PPI PROGRAMA DE PARCERIAS DE INVESTIMENTOS

CRESCER
Investment Partnerships Project

FEDERAL GOVERNMENT OF BRAZIL

INVESTMENT PARTNERSHIPS PROGRAM (PPI)

Nov / 2016

The PPI initiative

- The Investments Partnerships Program ("PPI") was started by the Michel Temer Administration on May 12nd, 2016, aiming to coordinate the concessions and privatization efforts on federal infrastructure projects.
- The Program counts on the PPI Secretariat to lead the discussions on regulation, planning, pipeline of projects and governance for infrastructure investments.
- The first PPI Board Meeting, composed by the president and six ministers, took place on September 13th, proposing new rules, improving the governance and approving some projects as national priority.

New Governance for Concessions

- **Only Mature Projects will be Auctioned**
  - ✓ Focus on planning, modelling and licensing projects
  - ✓ Contracts will strengthen the service level required for the concession, instead of construction needs
- **More Competition in Auctions**
  - ✓ Terms between the Auction Notice and the Bidding Date will be 100 days (minimum)
  - ✓ Auction notice will be released in Portuguese and English
- **Clear Segregation of Roles**
  - ✓ Regulatory Agencies take care of monitoring and ensuring compliance of contracts, as well as rebalancing them if needed
  - ✓ Ministries propose, auction projects, and decide on policy making
  - ✓ PPI Board approves projects and auction conditions proposed by Ministries

New Governance for Concessions

- **More Rational Investments**
  - ✓ Investments triggered by demand level
  - ✓ Environmental feasibility as a pre condition to auctioning a project
  - ✓ IRR will depend on the profile of each project and will not be fixed in advance. Only bankable projects will move ahead
  - ✓ Clear distribution of risks in the contract
- **Transparency**
  - ✓ Bidding draft documentation submitted to public consultation and the Federal Court of Auditors before being officialy released
  - ✓ Website portal (www.projetocrescer.gov.br) will be a hub for investors to get information on projects and rules

New Governance for Concessions

- **Financing Conditions**
  - ✓ Reduced needs for bridge loans, as BNDES lines and issuance of debentures (project bonds) provide long term funding
  - ✓ Banks can support projects by issuing guarantees for the pre-completion risks on the debentures
  - ✓ Capital markets will play a larger role and will be reinforced
- **Existing Concessions**
  - ✓ The government is working on some alternatives to normalize concessions that are behind the schedule or with insufficient level of services
  - ✓ Among the alternatives are (a) approving new investments in existing concessions, (b) the agreed devolution of concessions and (c) declaring the termination of the concession
  - ✓ There will be technical studies supporting the chosen alternative with consultation to the public and the Federal Court of Auditors

PPI Board Meeting– Sep 2016

Projects Approved for Concession

- ✓ Four Airports
- ✓ Two Highways
- ✓ Three Railroads
- ✓ Three port terminals
- ✓ Five Hydropower generation plants
- ✓ Four Oil & Gas areas (pre-salt)

Projects Approved for Privatization

- ✓ Seven Electricity Distribution companies
- ✓ One instant lottery business (LOTEX)

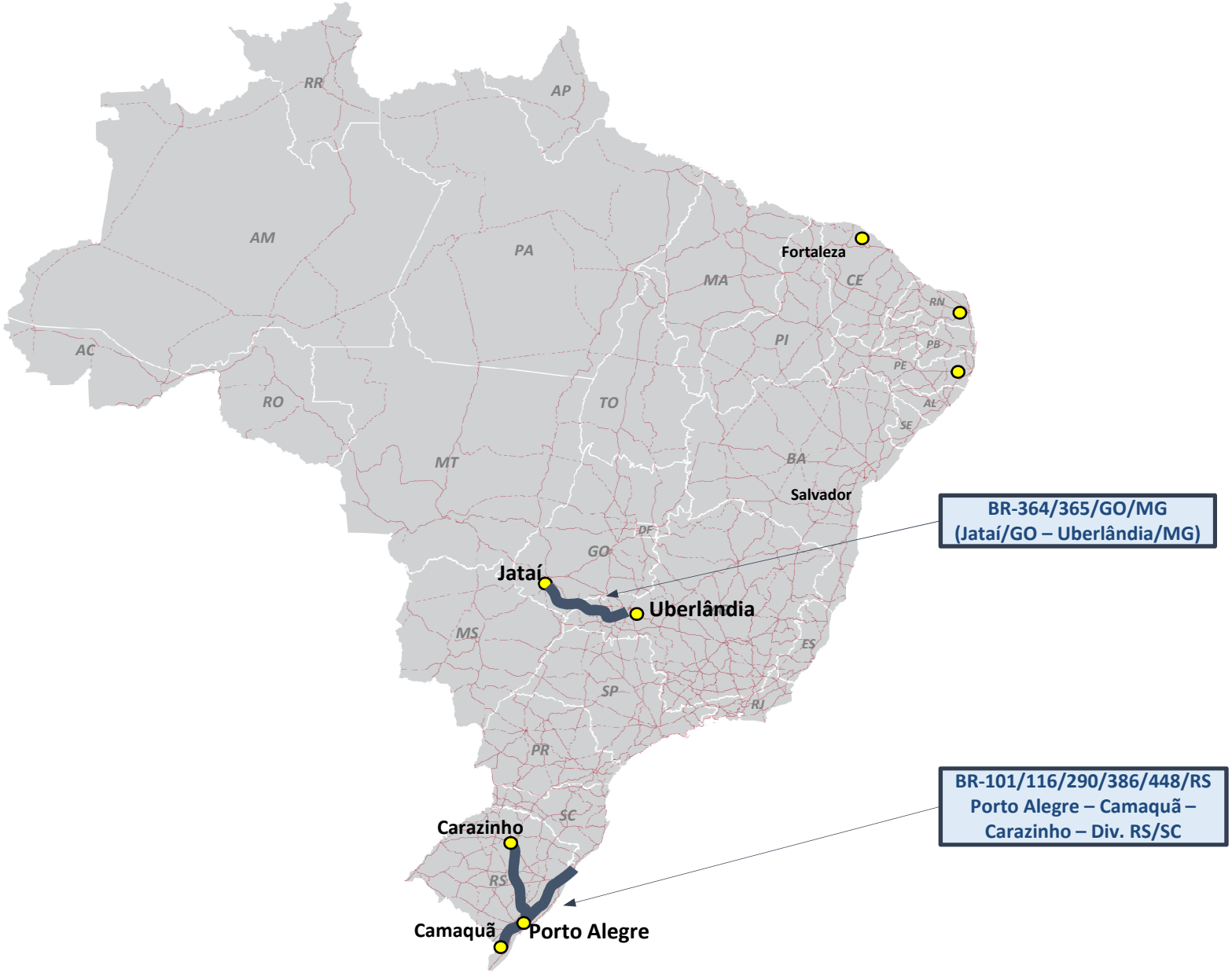
Sponsored Projects

- ✓ Three water and sewage state companies

Financial Support

- ✓ Projects will have to be bankable, selected by its merits.
- ✓ IRR will reflect the project cashflow and risks perceived by the market.
- ✓ Subsidized financing will be reduced and market participation increased
- ✓ Minimum equity participation will depend on the project details
- ✓ BNDES finances part of the projects (TJLP line), but no bridge loans
- ✓ Long term Debentures (project bonds) may be purchased by parastatal funds and others, with completion guarantee from solid commercial banks
- ✓ FI-FGTS (BRL 12 billion funds) and BNDES (BRL 18 billion funds) would buy up to 50% each of a debenture issuance
- ✓ After completion, the debentures could be offered in the secondary market, fostering capital markets
- ✓ Infrastructure debentures will get automatic approval for tax exemption if qualified in the PPI program

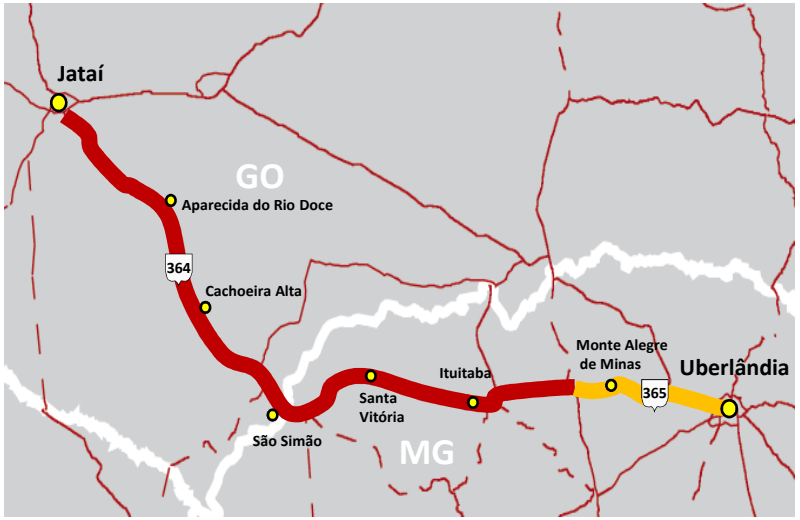
HIGHWAYS FOR CONCESSION



HIGHWAYS

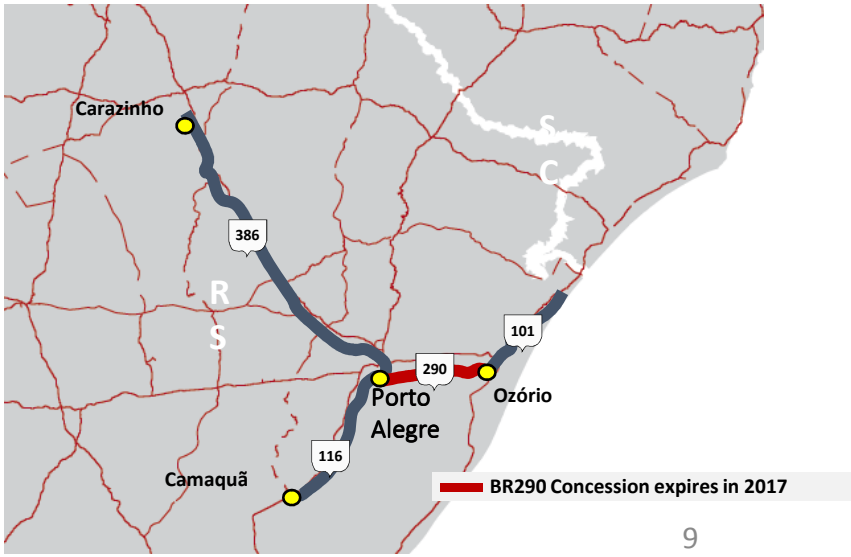
1 - BR-364/365 MG/GO

- Highway connecting the Center-West of Brazil with BR050 e BR153 (towards São Paulo and Port of Santos)
- Repair, maintenance and operation of the highway
- Studies consider maximum tariff at BRL13.46/100km, assuming investments of 30% lane duplication in 5 years, and the remaing by demand trigger
  - Extension: 437 km
  - Demand: 4 k vehicles/day
  - Investment: BRL 2.8 billion
  - Auction criteria: lowest tariff



2 - BR-101/116/290/386/RS

- Four highway segments in Rio Grande do Sul State
- BR 290 concession (segment Osorio-Guaiba) expires in July 2017
  - Extension: 688 km
  - Demand: 24 k vehicles/day
  - Investment: BRL 12 billion
  - Auction criteria: lowest tariff



AIRPORTS FOR CONCESSION

AIRPORTS

3 – Porto Alegre Airport (POA)

- Enlargement, maintenance and operation for 25 years;
- Demand: 8.4 million pax/year
- Investments: BRL 1.9 Billion
- Auction criteria: highest grant
- Minimum grant: BRL 122 million, being 25% + premium paid in advance

4 – Salvador Airport (SSA)

- Enlargement, maintenance and operation for 30 years;
- Demand: 9 million pax/year
- Investments: BRL 2.3 Billion
- Auction criteria: highest grant
- Minimum grant: BRL 1.18 billion, being 25% + premium paid in advance

AIRPORTS

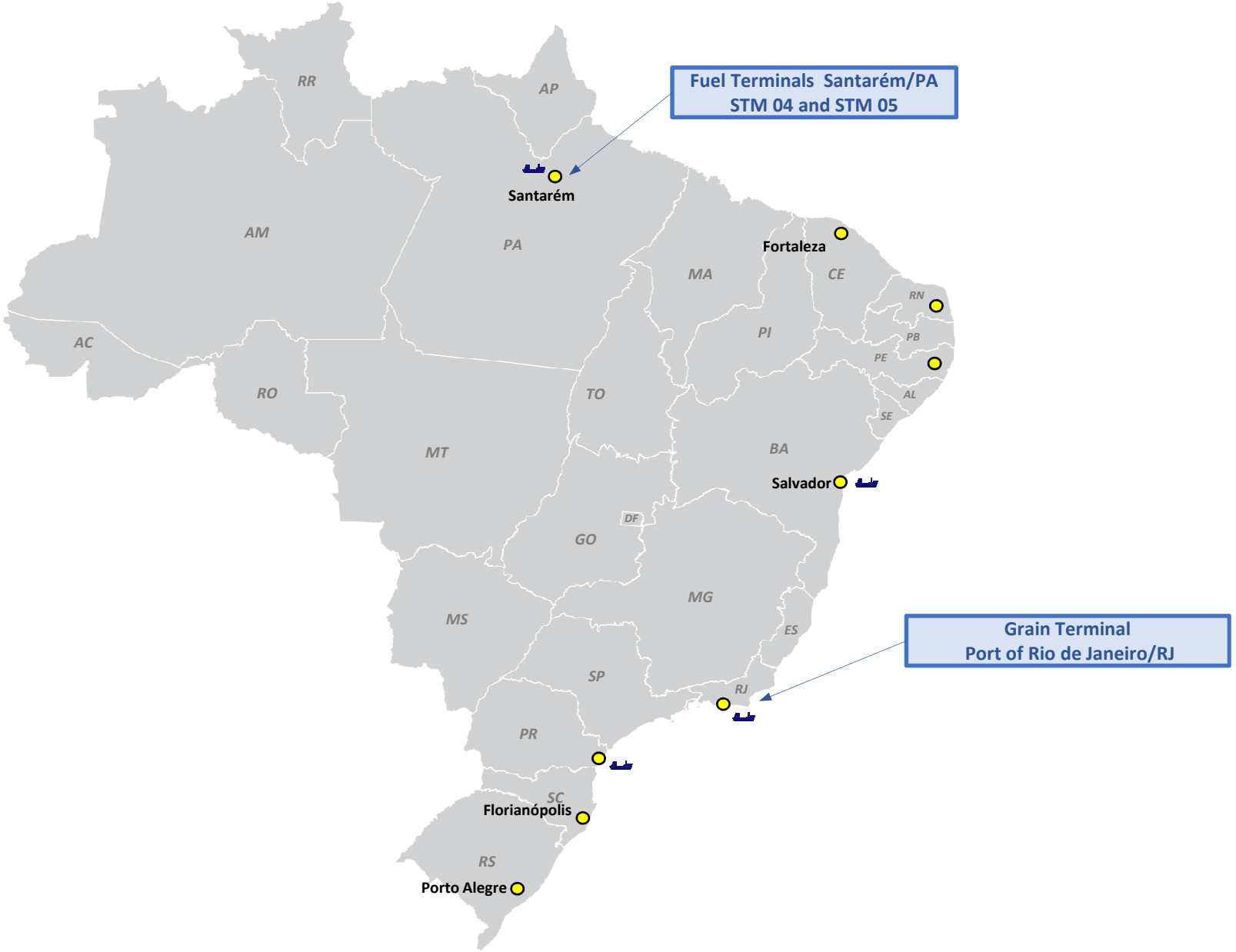
5 – Florianopolis Airport (FLN)

- Enlargement, maintenance and operation for 30 years;
- Demand: 3.7 million pax/year
- Investments: BRL 960 million
- Auction criteria: highest grant
- Minimum grant: BRL 211 million, being 25% + premium paid in advance

6 – Fortaleza Airport (FOR)

- Enlargement, maintenance and operation for 30 years;
- Demand: 6.3 million pax/year
- Investments: BRL 1.4 billion
- Auction criteria: highest grant
- Minimum grant: BRL 1.3 billion, being 25% + premium paid in advance

PORTS FOR CONCESSION



PORTS

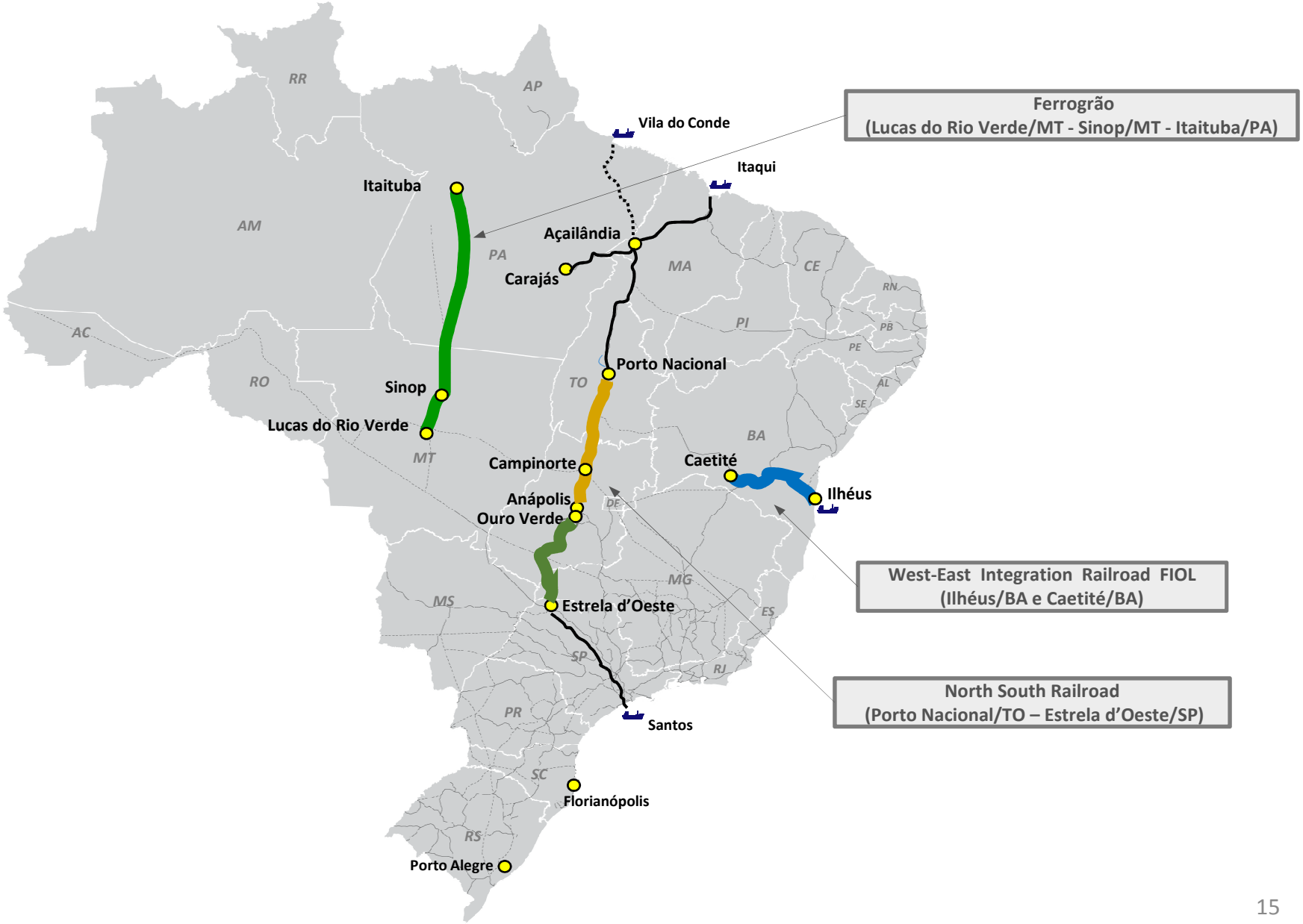
7 – Grain Terminal in Rio de Janeiro/RJ

- Brownfield area inside the Organized Port of Rio de Janeiro
- Cargo type: Grains (wheat)
- Capacity: 1 million ton
- Investments: BRL 63 Million

8 – Fuel Terminals in Santarem/PA

- Brownfield area inside the Organized Port of Santarém
- Cargo type: Diesel, Gasoline, Kerosene, Ethanol
- Capacity:
  - 0,07 million ton in STM04
  - 0,3 million ton in STM05
- Investments:
  - BRL 19 million - STM04
  - BRL 11 million - STM05

RAILROADS FOR CONCESSION



RAILROADS

9 – EF-151 SP/MG/GO/TO

(segment from Porto Nacional/TO to Estrela D'Oeste/SP – North-South Railroad)

- Finish the construction works and begin the operation of North-South Railroad in this segment, streching from Porto Nacional (Tocantins State) to Estrela d'Oeste (São Paulo State)
- Segment Porto Nacional – Anapolis:
  - Extension = 855 Km (already built)
- Segment Ouro Verde – Estrela d'Oeste:
  - Extension = 682 km (under construction by Valec)
- Subconcession Extension: 1,537 km
- Investments: BRL 727 million
- Concession term: 35 years
- Auction criteria: highest grant

- Current operator of segment Porto Nacional-Açailandia: Valec (excluded from this concession)

RAILROADS

10 – EF 170 MT/PA
(segment from Sinop/MT and Miritituba – Ferrogrão)

- Greenfield project in grain production area
- Demand: estimated at 13 M ton (2020) and at 42 M ton (2050)
- Concession term: 65 years
- Extension: 1.142 km
- Investments: BRL 12.6 Billion
- Auction criteria: highest grant

- Authorization for national park crossing under discussion

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For more information visit:
www.projetocrescer.gov.br

antoniogil@presidencia.gov.br