



République Gabonaise

Investor Presentation

The Gabonese Economy: Recent Developments and Prospects

Regis Immongault, Minister of Economy, Promotion of Investments & Foresight

Introduction

The Gabonese Authorities are pleased to meet with investors again.

The objectives of this meeting are to provide an update on the following elements:

- I. Latest macroeconomic performance and perspectives
- II. Major policy reforms
- III. Current status and perspectives for public and external accounts
- IV. Progress on the country's ambitious investment program, under the Emerging Gabon Strategic Plan ("PSGE")

Key objective: reinforce communication and relationships with the international investor community



Gabon: an Economy on the Path to Emergence

Economic growth increasingly relies on the non-oil sector

- 1 Gabon's economy maintained a strong growth performance in 2014
- 2 Oil remains a major contributor to GDP
- 3 The fast-rising non-oil sector continues to support strong growth and provides buffers against shocks

Gabon is committed to maintaining sound public finances and stable external accounts

- 1 The country's 2015 preliminary budget is structured so as to be resilient to a decrease in oil prices down to US\$65/barrel
- 2 Gabon is determined to maintaining a positive external position

Gabon is making good progress in implementing the Emerging Gabon Strategic Plan

- 1 The Program is under satisfactory progress and has already translated into concrete results
- 2 The "Social Pact" initiated in 2014 aims at supporting human development
- 3 Gabon has undertaken a major multiyear initiative to improve business climate and access to finance



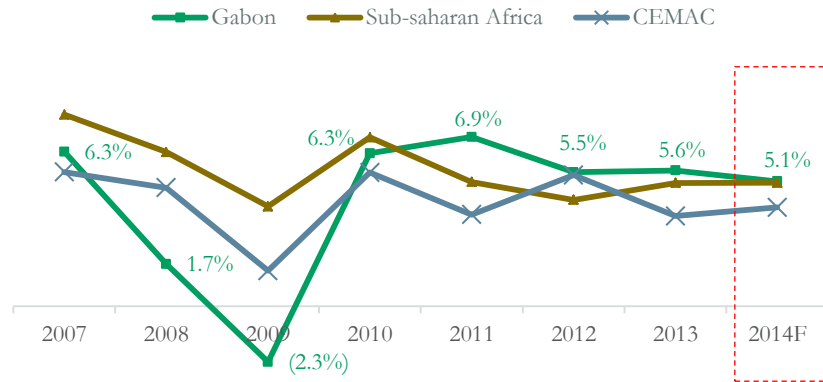
I Growth Prospects



Strong growth performance, outpacing regional peers

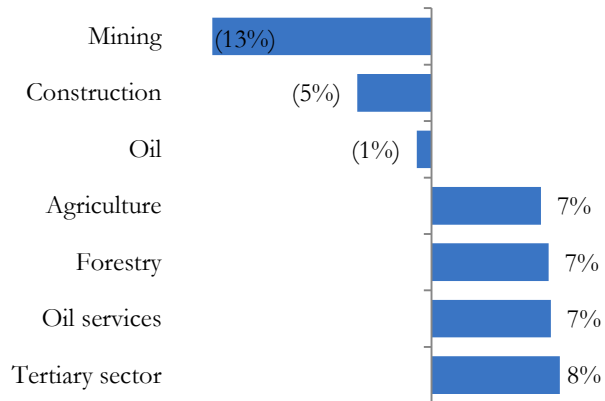
In 2014, GDP growth decelerated slightly due to lower oil production, downscaled public investment and reduced mining activity; however, growth exceeded 5% this year. Inflation picked up slightly but remained below 5% and below comparable regional peers

Real GDP growth decelerated slightly in 2014...



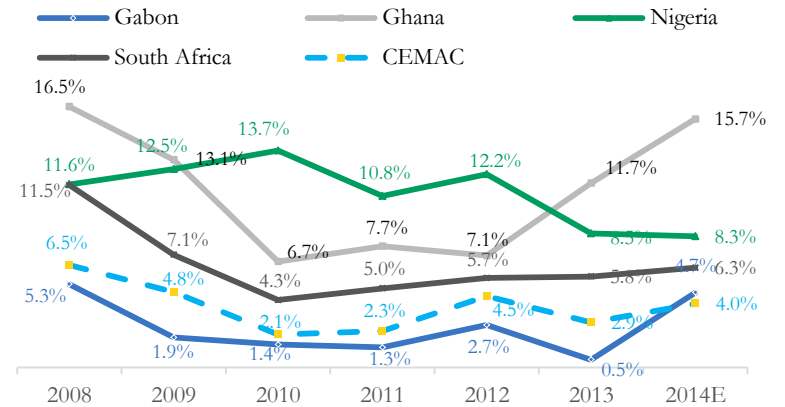
Source: IMF World Economic Outlook (as of October 2014)

Growth by sector, 2014



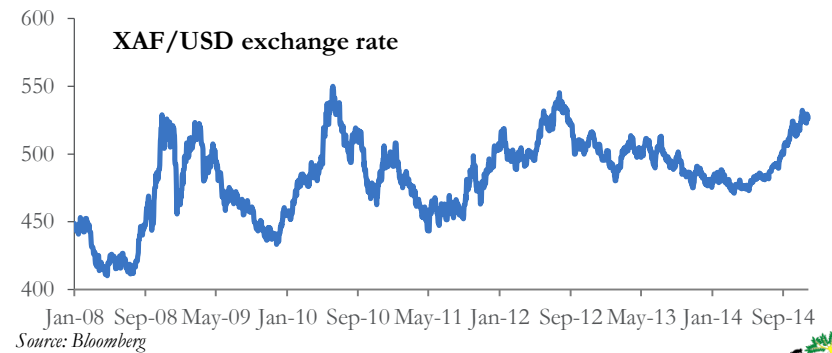
Source: Ministry of Economy

Inflation has picked up slightly...



Source: IMF World Economic Outlook (as of October 2014)

... on the back of XAF depreciation



Oil production has slightly decreased in 2014 but remains above 200,000 barrels per day

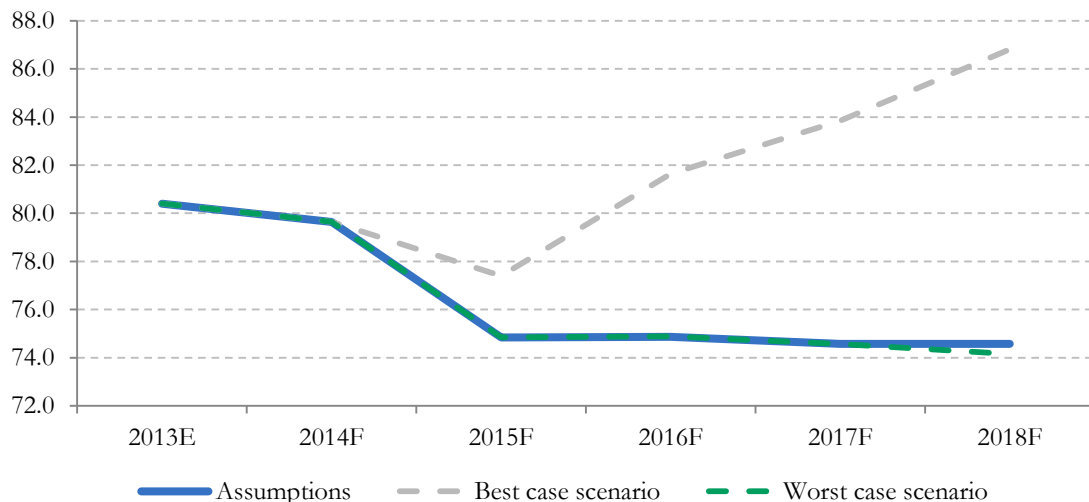
Under the government's conservative assumption of no new discoveries, production will slightly decline but will remain above 10Mt/y until 2018. New recovery technologies will enhance production in mature fields

Government's oil assumptions as of October 2014

	2013E	2014F	2015F	2016F	2017F	2018F
Oil production (Mt)	11,0	10,9	10,3	10,3	10,3	10,2
Oil production (Mbarrels)	80,4	79,6	74,8	74,9	74,6	74,1
Gabonese oil price	106,6	100,0	80,0	80,0	80,0	80,0
US\$/CFAF exchange rate assumption	494,3	480,0	490,0	500,0	500,0	500,0
Oil receipts	1 455	1 191	929	946	1 023	1 021

Source: Direction Générale des Hydrocarbures

Government assumptions are very conservative (oil production in Mbarrels)



Source: Direction Générale des Hydrocarbures

Note: oil assumptions do not account for new discoveries

Slight decline in 2014 production (-1%)

2013 production

- 80,402,792 barrels
- 220,282 barrels per day
- 11.01 millions of tons

2014 estimates (as of September)

- 79,651,397 barrels for 2014
- 218,223 barrels per day for 2014
- 10.91 millions of tons

2014 realizations

- Jan-Aug: 53,446,943 barrels (-1.74% below forecasts)
- Total forecast for 2014 of -1.15% against objectives
- Due to:
 - Natural obsolescence of some fields
 - Delays or postponement of some development works
 - Technical issues affecting production equipment

Source: Direction Générale des Hydrocarbures



New oil discoveries will maintain production at high levels

Strong exploration efforts (with a special focus on offshore) and reduced investment uncertainties (new oil code) should boost future production

New oil fields entered into production in 2014

- Dorée marine (Stream Oil): 500-1000 b/day
- WEZE (Sinogabon): 7 - 8 000 b/day
- Autour (Addax Petroleum): 1000 b/day
- Robin (Shell Gabon): 1400 b/day
- Damier (Shell Gabon): 1000 b/day
- Ikando (Perenco): 1000 b/day
- Second development phase for Anguille field (which reached peak of production)

New offshore blocks have been or will be awarded to major oil companies

- Impact Oil: contract signed in Aug-2014
- Repsol: contract signed in Aug-2014
- Petronas: contract signed in Aug-2014
- Noble Energy: contract signed in Aug-2014
- Marathon Oil: contract signed in Aug-2014
- Ophir Energy: negotiations finalized
- Exxon Mobil: negotiations ongoing

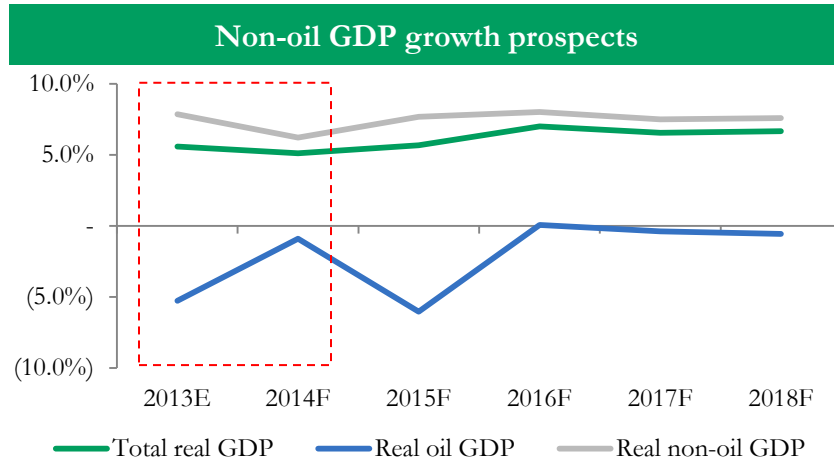
A new oil code has been adopted

Objective	Selected measures
Retain sovereignty while remaining attractive for oil companies	<ul style="list-style-type: none"> ■ Regulated access to oil reserves ■ Exploration and exploitation made on the Republic's behalf ■ Fixed official selling price of oil in Gabon
Level the legal playing field for all operators	<ul style="list-style-type: none"> ■ Unique law for all upstream/downstream activities ■ Harmonized oil contracts ■ Stable and predictable contract framework ■ End of the "convention of establishment" regime in favor of PSAs and services contracts
Optimize fiscal revenues for Gabon	<ul style="list-style-type: none"> ■ No risk in exploration phase for State ■ Minimum ratio of revenue sharing for the State (55%) ■ Taxable income determined for each contract (consolidation of profits and losses between separate contracts prohibited) ■ Tax ring-fencing between exploration/operation
Maximize local content, social and environmental benefits for Gabon	<ul style="list-style-type: none"> ■ Mandatory guidelines to increase the share of value added produced in Gabon and technology transfer ■ Strengthened environment protection standards (site maintenance, compulsory insurance) ■ Principle of national preference in outsourcing contracts ■ Local employment requirement

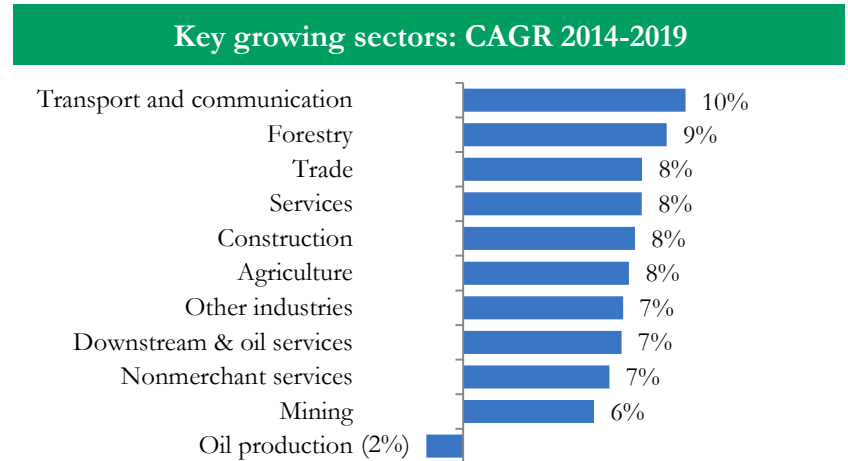


Gabon is pursuing the diversification of its economy

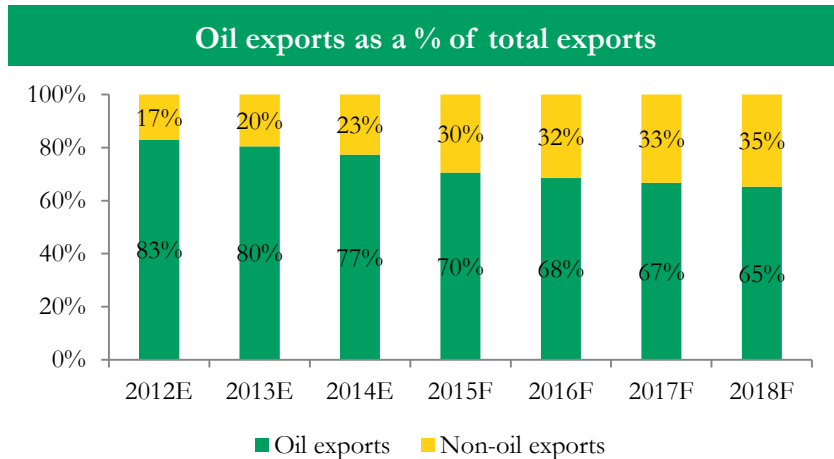
The non-oil sector is expected to drive growth over the upcoming years and rebalance the economy



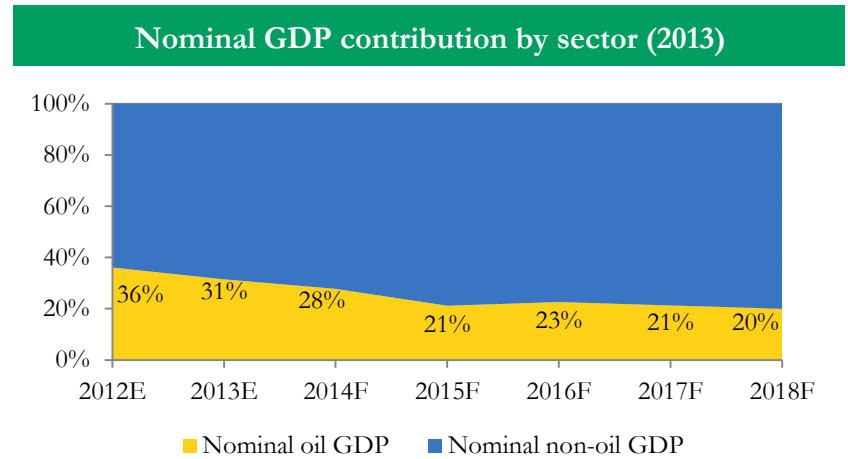
Source: Ministry of Economy
 Note: real oil GDP excludes oil industry (i.e. Refining and oil services)



Source: Ministry of Economy



Source: Ministry of Economy



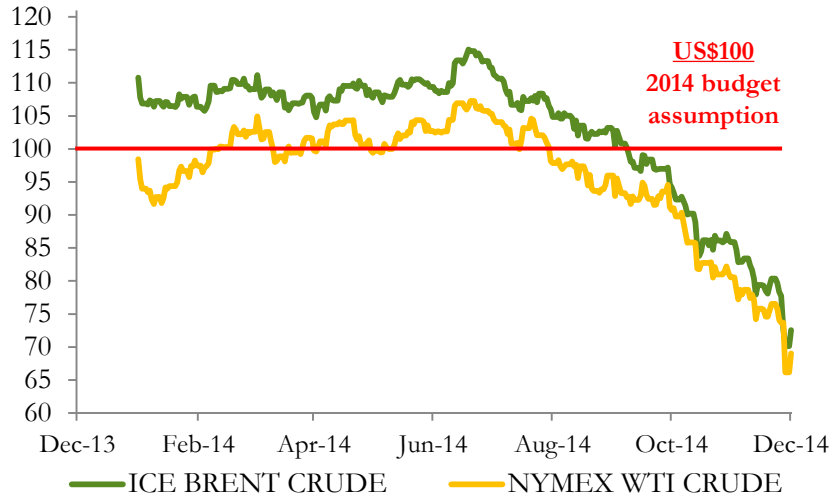
Source: Ministry of Economy
 Note: Oil GDP does not account for potential new discoveries



The impact of falling oil prices on growth should be limited

An average price of US\$65 per barrel in 2015 will reduce annual GDP growth by 0.7%

Current oil prices (US\$)



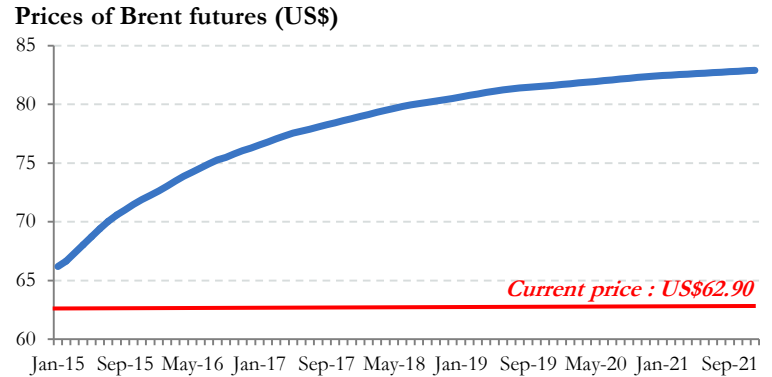
Source: Bloomberg

Sensitivities of growth to oil price variation

		LF2015	Hyp. 1	Hyp. 2	Hyp. 3	Hyp. 4
Assumptions	Oil price	80	75	70	65	60
	US\$/CFAF	490	500	500	500	500
	Growth loss (%)	0	0,3	0,4	0,7	0,7
	Non-oil revenues loss (CFAFbn)	0	2,3	4,6	7,6	9,2

Source: Ministry of Economy

Future prices of Brent are expected to rise



Source: Bloomberg

Limited impact on growth of falling oil prices

- IMF growth forecasts for 2015 stand at 5.3% for a price of US\$80/barrel and a EUR/USD at 1.34
- However, the impact of falling oil prices will be mitigated by USD appreciation
- Other mitigating factors of oil price impact on growth include:
 - Non-oil sector plays a buffer role given its already significant share in the economy (c. two-thirds of GDP)

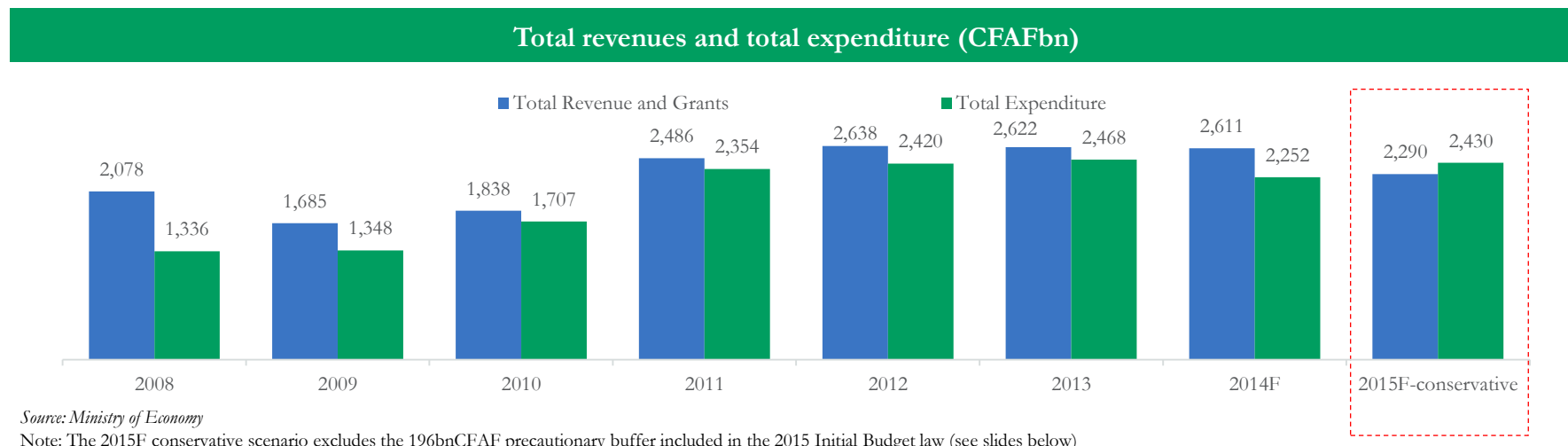


II Focus on fiscal and external accounts



Gabon is committed to prudent public finance management

Despite a significant boost in public investment since 2010, the Authorities have maintained public finances close to balance (moderate surplus with a slightly negative balance expected in the 2015 Initial Budget)



Key comments

- From 2010 to 2013, capital expenditure represented close to 40% of total spending during the first years of the PSGE
- The 2014 Revised Budget Law voted in July has significantly reduced funds allocated to public investment expenditures
 - Objective was to create room for Social Pact measures and focus on structural investments
- In 2015, the Draft Budget Law may result in a slight budget deficit
 - Slight increase in investment spending
 - Continued efforts in terms of social spending
- In 2015, we remain fully committed to prudent public finance management as we have done since 2007, despite the adverse external conditions



The Draft Budget for 2015 anticipates a slight deficit, but the budget should remain balanced during execution

Gabon carried out a significant consolidation effort in 2014. The 2015 Draft Budget is based on a US\$80 oil price, a slight increase in public investment and significant social expenditures (Social Pact)

2014 and 2015 budget					Key highlights
	2014 initial	2014 revised	2015 planned		
Revenues	2 894	2 611	2 290	▶	<ul style="list-style-type: none"> Conservative assumptions on oil and non-oil revenues
Oil revenues	1 459	1 191	929		
Non-oil revenues	1 435	1 420	1 361		
Expenditure excluding interest payment	2 728	2 097	2 301	▶	<ul style="list-style-type: none"> Higher government expenditures, on the back of: <ul style="list-style-type: none"> Higher salaries Higher transfers and interventions, exclusively driven by higher social spending in the framework of the country's Social Pact ("<i>Pacte Social</i>")
Current expenditure	1 347	1 305	1 450		
<i>Of which</i>					
Salaries*	581	681	733		
Goods and services	330	266	266		
Transfers and interventions	436	359	452		
Capital expenditure	1 302	607	644		
<i>Of which</i>					
Public investment	938	337	437	▶	
External project financing	364	270	207		
Other	79	185	207		
Primary account balance	166	514	(11)	▶	<ul style="list-style-type: none"> Significantly reduced public investment during 2014 Slightly higher public investment in 2015 to finance Emerging Gabon Strategic Plan
Unexecuted provision			196		<ul style="list-style-type: none"> Consolidation effort in 2014 (surplus of 514bnCFAF) to sustain a balanced fiscal trajectory in 2015
Primary account balance (excl. provision)			185	▶	<ul style="list-style-type: none"> Security buffer to smooth up execution during 2015 Without this provision, primary surplus is expected to reach CFAF185bn

Source: Ministry of Economy

*Note: The rise in salaries between 2014 and 2015 is the result of accounting retreatments as per IMF recommendations



The Authorities' objective is to maintain fiscal balance in 2015

In order to preserve Gabon's fiscal balance in adverse conditions, the government has set up a precautionary buffer in the draft budget for 2015, that will enable the country to weather an oil price decrease down to US\$65 per barrel

Impact on fiscal balance (CFAFbn, unless otherwise specified)

		LF2015	Hyp. 1	Hyp. 2	Hyp. 3	Hyp. 4
Assumptions	Oil price	80	75	70	65	60
	US\$/CFAF	490	500	500	500	500
	EUR/US\$	1,34	1,31	1,31	1,31	1,31
	Oil receipts	929	848	814	767	710
	Delta / 2015 budget	-	(82)	(116)	(162)	(220)
	Primary account balance	(11)	(93)	(127)	(173)	(231)
	Precautionary reserve 2015	196	196	196	196	196
	Actual delta / 2015 budget	196	114	81	34	(24)
	Actual primary account balance	185	103	69	23	(35)

Source: Ministry of Economy

Focus on the precautionary reserve in the Draft budget

	Percentage provisioned	Amount
Salaries	5%	37
Goods and services	5%	13
Transfers and interventions	10%	45
Capital expenditure	15%	97
Other expenditure	5%	4
Total precautionary reserve		196

Source: Ministry of Economy

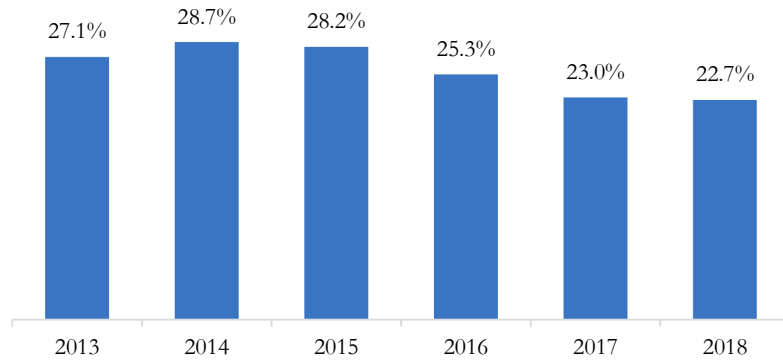
Comments

- The draft budget for 2015 includes a 196bn CFAF precautionary reserve that provides the government with margins to adjust spending over the year
- The precautionary reserve would be sufficient to weather falling oil revenues down to US\$65 per barrel
- The US\$65/barrel threshold is based on a EUR/USD exchange rate of 1.34
- Under a EUR/USD assumption of 1.24, the US\$65 threshold is equivalent to US\$60/barrel

The Authorities will maintain public debt at sustainable levels

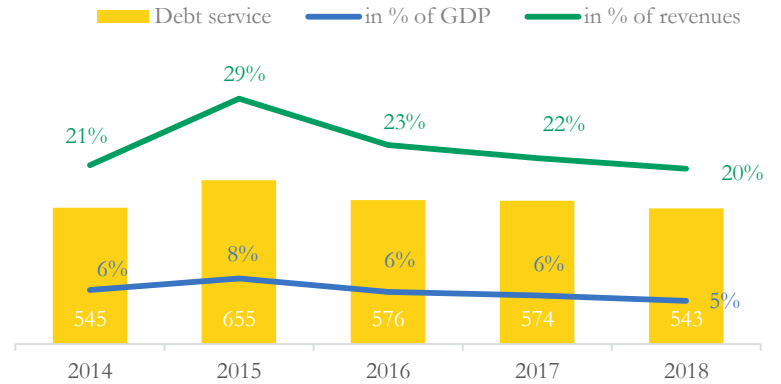
Under the current financial framework, Gabon's debt management strategy aims at maintaining the current debt-to-GDP ratio under the 35% threshold

Total public debt to GDP ratios below 35% threshold



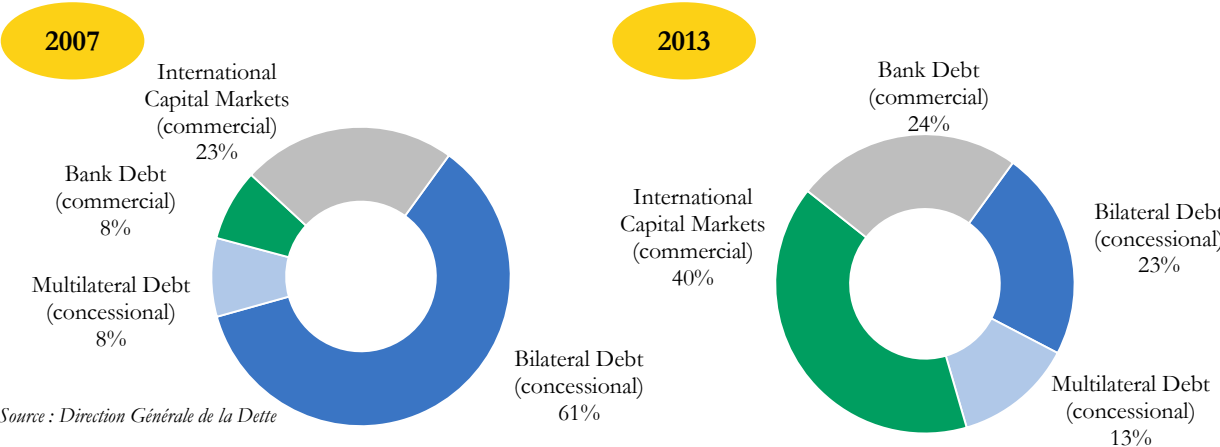
Source: Direction Générale de la Dette

Debt service (interest + amortization) (CFAFbn)



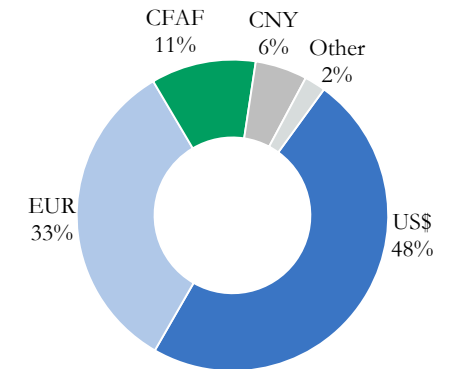
Sources: Ministry of Economy

External debt stock by source: indebtedness is increasingly commercial



Source: Direction Générale de la Dette

Total debt by currency (2014)



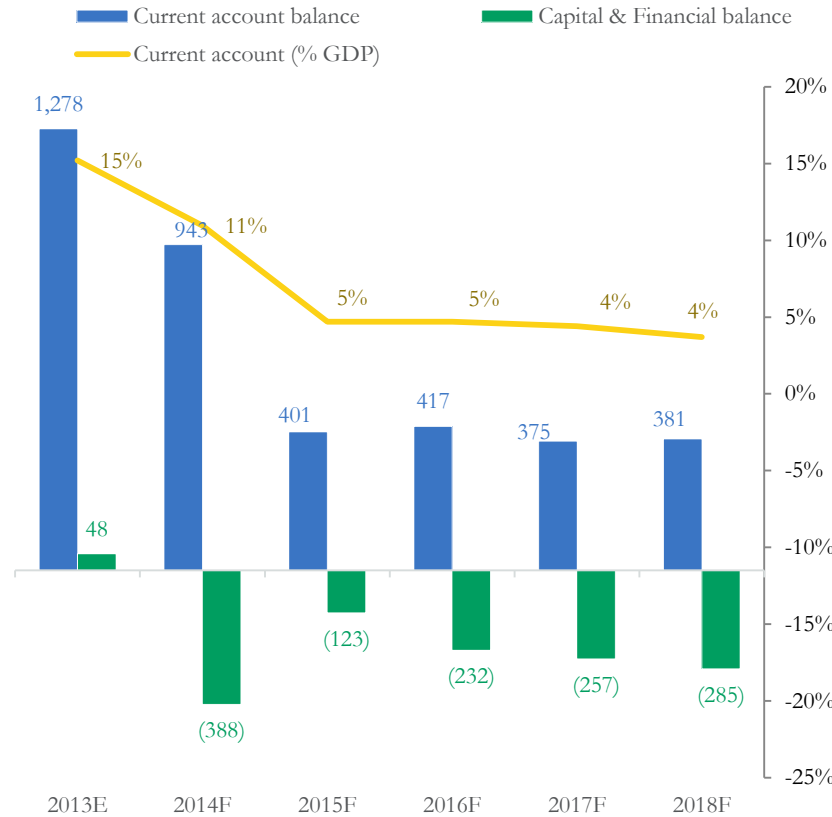
Source: Direction Générale de la Dette



The country's external position will remain positive

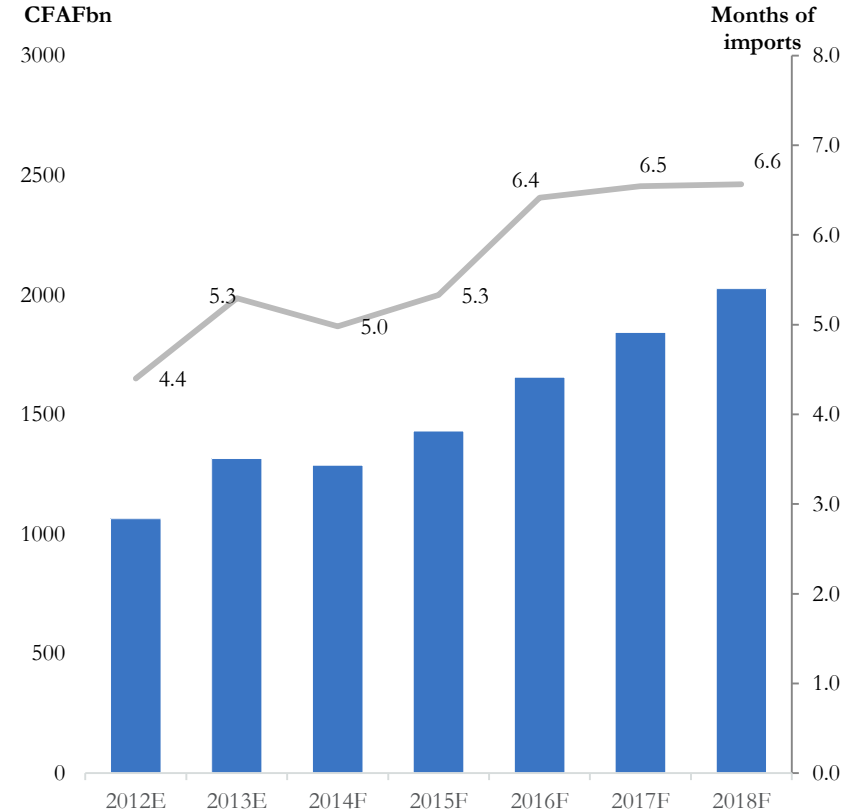
The trade balance will remain in surplus with foreign reserves projected to grow

Current account balance (CFAFbn, %)



Source: Ministry of Economy

Projected foreign reserves (CFAFbn, months of imports)



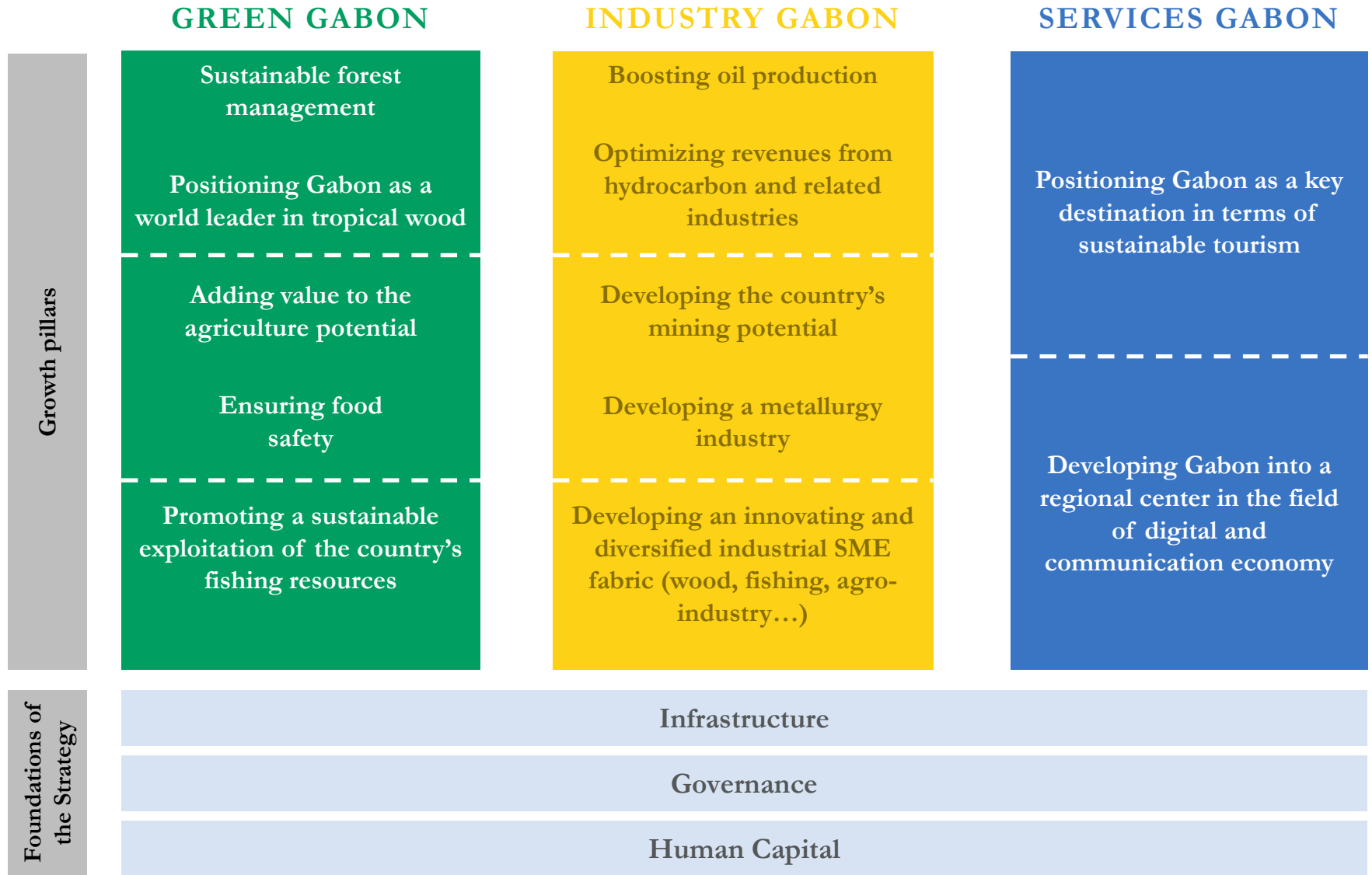
Source: Ministry of Economy



III Recent Developments of the “Emerging Gabon Strategic Plan”
















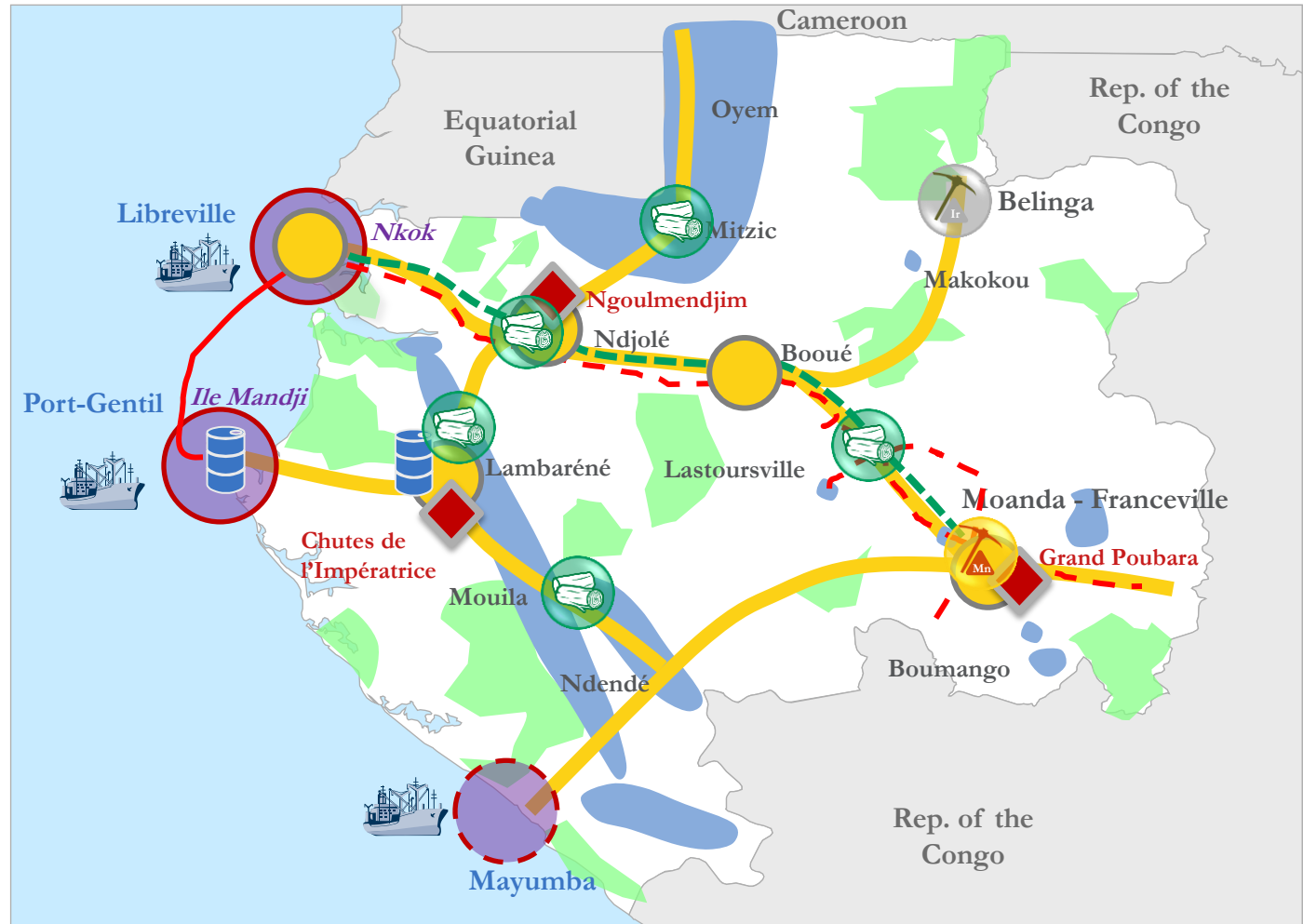
The strategic objectives of the PSGE



One of the PSGE's primary objective is to develop basic infrastructure

Developing basic infrastructure in both roads and railways to interconnect the major industrial poles, and power generation to supply the country's main industries, are critical for the development of the economy

-  Intermodal centers
-  Special Economic Zones (dotted: project only)
-  Intensive and agro-industrial cultures
-  National Parks
-  Road corridors
-  Transgabonais railway
-  Internet cables (dotted: under way)
-  Port
-  Main hydrocarbons fields
-  Manganese & metallurgical cluster of Moanda-Franceville
-  Iron cluster of Belinga
-  Industrial forestry centers
-  Main electricity generation plants & projects



The PSGE implementation has shown substantial progress in 2013-14, with the biggest achievements

Key achievements in 2013-14 include

1 SPECIAL ECONOMIC ZONES

- **Special Economic Zone of N’Kok developed on a PPP basis with Olam (which owns 60% of the zone)**
 - Basic infrastructure works completed in 2013
 - One-stop shop for investors in operation
 - 60% of industrial land allocated
 - 8 companies already operating and exporting, 10 companies in construction phase
 - Key focus: wood processing, metal recycling
- **Special Economic Zone of Port-Gentil legally established and land fully serviced**
 - 3 anchor investors in place: Olam (fertilizer project); Samsung (refinery project); OCP (phosphate-based fertilizer project)

3 BELINGA IRON ORE

- **Technical studies to be finalized at end-2015 (SRK Consulting currently carrying out reserve certification)**
- **Feasibility studies underway for basic infrastructure (Bechtel assisting National Agency for Public Works for ports and rail)**

2 MOANDA-FRANCEVILLE MINING CLUSTER

- **Metallurgic cluster building on Comilog’s existing mining facilities**
- **C2M silico-manganese factory started production**
 - Transforming 5% of current production, with a target of 35% in the medium term (depending on power supply)
- **Noga Mining’s metal manganese facility has already started activities**
 - Initial capacity: 750,000t; 40%-grade manganese
- **Several local SMEs in manganese-related areas (e.g. recycling) already operating**
- **Focus on training: “Moanda Ecole des Mines” (2015)**
- **Decree creating the cluster as a legal entity is under preparation, currently being reviewed by PM**
- **Egis to work on feasibility and development plan**

**EMERGING
GABON
STRATEGIC
PLAN**

4 DEVELOPMENT OF KEY INFRASTRUCTURE

- **Power generation projects:**
 - Hydro dams: Fe2 to be tendered, Grand Poubara (160MW) at financing stage
 - Alenakiri thermal plant in Libreville (70MW) operational
 - POG closed-cycle gas turbine in Port-Gentil (50MW) developed, pending grid connection
- **Transport:**
 - Roads delivered: Booué-Belinga; Lastourville-Moanda; Lambaréné-Mouila
 - Ports: PPP signed with Asian operator to develop new mining port in Libreville (US\$527m over 3 years, 40% public stake)

Industry Gabon

Key facilitating infrastructure



Human Development Policy: the 2014 Social Pact

Gabon has launched an ambitious social and human development program building on McKinsey's recommendations

The social challenge in Gabon

- McKinsey has proposed in December 2013 a “human development strategy” for Gabon
- The report highlights lags in terms of human development despite a high general HDI ranking (4th in Africa)
- The proposed strategy aims at:
 - Addressing specific gaps in terms of access to basic social and infrastructure services (e.g. sanitation, education and health)
 - Foster economic inclusion of marginalized groups

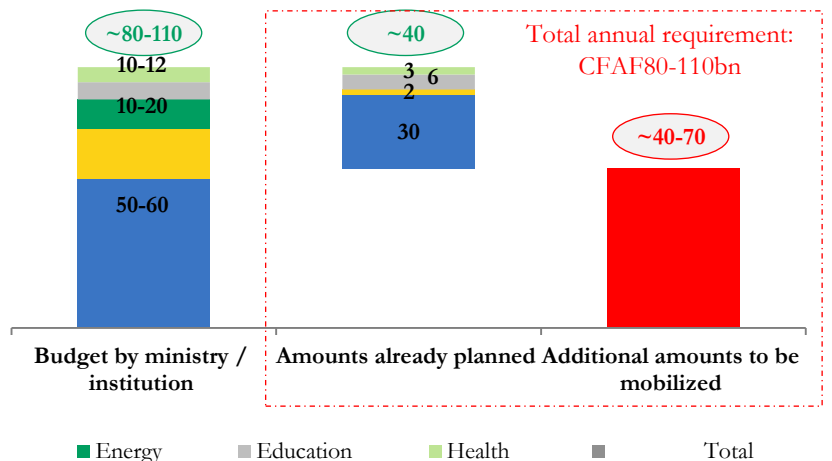
The 4 components of the Social Pact

Component	Objective
1 Economic safety nets and social transfers	■ Allow the poor to meet their dietary, health and educational needs, with strong conditionality
2 Economic activity for poor households	■ Allow poor households to develop profitable activities (microcredit, support to micro-projects)
3 Access to basic public services	■ Reduce inequalities in access to social / public services through targeted investment in underprivileged areas
4 Economic and social integration policy	■ Better quality housing, rehabilitation of slums, improved access to remote/rural areas

Deployment plan

- The implementation of social investment strategy requires to mobilize an annual budget of 80-110 billion CFAF/year
- 35% to 50% of the budgetary requirements are already planned by the relevant ministries, especially with respect to social nets, health and education
- **Additional potential funding sources:**
 - Social Agenda included in the Revised Finance Law 2014
 - Reorienting subsidies (e.g. Energy subsidies)
 - Reorienting current ministries' budgets

Breakdown of financial requirements



Source: McKinsey (2013)



In 2013-14, Gabon initiated several business climate reforms

Gabon ranks 144th in the 2015 Doing Business report, first country in CEMAC and OADA zones

Area of improvement	Description of the reform	Year
Ease of starting a business	<ul style="list-style-type: none"> ■ Gabon made starting a business easier by replacing the requirement for a copy of the founders' criminal records with one for a sworn declaration 	2013
Dealing with construction permits	<ul style="list-style-type: none"> ■ Gabon made dealing with construction permits easier by : <ul style="list-style-type: none"> ■ Reducing the time required to obtain a building permit ■ Eliminating the requirement for an on-site inspection before construction starts 	2013
Getting credit	<ul style="list-style-type: none"> ■ Access to credit in Gabon was improved through amendments to the OHADA Uniform Act on Secured Transactions <ul style="list-style-type: none"> ■ The range of assets that can be used as collateral (including future assets) was broaden ■ The security interest to the proceeds of the original asset was extended ■ The possibility of out-of-court enforcement was introduced 	2014
Protecting minority investors	<ul style="list-style-type: none"> ■ Gabon strengthened minority investor protection by : <ul style="list-style-type: none"> ■ Introducing greater requirements for disclosure of related-party transactions to the board of directors ■ Making it possible for shareholders to inspect the documents pertaining to related-party transactions and to appoint auditors to conduct an inspection of such transaction 	2014
Paying taxes	<ul style="list-style-type: none"> ■ Gabon made paying taxes less costly for companies by reducing the corporate income tax rate ■ Gabon made paying taxes easier for companies by introducing an electronic system for filing and paying VAT 	2014



Gabon has launched a major business climate reform initiative

In March 2015, the High Council for Investment will gather for the first time under the patronage of H.E. the President of the Republic to adopt a comprehensive business climate reform agenda. Gabon's objective is to rank among the ten best reformers in Africa in 2020 and create 22,000 jobs over the period

Axes	Description of the reform	Year
Creation of the High Council for Investment	<ul style="list-style-type: none"> ■ Yearly multi-stakeholder meeting of local and foreign investors with the President and relevant ministries to discuss progress made in business climate reform and decide on next steps ■ World Bank assistance in devising the reform agenda 	2015
Creation of the ANPI	<ul style="list-style-type: none"> ■ The “National Agency for Investment Promotion” has been created in September 2014 as a one-stop shop for investors, merging 3 existing government agencies, with the following objectives: <ul style="list-style-type: none"> ■ Promoting Gabon as an investment destination ■ Simplifying business registration ■ Guiding companies in all procedures they need to go through, with special support to SMEs and export-oriented companies 	2014
Support to SMEs	<ul style="list-style-type: none"> ■ Price for Excellence in Entrepreneurship (grants and mentoring) ■ Capacity building for SMEs (accounting, management, marketing) provided in coordination with Chambers of Commerce ■ AfDB grant to support start-up incubators for young entrepreneurs ■ Creation of an agency centralizing information on all tenders for outsourcing (especially public procurement) to help SMEs access information 	2015
Customs	<ul style="list-style-type: none"> ■ One-stop shop for import/export procedures ■ Streamlined procedures (feasibility study to be conducted by an international consultant) 	2014
Fiscal	<ul style="list-style-type: none"> ■ “E-tax” project: development of online tax services (tele-payment) 	2015
Judicial enforcement	<ul style="list-style-type: none"> ■ Setup of a domestic arbitration court to reduce bottlenecks at court level 	2015



Initiatives are being taken to improve real economy financing

The FGIS, created in 2012, manages public assets and funds PSGE projects as well as SMEs. The CDC, created in 2011, strongly supports the housing sector and provides equity funding to key national and regional projects

Gabonese Strategic Investment Fund (“FGIS”)



- **Created in 2012 to manages sovereign fund assets and state participations**
 - Sovereign fund’s assets: 189bnCFAF (US\$380m) in 2013
 - State participations in 79 companies in 13 different sectors, currently under valuation (preliminary estimates: 455bnCFAF, of which 285bnCFAF in Total Gabon)
- **Increasingly contributing to the financing of the PSGE**
 - Equity participations in PSGE projects on the rise: 23bnCFAF in 2013, 27bnCFAF in 2014
 - Investment in fisheries: equity in Tropical Holdings (Mauritius)
 - Investment in maritime industry: shipyard in Port-Gentil
 - Investment in agribusiness: poultry, vegetables
- **SME financing: co-founded the 20bnCFAF Okoumé Fund with “CDC” (see right) to invest in SMEs**
 - Key contribution of the Fund: provide sufficient and good quality equity to SMEs to unlock bank credit
 - Will invest in commercially viable project in all sectors, with an IRR above 12% and will target a five-year investment period
- **Resource allocation mechanism under review so as to:**
 - Adopt realistic fund allocation targets
 - Allow the FGIS to manage a genuine stabilization fund, ongoing talks with BEAC and Banque de France



Caisse des Dépôts et Consignations (“CDC”)

- **Created in 2011, based on the model of the French CDC**
 - In 2014, total assets will reach 269bnCFAF (US\$540m) and are fast-rising
 - Mainly funded by public deposits, deposited in local banks
 - Net profit will reach 5.6bnCFAF in 2014 (US\$11m)
- **Has already become a key player in the housing sector**
 - Dedicated subsidiary (Société Nationale du Logement Social) supports social housing (long-term low interest credit lines to projects)
 - Development of high-end real estate projects (business center, hotel, marina, housing...)
 - Mechanisms to deepen mortgage market in cooperation with local banks, using the CDC’s term deposits
- **Equity investment portfolio of 40bnCFAF (US\$80m)**
 - State participations in Rougier and Comilog
 - New upcoming equity investments in Gabon
 - Geographical diversification ongoing: new investments planned in other African countries

Thank you for your attention

