

## **PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.**



### **FINANCIAL STATEMENTS**

For the year ended 31 December 2022

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.



## Financial statements

for the year ended 31 December 2022

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The purpose of this report is to disclose the main economic and financial achievements and results of “Portos e Caminhos de Ferro de Moçambique, E.P.” - (CFM), for the financial year ended 31 December 2022, which was prepared in accordance with the General Accounting Plan based on International Financial Reporting Standards (PGC – NIRF).

The 2022 financial year was characterized by the gradual recovery of global economic activity, in particular in Mozambique, supported by relaxation of measures to combat and prevent COVID19 that culminated in the opening of the sectors of activity which had a great impact on the restrictions (restaurants, hotels and tourism and bars), as well as the suspension of the curfew that allowed greater movement and mobility of people and goods. On the other hand, the first months of 2022 were negatively impacted by the extreme weather that hit the central and northern areas of the country with great intensity, affecting traffic and cargo handling in those corridors, as well as the geopolitical conflict between Russia and Ukraine.

In the Mozambican rail system, from January to December 2022, approximately 24.62 million net tons were transported, as against 29.95 million net tons planned, representing a realization of 82% of plan and a growth of 30% as compared to the same period of 2021. On the rail lines operated by CFM, during the 2022 financial year, about 12.33 million net tons were transported as against 15.41 million tons planned, which corresponds to a realization of 80% in relation to the plan and a growth of 17% as compared to the volumes transported in the same period of 2021.

In terms of passenger transport, in the period under review, the traffic was 5,568,969 passengers as against 5,680,765 planned, which corresponds to a realization of 98% and a growth of 81% compared to the prior period, as a result of the social relaxations and the full resumption of the railway operations, coupled with the investment in DEMUs that were inaugurated in August 2022, increasing passenger transport capacity in the South and Center regions of the country.

The Port area, from an overall point of view, registered a realization level of 103%, which corresponds to an increase of 17% compared with the previous period, handling 56.45 million metric tons (mtm), as against 48.23 mtm recorded during the same period of 2021. Regarding the port terminals under CFM's management, approximately 13.21 mtm were handled during the 2022 financial year as against 12.51 million tons handled in 2021, which represents a growth of around 6% as compared to 2021, as an outcome of new investments that have been carried out by the company.

Despite the negative factors that characterized the first months of 2022 (cyclones, rail incidents of derailments, subdued offer of rail cargo, and the geopolitical conflict between Russia and Ukraine), CFM invested 7,925.1 million Meticaís in rail-port projects to revitalize and renew the company's assets. A positive pre-tax result was achieved in the order of 4,063.4 million Meticaís.

With this performance, which was the result of selfless delivery and unconditional commitment of all employees of the company, which motivates and makes us proud, we will continue to work hard so that we can overcome the current results and the challenges posed by the domestic and international economic situation, thus ensuring continuity in the positive and unequivocal response to the Government's guidelines in the rail-port sector, either through the PES-Economic and Social Plan, drawn up for the year 2022, or by the PQG 2020-24 – Government's Five-Year Plan for the five-year period 2020 to 2024. We will continue to work towards commercial competitiveness at the regional level, with focus on the continuous improvement of the quality of services and relationship with all our Stakeholders.

The social component, which has been one of the unavoidable requirements of our activity and the basis of our contribution in the promotion of public service of rail passenger transport with safety and quality, has had and will continue to have due importance in ensuring the continuity of urban, semi-urban and long-distance rail passenger transport with an increase in new methods, investment in 90 passenger coachess, including 5 DEMUs from India.


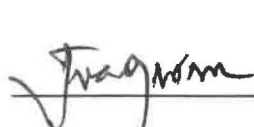
The Board of Directors, in the face of the unfavorable economic situation at regional and global level, focused the management measures in an effort to contain and rationalize operating costs in the following elements: i) Control of new hiring for the year 2022; ii) Control of fuel consumption in the operations; ii) Control of the costs of leasing of rolling stock (wagons and locomotives – resulting in the reduction of the leasing of the locomotives through use of own fleet); iii) Control of maintenance costs, prioritizing the safety of operations; (iv) withholding of 25% of revenues for upward traffic to Zimbabwe in order to reduce existing debt of NRZ.


In terms of Social Responsibility, CFM has regularly participated in promotion and development actions, mainly in the areas of health, education, sport, culture and arts.

We are thus fulfilling our goal and promoting, economically and socially, the great objectives that commit not only the sector, but above all the company, Portos e Caminhos de Ferro de Moçambique – E.P. (CFM).

Maputo, April 13, 2023

  
**Eng. Agostinho Francisco Langa Junior**  
Chairman of the Board of Directors

  
**Dr. Joaquim Zucule**  
Executive Director

  
**Eng. Aboobacar Adamo Mussa**  
Executive Director

  
**Dr. Maria de Fátima Mangué**  
Executive Director

  
**Eng. Anísio Bainha**  
Executive Director

  
**Dr. Roger Nkomo**  
Non-Executive Director



**Statement of Responsibility of the Board of Directors**

For the year ended 31 December 2022

The Directors are responsible for the preparation, integrity and fair presentation of the financial statements of Portos e Caminhos de Ferro de Moçambique, E.P.


The financial statements have been audited by the independent accounting firm, Deloitte & Touche (Moçambique), Lda., which were given unrestricted access to all financial records and related data including respective supporting documentation as well as all contracts, agreements, minutes and relevant correspondence. The opinion of these independent auditors is set out on pages 5 to 7.


The financial statements for the year ended December 31, 2022 presented on pages 8 to 55, have been prepared in accordance with the Chart of Accounts for Large and Medium Sized Companies based on International Financial Reporting Standards ("PGC-NIRF"). The going concern basis has been adopted in preparing the financial statements and the directors have no reason to believe that the company will not be a going concern in the foreseeable future.

The directors are also responsible for the company's system of internal controls. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. These controls are monitored throughout the company by management and employees with the necessary segregation of authority and duties. Processes are in place to monitor internal controls, to identify material breakdowns and implement timely corrective action.

The Directors are also responsible for complying with the laws and regulations in force in the Republic of Mozambique.

The financial statements were approved by the Company's Board of Directors on 13 April 2023 and signed by its representatives:

  
**Eng. Agostinho Francisco Langa Junior**  
Chairman of the Board of Directors

  
**Dr. Joaquim Zucule**  
Executive Director

  
**Dr. Carlos Macamo**  
Finance Manager

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Portos e Caminhos de Ferro de Moçambique, E.P. (CFM)

#### Opinion

We have audited the financial statements of **Portos e Caminhos de Ferro de Moçambique, E.P. (CFM)** (the Company), which comprise the Balance Sheet as at 31 December, 2022 and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Portos e Caminhos de Ferro de Moçambique, E.P. (CFM)** as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the General Accounting Plan for Large and Medium-Sized Companies based on International Financial Reporting Standards (PGC-NIRF).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the section *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements under the Code of Ethics of the Order of Accountants and Auditors of Mozambique (OCAM), which complies with the Code of Ethics issued by the *Ethics Standards Board for Accountants* (IESBA) IFAC, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Information

The Board of Directors are responsible for the other information. The other information comprises the report of the board of directors, statement of responsibility of the board of Directors and other information but does not include the financial statements and the auditor's report thereon.

"Deloitte," "us," "we" and "our" refer to one or more of Deloitte Touche Tohmatsu Limited ("DTTL") member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities and, therefore, do not bind each other for all intents and purposes. Accordingly, each entity is only liable for its own acts and omissions and cannot be held liable for the acts and omissions of the other. Furthermore, DTTL does not provide services to clients. To learn more, please consult [www.deloitte.com/about](http://www.deloitte.com/about).

Type: Limited Liability Company | NUIT.: 400016410 | CREL nº: 5917 | Share capital: 26.443.395 Meticals  
Head offices: Rua dos Desportistas nº 833, JAT V-1, 3º andar, Maputo, Moçambique

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Our opinion on the financial statements does not cover other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the financial statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the PGC-NIRF, and for such internal control as the directors determine is necessary to enable the preparation of financial statements free from material misstatement due to fraud or error.

In preparing financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit according to the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Balance Sheet

As at 31 December 2022

(Amounts expressed in thousands of Meticals)



	Notes	2022	Restated 2021
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Tangible assets	6	43.314.970	36.733.550
Investment properties	7	2.930.674	3.319.667
Intangible assets	8	70.481	80.269
Investments in subsidiaries and associates	9	96.120	96.120
Other financial assets	10	20.600	28.550
Deferred tax assets	27.5	713.298	642.586
		<b>47.146.143</b>	<b>40.900.742</b>
<b><u>Current assets</u></b>			
Inventories	11	3.938.917	4.278.596
Trade receivables	12	3.297.325	2.710.960
Other financial assets	10	113.980	74.465
Other current assets	13	7.063.914	5.652.328
Tax receivable	27.2	129.132	145.486
Cash and bank	14	10.425.540	10.059.465
		<b>24.968.808</b>	<b>22.921.300</b>
<b>Total assets</b>		<b>72.114.951</b>	<b>63.822.042</b>
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>			
Share capital	15	1.242.981	1.242.981
Reserves		16.386.950	12.802.682
Retained earnings		25.406.408	25.444.604
Net profit for the year		2.360.929	3.330.915
<b>Total equity</b>		<b>45.397.268</b>	<b>42.821.182</b>
<b><u>Non-current liabilities</u></b>			
Provisions	19	3.070.158	2.004.974
Loans	16	11.311.419	8.009.630
Other financial liabilities	17	6.002.246	6.002.246
Other non-current liabilities	18	508.464	555.629
		<b>20.892.287</b>	<b>16.572.479</b>
<b><u>Current liabilities</u></b>			
Provisions	19	219.458	148.515
Trade payables	20	965.092	2.368.302
Loans	16	2.143.984	62.192
Other financial liabilities	17	1.844.002	1.133.450
Other current liabilities	18	652.860	715.922
		<b>5.825.396</b>	<b>4.428.381</b>
<b>Total liabilities</b>		<b>26.717.683</b>	<b>21.000.860</b>
<b>Total equity and liabilities</b>		<b>72.114.951</b>	<b>63.822.042</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Income statement

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



	Notes	2022	Restated 2021
Revenue	21	20.072.395	16.981.647
Cost of consumed inventories	11	(1.129.795)	(735.644)
Staff expenses	22	(7.897.112)	(5.732.015)
Third party supplies and services	23	(7.717.350)	(6.356.574)
Depreciation and amortization	6, 7, 8	(3.298.404)	(3.476.899)
Provisions	19	(70.940)	(625)
Inventory adjustments	11	-	(6.473)
	10, 12,		
Impairment of trade and other receivables	13	(903.848)	(162.088)
Impairment of tangible assets	6	-	(162.542)
Other operating gains and losses	24	2.575.908	3.044.954
		<b>1.630.854</b>	<b>3.393.741</b>
Financial income	25	2.874.689	3.658.484
Financial expenses	26	(442.155)	(2.284.580)
		<b>2.432.534</b>	<b>1.373.904</b>
<b>Profit before tax</b>		<b>4.063.388</b>	<b>4.767.645</b>
Income tax	27	(1.702.459)	(1.436.730)
<b>Net profit for the year</b>		<b>2.360.929</b>	<b>3.330.915</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.



## Statement of changes in equity

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)

	Share capital	Legal reserves	Investment reserve	Actuarial gains and Losses	Social funds of employees	Retained earnings	Net profit for the year	Total equity
Balance at the beginning of 2021	1.242.981	368.232	6.989.304	649.584	335.943	24.859.551	5.226.668	39.672.263
Application of results	-	-	3.501.564	-	522.669	1.202.435	(5.226.668)	-
Dividends	-	-	-	-	-	(1.202.435)	-	(1.202.435)
Xiporo – Pension Fund	-	-	-	435.386	-	-	-	435.386
Adjustment	-	-	-	-	-	299	-	299
Profit for the year	-	-	-	-	-	-	3.347.530	3.347.530
Final balance 2021	<b>1.242.981</b>	<b>368.232</b>	<b>10.490.868</b>	<b>1.084.970</b>	<b>858.612</b>	<b>24.859.850</b>	<b>3.347.530</b>	<b>42.253.043</b>
TCC8/MHC Integration (Note 5)	-	-	-	-	-	584.754	(16.615)	568.139
Balance at the end of 2021 restated	<b>1.242.981</b>	<b>368.232</b>	<b>10.490.868</b>	<b>1.084.970</b>	<b>858.612</b>	<b>25.444.604</b>	<b>3.330.915</b>	<b>42.821.182</b>
Application of results	-	-	2.226.230	-	351.368	753.317	(3.330.915)	-
Dividends	-	-	-	-	-	(769.932)	-	(769.932)
Xiporo – Pension Fund	-	-	-	1.006.670	-	-	-	1.006.670
Net profit for the period	-	-	-	-	-	-	2.360.929	2.360.929
Adjustment	-	-	-	-	-	(21.581)	-	(21.581)
Final balance 2022	<b>1.242.981</b>	<b>368.232</b>	<b>12.717.098</b>	<b>2.091.640</b>	<b>1.209.980</b>	<b>25.406.408</b>	<b>2.360.929</b>	<b>45.397.268</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.



## Statement of cash flows

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)

	Notes	2022	Restated 2021
<b>Cash flows from operating activities</b>			
Net profit for the year		2.360.929	3.348.744
<u>Adjustments for:</u>			
Depreciation and amortization	6,7,8	3.298.404	3.459.070
Impairment of trade and other receivables	12,13	903.848	161.885
Inventory adjustment		-	6.473
Income tax (current and deferred)		1.702.459	1.436.730
Provisions	19	70.943	462
Capital gains on sale of shares in subsidiaries or associates		18.700	(7.495)
Actuarial gains/losses – Xiporo Fund	19.3	2.071.854	338.201
Other adjustments	EC	21.582	2.666
Interest and similar income (net)		-	144.214
Dividends received		(1.584.974)	(1.270.816)
Impairment of tangible assets		-	162.542
Capital losses on the sale of tangible assets			2.143
Cash flows before changes in working capital		<b>8.863.745</b>	<b>7.779.487</b>
Increase in inventories	11	339.679	(1.063.175)
Decrease/(increase) in trade receivables and other receivables	10, 12	(716.492)	522.916
Increase in other current assets	13	(2.216.872)	(895.633)
Increase/ (decrease) in trade and other financial payables	20	(1.142.588)	1.697.243
Decrease in other current liabilities	17,18	(110.227)	581.243
<b>Cash generated by operating activities</b>		<b>5.017.245</b>	<b>8.622.081</b>
Tax paid	27.2	(1.602.965)	(2.898.163)
<b>Net cash generated by operating activities</b>		<b>3.414.280</b>	<b>5.723.818</b>
<b>Cash flow from investment activities</b>			
<u>Payments concerning:</u>			
Acquisition of tangible and intangible assets	6,7	(6.665.642)	(10.235.374)
<u>Receipts relating to:</u>			
Proceeds from sale of tangible assets	6,7	-	5.642
Dividends		1.584.974	1.270.816
<b>Net cash used in investment activities</b>		<b>(5.080.668)</b>	<b>(8.958.916)</b>
<b>Cash flows from investing activities</b>			
<u>Receipts related to:</u>			
Interest and similar income			-
Loans and other financing obtained	16	3.192.387	3.058.665
<u>Payments concerning:</u>			
Loans and other financing obtained		(451.500)	
Interest and similar expenses		-	(144.214)
Dividends		(708.406)	(1.954.418)
<b>Net cash generated in financing activities</b>		<b>2.032.463</b>	<b>960.033</b>
Change in cash and cash equivalents		366.075	(2.275.065)
Cash and cash equivalents at the beginning of the period		<b>10.059.465</b>	<b>12.334.530</b>
Cash and cash equivalents at the end of the period	14	<b>10.425.540</b>	<b>10.059.465</b>

**Notes to the Financial Statements**

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticaís)



**1. Introduction**

Portos e Caminhos e Ferro de Moçambique, EP (CFM or the company), with headquarters in Maputo, in Praça dos Trabalhadores, started its activity as a State Company, under the jurisdiction of the Ministry of Transport and Communications, established by Decree No. 6/89 of 11 May, and has an effective presence in most part of the national territory.

With effect from 1 January 1995, under Decree nº 40/94, of 18 September, the state company become a public company adopting the designation Portos e Caminhos de Ferro de Moçambique, EP. The share capital established by the aforementioned decree was 1,242,981 thousand Meticaís and is fully subscribed and realized by the Mozambican Government, which is the parent company of CFM.

The company's core business is public service of railway transport for passengers and cargo in the Mozambican territory, of scheduled and non-scheduled character, as well as the cargo handling services in the Ports.

The following financial statements were approved by the Board of Directors at a meeting held on April 13, 2023.

**Private sector participation in the management of Portos e Caminhos de Ferro de Moçambique**

A series of actions have been carried out and implemented under the port and rail sector restructuring project in Mozambique, which contemplates the concession of railway and port systems across the country to the private sector for management and operations.

The original concession program excluded the private sector from involvement in certain activities considered to be of a strategic nature or not requiring significant technological expertise, such as fuel terminal (and other liquid terminals) in all international ports and the grain terminal at the port of Maputo. These units were converted into specific revenue centres and were adequately equipped to manage the business efficiently.

Due to the serious problems in some concessions granted, the concession process of the railways in the South and Pemba Port were cancelled between 2005 and the beginning of 2006, respectively. At the end of 2010, the Mozambican Government terminated the concession contract of the Beira Railway System, due to the non-compliance of contractual obligations by Companhia dos Caminhos de Ferro da Beira, that ended with the reversion of the enterprise to CFM at the end of 2011.

Currently, the following infrastructures are being directly operated by CFM:

- Ressano Garcia Railway Line;
- Limpopo Railway Line;
- Goba Railway Line;
- Beira Railway System (which includes the Sena, Machipanda line and the Marromeu branch line);
- Common section to the 3 lines of the south network and marshalling zone of Maputo;
- General Workshops (CFM-South and Center);
- Matola Aluminum Terminal;

**Notes to the Financial Statements**

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



- Fuel Terminals (in all national ports);
- Grain Terminal of Port of Maputo;.
- Quelimane Port;
- Nacala Port;
- Pemba Port; and
- Other infrastructures and facilities not included in the concessions granted.

Currently, the concessionaires of the rail-port infrastructures are as follows:

In the Southern Zone:

- ❑ Sociedade de Desenvolvimento do Porto de Maputo, S.A. (MPDC), which has the concession to manage Maputo Port and which also took over the concessions and sub-concessions of specific terminal previously conceded by CFM. In 2021, MPDC started to operate the Maputo cabotage terminal, which in previous years was under the management of the Terminal de Cabotagem de Maputo, S.A.

In 2021, the Sociedade de Terminais de Moçambique (STM) was liquidated, which in 2020 operated the Mahotas rail-road terminal, and the terminal passed to the direct management of the CFM.

In the Central zone:

- ❑ Cornelder de Moçambique, S.A. (CdM) with the concession to manage general cargo, container and multipurpose terminals at Beira Port.
- ❑ Beira Grain Terminal (BGT), a company with which a concession contract for the Beira Grain Terminal has been signed.

In the Northern zone:

- ❑ Corredor de Desenvolvimento do Norte (CDN) with whom a concession contract was signed to manage the Northern railway system;
- ❑ Kenmare Moma Processing (Mauritius) Limited (Mozambique Branch), with the concession for the design, construction and management of a quay (jetty) to be built at the coast of Nampula province, near the heavy sands mine of Moma.

**Notes to the Financial Statements**

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticaís)



**2. Basis of preparation**

These financial statements relate to the year ended 31 December 2022 and were prepared in accordance with and are in conformity with the Mozambique Chart of Accounts for Large and Medium Sized Companies based on the International Financial Reporting Standards ("PGC-NIRF") and accordingly, based on the historical cost basis, except where specifically identified, that arise from the application of Accounting and Financial Reporting Standards (NCRF). The financial statements have also been prepared on the going concern and the accrual basis.

The financial statements have also been presented in English to assist the company in providing financial statements to shareholders, potential investors, banking and funding institutions. As a result, the financial statements may only be suitable for these purposes and not for statutory purposes. It should be further noted that the financial statements can only be used for statutory purposes, if they are in the official language of Mozambique which is Portuguese.

In the preparation of these financial statements, there has been no departure from dispositions of the PGC-NIRF and there are no situations that affects the comparability of the various accounting items.

It should be noted, however, that the preparation of financial statements in accordance with PGC – NIRF requires that the Board of Directors formalize judgements, estimates and assumptions that affects the application of accounting policies and the measurement of assets, liabilities, income and expenses at the reporting date. The estimates and associated assumptions are based on historical experience and other factors deemed reasonable under the circumstances and forms the basis for judgments about the values of assets and liabilities that are not immediately apparent from other sources. Actual results may differ from the estimates.

Issues that require a higher judgment or complexity, or for which assumptions and estimates are considered significant, are presented in Note 4.

As such, these financial statements reflect the results of operations and the financial position of the CFM with reference to 31 December 2022 and are presented in thousands of Meticaís rounded to the nearest thousand.

It should be noted that these are the individual financial statements of CFM, and the company is required to present consolidated financial statements that include its subsidiaries and associates (Note 9).

**3. Main accounting policies**

**a) Foreign currency transactions**

The financial statements are presented in Meticaís, which is CFM's functional and presentation currency and used by the company in its operations and in the preparation of its financial statements.

Foreign currency transactions are translated at the exchange rate at the date of the transaction and monetary assets and liabilities denominated in foreign currency are translated into meticaís at the exchange rate in force on the balance sheet date. Exchange differences arising from this conversion are accounted for in the income statement.

Non-monetary assets and liabilities recognised at historical cost and expressed in foreign currency are translated at the exchange rate of the transaction date.

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

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The exchange rates used for the conversion of balances denominated in foreign currency are as follows:

	2022		2021	
	Buying	Selling	Buying	Selling
American Dollars	63.24	64.50	63.20	64.46
South African Rands	3.73	3.81	3.98	4.06
Euro	65.58	66.89	71.61	73.03

### b) Tangible assets

The tangible assets used by CFM in the course of their activities are recorded at acquisition cost, less accumulated depreciation and impairment losses.

The cost of acquisition includes the price paid for the ownership of the asset and all costs directly incurred to put it in working condition.

At the date of transition to PGC – NIRF, CFM decided to adopt as cost considered for their tangible assets the revalued amounts in accordance with previous accounting policies.

Subsequent costs are recognised as a separate asset only if it is probable that future economic benefits will flow to CFM. Maintenance and repair expenses and other expenses associated with their use are recognised in the income statement in the period in which they were incurred.

Depreciation of tangible assets is calculated on a systematic basis over the estimated useful life of the asset, which corresponds to the period in which the asset is expected to be available for use.

The useful lives of the fixed assets were estimated as follows:

	Years of useful life
Construction	25 – 50 years
Basic equipment	4 – 10 years
Other tangible assets	5 - 10 years

CFM regularly reviews the adequacy of the estimated useful lives of its tangible assets and changes in the expected useful lives of the assets are recorded by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Periodically, analysis is performed to identify indicators of impairment in tangible assets and an impairment loss is recognised in the income statement of the period whenever the net book value of the tangible assets exceeds their recoverable value.

CFM reverses the impairment losses in the income statement of the period if, subsequently, there is an increase in the recoverable value of the asset.

**Notes to the Financial Statements**

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The recoverable value is determined to be the highest of the net selling price and the value in use and is calculated based on the estimated cash flows expected to be obtained through the continued use of the asset and its disposal at the end of its useful life.

An item of the tangible asset is de-recognised when it is disposed of or when no future economic benefits are expected to flow as a result of its use or disposal. Any gain or loss arising from the disposal of the asset (calculated as the difference between the income from the sale and the carrying amount of the asset) is recognised in the income statement in the period the asset is de-recognised.

**c) Investments properties**

CFM classifies as investment properties the tangible assets and constructions held to obtain rental income. Investment properties are valued using the cost model as referred to in 2 b) and all the recognition and measurement criteria referred to therein are applied to them as well as the applicable accounting policies.

**d) Inventories**

Inventories are valued at the lower of their acquisition cost and net realisable value. Cost of inventories includes acquisition costs, non-deductible taxes, and other costs incurred to place inventories in their present location and condition. The costing of the issues (consumptions) is made through the weighted average cost.

Adjustments to the net realisable value are assessed on an annual basis and, if required, it is recognized as a deduction from the assets against the profit or loss for the year.

**e) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of the asset. These costs are capitalised as part of the cost of the asset when they are expected to result in future economic benefits for CFM and can be measured reliably.

**f) Impairment of non-monetary items**

CFMs assesses at each reporting date, or more frequently if there are changes that indicate that an asset may be impaired. If such an indication exists, CFM estimates the respective recoverable amount and, if it is lower than the carrying amount, the asset is impaired and reduced to its recoverable amount.

At each balance sheet date, CFM reassess whether there is any indication that an impairment loss previously recognised may no longer exist or may have decreased. If such an indication exists, CFM estimates the recoverable amount of the asset and reverses the impairment losses previously recognised only if there have been changes in the estimates used to estimate the recoverable amount from the recognition of the loss.

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**g) Leases**

The determination whether a contract is or contains a lease is based on the substance of the contract, based on which entity substantially retains the risks and rewards inherent in the ownership of the leased asset.

In financial leases, which transfers substantially all risks and rewards to CFM, the cost of the asset is recorded as a tangible asset and the corresponding responsibility is recorded as a liability. Depreciation of the asset is calculated as described in note 2b) and is recorded as an expense in the income statement within the period to which it relates.

Rent is made up of the interests and amortization of capital (initially recognised as a liability) and financial charges are charged to the years to which they refer.

In operating leases, rents are recognised as expense on a straight-line basis over the lease period.

**h) Financial assets**

The classification of financial assets at their initial recognition depends on the purpose for which the instrument was acquired and its characteristics, taking into account the following categories:

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss includes financial assets held for trading, acquired for the main objective of being traded in the short term, and other financial assets at fair value through profit or loss.

Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets held with the intention to keep for an indefinite period or designated for sale at the time of their initial recognition.

Financial assets held to maturity

Assets held to maturity are the category of non-derivative financial assets with fixed and determinable payments and fixed maturities that CFM intends to hold to maturity.

Loans and receivable

Loans receivable are classified as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets are recognised in the balance sheet of CFM at the date of purchase, at their respective fair value plus directly attributable transaction costs, except for assets and liabilities at fair value through profit or loss in which transaction costs are immediately recognised in the income statement.

Fair value is the amount by which an asset or liability can be transferred or settled between independent, knowledgeable and interested parties in a transaction under normal market conditions. The fair value of a financial instrument on initial recognition is generally the transaction price.

Fair value is determined on the basis of prices of an active market or valuation methods in the absence of such an active market. A market is considered active if transactions occur on a regular basis.

**Notes to the Financial Statements**

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CFM assesses at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is considered to be impaired if, and only if, there is objective evidence of loss of value as a result of one or more events that occurred after the initial recognition of the asset and provided that such events have an impact on the estimated future cash flows of the financial assets.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing financial difficulties, default or delay on settlement of principal or interest, the likelihood of bankruptcy or financial reorganization and whenever information is available that indicates a decrease in the value of future cash flows.

**Initial recognition, measurement and de-recognition**

The acquisitions and disposals of financial assets at fair value through profit or loss as well as available-for-sale financial assets are recognized on the date of their transaction.

Financial assets are initially recognized at their fair value plus transaction costs, except for category of financial assets at fair value through profit or loss, and transaction costs are recognized in the income statement.

The re-recognition of financial assets occurs when the contractual rights of the financial asset expire, if all the risks and benefits associated with its holding have been substantially transferred or, although part but not substantially all of the risks and benefits associated with its holding are retained, the CFMs have transferred control over those assets.

**Subsequent measurement**

After initial recognition, financial assets at fair value through profit or loss are recognized at fair value with changes thereafter recognized in income statement.

Available for sale financial assets are valued at fair value with changes recognized in equity until the moment of de-recognition, that is, when an impairment loss is identified, at which time the accumulated amount of potential gains and losses recorded in equity is transferred to the income statement.

Assets held to maturity after initial recognition, as well as loans and accounts receivable, are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement at the moment of de-recognition, when it is impaired as well as those arising from the application of the effective interest rate method.

The fair value of financial assets that are traded in organized financial markets is their current bid price. In the absence of an active market, fair value is determined through valuation techniques, such as recent and similar transaction prices, performed under market conditions and discounted cash flow techniques or other valuation models.

For financial assets whose fair value cannot be reliably measured, recognition is made at acquisition cost and impairment is recorded in the income statement.

**Notes to the Financial Statements**

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**Impairment**

At each balance sheet date, an assessment is made of the existence of an objective evidence of impairment.

**Financial assets carried at amortised cost**

If there is an objective evidence that an impairment loss has been incurred on loans and receivables or held to maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset. The carrying amount of the asset should be reduced through the use of an allowance account and the amount of the loss should be recognised in the income statements.

If, in a subsequent period, the amount of the impairment loss decreases and the impairment loss can be objectively related to an event occurring after recognition of impairment, the previously recognised impairment loss must be reversed by adjusting the allowance account and the reversal should not result in an amount of the financial asset that exceeds the amount that could have been determined at amortised cost if the impairment had not been recognised at the date the impairment was reversed. The amount of the reversal should be recognised in the income statement.

**Financial assets carried at cost**

If there is an objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not recorded at fair value because its fair value cannot be measured reliably or in a derivative asset that is to be liquidated by the delivery of an unquoted equity instrument, the amount of the impairment loss is measured by the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. These impairment losses should not be reversed.

**Financial assets available for sale**

When there is evidence of impairment in available for sale financial assets, the accumulated potential loss corresponding to the difference between the acquisition cost and the current fair value less any impairment loss on assets previously recognised in the income statement is transferred from equity to the income statement.

**i) Equity instruments**

An instrument is classified as an equity instrument when there is no contractual obligation for its settlement through the deliverance of cash or other financial asset, independent of its legal form, showing a residual interest in the assets of an entity net of all its liabilities.

**j) Financial liabilities**

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities at fair value through profit or loss recognised at the beginning.

**Notes to the Financial Statements**

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Loans and accounts payable

Other loans and other accounts payable fall into this category.

Initial recognition, measurement and annulment of recognition

An instrument is classified as a financial liability when there is a contractual obligation for its settlement to be made through the deliverance of cash or other financial asset, independent of its legal form.

Financial liabilities are initially recognised at fair value plus transaction costs, except for the category of financial liabilities at fair value through profit or loss, where the transaction costs are recognised in the income statement. The de-recognition of the financial liability occurs when the contractual obligation of the financial liability expires.

When a financial liability is replaced by another from the same creditor, under substantially different conditions, or the terms of the existing liability are substantially different, such exchange or amendment is treated as de-recognition of the original liability and a new liability is recognised and the difference between the amounts recorded in the income statement.

Subsequent measurement

After initial recognition, financial liabilities at fair value through profit or loss are recognised at fair value with changes recognised in the income statement.

After initial recognition, loans and accounts payable are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement on de-recognition when this is impaired, as well as those arising from the application of the effective interest rate method.

**k) Provisions**

CFM constitutes provisions when there is a present legal or constructive obligation resulting from past events for which the future outflow of financial resources is probable, and which can be determined reliably. The value of the provision corresponds to the best estimate of the amount to be disbursed to settle the responsibility at the balance sheet date.

**l) Recognition of expenses and income**

CFM records its expenses and income according to the accrual principle, under which they are recognised on the date of the transaction that originates them, regardless of their payment or receipt. The differences between the amounts received and paid and the corresponding income and expenses are recorded in "Other current assets" or "Other current liabilities", depending on the nature of the difference.

**m) Employee benefits**

The liabilities for retirement pensions and other post-employment or short-term benefits are estimated based on assumptions and estimates, including the use of actuarial projections, estimated return on the fund and other factors that may have an impact on spending and liability to pensions and other post-employment benefits.

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estimated profitability of the fund and other factors that may have an impact on expenses and liabilities for pensions and other post-employment benefits.

Short-term benefits

The cost of short-term employee benefits (those paid within 12 months after the service is provided, such as paid leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognized in the period in which the service is provided and is not discounted.

The expected cost of paid leave is recognized as an expense, as employees provide services that increase their entitlement, or, in the case of non-accumulated absences, when the absence occurs.

The anticipated cost of profit sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are expensed as they fall due.

The Company makes mandatory contributions to defined contribution plans, namely to the National Institute of Social Security ("INSS").

Defined benefit plan

Under Decree no. 25/2009 of 17 August, which Approves the Regulation for the Constitution of the Pension Fund in the scope of the company's complementary social security, signed the constitutive contract of the Closed Complementary Pension Fund for CFM Workers, abbreviated as XIPORO – FPCF/CFM. The fund is managed by Moçambique Previdente – Sociedade de Gestão de Pensão Fund. SA whose contract was signed on August 9, 2017. On November 21, 2018 Service Order no. 7 with the communication of the terms and conditions of the Fund. This Service Order immediately provided for the entry into force of the Pension Plan, however, due to operational difficulties, the Fund became operational from the year 2019

The following contributions are made on the basis of the liabilities for retirement pensions:

- (i) The contributions of the MZN component correspond to 10% of the monthly remuneration paid to the participants, the member being responsible for covering 7% of the value of these remunerations and the remaining 3% to the participants.
- (ii) The contributions of the USD component correspond to 12% of the monthly remuneration paid to the participants, the member being responsible for covering 9% of the value of these remunerations and the remaining 3% to the participants.

Based on the paragraphs 64, 65 and 66 of NCRF 19 – Employee Benefits, the company recognizes actuarial gains/losses and past service costs directly in equity, not being subsequently transferred to the income statement.

**Notes to the Financial Statements**

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**n) Revenue recognition**

The revenue inherent to sales is recognised in the income statement when the risks and rewards inherent to ownership of the goods sold are transferred to the buyer. The revenue related to the rendering of services is recognised when the services are rendered.

**o) Income tax**

Current income tax

Current income tax, asset or liability, is estimated on basis of the expected value to be recovered or payable to the tax authorities. The legal tax rate used to calculate the amount is that which is in effect at the balance sheet date.

Current income tax is calculated on the basis of taxable profit for the year, which differs from the accounting profit due to adjustments to the taxable income resulting from expenses or income that are not relevant for tax purposes, or which will only be considered in other accounting periods, in accordance with the current fiscal legislation.

Deferred income tax

Deferred income tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the value of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which deferred tax assets can be deducted.

Deferred income taxes are calculated based on the tax rates enacted for the period in which the respective asset or liability is expected to be realized. Income taxes (current or deferred) are reflected in the income statement, except where the transactions that gave rise to them have been recorded in other equity accounts. In these situations, the corresponding tax is also recorded against equity, without affecting the result for the year.

**p) Government Grants**

Government subsidies relating to assets are presented in the balance sheet as deferred income, in other current liabilities, and are recognised on a systematic and rational basis over the useful life of the asset. Government subsidies relating to income are presented as credits to the income statement or as deductions against the corresponding expense.

**4. Key judgments, estimates and accounting assumptions**

The preparation of the financial statements requires directors to make judgments, estimates and assumptions in the decision-making process on certain accounting treatments with an impact on the amounts reported in total assets, liabilities, equity, expenses and income. Actual results may differ from estimates and judgments made, in particular regarding the effect of actual costs and income.

PGC – NIRF establishes a set of accounting policies that requires directors to make judgments and estimates. The main accounting estimates used by CFM are analysed as follows:

**Notes to the Financial Statements**

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Impairment of accounts receivable

CFM periodically reassesses evidence of impairment in order to assess the need to recognise additional impairment losses. For the determination of the level of potential loss, directors' estimates are used in calculating the amounts related to future cash flows. Such estimates are based on assumptions of various factors, and actual results may change in the future, resulting in changes in the amounts constituted to cover actual losses.

In addition to the individual impairment analysis, CFM performs a collective impairment analysis of accounts receivable to deal with situations of loss of value that, although not specifically identifiable, incorporates a significant risk of default compared to the initial situation, at the time of recognition.

CFMs consider that the impairment determined on the basis of the methodology presented allows for an adequate reflection of the risk associated with its client portfolio.

Useful lives of tangible assets, investment properties and intangible assets as well as the respective residual values

CFMs continually reassess their estimates of the useful life of tangible and intangible assets and their residual values, if applicable. The remaining useful life estimates are based on the experience, condition and operating condition of the asset. Where necessary, these estimates are supported by technical opinions issued by independent experts.

Impairment of tangible assets, investment properties and intangible assets

Tangible and intangible assets are reviewed for impairment whenever there are facts or circumstances indicating that their carrying amount exceeds the recoverable amount.

Considering the uncertainties regarding the recoverable amount of these long-term assets, because the analyses are based on the best information available to date, changes in assumptions may result in impacts on the determination of the level of impairment and, consequently, on the results of CFMs.

Provisions for legal cases

The provisions set aside to cover probable losses in lawsuits in which CFM is an interested party are constituted taking into account the expected loss estimated by directors, based on the information provided by its legal advisors, and subject to annual review.

Taxes

Income taxes (current and deferred) are determined by the CFM based on the rules defined by the tax framework. However, in some situations, the tax legislation is not sufficiently clear and objective and may give rise to different interpretations. In these cases, the amounts recorded are the result of best understanding by CFM on the appropriate framework of its operations, which is susceptible to be questioned by the Tax Authorities.

The Tax Authorities have the right to review the tax position of the CFM for a period of 5 years, which may result in possible corrections due to different interpretations and / or non-compliance with tax legislation, namely in the IRPC, IRPS and VAT.

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The directors believe to have dully fulfilled all the tax obligations that CFM is subject to, and therefore does not expect any corrections to the taxable income declared as a result of these revisions to have an effect on the financial statements.

**5. Changes in accounting policies, estimates and errors**

At the year ended 31 December 2022, there were no changes in accounting policies that would have an effect on the comparability of the financial statement. However, there was a need to integrate the bellow assets of:

**Terminal de Cais de Carvão (TCC8)** – In 2012, a concession was granted to Vale de Moçambique, having benefited from a large investment of restructuring and modernization, creation of all operational conditions (Infrastructures, equipment, installations, etc.) for a complex coal handling system. Having terminated the *take or pay* contract between the TCC8 operators, this terminal was reverted to CFM in 2020. In this context, the assets were included after being revalued in the financial statements. These assets are related to buildings (Modular constructions), equipment (Heavy machinery and vehicles), infrastructure (Conveyor belts, loading and unloading) administrative and social furniture (Computers, air conditioning, chairs etc.) and installation networks (Hydraulics, sanitation, electrical and firefighting).

**Macuti Housing Complex (MHC)** – This project was conceived within the scope of the Beira Corridor Project, with the aim of housing the technicians of the Project for the reconstruction of the railway lines of Sena and Machipanda. During the duration of the Project, the management of the complex was in charge of the Swedish Company Hifab International, however, after the end of the project, on 31/12/1999, the management passed the full responsibility to the CFM Company, thus creating another Production Unit of the CFM in the hotel industry that had its own NIUT and license for the exercise of its activities. MHC provides long-term rental services, including ancillary rental services for a restaurant, a nursery and a conference room.

By resolution of the Board of Directors of the CFM, dated February 20, 2019, the MHC Management Supervision Committee was dissolved, and the Management became directly subordinate to the Executive Board of the CFM-C.

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	Previously reported balance 2021	Reclassification	MHC/TCC8	Restated Balance 2021
Tangible assets	36.244.131	-	489.419	36.733.550
Intangible assets	80.142	-	127	80.269
Inventories	4.276.338	-	2.258	4.278.596
Clients	2.707.751	-	3.209	2.710.960
Other current assets	5.645.787	-	6.541	5.652.328
Cash and banks	9.978.238	-	81.227	10.059.465
<b>Total Assets</b>	<b>58.932.387</b>	<b>-</b>	<b>582.781</b>	<b>59.515.168</b>
Retained earnings	24.859.850		584.754	25.444.604
Net profit or loss for the year	3.347.530	-	(16.615)	3.330.915
<b>Total equity</b>	<b>28.207.380</b>	<b>-</b>	<b>568.139</b>	<b>28.775.519</b>
Trade payable	2.367.905		397	2.368.302
Other current financial liabilities	605.114	528.335	-	1 133 450
Other current liabilities	1.230.018	(528.335)	14.239	715.928
<b>Total liabilities</b>	<b>3.597.923</b>	<b>-</b>	<b>14.642</b>	<b>3.612.565</b>
Sales of goods and services	16.922.989	-	58.658	16.981.647
Costs of I.V Consumed	(727.682)	-	(7.962)	(735.644)
Staff Expenses	(5.705.949)	-	(26.066)	(5.732.015)
Provision and services of third parties	(6.335.532)	-	(21.042)	(6.356.574)
Depreciation	(3.447.730)	-	(29.169)	(3.476.899)
Other operating gains and losses	3.041.456	-	3.295	3.044.751
Financial income	3.652.756	-	5.728	3.658.484
Financial expenses	(2.284.523)	-	(57)	(2.284.580)
<b>Total result</b>	<b>5.115.785</b>	<b>-</b>	<b>(16.615)</b>	<b>5.099.170</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

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### 6. Tangible assets

As at 31 December 2022 and 2021, the composition of the item Tangible assets was as follows:

	<b>Construction</b>	<b>Basic equipment</b>	<b>Other assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost</b>					
Opening balance in 2021	50.591.922	21.599.179	2.922.372	1.838.241	76.951.714
Additions	99.429	633.778	355.620	9.256.823	10.345.650
Disposals	262.141	248.751	116.459	-	627.351
Transfers	-	-	(27.928)	-	(27.928)
Adjustments	(2.093)	39.430	(529)	(178.174)	(141.366)
Closing balance in 2021	<b>50.951.399</b>	<b>22.521.138</b>	<b>3.365.994</b>	<b>10.916.890</b>	<b>87.755.421</b>
Additions	<b>9.181</b>	<b>246.405</b>	<b>293.393</b>	<b>8.957.786</b>	<b>9.506.765</b>
Disposals	-	-	(32.294)	-	(32.294)
Transfers	42.858	7.387.308	2.500	(7.432.666)	-
Adjustments	-	(10.808)	(14.640)	-	(25.448)
Closing balance in 2022	<b>51.003.438</b>	<b>30.144.043</b>	<b>3.614.953</b>	<b>12.442.010</b>	<b>97.204.444</b>
	<b>Construction</b>	<b>Basic equipment</b>	<b>Other assets</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Accumulated depreciations</b>					
Opening balance in 2021	(32.490.238)	(15.099.823)	(226.051)	-	(47.816.112)
Charges	(1.790.756)	(1.154.834)	(12.218)	-	(2.957.808)
Disposals	-	25.650	-	-	25.650
Transfers	(57.762)	(50.983)	(120)	-	(108.865)
Adjustments	-	113	(2.299)	-	(2.186)
Opening balance in 2022	(34.338.756)	(16.279.877)	(240.688)	-	(50.859.321)
Charge	(1.738.128)	(1.150.649)	(10.879)	-	(2.899.656)
Disposals	-	-	32.053	-	32.053
	<b>(36.076.884)</b>	<b>(17.430.526)</b>	<b>(219.514)</b>	<b>-</b>	<b>(53.726.924)</b>
<b>Accumulated impairments</b>					
Opening balance in 2021	(162.550)	-	-	-	(162.550)
Charge	-	-	-	-	-
Closing balance in 2022	<b>(162.550)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(162.550)</b>

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<u>Net book value</u>					
2021	<b>16.450.093</b>	<b>6.241.261</b>	<b>3.126.306</b>	<b>10.916.890</b>	<b>36.733.550</b>
2022	<b>14.764.004</b>	<b>12.713.517</b>	<b>3.395.439</b>	<b>12.442.010</b>	<b>43.314.970</b>

As at 31 December 2022, assets under construction amounted to 12.442.010 thousands of Meticaís and had the following breakdown:

	<u>Construction</u>	<u>Basic equipment</u>	<u>Other assets</u>	<u>Total</u>
Assets under construction	6.207.124	804.360	5.467.742	12.442.010

No tangible assets were delivered as collateral for liabilities.

### 7. Investment properties

As at 31 December 2022 and 2021, the composition of the item Investment properties was as follows:

	<u>Construction</u>	<u>Basic equipment</u>	<u>Total</u>
<u>Cost</u>			
<b>Closing balance in 2021</b>	<b>16.365.223</b>	<b>1.412.636</b>	<b>17.777.859</b>
<b>Closing balance in 2022</b>	<b>16.365.223</b>	<b>1.412.636</b>	<b>17.777.859</b>
<u>Accumulated depreciation</u>			
Opening balance in 2021	(12.616.115)	(1.332.574)	(13.948.689)
Charges	(490.373)	(19.129)	(509.502)
<b>Closing balance in 2021</b>	<b>(13.106.489)</b>	<b>(1.351.704)</b>	<b>(14.458.192)</b>
Disposals	(382.528)	(5.930)	(388.459)
Transfers	-	(535)	(535)
<b>Closing balance in 2022</b>	<b>(13.489.017)</b>	<b>(1.358.168)</b>	<b>(14.847.185)</b>
<u>Net balance</u>			
<b>2021</b>	<b>3.258.734</b>	<b>60.933</b>	<b>3.319.667</b>
<b>2022</b>	<b>2.876.206</b>	<b>54.467</b>	<b>2.930.674</b>

These assets, held for the purpose of generating rent, relate to the assets leased to the Maputo Port Development Company (MPDC), within the scope of the concessions to MPDC, Maputo Cabotage Terminal, Cornelder de Moçambique, Northern Development Corridor, Maputo Cabotage Terminal and Sociedade Terminais de Moçambique, among others, as mentioned in the introductory note. These assets generated fixed and variable income which are presented in Note 24.

No tangible investment assets were delivered as collateral for liabilities.

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**8. Intangible assets**

As at 31 December 2022 and 2021, the composition of Intangible assets was as follows:

	<b>Software</b>	<b>Land reserves</b>	<b>Total</b>
<u>Costs</u>			
Closing balance in 2021	46.215	51.239	97.454
Additions	26.398	-	26.398
MHC restatement	1.038	-	1.038
Closing balance in 2021	<b>73.651</b>	<b>51.239</b>	<b>124.890</b>
Additions	502	-	502
Closing balance in 2022	<b>74.153</b>	<b>51.239</b>	<b>125.392</b>
	<b>Software</b>	<b>Land reserves</b>	<b>Total</b>
<u>Accumulated depreciation</u>			
Opening balance in 2021	(36.520)	-	(36.520)
Charges	(7.314)	-	(7.314)
MHC statement	(788)	-	(788)
Opening balance in 2021	<b>(44.622)</b>	<b>-</b>	<b>(44.622)</b>
Charges	(10.289)	-	(10.289)
Closing balance in 2022	<b>(54.911)</b>	<b>-</b>	<b>(54.911)</b>
<u>Net balance</u>			
<b>2021</b>	<b>29.029</b>	<b>51.239</b>	<b>80.268</b>
<b>2022</b>	<b>19.242</b>	<b>51.239</b>	<b>70.481</b>

**9. Investments in subsidiaries and associates**

There were changes in investments in subsidiaries and associates accounts during the year and are presented as follows:

	<b>2022</b>	<b>2021</b>
Subsidiaries	340	340
Associates	84.004	84.004
Other financial investments	47.760	47.760
	<b>132.104</b>	<b>132.104</b>
Accumulated impairment	(35.984)	(35.984)
	<b>96.120</b>	<b>96.120</b>

**9.1. Composition of investments in subsidiaries and associates**

The movement of the accumulated impairment is presented in the following table:

	<b>2022</b>	<b>2021</b>
Opening balance 1 January	(35.984)	(224.284)
Charge	-	188.300
Closing balance 31 December	<b>(35.984)</b>	<b>(35.984)</b>

## PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

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### 9.2. Composition of investments in subsidiaries and associates

As at 31 December 2022 and 2021, the investments in subsidiaries and associates were detailed as follows:

	% Equity		Amount	
	2022	2021	2022	2021
<b>Subsidiaries</b>				
CFM – Transporte e Trabalhos Aéreos, S.A.	100.00	100.00	100	100
CFM - Sociedade Turística, S.A.	100.00	100.00	240	240
			<b>340</b>	<b>340</b>
<b>Associates</b>				
DP World Maputo, S.A.	40.00	40.00	23.762	23.762
Sociedade de Desenvolvimento do Corredor de Maputo	27.50	27.50	23.230	23.230
Cornelder de Mozambique	33.00	33.00	3.795	3.795
Terminal de Cabotagem Maputo	49.00	49.00	5.831	5.831
Maputo Port Development Company, S.A.	49.00	49.00	7.590	7.590
Portos do Norte, S.A.	30.00	30.00	6.000	6.000
Thai Mozambique Logistic, S.A.	20.00	20.00	6.000	6.000
Empresa de Dragagem do Porto de Maputo	49.00	49.00	1.796	1.796
Portos de Cabo Delgado, S.A.	50.00	50.00	6.000	6.000
			<b>84.004</b>	<b>84.004</b>
<b>Other financial investments</b>				
Cimentos de Moçambique		1.60	39.748	39.748
Transcarga		17.00	14	14
Technoshore, Limitada		15.00	6.750	6.750
Beira Grain Terminal		15.00	405	405
Belavista Holding		65.00	843	843
			<b>47.760</b>	<b>47.760</b>

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## Notes to the Financial Statements

For the year ended 31 December 2022

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### 10. Other financial assets

As at 31 December 2022 and 2021, the other financial assets were as follows:

	2022	2021
<b><u>Non-current</u></b>		
Loans conceded to subsidiaries	20.600	28.550
	<b>20.600</b>	<b>28.550</b>
<b><u>Current</u></b>		
Advances to staff	83.817	64.179
Interest accrued income	41.972	20.738
Sundry debtors – intercompany	620	614
	<b>126.409</b>	<b>85.531</b>
Accumulated impairment losses on other financial assets	(12.429)	(11.066)
	<b>113.980</b>	<b>74.465</b>
	<b>134.580</b>	<b>103.020</b>
	<b>2022</b>	<b>2021</b>
Accumulated impairment losses on other financial assets:		
As at 1 January	(11.066)	(10.562)
Increase	(1.363)	(504)
As at 31 December	<b>(12.429)</b>	<b>(11.066)</b>

### 11. Inventories

At at 31 December 2022 and 2021, the inventories were as follows:

	2022	2021
Sleepers	556.438	528.524
Construction materials	1.367.895	1.839.647
Spare parts and accessories	2.003.631	1.907.874
Fuels and lubricants	27.652	19.528
Other materials	2.555	2.277
	<b>3.958.171</b>	<b>4.297.850</b>
Inventory adjustments	(19.254)	(19.254)
	<b>3.938.917</b>	<b>4.278.596</b>

#### 11.1 Inventory adjustment

The details of the movements related to the inventory adjustment is presented in the following table:

	2022	2021
As at 1 January	(19.254)	(57.473)
Increase	-	(6.473)
Utilization	-	44.692
As at 31 December	<b>(19.254)</b>	<b>(19.254)</b>

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## Notes to the Financial Statements

For the year ended 31 December 2022

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### 11.2. Cost of inventories sold or consumed at 31 December 2022 and 2021

The composition of the cost of inventories sold or consumed is as follows:

	2022	2021
Initial balance	4.297.750	3.279.367
Acquisitions	790.861	1.754.127
Closing inventory	(3.958.816)	(4.297.850)
Cost of inventory consumed	<b>1.129.795</b>	<b>735.644</b>

### 12. Trade receivables

At 31 December 2022 and 2021, the composition of the trade receivables were as follows:

	2022	2021
Traffic	2.099.148	1.450.308
Concessionaries	530.360	689.623
Related parties	23.237	25.048
Foreign administrations	361.508	371.201
Doubtful trade debtors	756.900	679.396
Other trade debtors	301.304	196.998
	<b>4.072.457</b>	<b>3.412.574</b>
Accumulated impairment losses	(775.132)	(701.614)
	<b>3.297.325</b>	<b>2.710.960</b>

#### 12.1. Accumulated impairment losses on trade debtors

The details of the movements related to the accumulated impairment losses of trade debtors is prevented in the following table:

	2022	2021
As at 1 January	(701.614)	(540.030)
Increase	(241.060)	(169.151)
Use/Adjustments	23.681	-
Reversal	143.861	7.567
As at 31 December	<b>(775.132)</b>	<b>(701.614)</b>

### 13. Other current assets

At 31 December 2022 and 2021 the other current assets were as follows:

	2022	Reexp2021
Value added tax	3.699.190	3.592.316
Deposits	73.880	73.376
Deferred cost	277.071	133.196
Fundo Nacional de Dragagem (Note 13.1)	1.793.461	1.392.744
Related parties	33.661	26.632
Advances to trade creditors	1.991.937	1.453.094

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Accumulated impairment losses other debtors (Note 13.2)

2022	2021
7.869.200	6.671.358
(805.286)	(1.019.030)
<b>7.063.914</b>	<b>5.652.328</b>

### 13.1. Fundo Nacional de Dragagem

Fundo Nacional de Dragagem (FND) is an instrument of internal, sustainable and permanent financing of the country's dredging sector aiming to meet not only the investment needs of the sector, but also the financing needs related to the maintenance dredging of national ports. CFM contributes 42% and FND 58% in dredging costs.

### 13.2. Accumulated impairment losses on other debtors

The details of the movements related to the accumulated impairment losses are presented in the following table:

	2022	2021
As at 1 January	(1.019.030)	(1.019.030)
Increase	(805.286)	-
Use	1.019.030	-
As at 31 December	<b>(805.286)</b>	<b>(1.019.030)</b>

### 14. Cash and bank balances

As at 31 December 2022 and 2021, the cash and banks presented the following amounts:

	2022	2021
<u>Cash</u>		
Meticals	10	-
	<b>10</b>	<b>-</b>
<u>Call deposits</u>		
Meticals	431.694	631.240
US Dollar	1.730.107	1.690.453
South African Rands	188.925	260.676
Euros	13.251	14.872
	<b>2.363.977</b>	<b>2.597.241</b>
<u>Fixed deposits</u>		
Meticals	101.440	122.392
US Dollar	7.960.113	7.339.832
	<b>8.061.553</b>	<b>7.462.224</b>
	<b>10.425.540</b>	<b>10.059.465</b>

**Notes to the Financial Statements**

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**15. Share capital**

The statutory capital of CFM amounts to 1,242,981 thousand Meticals and is fully subscribed and realised by the Government of Mozambique.

The legal reserve corresponds to the part of the surplus for each year that is allocated annually, never less than 10% of them. This reserve is not distributable and can only be used for incorporation into the capital or to cover losses, after all other reserves have been exhausted.

The following shall constitute a reserve for investments in particular: (i) the part of the results obtained in each financial year which are earmarked for it; (ii) revenue from contributions appropriations or subsidies from which the undertaking would benefit and be earmarked for that purpose; (iii) income specially allocated to investments.

**16. Loans**

As at 31 December 2022 and 2021, the loans obtained were as follows:

	<b>2022</b>	<b>2021</b>
<b>Non-current</b>		
Bank loans (Note 16.1)	8.732.059	5.435.862
State financing (Note 16.2)	2.579.360	2.573.768
	<b>11.311.419</b>	<b>8.009.630</b>
<b>Currents</b>		
State financing (Note 16.2)	2.143.984	62.192
	<b>2.143.984</b>	<b>62.192</b>
	<b>13.455.403</b>	<b>8.071.822</b>

**16.1. Bank loans**

Due to the advanced state of degradation of the Machipanda Line, CFM conceived a rehabilitation project with the objective ensuring the rail transport of people and goods with the minimum of safety guaranteed. The project was budgeted around USD 200 million, of which USD 150 million was required in the initial stage. For this purpose, due to inability to finance the total amount of the investment with its own funds, CFM approached the national banks to obtain the financing of 80% of the amount (USD 127 million) and co-participation with own funds for the remaining amount in the total amount of USD 30 million. The loan has a maturity of 7 years and bearing annual interest rate of aggregated rate of the margin and *LIBOR* applicable. No assets were pledged as collateral for this loan.

The following banks financed the investment project for the rehabilitation of the Machipanda line:

1. USD 60 million from Standard Bank Mozambique which during the year was increased by USD22.44 million to USD82.44 million;
2. USD 35 million from BCI;
3. USD 25 million from ABSA Mozambique;
4. USD 7 million from First National Bank Mozambique (Loan prepaid in 2022).

Of the financing amount, approximately USD135,381 million has been disbursed until 31/12/2022, corresponding to 93% of the total loan amount, distributed as follows:

- ✓ Standard bank with USD 79.62 million, corresponding to 48%;
- ✓ BCI with USD 30.76 million, corresponding to 18%;

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- ✓ ABSA Bank Moçambique, SA with USD 24.99 million, corresponding to 15%; and
- ✓ First National Bank Mozambique, with USD 7.0 million, corresponding to 4%;
- ✓ CFM (Own Funds) with USD 24.96 million, corresponding to 15%.

Regarding the contribution by each bank, Standard bank contributed with 56%, BCI with 22%, First National Bank Mozambique with 5% and finally ABSA with 18%.

It should be noted that with the completion of the ongoing Project, the Machipanda railroad will have a capacity of up to 3 million tons per year (MTPA), as against the current capacity of 0.4 MTPA; Furthermore, there will be improved traffic safety conditions, reduced derailments; reduction of the transit time from the current 18 hours to 12 hours to the border, increase of the axle load capacity of the line from the current 16.6 to 20.5 tons and re-establishment of the commercial speed to 60km / h.

### 16.2. State financing

State financing is valued at the end of each financial year at a historical fixed exchange rate of USD 18.36MT (i) and others at the closing exchange rate (ii, iii and iv) of the following table.

	Notes	Interest rate	Currency	Maturity	2022	2021
<b>Non-current</b>						
Ministry of Finance	(i)	2.00%	USD	24/01/2040	312.118	320.082
World Bank – RPRP	(i)	2.00%	USD	24/01/2040	931.256	922.201
Rehabilitation of the Sena Line	(ii)	0.75%	USD	30/06/2030	31.271	32.189
Electrification of the Port of Matola	(iii)	5.5%	USD	20/07/2034	15.746	18.965
Acquisition rolling stock fleet	(iv)	1.5%	USD	02/04/2043	1.288.969	1.280.331
					<b>2.579.360</b>	<b>2.573.768</b>
<b>Current</b>						
Ministry of Finance	(i)	2.00%	USD	24/01/2040	31.212	17.005
World Bank – RPRP	(i)	2.00%	USD	24/01/2040	35.074	37.114
Rehabilitation of the Sena Line	(ii)	0.75%	USD	30/06/2030	1.173	-
Electrification of the Port of Matola	(iii)	5.5%	USD	20/07/2034	4.330	234
Acquisition rolling stock fleet	(iv)	1.5%	USD	02/04/2043	2.072.195	7.839
					<b>2.143.984</b>	<b>62.192</b>
					<b>4.723.344</b>	<b>2.635.960</b>

#### (i) World Bank and Ministry of Economy and Finance

These balances are in relation to the financing of the World Bank and the Ministry of Finance, granted in January 2000, for the rationalization of the workforce under the RPRP project ("Railways Project restructuring of Port"). The outstanding amount corresponds to USD 71.3 million at historical exchange rate and must be paid over a period of 30 years at the annual interest rate of 2% after deferral period of capital and interest of 10 years, according to the Joint Ministerial Diploma S/N of 2004 signed between the Ministries of Planning and Finance and Transport and Communications on October 13, 2004.

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(ii) Rehabilitation of the Sena Line

This amount represents a World Bank financing conceded in 2005, through the Government of Mozambique, amounting to USD 5.500.000 for the rehabilitation of the Sena line. This amount must be paid over a period of 15 years through a series of 30 equal and successive half-yearly installments of capital and interest. The deferral period of capital and interest is 10 years, and the interest rate is 0.75%. The amount outstanding at the year-end is 502,997 USD.

(iii) Electrification of the Port of Matola

This amount relates to financing granted by the German institution KfW – Kreditanstalt für Wiederaufbau (*Reconstruction Credit Institute*), in 2005, through the Government of Mozambique, for the electrification of the Port of Matola, amounting to 1,533,876 EUR. The objective of this project is to guarantee the distribution of electricity out the Port of Matola and, through the development of the Port, to safeguard jobs and contribute to the generation of domestic income through import and export services. This amount must be paid in 20 years and has a deferral period of 5 years at the annual interest rate of 5.5% on the amounts used and not amortized. The amount outstanding at year-end is 311,275 USD.

(iv) Loan granted by the Mozambican State

Concessional credit amounting to USD 95 million from Exim Bank of India for the financing of the acquisition of rolling stock (locomotives and passenger coaches) was signed between two governments: India and Mozambique. The Ministry of Economy and Finance on-lends this amount to CFM through the Retrocession Agreement. The financing has a term of 25 years and is to be amortized over 20 years through 40 semi-annual installments, equal, successive and unpostponable, after a period of deferral of 5 years. The applicable interest rate is 1.5%.

Its recognition in the accounts of the CFM is made through the disbursements made by Exim Bank for the invoices of the supplier RITES, including advances to supplier and credit the loans granted by the State.

**17. Other financial liabilities**

As at 31 December 2022 and 2021, the other financial liabilities were as follows:

	2022	2021
<u>Non-current</u>		
Reversal of Sena line (Note 17.1)	6.002.246	6.002.246
	<b>6.002.246</b>	<b>6.002.246</b>
<u>Current</u>		
Deposits	22.125	22.347
Accrued income	-	5.650
Retirement and survival compensations	56.898	12.869
RITES, LTD	978.212	328.282
Related party creditors	99.713	4.075
Attributed Results	437.535	376.009
Salaries payable	228.269	200.054
Other accruals	21.250	184.164
	<b>1.844.002</b>	<b>1.133.450</b>
	<b>7.846.247</b>	<b>7.135.696</b>

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### 17.1. Reversal of the Sena Line

This balance refers to the financing that Companhia dos Caminhos de Ferro da Beira (CCFB) contracted from the *International Development Agency* (IDA), amounting to an equivalent USD 113,863,553.76, and from the European Investment Bank (EIB), in the amount equivalent of USD 27,795,797.26, under the rehabilitation project for the Sena line, and financings of CCFB through own funds. Due to the end of the concession contract with the Government of Mozambique (GM) the venture reverted to CFM. The total amount of the financing is fixed at 6 002 246 thousand MT. Talks are being held at the level of the Board of Directors by correspondence with IGEPE and the Ministry of Economy and Finance on the project to transform this amount into a capital increase.

### 18. Other accounts payable

As at 31 December 2022 and 2021, the other current and non-current liabilities were as follows:

	2022	2021
<u>Other non-current liabilities</u>		
Limpopo line rehabilitation financing (Note 18.1)	330.037	360.979
Port of Beira wharf rehabilitation (Note 18.2)	178.427	194.650
	<b>508.464</b>	<b>555.629</b>
<u>Other accounts payable</u>		
Limpopo line rehabilitation financing (Note 18.1)	31.154	31.154
Port of Beira wharf rehabilitation (Note 18.2)	16.222	16.222
Advances from trade debtors	201.705	60.945
Related parties	1.051	-
Other operation with staff	10.245	53.117
Personal income tax (IRPS)	63.143	103.529
Social Security (INSS)	10.875	10.649
Other sundry creditors	318.465	440.306
	<b>652.860</b>	<b>715.922</b>
	<b>1.161.324</b>	<b>1.271.551</b>

#### 18.1. Limpopo line rehabilitation financing

This balance refers to investments corresponding to the remainder of the donations amount to rehabilitate the Limpopo railroad, financed by the Government of Canada, amounting to 921.563 thousand MT. This amount is being regularised by offsetting the amounts of the depreciation of the respective investments, during the expected accounting useful life of 30 years.

#### 18.2. Port of Beira wharf rehabilitation

This balance refers to the subsidies received from the European Investment Bank (EIB), for the rehabilitation of the Port of Beira completed in 2018 with an estimated useful life of 15 years, and constitutes a remnant of the financing received for the emergency dredging services of the access channel, quays, manoeuvring basins and hydraulic landfill at the Beira Port coal terminal. Following the completion of the dredging work, the CFM, through the Ministry of Finance, requested the EIB to apply the remaining amount of EUR 3,971,536 to the purchase of equipment and rehabilitation of the Maritime Services infrastructure.

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### 19. Provisions

As at 31 December 2022 and 2021, the provisions were as follows:

	2022	2021
<b>Non-current</b>		
Pension fund (Note 19.3)	3.070.158	2.004.974
	<b>3.070.158</b>	<b>2.004.974</b>
<b>Current</b>		
Provisions for leave	1.851	2.137
Provisions judicial litigations (Note 19.2)	155.280	146.378
Provisions for taxes	62.327	-
	<b>219.458</b>	<b>148.515</b>
	<b>3.289.616</b>	<b>2.153.489</b>

### 19.1 Provisions Movements

	2022	2021
As at 1 January	2.153.489	2.250.212
Xiporo Fund	1.065.184	(97.185)
Increase	-	13.770
Reversal	(211.071)	(13.308)
As at 31 December	<b>3.007.602</b>	<b>2.153.489</b>

### 19.2 Provisions for judicial litigations

The provision for judicial litigation was created to cover expected losses on lawsuits in which the company is a defendant, calculated on the basis of a careful analysis of the lawsuits in progress. The analyses are reviewed at the end of each year to reflect the best estimate of the company's liability at the balance sheet date considering the facts known at the time.

### 19.3 Xiporo Fund

The main actuarial assumptions used in the calculation of pension liabilities at 31 December 2022 and 2021 are:

Financial assumption	Responsibilities in MZN
Normal retirement age	60 men/55 women
Discount rate	11.8%
Price inflation rate	5.7%
Wage inflation rate	6.7%
Increase in pensions (percentage of wage inflation)	4.5%
Interest rate (pro-retirement)	6.50%
Mortality table (post-retirement)	PA (90) +3
Mortality table (pre-retirement)	N/A
Spouse's pension (older four men)	30% reversible
% of married people in retirement	80%

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Pension fund participants are disaggregated as follows:

	2022	2021
Assets - MZN	4.468	4.996
Retired and Pensioners - MZN	216	150
	<b>4.684</b>	<b>5.146</b>

The implementation of NCRF 19 translates into the following responsibilities and funding levels reportable as at December 31, 2022 and 2021.

	2022	2021
Current value of past service responsibilities	5.307.972	3.690.136
Pension fund value	(2.237.814)	(1.685.162)
<b>Financing deficit</b>	<b>3.070.158</b>	<b>2.004.974</b>

The evolution of liabilities for retirement pensions can be analyzed as follows:

	2022	2021
<b>Responsibilities on January 1st</b>	3.690.136	3.278.930
Interest cost	537.454	394.406
Current service cost	1.761.059	109.148
Actuarial (gains)/losses	(542.896)	25.856
Paid pensions	(137.781)	(118.204)
<b>Responsibilities as of December 31st</b>	<b>5.307.972</b>	<b>3.690.136</b>

The evolution of the value of retirement pension fund assets can be analyzed as follows:

	2022	2021
<b>Fund balance on January 1st</b>	1.685.162	1.176.771
Expected yield	226.659	165.353
Company contributions	556.979	532.281
Actuarial gains/(losses)	(93.205)	(71.038)
Paid Pensions	(137.781)	(118.205)
<b>Responsibilities as of December 31st</b>	<b>2.237.814</b>	<b>1.685.162</b>

Retirement pension fund assets can be analysed as follows:

	2022	2021
Deposits	7.977	15.892
Fixed Term Deposits	43.500	87.500
Equity instruments and participation units	6.641	8.478
Public debt securities	1.882.745	1.306.144
Other debt securities	150.873	160.991
Debtors	187.730	141.099
Amounts payable	(41.652)	(34.942)
	<b>2.237.814</b>	<b>1.685.162</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



The costs for the year for retirement pensions can be analysed as follows:

	2022	2021
<b>Fund balance on January 1st</b>	2.004.974	2.102.159
Current service cost	1.761.059	109.148
Interest cost	537.454	394.406
Expected income from the fund	(226.659)	(165.353)
<b>Total recorded in the Income Statement</b>	<b>2.071.854</b>	<b>338.201</b>
Actuarial gains / (losses)	(1.006.670)	(435.386)
<b>Total recorded in equity</b>	<b>(1.006.670)</b>	<b>(435.386)</b>
<b>Responsibilities as of December 31</b>	<b>3.070.158</b>	<b>2.004.974</b>

As a basis for the responsibilities to the Pension Fund for past services, it was agreed in the Fund's constitutive contract that CFM will make monthly contributions of 16 361 613 MT and 99 577 USD for twenty years.

## 20. Trade payables

As at 31 December 2022 and 2021, the trade payables were as follows:

	2022	Reexp2021
Suppliers of fuel	168.188	32.553
Suppliers of locomotives and accessories	10.193	14.840
Suppliers of construction materials for tracks	123.359	1.914.177
Suppliers of dredging services	92.972	86.011
Other trade creditors	570.380	320.720
	<b>965.092</b>	<b>2.368.302</b>

## 21. Revenue

The revenue during the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Stays	451.964	418.789
Exports	647.787	345.602
Imports	1.089.077	1.256.978
Piloting	98.489	108.270
Towing	422.960	390.970
Transport and passengers	178.213	32.256
Transport and handling of goods	16.287.489	13.492.080
Other services provided	896.416	936.702
	<b>20.072.395</b>	<b>16.981.647</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticalais)



### 22. Staff expenses

The staff expenses during the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Directors' remunerations	170.435	127.264
Remuneration of other employees	4.180.589	3.981.736
Charge on remunerations	82.263	70.772
Allowances	64.031	33.763
Employee retrenchment	1.944	5.095
Pensions	52.590	58.341
Work accident and sickness insurance	8.925	7.138
Social action costs	173.907	111.711
Xiporo Fund - Xiporo Fund contributions	473.766	462.733
Xiporo Fund – cost of pensions (Note 19)	2.071.854	338.201
Other staff costs	616.808	535.261
	<b>7.897.112</b>	<b>5.732.015</b>

The number of employees in 2022 and 2021 was 6,569 and 5,819 employees, respectively.

### 23. Third party supplies and services

The third-party supplies and services during the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
Water and electricity	307.700	268.486
Fuels and lubricants	1.548.931	616.334
Tools and utensils	46.224	33.750
Maintenance and repair materials	452.531	285.285
Stationery	84.995	59.175
Dredging services	563.615	647.422
Stowage	1.749.974	1.658.469
Maintenance and repairs	765.564	718.059
Transport of cargo and passengers	5.561	4.076
Communications	81.028	75.007
Advertising	84.177	61.064
Travel and accommodation	165.176	102.292
Representation costs	7.080	3.607
Litigation and notary expenses	4.892	3.548
Hire and rental charges	150.104	99.653
Insurance	92.165	86.459
Cleaning hygiene and comfort	229.305	188.051
Surveillance and security	404.474	366.937
Specialized services	503.563	826.264
Interchange of rolling stock	302.262	151.598
Other supplies and services	168.029	101.038
	<b>7.717.350</b>	<b>6.356.574</b>

## PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

### Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



#### 24. Other operational gains and losses

The other operational gains and losses during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
<b>Gains</b>		
Fixed rents	619.246	672.000
Variable rents	1.946.902	2.142.114
Management fees	162.054	183.691
Rental of the other equipment	21.666	22.886
Grants investments	47.377	63.599
Other incomes and gains	528.319	661.746
	<b>3.325.564</b>	<b>3.746.036</b>
	2022	2021
<b>Losses</b>		
Duties and taxes	(113.245)	(58.721)
Fines and penalties	(217)	(1.754)
Loss on disposal of tangible assets	-	(2.142)
Donations	(63.334)	(70.680)
Quotas	(3.294)	(4.276)
Social responsibility programs	(140.286)	(175.000)
Sports clubs	(406.323)	(333.266)
Compensations	(1.633)	(5.163)
Other cost and losses	(21.324)	(50.080)
	<b>(749.656)</b>	<b>(701.082)</b>
	<b>2.575.908</b>	<b>3.044.954</b>

#### 25. Financial income

The financial income during the years ended 31 December 2022 and 2021 was as follows:

	2022	2021
Interest earned	140.741	207.973
Income from social parts	811.185	655.856
Gains in exchange rate differences	246.605	1.434.613
Dividends received	1.584.974	1.270.816
Other financial income and gains	91.184	89.226
	<b>2.874.689</b>	<b>3.658.484</b>

#### 26. Financial expenses

The financial costs during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Interest incurred	19.184	47.654
Losses in exchange rate differences	336.857	2.140.309
Other financial costs and losses	86.113	96.617
	<b>442.154</b>	<b>2.284.580</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



### 27. Income tax

The charge related to income tax expense can be presented as follows:

	2022	2021
Current tax		
Current tax	(1.773.171)	(1.548.537)
	<b>(1.773.171)</b>	<b>(1.548.537)</b>
Increase in deferred tax assets	70.712	111.807
	<b>70.712</b>	<b>111.807</b>
	<b>(1.702.459)</b>	<b>(1.436.730)</b>

The rate used to calculate tax differences at the balance sheet date for the year ended December 31, 2022 was 32% and corresponds to the nominal rate of *Imposto sobre o Rendimento das Pessoas Colectivas*.

According to the tax legislation in force, the tax returns of the company are subject to review and correction by the tax authorities for a period of 5 years. The Board of Directors believes that any corrections resulting from the inspection / review by the tax authorities will not have a significant effect on these financial statements.

#### 27.1. Income tax rate reconciliation

The effective tax rate is 42% (2021: 30%).

	2022	2021
Current tax payable at nominal rate	(1.300.284)	(1.525.646)
Adjusted for:		
Non-deductible expenses	(1.346.929)	(1.017.341)
Non-taxable income	874.042	994.450
Deferred tax	70.712	111.807
	<b>(1.702.459)</b>	<b>(1.436.730)</b>

#### 27.2. Tax receivable

The reconciliation of the current tax and the year/end balance can be analysed as follows:

	2022	2021
Balance as at 01 January	145.488	(1.204.139)
	<b>145.488</b>	<b>(1.204.139)</b>
Payment on account	1.238.830	1.882.346
Other withholdings	149.644	166.186
Final payment 2021	368.341	849.630
Current tax on profits for the year	(1.773.171)	(1.548.537)
Balance as at 31 December	<b>129.132</b>	<b>145.486</b>

**Notes to the Financial Statements**

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



**27.3 Deferred tax assets**

The balance of deferred tax assets comprises temporary differences attributable to:

	<b>2022</b>	<b>2021</b>
Tangible assets	52.016	52.016
Unrealized exchange differences	140.062	381.145
Impairment of debtors	450.993	161.900
Provisions	70.227	47.525
	<b>713.298</b>	<b>642.586</b>

The movements in deferred tax assets can be analysed as follows:

	Tangible assets	Exchange rate differences	Debtors	Other	Total
Balance at 1 January 2021	-	430.310	99.736	733	530.779
Charged / (Credited) IS	52.016	(49.165)	62.164	46.792	111.807
Balance at 31 December 2021	<b>52.016</b>	<b>381.145</b>	<b>161.900</b>	<b>47.525</b>	<b>642.586</b>
Charged / (Credited) IS		(241.083)	233.099	78.696	70.712
Balance at 31 December 2022	<b>52.016</b>	<b>140.062</b>	<b>394.999</b>	<b>126.221</b>	<b>713.298</b>

The balance of deferred tax assets comprises temporary difference attributable to:

	Deferred Tax
Balance at 1 January 2021	530.779
Charged / (Credited) IS	111.807
Balance at 31 December 2021	642.586
Charged / (Credited) IS	70.712
Balance at 31 December 2022	<b>713.298</b>

**28. Related parties**

The related parties of the Company are all its subsidiaries, its associates, and key management personnel, including the Directors.

**28.1. Key management personnel compensation**

The key management personnel include the Board of Directors (executive and non-executive), and all senior members of the company's management. Benefits paid or payable to key management personnel arising from services provided are presented as follows:

	<b>2022</b>	<b>2021</b>
Short-term benefits	170.435	127.264
	<b>170.435</b>	<b>127.264</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



### 28.2. Related Party Transactions

	2022	2021
Income		
Cornelder de Moçambique S.A.	1.066.593	1.122.357
Sociedade Desenvolvimento do Porto de Maputo, S.A.	1.112.170	935.393
Corredor de Desenvolvimento do Norte	493.723	913.750
	<b>2.672.486</b>	<b>2.971.500</b>

### 28.3 Balances with Related Parties

	2022	2021
<u>Trade debtors</u>		
Concessions, Traffic and Others		
MPDC- Sociedade Desenvolvimento do Porto de Maputo, S.A.	228.101	172.158
Corredor de Desenvolvimento do Norte	198.150	307.756
Cornelder de Moçambique S.A.	95.750	72.771
Terminal de Cabotagem de Maputo, S.A.	-	2.329
Cimentos de Moçambique, S.A.	13.137	9.390
DP World	3.237	-
Silos e Terminal Graneleiro da Matola, S.A.	10.321	68.880
	<b>560.696</b>	<b>633.284</b>
Foreign administration		
National Railways of Zimbabwe	168.910	193.680
Transnet Freight Rail	126.905	164.908
Eswatini Railways	65.693	12.633
	<b>361.508</b>	<b>371.221</b>
	<b>910.204</b>	<b>1.004.505</b>
	<b>2022</b>	<b>2021</b>
<u>Other financial assets</u>		
Belavista Holdings, S.A.	620	620
Beira Grain Terminal	15.235	23.185
CFM – Sociedade Turística	5.366	5.366
	<b>21.221</b>	<b>29.171</b>
	<b>2022</b>	<b>2021</b>
<u>Government</u>		
Loans obtained.	4.723.344	2.635.960
	<b>4.723.344</b>	<b>2.635.960</b>

**Notes to the Financial Statements**

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)

**29. Commitments and contingencies****29.1 Court lawsuits**

The company is a defendant in several legal proceedings and constituted provisions for the final proceedings with conviction in the first instance. The company filed appeals relating to convictions amounting to 150,280 thousand Meticals.

**29.2 Railway Accident**

In May 2002, a railway accident occurred at the Tenga station involving freight wagons and passenger coaches and in which 200 passengers lost their lives. There is a contingency resulting from this accident whose quantification cannot be performed before the conclusion of the process and disclosure of the results by the competent court. This process has not had an outcome to date and CFM have been funding actions of social support for the families of the victims.

**29.3 Tax contingencies**

The tax authorities have the possibility of reviewing the tax situation of the company during a period of 5 years, which may result in eventual tax adjustments due to different interpretations and/or non-compliance with tax legislation, namely IRPC – Corporate Income Tax (“Imposto sobre o Rendimento das Pessoas Colectivas”), IRPS – Personal Income Tax (“Imposto sobre o Rendimento das Pessoas Singulares”) and VAT – Value Added Tax (“Imposto sobre o Valor Acrescentado”). The directors believe that the company has complied with all its tax obligations.

**29.4 Bank guarantees**

The details of the bank guarantees provided by CFM to third parties as of 31 December 2022 are as follows:

<u>Beneficiary</u>	<u>Purpose</u>	<u>Value</u>	<u>Currency</u>	<u>Bank</u>
Tribunal Judicial da Cidade de Maputo	Lawsuits in progress	3.474.286,50	MZN	BCI

**30. Risk management, objectives and policies**

The activity of CFMs is exposed to a variety of financial risks, which involves the analysis, acceptance and management of certain degrees of risk or combination thereof. The objective of the CFM Board of Directors is therefore to achieve an appropriate balance between risk and return and minimise the potential adverse effects on financial performance.

CFM's risk management policies are designed to identify and analyse these risks, establish risk and control limits, and monitor risks and adherence to limits through reliable and up-to-date information systems. CFM periodically review its risk management policies and systems in order to better safeguard against market variations.

**30.1 Market risk**

Market risk is the variation in factors that determine price, such as interest rates and exchange rates. The objective of market risk management is to prevent against such variations within parameters which the directors consider acceptable.

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticaís)



### 30.2 Interest rate risk

The interest rate risk of the cash flow is the probability of fluctuation of the value of financial instruments due to changes in market reference rates. CFM exposure to interest rate risk comes from fixed deposits and amounts receivables and payables.

	2022	2021
Bank loans	8.732.059	5.435.862
State financing	4.723.344	2.573.768
<b>Total</b>	<b>13.455.403</b>	<b>8.009.630</b>
Banks	10.425.540	9.978.238
	<b>(3.029.863)</b>	<b>1.968.608</b>
Reduction of 50 percentage points	<b>(15.149)</b>	<b>9.843</b>

The impact of a 50-point base increase/decrease in interest rates, with all other constant variables, will have an effect of 25,863 thousand Meticaís (2021: 9,843 thousand Meticaís) of increasing profit before tax.

### 30.3 Foreign exchange rate risk

Exchange rate risk is the risk of fluctuation of the fair value or future cash flows of a financial instrument due to changes in exchange rates. The financial statements of CFM may be affected by changes in the exchange rates of the Euro, US Dollar and Rand. CFMs seeks to mitigate the effects of exposure to foreign currency by carrying out the largest number of transactions in national currency.

The carrying value of monetary assets and liabilities denominated in foreign currency is summarized as follows:

	American Dollar (USD)	South African Rand (ZAR)	Euro (Eur)	Zimbabwean Dollar (ZWD)	Total
<b>2022</b>					
Financial assets:					
Debtors	1.383.581	82.874	-	-	1.466.455
Cash and cash equivalents	9.690.220	188.925	13.251	-	9.892.396
	<b>11.073.801</b>	<b>271.799</b>	<b>13.251</b>	<b>-</b>	<b>11.358.851</b>
Financial liabilities:					
Creditors					
Loans obtained	(13.455.403)				(13.455.403)
Net financial assets	<b>(2,381,602)</b>	<b>271.799</b>	<b>13.251</b>		<b>(2,096,552)</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



### 2021

#### Financial assets:

Debtors	1.346.323	252.626	-	-	1.598.949
Cash and cash equivalents	9.030.285	260.676	14.872	-	9.305.833
	<b>10.376.608</b>	<b>513.302</b>	<b>14.872</b>		<b>10.904.782</b>

#### Financial liabilities:

Creditors	(1.462.985)	-	-	-	(1.462.985)
Loans obtained	(8.071.821)	-	-	-	(8.071.821)
	<b>(9.534.806)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9.534.806)</b>

Net financial assets	<b>841.802</b>	<b>513.302</b>	<b>14.872</b>	<b>-</b>	<b>1.369.976</b>
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### Foreign currency sensitivity analysis

The U.S. Dollar, and the South African Rand, are the main currencies to which the Company is exposed.

The table below shows the Company's sensitivity at the end of the year to indicate the movements of the South African Rand, the US Dollar and the Euro on financial instruments. Sensitivity rates represent management's assessment of a possible change in reporting exchange rates.

	USD		10% Increase	ZAR		10% Increase	Other	
	10% Increase	10% Decrease		10% Decrease	10% Increase		10% Decrease	10% Increase
<b>2022</b>								
Gain / (loss)	<b>(376,519)</b>	<b>376,519</b>	<b>18,897</b>	<b>(18,897)</b>	<b>1,325</b>	<b>(1,325)</b>		
Financial assets	969,022	(969,022)	18,897	(18,897)	1,325	(1,325)		
Financial liabilities	(1,345.540)	1,345.540	-	-	-	-		
<b>2021</b>								
Gain / (loss)	<b>84.180</b>	<b>(84.180)</b>	<b>51.330</b>	<b>(51.330)</b>	<b>1.487</b>	<b>(1.487)</b>		
Financial assets	1.037.661	(1.037.661)	51.330	(51.330)	1.487	(1.487)		
Financial liabilities	(953.481)	953.481	-	-	-	-		

### 30.4 Credit risk

The company's credit risk is mainly attributable to accounts of customers and other debtors. Exposure to credit risk is monitored by directors on an ongoing basis. The amounts shown in the balance sheet are net of the allowance for doubtful debt estimated by the company's directors based on past experience. The company does not have a significant concentration of credit risk for which no allowance for doubtful debt has been established at the end of the period.

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



The carrying amount of financial assets represents the maximum exposure of the company to credit risk without considering any collateral provided:

	2022	2021
Banks	10.425.530	10.059.465
Debtors	3.297.325	2.710.960
Other financial assets	134.580	103.015
	<b>13.857.435</b>	<b>12.873.440</b>

The company has assessed all past due receivable balances for recoverability and believes that their credit quality remains intact. An ageing analysis of these past due trade receivables, which have not been impaired, is as follows:

	2022	2021
<b>Past due current days</b>		
Past due 1-30 days	2.668.736	1.717.903
Past due 61-90 days	183.687	274.209
Past due more than 90 days	444.902	718.848
	<b>3.297.325</b>	<b>2.710.960</b>

### 30.5 Liquidity risk

Liquidity risk is the likelihood that CFM will not have the financial capacity to satisfy its commitments associated with financial instruments when they mature. To mitigate this risk, management prepares future cash flow forecasts and maintains the treasury in balance.

The management of this type of risk, developed by means of the analysis of the residual periods of the different assets and liabilities of the balance sheet, shows for each of the different ranges considered, the difference between the cash inflow and the cash outflows volumes as well as the respective liquidity gaps.

	Up to 1 year	More than 1 year to 5 years	More than 5 Years	Total
<b>2022</b>				
Trade payables	965.092	-	-	965.092
Loans obtained	2.143.984	10.876.044	435.375	13.455.403
Other financial liabilities	1.844.002	-	6.002.246	7.846.248
	<b>4.953.078</b>	<b>10.876.044</b>	<b>6.437.621</b>	<b>22.266.743</b>
	Up to 1 year	More than 1 year to 5 years	More than 5 Years	Total
<b>2021</b>				
Trade payables	2.368.302	-	-	2.368.302
Loans obtained	62.192	5.498.054	2.511.576	8.071.822
Other financial liabilities	1.133.450	-	6.002.246	7.135.696
	<b>3.563.944</b>	<b>5.498.054</b>	<b>8.513.822</b>	<b>17.575.820</b>

# PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

## Notes to the Financial Statements

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)



### 30.6 Capital management

The main objective of capital management of CFM is to guarantee a solid financial autonomy that allows meeting the needs and commitments of investment without compromising the remuneration to the shareholder.

The company manages its capital in order to ensure that it remains operational while maximizing return for its shareholder.

The capital structure of the company consists of debt, cash and cash equivalents and adjusted equity. The company monitors the financing based on the ratio of debt to equity. The ratio is calculated by the relationship between net debt (as defined below) and adjusted equity (as defined below).

Net debt consists of interest-bearing loans, shareholder loans, other long-term debt, cash and cash equivalents. Adjusted equity consists of share capital, retained earnings and non-distributable reserves.

The ratio of net debt to equity (leverage ratio) at the end of the period was as follows:

	2022	2021
Total loans	13.455.403	8.071.822
Total financial liabilities	7.846.248	7.135.696
Total debt	<b>21.301.651</b>	<b>15.207.518</b>
Less:		
Cash and cash equivalents	(10.425.540)	(10.059.465)
Net debt	10.876.111	5.148.053
Equity	45.397.268	42.821.182
	<b>56.273.379</b>	<b>47.969.235</b>
Net debt-to-equity ratio	24%	(12%)

### 30.7 Financial risk management

The company does not transact financial instruments but in the normal course of its operations the company is exposed to exchange rate risk, interest rate risk and liquidity risk. In order to manage these risks, the company may enter into transactions that make use of financial instruments.

The company has developed a comprehensive risk management process to facilitate, control and monitor these risks. The process includes normal policy documentation, including limits, controls, and reporting structures. The Executive Management and the Board of Directors are responsible for the company's risk management activities.

### 30.8 Fair value

The carrying amount of the company's financial assets and liabilities approaches their fair value.

## PORTOS E CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P.

### Notes to the Financial Statements

For the year ended 31 December 2022

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### 30.9 Category of financial instruments

All financial instruments held by the entity are at amortized cost and are presented below:

	2022	2021
Debtors	3.297.325	2.710.960
Other financial assets	134.580	103.015
Cash and cash equivalentes	10.425.540	10.059.465
	<b>13.857.445</b>	<b>12.873.440</b>
Loans obtained	(13.455.403)	(8.071.822)
Creditors	(965.092)	(2.368.302)
Other financial liabilities	(7.846.248)	(7.135.696)
	<b>(22.266.743)</b>	<b>(17.575.820)</b>
Net financial liability	<b>(8.409.298)</b>	<b>(4.702.380)</b>

### 31. Events subsequent to the balance sheet date

At the balance sheet date there were no material facts or circumstances occurring between the end of the year and the date of these statements which could have a significant effect on the company's financial position and results.

On March 20, 2023, Eng. Agostinho Francisco Langa Júnior, took office as Chairman of the Board of Directors. He was appointed on March 14 2023 by the Council of Ministers to replace Eng. Miguel José Matabel, who had been in office since 2017.

At the beginning of this year the country was severely battered by Cyclone Freddy which impacted the rail-port sector damaging infrastructure and equipment including the shutdown of the Lines. Preliminary data indicate that the rail-port sector suffered heavy losses in infrastructure, equipment and un-transported cargo valued at about USD 25.5 million in the South and Center systems of the country.

CFM is working on the elaboration and implementation of an action plan for the recovery of traffic taking into account the scope of the rail-port Production Plan approved for the financial year 2023.

## Other Information

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)

### 1. Impact of the COVID-19 pandemic

The Railway- Port Sector includes CFM as one of the important players along with the concessionaires in the Logistics Sector.

Recent developments at world, continental, regional and national level, dictated by technological innovations and new ways of organising production, where productive industries and services have come to focus on core business, have forced the production of goods and services to transcend national borders, which has subverted traditional concepts of territoriality.

Today it is common for an industry based in one country to receive from another country component for the assembly of the finished product, putting pressure on transport and logistics to play a fundamental role, forcing the construction of new infrastructures and the modernization of existing ones.

Therefore, any external shock, independent of location due to globalization, always has a positive or negative impact on other countries, especially when the shock occur in countries with greater relevance in external trade, as it is the case with China, and in this case, impacting the whole world.

The new corona virus or COVID-19 is a disease of easy transmission. The impact on productive sectors such as logistics has been devastating, affecting the deadline for the conclusion of the Machipanda line rehabilitation works and delays in the receipt of materials and equipment for the extension (doubling) of the Ressano Garcia line. However, the expectation is that in 2023, with the full opening of all land, air and port crossing points in the country, it will positively impact the Company's performance with a potential increase in cargo and passenger handling in the Railway and Port areas.

CFM will follow the policies issued by the Government of Mozambique through the Ministry of Health inherent in the protocol of COVID-19 prevention measures that are issued and will do everything for scrupulous compliance to safeguard the health of its workers and users of the rail and port services provided by it.

### 2. Positioning of CFM in the oil and gas Industry in Mozambique

The recent discoveries of important natural gas reserves in the Rovuma Basin, with proven estimates of about 93 Tcf, plus another 4 Tcf already in production in the south of the country, in the Pande-Temane region, puts Mozambique in a privileged position to become one of the 10 largest LNG producers in the world and compete with other African nations such as Nigeria and Algeria.

There are also other probable reserves in the Rovuma Basin and about 6 Tcf in the southern area. Other potential reserves in the Buzi Basin, still at an early stage of exploratory studies, give an indication of the immense hydrocarbon potential in Mozambique.

The adoption of an integrated strategy for monitoring these abundant oil resources and their conversion into factors for the socio-economic development of the country must be seen as a determining and defining factor for success.



### Other Information

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(Amounts expressed in thousands of Meticals)

The strategy is expected to promote Local Content always aiming for the economic development of Mozambicans, through industrialization and their participation in the various business opportunities that may be generated in the exploration and production (upstream), storage, logistics and transport (midstream) and processing areas (downstream).

#### The Rovuma Basin Projects have the potential to:

- Transform the Mozambican economy, making it robust and generating high revenues for the State;
- Stimulate immeasurable opportunities and the growth of Mozambican companies, without compromising the competitiveness of the O&G industry;
- Foster human and social development and provide equal access and opportunities, which may contribute to a better distribution of national wealth.

CFM being an important player in the Railway-port logistics, it's involvement in the O&G industry seems relevant, with the premises of:

1. Implementation, operation and development of port infrastructures and/or port logistics and transport services in Mozambique, in general, are of interest to CFM because it is part of its mission and scope of activity.

It is in CFM's interest to be associated in following activities:

- Construction and Operation of the Multiuse Port of Palma (Afungi, Palma).
- Provision of Maritime Services (Pemba & Afungi).
- Port Services & Logistics Provision (Nacala, Pemba & Afungi).
- Maritime Transportation of LNG (Afungi to the rest of the World).

#### The involvement of the CFM is based on the following basis:

2. CFM is required to capture the business opportunities that the gas projects generate for the transport sector (including, via Local Content Satisfaction), through:
  - Increasing the competitiveness of Mozambican companies and the economy by ensuring the provision of services required to meet the needs of the oil and gas industry;
  - Obtaining gains for Company / Economy, generating the anticipation of gas revenues;
  - Development of linkage and synergies at the Mozambican public and private business sector level and added value;
  - Job creation and know-how transfer for Mozambicans, skilled or unskilled, participating in the supply chain and the oil and gas value chain.

#### The involvement of the CFM is justified by the fact that:

3. The Government has given CFM the special mission to participate and engage in O & G business (Ex: LNG Shipping – Area 1), which should allow:
  - Empowerment of Mozambique in the O&G business: today - Area 1 (Afungi), tomorrow - Area 4 (Offshore), then - Area 5 (Angoche);
  - Diversification and aggregation of new business for CFM, with participation in the O&G industry;
  - CFM is in the process of creating a new company to seize the opportunities in the O & G industry and awaiting approval by IGEPE.

## Other Information

For the year ended 31 December 2022

(Amounts expressed in thousands of Meticals)

### 4. Investments planned for the year 2023

For the year 2023, the CFM is committed to investing in railway-port assets linked to the infrastructure as well as in the increase of rolling stock to meet traffic forecasts in all corridors under its management. To this end, the following projects should be highlighted:

#### EXECUTIVE BOARD / SOUTHERN REGION:

- Acquisition of rolling stock in order to gradually absorb a large part of goods traditionally transported on the railway that are also being transported on the highway in the Maputo corridor to the Goba, Ressano Garcia and Limpopo Lines;
- Implementation of the Telecommunications System (LTE – Long Term Evolution) through 5G technology in the Goba line;
- Completion of Phase I of the Duplication Project of the Garcia Ressano Line (42km from Matola Gare to Secongene) under the Government's Five-Year Plan 2020/2024;
- Continuation of the implementation of the Maputo Central Station Requalification Project;
- Completion of the construction of the railway bridge over the Tembe River on the Goba line and its connecting railway line.

#### EXECUTIVE BOARD / CENTRAL REGION:

- Replenishment of operational capacity, given the damage caused to the rail-port infrastructure by cyclones IDAI, Ana and recently Freddy;
- Maintenance dredging of the Access Channel to the Port of Beira;
- Completion of the Rehabilitation Project of the Machipanda Line, financed by the national commercial bank (BCI, Standard Bank, FNB Mozambique and Absa) scheduled for mid-2023;
- Implementation of the Telecommunications System (LTE – Long Term Evolution) through 5G technology in the Sena line;
- Purchase of rolling stock, financed by Exim Bank to cope with competition from road traffic, with a view to complementarity;
- Conclusion of the Study of the Engineering Project to expand the capacity of the Beira Oil Terminal;
- Installation of the Ship Traffic Control System (VTS) and the Integrated Management and Vehicle Control System in the port of Beira.

#### EXECUTIVE BOARD / NORTHERN REGION:

- Acquisition of 2 tugboats and 2 speedboats for the Port of Nacala;
- Investment and expansion of the Port of Pemba in order to maximize the volume of business generated with the implementation of the Oil and Gas project;
- Restoration of the conditions for the resumption of activities with normality in the Port of Mocímboa da Praia;



## Other Information

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- Completion of the Investment Project in the Rehabilitation and Expansion of the Port of Nacala during the first semester/2023, which will allow the increase of the handling capacity of the Container Terminal from the current 100 thousand TEUs to about 250 thousand TEUs/year, which had concessional financing from JICA (Japan) in the amount of 37.0 billion Yen corresponding to approximately USD 273.0 million.

## 5. Investments and Strategic Actions

### HEADQUARTERS:

- Invest in new strategic business areas (e.g. Oil and Gas within the scope of Local Content).
- Harmonization with the Tax Revenue Authority on working hours on the Railway and in the Port in order to optimize operational efficiency and customer satisfaction.
- Reflection on the current operational management problems with neighboring administrations (TFR and NRZ) that impact on traffic demand for the Maputo and Beira corridors and possible support in the solution of the same with the involvement of all actors in the logistics chain.

The investment projects highlighted above and aggregated with others of no minor importance are summarized in terms of distribution by region in the following illustrative table:

Executive Director	Approved for 2023
CFM-South	1.667.943
CFM- Head Office	3.685.551
CFM-Center	1.169.860
CFM-North	1.133.757
BRLM	900.144
<b>Approved investment budget for 2023 without BRLM</b>	<b>7.657.111</b>
<b>Total Investments</b>	<b>8.557.255</b>

Depending on the depth and temporal extent of the disruptive impacts linked essentially to the impact of the prevalence of the COVID-19 pandemic, the activity and profitability of the organization will be affected to a lesser or greater degree. Based on all the information available at the date, including the general liquidity and capital situation, as well as the value of the assets, it is considered that the principle of continuity and operations, which underlies the preparation of the financial statements, continues to apply.

### Financing in 2022

Additional financing from Standard Bank- Mozambique in the amount of USD 22,444,000, through an addendum was signed on 31st March 2022, for the acquisition of rolling stock (300 high side wagons) within the scope of the Investment Project for the Rehabilitation of the Machipanda line, which includes the infrastructure component (USD 150.0 million) and rolling stock component (USD 50.0 million). It should be noted that the initial Contract is USD 60.0 million, granted on 27 December 2019, and the addition of the Addendum totals the facility granted by Standard Bank - Mozambique to USD 82.44 million, due by 31 December 2027.



**Other Information**

For the year ended 31 December 2022  
(Amounts expressed in thousands of Meticals)

**6. Other**

The Mozambique-Malawi rail interconnection, from Dona Ana bridge railway branch to Vila Nova da Fronteira, in Mutarara district, Tete province (44 km) main line is completed. However, some works have been undertaken that consists essentially of tamping, rail welding, completion of the train crossing line and construction of two Railway Stations, 1 in Dona Ana and another in the new border village should be completed by the first half of the current year. The restoration will ensure the connection of Malawi with the Port of Beira, via Mutarara and facilitate the movement of large volumes of cargo at more competitive prices in this corridor. (Strengthen the connectivity and competitiveness of SADC transport infrastructure).

In 2023, the Port of Maputo, maintains an enormous potential for growth in rail volumes promoted by recent improvements and investment in railway infrastructure (investment both in infrastructure, technological solutions and human capital).

At the beginning of the year 2023, rail transport in the corridors of the South and the CFM Centro Center had a decrease in production, due to the stoppage of operations, caused by the cyclonic events (Cyclone Freddy) and wash away that affected the rail transport in all 5 lines of the two systems. However, the CFM teams promptly went to the field to restore the operation of the affected lines and re-elaboration of a recovery plan for the affected traffic in order to mitigate the impacts that arise from this adversity.

Throughout the year there was a reduction in the handling of fertilizers in the Port of Nacala influenced by the decline in the price of fertilizers in the international market, particularly the military conflict between Russia and Ukraine, which affects the demand for the latter *commodity* by Malawi. Joint concertation initiatives are being developed at the level of the logistics corridor to return to previously achieved levels of fertiliser traffic to Malawi.

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