalid. Following statements by the Secretary of State for Finance that a significant portion of the Republic's public debt was incurred in respect of fictitious projects, in April 2018, UNITA, the principal opposition party in Angola, requested the National Assembly to authorize an independent audit of the Republic's public debt. See "*Risk Factors – Risk Factors Relating to Angola – The Republic expects to significantly increase borrowings in 2018 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*". In addition, Angola's Attorney General's Office has ordered an investigation into alleged misappropriation of funds at Sonangol. It has been reported that in April 2018, the Mauritius Supreme Court froze several bank accounts and suspended the business licenses of seven of the funds of Quantum Global Investment Management, a firm through which the FSDEA has invested many of its assets. Quantum Global Investment Management is headed by Jean-Claude Bastos de Morais, a business partner of José Filomeno dos Santos, referenced above. The FSDEA terminated the asset management agreement with Quantum on 17 April 2018 and is in the process of procuring a replacement asset manager. See "*Public Finance – Fundo Soberano de Angola*". See "*Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*".

Angola is a member of the Eastern and Southern Africa Anti-Money Laundering Group ("**ESAAMLG**"), the purpose of which is to combat money laundering by implementing FATF Recommendations. This includes co-ordination with other international organizations that focus on anti-money laundering and develop institutional and human resource capacities to deal with anti-money laundering issues. ESAAMLG was launched in August 1999 and was formally established upon signature of the Memorandum of Understanding by its first seven members.

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 were made. In February 2016, at a plenary meeting, FATF congratulated Angola for the significant progress made in addressing strategic anti-money laundering and counter-terrorist financing deficiencies earlier identified by FATF and Angola was removed from the FATF's list of countries with strategic deficiencies in their anti-money laundering and combating financial terrorism regime. It was announced that Angola would no longer be subject to FATF's monitoring under its on-going global anti-money laundering and counter-terrorist financing compliance process. As FATF formalized the announcement, it further welcomed Angola's progress: FATF noted that Angola has established the legal and regulatory framework to meet its commitments in its anti-money laundering action plan to address deficiencies identified between 2010 and 2013. These include (1) adequately criminalizing money laundering and terrorist financing; (2) establishing an adequate legal framework and procedures for the seizure and confiscation of funds related to money laundering and the identification and freezing of terrorist assets; (3) establishing a fully operational and effectively functioning financial intelligence unit; (4) improving customer due diligence measures; (5) ensuring that an appropriate legal basis exists to provide anti-money laundering and counter-terrorist financing related mutual legal assistance and (6) ratifying the UN Convention for the Suppression of the Financing of Terrorism and the UN Convention on Transnational Organized Crime. Angola will now continue to work with ESAAMLG to continue to address issues identified in its anti-money laundering mutual evaluation report.

The Government is currently exploring creating a specialized body in the office of the Angolan Attorney General, equipped with specialized training and legal, technical and human resources, to combat economic crime and corruption.

To tackle bribery and corruption, the Government has implemented the Integrated System of State Finance Management (the "**SIGFE**"). The SIGFE intends to improve transparency and accountability regarding the execution of the budget by formally recording the Government's expenditure and revenue and by preparing monitoring reports.

Public procurement procedures

Public Contracts Law 2016

Public procurement in Angola is governed by Law 9/16 of 16 June 2016 (the "**Public Contracts 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, public associations and state-owned companies. The Public Contracts Law establishes certain procedures in relation to tendering for public contracts, which include contracts for public works, leasing or acquiring moveable property, acquiring services provided by a contracting public entity, public-private enterprises, and defense, security and internal order bodies, and other contracts entered into by public entities that are not subject to a special legal regime.

The Public Contracts Law provides for four key procedures of awarding contracts, namely (i) direct/simplified contracting (ii) limited tender by invitation, (iii) restricted tender by previous qualification; and (iv) open/public tender, each of which are described below.

Direct / simplified contracting

Under Articles 143-149 of the Public Contracts Law, direct contracting is permitted if the estimated total contract amount does not exceed AOA 5 million. Direct contracting is permitted for contracts valued above this amount, under the Public Procurement Law and in particular based upon the material criterion set under articles 26 to 30, as long as they are authorized by specified Government officials as follows: President (no value limit); Vice-President (contracts up to AOA 182 million); cabinet ministers (contracts up to AOA 91 million); ministers, provincial governors, and managers of other public services (contracts up to AOA 36 million) and regional administrators (contracts up to AOA 18 million). Under the Public Contracts Law, all the aforementioned public officials are entitled to use the direct contracting procedure to approve contract tenders if it meets one of the following requirements:

- the public expenditure is urgent, 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;

- 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;

- a public tender process (or a restricted tender process limited to qualified candidates with specialized expertise) has been followed but no candidate submits a proposed bid. In such instances, the minimum technical and financial requirements of the public or restricted tender process must be adhered to by the contractor appointed by the public official;

- in case of early termination of a contract concluded following a tender procedure, the tender may be awarded to the second ranked candidate, provided the proposal is not more than 10 per cent. more expensive than the price for which the original contract was tendered; or
- in case of a public works contract, service provision, acquisition or lease of movable goods under a framework agreement concluded with a single entity.

Limited tender by invitation

Limited tender by invitation Under Articles 136-142 of the Public Procurement Law, tenders by invitation are only allowed for contracts with an estimated value lower than AOA 182 million. In order to be considered for tender, an Angolan company must be registered on the centralized Government databank, and a minimum of three entities must be invited to participate in the tender.

Restricted tender by previous qualification and open/public tenders

Restricted tenders by previous qualification and open/public tenders are required for contracts valued above AOA 182 million. If the contracting public entity deems it convenient, it can also adopt either of these two procedures when the estimated contract amount is lower than such threshold. Under Articles 117-135 of the Public Contracts Law, bidders must be pre-qualified in order to participate in a restricted tender. Under Articles 69-116 of the Public Contracts Law, the tender must be announced in the Diário da República (Angolan Gazette), in the Public Procurement Website ("*Portal da Contratação Pública*") and the Jornal de Angola (the Government's daily national newspaper) or another widely circulated newspaper. Cabinet ministers are permitted to authorize tenders for up to AOA 500 million. For open tenders above AOA 500 million, the Ministry responsible for the tender must operate through the President's procurement office.

The new requirement to publicly announce tenders represents a key amendment to the previous public procurement framework (Law 20/2010 of 7 September 2010 ("**2010 Public Procurement Law**")), under which there was no such requirement. Given that Sonangol typically operates in joint ventures with private oil producing entities, state-owned Sonangol is now required to formally disclose a vast number of its contracts which are significant procurement tenders, as well as listing these opportunities on its corporate website.

Article 53 and Annex V of the Public Contracts Law states that foreign companies are only allowed to compete directly on tenders above AOA 182 million for leases and acquisitions of movable goods and services, and which are valued above AOA 500 million for public works and for tenders following direct / simplified contracting procedures irrespective of the contract amount based upon the material / substantive criterion set under articles 27 to 30. For tenders valued below this amount, foreign companies are only permitted to participate in government procurements as suppliers or subcontractors to principal Angolan entities if, due to technical specifications of the services to be provided, it is reasonably foreseeable that no Angolan individuals or legal entities are able to provide such services appropriately.. The threshold amount under the Public Contracts Law is higher than that which was set under 2010 Public Contracts Law, under which foreign companies could bid directly on tenders valued at or above AOA 73 million.

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 Finance which ensures that the proposed project accords with the strategy and priorities of the Government (as set forth in the National Development Plan 2018-2022) 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 Contracts 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 program may bid. In the case of a restricted tender process involving qualified candidates with specialized 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 Finance 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 Contracts 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.

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 2010 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 Contracts 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 Contracts 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 Contracts Law, before authorizing the budgeted expenditure, the Audit Court also independently confirms compliance with the Public Contracts 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 Contracts 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 program 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 Finance 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.

The competition law

The Angolan Parliament approved on 19 April 2018 a new competition law (the "**Competition Law**"), which establishes the legal framework for competition in Angola and creates the Competition Regulatory Authority (Autoridade Reguladora da Concorrência or "**ARC**"), which will enforce it.

The Competition Regulatory Authority shall develop its activities under the direct supervision of the President of the Republic. However, it shall have legal autonomy to enforce the competition rules and the necessary power to impose sanctions to companies in breach of such rules.

The Competition Law has a wide scope, as it applies to both private companies and state-owned companies, and covers all economic activities which affect Angola. The law prohibits agreements and practices which restrict competition, both between competitors ("horizontal" practices – such as for example price-fixing cartels) and between companies and their suppliers or customers ("vertical" practices).

The Competition Law also prohibits abusive practices by dominant undertakings (including, among others, the refusal to grant access to essential infrastructure, predatory pricing and the unjustified termination of a business relationship), as well as the abuse by one or more companies of the state of economic dependence of their suppliers or customers. The new law will also introduce merger control in Angola. All concentrations which meet certain market share or annual turnover criteria will be subject to mandatory notification to the Competition Regulatory Authority, and cannot be implemented before clearance.

Prohibited practices and the implementation of concentrations without clearance are punishable with heavy sanctions, which include fines that may go up to 10 per cent. of the annual turnover of the companies involved, but also economic penalties, prohibition to participate in public procurement procedures for up to three years and the compulsory split-up of companies, transfer of control, sell of shares to third parties or any other corporate restructuring act deemed necessary for purposes of eliminating any harmful effects on competition.

After approval on 19 April 2018 the law remains to be promulgated by the President of Angola and subsequently published in the official journal (*Diário da República*) before entering into force.

THE ECONOMY

Overview

Before independence in 1975, Angola, as a Portuguese Overseas Colonial province, had a diversified and prosperous 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 per cent.), services (15 per cent.), agriculture (12 per cent.), manufacturing (12 per cent.), public administration (11 per cent.) and extractive industries (mining) (10 per cent.), with other industries making up the remaining 16 per cent. In 1974, GDP per capita was U.S.$639 and exports comprised agriculture (including coffee, cotton and sugar) (44 per cent.), extractive industries (40 per cent.), and fishing (6 per cent.), with other exports making up the remaining 10 per cent.

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 that 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 per cent. in the mid-1970s, to approximately 50-60 per cent. from the mid-1980s. As of 31 December 2017, despite a material increase in the contribution of the non-oil and gas economy sectors to the economy since the end of the Civil War in 2002, the oil and gas sector is still estimated to have represented 23.7 per cent. of total GDP, 96.2 per cent. of export earnings and 52.4 per cent. of total Government revenues.

In 2018, the Government established the PRODESI, which contains seven key initiatives to reduce imports, increase self-sufficiency and to diversify Angolan exports, with the aim of significantly decreasing its historical over-reliance on oil export revenues. The Government has set out a number of key productive areas in which it intends to invest and foster public-private partnerships, and further initiatives to boost domestic production in order to mitigate its current expenditure on the import of basic goods. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 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 improvements in fiscal and external performance and the normalization of its relations with external creditors.

Recent Economic Performance

According to the World Bank's World Development Indicators database, in 2016, Angola had the fourth largest economy in sub-Saharan Africa (in terms of nominal GDP). Its economy has had an annual average real GDP growth rate of 2.3 per cent. between 2013 and 2017. Angola's estimated real GDP growth in 2017 increased from 0.1 per cent. in 2016 to 1.4 per cent. in 2017, principally due to growth in non-oil and gas real GDP by 1.8 per cent. driven by growth in the agricultural, market services and construction sectors, as well as growth of oil and gas real GDP of 0.8 per cent. Growth in the oil and gas sector was driven by significant growth in gas production but was partly offset by a contraction of 5.2 per cent. in oil real GDP in 2017. The Government currently has budgeted that GDP growth for 2018 will be approximately 4.9 per cent. driven by growth in oil and gas GDP of 6.1 per cent. and non-oil and gas GDP of 4.4 per cent.

Angola's GDP per capita is one of the highest amongst sub-Saharan African economies, at U.S.$3,917.1 in 2017. Between 2013 and 2017, GDP growth has generally been fueled by growth of the non-oil and gas sector, in particular in the agriculture, construction, market services and energy sectors, offset by decreasing oil production and lower oil prices. Annual non-oil and gas real GDP growth averaged 2.6 per cent. between 2013 and 2017, whereas the annual oil and gas sector real GDP increased by an average of 1.3 per cent. during the same period.

In 2017, Angola's real GDP growth is estimated at 1.4 per cent. (0.7 percentage points lower than budgeted for in the 2017 National Budget). Annual non-oil and gas real GDP growth is estimated to be 1.8 per cent. in 2017, driven principally by growth in the agriculture (4.4 per cent.), construction (2.2 per cent.) and market services (1.3 per cent.) sectors. Non-oil and gas estimated real GDP growth in 2017 was partially offset by a contraction of real GDP in the manufacturing (0.7 per cent.) sector. Annual oil sector real GDP is estimated to have decreased by 5.2 per cent. in 2017 as a result of a decrease in oil production driven by unscheduled downtimes and operational constraints. Although the oil sector real GDP decreased in 2017, the combined oil and gas sectors real GDP increased by 0.8 per cent. in 2017.

Due to the low level of oil prices and declines in oil production, Angola's gross foreign exchange reserves decreased to approximately U.S.$17.9 billion in December 2017 from U.S.$24.4 billion in December 2016, U.S.$24.4 billion in December 2015, U.S.$27.7 billion in December 2014 and from U.S.$32.2 billion in December 2013 and Angola's external Government debt position (excluding Sonangol debt) was approximately 34.5 per cent. of GDP in 2017 compared to 11.9 per cent. in 2013. Angola's net foreign exchange reserves decreased to approximately U.S.$13.3 billion in December 2017 from U.S.$20.8 billion in December 2016, U.S.$24.3 billion in December 2015, U.S.$27.2 billion in December 2014 and from U.S.$31.2 billion in December 2013. Total Government debt (excluding Sonangol debt) as a proportion of GDP has increased, from 24.3 per cent. in 2013 to 67.0 per cent. in 2017. Angola's banking system has evolved and grown rapidly since the end of the Civil War. There are currently 29 banks operating in Angola, 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 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 2013 and 2017, the Government invested an amount of approximately U.S.$45.2 billion on infrastructure projects (an average of 7.2 per cent. of Angola's GDP during the same period). Between 2013 and 2017, 8,036.0 kilometers of roads were built or rebuilt (out of a total usable road network of 73,000 kilometers), an extensive refurbishment program has been undertaken in respect of 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. To date, works on the airports of Ondjiva (Cunene Province),

Cuito (Cuito province), Luena (Moxico province) and Saurimo (Lunda-Sul Province) have been completed while works on the airports in Cabinda, Dundo and Soyo are still ongoing.

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 2017 capital expenditure estimated to reach 85.3 per cent. of the budgeted expenditure in 2017, 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*".

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.

Angola's economic performance in 2013-2017 has suffered as a result of the decline in oil prices that commenced in mid-2014. Despite ongoing and increased diversification, Angola's economy remains very dependent on the oil sector. With average crude oil production of 1.6 million barrels per day in 2017, Angola is currently the largest crude oil producer in sub-Saharan Africa and is amongst the world's top 12 oil-producing nations, according to OPEC (*Source:* OPEC Annual Statistical Bulletin 2017). In 2017, the oil and gas sector is estimated to have accounted for 23.7 per cent. of GDP, 96.2 per cent. of export earnings and 52.4 per cent. of total Government revenues.

Angola's revenues for 2017 are expected to be lower than the budgeted revenues in the 2017 National Budget. This is primarily due to a decrease in revenues from the non-oil and gas sector compared to budgeted revenues due to a decrease in revenues derived from tax on profits which decreased as companies faced a more challenging business environment due to a decrease in Government expenditure in 2017 and due to a shortage of U.S. dollar liquidity.

In 2015 and 2016, in order to address the reduction in oil revenues as a result of the decline in oil prices and output, the Government revised its budgeted plans reducing actual expenditure to AOA 3,534.3 billion (U.S.$21.5 billion) in 2016 and AOA 3,773.7 billion (U.S.$31.4 billion) in 2015 from AOA 5,221.4 billion (U.S.$52.9 billion) in 2014. Due to an increase in oil revenues in 2017 following an increase in oil prices, the Government has increased its expenditure in 2017 to an estimated AOA 4,189.5 billion (U.S.$25.3 billion).

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

	2013	2014	2015	2016 (preliminary)	2017 (estimated)
GDP[1] and inflation					
Real GDP growth *(%), of which:*	5.0	3.9	0.9	0.1	1.4
Oil and gas sector *(%)*	(0.9)	(2.5)	11.3	(2.3)	0.8
non-oil and gas sectors *(%)*	5.0	4.0	0.9	1.2	1.8
GDP per capita *(U.S.$)*	6,508.0	4,877.7	3,845.2	3,694.0	3,917.1
Nominal GDP at market price *(kwanza bn)*	12,056.3	12,462.3	12,320.8	16,662.3	18,430.4
Nominal GDP at factor cost *(kwanza bn), of which:*	13,375.0	14,247.1	13,561.8	16,249.6	17,980.9
Oil and gas sector *(kwanza bn)*	4,792.3	3,999.5	3,116.1	3,493.5	4,263.5
Inflation year-end (Luanda) *(%)*	7.7	7.5	14.3	42.0	26.3
Inflation year-end (Angola) *(%)*[3]	—	—	12.1	41.1	23.6
M3 growth *(%)*	13.2	16.2	11.8	14.3	(0.1)
Oil					
Production *('000 b/d)*	1,715.6	1,671.7	1,780.9	1,721.6	1,632.4
Average oil export price *(U.S.$/b)*	107.7	96.0	50.0	41.8	54.3
Fiscal account					
Revenues *(% of GDP)*	40.2	35.3	27.3	17.4	17.7
of which oil *(% of GDP)*	30.1	23.8	15.4	8.2	9.2
Total expenditures *(% of GDP)*	39.9	41.9	30.6	21.2	22.7
Fiscal surplus/(deficit), accrual basis *(% of GDP)*[2]	0.3	(6.6)	(3.3)	(3.8)	(5.1)
Fiscal surplus/(deficit), cash basis *(% of GDP)*[3]	3.0	(2.4)	(2.2)	(3.7)	(5.4)
Total Government debt *(% of GDP)*	24.3	33.2	45.2	64.8	67.0
of which domestic debt *(% of GDP)*	12.3	16.3	22.3	30.2	32.5

	2013	2014	2015	2016 (preliminary)	2017 (estimated)
External sector					
Exports FOB *(% of GDP)*	54.7	46.8	32.3	27.2	30.9
of which oil *(U.S.$ bn)*	53.6	45.6	31.1	26.0	29.8
Imports FOB *(% of GDP)*	(21.1)	(22.6)	(20.2)	(12.8)	(12.6)
Current account balance *(% of GDP)*	6.5	(3.0)	(10.0)	(3.0)	(0.8)
FX rate					
Kwanza to U.S.$ *(Average)*	96.6	98.6	120.1	164.0	165.9
External debt and foreign reserves					
External Government debt (excluding Sonangol debt) *(U.S.$bn)*	14.9	21.3	23.6	35.2	38.3
External Government debt (excluding Sonangol debt) *(% of GDP)*[4]	11.9	16.9	23.0	34.6	34.5
External debt service to exports *(%)*	3.5	5.5	9.0	14.6	15.4
Gross international reserves *(U.S.$bn)*	32.2	27.7	24.4	24.4	17.9
Gross international reserves to months of imports	7.8	6.2	7.7	11.4	7.6
Net international reserves *(U.S.$bn)*	31.2	27.2	24.3	20.8	13.3
Net international reserves to months of imports	7.6	6.1	7.7	9.7	5.6

[1] GDP data presented in this table for 2016, and 2017 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics. The Government expects the Angolan National Institute of Statistics to publish in the first half of 2018 preliminary GDP data for 2016 and 2017 which will differ from the GDP data of the Ministry of Economy and Planning and pursuant to which Real GDP in each of 2016 and 2017 is expected to have decreased in contrast to the Ministry of Economy and Planning which has projected Real GDP to have grown by 0.1 per cent. in 2016 and by 1.4 per cent. in 2017 as reflected above.

[2] 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.

[3] 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.

[4] End of year changes in inflation rates across Angola were not recorded before 2015. Before 2015, the inflation rate in Luanda was recorded.

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

See "*The External Sector – Fiscal Performance*" and "*– 2018 National Budget*" for a description of the Government's 2018 National Budget.

In March 2018, the IMF conducted its periodic Article IV consultations and noted the new Government's focus on restoring macroeconomic stability and improving governance and that the outlook for oil prices gives the Government an opportunity to strengthen macroeconomic policies and to give new impetus to structural reforms.

The IMF has stated that growth, in 2018, is projected to increase by 2.25 per cent., driven by a more efficient foreign exchange allocation system and additional availability of foreign exchange due to higher oil prices; LNG production increasing to full capacity; and improved business sentiment. Over the medium term, the IMF noted that the outlook for the Angolan economy is for a continued gradual recovery in economic activity based on the Government's plans to manage its public debt, enlarge its tax base and rationalize public spending. The IMF also expects an increase in Government revenues in 2018 if the oil price realized in 2018 exceeds the assumed oil price of U.S.$50/bbl in the 2018 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. The Government is currently considering setting up a long-term 2050 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 National Development Plan 2013 – 2017 focused in particular on energy and water supplies, education, health and the diversification of the Angolan economy.

Between 2013 and 2017, the Government spent U.S.$26.2 billion (of which U.S.$1.3 billion was spent in 2017) on various infrastructure projects identified in the National Development Plan 2013-2017, including those in the energy generation, transmission and distribution, water supply and sanitation, road, rail, maritime and airport and the telecommunications sectors. 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*".

The medium-term plan for the development of Angola's economy between 2018 to 2022 is expected to be finalized in 2018 (the "**National Development Plan 2018-2022**"). The National Development Plan 2018 – 2022 is the second medium-term plan drawn up after Angola's 2010 Constitutional Law took effect. The Government's priority development areas set forth by the National Development Plan 2018-2022 included the following:

- social and welfare development;
- sustainable, diversified and inclusive economic development;
- infrastructure development;
- promoting the decentralization of the economy; and
- ensuring Angola's stability and territorial integrity and strengthening Angola's role regionally and internationally.

The National Development Plan 2018 – 2022 primarily focuses on diversifying the economy by promoting the growth of non-oil sectors, such as agriculture, commercial services, manufacturing industry, construction, fisheries and energy. The Government aims to promote the development of the private sector by combating corruption and by simplifying procedures and processes necessary to operate in Angola. The Government will prioritize increasing the supply of energy and water, improving education and increasing employment of health professional. The Government expects that the measures set out in the National Development Plan 2018-2022 will drive an increase in Angola's Human Development Index to 0.60 by 2022 from 0.533 in 2016 (Source: *2016 Human Development Report published by the United Nations Development Program*).

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. The Republic's official GDP data presented in this Prospectus for 2016, 2017 and 2018 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics. The Ministry of Economy and Planning prepares projections of GDP derived from the supply of goods and services in Angola, while the Angolan National Institute of Statistics is responsible for preparing preliminary and final GDP data based on both the supply and the demand for goods and services in Angola. The Government expects the Angolan National Institute of Statistics to publish in the first half of 2018 preliminary GDP data for 2016 and 2017 which will differ from the GDP data of the Ministry of Economy and Planning and pursuant to which Real GDP in each of 2016 and 2017 is expected to have decreased in contrast to the Ministry of Economy and Planning which has projected Real GDP to have grown by 0.1 per cent. in 2016 and by 1.4 per cent. in 2017.

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 and gas sector, in particular in agriculture, construction and services. In 2017, non-oil and gas real GDP growth is estimated at 1.8 per cent., whereas oil and gas sector GDP is estimated to have increased by 0.8 per cent. The nominal GDP (market price) was estimated by the Ministry of Economy and Planning at AOA 12,056.3 billion in 2013, AOA 12,462.3 billion in 2014, AOA 12,320.8 billion in 2015, AOA 16,662.3 billion in 2016 and AOA 18,430.4 billion in 2017. The nominal GDP

(market price) denominated in U.S. dollars was estimated by the Ministry of Economy and Planning at U.S.$124.8 billion in 2013, U.S.$126.3 billion in 2014, U.S.$102.6 billion in 2015, U.S.$101.6 billion in 2016 and U.S.$111.1 billion in 2017.

GDP by Sector

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

	2013	2014	2015	2016 (preliminary)	2017 (estimated)
			(AOA billions)		
Oil and gas GDP (factor cost)	4,792.3	3,999.5	3,116.1	3,493.5	4,263.5
Non-oil and gas GDP (factor cost)	8,582.6	10,247.6	10,445.7	12,756.0	13,717.3
Total nominal GDP (factor cost) [1]	**13,375.0**	**14,247.1**	**13,561.8**	**16,249.6**	**17,980.9**
			(% of GDP)		
Primary sector	**6.5**	**8.2**	**9.9**	**16.8**	**8.4**
Agriculture	4.4	5.4	6.5	16.4	6.2
Livestock and fishing	2.1	2.8	3.5	0.5	2.2
Secondary sector	**53.7**	**46.7**	**42.6**	**47.7**	**49.8**
Extractive industries, *of which*					
Oil and gas	35.8	28.1	23.0	21.5	23.7
Diamonds and other extractive industries	0.6	0.6	0.6	1.0	1.1
Manufacturing industries	4.9	5.0	5.4	10.3	5.8
Construction	11.9	12.6	13.1	14.6	17.5
Energy	0.5	0.4	0.5	0.3	1.6
Tertiary sector	**53.3**	**58.0**	**58.6**	**35.5**	**41.8**
Market services	42.5	45.7	47.2	35.5	28.1
Other	10.8	12.3	11.4	0.0	13.7

[1] GDP data presented in this table for 2016, and 2017 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics. The Government expects the Angolan National Institute of Statistics to publish in the first half of 2018 preliminary GDP data for 2016 and 2017 which will differ from the GDP data of the Ministry of Economy and Planning and pursuant to which Real GDP in each of 2016 and 2017 is expected to have decreased in contrast to the Ministry of Economy and Planning which has projected Real GDP to have grown by 0.1 per cent. in 2016 and by 1.4 per cent. in 2017 as reflected above.

Source: Ministry of Economy and Planning; National Institute of Statistics

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

	2013	2014	2015	2016	2017
			(%)		
Oil and gas GDP	(0.9)	(2.5)	11.3	(2.3)	0.8
Non-oil and gas GDP	5.0	4.0	0.9	1.2	1.8
Total real GDP[1]	**5.0**	**3.9**	**0.9**	**0.1**	**1.4**

[1] GDP data presented in this table for 2016, and 2017 is produced by the Ministry of Economy and Planning and the Republic's official GDP data for 2015 and prior years is produced by the Angolan National Institute of Statistics. The Government expects the Angolan National Institute of Statistics to publish in the first half of 2018 preliminary GDP data for 2016 and 2017 which will differ from the GDP data of the Ministry of Economy and Planning and pursuant to which Real GDP in each of 2016 and 2017 is expected to have decreased in contrast to the Ministry of Economy and Planning which has projected Real GDP to have grown by 0.1 per cent. in 2016 and by 1.4 per cent. in 2017 as reflected above.

Source: National Bank of Angola (BNA)

See "*The External Sector – Fiscal Performance*" and "*– 2018 National Budget*" for a description of the Government's 2018 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. In 2017, the oil sector accounted for 91.6 per cent. of Angola's exports and accounted for 22.4 per cent. of Angola's GDP.

In 2016, Angola was the largest crude oil producer in sub-Saharan Africa and the twelfth largest producer in the world (*Source:* OPEC Annual Statistical Bulletin 2017). According to the Ministry of Mineral Resources and Petroleum, Angola produced a total of 595.8 million barrels of oil in 2017. In 2017, Angola's state-owned oil company, Sonangol, produced 223.7 million barrels (as national concessionaire and as investor), equivalent to 37.5 per cent. of total production. In 2017, Angola produced an average of 1.6 million barrels per day ("**bbl/d**").

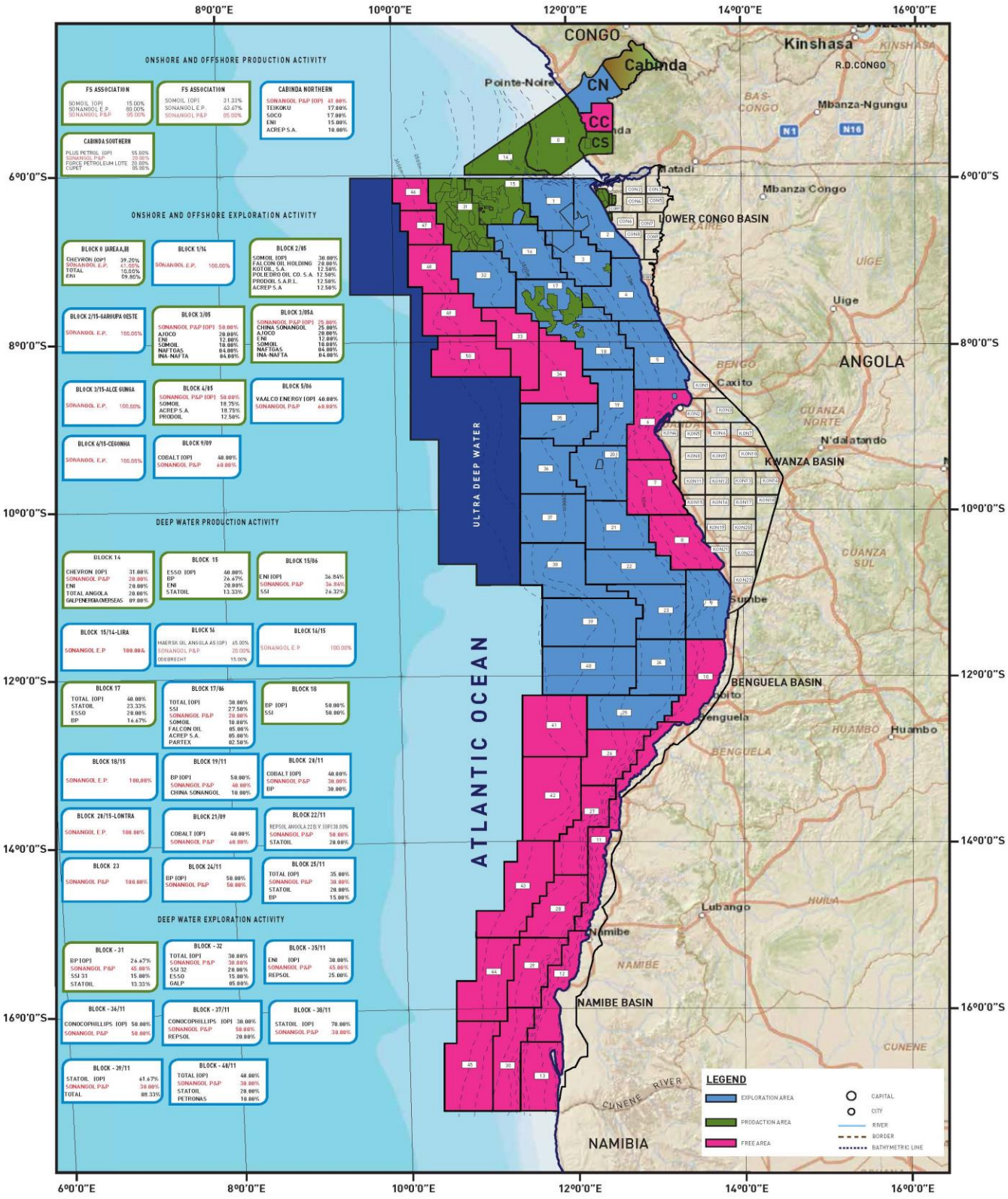
The Ministry of Mineral Resources and Petroleum estimated that Angola's proven and probable oil reserves stood at 8.2 billion barrels in 2017. See "*– Reserves*" below. Investment in the oil sector has been significant with companies investing in excess of U.S.$5.9 billion in oil exploration and development expenditure in 2017 alone and a total of U.S.$69.2 billion for the period from 2013 to 2017. See "*– Investment*" below. Angola's oil production grew by an annual average of 13.4 per cent. 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 of 1.1 per cent. per year in the five year period 2013 to 2017 and, except in 2015, has declined year-on-year since 2013. 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 that 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**") 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 per cent. 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.

In late 2017, the Government announced that it will be reforming the oil sector and intends to establish a new national agency to manage Blocks, allowing Sonangol to focus on oil exploration and production. The Minister of Mineral Resources and Petroleum, Finance Minister and Secretary of State for Oil will be involved in this new national agency which will work towards the creation of a national authority for the oil sector. These reforms aim to create a defined and transparent institutional structure to make Angola's oil sector more attractive to investors, create more exploration opportunities and reduce costs and bureaucracy.

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.)

ANGOLA-CONCESSIONS



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Reserves

The Ministry of Mineral Resources and Petroleum estimated that Angola's proven oil reserves stood at 6 billion barrels and that Angola's proven and probable reserves stood at 8.2 billion barrels in 2017. In accordance with estimates by OPEC (which uses different methodology and sources for reserve estimation), Angola's proven crude oil reserves as at 31 December 2017 stood at 6.0 billion barrels.

The following table sets forth provisional information regarding Angola's proven and probable reserves as at 31 December 2017:

Block	Proven (1P)	Proven and Probable (2P)
	(million barrels)	
Block 0	1,155.0	2,437.6
Block 2	0.0	0.0
Block 2/05	24.7	28.7
Block 3/05	222.7	248.7
Block 4/05	4.8	4.8
Block 14	461.8	522.8
Block 15	552.6	607.6
Block 15/06	299.3	320.3
Block 16		
Block 17	1,702.5	2,161.5
Block 18	476.8	534.8
Block 21		
Block 31	529.1	621.1
Block 32	592.0	658.0
FS/FST Onshore Blocks	8.6	10.6
Cabinda South	2.6	4.6
Total	**6,032.6**	**8,161.2**

Source: Sonangol

Angola's deepwater offshore reserves account for 66.5 per cent. of proven and probable reserves, shallow water offshore reserves account for 33.3 per cent. of proven and probable reserves and onshore reserves account for less than 0.5 per cent. of proven and probable reserves.

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 24 offshore Blocks and 4 onshore Blocks covering a total surface area of 104,739.9 square kilometers. As of 31 December 2017, 29,703.7 square kilometers, or 37.5 per cent. 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 2013 and 2017, 3.7 billion barrels of oil and 0.85 billion barrels of condensate were discovered in Angola, which represents an annual average of 0.8 billion barrels of oil and 0.2 billion barrels of condensate 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 2013 to 2016. 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	2013	2014	2015	2016
			U.S.$ (millions)		
18	BP Exploration Angola	16	7	(17)	27
19		12	29	147	(11)
24		23	214	154	9
31		140	18	123	(17)
20/11	Cobalt International Energy	320	179	168	207
21/09		412	415	465	20
9/09		1	106	1	(5)
0	Chevron	125	317	67	(16)
14		3	3	—	—
36/11	ConocoPhillips Angola	26	304	55	98
37/11		33	136	402	97
15/06	ENI Angola SPA	606	955	121	(899)
35/11		17	116	(1)	69
15	ESSO Exploration Angola	(13)	(2)	(1)	10
EQAP	Angola LNG Limited	2	9	6	3
16	Maersk Oil Angola	588	181	(200)	57
23		9	11	—	—
8		13	17	—	—
CABS	Pluspetrol Angola Corporation	17	18	(26)	(1)
18/06	Petrobrás Angola	13	36	—	—
26/06		4	(55)	—	—
6/06		1	1	—	—
38/11	Statoil Angola	20	270	3	2
39/11		14	228	11	12
22/11	Repsol Angolal	18	294	252	1
CABS	ROC Oil Company	—	—	—	—
GB2	Sonangol Gás Natural	11	15	3	(2)
2/05	Sonangol Pesquisa & Produção	17	19	(3)	—
3/05A		—	—	—	—
34		—	—	—	—
4/05		6	6	—	—
CABN		71	32	3	—
17	TOTAL E&P Angola	114	2	2	—
17/06		4	3	4	2
25/11		17	194	6	3
32		144	475	42	22

Block	Operator	2013	2014	2015	2016
			U.S.$ (millions)		
33		65	(2)	—	—
40		14	115	59	1
1/06	Tullow Angola BV	—	—	—	—
5/06	Vaalco Angola Kwanza	—	9	46	2
Total		**$ 2,883**	**$ 4,677**	**$ 1,893**	**$ (306)**

Source: Ministry of Mineral Resources and Petroleum and Sonangol

Sonangol, has announced an invitation for bids for part of its stakes in oil exploration blocks 21/09 and 20/11 offshore. The blocks were the centre of a dispute between previous block owners, Cobalt International Energy and Sonangol, whom Cobalt took to international arbitration in 2017 over its failure to extend license deadlines. In December 2017, Sonangol and Cobalt agreed to settle the claims and Sonangol agreed to acquire Cobalt's share in Blocks 21/09 and 20/11 offshore for U.S.$500 million. See "*The Republic of Angola – Legal proceedings*". In April 2018, Sonangol, announced an invitation for bids for part of its stakes in oil exploration blocks 21/09 and 20/11 offshore. Sonangol is seeking bids for participatory interest of up to a 40 per cent. As at the date of this Prospectus, there are no other Blocks subject to a bidding process. However, a bidding process for the end of 2018 or early 2019 is currently being reviewed. Despite the fact that there are 58 open areas that can be subject to public tenders for any future bid rounds, the Blocks to be included in any future bid rounds will be defined according to the Government's needs and strategy at the relevant time.

The table below sets forth the historical data for development costs on Angola's oil Blocks for 2013 to 2016:

Block	Operator	2013	2014	2015	2016
				U.S.$ (millions)	
Cabinda South	Pluspetrol Angola	78	35	16	(1)
FS/FST	Somoil	4	6	28	16
Block 0	Chevron	2,487	2,797	2,483	1,040
Block 2/05	Sonangol P&P	4	6	2	—
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	133	22	156	87
Block 3/05-A	Sonangol P&P	40	132	51	3
Block 4/05	Sonangol P&P	1	1	—	—
Block 14	Chevron	1,076	828	558	195
Block 15	Esso Exploration Angola	1,517	1,949	1,450	1,113
Block 15/06	ENI Angola	1,108	1,032	1,949	2,731
Block 17	Total E&P Angola	3,887	4,235	2,603	1,125
Block 18	BP Angola	727	764	800	82
Block 31	BP Angola	1,763	1,692	722	529
Block 32	Total E&P Angola	—	1,777	3,404	4,092
Total		**$ 12,825**	**$ 15,277**	**$ 14,221**	**$ 11,013**

Source: Ministry of Mineral Resources and Petroleum and Sonangol

Production

Angola produced a total of 595.8 million barrels of oil in 2017 (or 1.6 million barrels per day), a decrease of 5.4 per cent. in comparison to the 630.1 million barrels of oil it produced in 2016 (or 1.7 million barrels per day) and 650.0 million barrels of oil it produced in 2015 (or 1.8 million barrels per day). In 2016, in accordance with OPEC's statistics, Angola was the 12th largest oil producer in the world.

The following table sets forth the 16 leading world crude oil producers by country, between 2012 and 2016:

	2012	2013	2014	2015	2016
			(1,000 b/d)		
Saudi Arabia[1]	9,763.0	9,637.0	9,712.7	10,192.6	10,460.2
Russia	9,953.3	10,047.3	10,087.5	10,111.1	10,292.2
United States	6,486.8	7,467.7	8,763.7	9,415.2	8,874.6
Iraq	2,942.4	2,979.6	3,110.5	3,504.1	4,647.8
China	4,074.2	4,163.8	4,208.3	4,288.9	3,981.8
Iran	3,739.8	3,575.3	3,117.1	3,151.6	3,651.3
United Arab Emirates	2,653.0	2,796.5	2,794.0	2,988.9	3,088.3
Kuwait[1]	2,977.6	2,924.7	2,866.8	2,858.7	2,954.3
Brazil	2,061.3	2,023.9	2,254.6	2,437.3	2,510.0
Venezuela	2,803.9	2,789.5	2,682.6	2,653.9	2,372.5
Mexico	2,547.9	2,522.2	2,428.9	2,266.8	2,153.5
Angola[2]	1,704.0	1,701.2	1,653.7	1,767.1	1,721.6
Norway	1,532.8	1,463.6	1,511.8	1,567.4	1,615.5
Nigeria	1,954.1	1,753.7	1,807.0	1,748.2	1,427.3
Kazakhstan	1,306.5	1,372.8	1,344.8	1,321.6	1,295.0
Canada	1,308.5	1,381.6	1,399.8	1,263.4	1,185.8

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, 2017. OPEC may use methodology and sources for compilation of production data other than the methodology and sources used by the Ministry of Mineral Resources and Petroleum, and OPEC data may differ from the data produced by the Ministry of Mineral Resources and Petroleum.

The following table sets forth information regarding Angola's oil production by Block, for the years 2013 to 2017:

Block	2013	2014	2015	2016	2017
			Oil produced (bbl/d thousands)		
Block 0	265.1	256.9	252.9	234.6	245.3
Block 2	7.1	4.6	0.0	0.9	0.9
Block 3	47.1	47.9	45.7	39.8	30.9
Block 4	9.8	7.3	9.4	7.6	6.1
Block 14	133.6	118.5	107.2	96.2	78.7
Block 14K	—	—	1.4	12.2	9.2
Block 15	373.1	327.5	313.7	315.4	280.5
Block 15/06	—	2.8	47.7	77.7	119.6
Block 17	594.0	596.5	695.3	626.7	598.5
Block 18	178.3	137.6	147.5	138.7	112.9
Block 31	99.5	166.2	156.9	162.5	142.1
FS/FST Onshore Blocks	7.3	4.2	1.8	7.5	6.6
Cabinda South	0.6	1.9	1.3	1.5	1.2
Total	**1,715.6**	**1,671.7**	**1,780.9**	**1,721.6**	**1.632.4**

Source: Ministry of Mineral Resources and 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 (32.5º API and 0.13 per cent. 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 (39.7º API and 0.23 per cent. sulphur) with low viscosity and low sulphur content. Dalia type crude produced in Block 17 has medium viscosity (22.7º API and 0.49 per cent. 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:

Operator	Partners	Location	Projects	Crude Streams	Leading Ports	2017 Loadings ('00 bbl/d)
ExxonMobil	BP, Eni, Statoil	Block 15 deepwater	Kizomba A (Clochas, Hungo, Marimba, Mavacola)	Hungo	Kizomba A FPSO	78.571,37
			Kizomba B (Bavuca, Clochas, Dikanza, Kakocha, Kissange, Mavacola)	Kissanje	Kizomba B FPSO	99.755,37
			Kizomba C (Mondo Saxi Batuque	Mondo; Saxi Batuque	Mondo FPSO	62.628,67
					Saxi Batuque FPSO	39.784,12
Chevron	Sonangol, Total, Eni	Block 0- Area A offshore	Takula, Malongo, Mafumeira Norte	Cabinda	Malongo terminal	166.721,07
		Block 0- Area B offshore	Nemba, Tombua, Landana			74.520,15
	Chevron, Sonangol P&P, Eni, Galp, Total	Block 14 deepwater	Kuito, BBLT (Benguela-Belize-Lobito-Tomboco)	Nemba		76.751,28
	Chevron, Sonangol P&P, Eni, Galp, Total, SNCP	Block 14K deep water	Lianze		Plataforma BBLT	9.002,72
BP	Sonangol Sinopec International (SSI)	Block 18 deepwater	Greater Plutonio (Plutonio, Galio, Cromio, Paladop, Cobalto)	Plutonio	Plutonio FPSO	86.562,85
	Statoil, Sonangol, Marathon, SSI	Block 31 ultra deepwater	PSVM (Plutão, Saturno, Vênus, Marte)	Saturno	PSVM FPSO	141.243,83
Total	Statoil, ExxonMobil, BP	Block 17 deepwater	Dalia	Dalia	Dalia FPSO	196.660,67
			Pazflor (Perpetua, Zinia, Hortensia, Acacia)	Pazflor	Pazflor FPSO	99.841,06
			Girassol, Jasmin, Rosa	Girassol	Girassol FPSO	124.719,90
			Clov (Cravo, Lirio, Orquidea and Violeta)	CLOV	CLOV FPSO	173.846,19
Eni	Sonangol, SSI, Falcon	Block 15/06 deepwater	West Hub[1]	NA	N'Goma FPSO	67.860,00
			East Hub	NA	Olombendo	51.503,00
Pluspetrol	Sonangol, Force Petroleum, Cubapetroleo	123-5 Cabinda onshore	Cabinda C (South)	Cabinda	Malongo terminal	1.180,82
Somoil	Chevron, Sonangol	Onshore	Soyo	Palanca	Palanca Terminal	1.278,88

	Total, Chevron, Petrobras, Somoil, Kotoil, Poliedro, BTG Pactual	Block 2/85 offshore	Essungo	Palanca	Palanca Terminal	1.322,78
Sonangol	Total, Eni, Inpex, Mitsui, Naftagas, Naftaplin, Mitsubishi, Somoil, Svenska	Block 3 offshore	Palanca, Cobo, Pambi, Oombo, Nunce Sul	Palanca	Palanca terminal	15.490,17
		Block 3/05A offshore	Caco-Gazela	Palanca	Palanca terminal	1.033,04
	Statoil, Somoil, Angola Counsulting Resources	Block 4/05 offshore	Gimboa	Gimboa	Gimboa FPSO	5.451,08

Source: Ministry of Mineral Resources and Petroleum and Sonangol

One of the latest projects to start production is the East Hub development, operated by Eni. 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.

There are nine oil projects scheduled to start production over the next five years in Angola, three of which are scheduled to start production in 2018. For example, three deepwater fields are expected to start production in 2018: the Kaombo Project (230,000 bbl/d of crude oil), the UM8 field (5,000 bbl/d of crude oil) and the Ochigufu field (22,000 bbl/d of crude oil). The Kaombo project was expected to start production at the beginning of 2018, however, due to construction delays it will only start production in the second half of 2018.

Angola has more than 11 offshore and/or deepwater oil projects projected to come online within the next seven years. Of those planned projects, four have received a final investment decision to develop and these projects in aggregate are estimated by the Government to potentially contribute approximately 500,000 bbl/d of new crude oil production.

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

Project	Plateau output (,000 bbl/d)	Operator	Estimated Start	Location	FID[1]	Notes
Kaombo Project	230	Total	2018	Block 32 ultra deepwater	Yes	Final investment decision (FID) to develop the project was made April 2014. The field is expected to produce maximum of 230,000 bbl/d of crude oil.
UM8	5	Eni	2018	Block 15/06 deepwater	Yes	The field was discovered in 2015 and is expected to produce maximum of 5,000 bbl/d of crude oil.
Ochigufu	22	Eni	2018	Block 15/06 deepwater	Yes	The field was discovered in 2014 is expected to produce maximum of 22,000 bbl/d of crude oil.
CLOV Fase 1	4	Total	2019	Block 17 deepwater	No	The field was discovered in 2010. The field is expected to produce maximum of 4,000 bbl/d of crude oil.

Project	Plateau output (,000 bbl/d)	Operator	Estimated Start	Location	FID[1]	Notes
CLOV F2	7	Total	2020	Block 17 deepwater	No	The project was discovered in 2017. The field is expected to produce maximum of 7,000 bbl/d of crude oil.
Vandumbu	13	Eni	2019	Block 15/06 deepwater	Yes	The project was discovered in 2012 and is expected to produce maximum of 13,000 bbl/d of crude oil.
Zinia Fase 2	41	Total	2021	Block 17 deepwater	No	The field was discovered in 2002 and is expected to produce maximum of 41000 bbl/d of crude oil.
Dalia Fase 3	29	Total	2021	Block 17 deepwater	No	The field is expected to produce maximum of 29,000 bbl/d of crude oil.
Bavuca Sul	16	Esso	2021	Block 15 deepwater	No	Bavuca field was discovered in 2003 is expected to produce maximum of 16,000 bbl/d of crude oil.
Chissonga	60	Maersk Oil	2024	Block 16	No	The field was declared commercial in 2011 and is expected to produce maximum of 60,000 bbl/d of crude oil.
Cameia	80	Sonangol	2025	Block 21/09 offshore pre-salt	No	A new Contractor GE (Grupo Empreiteiro) is expected to be in place in 2019 and FID in 2021. The field is expected to produce maximum of 80,000 bbl/d of crude oil/condensates.

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

Source: Ministry of Mineral Resources and Petroleum and Sonangol

Onshore 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.

Somoil, a privately-owned Angolan company, is pursuing exploration activities in the onshore Soyo areas. Somoil typically produces small quantities of oil (less than 5,000 bbl/d), which is blended and exported with oil produced at the Sonangol-operated fields that makes up the Palanca blend, though the Soyo fields were closed for operational reasons and reopened in 2016. 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, and the Baleia 1A well in Block 20 in 1996, operated by Mobil (now ExxonMobil) at the time. 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, Bicuar, 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. However, the Cameia field is not yet in operation.

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 included 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 was expected to announce a decision in relation to the bids received, by the end of November 2015. However, due to the significant decrease in the price of oil that commenced in mid-2014, and its impact on Angola's economy and finances, which adversely impacted the viability of the oil concessions subject to public tender, the bidding process was cancelled.

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 in 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 of 12 November 2004) 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 introducing new regulations to cater specifically for the natural gas sector and the development and exploration of marginal fields.

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 nine of which 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 Producão* ("**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 products. *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 Principe, Venezuela, Iraq 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 operational activities in Iraq in 2012 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. After the Iraqi government reclaimed the area in 2016, the security environment improved and in February 2018 Sonangol announced that it would resume oil operations in Iraq. 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.

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 2017, PSAs accounted for 75 per cent. of revenues in the oil industry derived from the oil exploration and production activities in Angola, while joint ventures accounted for 25 per cent. 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 per cent. stake as a contractor in the PSAs; more recently, its stake has tended to be closer to 20 per cent. 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 per cent. of revenues from the total production, with variations up to 65 per cent. 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 per cent. 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 per cent. 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 promising 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 per cent.) 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, allocated 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 per cent. 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 per cent. 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 per cent. in the joint venture, with CABGOC holding a minority interest) and in Block 0 (where Sonangol initially held 51 per cent. and since 1991, 41 per cent. 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 per cent. Corporate income tax from petroleum revenue is payable at the rate of 65.8 per cent. Additional profits are also taxed at a rate of 70 per cent. Other minor taxes such as training taxes are payable.
  - *Depreciation:* Depreciation rate is 16.7 per cent. 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. 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*". 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 of 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 per cent. Corporate income tax from petroleum revenue is payable at the rate of 65.75 per cent. Additional profits are also taxed at a rate of 70 per cent. Other minor taxes such as training taxes are payable.
  - *Depreciation:* Depreciation rate is 16.66 per cent. 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 per cent. of Sonangol's share of profit oil under PSAs (Sonangol retained 7 per cent. of its profit oil on account of its costs incurred in acting in its capacity as the concessionaire in 2017 and will retain 8 per cent. starting in 2018); 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:

	2013	2014	2015	2016	2017
			(U.S.$ billion)		
Oil tax revenue, *of which:*	37.6	30.1	15.8	8.4	10.3
From Sonangol	25.3	20.2	10.9	5.5	6.6
From foreign operators	12.3	9.9	4.9	2.8	3.7
Dividends from Sonangol	—	—	—	—	—
Total	**37.6**	**30.1**	**15.8**	**8.4**	**10.3**

Source: Ministry of Finance

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 per cent. interests in each of these concessions under contract reorganizations conducted in 1978, although its stake in Cabinda offshore (Block 0) was reduced to 41 per cent. 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 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 seven executive directors and four 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 2016, Sonangol's profits fell by 77 per cent., with sales increasing by 12 per cent. and earnings before interest, taxes, depreciation and amortization increasing by 23 per cent. Sonangol's net profits increased by 177 per cent. in 2017. Sonangol's assets as of 31 December 2017 amounted to AOA 7,127.6 billion (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.$31.0 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 acted as agents. As of 31 December 2016, approximately U.S.$9.9 billion was outstanding under these loans. As of 31 December 2017, Sonangol's financial indebtedness was U.S.$4.9 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.$3.6 billion between 2018 and 2020, 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 2018, Sonangol plans to raise approximately U.S.$4 billion in debt financing from commercial banks. The balance of its funding requirements in 2018 will be met through Sonangol's internal funds.

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 three years, Sonangol has spent approximately U.S.$2.99 billion per annum on capital expenditure. It estimates that it will spend U.S.$1.2 billion per annum in the next three years on capital expenditure related to exploration and production of oil and gas. 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.

In response to reduced revenues driven by the relatively low price of oil in 2016 and 2017, by the end of 2017, Sonangol cut its costs by approximately U.S.$542,491,044 since the end of 2016, having reduced expenditure in 2017 by approximately 40 per cent. compared to 2016, principally through renegotiating contractual arrangements with its partners. Sonangol further intends to cut its costs by approximately U.S.$1 billion by the end of 2018.

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

Description	2015	2016	2017
		(U.S.$ millions)	
Exploration and production	4,037.1	2,792.0	1,438.1
Refining and shipping	87.0	122.1	98.4
Distribution and transportation	181.1	5.0	0.0
Total	**4,305.2**	**2,919.1**	**1,536.6**

Source: Sonangol

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

Description	2018	2019	2020
		(U.S.$ millions)	
Exploration and production (crude oil and natural gas)	1,581.1	1,033.5	585.1
Refining and shipping	209.8	65.0	65.0
Logistics and distribution of refined products	22.3	0.0	0.0
Non-core activities	23.6	1.0	1.0
Total	**1,836.7**	**1,099.5**	**651.2**

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 Puma Energy (27.93 percent), Millennium BCP (19.5 per cent.), GALP (9 per cent.) and Carlyle Energy Funds II and III (10 per cent. in each). Sonangol's investments in Angola include, among others, shareholdings in Banco Económico (39.4 per cent), Banco Africano de Investimentos (8.5 per cent.), Banco do Comércio e Indústria (1.04 per cent.), Manubito (33.3 per cent.) and Banco Caixa Geral Tota de Angola (25 per cent.). Sonangol's telecommunications subsidiary also owns a 25 per cent. 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, Iraq 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 is directly exported by tanker from Floating Production, Storage and Offloading systems ("**FPSOs**" or "**FSOs**"). 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 65,500 bbl/d. It currently meets between only approximately 20 per cent. and 30 per cent. 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, mainly in supporting infrastructure. 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.

  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 refined petroleum products

Angola consumed approximately 5.0 million metric tons of refined petroleum products in 2017. Angola imports approximately 80 per cent. to 75 per cent. of the refined petroleum products it consumes. Low fuel prices in Angola have contributed to rising refined petroleum products demand. Angola's energy subsidies accounted for 0.2 per cent. of GDP in 2017. Between 2013 and 2017, the Government raised (in cumulative terms) retail fuel prices (by 167 per cent. for gasoline and diesel, by 238 per cent. for liquefied petroleum gas, by 170 per cent. for kerosene, by 169 per cent. for heavy fuels by 282 per cent. and by 400 per cent. for asphalt). Between 2013 and 2017, expenditure on subsidies has decreased by 3.2 per cent. of 2017 estimated GDP. 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 in 2017. China is currently the fastest growing market for Angolan oil, accounting for 61.6 per cent. of Angola's crude oil exports. The United States (3.0 per cent. in 2017), India (8.4 per cent. in 2017) and the European Union (6.7 per cent. in 2017) 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's crude oil exports to the United States accounted for 3.0 per cent. of Angola's total crude oil exports in 2017, compared to 7.6 per cent. in 2013.

Most of Angolan crude oil is medium-to-light in density, but some grades (such as Dalia, Pazflor, and Hungo), are heavy grades. A large proportion 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:

	2013	2014	2015	2016	2017
			(U.S.$ billion)		
China	31.7	27.7	14.1	13.9	19.2
United States	4.9	2.0	1.0	1.3	0.9
Canada	3.0	2.7	1.0	0.9	1.1
France	1.3	2.0	1.5	0.9	0.3

	2013	2014	2015	2016	2017
			(U.S.$ billion)		
India	6.8	4.7	2.7	1.9	2.6
South Africa	1.8	2.0	1.3	1.3	1.3
The Netherlands	1.6	2.1	1.0	0.4	0.0
Spain	2.4	3.7	2.2	0.8	0.9
Chile	0.0	0.4	0.1	0.0	0.0
Taiwan	4.0	2.3	1.4	1.1	1.4
Brazil	0.4	1.0	0.0	0.0	0.0
Others	7.7	5.7	5.0	3.1	3.3
Total	**65.6**	**56.4**	**31.4**	**25.6**	**31.1**

Source: Ministry of Mineral Resources and Petroleum

Investment

Investment in the oil sector exceeded U.S.$5.9 billion in 2017 and totaled U.S.$69.2 billion for the period from 2013 to 2017. The following table sets forth the growth in investment in the oil sector for the years indicated, showing an average growth of 44 per cent. per year:

	2013	2014	2015	2016	2017
			(U.S.$ million)		
Exploration	2,883	4,677	1,893	(306)	404
Development	12,825	15,277	14,221	11,013	5,527
Administration & Services (A&S)	373	236	123	80	14
Total	**16,081**	**20,190**	**16,237**	**10,787**	**5,945**

Source: Ministry of Mineral Resources and Petroleum and Sonangol

In total, oil companies invested U.S.$5.9 billion in exploration and development of new fields in 2017, compared with U.S.$10.8 billion in 2016 and U.S.$16.2 billion in 2015. The Government expects that between 2020 and 2022 investment in the exploration and development of new fields will decrease.

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 the extraction of natural gas economically viable and built a major LNG plant at Soyo, in the Zaire region of Angola. This project has been established jointly by 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 between April 2014 and June 2016 due to technical issues (including an electrical fire) but has since resumed production in 2016. The closure of this plant has limited gas production growth in 2014 and 2016 and has resulted in a decrease in gas production in 2015. 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.

Between 2013 and 2017, 19.3 billion cubic feet of gas were discovered in Angola, which represents an annual average of 3.9 billion cubic feet of gas per year in new discoveries.

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

real GDP has grown between 2013 and 2017, at a rate of 4.1 per cent. in 2013, 0.7 per cent. in 2014, 6.6 per cent. in 2015, 0.03 per cent. in 2016 and 4.5 per cent. in 2017. 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 first phase (geophysical air survey) has been completed, however, the second (geochemical survey) and the third (geological survey) phases are still ongoing. 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 650 million carats. Angolan diamond production amounted to 9.5 million carats in 2017 as compared to 9.0 million carats in 2016, 9.0 million carats in 2015, 8.8 million carats in 2014 and 8.6 million carats in 2013. The diamond sector represented 2.7 per cent. of GDP in 2017 compared to 1.8 per cent. of Angola's GDP in 2016, 0.6 per cent. of Angola's GDP in 2015, 0.7 per cent. of GDP in 2014 and 0.8 per cent. of GDP in 2013. Total diamond production in 2017 amounted to 9.5 million carats, generating revenue of U.S.$0.9 billion.

As world diamond prices declined by approximately 20-30 per cent. 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**"), the Government would purchase diamonds from Angolan mines at the break-even price to ensure continued employment in the Angolan mining sector. 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 per cent. 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 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. It is owned by a consortium comprising Endiama (which holds a 32.8 per cent. interest in the project), Alrosa (also 32.8 per cent.), Odebrecht (16.4 per cent.) and DFC (16.8 per cent.). The Catoca mine produced 8 million carats of diamonds in 2017. The mine's production is 35 per cent. gem quality, compared to a global average of 20 per cent. The diamonds produced at Catoca had an average value of U.S.$84.6 per carat in 2017. Estimated reserves are 150 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 per cent.), ITM Mining (38 per cent.) and Sociedade Mineira de Lumanhe (21 per cent.). The Cuango mine produced 296.9 thousand carats of diamonds in 2017. The diamonds produced at Cuango had an average value of U.S.$318.8 per carat in 2017.

- *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 per cent.), ITM Mining (40 per cent.) and Sociedade Mineira de Lumanhe (15 per cent.). The Chitotolo mine produced 207.3 thousand carats of diamonds in 2017. The mine's production is 80 per cent. gem quality, compared to the global average of 20 per cent. The diamonds produced at Chitotolo had an average value of U.S.$246.7 per carat in 2017.

In 2017, the major importers of Angola's diamonds were the United Arab Emirates (74.3 per cent.), Hong Kong (16.6 per cent.) and Israel (8.9 per cent.).

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, in which 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 chaired the Kimberley Process Certification Scheme and hosted the annual Kimberley Process meeting in Luanda in June 2015 and 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. Under the PRODESI, the Government identified a number of agroindustrial products for which investment will be prioritized in order to diversify Angola's exports and replace imports with domestically produced goods which make up the basic food basket. These include, among others, industrialized crops and livestock such as rice, sugar, beans, maize, manioc flour, wheat, soy bean, palm oil, chicken and eggs, beef, goats, pigs, coffee, bananas and salt. See "*The External Sector – Trade Policy*" and "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 accounted for 6.2 per cent. of nominal GDP in 2017, 16.4 per cent. of nominal GDP in 2016 and 6.5 per cent. of nominal GDP in 2015.

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

Products	**2012/2013**	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**
			(tons per crop year)		
Corn	1,548,750	1,686,869	1,878,305	2,238,790	2,401,812
Millet/ sorghum	85,026	91,191	92,939	104,052	87,893
Rice	23,505	26,970	29,000	24,576	9,426
Beans	311,988	401,500	397,842	353,322	313,549

Products	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
			(tons per crop year)		
Ground nut	192,028	252,456	267,234	270,361	217,822
Soya	10,812	13,763	14,835	21,534	36,001
Cassava	6,765,445	7,638,880	7,727,413	7,921,190	8,249,276
Potato	670,136	671,468	668,566	670,458	461,186
Sweet potato	1,199,749	1,928,954	1,932,812	1,942,901	2,094,957
Commercial coffee	7,028	7,204	7,050	7,100	6,942

Source: Ministry of Agriculture

Agricultural production in Angola is currently mostly carried out by small-holders, in which approximately two million households (or approximately nine million people or 46 per cent. of Angola's population) are involved. The Government of Angola intends to adopt a national program for the development of the agricultural sector in the National Development Plan 2018-2022, the two principal objectives of which are the modernization of small-holdings to become 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 aimed to increase production efficiency through an increased and wider use of fertilizers, agricultural machinery and seed production and the construction of irrigation systems. Between 2013 and 2017, the agriculture sector GDP in Angola has experienced high real GDP growth rates. In 2017, the real GDP of the agriculture sector decreased to 4.4 per cent, compared to 6.7 per cent. in 2016, 8.0 per cent. in 2015, 23.7 per cent. in 2014, and 4.8 per cent. in 2013. Under the 2018 National Budget, real GDP growth of the agriculture sector has been budgeted at 5.9 per cent. 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.

In March 2018, the World Bank announced that it will be investing U.S.$70 million in the Family Farm and Trading Development Project ("**MOSAP II**"). MOSAP II aims to improve the competitiveness of agricultural and cattle raising products of Angola and stimulate agribusiness in the country. The project is due to cover 175 families in 80 communes and 26 municipalities of the provinces of Bié, Huambo and Malange.

In 2017 the Biocom sugar-to-fuel plant in Malanje produced 12 thousand cu meters of industrial ethanol, compared to 14 thousand cu meters in 2016 and 10 thousand cu meters in 2015. The facility in Malanje has produced 58 thousand tons/year of sugar in 2017, compared to 52 thousand tons/year in 2016 and 25 thousand tons/year in 2015. 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 per cent. stake in the operation, along with private Angolan investors and Sonangol.

There are several smaller programs aimed at developing the agricultural sector that are being implemented in Angola, including programs being implemented with the technical collaboration of the U.N. Food and Agriculture Organization, other programs being 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 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 2013 to 2017.

Fisheries

Angola has 1,650 kilometers of coast line. 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 2013 to 2017 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, Zaire, Namibe and Kwanza-Sul; 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. Ministry of Fisheries and Sea, in partnership with Norway, is currently working on a national strategic plan for the sea with the objective of managing the exploration of Angola's marine resources in an effective and sustainable manner.

Under the PRODESI, the Government identified a number of fishery and aquaculture products for which investment will be prioritized in order to diversify Angola's exports and replace imports with domestically produced goods which make up the basic food basket. These include, among others, crustaceans, molluscs, and derivatives such as fishmeal and fish oils. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 17.6 per cent. of GDP in 2017, as compared to 14.6 per cent. of GDP in 2016 and 13.1 per cent. in 2015. Real GDP growth in the construction industry for the same period was 2.2 per cent. in 2017, 3.2 per cent. in 2016 and a decrease of 2.2 per cent. in 2015. Continued real GDP growth of the construction sector of 3.1 per cent. is budgeted in the 2018 National Budget. See "– *Infrastructure*" and "*The Republic of Angola – Population, Education, Health and Housing*".

The relatively 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 2017.

Under the PRODESI, the Government identified a number of measures to support development in the construction sector. As part of its initiative to improve the business environment, the Government intends to facilitate businesses obtaining building permits by improving the availability of information on construction sector regulations, reviewing approval procedures, introducing compulsory defects against latent defects and improving the professional qualifications of public officials in various areas. Additionally, the Government has identified various construction related products for which investment will be prioritized in order to diversify Angola's exports and facilitate the replacement of imported goods. These include, for example, wood and cork products (such as plywood) for building carpentry, cement, plastics and glass. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

Infrastructure

Angola has made and continues to make significant investments with a view to rebuilding its infrastructure, which was severely damaged during the 27 year Civil War, and to substantially upgrading key infrastructure facilities that survived. 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 construction infrastructure projects and other infrastructure projects) was projected at U.S.$5.1 billion in 2017 and amounted to U.S.$3.9 billion in 2016, U.S.$6.1 billion in 2015, U.S.$15.8 billion in 2014 and U.S.$14.3 billion in 2013, accounting for 4.6 per cent., 3.9 per cent., 6.0 per cent., 12.5 per cent. and 11.4 per cent. of Angola's GDP in those years, respectively. Angola's capital expenditure on construction infrastructure projects is principally focused on port, railway, energy, water, road, airport and telecommunications projects.

Angola's capital expenditure on other infrastructure projects is principally focused on defense, education, housing, health, security and public order projects.

In 2017, total capital expenditure on construction infrastructure projects was U.S.$2.9 billion, of which 1.4 per cent. was allocated for ports, 5.9 per cent. for Angola's railway network, 17.8 per cent. for the energy sector, 14.8 per cent. for water sector, 46.6 per cent. for roads, 11.1 per cent. for airports and 2.5 per cent. for telecommunications sector projects. Angola's capital expenditure on other infrastructure projects was U.S.$2.2 billion, of which 8.6 per cent. was allocated for defense, 3.5 per cent. for education, 41.8 per cent. for housing, 3.4 per cent. for health, 1.5 per cent. for security and public order, 14.9 per cent. for general public services, 17.2 per cent. for the economic sector and 9.1 per cent. for other programs.

In 2018, the proposed total budget for capital expenditure on infrastructure projects (both construction infrastructure projects and other infrastructure projects) is U.S.$4.5 billion, although this may be revised upwards if the oil price rises above the U.S.$50 per barrel assumed in Angola's 2018 National Budget. Of this U.S.$4.5 billion, U.S.$2.0 billion is budgeted for construction infrastructure projects, of which 1.5 per cent. is allocated for ports, 3.6 per cent. for Angola's railway network, 17.0 per cent. for the energy sector, 36.5 per cent. for water sector, 36.5 per cent. for roads, 3.7 per cent. for airports and 1.2 per cent. for telecommunications sector. Angola's budgeted 2018 capital expenditure on other infrastructure projects is U.S.$2.5 billion, of which 8.4 per cent. is allocated for defense, 6.7 per cent. for education, 28.8 per cent. for housing, 6.6 per cent. for health, 2.3 per cent. for security and public order, 12.1 per cent. for general public services, 29.6 per cent. for the economic sector and 5.6 per cent. for other programs.

The funding of Angola's 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*."

Under the PRODESI, the Government identified a number of measures to support infrastructure development. As the lack of infrastructure in key areas is contributing to the high cost of productive activity, the Government has prioritized supporting the development of physical infrastructure in areas which it has designated as priority productive areas. These include, among others, telecommunications, healthcare, educational, utilities and transport infrastructure. One of the Government's key initiatives in this area is to consolidate physical infrastructure by promoting public-private partnerships in these fields, encouraging the creation of marketing networks, and strengthening industrial development centres and special economic and free-trade zones. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 2013 and 2017, 8,036.0 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 and has improved the link between the provincial capitals and municipalities. Construction currently concentrates on the rebuilding of Angola's provincial road network, much of which is usable but in poor condition, and is focused on projects within the SADC corridors, in particular those with links to Namibia, DRC and Zambia.

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 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 and Planning. 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 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.

Ports

Angola has six 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 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. In 2017, the Government announced that it was considering to issue a guarantee for the construction of the Barro do Dande port and the issue of such a guarantee was authorized pursuant to the Presidential Decree 207/17 of September 2017 up to a total amount of U.S.$1.5 billion. To date, the Government has not issued such a guarantee and the Government is still in the process of appraising the technical aspects of the project. 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 assumed approximately 85 per cent. of the debt of the works contract signed between Caio Porto and the China Road and Bridge Corporation for the construction of a new port at Caio at Cabinda. This port, named 'Porto de Caio', is expected to commence operation in 2019.

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 one international airport, in Luanda, and domestic airports in all provincial capital cities. A new international airport is currently being built at Bom Jesus, in the eastern Luanda province with a budget of approximately U.S.$3.6 billion. Work began in 2007 and the airport is scheduled to start operating in 2019. The airport was originally

scheduled to open in December 2015, but the start of operations was initially delayed to mid-2017 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. The scheduled opening of the airport has since been delayed again, this time to 2019 due to a delay in the completion of the works by the contractor. 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.$ 2.4 billion in the project as of 31 December 2017. The Government is expected to fund through external borrowings the remaining U.S.$1.2 billion budgeted for completion of Bom Jesus airport by 2019. The current contractor is China National Aero-Technology International Engineering Corporation (AVIC-Eng). 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 that 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. The Government plans to launch a new domestic airline in 2019. The new airline, Angola Expresso, will be created under a public-private partnership that will merge TAAG with a private civil aviation firm or firms, which remain to be agreed.

Telecommunications

Telecommunication sector revenue is estimated at 2.2 per cent. of GDP in 2017. The Government has invested heavily in the telecommunications sector in recent years. Approximately 46 per cent. of Angola's population has either fixed-line or cellular telephone service.

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

	2013	2014	2015	2016	2017
	(Number of subscribers, millions)				
Telephone, *of which:*	**14.0**	**14.9**	**14.7**	**13.9**	**13.7**
Fixed-line	0.2	0.3	0.8	0.9	0.4
Cellular	13.3	13.9	13.8	13.0	13.3
Broadband	**2.7**	**3.7**	**4.5**	**4.1**	**4.4**

Source: Ministry of Economy and Planning

Under the PRODESI, the Government identified a number of measures to support the development of the telecommunications infrastructure. The Government intends to promote public-private partnerships in order to develop the construction and management of telecommunications infrastructure, in an effort to boost the export of products and services in this sector. The Government intends to make telecommunications services more accessible and to improve quality, particularly for corporate and SME customers, in part by introducing more operators. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*"

Fixed line communication

In 2017, Angola had approximately 0.4 million fixed-line subscribers as compared with approximately 0.2 million subscribers in 2013.

Angola's fixed line sector is dominated by the state-owned fixed-line operator Angola Telecom ("**AT**"), which in 2017 provided telephone services to 12 per cent. 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 demonopolization of the sector in 2002.

Mobile network

Angola's mobile network has grown rapidly since its inception in 1993. Angola had approximately 13.3 million mobile telephone subscribers as of 31 December 2017, compared to 13.0 million as of 31 December 2016 and 13.8 million as of 31 December 2015. There are currently only two mobile network operators in Angola – Unitel, whose market share of mobile telecommunications subscribers accounted for 75 per cent. as of 31 December 2017, as compared with 73 per cent. as of 31 December 2016 and 79 per cent. as of 31 December 2015, and Movicel, whose market share was 25 per cent. as of December 2017 as compared with 27 per cent. as of 31 December 2016 and 21 per cent. as of 31 December 2015.

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

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

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

The Government is currently in the process of privatizing a 45 per cent. stake in state-owned AT, which has already been designated as the country's third communications licensee covering mobile, fixed line, data and television services. Having previously operated through its 18 per cent. stake in Movicel, AT is expected to enter the telecommunications market in its own right during 2018.

The Government announced in late 2017 that Angola will issue an international public tender for an additional telecommunications operator to provide mobile, broadband, fixed line and television services, in which it intends to take a 45 per cent. stake. Proposals for the tender closed on 27 February 2018 with the Government reporting to have received foreign telecommunications investor interest.

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 Movicel and Unitel. Numbers of subscribers and coverage, particularly of broadband quality, is limited, with only 4.4 million subscribers as of 31 December 2017.

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 five major insurance companies in Angola out of a total of 26 countrywide in 2018. The largest is the 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, SAHAM Seguros (2005), NOSSA Seguros (2005), Fidelidade (2010 as Universal Seguros) and Global Seguros (2006) are the five main competitors in the Angolan insurance market.

Although attempts have been made to modernise and reform the insurance market in recent years, the range of insurance services available in Angola remains limited.

Manufacturing

Angola's manufacturing sector is currently small, making up only 5.8 per cent. of its GDP in 2017, but having increased from 4.9 per cent. in 2013. Under the National Development Plan 2018-2022, the Government was seeking to support a diversified and competitive industrial structure, to modernise 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. Additionally, in 2018, the Government established the PRODESI, which contains seven key initiatives to reduce imports, increase self-sufficiency and diversify Angolan exports, with the aim of significantly decreasing its historical over-reliance on oil export revenues. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 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 per cent. of the aggregate consumption of cement in Angola, with the balance being mainly imported from China, Turkey and other countries. However, since 2013 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 2017 almost all building materials used in Angola were produced domestically and domestic production of building materials resulted in a surplus during the course of 2017.

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 comprised one of the largest sub-sectors within Angola's manufacturing sector. Beer beverages were dominated by the national beer, "*Cuca*". Under the PRODESI, the Government identified the need to boost the domestic production of goods and services in order to reduce imports, increase self-sufficiency and to diversify Angolan exports. The Government intends to prioritize investments in the infrastructure and the business environment of alcoholic and non-alcoholic beverages. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

Packaging (light) industry

The remainder of Angola's manufacturing segment 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 that 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 Government is the biggest formal employer in the country.

As of 31 December 2017, approximately 385,423 people were employed in the public sector, as compared to approximately 360,381 people in 2016, and approximately 372,873 people in 2015.

Angola has strict local content requirements in its oil and natural gas industry. The Government aims to increase the number of Angolans in management positions and Angolans hired as local contractors. Government regulations require independent oil companies ("**IOCs**") operating in Angola to employ a minimum of 70 per cent. local Angolans in their projects. IOCs are also required to use local banks for all their transactions and contribute to training programs in Angola.

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:

	2013	2014	2015	2016
		(Number of jobs created)		
Private Sector				
Commerce	24,189	84,785	47,762	13,161
Agriculture	15,259	4,144	26,506	18,465
Fishing	1,937	671	1,527	1,021
Transport	20,757	40,599	70,459	8,336
Mining Industry	17,938	2,999	20,675	54,899
Manufacture	3,403	3,756	–	N/A
Energy and Water	39,309	57,349	50,064	52,617
Urbanization and Construction	8,783	19,078	3,744	941
Hospitality and Tourism	15,497	29,288	16,371	1,947
Education	1,806	4,137	5,160	812
Health	4,924	20,059	1,924	–
Telecommunications and ICT's	N/A	N/A	N/A	N/A
Security Firms	–	–	15,539	–
Subtotal	**153,802**	**266,865**	**259,731**	**152,199**
Public Sector				
Public Officials	26	6,781	40	–
Education	4,924	20,059	–	–
Health	1,806	4,137	–	–
Other	5,037	33,311	–	–
Job Creation Projects	4,675	9,416	1,328	3,010
Subtotal	**16,468**	**73,704**	**1,368**	**3,010**
Total	**170,270**	**340,569**	**261,099**	**155,209**

Source: Ministry of Public Administration, Labor 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 8.2 per cent. of the official Angolan workforce was unemployed in 2017 compared to 7.7 per cent. in 2016. World Bank data does not reflect employment in the shadow economy. 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 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 operate in the oil and gas sector. Within the non-oil and gas 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 objective 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. Between 2013 and 2017 the Government estimates that in excess of 912,900 jobs have been created.

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.$1.0 billion in 2017.

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. On 10 August 2017, the Luanda provincial government has entered into a concession agreement to build further landfill sites in 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 per cent. of Angolans depend on biomass (e.g. charcoal) for their daily needs, such as cooking and fuel. 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 of 13 July 2007 that 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. The Government, with financial assistance from, amongst others, China, has made significant improvements to its power sector, with installed electricity capacity almost doubling from 2.2 GW in 2013 to 3.9 GW in 2017. In 2017, electricity production in Angola was 10.7 GWh, an increase of 32 per cent. compared with electricity production in 2013. Approximately 36 per cent. 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 Angola typically 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 Government's key priorities. 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 budgetary transparency and improved efficiencies in procurement.

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 underwent a wide-scale refurbishment, modernization and expansion process under the PSRSP. The Government had originally planned to invest U.S.$23.0 billion in the power sector through 2017 under the PSRSP, however, due to the adverse effect the decrease in oil price has had on Angola's revenues between 2014 and 2017, funding under the PSRSP was revised downwards by 42.6 per cent. and was budgeted at U.S.$13.2 billion between 2013 through 2017. Under the PRSP, the Government aimed 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.

The Government has established the Action Plan for the Energy and Water Sector 2018-2022 to continue refurbishing, modernizing and expanding Angola's power generation, transmission and distribution network. Under its Action Plan for the Energy and Water Sector 2018-2022, the Government intends to establish a public investment program to (i) expand access to electricity in urban and rural areas; (ii) promote financial efficiencies and sustainable management in the electrical power sector, including by reducing the dependence on diesel in electricity production and eliminating subsidies; and (iii) promote private sector participation in the production and distribution of electricity.

For the period 2018 to 2022, the projected total investment in the energy and water sectors is estimated to be approximately U.S.$13.5 billion, which will be funded through a public investment program. Of this U.S.$13.5 billion, the Government expects that 70 per cent. will be earmarked for energy projects and 30 per cent. will be earmarked for water sector projects, and that approximately U.S.$9.2 billion and U.S.$4.3 billion will be spent on existing projects and new projects, respectively.

Under the Action Plan for the Energy and Water Sector 2018-2022, the Government aims to:

- connect 50 per cent. of the population to an electricity supply by 2022 and increasing the number of customers with access to the electricity network to 2.6 million;

- promote the quality and sustainable supply of energy to drive economic development and diversification. The Government plans to achieve these goals by, among other things, accelerating the interconnection between the existing national transmission network, investing in new hydro power plants and starting exploring the feasibility of converting diesel thermal power plants to heavy fuel oil power plants; and

- increase the involvement of the private sector in the development of the energy infrastructure through technical assistance and potentially by licensing certain distribution activities to private sector entities.

The Government's medium-term plan is to increase energy installed capacity in Angola to 7.5 GW by 2022 from 3.9 GW in 2017, including by increasing hydropower capacity and investment in renewable energy, particularly solar and wind energy. 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.

In 2015, the General Electricity Law was amended by Law 27/15 of 14 December 2015 which is intended to facilitate private sector involvement in the production, distribution and sale of electricity by creating the necessary mechanisms to allow private companies to take part in the industry's activities alongside and in close cooperation with the relevant public companies.

Furthermore, Presidential Decree No. 256/11 of 29 September approved the Policy and Strategy for the National Energy Sector, in accordance with the approved strategy, the Angolan government is committed to reforming the energy sector, and amongst others, the Angolan Government is focused on:

- restructuring public companies;
- developing a strategic and regulatory framework for renewable energies;
- reinforcing powers of the Regulatory Institute of the Electric and Waters Sector ("**IRSEA**");
- revising the legal framework for the electricity sector;
- defining an attractive model for private investment and development of its legal framework; and
- progressively eliminating electricity price subsidies.

The Angolan electricity system is divided into two separate segments:

- the Public Electricity System ("**PES**"), which encompasses the Electricity National and Transmission Network ("**NTN**") and all generation and distribution infrastructures tied to the NTN; and
- the Non-Tied Electricity System, which encompasses non-tied producers, self-producers and non-tied customers (collectively, non-tied agents).

The producers tied to the PES are public service concessionaires or licence holders who have the obligation to sell electricity to the NTN concessionaire. Under its capacity as a 'single buyer', the NTN concessionaire is required to acquire all power generated by tied producers. To do so, tied producers and the NTN concessionaire must enter into power purchase agreements, which set out the terms and conditions of their commercial relations.

Without prejudice to the necessities of the PES, the non-tied agents are committed to the role of strengthening the competitive regime on the supply and consumer markets of the Angolan electric system. Hence, non-tied producers and customers are entitled to establish bilateral agreements, freely negotiated between the parties, governing the terms and conditions of the supply of electricity, provided that the terms and conditions of such agreements comply with the Regulation for the Licensing and Security of Electric Facilities and the Networks Access Regulation, as well as the rules and procedures put into force by the IRSEA.

With the reform of the General Electricity Law, non-tied producers who wish to sell their electricity to the PES are no longer required to enter into generation concession agreements or request the award of a power generation licence. The commercial relationships established under the regime of the PES are therefore regulated, with contractual terms and sale prices administratively set, as opposed to relations between non-tied agents, whose contractual terms and prices can be freely established by the parties.

Electricity prices are currently heavily subsidized by the Government, with the Government subsidizing approximately 60 per cent. of the cost of electricity in Angola. In addition to low tariffs, the sector suffers losses of 53 per cent. of the energy produced. The Government's policy is to reduce the levels of electricity subsidies that it gives and to reduce energy loss and has the ultimate aim of electricity tariffs equaling electricity costs.

Power generation

The table below sets forth information regarding generation of electricity in Angola for the years indicated:

	2013	2014	2015	2016	2017
			(Production in MWh)		
Hydro	4,719	4,990	5,252	6,362	7,663
Thermal	3,421	4,509	4,444	4,546	3,086
Total	**8,140**	**9,499**	**9,696**	**10,908**	**10,749**

Source: Ministry of Energy and Water

In 2017, the amount of electricity generated in Angola was 10,749MWh, approximately 71.3 per cent. of which was generated by hydroelectric plants and the remaining 28.7 per cent. 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.

Hydroelectric generation facilities

In 2017, approximately 71.3 per cent. 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 is heavily reliant on its pre-independence infrastructure, 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 4,068MW as of 31 December 2017. Angola has been investing significantly in developing its hydroelectric power plants, with works on the Capanda hydroelectric power plant (520 MW capacity) completing in 2007, the Matala hydroelectric power plant (40.8MW capacity) in June 2015, the Mabubas facility (25.6 MW capacity) which has been operational since 2013 and the Lomaum facility (50MW capacity) which was commissioned in 2015. There are, in addition, further plants that are under construction or are being refurbished and/or

modernized, and the principal such plants are detailed below, with the Ministry of Energy expecting additional capacity of 2,500MW to come online in the period 2018 to 2019, 200MW to come online in 2020, 500MW to come online in 2021 and a further 400MW to come online in 2022, at an estimated combined cost of U.S.$13.5 billion. See "*Risk factors – Angola's growth prospects are vulnerable to the performance of the power sector*".

- *Luachimo hydroelectric power plant*. Construction on the Luachimo hydroelectric power plant commenced in 2017. The Luachimo dam is located on the Luachimo River, near Dundo village in Lunda-North Province and was originally built in the 1950s. The Luachimo hydroelectric power plant is expected to have a capacity of 36 MW. Commercial operation of the new hydropower plant is scheduled to start in June 2019. The total cost of the development of the plant is U.S.$210 million and it is principally being financed by Industrial and Commercial Bank of China Limited.

- *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 has been upgraded to increase its capacity to 960MW and modernise the facility. The total cost of the upgrade was approximately U.S.$1.4 billion and it was financed from the Government's internal resources as well as external financing. The upgrade works were carried out by a consortium of Brazilian, Spanish and German companies and were commissioned in 2016.

- *Gove hydroelectric power plant*. Gove hydroelectric power plant was constructed in 2012. The project is located in the Huambo province in the centre 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 it 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 and certain upgrade works were completed in June 2015. The Government intends to upgrade the Matala plant further and rehabilitate and modernize the electro mechanic equipment and the substation at a cost of Euros 106.9 million, which remains to be financed. Following a bidding process, Elecnor, a Spanish company, has been appointed to carry out the works.

- *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. The Government also plans to build Chicapa II, a new hydro power station which is expected to have an installed capacity of 31.2MW with an estimated cost of U.S.$178.5 million.

- *Laúca hydroelectric power plant.* Laúca hydroelectric power plant is located on the Kwanza river between the Capanda 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 began operating in 2017 with two of its 334MW turbines. By the end of 2018, the remaining four of Lauca's six 334MW turbines are expected to become operational and it is expected that the Laúca plant will have an installed capacity of approximately 2,070 MW when all turbines and its ecological power station become operational. The project was budgeted to cost approximately U.S.$5.2 billion. Financing of up to U.S.$1.8 billion for the civil engineering aspects of the project was intended to be provided by BNDES, however, as a result of the suspension by BNDES of credit for projects involving Brazilian contractors active in Angola, the Government has made available funding for the Laúca hydroelectric power plant to cover the financing suspended by BNDES. The Government has financed U.S.$3.2 billion for Laúca hydroelectric power plant. Financing of up to U.S.$1.2 billion for the supply and installation of 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 completed, is expected to have a capacity of 2,171MW. The project is expected to cost approximately U.S.$4.5 billion and the financing of this project is currently being negotiated with Industrial and Commercial Bank of China Limited. 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, all of which were damaged during the Civil War. The National Development Plan 2018-2022 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 plants that typically have power generation capacity of between 1.5 and 4MW and are intended for rural electrification as well as small-scale irrigation and water supply. The Government launched a scheme for establishing 140 minihydros by using a program of tenders but this program was not successful. The Government intends to re-launch the mini-hydro capacity program. The first project to be launched and for which preliminary studies have already been completed is the 12MW Mini-hydroelectric Cutato dam to interconnect with the future Capelongo/Cuvango sub-station. The Government expects that by 2022, 500MW of energy will be installed with the contribution of the private sector.

Thermal power generation

In 2017, approximately 28.7 per cent. of Angola's electricity was generated by thermal power plants. There are currently over 267 diesel power plants with an average generation capacity of 1.7MW from which 54 are located in isolated systems not 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.

Renewable Energy

The commitment to increasing the role of renewable energy in Angola's power generation is a priority for the Government, and the Government targets that 500 MW of power will come from renewable energy by 2022 (from 50 MW in 2017). Angola has a promising solar energy resource in the form of the Laúca reservoir, and it is planned that solar energy will play a role in supporting existing and new thermal power plants.

The Government has also identified seven possible sites to construct wind farms, and the Government plans to undertake feasibility studies for the construction of such wind farms in the short term.

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, of which 3,741 kilometers was completed by the end of 2017. The entire project is expected to be completed by 2022, and involves strengthening Lauca's and Caculo Cabaça's infrastructure and to connect the northern, central and southern electricity grids. 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.

At the end of June 2017, ENDE served approximately 1.3 million customers in 73 municipalities, corresponding to an electrification rate of 35 per cent. (a 4 per cent. increase since 2014). This electrification rate varies significantly throughout the country, and can range from 75 per cent. in Luanda to 8 per cent. in Bié. Of the approximate 1.3 million customers served by ENDE as at the end of June 2017, only 289,000 were supplied through prepaid meters. In respect of the remaining 1 million of customers, metering was mostly estimated.

The provision of electricity is subsidized in Angola, with the 2015 cost of distribution being approximately U.S.$114 per MWh and the retail price being U.S.$65 per MWh, representing a total subsidy of U.S.$57 per MWh in 2015. The

Government has been working to gradually reduce power subsidies. The Government is currently reviewing the electricity tariffs which have not been revised since 2015. Pursuant to its Action Plan for the Energy and Water Sector 2018-2022, the Government will focus on private sector participation in the management and maintenance of dispersed infrastructure, including by licensing distribution activity in isolated systems to private sector participants.

Water Supply

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

Supply	**2013**	**2014**	**2015**	**2016**	**2017**
	(m^3/day)				
Production of drinking water in the provincial offices	551,300	536,300	595,100	587,300	588,900

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 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 2017, approximately 6.3 million people benefited from such facilities, as compared to approximately 4.6 million people in 2013. Under the Action Plan for the Energy and Water Sector 2018-2022, the Government intends to increase the access to water by continuing to develop the water supply systems in urban and rural areas, sustainably manage the water sector and by building systems for the collection and treatment of waste water in all provincial capitals of Angola. Under the Action Plan For the Energy and Water Sector 2018-2022 the Government intends to maximize access to water by continuing to strengthen the supply capacity of water to Luanda through the Bita and Quilonga systems and through rural parts of Angola and intends that the urban population with access to water will increase to 85 per cent. in urban areas by 2022 (and 80 per cent. in rural areas) from an average rate of water supply coverage of 63 per cent. in 2014. Water supply in Angola is subsidized.

The number of people with access to clean water has increased, principally as a result of the improved water supply to Luanda through the Quilonga and Bita water systems. In addition, in the period 2010 to 2017, the construction and/or expansion of the water supply systems in the following provincial capitals was achieved:

- Caxito;
- Ondjiva;
- Moçâmedes;
- Sumbe;
- Luena;
- Menongue;
- Cuito;
- Huambo;
- Uíge;
- Lubango;
- Saurimo; and
- Dundo.

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. Under the Action Plan for the Energy and Water Sector 2018-2022, the Government plans to invest approximately U.S.$2.3 billion to further develop Angola's water supply infrastructure between 2018-2022.

Privatization

In 1994, Angola introduced a new privatization law (the "**Privatization Law**") that 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 privatizations 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 businesses or 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 and Planning, 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 is organized into several separate departments which include administration, research and the departments responsible for 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 was intended that the study will form the basis for the Government's efforts to develop a privatization program for the short to medium term.

The Government wants future privatizations to 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.

More recently, through Presidential Order 19/18 of 20 February 2018, a committee was established with the purpose of preparing and implementing a privatization process on the Angolan Stock Exchange for certain public companies. This committee is coordinated by the Minister of State for the Economic and Social Development and includes the Minister of Finance, Minister of Planning and Economy, Secretary of the Angolan President for the Economic Affairs, Secretary of State for the Treasury and Finance, Chairman of ISEP, Chairman of the Capital Markets Commission, and BODIVA´s chairman of the executive committee.

Between 2013 and 2017, 29 small companies were privatized. Between 2013 and 2017 these privatizations generated approximately U.S.$23.4 million in Government revenues.

Angola intends to privatize a further 74 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's long-term policy is that companies which, in the Government's view, are not required to remain under public ownership as a matter of policy should eventually privatized.

THE EXTERNAL SECTOR

Balance of Payments

Angola's current account recorded a surplus in 2013, driven by large trade surpluses generated from Angola's oil exports. In 2017, 2016, 2015 and 2014 Angola's current account recorded a deficit of U.S.$0.9 billion (0.8 per cent. of GDP), U.S.$3.1 (3.0 per cent. of GDP), U.S.$10.3 billion (10.0 per cent. of GDP) and U.S.$3.7 billion (3.0 per cent. of GDP), respectively. 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. FDI has increased between 2013 and 2015, largely in the oil industry, but has since decreased. 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 recorded a deficit in 2013, 2014 and 2017, due to the deficits in the financial account resulting from the Government's substantial investment in Angola's infrastructure and its service of external debt obligations. The capital and financial account has recorded a significant surplus in 2015 and 2016 and a deficit in 2017, 2014 and 2013. The financial account recorded a surplus of U.S.$6.0 billion in 2016 and U.S.$6.9 billion in 2015, compared to a deficit of U.S.$5.5 billion in 2017, U.S.$0.5 billion in 2014 and U.S.$9.0 billion in 2013. The deficit in the capital and financial account in 2017 was primarily driven by a decrease in net FDI contributions which accounted for an outflow of U.S.$3.9 billion in 2017, compared to an inflow of U.S.$1.4 billion in 2016. 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:

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billion)		
Current account	**8.1**	**(3.7)**	**(10.3)**	**(3.1)**	**(0.9)**
Trade balance	41.9	30.6	12.5	14.5	20.4
Exports FOB	68.2	59.2	33.2	27.6	34.4
of which oil and gas sector	66.9	57.6	31.9	26.4	33.1
of which non-oil and gas sector	1.3	1.5	1.3	1.2	1.3
Imports FOB	(26.3)	(28.6)	(20.7)	(13.0)	(14.0)
Services (net)	(21.7)	(23.3)	(16.0)	(11.9)	(13.6)
Income (net)	(9.9)	(8.8)	(5.9)	(5.3)	(7.3)
Current transfers (net)	(2.1)	(2.2)	(0.8)	(0.5)	(0.5)
Capital and financial account	**(9.0)**	**(0.5)**	**6.9**	**6.0**	**(5.5)**
Capital account	—	—	—	—	—
Financial account	(9.0)	(0.5)	6.9	6.0	(5.5)
FDI (net)	(13.2)	(2.3)	8.2	1.4	(3.9)
Medium and long term capital (net)	5.6	7.2	(0.4)	7.0	(1.1)
Disbursements	10.2	13.3	5.7	13.5	7.2
of which oil companies	7.0	5.5	1.0	8.0	0.5
Amortizations	(4.6)	(6.1)	(6.1)	(6.5)	(8.2)
of which oil companies	(2.5)	(3.2)	(3.2)	(3.7)	(4.8)
Other Capital (net)	(1.5)	(5.3)	(0.9)	(2.3)	(0.5)
Errors and omissions	0.7	0.3	0.3	(2.6)	—
Overall balance	**(0.2)**	**(3.9)**	**(3.0)**	**0.4**	**(6.4)**
Financing	0.2	3.9	3.0	(0.4)	6.4
Variation of reserves	0.2	3.9	3.1	(0.4)	6.4
Arrears	0.0	0.0	0.0	0.0	0.0
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:

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billion)		
Exports					
Crude Oil	65.6	56.4	31.4	25.6	31.0
Refined Oil	0.7	0.7	0.4	0.3	0.5
Gas (including LNG)	0.6	0.6	0.1	0.5	1.6
Diamonds	1.2	1.3	1.1	1.0	1.1
Other	0.2	0.2	0.2	0.2	0.2
Total exports	**68.2**	**59.2**	**33.2**	**27.6**	**34.4**
Imports					
Current consumption goods	15.8	17.7	11.5	7.8	9.4
Intermediate consumption goods	3.7	4.3	3.3	1.7	1.5
Capital goods	6.8	6.5	5.8	3.6	3.2
Total imports	**26.3**	**28.6**	**20.7**	**13.0**	**14.0**

Source: National Bank of Angola (BNA)

Between 2013 and 2017, the total value of exports decreased by 49.7 per cent., from U.S.$68.2 billion to U.S.$34.4 billion, principally driven by the decrease in oil price causing a decrease in the value of oil exports from U.S.$65.6 billion to U.S.$31.0 billion, a 52.8 per cent. decrease, in the same period.

Between 2013 and 2017 there has been little change in the total value of non-oil and gas exports which had a total value of approximately U.S.$1.3 billion in both 2013 and 2017. Non-oil and gas exports continued to represent a very modest 3.8 per cent. of total Angolan exports in 2017. The pace of growth of non-oil and gas exports in the past couple of years has slowed due to a decrease in diamond prices, Angola's second largest export. In 2017, the value of diamond exports accounted for 3.3 per cent. of total exports.

Between 2013 and 2017, the total value of imports decreased from U.S.$26.3 billion to U.S.$14.0 billion, a decrease of 47.0 per cent. This decrease was largely driven by a decrease in imports of consumer goods, which accounted for 67.0 per cent. of total imports in 2017. 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. While imports have decreased year on year between 2014 and 2016, total imports increased to U.S.$14.0 billion in 2017 from U.S.$13.0 billion in 2016, in part due to a decrease in food stock in Angola which drove an increase in the import of food in 2017.

Capital goods represented 22.6 per cent. of Angola's imports in 2017. This can be largely ascribed to the Government's investment in the reconstruction of Angola's infrastructure and in the oil and gas and diamond sectors.

Exports

The table below sets forth the destination of Angola's crude oil exports for the years indicated by country between 2013 and 2017:

	2013	2014	2015	2016	2017
			(U.S.$ billion)		
China	31.7	27.7	14.1	13.9	19.2
United States	4.9	2.0	1.0	1.3	0.9
Canada	3.0	2.7	1.0	0.9	1.1
France	1.3	2.0	1.5	0.9	0.3
India	6.8	4.7	2.7	1.9	2.6
South Africa	1.8	2.0	1.3	1.3	1.3
The Netherlands	1.6	2.1	1.0	0.4	0.0

	2013	2014	2015	2016	2017
		(U.S.$ billion)			
Spain	2.4	3.7	2.2	0.8	0.9
Chile	0.0	0.4	0.1	0.0	0.0
Taiwan	4.0	2.3	1.4	1.1	1.4
Brazil	0.4	1.0	0.0	0.0	0.0
Others	7.7	5.7	5.0	3.1	3.3
Total	**65.6**	**56.4**	**31.4**	**25.6**	**31.1**

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:

	2013	2014	2015	2016	2017 (preliminary)
Crude Oil *(U.S.$ billion)*	65.6	56.4	31.4	25.6	31.0
Volume *(million barrels)*	609.3	586.9	628.3	611.2	571.1
Price *(U.S.$)*	107.7	96.0	50.0	41.8	54.3
Refined Oil (*U.S.$ billion*)	0.7	0.7	0.4	0.3	0.5
Volume (*In metric tons*)	931.4	1,012.6	1,262.0	1,226.1	1,289.2
Price (*U.S.$/metric ton*)	738.2	654.7	305.5	270.0	364.5
Gas (including LNG) (*U.S.$ billion*)	0.6	0.6	0.1	0.5	1.6
Volume (*thousand barrels*)	10,232.1	10,444.6	4,003.4	19,255.0	38,361.0
Price (*U.S.$/barrel*)	59.0	58.9	28.9	23.8	41.5
Diamonds (*U.S.$ billion*)	1.2	1.3	1.1	1.0	1.1
Volume (*in thousand carats*)	8,246.6	8,870.6	8,204.7	7,934.2	9,752.6
Price (*U.S.$/carats*)	141.5	150.5	129.9	123.5	115.9
Other exports (*U.S.$ billion*)	0.2	0.2	0.2	0.2	0.2
Total Exports *(U.S.$ billion)*	**68.2**	**59.2**	**33.2**	**27.6**	**34.4**

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:

	2013	2014	2015	2016	2017 (preliminary)
			(%)		
Crude Oil	96.1	95.3	94.6	92.7	90.2
Refined oil	1.0	1.1	1.2	1.2	1.4
Gas	0.9	1.0	0.3	1.7	4.6
Diamonds	1.7	2.3	3.2	3.6	3.3
Other exports	0.3	0.3	0.7	0.9	0.5
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: National Bank of Angola (BNA)

Oil remains by far Angola's single major export. In 2017, China, India, Canada and South Africa were Angola's principal trading partners in Angola's exports of oil. Between 2013 and 2017, oil exports to China and India, while decreasing in absolute terms, 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 2013 and 2017, crude oil exports to China decreased significantly from U.S.$31.7 billion in 2013 to U.S.$19.2 billion in 2017, crude oil exports to Canada decreased, from U.S.$3.0 billion in 2013 to U.S.$1.1 billion in 2017, crude oil exports to India decreased, from U.S.$6.8 billion in 2013 to U.S.$2.6 billion in 2017 and crude oil exports to South Africa decreased, from

U.S.$1.8 billion in 2013 to U.S.$1.3 billion in 2017. The decrease in oil exports was primarily driven by the decrease in oil prices between 2013 and 2017.

Non-oil and gas exports included principally diamonds.

Under the PRODESI, the Government identified that sustained and robust development of the economic sector relies on the diversification of productive sectors and, as such, has initiated an executive program to diversify national production in the areas of food and agroindustry, mineral resources, oil and natural gas, forestry, textiles, clothing and footwear, and tourism and leisure. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

Imports

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

2013		2014		2015		2016		2017	
				(U.S.$ billion)					
Portugal	4.3	Portugal	4.4	China	2.9	Portugal	1.8	Portugal	2.2
Singapore	3.5	Singapore	4.1	Portugal	2.6	China	1.5	China	1.8
China	2.7	China	3.5	Singapore	1.9	U.S.	1.4	U.S.	0.9
Korea	1.7	United States	1.9	Korea	1.5	Belgium	0.9	Belgium	0.8
Belgium	1.4	Belgium	1.7	Belgium	1.3	Brazil	0.6	Brazil	0.7
United States	1.2	UAE	1.6	United States	1.3	Singapore	0.6	South Africa	0.6
Brazil	1.1	Brazil	1.3	Brazil	0.8	South Africa	0.5	Korea	0.5
UAE	1.1	U.K	1.2	Malaysia	0.8	U.K	0.5	U.K	0.4
South Africa	1.0	South Africa	1.0	South Africa	0.8	Russian Federation	0.4	UAE	0.4
U.K	0.9	France	0.7	U.K	0.6	Norway	0.4	France	0.3
Others	7.3	Others	7.2	Others	6.2	Others	4.4	Others	5.3
Total	**26.3**	**Total**	**28.6**	**Total**	**20.7**	**Total**	**13.0**	**Total**	**14.0**

Source: National Bank of Angola (BNA)

Since 2013, 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 2017 were Portugal (15.6 per cent.), China (12.7 per cent.), the United States (6.4 per cent.), Brazil (5.4 per cent.), certain EU countries (in particular, Belgium (5.7 per cent.) and France (2.5 per cent.), the UAE (2.8 per cent.), Korea (3.7 per cent.) and United Kingdom (2.9 per cent.).

The gradual recovery in the production of agriculture and manufactured products and the effects of Angola's infrastructure investment program mean 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 U.S. dollars in circulation. See "*Monetary System – The Central Bank of Angola (the "BNA")*". The reduced U.S. dollar liquidity has negatively affected imports to Angola due to the fact that many imports were paid for in U.S. 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:

	2013	2014	2015	2016	2017 (preliminary)
			U.S.$ (billions)		
Petroleum imports	5.0	4.8	3.0	1.7	1.7
Animal products	1.3	1.4	1.0	0.7	1.0
Vegetable products	1.0	1.0	0.8	0.8	0.8

	2013	2014	2015	2016	2017 (preliminary)
			U.S.$ (billions)		
Animal and vegetable- derived products	0.5	0.5	0.4	0.3	0.4
Food, tobacco and beverages	1.9	1.9	1.2	0.8	1.0
Minerals (ore, cement, salt, sulphur, chalk and others)	0.2	0.1	0.1	0.1	0.0
Chemical and pharmaceutical	1.2	1.4	1.1	0.9	1.0
Plastic and rubber-based products	0.8	0.9	0.6	0.4	0.5
Wood and charcoal	0.1	0.1	0.1	0.0	0.0
Raw material/pulp for paper production	0.4	0.3	0.2	0.2	0.2
Textile industry products	0.4	0.5	0.3	0.2	0.3
Shoe industry	0.1	0.2	0.1	0.1	0.1
Ceramic, glass and similar products	0.3	0.3	0.2	0.1	0.1
Jewels and precious stones	0.7	0.8	0.6	0.2	0.2
Metals, including aluminum, magnesium, zinc, copper	1.9	2.4	1.9	1.0	0.7
Machinery and electrical equipment	5.3	6.4	5.6	3.2	3.1
Motor cars, aircraft, ships and related	4.1	3.6	1.4	0.4	1.0
Optical, photography, cinematograph and medical – surgical	0.4	0.7	0.4	0.3	0.2
Weapons, ammunition and related	0.0	0.0	0.0	0.0	0.0
Art, artefacts and antiques	0.2	0.7	1.2	1.7	1.0
Other products	0.6	0.7	0.4	0.2	0.6
Total	**26.3**	**28.6**	**20.7**	**13.0**	**14.0**

Source: National Bank of Angola (BNA)

Under the PRODESI, the Government identified that, alongside its key aim of diversifying Angolan exports, the replacement of imports is crucial to its strategy of rebalancing the economic sector. The Government aims to focus investment, develop infrastructure and improve the business environment in specific product sectors identified as having strong import replacement potential, including food and agroindustry, mineral resources, oil and natural gas, forestry, textiles, clothing and footwear, and tourism and leisure. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

Foreign Direct Investment

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 per cent. of the shares of the joint venture. Furthermore, it was compulsory for foreign investors to keep 75 per cent. 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. As part of Angola's efforts to diversify its economy and boost the non-oil private sector, the 2015 PIL is currently being reviewed with the approval of a new private investment law expected in the first half of 2018. The draft law has already been examined by the Council of Ministers and is waiting to be discussed and passed by the National Assembly. The proposed law is expected to be much more flexible and favorable for private investors. The new private investment law is expected to reduce beauraucracy and to end the requirement to establish compulsory partnerships with Angolan companies or citizens in certain sectors.

In March 2018, the *Agência de Investimento Privado e Promoção das Exportações* ("**AIPEX**") – the Agency for Private Investment and Promotion of Exports – was established (through Presidential Decree No. 81/18 of 19 March 2018) responsible for all aspects of private investment, the promotion of exports and international business partnerships, with the aim of increasing the competitiveness of the economy. This new agency for private investment and export replaces APIEX-Angola (the Angolan agency for the promotion of investment and exports), UTIP (the former Technical Unit for Private Investment) and the Unidade Técnica de Apoio ao Investimento Privado.

Regulation and monitoring of FDI

The definition and promotion of domestic investment 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 (approved by Law No. 14/15 of 11 August 2015), which came into force on 11 August 2015 (the "**2015 PIL**"), sets forth the requirements for

domestic investment and FDI in Angola, and provides for tax and customs incentives for private investment projects approved under the 2015 PIL.

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 AIPEX. 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. It is 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 per cent. 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 AIPEX. 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.

As part of Angola's efforts to diversify its economy and boost the non-oil private sector, the 2015 PIL is currently being reviewed with a view to reduce beauraucracy and to end the requirement to establish compulsory partnerships with Angolan companies or citizens in certain sectors. Differential and favorable treatment is expected to be reserved for those investing in priority sectors which are identified as relevant to the diversification and development of the economy. See "*The External Sector – Foreign Direct Investment.*"

In the meantime, all the technical units responsible for the assessment of investment projects at the Ministerial Departments level, the UTIP and the Angolan agency for the promotion of investment and exports have been extinguished by the Presidential Decree No. 81/18 of 19 March 2018. To replace the three entities the agency for the promotion of investment and imports) was created, it shall be the entity responsible for the approval of investment regardless of the amount involved.

FDI by sector and country of origin

The oil sector attracts the most significant amount of FDI. The table below sets forth a breakdown of FDI by industry sector, for the years indicated:

Industry Sector	2013	2014	2015	2016	2017
			(U.S.$ billion)		
Oil	18.2	20.1	15.5	10.3	5.5
Diamonds	0.1	0.1	0.1	0.1	0.2
Agriculture	0.0	0.0	0.0	0.0	0.0
Industry	0.0	0.0	0.0	0.0	0.0
Construction	0.0	0.0	0.0	0.0	0.0
Commerce	0.0	0.0	0.1	0.0	0.0
Provision of Services	0.0	0.0	0.0	0.0	0.0
Transport	0.0	0.0	0.0	0.0	0.0
Total	18.3	20.3	15.8	10.4	5.7

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 the operators 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 the operator for three oil Blocks) and Italy (with ENI acting as the operator of one oil Block).

In 2017, 53.5 per cent. of FDI in the oil sector originated from Europe, 32.3 per cent. originated from the United States, and 14.2 per cent. from other parts of the world, in particular China.

The table below sets out the country of origin of FDI in the oil sector in Angola from 2013 to 2017:

	2013	2014	2015	2016	2017	2013-2017
		(U.S.$ millions)				*(%) of total Oil FDI*
Country						
United States	6,558.8	5,778.6	4,259.0	2,356.2	1,758.5	29.4
France	3,620.5	3,713.7	3,269.9	2,452.9	1,550.1	20.7
United Kingdom	2,645.9	2,951.2	1,936.2	811.5	254.9	13.5
Norway	2,177.6	2,171.0	1,173.9	552.6	288.5	9.8
Italy	1,808.1	2,344.7	2,012.8	1,599.2	658.7	11.5
China	6.0	2,337.8	2,514.7	2,183.6	702.8	10.4
Denmark	491.1	195.2	(155.5)	0.0	(9.4)	1.0
Portugal	162.2	93.4	62.9	316.0	175.3	1.1
Others	717.5	543.3	475.1	(1.6)	71.9	2.7
Total	**18,187.5**	**20,128.8**	**15,549.1**	**10,270.3**	**5,451.3**	**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.

In February 2018, the Council of Ministers announced that it has commenced a review of the 2015 PIL as part of the Government's effort to boost non-oil production in the private sector. The Government has indicated that it is considering amendments which would reduce the administrative burdens around imports and exports, lower taxes and create new incentives for investment in specifically identified priority sectors and geographical locations. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*"

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.

Foreign Reserves

Surpluses in Angola's Balance of Payments in 2013 resulted in a significant strengthening of the country's foreign exchange ("**FX**") reserves position in 2013. FX reserves were U.S.$32.2 billion in 2013. The decline in oil revenues since 2013 and an increase in dollarization (the alignment of Angola's economy to the U.S. dollar) resulted in a decrease in gross FX reserves since 2013, as the BNA intervened in the FX market to avert a sharp depreciation of the Kwanza and as the BNA introduced a fixed rate of exchange of AOA 166 per U.S. dollar in April 2016 to stabilize the exchange rate of the Kwanza and maintained the fixed rate until December 2017. See "*Monetary System – Money supply – Government main strategies for the development of the banking sector*". The total gross FX reserves were U.S.$17.9 billion as at 31 December 2017, equivalent to 7.6 months of imports of goods and services and the total net FX reserves were U.S.$13.3 billion as at 31 December 2017, equivalent to 5.6 months of imports of goods and services. The BNA expects that gross and net foreign reserves will decrease by more than U.S.$3.7 billion in 2018 as a result of the foreign exchange rate policy pursued by the BNA. In part, as a result of the withdrawal of CBR status, FX reserves have declined materially between 2016 and 2017.

Between 2012 and 2013 Angola transferred U.S.$5 billion from the Oil for Infrastructure Fund to its sovereign wealth fund, the FSDEA of which approximately 32 per cent. is currently invested in debt and equity securities in international companies. See "*Public Finance – Fundo Soberano de Angola*" and "*Risk Factors – Risk Factors Relating to Angola – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*". Assets of FSDEA are not included in the calculation of foreign reserves.

As at 6 April 2018, gross FX reserves stood at U.S.$17.6 billion, equivalent to 7.3 months of import cover and net FX reserves stood at U.S.$13.0 billion, equivalent to 5.4 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:

	2013	2014	2015	2016	2017
Total gross FX Reserves (U.S.$ billion).....	**32.2**	**27.7**	**24.4**	**24.4**	**17.9**
Gross FX Reserves months of import cover	**7.8**	**6.2**	**7.7**	**11.4**	**7.6**
Total net FX Reserves (U.S.$ billion).....	**31.2**	**27.2**	**24.3**	**20.8**	**13.3**
Net FX Reserves months of import cover	**7.6**	**6.1**	**7.7**	**9.7**	**5.6**

Source: National Bank of Angola (BNA)

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

	2013	2014	2015	2016	2017
			(U.S.$ billion)		
Monetary gold.....	0.7	0.7	0.6	0.7	0.8
SDR holdings.....	0.4	0.3	0.3	0.3	0.3
Foreign exchange.....	—	—	0.1	0.1	0.1
BNA deposits.....	16.8	13.5	11.2	10.6	6.5
Securities	9.8	9.5	8.5	8.4	5.8
Reserve position in the IMF.....	—	—	—	0.2	0.2
Shares and other equity.....	4.5	3.7	3.6	4.2	4.3
Total gross foreign exchange reserves.....	**32.2**	**27.7**	**24.4**	**24.4**	**17.9**
of which liabilities[(1)(2)]	1.1	0.5	0.2	3.5	4.6
Total net foreign exchange reserves	**31.2**	**27.2**	**24.3**	**20.8**	**13.3**

1 Since 30 June 2016 the BNA has used repurchase arrangements with a number of counterparts to manage the liquidity of its reserves. Liabilities of gross reserves in 2016 and 2017 reflect assets sold under the terms of repurchase agreements but which the BNA has contracted to repurchase in accordance with the terms of its various repurchase agreements. As at the end of 2016 and 2017, respectively, the BNA had sold reserves assets for approximately U.S.$3.5 billion and U.S.$4.6 billion pursuant to such repurchase agreements. As of the date of this Prospectus, no additional reserves assets were sold pursuant to repurchase agreements since the end of 2017.

2 Liabilities of gross reserves in 2013, 2014 and 2015 reflect IMF credit.

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. The Government intends to.

The SADC Protocol on Trade, which intended to establish a free trade area in the SADC Region, achieved to attain zero duty on 85 per cent. of intra-regional trade amongst partner states in 2008. 13 out of 15 SADC member states are part of the SADC's free trade area. Angola is not currently part of the SADC's free trade area but the Government intends to join the SADC's free-trade zone in 2019.

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 per cent.

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.

Angola signed the Tripartite Free Trade Area Agreement between the Common Market for Eastern and Southern Africa, the East African Community and the SADC in June 2015. The Tripartite Free Trade Area Agreement has not yet come into force and its implementation remains subject to negotiation.

Additionally, Angola participated in the negotiations on the Continental Free Trade Area Agreement and signed the legal instruments establishing the Continental Free Trade Area Agreement in March 2018 in Rwanda during the summit of the African Union. The National Assembly is required to ratify the establishment of the Continental Free Trade Area Agreement.

Angola has participated in the negotiations on the Continental Free Trade Area and Angola has signed the protocol on trade in goods and is currently working on implementing this protocol. Angola is also currently in the process of considering and negotiating the protocol on trade in services.

The Government notified the Trade Facilitation Committee of the World Trade Organization of the measures it needs to implement for the purposes of ratifying the Trade Facilitation Agreement and Angola expects to ratify the Trade Facilitation Agreement by 2020.

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 Angola's economy and public finances remain exposed to oil price fluctuations. Prior to the decrease in oil price in the middle of 2014, oil revenue represented by far the largest proportion of fiscal revenue and accounted for 74.9 per cent. of fiscal revenue in 2013. Following the decrease in oil price, the proportion of oil revenue to fiscal revenue has decreased and was estimated at 52.4 per cent. in 2017. Non-oil tax revenues are estimated to account for 38.2 per cent. of the total in 2017. On the expenditure side, 79.7 per cent. of resources were estimated to have been allocated to current expenditures and 20.3 per cent. to capital expenditure in 2017.

Driven by a fall in oil prices, as well as a decrease in production, oil revenue has declined between 2013-2017 and Angola has experienced fiscal deficits in recent years, with an annual average deficit (on an accrual basis) of 3.7 per cent. of GDP in the period 2013 to 2017 and with an annual average deficit (on a cash basis) of 2.1 per cent. of GDP in the period 2013 to 2017. 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 2017, the reserve account held approximately U.S.$7.2 billion of treasury deposits in foreign currency (representing 6.5 per cent. of GDP). In November 2008, the Government established a commission to prepare strategies and legislation to establish the 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*" below.

The average spot price of crude oil was U.S.$107.7 per barrel in 2013, U.S.$96.0 per barrel in 2014, U.S.$50.0 per barrel in 2015, U.S.$41.8 per barrel in 2016 and U.S.$54.3 per barrel in 2017. The decline in oil prices has had a significant impact on Angola's fiscal performance and has driven the deterioration of Angola's fiscal deficit between 2013 and 2017. The 2018 National Budget targets an overall deficit of 3.4 per cent. of GDP assuming an average oil price of U.S.$50/bbl. See "– *The 2018 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 are extensions 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, autonomous funds (including the National Institute for Social Security and the Social Security Fund), indirect administrative public institutions and subsidies and transfers from the central Government to state owned entities and public utility institutions. 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 monetary 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.

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	2013	2014	2015	2016	2017
			% of GDP		
Price subsidies	4.6	4.5	1.8	0.4	0.3
Water sector	0.1	0.1	0.1	0.0	0.0
Transport Sector	—	—	0.1	0.0	0.1
Energy sector[1]	4.5	4.4	1.7	0.4	0.2
Non-price subsidies	**1.3**	**0.9**	**0.4**	**0.5**	**0.2**
Total subsidies	**5.9**	**5.4**	**2.3**	**1.0**	**0.5**

[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. The Government has successfully reduced the level of total subsidies from 5.9 per cent. of GDP in 2013 to approximately 0.5 per cent. of GDP by 2017 driven primarily by a reduction in energy sector subsidies which were reduced from 4.5 per cent. of GDP in 2013 to 0.2 per cent. of GDP in 2017. In part due to the reduction in subsidies, the non-primary fiscal deficit has declined from 48.3 per cent. of non-oil and gas GDP in 2013 to 13.3 per cent. of non-oil and gas GDP in 2017. The decrease in subsidies has also contributed to an increase in the rate of inflation in Luanda which reached 42.0 per cent. at the end of 2016 and 26.3 per cent. at the end of 2017 compared to 7.7 per cent. at the end of 2013. The rate of inflation in Angola reached 41.1 per cent. at the end of 2016 and 23.6 per cent. at the end of 2017.

Budget process

The budget process formally starts 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 Economy and 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.

In response to changing macro-economical conditions, Angola has in the past, and may in the future, revise the budgets that are approved by its National Assembly. For example, the 2015 National Budget and the 2016 National Budget were both revised after they were approved and published. See "*Risk Factors – Risk Factors Relating to Angola – If the Government is unable to achieve budgetary targets and limit Angola's fiscal deficit, Angola's economic growth may be adversely affected*".

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 target

year for the implementation of the administrative and fiscal decentralization is 2020; therefore, it shall be expected to testify a change in the Angolan tax system vis-à-vis the decentralization.

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 per cent. of the rent amount) specifically excluded from taxation, and rates that range from 7 per cent. to 17 per cent. (established by Law No. 18/14 of 22 October 2014). Individuals carrying on industrial and commercial activities are also subject to personal income tax at rates of between 6.5 and 30 per cent., depending on turnover.

(ii) Employers' social security contributions, which are governed by Decree No. 38/08 of 14 March 2008. Employers are required to pay 8 per cent. on the gross payroll, whereas employees pay 3 per cent. of their salaries.

(iii) Consumption tax (Presidential Legislative Decree No. 3-A/14 of 21 October 2014, as amended by Presidential Legislative Decree No. 5/15 of 21 September 2015), with a standard rate of 10 per cent. and specific rates for listed goods and services which range between 2 per cent. and 30 per cent. Consumption Tax rates on imports are set forth in the Customs Schedule and used to vary between 2 per cent. and 30 per cent. The amendment to the Consumption Tax implied an increase of the maximum rate of Consumption Tax from 30 per cent. to 80 per cent on imports and from 30 per cent to 65 per cent. on domestic production. The production of various petroleum products is now levied at rates of 2 per cent. or 5 per cent.

(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 of 21 October 2014). 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 per cent. to 15 per cent. (established by Presidential Legislative Decree No. 2/14 of 20 October 2014). 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 per cent. 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 per cent. 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. Article 9.1(o) of Presidential Legislative Decree No. 2/14 has been replaced by Law No. 5/16 of 17 May 2016, in order to establish a new and separate tax regime for gambling related activities.

(vii) The transfer and acquisition of real estate is subject to 2 per cent. Property Transfer Tax, as set by Legislative Diploma No. 230 of 18 May 1931 and Law No. 16/11 of 21 April 2011 (plus 0.3 per cent. 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 of 13 October 1970 and Law No. 18/11 of 21 April 2011, of 15 per cent. on rental income or 0 – 0.5 per cent. on the property's ratable valuation, as applicable.

(ix) Corporate income tax, known as "Industrial Tax", with a rate of 15 per cent. for agriculture, aquaculture, poultry, fishing and forestry, and 30 per cent. for all other activities (Law No. 19/14 of 22 October 2014). 6.5 per cent. 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 per cent. 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 of 22 November 2013, as amended by Presidential Legislative Decree No. 5/15 of 21 September 2015), as follows: (i) customs duties (rates vary between 2 per cent. and 50 per cent.); (ii) 1.0 per cent. 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 per cent. -2 per cent. 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 of 24 December 2004). This regime includes the following taxes:

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

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*".

Under Decree-Law 10/07 published on 3 October 2007, a specific tax regime for gas production allows tax to be settled only when a certain production capacity is reached. A special regime has been established for the Angola LNG project under the Decree-Law 10/07 of 3 October, whereby the gas tax is only due at the exportation stage and not before production.

There is also a specific tax regime for mining production (set by Law No. 31/11 of 23 September 2011), which includes royalties with rates that range from 2 per cent. to 5 per cent. and an income tax of 25 per cent.

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 2013 to 2017, tax revenue was, on average, 25.5 per cent. of GDP, constituting 17.4 per cent. of GDP for oil revenue, and 8.1 per cent. of GDP for non-oil tax revenue.

Under the PRODESI, the Government identified as a key aim the improvement of the business environment, which includes (among other things) simplifying tax payments, introducing value added tax and strengthening communication with taxpayers, in order to increase the tax collection base. Another key aim is to encourage further private investment, which includes creating tax incentive legislation to promote the economic interest of domestic production in sectors with a high potential for import replacement, and increasing economic diplomacy in order to define and implement agreements designed to avoid double taxation. See "*Public Finance – Fiscal Reforms for 2018 - Support Program for Production, Diversification of Exports and Replacement of Imports*".

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 U.S. dollars) and for 2018 as provided in the 2018 National Budget:

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
			(Kwanza billions)			
Revenue	**4,848.6**	**4,402.6**	**3,366.7**	**2,900.0**	**3,253.5**	**4,404.2**
Current revenue	4,847.8	4,402.1	3,365.7	2,899.1	3,252.9	4,404.2
Tax revenue	4,602.0	4,098.0	3,042.0	2,599.3	2,946.7	4,139.3
Oil	3,629.8	2,969.8	1,897.7	1,372.6	1,703.2	2,399.1
Non-oil	972.2	1,128.2	1,144.3	1,226.7	1,243.5	1,740.2
Social security contributions	120.7	86.9	150.7	158.7	166.5	172.9
Grants	1.8	1.5	1.2	1.8	4.3	—
Other revenue	123.2	215.7	171.8	139.2	135.3	92.1
Capital revenue	0.8	0.5	1.0	0.9	0.6	—
Expenditures	**4,816.4**	**5,221.4**	**3,773.7**	**3,534.3**	**4,189.5**	**5,209.0**
Current expenditures	3,437.3	3,665.9	3,037.5	2,889.2	3,340.9	4,230.2
Personnel	1,154.8	1,318.9	1,390.0	1,396.9	1,492.8	1,689.7
Goods and services	1,228.3	1,249.4	787.2	624.1	718.4	972.0
Interest payments due	99.1	147.2	248.5	356.5	678.6	968.4
Of which: External	40.1	59.6	105.9	155.2	296.3	517.1

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
			(Kwanza billions)			
Domestic	59.0	87.6	142.6	201.3	382.3	451.3
Transfers	955.0	950.4	611.9	511.7	451.1	600.1
Of which: subsidies	710.2	668.2	278.5	160.9	112.3	225.0
Capital expenditures	1,379.1	1,555.4	736.2	645.1	848.7	978.8
Fiscal surplus/(deficit) (accrual basis)[1]	**32.3**	**(818.7)**	**(407.0)**	**(634.3)**	**(936.1)**	**(804.7)**
Change in arrears (net)	**323.5**	**515.6**	**137.7**	**22.3**	**(55.4)**	**—**
Domestic	323.5	515.6	137.7	22.3	(55.4)	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis)[2]	**355.7**	**(303.2)**	**(269.3)**	**(612.0)**	**(991.4)**	**(804.7)**
Financing	**(355.7)**	**303.2**	**269.3**	**612.0**	**991.4**	**804.7**
Domestic financing (net)	(538.9)	(134.4)	(22.7)	(1,357.3)	474.6	239.9
Bank	(597.1)	(553.1)	(535.4)	(101.7)	1,552.3	500.0
Non-bank	58.2	418.7	512.7	(1,255.6)	(1,077.7)	(260.1)
External financing (net)	183.2	437.6	292.0	1,969.3	516.8	564.9
Assets	—	—	—	—	—	—
Liabilities	183.2	437.6	292.0	1,969.3	516.8	564.9
Foreign loans (net)	183.2	437.6	292.0	1,969.3	516.8	564.9
Disbursements	379.9	731.5	588.7	2,390.2	1,099.4	1,959.0
Amortization	(196.7)	(294.0)	(296.7)	(420.9)	(582.6)	(1,394.2)
Memorandum items:						
Inflation (year-to-year) (*%*)[3]	7.7	7.5	14.3	42.0	26.3	28.7
Average exchange rate (*AOA/U.S.$*)	96.6	98.6	120.1	164.0	165.9	218.7
Oil production *(million barrels)*	626.2	610.2	650.0	630.1	595.8	620.0
Average oil export price (*U.S.$/barrel*)	107.7	96.0	50.0	41.8	54.3	50.0
Nominal GDP (*AOA billion*)	12,056.3	12,462.3	12,320.8	16,662.3	18,430.4	23,871.6

[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.

[3] The rate of inflation presented for 2013 to 2017 is the year-end rate of inflation in Luanda. The rate of inflation budgeted for 2018 is the year-end rate of inflation in Angola. See "*Monetary System – Inflation*".

Source: Ministry of Finance

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
			(U.S.$ billions)			
Revenue	**50.2**	**44.6**	**28.0**	**17.7**	**19.6**	**20.1**
Current revenue	50.2	44.6	28.0	17.7	19.6	20.1
Tax revenue	47.6	41.5	25.3	15.8	17.8	18.9
Oil	37.6	30.1	15.8	8.4	10.3	11.0
Non-oil	10.1	11.4	9.5	7.5	7.5	8.0
Social security contributions	1.2	0.9	1.3	1.0	1.0	0.8
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	1.3	2.2	1.4	0.8	0.8	0.4
Capital revenue	—	—	—	—	—	—
Expenditures	**49.9**	**52.9**	**31.4**	**21.5**	**25.3**	**23.8**
Current expenditures	35.6	37.2	25.3	17.6	20.1	19.3
Personnel	12.0	13.4	11.6	8.5	9.0	7.7

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
			(U.S.$ billions)			
Goods and services	12.7	12.7	6.6	3.8	4.3	4.4
Interest payments due	1.0	1.5	2.1	2.2	4.1	4.4
Of which: External	0.4	0.6	0.9	0.9	1.8	2.4
Domestic	0.6	0.9	1.2	1.2	2.3	2.1
Transfers	9.9	9.6	5.1	3.1	2.7	2.7
Of which: subsidies	7.4	6.8	2.3	1.0	0.7	1.0
Capital expenditures	14.3	15.8	6.1	3.9	5.1	4.5
Fiscal surplus/(deficit) (accrual basis) [1]	**0.3**	**(8.3)**	**(3.4)**	**(3.9)**	**(5.6)**	**(3.7)**
Change in arrears (net)	**3.3**	**5.2**	**1.1**	**0.1**	**(0.3)**	**—**
Domestic	3.3	5.2	1.1	0.1	(0.3)	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis) [2]	**3.7**	**(3.1)**	**(2.2)**	**(3.7)**	**(6.0)**	**(3.7)**
Financing	**(3.7)**	**3.1**	**2.2**	**3.7**	**6.0**	**3.7**
Domestic financing (net)	(5.6)	(1.4)	(0.2)	(8.3)	2.9	1.1
Bank	(6.2)	(5.6)	(4.5)	(0.6)	9.4	2.3
Non-bank	0.6	4.2	4.3	(7.7)	(6.5)	(1.2)
External financing (net)	1.9	4.4	2.4	12.0	3.1	2.6
Assets	—	—	—	—	—	—
Liabilities	1.9	4.4	2.4	12.0	3.1	2.6
Foreign loans (net)	1.9	4.4	2.4	12.0	3.1	2.6
Disbursements	3.9	7.4	4.9	14.6	6.6	9.0
Amortization	(2.0)	(3.0)	(2.5)	(2.6)	(3.5)	(6.4)

[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 table below sets forth the fiscal-to-GDP ratios (in (%) terms) of the Government's fiscal operations, from 2013 to 2017, and for 2018 as provided in the 2018 National Budget:

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
			% of GDP			
Revenue	**40.2**	**35.3**	**27.3**	**17.4**	**17.7**	**18.4**
Current revenue	40.2	35.3	27.3	17.4	17.6	18.4
Tax revenue	38.2	32.9	24.7	15.6	16.0	17.3
Oil	30.1	23.8	15.4	8.2	9.2	10.1
Non-oil	8.1	9.1	9.3	7.4	6.7	7.3
Social security contributions	1.0	0.7	1.2	1.0	0.9	0.7
Grants	—	—	—	—	—	—
Other revenue	1.0	1.7	1.4	0.8	0.7	0.4
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	**39.9**	**41.9**	**30.6**	**21.2**	**22.7**	**21.8**
Currents expenditures	28.5	29.4	24.7	17.3	18.1	17.7
Personnel	9.6	10.6	11.3	8.4	8.1	7.1
Goods and services	10.2	10.0	6.4	3.7	3.9	4.1
Interest payments due	0.8	1.2	2.0	2.1	3.7	4.1
Of which: External	0.3	0.5	0.9	0.9	1.6	2.2
Domestic	0.5	0.7	1.2	1.2	2.1	1.9

	2013 Actual	2014 Actual	2015 Actual	2016 Preliminary	2017 Estimated	2018 National Budget
				% of GDP		
Transfers	7.9	7.6	5.0	3.1	2.4	2.5
Of which: subsidies	5.9	5.4	2.3	1.0	0.6	0.9
Capital expenditures	11.4	12.5	6.0	3.9	4.6	4.1
Fiscal surplus/(deficit) (accrual basis)[1]	**0.3**	**(6.6)**	**(3.3)**	**(3.8)**	**(5.1)**	**(3.4)**
Change in arrears (net)	**2.7**	**4.1**	**1.1**	**0.1**	**(0.3)**	**—**
Domestic	2.7	4.1	1.1	0.1	(0.3)	—
External interest	—	—	—	—	—	—
Fiscal surplus/(deficit) (cash basis)[2]	**3.0**	**(2.4)**	**(2.2)**	**(3.7)**	**(5.4)**	**(3.4)**
Financing	**(3.0)**	**2.4**	**2.2**	**3.7**	**5.4**	**3.4**
Domestic financing (net)	(4.5)	(1.1)	(0.2)	(8.1)	2.6	1.0
Bank	(5.0)	(4.4)	(4.3)	(0.6)	8.4	2.1
Non-bank	0.5	3.4	4.2	(7.5)	(5.8)	(1.1)
External financing (net)	1.5	3.5	2.4	11.8	2.8	2.4
Assets	—	—	—	—	—	—
Liabilities	1.5	3.5	2.4	11.8	2.8	2.4
Foreign loans (net)	1.5	3.5	2.4	11.8	2.8	2.4
Disbursements	3.2	5.9	4.8	14.3	6.0	8.2
Amortization	(1.6)	(2.4)	(2.4)	(2.5)	(3.2)	(5.8)

[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 2015 National Budget

Revenue

Under the revised 2015 National Budget, total projected revenue for 2015 was AOA 2,692.6 billion. Actual revenues for 2015 were AOA 3,366.7 billion, 25.0 per cent. higher than budgeted due to an increase in oil revenues compared to the budget. Oil revenues decreased 36.1 per cent. from 2014 to 2015, while non-oil related revenues increased by approximately 1.4 per cent. As a proportion of 2015 GDP, oil revenues decreased by 8.7 per cent., while non-oil tax revenues increased by 0.1 per cent. as compared to 2014.

Under the revised 2015 National Budget, oil revenue was budgeted to represent 38.6 per cent. of total revenue, down by 28.9 percentage points in comparison to 2014, whereas non-oil tax revenue was budgeted to represent 53.4 per cent. Actual oil revenue was 56.4 per cent. of total revenue in 2015, with non-oil tax revenue representing 34.0 per cent. of total revenue.

Expenditure

In 2015 actual expenditure decreased by an amount equal to 11.7 per cent. of 2015 GDP, in comparison to actual expenditure for 2014, principally relating to increased investments in infrastructure projects and an increase in public sector worker costs. Overall, actual expenditure amounted to AOA 3,773.7 billion, a decrease of 27.7 per cent. in comparison to actual expenditure in 2014. Current expenditure decreased by approximately 17.1 per cent. and capital expenditure decreased by 52.7 per cent. compared with 2014.

The allocation of total budget expenditure to Government function was: social sector, 31.6 per cent., economic sector, 10.6 per cent., general administration, 11.7 per cent., defense and public safety, 21.6 per cent., and public debt obligations, 24.5 per cent.

Performance

The actual revenue for 2015 was 25.0 per cent. higher than budgeted under the revised 2015 National Budget, while actual expenditure was 7.8 per cent. higher. As a result, while the 2015 National Budget catered for a fiscal deficit of 7.0 per cent. of the GDP, a fiscal deficit of 3.3 per cent. was achieved. The revised 2015 National Budget was prepared using an assumed oil price of U.S.$40 per barrel, while there was an actual average oil price of U.S.$50 per barrel in 2015.

The 2016 National Budget

Revenue

Under the revised 2016 National Budget, total projected revenue for 2016 was AOA 3,484.6 billion. The actual revenues for 2016 were AOA 2,900.0 billion. In 2016, the oil related tax revenues decreased by 27.7 per cent. compared to 2015 due to a decrease in oil price. Over the same period non-oil related tax revenue increased by 7.2 per cent.

Under the revised 2016 National Budget, oil revenue was budgeted to represent 44.1 per cent. of total revenue, down by 12.3 percentage points in comparison to 2015, whereas non-oil tax revenue was budgeted to represent 44.7 per cent., although actual oil revenue was 47.3 per cent. of total revenue in 2016, with non-oil tax revenue representing 42.3 per cent. of total revenue.

Expenditure

In 2016 actual expenditure as a proportion of GDP decreased by 9.4 percentage points compared to 2015. Overall, spending amounted to AOA 3,534.3 billion, down 6.3 per cent. from actual expenditure in 2015 driven by a decrease in subsidies and capital expenditure. Current expenditure decreased by 4.9 per cent. and capital expenditure decreased by 12.4 per cent. compared with 2015.

The allocation of total budget expenditure to Government function was: social sector, 20.3 per cent., economic sector, 11.3 per cent., general administration, 23.9 per cent., defense and public safety, 18.1 per cent., and public debt obligations, 26.4 per cent.

Performance

Actual revenue was lower than budgeted under the revised 2016 National Budget, though the level of expenditure also decreased by 21.2 per cent. from budgeted expenditure.

While the revised 2016 National Budget catered for a fiscal deficit of 5.9 per cent. of GDP, a lower fiscal deficit of 3.7 per cent. was achieved due to the reduction in expenditure. The revised 2016 National Budget was prepared using an assumed oil price of U.S.$41 per barrel as compared to an actual average oil price of U.S.$40.9 per barrel for 2016.

The 2017 National Budget

Revenue

Under the 2017 National Budget, total projected revenue for 2017 was AOA 3,667.8 billion. The revenues for 2017 are estimated to be AOA 3,253.5 billion. In 2017, the oil related tax revenues are estimated to have increased by 24.1 per cent. compared to 2016 driven by an increase in average oil price which reached U.S.$54.3 in 2017 compared to U.S.$41.8 in 2016. Over the same period non-oil related tax revenue increased by 1.4 per cent.

Under the 2017 National Budget, oil revenue was budgeted to represent 46.2 per cent. of total revenue, a decrease of 1.1 percentage points in comparison to 2016, whereas non-oil tax revenue was budgeted to represent 46.6 per cent. in 2017. Actual oil revenue is estimated to account for 52.4 per cent. of total revenue in 2017, with non-oil tax revenue representing 38.2 per cent. of total revenue.

Expenditure

In 2017 actual expenditure as a proportion of GDP is estimated to have increased by 1.5 percentage points by comparison to 2016, principally driven by an increase in investments in infrastructure projects, an increase in public sector worker costs and an increase in interest payments on Angola's external and domestic debt obligations. Overall, spending in 2017 is estimated

to have amounted to AOA 4,189.5 billion, up 18.5 per cent. from actual expenditure in 2016. In 2017, current expenditure increased by 15.6 per cent. and capital expenditure grew by 31.6 per cent. compared with 2016.

The allocation of total budget expenditure to Government function was: social sector, 20.2 per cent., economic sector, 12.3 per cent., general administration, 16.4 per cent., defense and public safety, 13.5 per cent., and public debt obligations, 37.6 per cent.

Performance

Actual revenue was lower than budgeted under the 2017 National Budget, though the level of expenditure also decreased by 12.2 per cent. from budgeted expenditure.

While the 2017 National Budget catered for a fiscal deficit of 5.8 per cent. of GDP, the fiscal deficit is expected to increase to 6.2 per cent. due to a reduction in oil production which has driven a decrease in oil revenues and due to an increase in capital expenditure, staff remuneration and interest payments compared to the 2017 National Budget. The 2017 National Budget was prepared using an assumed oil price of U.S.$46.0 per barrel as compared to an average oil price of U.S.$54.3 per barrel for 2017.

The 2018 National Budget

The macroeconomic assumptions in Angola's 2018 National Budget are as shown in the table below and are compared against Angola's actual performance in 2017:

	2017 (estimated)	2018 (National Budget)
Annual oil production (*million barrels*)	595.8	620.0
Average oil export price per barrel (*U.S.$*)	54.3	50.0
Gross Domestic Product		
Nominal value *(AOA billions)*	18,430.4	23,871.6
Real growth rate (%)	1.4	4.9
Oil and gas sector growth rate (%)	0.8	6.1
Non-oil and gas sector growth rate (%)	1.8	4.4

Source: Ministry of Finance.

In its 2018 National Budget, the Government budgeted that oil production will increase by 4.1 per cent. to 1,698.6 thousand bbl/d and oil prices will decrease by 7.9 per cent. in 2018 compared to 2017 estimates. Due to delays in certain oil projects (including the Kaombo Project – See "*The Economy – Primary Industry Sectors – Oil Industry – Production*") coming on stream as scheduled at the beginning of 2018, the Government currently expects its daily oil production rate in 2018 to reach approximately 1,650 thousand bbl/d, below its budgeted target.

As a result of the 2018 budgeted increase in oil production, the Government expects that Angola's oil and gas sector contribution to nominal GDP will increase by 39.3 per cent. in 2018. Additionally, Angola's non-oil and gas sector contribution to nominal GDP is expected to increase by 34.3 per cent. in 2018. As a result, it is budgeted that Angola's total nominal GDP will increase by 35.5 per cent. in 2018.

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 in 2018, Angola's real GDP growth in the oil and gas sector was budgeted in the 2018 National Budget to be 6.1 per cent. Angola's real GDP growth in the non-oil and gas sector was budgeted in the 2018 National Budget to be 4.4 per cent. As a result, the Government's 2018 National Budget provided that Angola's total real GDP would grow by 4.9 per cent. in 2018. 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 budget is estimated at AOA 4,404.2 billion (U.S.$20.1 billion), which represents an increase of 35.4 per cent. of the estimated figure for 2017. The increase in oil revenue compared

to 2017 is expected to be 40.9 per cent., while that of non-oil tax revenue is expected to increase by 39.9 per cent. Oil revenue is expected to represent 54.5 per cent. of total revenue, and non-oil tax revenue is expected to represent 39.5 per cent. of revenue.

In the 2018 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 and gas sector; (ii) improve and modernise 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, defense and security; (vii) 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.

Expenditure

Total expenditure under the budget for 2018 is estimated at AOA 5,209.0 billion, which represents an increase of 24.3 per cent. from the estimated expenditure of 2017. Current expenditure has been budgeted to increase by 26.6 per cent. and capital expenditure has been budgeted to increase by 15.3 per cent.

The projected allocation of total budget expenditure to Government function is: social sector, 20.4 per cent., economic sector, 7.9 per cent., general administration, 9.4 per cent., defense and public safety, 10.0 per cent., and public debt obligations, 52.0 per cent.

As part of the Government's internal policy and pursuant to Law 1/14 of 10 February 2014 (as amended by Law 21/16 of 29 December 2016 – Legal Regime Law for Issuance and Management of the State Direct and Indirect Public Debt) and 15/10 of 14 July 2010 (Basis of the State Budget Law), external financing will only fund the capital expenditure component (and not the current expenditure component) of the budget deficit. Approximately 20 per cent. of a capital expenditure project will be funded by the Government, the remainder being financed through external financing.

In the 2018 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 program projects in 2015 and ensuring physical and financial completion of 2014 public investment program 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.

The table below sets out an illustrative sensitivity analysis to oil prices for the 2018 National Budget, showing the expected revenue and fiscal deficit assuming an oil price of U.S.$50, or U.S.$55 per barrel:

Assumed oil price per barrel *(U.S.$)*	50	55
Revenue *(U.S.$ billion)*	20.1	21.2
Fiscal deficit *(U.S.$ billion)*	(3.7)	(2.6)

The above illustration assumes no changes in expenditures or debt service.

Fiscal Reforms for 2018

In order to reform the economy and business environment, the Government has launched the following new initiatives: the Macroeconomic Stability Program; the program for state reform and strengthening of institutional capacity; the program for the promotion of exports and substitution of imports; improvement of the quality of services in the areas of education, higher education and health; the infrastructure construction and rehabilitation program; and the program for local development and the fight against poverty.

Macroeconomic Stability Program

The Government has launched the new macroeconomic stability program (*Programa de Estabilidade Macroeconómica*) (the "**PEM**") in March 2018 which is an executive macroeconomic adjustment initiative designed to realign Angola's economy with the new environment in which oil prices are substantially lower than they were prior to 2014. The Government launched an Executive Interim Plan (October 2017 to March 2018) as a precursor to launching the PEM, to enable it to create a macroeconomic environment necessary for the achievement of the goals set out in Angola's National Development Plan 2018-2022.

The PEM recognizes that, as a result of the prolonged drop in oil prices since 2014, Angola has experienced significant imbalances within the structure of its public finances. The drop in tax revenue, as an inevitable consequence of the oil price depression, has not been met with a proportional decrease in public expenditure. As a result, this has led to systemic fiscal deficits which are currently serviced by domestic and external debt. An increase in domestic interest rates has reduced the potential for economic growth which, coupled with continued dependence on imported goods and services, has placed substantial pressure on the balance of trade. The PEM therefore sets out the Government's consolidated economic policy response to address these factors, and ultimately to reunify the foreign exchange market, reduce inflation rates and to promote private investment, so as to stimulate Angola's economy and improve social indicators.

Exchange Rate Policy

Under the PEM, the Government intends to reduce opportunities for arbitrage in foreign exchange markets and to balance the foreign exchange market.

(i) Reduce opportunities for arbitrage in foreign exchange markets.

The Government intends to reduce opportunities for arbitrage in foreign exchange markets by, among others, defining a new governance and currency allocation model for the banking and financial sector and removing the BNA's Foreign Exchange Control Department from this role; and forming a team to establish a foreign exchange enforcement program to identify priority areas (e.g. foreign technical assistance and control of exports) and assessing the adequacy of the current regulatory framework.

(ii) Balance the foreign exchange market.

The Government intends to balance the foreign exchange market by, among others, adopting an exchange rate fluctuation regime managed within a bracket compatible with Angola's inflation target; and intervening in the foreign exchange market to counterbalance appreciation or depreciation pressures and ensure relative stability.

It is anticipated that these measures may result in a nominal increase in expenditure, as well as increasing nominal revenue in the short term and increasing production in the long term. Any exchange rate adjustment will have an inflationary impact, and the PEM recognizes the need to consider these effects further before taking such action. The BNA's analysis on exchange rate adjustment impacts suggest that such measures could lead to sustainability constraints for smaller institutions which have relatively higher foreign exchange exposure. In the long term, however, greater alignment between formal and informal rates would significantly reduce the scope for foreign exchange arbitrage.

Fiscal Sector – Public Expenditure

Pursuant to the PEM, the following objectives have been identified to sustainably promote competitiveness and economic development:

(i) Ensure that all Governmental obligations and expenditure are accurately budgeted and that all incurred expenditure (paid or unpaid) is recorded timely and accurately, to allow for the control and prevention of arrears.

(ii) Create conditions for strengthening countercyclical policy instruments.

Reviewing the institutional and legal framework of reserve accounts funded by petroleum resources; defining short and medium term fiscal rules to ensure a countercyclical approach and an approach to sustain the deficits; ensuring the use of a realistic exchange rate, foreign exchange revenue and expenditure assumptions in the budget for 2018 and in subsequent years; and defining a deficit assumption for the same.

(iii) Implement a multi-annual, cautious and realistic budgetary approach including the assessment of foreign exchange revenues and expenditure and approving legislation to provide for a five-year fiscal budget.

(iv) Align the requirements of short term public investment programs with Angola's economic development and diversification policy.

Eliminating any projects lacking execution capacity; aligning the public investment program portfolios with the multi-annual fiscal framework; redefining the policy for including projects within public investment program portfolios to align these with economic development policies; assessing the possibility of new approaches for financing public investment program portfolios; and guaranteeing budget resource allocation for the relevant departments.

(v) Foster competition in open public tenders required for all public expenditure, supported by a robust information technology platform.

Identifying obstacles to the wider use of public tenders and proposing a resolution plan; analyzing gaps in current computer solutions for public tenders; proposing an effective structure for punitive application of public tender rules; proposing legislation to force holders of public office, directors and managers to declare the companies over which there exist conflicts of interest when such individuals contract with public sector organizations; introducing due diligence procedures into the public tender process; and creating a database of final beneficiaries for companies entering into contracts with the executive and public corporate sector.

(vi) Streamline and improve the quality of the Government's expenditure.

Readjusting the price of refined products, water and electricity in light of projected levels of consumption; propose regulations for progressive alignment of such prices with market prices; optimizing the budgets for diplomatic and consular missions; re-registering military and paramilitary staff, civil servants and civil agents; and creating a framework for privatizing corporate property and Sonangol's restructuring strategy.

Fiscal Sector – Public Revenue

The PEM has identified the following objectives to improve fiscal revenues:

(i) Increase the robustness of tax revenues.

Increasing taxes on alcoholic drinks, night clubs, gambling and lotteries, luxury items and services; reviewing exemption arrangements, settling customs debts and eliminating arrangements for later settlement of customs obligations in order to increase import taxes; increasing tax rates on imported luxury consumer goods; and implementing necessary actions to introduce VAT from January 2019. The Government currently expects to introduce VAT on a staged basis.

(ii) Improve the accuracy of revenue projections made with respect to the Kwanza and U.S. dollar, with a view to supporting medium-term budget planning and improving treasury management.

Appraising the underlying assumptions and estimated revenues for 2018; identifying opportunities to improve revenue projection capacity; creating an expert team to review and improving the revenue forecast on a quarterly basis.

(iii) Optimize the oil and gas sector's fiscal regime.

Reviewing the fiscal arrangements covering oil sector activities; defining laws on the exploration, production and sale of gas; and settling fiscal debts in the oil sector.

Fiscal Sector – Debt

The PEM sets out the following aims to manage its financings sustainably:

(i) Maintain accurate oversight of total debt (including Angola's arrears and private external debt), as well as debt service forecasts.

Completing a survey of non-recorded debt; creating a specialized department to collect and manage statistical data regarding external private debt; and consolidating debt and producing integrated forecasts for debt service.

(ii) Optimize levels of public debt and debt servicing.

Significantly reducing the forecasted budgetary deficit; negotiating the refinancing of debt with main bilateral partners; implementing the necessary actions for issuing Eurobonds; developing a strategy based on medium term fiscal frameworks using a minimum five-year horizon; securing investors for long-term national currency bonds; and reviewing the Public-Private Partnership Law (Law No. 02/2011 of 14 January 2011) in order to mobilize private sector resources.

(iii) Develop new segments of the internal debt market.

Evaluating the current public debt auction system; updating legislation to enable the participation of foreign exchange non-residents; adopting an issuing model to facilitate price discovery by potential investors; and form regulations to incentivize banks to trade in treasury bonds in the secondary market.

Monetary Policy

Under the PEM, the BNA intends to increase the reserves commercial banks are required to maintain to reduce the market's liquidity driving an increase in interest rates with the aim of reducing consumption and relieving inflationary pressures. The PEM sets out the following targets and measures which, in the long term, seek to strengthen monetary policy transmission mechanisms:

(i) Ensure the stabilization of the rate of inflation and a corresponding sustainable trajectory to reduce inflation.

Improving capacity to forecast and manage liquidity; guaranteeing the BNA's autonomy in utilizing monetary policy instruments; and estimating the ideal rate of growth in line with stabilization and diversification objectives.

(ii) Increase the robustness of monetary policy instruments.

Reviewing mechanisms for compliance with reserve requirements; realigning the BNA's base interest rates; and reassessing the foreign exchange position of commercial banks with regards to legally required own funds.

(iii) Target a greater availability of credit for the real economy during the stabilization phase.

Supporting the BDA, the Angola Invests Program and granting credit to non-oil and gas sectors; creating agricultural insurance; fostering access to credit in the non-oil and gas extraction sectors; and reviewing reserve requirement ratios and base interest rates in proportion to the amount of credit extended for longer-term production activities.

These measures are aimed at controlling inflation and ensuring adequate levels of liquidity in the financial system.

Financial Sector

The Angolan financial system, particularly in the banking sector, has been subject to stricter legal and regulatory requirements through the BNA as its supervisory and regulatory body, with a view to improving overall stability. The PEM sets out measures to continue and reaffirm this by addressing deficiencies identified by the IMF in its Financial Sector Assessment Program, and eliminating constraints which have previously led to the breakdown of banking relationships in Angola. The targets and measures set out in the PEM include:

(i) Maintain a stable and solvent financial sector through the promotion of the stability of individual financial institutions.

Redefining and strengthening prudential and behavioral supervision; and ensuring the advancement of consumer protection legislation.

(ii) Ensure that the financial sector complies with existing legislation and regulations.

Ensuring efficacy of supervision by implementing a more intrusive and transparent, risk-based approach; and monitoring the activities of each financial institution rigorously and ensuring the law is applied and enforced effectively.

(iii) Ensure effective implementation of the legal and regulatory framework on anti-money laundering and counter terrorist financing issues, in light of the FATF recommendations.

Ensuring that the Financial Information Unit supervision committee is effective; improving relations with banks by creating paths for mitigating risks; increasing minimum own capital requirements for commercial banks; and improving anti-money laundering and counter terrorist financing supervision, particularly regarding politically exposed persons.

(iv) Implement domestic capital and stock exchange markets.

Studying the current size and movement of the secondary public debt market; promoting the stock market by floating key companies; implementing necessary regulatory adjustments to enable the issuance of corporate bonds; assessing the vulnerability of each commercial bank; updating the insurance regulatory and supervisory framework; implementing new supervision mechanisms; and defining a medium term strategy to develop capital markets.

(v) Develop a legal and regulatory framework to address failure in the banking sector.

Ensuring that legislation and regulations enshrine objective criteria for assessing and supporting decisions to resolve failing banks, governance structures for resolving entities created to acquire NPLs from banks, methodologies for implementing and monitoring processes, and exit clauses for returning resolved banks back to private ownership.

(vi) Increase the impact of the financial sector in the economy, in order to support economic development and diversification policy.

Implementing financial education programs; implementing simplified bank account programs; and reviewing savings incentives and mechanisms.

Program for State Reform and Strengthening of Institutional Capacity

The Government plans to implement new policies which seek to (i) strengthen its institutions; (ii) optimize the public administrative sector; (iii) reform administrative procedures; and (iv) combat economic crime and corruption.

The policies aimed at strengthening institutions include (i) reviewing and updating the "Angola 2025" long-term development strategy (extending its timeline to 2050) and incorporating the Sustainable Development Goals (UN 2030 Agenda); (ii) initiating new policies aimed at monitoring and managing the population and immigration levels; (iii) continuing to reform justice and the rule of law; (iv) modernizing public finance management; (v) reviewing the organizational, regulatory and supervisory framework of economic sectors; and (vi) reducing customs costs for imported raw materials and export products.

Policies aimed at combating economic crime and corruption will include (i) combating all forms of corruption; (ii) strengthening the legal framework of accountability for both civil and criminal matters; (iii) taking disciplinary measures to discourage, prosecute and punish acts of corruption that harm Angola's interests; and (iv) creating a special body in the attorney-general's office which will be provided with specialized training and legal, technical and human resources to combat economic crime and corruption.

Support Program for Production, Diversification of Exports and Replacement of Imports

The Government has established in 2018 a Support Program for Production, Diversification of Exports and Replacement of Imports ("**PRODESI**"), which recognizes that a long-standing dependence of the national economy on the oil sector is a

driving factor in the structural imbalances existing within the economic sector, namely in imports, exports and tax collection. The Government has initiated an executive program under the PRODESI to expand Angola's export market, replace imported goods and improve tax collection to maintain public accounts.

Under the PRODESI the Government has identified a set of priority sectors in which it aims to improve the business environment, encourage private investment, develop and consolidate physical infrastructure, strengthen the Government's organization and digital infrastructure, increase economic diplomacy, train and develop human resources, and promote the establishment of public-private partnerships.

The Government-identified resources available to achieve the aims set out in the PRODESI include resources made available through BDA credit lines, bilateral credit lines initially established to meet public investment programs, foreign direct investment resources, private equity funds of the FSDEA, and domestic and foreign financial market resources.

The PRODESI aims to drive the following growth rates set out under the National Development Plan 2018-2022:

(i) annual average growth of non-petroleum GDP exceeding 5 per cent.;

(ii) annual average growth of agricultural GDP exceeding 7 per cent.;

(iii) annual average growth of manufacturing GDP exceeding 4 per cent.;

(iv) annual average growth of energy GDP exceeding 8 per cent.;

(v) an increase from 5 per cent. to 15 per cent. of the relative weight of non-oil exports to total exports;

(vi) a 75 per cent. increase in the average annual foreign direct investment, compared to the annual average recorded in the period from 2009-2015; and

(vii) an improvement of at least 20 places in the international business environment ranking of the Doing Business Report prepared by the World Bank.

Strengthening production in priority goods and services

The PRODESI is primarily focused on improving the diversification of the national economy by promoting domestic production in specifically identified non-oil sectors with strong import replacement potential. The PRODESI sets out a number of actions designed to accelerate economic diversification, whether through import replacement or the increase of exports, which will be aimed primarily at the following priority goods and services:

(i) in the field of agroindustry and fisheries, industrialised crops and livestock which are part of the basic food basket such as rice, sugar, beans, maize, flour, soy bean, palm oil, dried meat, cotton, sugar cane, strawberries, chicken and eggs, beef, goats, pigs, seeds, tubers, coffee, bananas, and salt; fishery and aquaculture products including crustaceans, molluscs and derivative products such as fishmeal and fish oils; and prepared seeds for permanent and temporary crops for propagation;

(ii) in the fields of mineral resources and petroleum, coke, refined products and various fuels; ornamental rocks; gold; quartz; minerals for chemical industry and the manufacture of fertilizers; limestone and natural plaster; and natural sands;

(iii) in the field of industry, industrialised basic goods such as pastas, soaps, milk powders; beverage industries; textiles and clothing products (including the development of cotton production); non-metallic minerals (cement, lime and gypsum, ceramic products, marble and similar rock works); glass, and glass articles and containers; basic metals including iron, steel, non-ferrous metals and ferro-alloys; wood and cork products such as plywood, building carpentry, wood packaging, baskets and mats); basic pharmaceutical products and preparations (including veterinary products); recycled waste such as paper, plastic and glass; mineral or chemical fertilizers; industrial gases; and assembly of household appliances, agricultural equipment, motor vehicles and components, and bicycles; and

(iv) in the fields of hospitality and tourism, accommodation; catering; and travel agencies, tour operators and related services.

In addition to the abovementioned priority goods and services, the Government has identified the following geographical locations in which investment should be focused at the outset:

(i) "development poles" i.e. areas in which development potential already exists, including Luanda (concentrated international infrastructure and home to main economic groups, companies and international institutions), the Benguela-Lobito hub (secondary international nucleus with industrial, logistics and tourism potential), Huambo and Cuito (main logistics platform of Angola and strong agricultural and industrial presence), Cabinda (integral industrial and commercial hub), Soyo (petrochemical and steel hub), Luena-Luau (increasingly urban, commercial and cultural centre), and Menongue (logistics potential);

(ii) "development hubs" i.e. areas which interconnect the main urban centres and where development processes are already underway, including the Luanda-Malanje corridor, the Porto Amboim-Benguela corridor, the corridor Lobito-Huambo-Cuito-Luena-Luau (which follows the route of the Benguela railway), and the Soyo corridor (Mbanza Congo-Maquela do Zombo-Quimbele-Sanza Pombo) (potential line for mineral resource exploration); and

(iii) "equilibrium poles" i.e. remote and less demographically dense areas where opportunities for development are still low but where bases for new development must be established and employment promoted.

Cross-sectional initiatives for diversifying exports, replacing imports and strengthening tax collection

The PRODESI sets out key cross-sectional initiatives which include measures designed to bring about economic diversification. The cross-sectional initiatives support domestic production and impact most (if not all) economic activities, and have been grouped into seven categories which are detailed, along with their respective measures, below.

Cross-sectional initiative I – Improving the business environment

Measures aimed at improving the business environment include creating a new legal and regulatory framework for managing private investment; facilitating obtaining business permits; facilitating acquisition of electricity; improving property registration; facilitating access to credit; improving investor protection; simplifying and improving tax payments; increasing international trade; promoting compliance with contractual obligations; and promoting the resolution of insolvencies and bankruptcies.

Cross-sectional initiative II – Encouraging private investment

Measures designed to encourage private investment include the creation of financial products to suit the needs of active business enterprises; structuring program-oriented credit lines, guarantee funds and investment funds; the creation of financial products aimed at coverage of foreign exchange, physical deliver/settlement and transaction price risk; encouraging the creation of credit insurance to protect commercial risks of non-payment; increasing financial support for the export of services, primarily in IT and communication technology services; establishing funding mechanisms for specific projects; updating the Angola Invests Program with a renewed focus on import replacement and export diversification; creating fiscal incentive and tax incentive legislation to promote economic interest in domestic export-oriented production including expeditious incentive mechanisms; implementing a prioritization mechanism for allocating foreign exchange resources to the priority areas; and defining and implementing agreements designed to avoid double taxation.

Cross-sectional initiative III – Consolidating physical infrastructure

This initiative aims to consolidate physical infrastructure limited to priority areas of productive activity. Measures designed to achieve this aim include reconciliation of public investment programs and public-private partnerships in the fields of energy, water, communication, transport, ports and airports, and telecommunications with operational and logistical support; encouraging the creation of marketing networks; and strengthening industrial development centres, special economic zones and free-trade zones.

Cross-sectional initiative IV – Strengthening the Government's organizational and digital capital

This initiative is designed to remove constraints on the Government's bureaucratic procedures and accelerate delivery of public services, as well as promoting the quality of private sector products and services. Measures designed to implement this initiative include more rigorous control of governmental employees' actions and simplification of administrative procedures;

creating a commodity exchange in Angola; and strengthening the role of the National Quality System and quality certifications.

Cross-sectional initiative V – Intensifying economic diplomacy

Measures designed to intensify economic diplomacy include renewing the "Made in Angola" brand (distinguishing national products by marking them with the words "Made in Angola" and certifying them by the National Quality Certification System); establishing and promoting Angola's productive capacity to raise awareness of national products, reference prices, companies, export processes and support infrastructures; and enhancing diplomatic and commercial efforts abroad by disseminating the priority programs for diversification of exports, developing new economic and trade partnerships with strategic countries, and promoting roadshows for domestic products in foreign markets to bring about an increase in foreign market shares and to attract foreign investment.

Cross-sectional initiative VI – Training and qualifying human resources

Measures designed to train and qualify human resources include creating bachelor and post-graduate degrees in international trade, marketing, business management and economic diplomacy; promoting training through technical and professional education; and promoting the training and qualification of entrepreneurs and business owners (particularly in younger sections of the population).

Cross-sectional initiative VII – Promoting the establishment of strategic, national and international business partnerships and public-private partnerships

Measures designed to achieve this initiative include preparing a legal and regulatory framework for business partnerships and business cooperation systems, including technical, financial and fiscal incentives; reinforcing and updating the legal framework around public-private partnerships and assessing different models; preparing a general program of public private partnerships and maintaining close control over the Government's future responsibilities in this area; promoting the articulation of public-private partnerships; and streamlining the Public-Private Partnership Office of the Ministry of Economy and Planning.

Governance and control

In order to achieve the successful implementation of these cross-sectional initiatives and the aims of the PRODESI generally, the Government has set out five key governance conditions which are (i) ensuring strong political coordination of the PRODESI and its integration; (ii) coordinating specific measures of the PRODESI in order to avoid duplication of efforts; (iii) ensuring clear and objective accountability for implementing the PRODESI by setting targets, timetables and defining those responsible for implementation; (iv) implementing tools to monitor the implementation of the PRODESI and reporting mechanisms to ensure transparency at all levels; and (v) ensuring efficient external communication with different stakeholders.

To this end, the PRODESI will be lead and managed by the Economic Commission of the Council of Ministers, which will be responsible for high-level monitoring of the program. Interministerial coordination will be managed by the Interministerial Commission of the PRODESI, composed of the Minister for Economy and Planning (coordinator) and the Ministers for Justice and Human Rights, Finance, Agriculture and Forestry, Fisheries and Sea, Mineral Resources and Petroleum, Industry, Tourism, Telecommunications and IT, Trade, Transport, Construction, Energy and Water, as well as the Governor of the BNA. Executive coordination of the PRODESI will fall on the Ministry of Economy and Planning, and technical coordination will be carried out by the Technical Unit of the PRODESI (consisting of the Secretaries of State of Ministries present in the Interministerial Commission and the Deputy Governor of the BNA) ("**UTPRODESI**").

UTPRODESI will be advised by a team specialized in implementing and monitoring the cross-sectional initiatives and periodic progress reports will be defined on their implementation (including quantitative targets and degrees of execution of approved milestones). Finally, UTPRODESI will define an external communication strategy for PRODESI to the main national and international stakeholders (business associations, international official bodies including embassies, potential foreign investors and Angolan citizens).

Improvement of the Quality of Services in the Areas of Education, Higher Education and Health

The Government has set out to improve the quality of education services by implementing policies designed to attract teachers with adequate scientific and technical expertise at all levels of the educational system; implementing appropriate teacher remuneration and benefits programs; expanding the distribution of school meals; training educational inspectors and supervisors; and mobilizing private sector resources for educational investment.

Policies aimed at improving the quality of health services include providing incentives to corporate health plans; completing major health sector projects and guaranteeing the provision of equipment and personnel; improving the quality of expenditure in all hospitals; and improving management mechanisms.

Infrastructure Construction and Rehabilitation Program

Angola's program for the construction and rehabilitation of infrastructure includes policies designed to concentrate public investments in structural projects that supply public goods and promote diversification in the economy; directing public investment in infrastructure to address the needs of the productive economic sector, including the industry and agriculture sector; developing a multi-sectoral program of public investment; and monitoring the implementation of the National Budget to guarantee strict budget implementation rules.

Program for Local Development and the Fight against Poverty

The Government's aims to implement a system to (i) directly allocate resources to municipalities; (ii) analyze the sustainability of the social security system; (iii) review income tax to reduce the fiscal strain on low-income families; and (iv) review customs duties applicable to basic goods (and goods shown to be heavily consumed by low-income families).

Fundo Soberano de Angola

In November 2008, the Government established a commission to prepare strategies and legislation to establish the FSDEA, to be funded via surplus oil revenues. The creation of the fund occurred through the Presidential Decree No. 48/11 of 9 March 2011 and the fund was renamed as Fundo Soberano de Angola through the Presidential Decree No. 89/13 of 19 June 2013, which also approved its constitutional documents. 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 Government paid a total of U.S.$5 billion into the FSDEA between 2012 and 2013, of which approximately 32 per cent. is currently invested in debt and equity securities in international companies while the balance is invested in seven private equity funds aimed at investing in both Angola and the African continent in the agricultural, mining, infrastructure, real estate and hospitality sectors. Since 2013, no capital was paid into the FDSEA by the Government. José Filomeno dos Santos, the son of former Angolan president José Eduardo dos Santos, formerly headed the FSDEA. José Filomeno dos Santos has been charged with fraud, embezzlement, criminal association, trafficking of influence and money-laundering in Angola relating to a U.S.$500 million fraud from the BNA while in office. He was removed from the chairmanship of the FSDEA by President Lourenço in January 2018 and the U.S.$500 million has been returned to the Angolan government through a process involving the English courts. Following the removal of José Filomeno dos Santos, the FSDEA is run by a board of directors comprised of Carlos Alberto Lopes (who serves as chairman), Laura Alcântara Monteiro, Miguel Damião Gago, Pedro Sebastião Teta and Valentina de Sousa Matias Filipe. See "*Risk Factors – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy.*"

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.

As at 31 December 2017, the total assets of the fund were U.S.$5.0 billion. Assets of the FSDEA are not included in the calculation of the Republic's foreign reserves. The FSDEA's assets have been managed by Quantum Global Investment Management, headed by Jean-Claude Bastos de Morais, a business partner of José Filomeno dos Santos, the son of former president José Eduardo dos Santos. It has been reported that in April 2018, the Mauritius Supreme Court froze several bank accounts and suspended the business licenses of seven of the funds of Quantum Global Investment Management. The FSDEA terminated the asset management agreement with Quantum on 17 April 2018 and is in the process of procuring a replacement asset manager. See "*Risk Factors – Risk Factors Relating to Angola – Failure to adequately address actual and perceived risks of corruption may adversely affect Angola's economy*".

PUBLIC DEBT

The Government raises debt both domestically and externally. The Republic defines domestic and external debt as follows:

- Domestic debt comprises debt placed in the domestic market and includes Kwanza denominated, U.S. dollar-denominated and U.S. dollar index-linked debt placed domestically.
- External debt comprises debt placed outside of Angola, in any currency other than Kwanza.

Angola's public debt does not reflect debt of the BNA or debt of state-owned companies (such as Sonangol). Additionally, non-governmental indebtedness guaranteed by Angola is not included in Angola's public debt data unless the guarantee has been called on.

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:

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billions)		
Domestic	**15.4**	**20.7**	**22.8**	**30.7**	**36.0**
General Government debt (central Government)					
Of which:					
Short-term	3.3	3.6	3.2	5.7	7.0
Medium and long-term	12.1	17.0	19.7	25.0	29.0
External	**14.9**	**21.3**	**23.6**	**35.2**	**38.3**
Of which:					
Short-term	0.1	0.1	0.1	0.1	0.1
Medium and long-term	14.8	21.2	23.5	35.1	38.2
Of which TAAG guaranteed debt	0.2	0.3	0.3	0.0	0.0
Total	**30.3**	**41.9**	**46.4**	**65.9**	**74.4**

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:

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billions)		
Domestic[1]	**15.4**	**20.7**	**22.8**	**30.7**	**36.0**
General Government debt (central Government)					
Of which:					
Short-term	3.3	3.6	3.2	5.7	7.0
Medium and long-term	12.1	17.0	19.7	25.0	29.0
External	**28.3**	**36.4**	**36.5**	**44.5**	**43.4**
Of which:					
Short-term	0.1	0.1	0.1	0.1	0.1
Medium and long-term	28.2	36.3	36.4	44.4	43.3
Of which: Sonangol	13.3	15.2	12.9	9.4	5.1
TAAG guaranteed debt	0.2	0.3	0.3	0.0	0.0
Total	**43.7**	**57.1**	**59.4**	**75.2**	**79.5**

[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:

	2013	2014	2015	2016	2017
			(U.S.$ billions)		
Domestic debt service					
Principal	3.6	5.3	8.6	9.7	12.8
Interest	0.6	0.8	1.2	0.9	2.3
Total domestic debt service	4.2	6.1	9.8	10.7	15.1
External debt service					
Principal	2.0	2.6	2.2	2.6	3.5
Interest	0.4	0.6	0.8	1.2	1.8
Total external debt service	2.4	3.2	3.0	3.8	5.3
Total debt service	**6.6**	**9.4**	**12.8**	**14.5**	**20.4**

Source: Ministry of Finance

Angola expects that in 2018 its total debt service to total revenues ratio will reach approximately 116.3 per cent. from 103.8 per cent. in 2017, 82.0 per cent. in 2016, 45.7 per cent. in 2015, 21.0 per cent. in 2014 and 13.1 per cent. in 2013.

The following table sets forth non-governmental indebtedness which has been guaranteed by Angola as at 31 December for the years indicated but which has not been called on. These guarantees are both in Kwanza and U.S. dollars. The BNA has not issued any guarantees. Indebtedness guaranteed by Angola is not included in Angola's public debt figures unless the guarantee has been called on:

	2013	2014	2015	2016	2017
			(U.S.$ billions)		
Angola Cables, S.A. guaranteed debt	—	—	—	0.1	0.2
Banco de Poupança e crédito guaranteed debt	—	—	—	0.3	0.3
Biocom guaranteed debt	—	—	—	0.2	0.2
Others	—	—	0.1	0.1	0.1
Total guarantees	—	—	0.1	0.7	0.8

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 2017, Angola's outstanding external Government debt (excluding Sonangol debt) was U.S.$38.3 billion, as compared to U.S.$35.2 billion in 2016, U.S.$23.6 billion in 2015, U.S.$21.3 billion in 2014 and U.S.$14.9 billion in 2013. 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.

Between 2013-2017, loans from foreign commercial banks generally constituted the principal component of Angola's external Government debt (excluding Sonangol debt) and accounted for 59.7 per cent. (U.S.$ 22.9 billion) in 2017, as compared to 57.3 per cent. (U.S.$20.1 billion) in 2016, 37.9 per cent. (U.S.$8.9 billion) in 2015, 40.9 per cent. (U.S.$8.7 billion) in 2014 and 35.0 per cent. (U.S.$5.2 billion) in 2013. The increase in debt owed to commercial banks reflects the normalization of the Angolan Government's relations with international creditors which has also facilitated Government access to commercial loan lending.

Between 2013-2017, bilateral debt has constituted an important share of Angola's external Government debt (excluding Sonangol debt) and accounted for 20.2 per cent. (U.S.$7.7 billion) in 2017, as compared to 22.9 per cent. (U.S.$8.0 billion) in 2016, 33.5 per cent. (U.S.$7.9 billion) in 2015, 37.6 per cent. (U.S.$8.0 billion) in 2014 and 53.0 per cent. (U.S.$7.9 billion) in 2013. 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 2017, Angola's outstanding external Government debt due to China and Chinese commercial banks amounted to U.S.$21.5 billion, having increased significantly from U.S.$4.7 billion in 2013. Angola's second and third largest bilateral creditors in the last three years were Brazil and Portugal, with outstanding principal bilateral amounts of U.S.$1.2 billion and U.S.$0.6 billion, respectively, in 2017.

Multilateral debt has, historically, constituted an insignificant share of Angola's external debt, with the outstanding principal amounts at less than approximately U.S.$2.1 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:

	2013	2014	2015	2016	2017
			(U.S.$ billions)		
Bilateral	**7.9**	**8.0**	**7.9**	**8.0**	**7.7**
Paris Club	0.2	0.1	0.1	0.1	0.1
Others	7.7	7.9	7.8	7.9	7.6
Multilateral	**0.5**	**1.2**	**1.6**	**2.0**	**2.1**
Commercial banks	**5.2**	**8.7**	**8.9**	**20.1**	**22.9**
Suppliers (by country of origin)	**1.2**	**3.4**	**3.6**	**3.5**	**4.1**
Eurobonds	**—**	**—**	**1.5**	**1.5**	**1.5**
Total	**14.9**	**21.3**	**23.6**	**35.2**	**38.3**

Source: Ministry of Finance

External Government debt (excluding Sonangol debt) increased from 11.9 per cent. of GDP in 2013 to 34.5 per cent. of GDP in 2017. In U.S. dollar nominal terms, Angola's external Government debt has increased since 2013, 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 2017, Angola's outstanding external Government debt (excluding Sonangol debt) was U.S.$38.3 billion, compared with U.S.$35.2 billion in 2016, U.S.$23.6 billion in 2015, U.S.$21.3 billion in 2014 and U.S.$14.9 billion in 2013.

The Government monitors indebtedness, often with assistance from the World Bank and IMF. While Angola has a draft medium-term debt management strategy and an annual debt plan for 2018 under discussion, as of the date of this Prospectus neither such strategy nor the 2018 annual debt plan has been approved by the Government. Angola's draft medium term

strategy focuses on refinancing internal and external debt and developing a more sophisticated domestic securities market (including the creation of a direct debt settlement fund to reduce exposure to volatility in the domestic market). While the Government is currently in the process of undertaking a debt sustainability analysis which is intended to be published in 2018, the Government has not published a debt sustainability analysis since 2012. See "*Risk Factors – The Government expects to significantly increase borrowings in 2018 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*".

While previous 2014 laws prohibited the Republic from incurring public indebtedness in excess of 60 per cent. of GDP, such laws were revoked by the Law No. 21/16 of 29 December 2016. Law No. 21/16 provides that, while the Government should strive to ensure that public indebtedness remains below 60 per cent. of GDP, the Government is not obliged to adhere to such threshold.

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. Angola's public external debt does not include U.S. dollar denominated debt or U.S. dollar index-linked debt placed in the domestic market. See "*Public Debt*".

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 3.5 per cent. in 2013 to 15.4 per cent. in 2017. Angola's external debt continued to rise in U.S. dollar terms in 2013 and 2017.

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.

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billions)		
Bilateral	**7.9**	**8.0**	**7.9**	**8.0**	**7.7**
China (China Exim Bank)	3.8	3.8	3.9	4.1	5.2
Brazil (Government of Brazil and National Bank for Social and Economic Development)	2.5	2.4	2.0	1.6	1.2
Portugal (Government of Portugal/COSEC)	1.2	1.0	0.8	0.7	0.6
Others	0.4	0.8	1.2	1.7	0.8
Multilateral	**0.5**	**1.2**	**1.6**	**2.0**	**2.1**
World Bank (International Development Agency)	0.5	0.5	1.0	1.0	1.1
African Development Bank (African Development Fund)	0.0	0.6	0.6	1.0	1.0
Commercial banks (by lender)	**5.2**	**8.7**	**8.9**	**20.1**	**22.9**
CDB	0.6	1.2	1.1	12.3	15.5
Northern Lights III and IV	1.0	2.0	1.9	1.7	1.2
Deutsche/ Espanha	1.1	0.9	0.7	0.6	0.5
ICBC	0.1	0.1	0.2	0.3	0.7
VTB Plc	—	0.8	0.8	0.8	0.6
JBIC	0.2	0.6	0.8	0.7	0.6
DBSA	0.5	0.7	0.7	0.6	0.5
Others	1.8	2.4	2.8	3.1	3.2
Suppliers (by country of origin)	**1.2**	**3.4**	**3.6**	**3.5**	**4.1**
Israel	0.9	3.1	3.3	3.1	3.0
Others	0.3	0.3	0.3	0.4	1.1
Eurobonds	—	—	1.5	1.5	1.5
Total external Government debt	**14.9**	**21.3**	**23.6**	**35.2**	**38.3**

	2013	2014	2015	2016	2017 (preliminary)
			(U.S.$ billions)		
Of which TAAG guaranteed debt	0.2	0.3	0.3	0.0	0.0

Source: Ministry of Finance

As at 31 December 2017, funding in the aggregate amount of approximately U.S.$5.0 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 48.8 per cent. of its public external debt consisting of such facilities in 2013, 43.8 in 2014, 39.2 per cent. in 2015, 57.6 per cent. in 2016 and 59.0 per cent. in 2017.

The table below sets forth the percentage accounted for by debt in U.S. dollars out of Angola's external, domestic and total Government debt:

	2013	2014	2015	2016	2017
			(%)		
External Government debt in U.S. dollars/total external Government debt	79.2	83.1	86.9	91.5	92.2
Domestic Government debt in U.S. dollars / total domestic Government debt ...	13.6	15.0	19.7	14.0	12.5
Total Government debt in U.S. dollars / total Government debt	45.8	49.6	53.9	55.3	53.6

Source: Ministry of Finance

Since 2013, 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. Additionally, certain public entities (such as the BNA) may also raise debt. See "*Monetary System – Financing of the BNA*".

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 31 December 2017, U.S.$437.5 million 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 U.S.$ 1 billion 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 to be used for general financing purposes of Angola. The facility is for a term of 7 years and is not secured. As of 31 December 2017, U.S.$764.7 million was outstanding under this facility, which has been drawn in full.

  - 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 facility is to be used 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 31 December 2017, U.S.$573.2 million was outstanding under this facility and U.S.$750 million was available at the lender's discretion.

- ***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 provided for an option to upsize up to U.S.$550 million within two years of first utilization, which option was exercised. 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 31 December 2017, U.S.$318.6 million was outstanding under this facility.

  Under the terms of the facility agreement, the lenders were prohibited, save in certain specified circumstances, from issuing certain derivative instruments linked to or related to their interests under the facility agreement. This prohibition has expired. See "*Risk Factors – Other capital markets instruments based on Angolan sovereign credit exist and others may be issued in the future*".

  On 2 September 2016, Angola entered into an up to U.S.$200 million revolving facility agreement with Gemcorp Capital LLP as arranger and Gemcorp Fund I Limited as original lender. The original lender was funded through the issuance of privately-placed notes. The commitment is for U.S.$200 million and the agreement provides for an option to upsize to a total commitment of U.S.$600 million from the closing date of the facility until June 2019, which option has not been exercised to date.

  The facility is to be used solely for the financing of the purchase of food, pharmaceutical and medical devices and basic consumer goods by Angolan importers from Kingbird Commodities S.A., the commodity trading arm of Gemcorp Group, which includes Gemcorp Capital LLP. Each loan drawn under the facility is for a term of six months and on each six-monthly repayment date, each outstanding loan is repayable in full. Angola may re-borrow any part of a loan which is repaid, and re-utilize any part of the facility which is repaid, during the availability period. The availability period applicable to the facility ends in June 2019. All amounts outstanding under the facility must be repaid by the final maturity date, which is 2 September 2019. As of 31 December 2017, U.S.$8.5 million was outstanding under this facility.

- ***BNDES Facilities***

  Angola has entered into six Protocols of Understanding with the Federal Republic of Brazil, pursuant to which *Banco Nacional de Desenvolvimento Económico 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 31 December 2017, the Republic of Angola has executed 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 31 December 2017, an amount of U.S.$1,153.7 million was outstanding under the facilities. In 2016, BNDES suspended its funding under these facilities for projects involving Brazilian contractors active in Angola and Angola has not drawn down any funds under these facilities since. See "*The Republic of Angola – International relations- Brazil*".

- ***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 four 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 per cent. of the contract price owing to certain contractors in respect of certain contracts. As of 31 December 2017 this MLFA had 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 per cent. of the contract price owing to certain contractors in respect of certain contracts. As of 31 December 2017 this MLFA had been fully drawn 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 per cent. of the contract price owing to certain contractors in respect of certain contracts. As of 31 December 2017 this MLFA had been fully drawn 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 per cent. 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 31 December 2017, U.S.$1.605 billion had been drawn down under this MLFA. The availability of further drawdowns depends on the matter set forth herein.

In accordance with Angola's revised 2015 national budget (see "*Public Finance – The 2015 National Budget*"), Angola significantly decreased its 2015 capital expenditure program which 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.

On 25 September 2015, Angola entered into a U.S.$509.4 million facility agreement with CEXIM in order to finance construction of the 'Nzeto Soyo' road. As of 31 December 2017, U.S.$244.5 million was outstanding under this facility.

On 29 November 2016, Angola entered into a U.S.$932.0 million facility agreement with CEXIM. The purpose of the facility is to finance (i) up to 85 per cent. of the contract price owing to Caioporto, S.A., a special purpose vehicle for the development and construction of the new Port of Caio in Cabinda, Angola and (ii) up to 85 per cent. of the premium for the export credit insurance policy issued by the China Export and Credit Insurance Corporation. The facility has a tenor of 15 years and Angola is not required to make any repayments under the facility until the end of the disbursement period which ends sixty months after the effective date of the facility. The facility is not secured but is insured by the China Export and Credit Insurance Corporation. The facility is currently undrawn.

- ***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 535 kilometers stretch of the National Road EN180 (Dundo – Saurimo – Luena) and a 556 kilometers stretch of the National Road EN225 in Angola. The facility is for a term of 10 years from the date of utilization. As of 31 December 2017, U.S.$525 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.$75 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 Akitiengesellschaft 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**"), Compañia Española de Seguros de Creditos a la Exportación, S.A., C*í*a 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 14 October 2016. The facilities are not secured. As of 31 December 2017, €479,236,208.62 million was outstanding under this facility and U.S.$1,251,556.78 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.$613.5 million outstanding as of 31 December 2017 under the individual facility agreements entered into under this common terms agreement.

  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 per cent. 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. The amount under the master facility agreement has been drawn down in full and as at 31 December 2017, approximately U.S.$300.5 million was outstanding. The availability period for drawdowns under this master facility agreement ended on 9 May 2017.

  On 9 December 2015, Angola, as borrower, and CDB as lender entered into a U.S.$15 billion facility agreement. The facility is an oil prepayment facility with repayments being serviced through receivables from a designated oil contract. The pricing structure of this facility allows Angola to benefit from an upside in an increase in the price of oil. The loan is for a term of 12 years and the availability period expired on 9 December 2017. The loan is for multiple purposes including financing approved projects in Angola, prepaying certain facilities between Sonangol and CDB and financing certain of Sonangol's strategic projects. The facility was drawn in full. In 2016, disbursements amounting to U.S.$10 billion from China Development Bank were contributed as capital by the Government to Sonangol. As of 31 December 2017, U.S.$14.6 billion was outstanding under this facility.

- ***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.

  Pursuant to the three facility agreements with Angola, LUMINAR has agreed to provide finance to Angola of up to 85 per cent. 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 31 December 2017 a total of U.S.$3.0 billion was outstanding under the LUMINAR facilities, and U.S.$126.8 million 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 31 December 2017, U.S.$1.0 billion was outstanding under the facility.

- ***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 U.S. 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 agreements concluded under this framework were for a total amount of EUR63.6 million. The facilities are for medical ambulances, motorcycles, inflatable rafts and transport vans. Four credit agreements have been concluded under this framework totaling EUR 339.5 million. As at 31 December 2017, U.S.$139.4 million was outstanding under the facility.

- ***ICBC Facilities***

  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 per cent. 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. As of 31 December 2017, U.S.$326.2 million was outstanding under this facility. The availability period applicable to the facility ends in June 2020.

  On 5 December 2016, Angola and ICBC as arranger, agent and original lender and The Export-Import Bank of China, Bank of China Limited, Beijing Branch, China Construction Bank Corporation, Beijing Branch, China Minsheng Banking Corp., Ltd., and Ping An Bank Co., Ltd., China (Shanghai) Pilot Free Trade Zone Branch as original lenders entered into a U.S.$4.1billion facility agreement. The purpose of the facility is to finance up to 85 per cent. of the contract price owing to certain contractors in respect of the construction contract for the Caculo Cabaça hydroelectric station, which comprises the temporary river diversion works, the main construction works and the electromechanical equipment supply. The facility is for a term of up to 15 years. The facility is not secured but is insured by the China Export and Credit Insurance Corporation. The facility is currently undrawn. The availability period applicable to the facility ends in December 2022.

  On 8 December 2016, Angola and ICBC as arranger, agent and original lender entered into a U.S.$550 million facility agreement. The purpose of the facility is to finance up to 85 per cent. of (i) the contract price owing to CITIC Construction (Angola), Co. Limitada, a subsidiary of CITIC Group, a Chinese state-owned investment company, in respect of the contract for the design and construction of 10,000 social homes and related infrastructure in Kilamba New City, and (ii) 85 per cent. of the premium for the export credit insurance policy issued by the China Export and Credit Insurance Corporation. The facility is for a term of up to 13 years, and Angola is not required to make any

repayments under the facility until the end of the availability period which ends in December 2019. The facility is not secured but is insured by China Export & Credit Insurance Corporation. The facility is currently undrawn.

In addition to the above financings, Angola and ICBC have entered into approximately 30 other facility agreements for the funding of various infrastructure projects in Angola. Debt outstanding under facilities with ICBC was U.S.$704.51 million as at 31 December 2017.

- ***Santander Facility***

  On 17 November 2015, Angola entered into a framework agreement with Banco Santander, S.A. (as agent and original lender) for up to U.S.$500 million which may be utilized subject to the conclusion of individual credit agreements in the forms specified by the framework agreement. The purpose of the facility is to finance private or public investment projects and any credit insurance premium payable to the relevant export credit agency. The individual credit agreements may be denominated in U.S. dollars or Euros, depending on the currency of the underlying commercial supply contract. If in Euros, the value in U.S. dollars of the total commitment under any individual credit agreement will be determined on the EUR/USD spot rate of exchange rate in the London foreign exchange market on the date of the relevant credit agreement. The facilities are not secured but will be insured by the relevant export credit agency in the jurisdiction of the supplier. No individual credit agreements have been concluded under this facility and the U.S.$500 million remain available for draw down.

- ***KfW Facility***

  On 13 May 2016, Angola entered into a framework agreement with KfW IPEX-Bank GmbH (as agent and original lender) and KfW for up to U.S.$500 million which may be utilized subject to the conclusion of individual loan agreements in the form specified by the framework agreement. The purpose of the individual loans includes the financing of export contracts. The loans may be denominated in U.S. dollars or Euros, depending on the currency of the underlying commercial supply contract, but the framework agreement also allows for loans to be made in other currencies. The term of each loan is to be agreed in the relevant individual loan agreement. The facilities are not secured but will be insured by the relevant export credit agency in the jurisdiction of the supplier. The first loan agreement under this framework was concluded on 27 December 2016 with KfW IPEX-Bank GmbH, Development Bank of Southern Africa Limited, Banco Bilbao Vizcaya Argentaria, S.A. and San Sebastian Inversiones, S.A. as lenders for U.S.$81.7 million. The facility is for the renewal of a runway at Dundo airport in Angola. Individual loan agreements may be submitted for approval until May 2019.

- ***GE Facility***

  On 21 August 2017, Angola, TMF Global Services (UK) Limited as agent and GE Capital EFS Financing, Inc. as original lender entered into an up to U.S.$1.1 billion term facility agreement. The purpose of the facility is to finance payments due from AEnergia S.A. to GE Global Parts & Products GmbH, GE Packaged Power, Inc. and/or any affiliates thereof for equipment and services to be delivered or rendered under certain supplier contracts and from the Ministry of Energy and Water of Angola, Empresa Pública de Produção de Electricidade and Empresa Nacional de Distribuição de Electricidade to AEnergia S.A. for equipment and services to be delivered or rendered under certain on-sale contracts. The term of the loan is 7 years from 30 August 2017. The facility is not secured and the availability period ended on 16 March 2018. Angola is currently negotiating an extension to the availability period. As at 31 December 2017 a total of U.S.$643 million was outstanding under the GE Facility, and U.S.$456 million was available to draw down.

- ***World Bank***

  In July 2015, the World Bank agreed to provide Angola with a U.S.$450 million loan and in order to assist Angola in its introduction of a fiscal policy that allows it to continue its efforts to diversify the economy and achieve a sustainable reduction in poverty. Angola is not required to begin making repayments of the loan until 1 October 2025, and the final maturity date of the loan is 1 October 2044. Angola also has the flexibility to convert the loan or any portion of the loan (withdrawn or undrawn) from U.S. dollars to an approved currency in accordance with the International Bank for Reconstruction and Development General Conditions for Loans dated 12 March 2012.

  As at 31 December 2017, the total outstanding amount owed by the Government to the World Bank across all its facilities was U.S.$524.7 million.

New Facilities

In addition to the above, Angola is currently negotiating a number of new facilities. Some of the facilities currently in advanced stages of negotiation include the following:

Angola is in the process of entering into a U.S.$1,281.9 million term loan agreement with ICBC as arranger, agent and original lender. The purpose of the facility is to finance up to 85 per cent. of the contract price owing to certain contractors in respect of the contract for the design, construction and supply of equipment for the Bom Jesus International Airport. The facility is expected to be for a term of 15 years, which includes an initial grace period of 18 months during which Angola is not required to repay the principal amount of the loan. The facility is not secured but is expected to be insured by China Export and Credit Insurance Corporation.

Angola is negotiating a U.S.$500,000,000 framework agreement with Credit Agricole Corporate and Investment Bank ("**CACIB**"). Under this framework agreement, Angola and CACIB may conclude (i) ECA Credit Agreements for the purpose of financing payments to certain contractors in respect of certain for which an ECA Policy has been issued, (ii) Tied Commercial Loan Agreements for the purpose of financing payments to certain contractors in respect of certain contracts which are also being financed by an ECA Credit Agreement and which may also benefit from a Risk Mitigation Cover, and (iii) Commercial Loan Agreements for the purpose of financing payments to certain contractors in respect of certain contracts which are not financed by an ECA Credit Agreement and which benefit from MIGA Cover or Risk Mitigation Cover.

Angola is negotiating a revolving and term facility agreement for the purchase of capital goods in an amount of U.S.$600 million (with an option to upsize to U.S.$1.2 billion) with Gemcorp as the lead arranger for the lenders. The amount of the facility remains under discussion and includes an option to utilize financing by export credit agencies.

Angola is negotiating a framework agreement with Commerzbank Aktiengesellschaft in the amount of up to €500 million for individual export financing transactions.

Angola is currently negotiating the following facilities with CEXIM backed by the China Export and Credit Insurance Corporation: (i) U.S.$690.2 million for the construction of the infrastructure of Corumba Street; (ii) U.S.$760.4 million for the construction of the transport system for Luachimo; and (iii) U.S.$1.1 billion for the construction of the academic naval base at Kalunga.

Angola is negotiating the ECA backed U.S.$600 million BITA facility with Standard Chartered Bank and the World Bank along with the ECA backed U.S.$678 million Quilonga Grande facility with BNP Paribas and the World Bank. Angola is currently negotiating a U.S.$500 million facility with BBVA, Spain for the purposes of facilitating export financing transactions from Spain to Angola.

Angola is negotiating further facilities with ICBC for the funding of various infrastructure projects in Angola. The value of these infrastructure projects is approximately U.S.$11.7 billion.

Sources and Needs for 2016, 2017 and 2018

The following table sets forth Angola's projected financing sources and needs for 2017 and 2018:

	2016	2017	2018
Needs		*(U.S.$ billions)*	
(1) Fiscal primary expenditure	19.4	21.2	19.4
(2) Total interest repayments on debt	2.2	4.1	4.4
(3) Total debt repayment (including principal excluding interest)	12.3	16.3	19.0
(4) Others[1]	13.4	7.3	1.5
Projected funding requirements (1) + (2) + (3) + (4)	**47.2**	**48.9**	**44.3**
Sources			
(1) Fiscal revenue	17.7	19.6	20.1
(2) Total Debt Borrowing	27.6	19.9	21.9
Domestic Debt Borrowing	13.0	13.3	12.9
External Debt Borrowing	14.6	6.6	9.0
(3) Others[2]	1.9	9.4	2.3

	2016	2017	2018
Needs		*(U.S.$ billions)*	
Projected sources of funding (1) + (2) + (3)	**47.2**	**48.9**	**44.3**

[1] Deposits, the cost of acquiring shares and other equity and the cost of servicing accounts receivables which include receivables from Sonangol.

[2] Deposits, revenue from sale of shares and other equity and accounts payable, including overpaid fiscal revenue.

Source: Ministry of Finance

The Government has estimated that it needs to raise from revenues, borrowings and other sources U.S.$44.3 billion (40.6 per cent. of budgeted GDP) in 2018 to fund its expenditure, including its debt service obligations in 2018. Of this amount, U.S.$20.1 billion is budgeted to come from revenues, U.S.$21.9 billion is expected to come from debt and U.S.$2.3 billion is expected to come from other sources. In the first quarter of 2018, Angola has raised approximately U.S.$3.4 billion of debt, of which approximately U.S.$1.3 billion was raised in the domestic market and approximately U.S.$2.1 billion was raised from the external sector. The Government may incur debt to fund the balance of U.S.$20.8 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 expenditure, its foreign reserves will decrease accordingly. The Government also has the ability to further reduce its budgeted capital expenditure program for projects, which may reduce its 2018 funding gap. See "*Risk Factors – The Government expects to significantly increase borrowings in 2018 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: 2018 – 2024 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 years indicated below (excluding payments on the Notes offered hereby), excluding projected obligations by Sonangol under its loans and excluding any indebtedness raised after 31 December 2017.

	2018 (budgeted)	2019	2020	2021	2022	2023	2024 and onwards
			(U.S.$ billion)				
Domestic debt principal repayments	12.6	2.5	5.4	1.8	3.3	1.0	6.3
Domestic debt interest repayments	2.1	1.2	1.0	0.7	0.5	0.3	2.4
Total domestic debt repayments	**14.7**	**3.7**	**6.4**	**2.4**	**3.8**	**1.4**	**8.7**
External debt principal repayments	6.4	5.5	4.9	4.0	3.6	3.4	15.3
External debt interest repayments	2.4	1.5	1.2	1.0	0.9	0.7	1.5
Total external debt repayments	**8.7**	**6.9**	**6.2**	**5.0**	**4.4**	**4.1**	**16.8**
Total debt repayment	**23.4**	**10.6**	**12.5**	**7.5**	**8.2**	**5.5**	**25.5**

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.

In March 2018, the IMF conducted its periodic Article IV consultations. The IMF noted the new Government's focus on restoring macroeconomic stability and improving governance and that the outlook for oil prices gives the Government an opportunity to strengthen macroeconomic policies and to give new impetus to structural reforms.

The IMF has stated that growth, in 2018, is projected to increase by 2.25 per cent., driven by a more efficient foreign exchange allocation system and additional availability of foreign exchange due to higher oil prices; LNG production increasing to full capacity; and improved business sentiment. Over the medium term, the IMF noted that the outlook for the Angolan economy is for a continued gradual recovery in economic activity based on the Government's plans to manage its public debt, enlarge its tax base and rationalizing public spending. The IMF also expects an increase in Government revenues if the oil price realized in 2018 exceeds the assumed oil price of U.S.$50/bbl in the 2018 National Budget.

In April 2018, the Government and the IMF announced that Angola had requested a policy coordination instrument ("**PCI**") as part of the IMF's technical policy coordination program. The aim of the PCI is to accelerate the diversification of the economy, and promote inclusive growth while restoring macroeconomic stability and safeguarding financial stability. The Government expects that the PCI will help Angola unlock and coordinate financing from the public and private sectors. The PCI will not result in Angola drawing on any IMF funding.

- ***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 per cent. 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 2017, the Government issued the equivalent of U.S.$7.2 billion of treasury bills. In 2017, the domestic debt largely increased as the Government refinanced most maturing treasury bills with longer-term Government bonds and new treasury bills.

As at 31 December 2017, Angola's total outstanding domestic Government debt was AOA 6,240.5 billion (U.S.$36.0 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:

	2013		**2014**		**2015**		**2016**		**2017**	
	(AOA bn)	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*
Long-term bonds	**1,166.0**	**12.0**	**1,508.8**	**14.7**	**2,510.4**	**18.6**	**3,957.9**	**24.0**	**4,623.4**	**28.0**
288 months	—	—	—	—	59.9	0.4	452.6	2.7	567.6	3.4
240 months	—	—	201.9	2.0	204.4	1.5	252.5	1.5	252.5	1.5
144 months	7.8	0.1	8.2	0.1	10.8	0.1	13.2	0.1	13.2	0.1
132 months	13.8	0.1	14.6	0.1	19.1	0.1	23.4	0.1	23.4	0.1
120 months	159.9	1.6	168.8	1.6	221.1	1.6	461.1	2.8	467.3	2.8
108 months	13.9	0.1	14.6	0.1	19.2	0.1	—	—	1.2	0.0
96 months	13.8	0.1	14.6	0.1	—	—	—	—	25.3	0.2
84 months	4.5	0.0	11.8	0.1	303.7	2.3	493.5	3.0	728.1	4.4
72 months	76.5	0.8	80.1	0.8	123.8	0.9	145.0	0.9	70.2	0.4
60 months	156.7	1.6	223.7	2.2	357.0	2.7	503.6	3.1	641.8	3.9
48 months	196.0	2.0	232.3	2.3	369.5	2.7	380.9	2.3	412.0	2.5
36 months	161.8	1.7	219.6	2.1	306.0	2.3	304.1	1.8	867.0	5.3
24 months	361.3	3.7	318.5	3.1	515.8	3.8	928.1	5.6	553.8	3.4
Short term bills	**265.8**	**2.7**	**374.8**	**3.6**	**428.3**	**3.2**	**941.4**	**5.7**	**1,158.0**	**7.0**
12 months	153.8	1.6	293.3	2.9	269.1	2.0	537.0	3.3	714.1	4.3
6 months	75.3	0.8	46.0	0.4	17.9	0.1	234.7	1.4	286.8	1.7
3 months	36.7	0.4	35.5	0.3	141.3	1.0	169.7	1.0	157.1	1.0
Loan Facilities	**67.8**	**0.7**	**239.4**	**2.3**	**136.9**	**1.0**	**171.2**	**1.0**	**459.0**	**1.0**

	2013		2014		2015		2016		2017	
	(AOA bn)	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*	*(AOA bn)*	*(U.S.$ bn)*
Total domestic debt.....	**1,499.6**	**15.4**	**2,123.0**	**20.7**	**3,075.6**	**22.8**	**5,070.5**	**30.7**	**6,240.5**	**36.0**

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 2017, *Obrigações do Tesouro* for an aggregate principal amount of AOA 4,623.4 billion were outstanding (equivalent to U.S.$28.0 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 2017, the Ministry of Finance issued: (i) *Obrigações do Tesouro* with maturities ranging between two and 24 years with coupon rates ranging between five and 17.65 per cent. a portion of which have repayment principal amounts linked to the exchange rate of the U.S. dollar to the Kwanza and to U.S. 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 2017, *Bilhetes do Tesouro* for an aggregate principal amount of AOA 1,158.0 billion (equivalent to U.S.$7.0 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 2017, 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) *U.S. dollar-denominated Treasury bonds (USD Obrigações do Tesouro)*

USD Obrigações do Tesouro are medium- to long-term U.S. 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 and 2015. As at 31 December 2017, *USD Obrigações do Tesouro* for the aggregate principal amount of U.S.$3.8 billion were outstanding. *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, 2015 and 2017, which have a maturity of 5 years for 2014 and 7 years for and a rate of interest which is linked to 6 month U.S. dollar LIBOR, plus a spread of 2.5 per cent. for 2014 and a fixed rate if 5 per cent. for 2015 and 2017.

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;
    - reduce domestic debt indexed to U.S. dollars; and
    - develop and expand domestic debt market.

Under Angola's draft annual debt plan, its debt strategy for 2018 is founded on the following criteria:

- mitigation of exchange rate risk and interest rate risk;
- discontinuation of titles indexed to the exchange rate;
- improvement of the maturity profile of public debt;
- creation of a direct debt settlement fund which can generate a cushion of liquidity capable of limiting the rates accepted in the tender process; and
- improvement of communication with the international market.

While Angola has a draft medium-term debt management strategy and an annual debt plan for 2018 under discussion, as of the date of this Prospectus, neither such strategy nor the 2018 annual debt plan has been approved by the Government. Angola's draft medium term strategy focuses on refinancing internal and external debt and developing a more sophisticated domestic securities market (including the creation of a direct debt settlement fund to reduce exposure to volatility in the domestic market). While the Government is currently in the process of undertaking a debt sustainability analysis which is intended to be published in 2018, the Government has not published a debt sustainability analysis since 2012. See "*Risk Factors – The Government expects to significantly increase borrowings in 2018 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 10 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 stabilize the exchange rate of the Kwanza, the BNA fixed the exchange rate at AOA 166 per U.S. dollar in April 2016 and maintained the fixed rate until December 2017 pursuant to the Crisis Recovery Program. See "*Monetary System – Money supply – Government main strategies for the development of the banking sector*". While the measure brought about stability of the Kwanza, it also led to increased pressure on Angola's foreign currency reserves and an increase in the difference between the official and the parallel rate which increased to approximately AOA 474.2 per U.S. dollar by the end of 2016. In order to ease pressure on Angola's foreign exchange reserves, in January 2018, the BNA lifted restrictions in the foreign exchange market and abolished the fixed rate of exchange of the Kwanza. In order to avoid a multiple currency practice and to comply with the policy of the IMF against multiple currency practices, following the abolition of the fixed Kwanza to U.S. dollar exchange rate, the BNA has introduced in January 2018 a requirement which limits commercial banks from placing bids for currency in excess of a 2 per cent. margin over or below the BNA's reference rate. 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 2017 and 2018 are (i) to maintain stability in the foreign exchange market; (ii) to strengthen supervision of banks, and improve the regulatory framework for the banking sector including through conducting stress tests of Angola's banking system; and (iii) to review Angola's current exchange control regulations. The board members of the BNA were appointed in 2017 with their term expected to expire in 2022. José de Lima Massano is the Governor of the BNA and Manuel António Tiago Dias and Rui Miguêns de Oliveira are the vice-governors of the BNA. Beatriz Ferreira de Andrade dos Santos, Miguel Bartolomeu Miguel, Pedro Rodrigo Gonçalves de Castro e Silva and Tavares André Cristóvão are board members of the BNA.

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. Presidential Decree No. 358/17 of 28 December 2017 revoked the Presidential Order 34/15 of 30 April 2015 and in order to improve coordination on macroeconomic measures between the Ministry of Finance and the BNA it established new specialized committees.

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 U.S. 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. Between 2015 and 2017, the BNA allowed required reserves to be partially made up of Government and central bank securities, however, the BNA eliminated this mitigating measure in 2017. In order to address the effects of rising inflation and excess liquidity, on 30 November 2017, the BNA reduced the required reserves coefficient in local currency from 30 per cent. to 21 per cent.

In 2017, the BNA maintained its discount window stable at 20.0 per cent. 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.

Broad money (M3) increased by an average of 13.9 per cent. per year between 2013 and 2016 but decreased by 0.1 per cent. in 2017. The recent monetary tightening by the BNA has led to a decrease of broad money (M3) of 0.1 per cent. by the end of 2017 compared to 2016. The decrease in broad money (M3) in 2017 was driven by the BNA's monetary and exchange rate measures which increased the base rate from 16 per cent. to 18 per cent. on 30 November 2017.

The BNA intends to continue tightening monetary policy stance under the principle of neutralizing U.S. 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 by maintaining an open market operation with different maturities ranging from overnight to 63 days, and by adjusting the reserve requirement ratio if necessary. 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:

	2013	2014	2015	2016	2017
Inflation, year-end (Luanda)	7.7%	7.5%	14.3%	42.0%	26.3%
Inflation, year-end (Angola)	—	—	12.1%	41.1%	23.6%

Source: National Bank of Angola (BNA)

While inflationary pressures are rising, in part because of the depreciation of the exchange rate of the Kwanza against the U.S. dollar and in part due to 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 stay at approximately 23.0 per cent. in the medium-term. Pursuant to the 2018 National Budget, the rate of inflation in Angola as at the end of 2018 has been budgeted at 28.7 per cent. In 2017, the BNA raised its benchmark interest rate by two percentage points to 18 per cent. in order to limit further increases in consumer prices, to control money supply, fix the exchange rate of the Kwanza against the U.S. dollar, and increase the foreign currency supply to importers for the purposes of reducing the rate of inflation which by the end of 2017 reached 26.3 per cent. in Luanda and 23.6 per cent. in Angola. Annual inflation is projected to remain high reflecting the effects of the depreciation of the Kwanza while the Government and the BNA work to tighten monetary policy.

The table below sets out certain T-Bill and T-Bond rates as at 31 December 2017:

	Maturity of 91 days	Maturity of 182 days	Maturity of 364 days
T-Bill	16.15%	20.25%	23.90%

Source: National Bank of Angola (BNA)

	Maturity of three years	Maturity of four years	Maturity of five years	Maturity of six years
T-Bonds				
T-Bonds indexed to the exchange rate (*Obrigações do Tesouro indexadas à taxa de câmbio*).....	7.00%	7.25%	7.50%	7.75%
Unadjusted T-Bonds (*Obrigações do Tesouro não reajustáveis*)	N/A	25.88%	26.13%	N/A

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 per cent. 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 in Luanda to 7.5 per cent. 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. Since 2014, the year-end rate of inflation in Luanda has increased to 42.0 per cent. in 2016 primarily due to an increase in prices for food and medicine as a result of a lower supply of foreign exchange resources and high levels of arrears in the external payments banking system. Since 2016, the BNA has introduced liquidity control measures to reduce inflation by implementing measures to stabilize the exchange rate and by increasing the foreign currency supply to importers, resulting in the growth of essential food supply, which contributed to a decrease of the rate of inflation in Luanda by the end of 2017 to 26.3 per cent. from 42 per cent. at the end of 2016. The rate of inflation in Angola decreased to 23.6 per cent. at the end of 2017 compared to 41.1 per cent. at the end of 2016.

Money supply

The following table sets forth certain information regarding Angola's money supply as at 31 December for each of the years indicated:

	2013	2014	2015	2016	2017
			(AOA millions)		
Foreign assets (net)	3,116,232.4	3,097,463.6	3,570,441.2	3,851,929.4	2,615,208.2
Foreign assets	3,828,129.1	3,550,027.2	4,114,491.6	4,948,672.8	3,881,530.0
Foreign liabilities	711,896.7	452,563.6	544,050.5	1,096,743.5	1,266,321.8
Claims on the government (net)	(666,018.1)	69,166.5	351,751.1	1,102,580.2	2,708,028.6

	2013	2014	2015	2016	2017
			(AOA millions)		
Claims on government	1,441,308.4	2,001,785.0	2,582,171.9	3,754,864.3	4,666,353.7
Liabilities to government	2,107,326.5	1,932,618.5	2,230,420.8	2,652,284.1	1,958,325.1
of which: in foreign currency	1,365,323.6	1,210,590.2	1,404,606.4	1,653,858.3	903,833.4
Claims on other resident sectors	2,926,430.5	2,946,702.3	3,469,449.4	3,385,040.3	3,449,938.3
Claims on other financial corporations	33,793.7	33,078.0	33,047.7	4,852.8	9,649.3
of which: in foreign currency	234.4	4,973.9	7,741.4	1,298.2	2,531.7
Claims on the public sector, excl. central government	72,119.7	61,581.1	81,979.2	84,588.5	103,293.8
of which: in foreign currency	6,196.7	2,465.2	15,814.3	11,918.6	4,476.0
Claims on other resident sectors	2,820,517.1	2,852,043.2	3,354,422.5	3,295,599.0	3,336,995.2
of which: in foreign currency	1,042,545.9	742,099.1	926,070.0	638,272.9	580,611.0
Shares and other equity	1,067,685.3	1,030,998.0	1,502,959.9	2,249,335.8	2,590,576.2
Other assets/liabilities (net)	(87,721.1)	(27,786.1)	176,782.5	(438,640.7)	(339,079.5)
Broad money (M3)	4,396,680.5	5,110,120.5	5,711,899.2	6,528,854.7	6,521,678.5
Currency outside depository corporations	275,552.0	339,672.5	380,701.5	395,735.9	418,567.4
Transferable deposits	2,309,085.4	2,757,193.7	3,039,119.5	3,458,319.8	3,313,538.8
Other deposits	1,810,107.3	2,006,621.3	2,283,923.5	2,670,995.1	2,785,543.0
Securities other than shares	1,789.1	6,546.3	8,074.9	3,754.6	3,968.4
Repurchase agreements	146.7	86.8	79.7	49.3	60.9

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 29 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:

	2013	2014	2015	2016	2017
			(AOA millions)		
Assets					
Currency holdings	176,613.9	170,236.8	189,550.4	130,957.8	136,969.3
Deposits with non-residents	101,125.0	208,266.3	210,202.1	308,658.1	326,858.7
Deposits with depository corporations	770,960.3	778,880.7	1,159,689.7	1,157,998.1	1,181,190.8
National Bank of Angola	764,689.9	772,425.4	1,150,953.1	1,144,580.9	1,112,853.7
Other depository corporations	6,270.4	6,455.3	8,736.6	13,417.2	68,337.1
Debt securities	1,228,049.5	1,546,244.0	2,288,991.4	3,067,347.6	3,474,373.5
Loans	3,984,703.2	4,015,786.2	4,096,368.3	4,257,065.5	4,347,085.3
Non residents	424,649.1	286,804.0	348,107.3	373,143.4	330,605.8
Central government	26,939.7	261,129.5	165,203.1	209,103.3	274,346.6
Public sector excluding central	72,118.8	61,578.5	81,852.1	84,461.4	103,168.5

	2013	2014	2015	2016	2017
			(AOA millions)		
government					
National Bank of Angola	212,682.9	318,840.1	37,903.2	71,779.7	61,998.2
Other depositary corporations and Other financial corporations	470,994.4	278,300.9	191,319.0	260,119.2	377,547.4
Private sector	2,777,318.2	2,809,133.1	3,271,983.5	3,258,458.5	3,199,418.7
Shares and other equity	30,936.2	47,237.1	50,355.4	36,266.9	22,208.3
Other Assets	665,014.8	771,221.5	959,885.2	1,794,693.3	1,426,049.6
Total assets	**6,957,402.7**	**7,537,872.5**	**8,955,042.4**	**10,752,987.3**	**10,914,735.5**
Liabilities					
Liabilities included in Broad Money M3	4,121,128.6	4,770,448.0	5,331,197.7	6,133,118.8	6,103,111.1
Transferable deposits	2,309,085.4	2,757,193.7	3,039,119.5	3,458,319.8	3,313,538.8
Other deposits	1,810,107.3	2,006,621.3	2,283,923.5	2,670,995.1	2,785,543.0
Securities other than shares	1,789.1	6,546.3	8,074.9	3,754.6	3,968.4
Repurchase agreements	146.7	86.8	79.7	49.3	60.9
Liabilities excluded from broad money M3	526,755.7	587,182.8	771,277.3	947,294.9	913,772.0
Loans	1,034,077.5	733,663.8	980,403.1	1,221,846.6	1,163,213.5
Shares and other equity	730,394.4	722,476.4	880,708.7	1,119,082.6	1,344,334.2
Other liabilities	545,046.6	724,101.5	991,455.6	1,331,644.3	1,390,304.8
Total liabilities	**6,957,402.7**	**7,537,872.5**	**8,955,042.4**	**10,752,987.3**	**10,914,735.5**

Source: National Bank of Angola (BNA)

Major banks, banking sector concentration and competition

There are a total of 30 banks in Angola, of which 29 are currently operational. Three of the banks are state-owned, five banks are subsidiaries of foreign entities and the remainder are privately-owned Angolan banks. 82 exchange offices exist in Angola, of which 71 are currently operational.

Currently, eight microcredit companies and eleven 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. There are five banks with foreign shareholdings representing 8 per cent. 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 1,599 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 six major banks – *Banco Angolano de Investimentos* ("**BAI**"), *Banco do Fomento Angola* ("**BFA**"), *Banco de Poupanca e Credito* ("**BPC**"), *Banco Internacional de Crédito* ("**BIC**"), *Banco Económico* ("**BE**") and *Banco Millennium Atlântico* ("**ATL**"). ATL resulted from the merger of Banco Privado Atlântico

(BPA) and Banco Millennium Angola **(BMA)** in April 2016. These six major banks jointly accounted for 69.8 per cent. of deposits and 74.7 per cent. of loans as at 31 December 2017.

- BAI, Angola's largest bank by deposits, is 8.5 per cent. owned by Sonangol, Angola's state-owned oil company, with the remaining shares owned by private investors. As at December 2017, BAI held 14.89 per cent. of deposits and 12.71 per cent. 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 61 branches in Luanda and 48 branches in other provincial centers.

- BFA, Angola's second largest bank by deposits, was formerly a wholly owned subsidiary of the Portuguese bank, BPI, which in 2007 sold 49 per cent. of its shares in BFA to Angola's largest mobile telephone operator, Unitel. In 2017, Unitel became the largest shareholder of BFA after it purchased a further two per cent. of shares in BFA and increased its holding of BFA shares to 51 per cent. As at December 2017, BFA held 14.43 per cent. of deposits and 5.90 per cent. 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 75 branches in other provincial centers.

- BPC, the third largest bank by deposits, is 75 per cent. owned by the Ministry of Finance, 15 per cent. owned by Angola's National Social Security Institute and the remaining 10 per cent. owned by the Social Security Fund of the Armed Forces.. As at December 2017, BPC held 14.3 per cent. of deposits and 33.6 per cent. of loans in Angola's banking sector. In addition to the head office in Luanda, it operates 93 branches in Luanda and 196 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.

  BPC recorded a loss of AOA 53.7 billion (approximately U.S.$324 million) in 2017. This led to a decision being taken by its board of directors to account AOA 153 billion (U.S.$924 million) for "impairment charges and provisions" for the 2017 financial year. Due to the size of its poor credit portfolio, which amounted to AOA 874.4 billion (U.S.$5.2 billion), in March 2017 the shareholders of BPC approved (i) a new board of directors and chairman (the former vice-governor of the BNA, Ricardo D'Abreu); (ii) an additional capital subscription of AOA 90 billion (U.S.$542 million); (iii) a new executive committee; and (iv) a plan for the restructuring and recapitalization of BPC ("**Restructuring Plan**"). The Restructuring Plan of BPC intends to improve internal controls relating to the lending process and to limit the granting of loans to those clients with the highest risk profile.

  Given the systemic importance of BPC in the Angolan financial system, the Restructuring Plan was designed to enhance BPC's prudential ratios, liberate its credit activity (which was partially suspended in 2015) and increase its operational capacity. In 2015 BPC had suspended its credit facilities due to liquidity concerns and temporarily closed some of its branches. Plans to resume credit facilities in March 2017 were cancelled and, under the Restructuring plan. BPC further suspended all foreign exchange sales, overseas transfers, staff recruitment and procurement operations, and implemented further management changes, including the replacement of its board of directors. The Restructuring Plan, which was agreed between BPC and the Government (acting through the Ministry of Finance), included an agreement by the shareholders to recapitalize the bank. This comprised an initial direct capital injection of AOA 67.5 billion financed through the issue of Government bonds pursuant to an Executive Decree no. 63/17 of 9 February 2017; an additional capital subscription by each of BPC's shareholders in the amount of AOA 90 billion (U.S.$ 542 million); and the establishment of *Recredit – Gestão de Activos, SA* ("**Recredit")**, the state-owned enterprise charged with purchasing BPC's underperforming assets and NPLs in order to optimize its prudential ratios, and revive and streamline is operational capacity. See " – *Major banks, banking sector concentration and competition*" below.

  In December 2017, BPC had approximately AOA 874 billion (U.S.$ 5.2 billion) of underperforming assets and NPLs. In December 2017, the Government issued AOA 231 billion (U.S.$1.3 billion) of treasury bonds in favor of Recredit. Under the Restructuring Plan, which included selling a portion of BPC's debt to Recredit, Recredit then purchased AOA 231 billion of underperforming assets and NPLs from BPC, with the remainder of its AOA 500 billion in underperforming assets and NPLs to be addressed independently by BPC.

  In early 2017, the scope of Recredit was expanded to cover the entire banking system and it issued an additional AOA 150 billion of 7.0 per cent. seven year treasury bonds.

  Pursuant to the 2018 National Budget, the Government has allocated current expenditure of AOA 50 billion in favor of Recredit.

As of 2017, Recredit has acquired AOA 320 billion of underperforming assets and NPLs purchased at 10-20 per cent. of their book value. Of this, AOA 300 billion came from BPC. Recredit acquired 50 per cent. of BPC's underperforming assets and NPLs.

In March 2018, Presidential Decree No. 72/18 of 7 March 2018 authorized the further issuance of AOA 180 billion (U.S.$ 1.1 billion) 7.5 per cent. 10-year treasury bonds to deliver a direct capital injection to BPC. These treasury bonds were issued in 2018 in order to further optimize BPC's prudential ratios and stimulate BPC's credit activity. BPC plans to begin granting loans guaranteed by salaries and by private companies in April 2018.

In March 2018, the IMF concluded its 2018 Article IV Consultation Mission to Angola. At the end of the consultation, the IMF gave a positive assessment of the recovery of the Angolan economy, including the role of Restructuring Plan in contributing to the revival of BPC and the Angolan banking sector.

- BIC is 65 per cent. owned by domestic private investors with the remaining 35 per cent. of shares owned by foreign investors. As at December 2017, BIC held 10.7 per cent. of deposits and 10.3 per cent. of loans in Angola's banking sector. BIC concentrates on retail banking services. In addition to its head office in Luanda, it operates 105 branches in Luanda and 75 branches in other provincial centers.
- ATL is a private national bank. As at December 2017, ATL accounted for 5.5 per cent. of deposits and 12.2 per cent. of loans in Angola's banking sector. In addition to its head office in Luanda, ATL operates 79 branches in Luanda and 42 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 Espirito 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 Espirito 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 Espirito Santo de Angola.

  Banco Económico is owned by Sonangol (39.4 per cent.), Lektron Capital SA, a Chinese entity (31.0 per cent.), *Geni Novas* Tecnologias, *S.A.* (20 per cent.), and *Novo Banco* (9.7 per cent.). As at December 2017, Banco Económico held 9.2 per cent. of deposits and 5.6 per cent. 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 36 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 Espirito 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 Espirito Santo de Angola*. This comfort letter was revoked in August 2014 at the same time the bailout, asset splitting and BNA administration of *Banco Espirito 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 Espirito 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 six major banks in Angola for the years ended 2014, 2015, 2016 and 2017:

	2014	2015	2016	2017
		(%)		
Capital Adequacy Ratio				
BAI	17.4	21.9	24.9	25.2
BFA	24.0	24.3	26.8	31.6
BPC	10.1	11.3	11.3	10.3
BIC	19.1	13.3	14.3	16.0
ATL	14.1	12.8	15.2	13.2
Banco Económico[(5)]	5.4	5.9	6.9	11.9
Asset Quality (NPLs relative to total loans)[(1)]				
BAI	6.8	5.2	4.4	16.4
BFA	3.1	2.8	5.0	3.7

	2014	2015	2016	2017
		(%)		
BPC	13.5	8.4	26.4	71.1
BIC	6.2	6.4	9.2	6.9
ATL	2.5	0.7	2.9	4.1
Banco Económico[5]	34.5	43.3	33.7	12.0
Asset Quality (NPLs relative to own funds)[2]				
BAI	14.1	19.6	12.4	39.0
BFA	5.1	5.3	7.2	3.7
BPC	122.3	62.3	148.3	446.8
BIC	5.7	21.2	32.1	22.4
ATL	11.5	3.4	15.4	18.5
Banco Económico[5]	392.5	528.5	51.8	26.2
Return on Capital (ROE)[3]				
BAI	14.4	19.1	36.5	31.8
BFA	31.3	30.9	37.9	31.1
BPC	8.6	6.1	3.4	(26.9)
BIC	23.2	27.6	30.9	30.1
ATL	14.9	22.9	19.1	24.3
Banco Económico[5]	(145.4)	(35.7)	(4.6)	7.6
Return on Assets (ROA)[4]				
BAI	1.1	1.8	4.0	4.5
BFA	3.1	3.1	4.8	4.9
BPC	0.7	0.6	0.4	(3.0)
BIC	2.5	2.9	3.1	3.4
ATL	1.7	2.3	2.0	2.3
Banco Económico[5]	(8.7)	(1.4)	(0.2)	0.8

(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 25.6 per cent. of deposits and no more than 19.7 per cent. 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 50.0 per cent. and 60.0 per cent. of the economically active 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 per cent. of oil and 2 per cent. 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 28.8 per cent. of all loans in Angola in December 2017, 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 U.S. dollar-denominated loans in Kwanza, and the fact that loans to consumers may no longer be made in U.S. dollars.

Deposit taking

As at 31 December 2017, total deposits exceeded AOA 6,099.1 billion (U.S.$36.8 billion), down from AOA 6,129.3 (U.S.$36.9 billion) as at 31 December 2016. This decrease in the kwanza value of total deposits was mainly a result of the BNA's implementation of a tight monetary policy. While deposits have steadily increased between 2013 and 2016, total deposits decreased in 2017 mainly as a result of a decrease in transferable deposits driven by the reduction of private sector deposits. Bank deposits continue to represent a relatively small but growing portion of Angola's GDP as compared to more developed economies: 42.6 per cent. of GDP in 2013, 41.0 per cent. of GDP in 2014, 46.0 per cent. of GDP in 2015, 38.9 per cent. of GDP in 2016 and 35.1 per cent. of GDP in 2017. The corporate segment dominates the deposit activities in Angola's banks, representing 62.6 per cent. of total deposits compared to 30.0 per cent. of deposits that were made by individuals. Angolan banks are able to take foreign deposits, which amounted as at 31 December 2017 to approximately 32.8 per cent. of the total amount of deposits.

Lending

The lending segment of Angola's banking sector has grown moderately over the last few years and remains rather limited as compared to more developed economies. The Angolan banking sector had AOA 3,449.9 billion (U.S.$20.8 billion) of loans outstanding as at 31 December 2017, compared to AOA 3,385.0 billion (U.S.$20.4 billion) on 31 December 2016, AOA 3,469.4 billion (U.S.$25.6 billion) on 31 December 2015, AOA 2,946.7 billion (U.S.$28.7 billion) as at 31 December 2014 and AOA 2,926.4 billion (U.S.$30.5 billion) as at 31 December 2013. The loan to deposit ratio of Angolan banks has improved in recent years, amounting to 56.6 per cent. in 2017, compared to 55.2 per cent. of deposits in 2016, 65.2 per cent. of deposits in 2015, 61.9 per cent. of deposits in 2014 and 71.0 per cent. of deposits in 2013. The corporate segment dominates lending activities, representing 78.6 per cent. of total loans compared to 14.1 per cent. for the retail segment. Oil and gas companies which dominate Angola's economic sectors, finance their operations outside of Angola and their contribution to the expansion of Angola's banking sector is therefore limited. In 2017, loans to local businesses amounted to 15.6 per cent. of GDP and the share of loans to individuals was 2.8 per cent. 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 2017, the rate of non-performing loans in Angola was 28.8 per cent., compared to 9.8 per cent. in December 2013.

Income-generating banking activities

In 2017, fee and commission income accounted for 7.0 per cent. of the total bank income and net interest income of 17.4 per cent. The average interest rate payable on Government securities was 20.1 per cent. The average interest rate on corporate loans was 16.2 per cent. in domestic currency and 9.0 per cent. in foreign currency. Average rates of interest payable on retail and corporate deposits were 5.8 per cent. in domestic currency and 2.9 per cent. 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 mainly 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.

In 2016, the Government established the "Angola Invests Program", a state program aimed at supporting and financing investment projects for micro, small and medium enterprises, operated by national commercial banks and coordinated by the Ministry of Economy and Planning, with the partnership of the Credit Guarantee Fund. Financing granted under the program is aimed at investment in tangible fixed assets and/or working capital. Priority sectors include agriculture, livestock, fishers, construction materials, manufacturing, geology and mining, and support services to the productive sector. Projects/companies are required to be (i) a customer of an Angolan commercial bank, (ii) an individual entrepreneur or company incorporated under Angolan law with Angolan capital of more than 75%, (iii) certified by the National institute of Support to micro, small and medium enterprises), (iv) working in one of the above identified sectors, (v) in compliance with tax administration and social security requirements, (vi) committed to ensuring compliance with the financial program and stated purpose of application / funding, and (vii) balanced economically and financially (in case of companies already in operation).

In 2016, the Government established a recovery program (the "**Crisis Recovery Program**") intended to stabilize the financial system pursuant to which, amongst others, the BNA:

- fixed the exchange rate at AOA 166 per U.S. dollar in April 2016 and maintained the fixed rate until December 2017 in order to stabilize the exchange rate of the Kwanza;

- identified measures to address anti-money laundering, corporate governance and compliance challenges of the banking sector and as a result has decided to conduct a national risk assessment. In 2017, the Government started a national risk assessment with assistance from the Word Bank to assess the weaknesses and identify areas for improvement of the anti-money laundering regime across sectors of the Angolan economy. The national risk assessment is expected to complete in 2018; and

- implemented the capital adequacy ratio requirements of Basel II in December 2017 and expects to complete implementing the liquidity ratio requirements of Basel III by the end of 2018.

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 has implemented a project to adopt the International Standards for Auditing and Accounting in the Angolan accounting profession. By the end of 2017 all 29 banks operating in Angola adopted the International Financial Reporting Standards.

The current minimum capital adequacy requirement is 10.0 per cent. and the actual current capital adequacy ratio maintained by the banking system as a whole is in excess of 18.0 per cent.

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 adopted on 30 August 2016 a regulation relating to liquidity risk that is in line with the recommendations in Basel III and which will introduce, over a period of 36 months, the requirement to comply with liquidity coverage ratios and, over a period of 48 months, the requirement to comply with net stable funding ratios.

There is also a requirement to have a minimum of 21 per cent. of the bank's deposits held as cash with the BNA as a minimum reserve requirement.

Pursuant to Article 65 of Law 12/2015 of 17 June 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 recognize 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 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.

Financing of the BNA

The BNA, as a public entity, can raise debt and as at 31 December 2017, the total amount of debt outstanding by the BNA was U.S.$102.1 million. The debt of the BNA is not reflected in Angola's public debt figures.

Angolan Stock Exchange

In 2005, the Government establish 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. Over the counter trading on the equity market of the BODIVA is expected to commence by the end of the first quarter of 2019 with the full exchange commencing operations by the end of 2020 and the trading of futures to commence in 2022.

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.

In 2016, BODIVA launched the *Mercado de Bolsa de Títulos do Tesouro* (treasury stock market, or "**MBTT**"). Trading volumes on the MBTT in 2017 were equivalent to approximately U.S.$3.2 billion. There are currently sixteen market participants trading on the MBTT.

TERMS AND CONDITIONS OF THE 2028 NOTES

The following is the text of the terms and conditions of the 2028 Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each 2028 Note Certificate (if issued). Within this section entitled "Terms and Conditions of the 2028 Notes", please note that the use of the term the "Notes" applies only to the 2028 Notes. Elsewhere in the Prospectus, the use of the term the "Notes" applies to the 2028 Notes and the 2048 Notes, together.

The U.S.$1,750,000,000 8.25 per cent. Notes due 2028 (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 9 May 2018 (the "**Deed of Covenant**"). A fiscal agency agreement dated on or about 9 May 2018 (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 authorized 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 authorized 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 denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, 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).

"**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 organization, 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 9 May 2018 (the "**Issue Date**") at the rate of 8.25 per cent. per annum (the "**Rate of Interest**"). Interest is payable semi-annually in arrear on 15 June and 15 December in each year commencing on 15 December 2018 (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 9 May 2028, 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 Condition12(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 London Stock Exchange plc 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 in a major European city; and (ii) 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.

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 Fiscal 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 honored 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 authorization, 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 favor 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 favor thereof, whether or not any other holder or holders of the same series voted in favor 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 $^{2}/_{3}$ 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 $^{2}/_{3}$ 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 favor thereof, whether or not any other holder or holders of the same series voted in favor 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 favorable 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 program 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 authorize 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 authorize 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 favor 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 favor 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 authorized 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 ("**Further Notes**"), provided that, if such Further Notes are not fungible with the Notes for U.S. federal income tax purposes, the trading prices of the Notes or such Further Notes may be adversely affected.

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 London Stock Exchange plc so require, notices must be published on a regulatory information service authorized by the United Kingdom Financial Conduct Authority.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in accordance with Condition 16 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). So long as any of the Notes are represented by the Restricted Global Note, notices required to be published in accordance with Condition 16 (Notices) may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

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 and the arbitration agreement at Condition 18(b) (*Arbitration*) (including any non-contractual obligations arising out of or in connection with the therewith) are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration*

Subject to Conditions 18(c) (*Noteholders' Option)* and 18(d) (*Jurisdiction*), the Republic agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the LCIA Rules modified by this Condition (the "**Rules**"), which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the claimant, one by the respondent and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. Where the parties to the Dispute number more than two, the disputant parties will represent collectively two separate "sides" for the formation of the tribunal (as claimants on one side and respondents on the other side) with each side nominating a single arbitrator. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) *Noteholders' Option*

At any time before any Noteholder has nominated an arbitrator to resolve any Dispute or Disputes pursuant to Condition 18(b) (*Arbitration*), the Noteholders, at their sole option, may elect by notice in writing (an "**Election Notice**") to the Republic that such Dispute(s) shall instead be resolved in the manner set out in Condition 18(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) *Jurisdiction*

In the event that any of the Noteholders serves an Election Notice in respect of any such Dispute(s) pursuant to Condition 18(c) (*Noteholders' Option*), the Republic agrees for the benefit of the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any such Dispute(s) and that the Republic may not commence proceedings ("**Proceedings**") for the determination of any such Dispute(s) in any other jurisdiction. Subject to Condition 18(b) (*Arbitration*), following the service of an Election Notice by the Noteholders, nothing in this Condition shall (or shall be construed so as to) limit the right of the Noteholders to bring Proceedings for the determination of any Dispute(s) in the courts of England or in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings for the determination of any such Dispute(s) by the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) *Appropriate Forum*

For the purpose of Condition 18(d) (*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.

(f) *Service of Process*

The Republic agrees that the process by which any Proceedings are commenced in England pursuant to Condition 18(d) (*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.

(g) *Enforcement of Judgments; Waiver of Immunity*

The Republic agrees that any award made pursuant to Condition 18(b) (*Arbitration*) or 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 recognized 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law, 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 defense 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law; (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.

TERMS AND CONDITIONS OF THE 2048 NOTES

The following is the text of the terms and conditions of the 2048 Notes which, subject to amendment and completion and except for the text in italics, will be endorsed on each 2048 Note Certificate (if issued). Within this section entitled "Terms and Conditions of the 2048 Notes", please note that the use of the term the "Notes" applies only to the 2048 Notes. Elsewhere in the Prospectus, the use of the term the "Notes" applies to the 2028 Notes and the 2048 Notes, together.

The U.S.$1,250,000,000 9.375 per cent. Notes due 2048 (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 9 May 2018 (the "**Deed of Covenant**"). A fiscal agency agreement dated on or about 9 May 2018 (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 authorized 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 authorized 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 denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, 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).

"**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 organization, 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 9 May 2018 (the "**Issue Date**") at the rate of 9.375 per cent. per annum (the "**Rate of Interest**"). Interest is payable semi-annually in arrear on 15 June and 15 December in each year commencing on 15 December 2018 (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 8 May 2048, 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 Condition12(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 London Stock Exchange plc 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 in a major European city; and (ii) 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.

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 Fiscal 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 honored 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 authorization, 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 favor 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 favor thereof, whether or not any other holder or holders of the same series voted in favor 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 $^{2}/_{3}$ 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 $^{2}/_{3}$ 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 favor thereof, whether or not any other holder or holders of the same series voted in favor 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 favorable 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 program 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 authorize 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 authorize 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 favor 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 favor 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 authorized 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 ("**Further Notes**"), provided that, if such Further Notes are not fungible with the Notes for U.S. federal income tax purposes, the trading prices of the Notes or such Further Notes may be adversely affected.

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 London Stock Exchange plc so require, notices must be published on a regulatory information service authorized by the United Kingdom Financial Conduct Authority.

So long as any of the Notes are represented by the Unrestricted Global Note, notices required to be published in accordance with Condition 16 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). So long as any of the Notes are represented by the Restricted Global Note, notices required to be published in accordance with Condition 16 (Notices) may be given by delivery of the relevant notice to DTC for communication to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the London Stock Exchange and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

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 and the arbitration agreement at Condition 18(b) (*Arbitration*) (including any non-contractual obligations arising out of or in connection with the therewith) are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration*

Subject to Conditions 18(c) (*Noteholders' Option)* and 18(d) (*Jurisdiction*), the Republic agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Notes) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the LCIA Rules modified by this Condition (the "**Rules**"), which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the claimant, one by the respondent and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, provided that if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. Where the parties to the Dispute number more than two, the disputant parties will represent collectively two separate "sides" for the formation of the tribunal (as claimants on one side and respondents on the other side) with each side nominating a single arbitrator. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) *Noteholders' Option*

At any time before any Noteholder has nominated an arbitrator to resolve any Dispute or Disputes pursuant to Condition 18(b) (*Arbitration*), the Noteholders, at their sole option, may elect by notice in writing (an "**Election Notice**") to the Republic that such Dispute(s) shall instead be resolved in the manner set out in Condition 18(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) *Jurisdiction*

In the event that any of the Noteholders serves an Election Notice in respect of any such Dispute(s) pursuant to Condition 18(c) (*Noteholders' Option*), the Republic agrees for the benefit of the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any such Dispute(s) and that the Republic may not commence proceedings ("**Proceedings**") for the determination of any such Dispute(s) in any other jurisdiction. Subject to Condition 18(b) (*Arbitration*), following the service of an Election Notice by the Noteholders, nothing in this Condition shall (or shall be construed so as to) limit the right of the Noteholders to bring Proceedings for the determination of any Dispute(s) in the courts of England or in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings for the determination of any such Dispute(s) by the Noteholders in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) *Appropriate Forum*

For the purpose of Condition 18(d) (*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.

(f) *Service of Process*

The Republic agrees that the process by which any Proceedings are commenced in England pursuant to Condition 18(d) (*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.

(g) *Enforcement of Judgments; Waiver of Immunity*

The Republic agrees that any award made pursuant to Condition 18(b) (*Arbitration*) or 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 recognized 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law, 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 defense 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 (*Codígo de Processo Civil*) and Law 18/10 of 6 August - the Public Assets Law; (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 of each Series will be evidenced on issue by the relevant Unrestricted Global Note (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and the relevant 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 each 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 each 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 relevant Restricted Global Note (if applicable). See "*Transfer Restrictions*".

Beneficial interests in each 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 each 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 relevant Fiscal 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 relevant Fiscal Agency Agreement, and with respect to Restricted Notes, as set forth in Rule 144A, and the Notes of each Series will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the relevant Unrestricted Global Note may be transferred to a person who takes delivery in the form of an interest in the relevant Restricted Global Note in denominations greater than or equal to the minimum denominations applicable to interests in the relevant Restricted Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the relevant Fiscal 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 relevant Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the relevant Unrestricted Global Note only upon receipt by the Registrar of a written certification (in the form provided in the relevant Fiscal 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 relevant Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in the relevant Restricted Global Note will, upon transfer, cease to be an interest in the relevant Unrestricted Global Note and become an interest in the relevant Restricted Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the relevant Restricted Global Note for as long as it remains such an interest. Any beneficial interest in the relevant Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in the relevant Unrestricted Global Note will, upon transfer, cease to be an interest in the relevant Restricted Global Note and become an interest in the relevant Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the relevant 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 of each Series, 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 of either Series 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 either Series of 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 relevant Series of Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of either Series 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 of either Series 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.

Notices

So long as any Notes of either Series are represented by the Global Note Certificates and the Global Note Certificates are held on behalf of one or more clearing systems, notices to Noteholders of either Series of Notes required to be published in the Financial Times may be given by delivery of the relevant notice to such clearing systems for communication by it to entitled accountholders in substitution for delivery thereof as required by the Conditions of such Notes provided that for so long as the Notes of either Series are listed on the Official List and admitted to trading on the Market and the rules of that London Stock Exchange so require, notices shall also be published in a leading newspaper having general circulation in England (which is expected to be the Financial Times).

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 of the relevant Series of Notes and in any such meeting as having one vote in respect of each integral U.S.$1,000 in principal amount of the relevant Series of Notes.

Cancellation

Cancellation of any Note of either Series required by the Conditions of the relevant 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 of each Series as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of each of the Terms and Conditions of the 2028 Notes and the Terms and Conditions of the 2048 Notes which would not be suffered were the Notes of each Series 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 each Series of 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 of the relevant Series of Notes (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 dispatch 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 a 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 a 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 depositary 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 organizations 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 depositary 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 organized 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 computerized 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 organizations. 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 each Restricted Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organizations 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 of either Series only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant 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 relevant 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

Each 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 depositary 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

Each 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 if each Series 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 of either Series 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 of either Series evidenced by a Global Note Certificate, the common depositary 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 depositary 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 of either Series 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 of either Series 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 of either Series 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 U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. 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 of either Series are to be transferred from the account of a DTC Participant holding a beneficial interest in the relevant Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the relevant Unrestricted Global Note (subject to the certification procedures provided in the relevant Fiscal 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 relevant Restricted Global Note will instruct the Registrar to (i) decrease the amount of relevant Notes registered in the name of BT Globenet Nominees Limited and evidenced by the relevant Restricted Global Note and (ii) increase the amount of the relevant Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant 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 of either Series 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 relevant Restricted Global Note (subject to the certification procedures provided in the relevant Fiscal 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 depositary 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 depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the relevant Restricted Global Note who will in turn deliver such book-entry interests in the respective Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes of the relevant Series registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Unrestricted Global Note; and (ii) increase the amount of Notes of the relevant Series registered in the name of BT Globenet Nominees Limited and evidenced by the relevant 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 of either Series 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 of either Series 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 of either Series 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 of either Series may be affected by such local settlement practices and purchasers of Notes of either Series 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) payments of interest, redemption premiums 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 of 20 October 2014):

a) a 10 per cent. withholding tax over interest / redemption premiums or repayment premiums and to certain other forms of remuneration of bonds; or

b) a 5 per cent. withholding tax in respect of (*inter alia*) the same type of interest, redemption premiums or repayment premiums and to certain 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 redemption premiums and repayment premiums under the Notes are, pursuant to applicable legislation, subject to a 5 per cent. 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 for cash 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 (generally, property held for investment). 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, U.S. expatriates, traders in securities that elect to mark-to-market, dealers in securities or currencies and persons subject to the alternative minimum tax, (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 U.S. 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. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained. The discussion does not describe any tax consequences arising out of the laws of any state, local or foreign jurisdiction or the tax on investment income. We urge you to consult your own tax advisors regarding the particular U.S. federal income tax

consequences to you of acquiring, holding and disposing of Notes, any tax consequences that may arise under the laws of any relevant foreign, state, local, or other taxing jurisdiction or under any applicable tax treaty, as well as possible effects of changes in U.S. federal or other tax laws.

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.

Under recently enacted legislation, for tax years beginning on or after January 1, 2018, U.S. Holders that use an accrual method of accounting for tax purposes may be required to accrue income earlier than would be the case under the general tax rules described above and below. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential application of this legislation to their particular situation.

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, Taxable Exchange, Redemption, Retirement or Other Taxable Disposition of Notes

A U.S. Holder will generally recognize gain or loss on the sale, taxable exchange, redemption, retirement or other taxable disposition of the Notes in an amount equal to the difference between the amount the holder realizes on such sale, taxable exchange, redemption, retirement or other taxable disposition (less any accrued and unpaid interest, which will be taxable as ordinary interest income to the extent not previously included in 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, taxable exchange, redemption, retirement or other taxable disposition 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, taxable exchange, redemption, retirement or other taxable 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 certain other requirements are met.

Backup Withholding and Information Reporting

In general, information reporting to the IRS is required with respect to payments on the Notes and proceeds of the sale, exchange, redemption, retirement or other disposition of the Notes that are made within the United States or through certain United States related financial intermediaries 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. Amounts withheld from a payment to a U.S. Holder under the backup withholding rules will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

Foreign Asset Reporting

Certain U.S. Holders are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by U.S. financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations or any other reporting requirements, if any, with respect to their acquisition, ownership and, disposition and retirement of the notes. The failure to comply with reporting requirements could result in the imposition of substantial penalties.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. You should consult your tax advisors concerning the tax consequences of your particular situation.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch, Goldman Sachs International, ICBC International Securities Limited and ICBC Standard Bank Plc (the "**Joint Lead Managers**") have, in a subscription agreement dated 3 May 2018 (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 2028 Notes at their issue price of 99.987 per cent. of their principal amount and for the 2048 Notes at their issue price of 99.976 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.

Subject to the terms and conditions stated in the Subscription Agreement, the Joint Lead Managers below have agreed to subscribe, and the Republic has agreed to sell to the Joint Lead Managers, the principal amount of the Notes as set forth below:

	Principal Amount of 2028 Notes	**Principal Amount of 2048 Notes**
	U.S.$	
Initial Purchasers		
Deutsche Bank AG, London Branch	583,333,333.3	416,666,666.7
Goldman Sachs International	583,333,333.3	416,666,666.7
ICBC International Securities Limited	291,666,666.7	208,333,333.3
ICBC Standard Bank Plc	291,666,666.7	208,333,333.3
Total	1,750,000,000.0	1,250,000,000.0

Selling Restrictions

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.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each Joint Lead Manager has represented that:

(a) it has not solicited and will not solicit offers for, or offer or sell, Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offerings within the meaning of Section 4(2) of the Securities Act;

(b) none of it, its affiliates or any person acting on its or their behalf, has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes;

(c) such Manager, or any person acting on its behalf, will offer or sell or solicit offers for the Notes as part of their initial distribution only (1) to persons whom it reasonably believes are "**qualified institutional buyers**" as defined in Rule 144A under the Securities Act or it any such person is buying for one or more institutional accounts of which such person is acting as a fiduciary or agent, only when such Manager reasonably believes that each such account is a qualified institutional buyer or (2) in offshore transactions within the meaning and meeting the requirements of Rule 903 under the Securities Act.

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to

purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters in the United States. ICBC Standard Bank Plc shall offer and sell the Securities constituting part of its allotment solely outside the United States.

United Kingdom

Each Joint Lead Manager has represented and agreed that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and (ii) 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.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Directive; and

(b) the expression "offer" includes 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.

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**"). Each Joint Lead Manager has represented and agreed that the Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, 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 by a relevant person which is: (a) 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 (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or any 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 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 and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Joint Lead Manager has acknowledged that 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. Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not 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; 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 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.

General

The Joint Lead Managers have acknowledged that no action has been or will be taken in any jurisdiction by the Joint Lead Managers that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.

Accordingly, each Joint Lead Manager has severally and not jointly undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

Without prejudice to the generality of the foregoing, each Joint Lead Manager has agreed that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

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 RESALES 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 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 with a written certification (in the form provided in the relevant Fiscal 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 Republic's LEI is 549300QHR2R3J8JSGK83. The Common Code and ISIN for the Unrestricted Notes and the Common Code, ISIN and CUSIP number for the Restricted Notes are as follows:

2028 Unrestricted Notes
Common Code: 181968028
ISIN: XS1819680288

2028 Restricted Notes
Common Code: 181968087
ISIN: US035198AB62
CUSIP: 035198 AB6

2048 Unrestricted Notes
Common Code: 181968052
ISIN: XS1819680528

2048 Restricted Notes
Common Code: 181968095
ISIN: US035198AC46
CUSIP: 035198 AC4

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 9 May 2018 (or the next business day), subject only to the issue of the Global Note Certificates. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the fifth working date after the day of the transaction.

3. Authorization

The creation and the issuance of the notes have been authorized by Angola, through the obtaining of the following authorizations:

(a) a Presidential Order approving the issuance by Angola of the Notes and authorizing the Angolan Ministry of Finance to execute and implement the necessary actions and measures required in connection with the issuance of the Notes;

(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 authorized and can be paid by the Republic;

(d) Executive Decree of the Minister of Finance approving the specific transaction documentation and features of the transactions; and

(e) a special foreign exchange licence 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 70 6000.

6. Significant Change

Other than as disclosed in this Prospectus, 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 2017 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 2017.

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 in respect of the 2028 Notes;

(c) the Fiscal Agency Agreement in respect of the 2048 Notes;

(d) the Deed of Covenant in respect of the 2028 Notes;

(e) the Deed of Covenant in respect of the 2048 Notes; and

(f) the current published budget for the year.

8. Interested Persons

No person involved in the offering of the Notes 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 GBP2,000.

10. Joint Lead 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

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Luanda
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