The Mozambican Economy

Challenging Times Ahead

Research
May 2020

Economics
Tiago Bossa Dionísio
(+351) 964 643 530
tiago.dionisio@eaglestone.eu

Growth forecast of 2.2% this year

The Mozambican government's real GDP growth projection of 2.2% for this year may prove to be somewhat optimistic considering the uncertainties surrounding the impact that Covid-19 could ultimately have on the local economy. Indeed, the world economy is already facing a sharp recession in 2020 and, although Mozambique performed relatively well in the last global crisis about a decade ago (growing at 6-7% annually during the period), this time it could be different. The country's main trading partners (South Africa, India, China and the Euro area) are all being severely affected by the pandemic while the prices of its main exports (from the mining sector) continue to plummet, putting additional pressure on Mozambique's already fragile external accounts. Moreover, the announcement by US oil major ExxonMobil that it was postponing (without deadline) the final investment decision on its LNG project in the Rovuma Basin due to the latest crash in energy prices is likely to affect economic activity while the escalation of military tensions in the northern and central parts of the country could also limit its economic growth trajectory in 2020.

Fiscal deficit is expected to widen in 2020

The 2020 budget proposal assumes a double-digit decline in public revenues (mostly from much lower tax receipts) and a significant improvement in grants following an abnormally low contribution in the previous year. On the other hand, expenditures are once again expected to see a strong increase, largely related to higher spending on good and services and debt payments, with the latter clearly reflecting the sharp increase in public debt levels (already exceeding 100% of GDP) witnessed in recent years. Overall, this is expected to translate into a wider fiscal gap in 2020, with the budget deficit projected to reach 7.7% of GDP (vs. a reported 2.1% of GDP in the previous year). This forecast is also higher than the one included in the 2019 budget proposal (6.7% of GDP) and probably shows that the fiscal consolidation efforts put in place in recent years by the local authorities may be on hold for the time being.

External support to finance the budget

Mozambique is expected to see the return of direct budget support in 2020 after this type of financial assistance was interrupted in the last three years (2017-19) after the revelation of previously undisclosed debts in April 2016. In particular, the IMF and the World Bank will inject MZM 21,038 million in direct financial support to the 2020 budget to help mitigate the impact of Covid-19 in the country. The government will also count on an additional MZM 19,985 million in donations and MZM 25,983 million in multilateral and bilateral loans for specific projects included in the budget.

Debt service relief

Mozambique is part of the group of 25 low-income countries, including 19 in Africa, which is going to benefit from six months of debt service relief (extendable up to two years) recently announced by the IMF. Private creditors also provided a debt moratorium at least until the end of the year. These are positive news, as this debt service relief will provide a short-term safety net and allow the local authorities to allocate much-needed funds to combat several areas of the economy more affected by Covid-19. However, these challenging times that Mozambique is also facing must not put in jeopardy the progress that the country has recently made in restoring macroeconomic stability and, more importantly, they must not deviate attentions from the need to bring public debt to more sustainable levels over the medium-term.

MACROECONOMIC ASSUMPTIONS

The Mozambican government's 2020 budget proposal incorporates a real GDP growth forecast of 2.2% for this year, which is the same growth rate recorded in 2019. This projection mostly reflects (1) the reconstruction efforts carried out by the local authorities following cyclones Idai and Kenneth in early-2019, namely in the areas more affected in the northern and central parts of the country, (2) the normalization of activity in those sectors that were more impacted by the cyclones, including agriculture and (3) the developments related to the natural gas projects in the Rovuma basin. However, the government recognizes that the spread of the Covid-19 virus on the global, regional and national fronts could negatively affect activity in several sectors of the local economy. This risk, together with the instability currently taking place in the central and northern parts of Mozambique, could limit its economic growth trajectory in 2020, having implications on fiscal and monetary policies to be carried out during this period.

The 2020 budget proposal incorporates a real GDP growth assumption of 2.2%, the same growth rate recorded in 2019

In particular, the government anticipates economic growth in 2020 to reflect a recovery in some activity sectors. As detailed in the table below, this growth is expected to be mainly driven by an improved performance in the construction sector (3%) and in the extractive industry (1.5%). Agriculture, which is the largest sector of the local economy (accounting for over a quarter of total GDP), is projected to expand by 1.8% from 1.2% in the previous year.

Economic growth in 2020 is expected to reflect a recovery in most activity sectors

GROWTH FORECASTS	2017	2018	2019 (1)	2019 (2)	2020 (1)
Agriculture	4.0%	3.1%	5.5%	1.2%	1.8%
Fishing	3.9%	2.1%	6.0%	1.9%	1.0%
Extractive Industries	32.1%	10.7%	14.0%	-1.8%	1.5%
Manufacturing	2.6%	1.7%	3.1%	1.1%	1.0%
Electricity and Gas	-3.5%	-2.8%	2.0%	-0.8%	1.5%
Construction	-3.2%	-1.0%	3.5%	2.2%	3.0%
Wholesale and Retail	-2.4%	1.1%	2.6%	-0.2%	0.5%
Hotels and Restaurants	-0.7%	3.8%	3.5%	2.1%	0.0%
Transports, Storage and Info. & Comunic	4.6%	5.1%	2.8%	4.7%	2.0%
Financial and Insurance Actitivies	4.1%	5.8%	2.0%	3.8%	2.0%
Public Admin., Defense and Social Sec.	2.1%	1.7%	4.5%	2.6%	2.0%
Education	1.5%	0.8%	5.0%	0.8%	0.8%
Health and Social Act.	3.1%	4.7%	4.5%	4.0%	2.0%
Total Real GDP	**3.7%**	**3.4%**	**4.7%**	**2.2%**	**2.2%**

(1) Budget Proposal; (2) Preliminary. Sources: INE and Ministry of Finance.

The budget proposal also assumes that the average inflation rate for 2020 will remain in single-digits, despite an expected increase to 6.6% from 2.8% last year. This increase is mostly due to possible shocks arising from Covid-19, including (1) lower availability of some goods, namely food items, (2) greater pressure in the foreign exchange market due to lower international trade volumes and foreign currency and (3) stronger demand for hygiene products and health services.

Inflation is expected to increase in 2020, but remain in single-digits

Regarding the foreign exchange market, the government stated that the central bank will be committed to preventing excessive volatility in the exchange rate of the metical against the currencies of the country's main trading partners and to ensuring an adequate level of international reserves that will cover at least five months of imports of goods and services (excluding imports for the mega-projects). The budget proposal assumes an US$/MZM average exchange rate of 66.6, which implies a depreciation of the metical of just over 6% this year.

The budget proposal assumes a depreciation of the metical against the dollar of just over 6% this year

MACRO ASSUMPTIONS	2018	2019	2020 (1)
Nominal GDP (MZM million)	887,806	965,382	1,018,955
Real GDP Growth	3.4%	2.2%	2.2%
Average Annual Inflation	3.5%	2.8%	6.6%
Average Exchange Rate (US$/MZM)	60.3	62.5	66.6
Int. Reserves (months of imports)	6.3	6.9	5.8
Exports (US$ million)	5,197	4,718	4,410
Imports (US$ million)	6,169	6,799	7,166
Current Account Balance (US$ million)	-4,499	-3,088	-3,764
Current Account Balance (% of GDP)	-30.6%	-20.0%	-24.6%
Foreign Direct Investment (US$ million)	2,692	1,991	2,264
Primary Balance (% of GDP)	0.7%	-2.4%	1.4%

(1) Budget Proposal. Source: Ministry of Finance.

The government expects that Mozambique's external accounts will be impacted by a reduction in international trade levels likely to take place this year, as the economies of some of its key

The country's external accounts are expected to deteriorate while foreign *direct investment is only likely to show a modest recovery*

trading partners (China, Euro area and USA) are severely affected by the pandemic, and by the fall in commodity prices, including its main exports (coal and aluminum). This means that the country's current account deficit will likely widen to 24.6% of GDP (from 20% in the previous year). Moreover, net foreign direct investment is only expected to recover to US$ 2,264 million this year, reflecting some concerns about making a final investment decision in gas exploration projects in the Rovuma Basin as a result of the latest sharp decline in international oil prices.

PUBLIC ACCOUNTS

The government suggested that it remains focused on fiscal consolidation

The Mozambican government stated in its recently presented 2020 budget proposal that fiscal policy for this year will remain largely focused on (1) broadening tax collection, (2) improving the efficiency of public spending and (3) managing public debt levels, including the creation of mechanisms to better manage state-owned enterprises and the public sector pension fund. The government also said that it will continue to prioritize investments in key areas of the economy, namely education, healthcare, security and agriculture, and focused on generating employment in order to ensure the well-being of the local population.

The 2020 budget proposal assumes a budget deficit (after grants) of 7.7% of GDP

In terms of the 2020 budget proposal figures, the government foresees (1) total revenues falling 14.8% YoY to MZM 235,590 million (23.1% of GDP), (2) grants more than trebling to MZM 31,034 million (3.0% of GDP) and (3) expenditures increasing 12.9% YoY to MZM 345,382 million (33.9% of GDP). These changes are relatively to the reported figures for 2019. Overall, this means that the budget deficit forecast (before grants) stands at 10.8% of GDP for this year, which is materially higher than the 3% deficit reported in 2019. If including grants, the budget deficit is expected to stand at 7.7% of GDP, still well above the 2.1% of GDP reported in 2019. These budget deficit projections are also higher than the ones included in the 2019 budget proposal, as detailed in the table below.

STATE BUDGET					YoY Change			% of GDP			
Million MZM	2018	2019	2019 Budget	2020 Budget	2019/ 2018	'20 Bud/ 2019	'20 Bud /'19 Bud	2018	2019	2019 Budget	2020 Budget
Total Revenues and Grants	**230,704**	**285,759**	**271,968**	**266,624**	**23.9%**	**-6.7%**	**-2.0%**	**26.8%**	**29.6%**	**26.6%**	**26.2%**
Total Revenues	213,032	276,431	244,228	235,590	29.8%	-14.8%	-3.5%	24.8%	28.6%	23.9%	23.1%
Grants	17,672	9,328	27,741	31,034	-47.2%	232.7%	11.9%	2.1%	1.0%	2.7%	3.0%
Total Expenditures	**289,890**	**305,852**	**340,415**	**345,382**	**5.5%**	**12.9%**	**1.5%**	**33.7%**	**31.7%**	**33.3%**	**33.9%**
Current Expenditures	178,187	195,890	196,593	228,349	9.9%	16.6%	16.2%	20.7%	20.3%	19.3%	22.4%
Capital Expenditures	67,151	71,748	102,320	70,992	6.8%	-1.1%	-30.6%	7.8%	7.4%	10.0%	7.0%
Net Lending	44,552	38,215	41,502	46,041	-14.2%	20.5%	10.9%	5.2%	4.0%	4.1%	4.5%
Budget Balance (before Grants)	**-76,858**	**-29,421**	**-96,187**	**-109,792**	**-61.7%**	**273.2%**	**14.1%**	**-8.9%**	**-3.0%**	**-9.4%**	**-10.8%**
Budget Balance (after Grants)	**-59,186**	**-20,093**	**-68,446**	**-78,758**	**-66.1%**	**292.0%**	**15.1%**	**-6.9%**	**-2.1%**	**-6.7%**	**-7.7%**

Source: Ministry of Finance.

The government expects to see a lower contribution from revenues in 2020

The government's revenue projection for 2020 reflects a much lower contribution from current revenues than assumed in last year's budget and also its reported figure. In particular, the local authorities anticipate a decline in income taxes, which saw a very strong performance in 2019 (especially on the corporate side), and taxes on goods and services. Other tax revenues are also expected to see a sharp fall (after an abnormally high figure in 2019), but improve relatively to the 2019 budget projection. On the other hand, capital revenues are projected to record a better performance in 2020.

REVENUES					YoY Change			% of GDP			
Million MZM	2018	2019	2019 Budget	2020 Budget	2019/ 2018	'20 Bud / 2019	'20 Bud /'19 Bud	2018	2019	2019 Budget	2020 Budget
Current Revenues	207,973	274,582	236,323	225,690	32.0%	-17.8%	-4.5%	24.2%	28.4%	23.1%	22.1%
Tax Revenues	177,265	258,452	206,356	193,500	45.8%	-25.1%	-6.2%	20.6%	26.8%	20.2%	19.0%
Income Tax	90,379	144,323	102,101	96,801	59.7%	-32.9%	-5.2%	10.5%	14.9%	10.0%	9.5%
Corporate	56,937	106,625	65,526	62,911	87.3%	-41.0%	-4.0%	6.6%	11.0%	6.4%	6.2%
Personal	33,052	37,327	35,881	33,205	12.9%	-11.0%	-7.5%	3.8%	3.9%	3.5%	3.3%
Other	391	371	694	686	-5.0%	84.8%	-1.2%	0.0%	0.0%	0.1%	0.1%
Tax on Goods & Services	78,589	88,554	95,942	87,012	12.7%	-1.7%	-9.3%	9.1%	9.2%	9.4%	8.5%
VAT	55,450	61,616	63,186	56,786	11.1%	-7.8%	-10.1%	6.4%	6.4%	6.2%	5.6%
Other	23,139	26,939	32,757	30,226	16.4%	12.2%	-7.7%	2.7%	2.8%	3.2%	3.0%
Other Tax Revenues	8,296	25,575	8,313	9,687	208.3%	-62.1%	16.5%	1.0%	2.6%	0.8%	1.0%
Other Revenues	30,708	16,130	29,967	32,190	-47.5%	99.6%	7.4%	3.6%	1.7%	2.9%	3.2%
Capital Revenues	5,060	1,849	7,905	9,900	-63.5%	435.4%	25.2%	0.6%	0.2%	0.8%	1.0%
Total Revenues	**213,032**	**276,431**	**244,228**	**235,590**	**29.8%**	**-14.8%**	**-3.5%**	**24.8%**	**28.6%**	**23.9%**	**23.1%**

Source: Ministry of Finance.

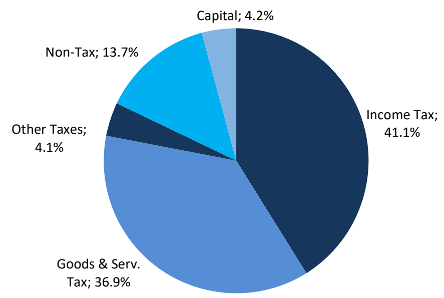
The revenue breakdown shows that receipts from income tax and taxes on goods and services account for most of the total proceeds. In particular, income tax is expected to stand at 41.1% of the total revenues and taxes on goods and services to account for 36.9% of the total in 2020. This compares with 41.8% and 39.3%, respectively, projected in the 2019 budget.

Receipts from income tax and taxes on goods and services account for most of the total proceeds

Revenues are estimated to represent 89% of total government receipts (if excluding domestic and external financing) and grants to account for 11% of the total, with the latter expected to see some improvement from the period 2016-19. We note, however, that looking back to 2011, the amount of grants as a percentage of receipts (excluding financing) has gradually decreased from 25.2% of the total in 2011 to the currently expected 11%. It is also clearly evident when looking at this indicator as a percentage of GDP, as grants are seen falling from 7.2% of GDP in 2011 to 3.0% in 2020.

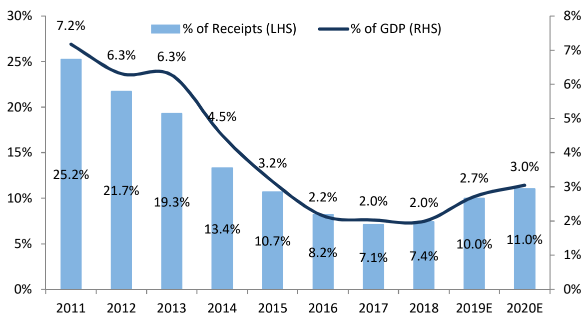
Grants are expected to account for just 11% of the total government proceeds in 2020 (vs. 25.2% of the proceeds in 2011)

TOTAL REVENUE BREAKDOWN (2020E)



Source: Ministry of Finance.

EVOLUTION OF GRANTS (2011-20E)



Note: Total Receipts excluding Domestic and External Financing.
Source: Ministry of Finance.

Meanwhile, total expenditures are once again expected to increase relatively to 2019, mainly as a result of the sharp increase in current expenditures that are forecasted to see materially higher figures across the board. The government stated that the increase in staff costs reflects the need to hire more people for the health, education and agriculture sectors as well as the promotion of public sector workers. It expects to hire 13,172 new employees strictly for these sectors, with an estimated impact on the budget of MZM 1,808 million, or 20.5% more than in the previous year.

Expenditures are expected to increase mainly as a result of higher current expenditures

We also note the higher spending for debt payments (after an already near double-digit increase in 2019), which is due to the sharp rise in public debt levels in recent years. These are expected to represent 3.7% of GDP (vs. 3.1% of GDP in 2019), with the largest part related to interest on domestic debt. All in all, current expenditures are estimated to represent 22.4% of GDP, higher than the 20.3% of GDP recorded in 2019.

Higher spending on debt payments reflects the sharp increase in public debt levels in recent years

EXPENDITURES					YoY Change			% of GDP			
Million MZM	2018	2019	2019 Budget	2020 Budget	2019/ 2018	'20 Bud / 2019	'20 Bud /'19 Bud	2018	2019	2019 Budget	2020 Budget
Current Expenditures	178,188	195,890	196,593	228,349	9.9%	16.6%	16.2%	20.1%	20.3%	19.3%	22.4%
Staff Costs	96,465	112,837	104,625	124,085	17.0%	10.0%	18.6%	10.9%	11.7%	10.2%	12.2%
Goods and Services	28,703	25,769	31,224	34,588	-10.2%	34.2%	10.8%	3.2%	2.7%	3.1%	3.4%
Debt Payments	27,250	29,755	35,000	37,323	9.2%	25.4%	6.6%	3.1%	3.1%	3.4%	3.7%
Domestic Interest	16,936	17,300	24,000	24,191	2.1%	39.8%	0.8%	1.9%	1.8%	2.4%	2.4%
Overseas Interest	8,644	11,652	11,000	13,132	34.8%	12.7%	19.4%	1.0%	1.2%	1.1%	1.3%
Other Debt Payments	1,670	804	-	-	-1	-	-	0.2%	0.1%	-	-
Current Transfers	24,065	25,621	22,971	28,645	6.5%	11.8%	24.7%	2.7%	2.7%	2.2%	2.8%
Subsidies	914	1,064	1,101	1,113	16.4%	4.6%	1.1%	0.1%	0.1%	0.1%	0.1%
Other	790	844	1,672	2,595	6.8%	207.3%	55.2%	0.1%	0.1%	0.2%	0.3%
Capital Expenditures	67,151	71,748	102,320	70,992	6.8%	-1.1%	-30.6%	7.6%	7.4%	10.0%	7.0%
Domestically Financed	32,938	45,824	40,018	29,585	39.1%	-35.4%	-26.1%	3.7%	4.7%	3.9%	2.9%
Externally Financed	34,213	25,923	62,302	41,407	-24.2%	59.7%	-33.5%	3.9%	2.7%	6.1%	4.1%
Net Lending	44,552	38,215	41,502	46,041	-14.2%	20.5%	10.9%	5.0%	4.0%	4.1%	4.5%
Assets	13,924	6,391	9,490	4,810	-54.1%	-24.7%	-49.3%	1.6%	0.7%	0.9%	0.5%
Liabilities	30,628	31,824	32,012	41,231	3.9%	29.6%	28.8%	3.4%	3.3%	3.1%	4.0%
Amort. of Domestic Debt	15,192	17,779	18,000	25,102	17.0%	41.2%	39.5%	1.7%	1.8%	1.8%	2.5%
Amort. of External Debt	15,435	14,045	14,012	16,129	-9.0%	14.8%	15.1%	1.7%	1.5%	1.4%	1.6%
Total Expenditures	**289,890**	**305,852**	**340,415**	**345,382**	**5.5%**	**12.9%**	**1.5%**	**32.7%**	**31.7%**	**33.3%**	**33.9%**

Source: Ministry of Finance.

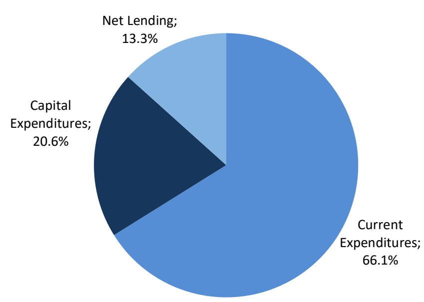
Capital expenditures are expected to decline by nearly 30% relatively to the 2019 budget projection

In terms of capital expenditures, the government stated that the near 30% fall expected this year (relatively to the 2019 budget) reflects lower financing levels anticipated both domestically and externally. The government added that it will give priority to investment projects related to education, healthcare and agriculture and rural development considering the commitments that it has made internationally to allocate 20%, 15% and 10% of total expenditures to these sectors, respectively. Moreover, net lending is anticipated to represent 4.5% of GDP this year, with 2.5% and 1.5% of GDP related to the amortization of external and domestic debt, respectively.

Current expenditures are expected to account for two-thirds of total spending

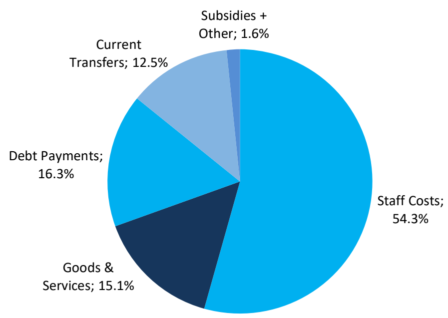
Overall, current expenditures are expected to represent 66.1% of the total spending, capital expenditures 20.6% and net lending 13.3%. In terms of the breakdown of current expenditures, we note that staff costs are still expected to account for more than half of this type of spending followed by spending on debt payments (16.3%) and on goods and services (15.1%).

TOTAL EXPENDITURES BREAKDOWN (2020E)



Source: Ministry of Finance.

CURRENT EXPENDITURES BREAKDOWN (2020E)



Source: Ministry of Finance.

The government plans to finance the 2020 budget by continuing to rely mostly on domestic receipts

The local authorities plan to finance the 2020 budget by continuing to rely mostly on domestic receipts, which are expected to account for 80.6% of the total (vs. 79.0% in the 2019 budget). Specifically, it means that 68.2% is expected to come from public receipts, 4.1% from capital gains retained from previous years (including from the Eni and Exxon Mobil deal in 2017) and 8.3% from domestic financing. All in all, domestic receipts are estimated to represent 27.3% of GDP, up from 26.3% of GDP in the 2019 budget.

Grants are expected to see a sharp increase after an abnormally low level recorded in 2019

External receipts are expected to account for 19.4% of the total financing and 6.6% of GDP. This is lower than the 7.0% of GDP projected in 2019, and reflects the lower level of external financing expected this year. This is justified by the conclusion of several projects and the need to secure the sustainability of debt service payments. On the other hand, grants are estimated to increase to 3.0% of GDP after an abnormally low level recorded in 2019. This includes MZM 21,038 million (2.1% of GDP) in direct support to the budget through financing from the IMF and the World Bank to assist the government in combating the impact of Covid-19 on the local economy.

RECEIPTS & EXPEND.					% of Total				% of GDP			
Million MZM	2018	2019	2019 Budget	2020 Budget	2018	2019	2019 Budget	2020 Budget	2018	2019	2019 Budget	2020 Budget
Receipts:												
Domestic Receipts	**239,151**	**310,252**	**268,949**	**278,375**	**82.0%**	**86.6%**	**79.0%**	**80.6%**	**26.9%**	**32.1%**	**26.3%**	**27.3%**
Revenues	213,032	276,431	244,228	235,590	73.0%	77.2%	71.7%	68.2%	24.0%	28.6%	23.9%	23.1%
Other Revenues (*)	7,067	5,275	5,274	14,274	2.4%	1.5%	1.5%	4.1%	0.8%	0.5%	0.5%	1.4%
Domestic Financing	19,051	28,546	19,447	28,510	6.5%	8.0%	5.7%	8.3%	2.1%	3.0%	1.9%	2.8%
External Receipts	**52,588**	**48,035**	**71,465**	**67,007**	**18.0%**	**13.4%**	**21.0%**	**19.4%**	**5.9%**	**5.0%**	**7.0%**	**6.6%**
Grants	17,672	9,328	27,741	31,034	6.1%	2.6%	8.1%	9.0%	2.0%	1.0%	2.7%	3.0%
External Financing	34,916	38,707	43,725	35,973	12.0%	10.8%	12.8%	10.4%	3.9%	4.0%	4.3%	3.5%
Total Receipts (1)	**291,739**	**358,287**	**340,415**	**345,382**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**32.9%**	**37.1%**	**33.3%**	**33.9%**
Expenditures:												
Current Expenditures	**178,187**	**195,890**	**196,593**	**228,349**	**61.5%**	**64.0%**	**57.8%**	**66.1%**	**20.1%**	**20.3%**	**19.3%**	**22.4%**
Capital Expenditures	**67,151**	**71,748**	**102,320**	**70,992**	**23.2%**	**23.5%**	**30.1%**	**20.6%**	**7.6%**	**7.4%**	**10.0%**	**7.0%**
Domestic	32,938	45,824	40,018	29,585	11.4%	15.0%	11.8%	8.6%	3.7%	4.7%	3.9%	2.9%
External	34,213	25,923	62,302	41,407	11.8%	8.5%	18.3%	12.0%	3.9%	2.7%	6.1%	4.1%
Net Lending	**44,552**	**38,215**	**41,502**	**46,041**	**15.4%**	**12.5%**	**12.2%**	**13.3%**	**5.0%**	**4.0%**	**4.1%**	**4.5%**
Total Expenditures (2)	**289,890**	**305,852**	**340,415**	**345,382**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**32.7%**	**31.7%**	**33.3%**	**33.9%**
Difference ((1) - (2))	*1,849*	*52,435*	*0*	*0*								
TOTAL	**291,739**	**358,287**	**340,415**	**345,382**	**100.6%**	**117.1%**	**100.0%**	**100.0%**	**32.9%**	**37.1%**	**33.3%**	**33.9%**

(*) Capital gains used to finance expenditures. Source: Ministry of Finance.

Disclaimer

This document has been prepared by Eaglestone Advisory Limited which is authorised and regulated by the Financial Conduct Authority of the United Kingdom and its affiliates ("Eaglestone"), and is provided for information purposes only.

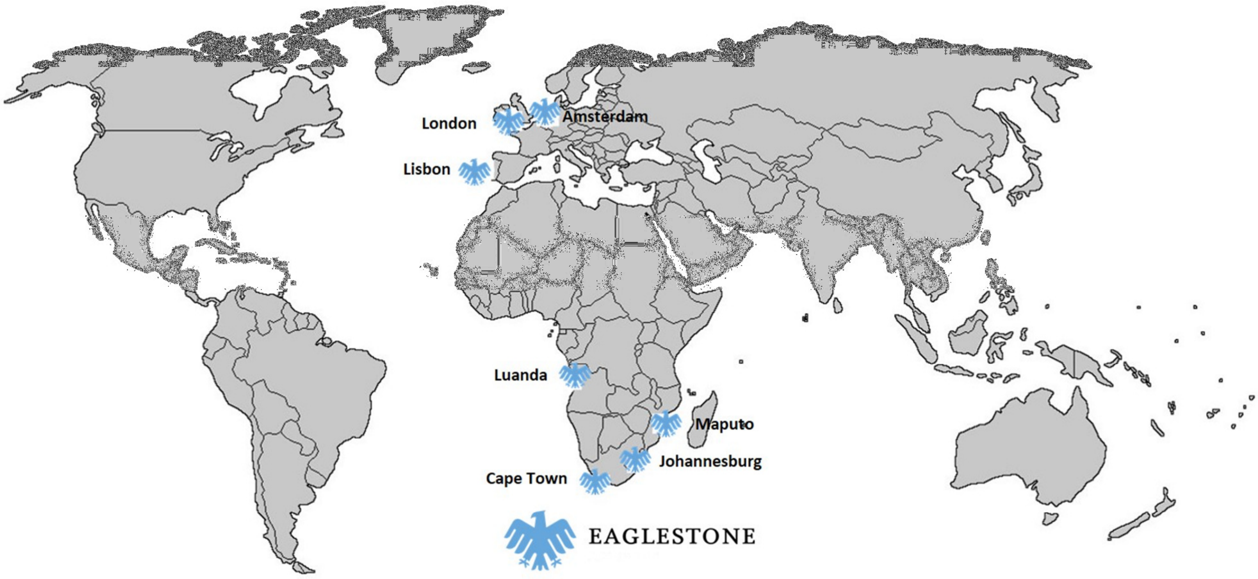
The information and opinions in this document are published for the assistance of the recipients, are for information purposes only, and have been compiled by Eaglestone in good faith using sources of public information considered reliable. Although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading we make no representation regarding its accuracy or completeness, it should not be relied upon as authoritative or definitive, and should not be taken into account in the exercise of judgments by any recipient. Accordingly, with the exception of information about Eaglestone, Eaglestone makes no representation as to the accuracy or completeness of such information.

This document does not have regard to specific investment objectives, financial situation and the particular needs of any specific recipient. Recipients should seek financial advice regarding the appropriateness of investment strategies discussed or recommended in this document and should understand that the statements regarding future prospects may not be realised. Unless otherwise stated, all views (including estimates, forecasts, assumptions or perspectives) herein contained are solely expression Eaglestone's research department.

This document must not be considered as an offer to sell or a solicitation to buy any investment instrument and distribution of this document does not oblige Eaglestone to enter into any transaction. Nothing in this document constitutes investment, legal, tax or accounting advice. The opinions expressed herein reflect Eaglestone's point of view as of the date of its publication and may be subject to change without prior notice

This document is intended for is made to and directed at (i) existing clients of Eaglestone and/or (ii) persons who would be classified as a professional client or eligible counterparty under the FCA Handbook of Rules and Guidance if taken on as clients by Eaglestone and/or (iii) persons who would come within Article 19 (investment professionals) or Article 49 (high net worth companies, trusts and associations) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and/or (iv) persons to whom this communication could otherwise be lawfully made in the United Kingdom or by respective home jurisdictions regulators for non UK countries. None of the investments or investment services mentioned or described herein are available to "private customers" as defined by the rules of the Financial Conduct Authority ("FCA"). It should not be disclosed to retail clients (or equivalent) and should not be distributed to others or replicated without the consent of Eaglestone. Eaglestone name and the eagle logo are registered trademarks.

Additional information is available upon request.



AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

CAPE TOWN - 22 Kildare Road Newlands 7700 - T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

LISBON - Av. da Liberdade, 105, 3rd Floor - T: +351 21 121 44 00

LONDON - 2 Portman Street T: +44 20 7038 6200

LUANDA - Rua Marechal Brós Tito n° 35/37 - 13th Floor A - Kinaxixi, Ingombotas - T: +244 222 441 362

MAPUTO – Rua Lucas Elias Kumato No. 283 - T: +258 21 342 811

Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

EAGLESTONE SECURITIES

Research
Tiago Bossa Dionísio
(+351) 964 643 530
tiago.dionisio@eaglestone.eu