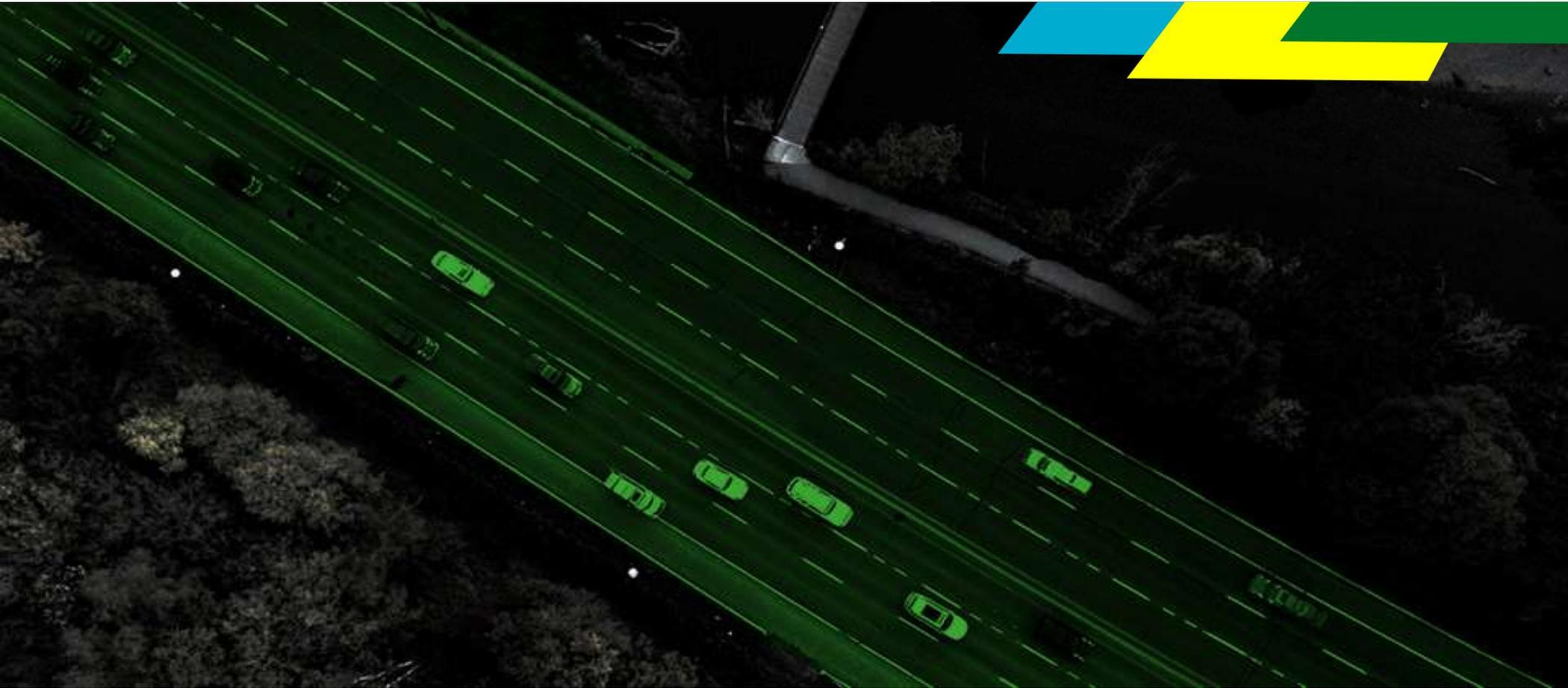




BRAZIL FEDERAL ROADS GIF Advisory Council Meeting

April 18, 2018

ROAD CONCESSIONS IN BRAZIL



BRAZIL | ROAD CONCESSIONS CONTEXT



- A set of **Road Concessions' Agreements from the 90s will expire** over the next years and will be re-tendered together with new projects.
- Current scenario of opportunities **for new operators and investors** in the country.
- Economic indicators have improved but should further consolidate.
- Traditional long term financing for infrastructure projects is changing, opening space for new financiers.
- Even though there is significant experience in road concessions, **there is room for improvement to take transaction structures to international best practices.** This process has started at sub-national level.



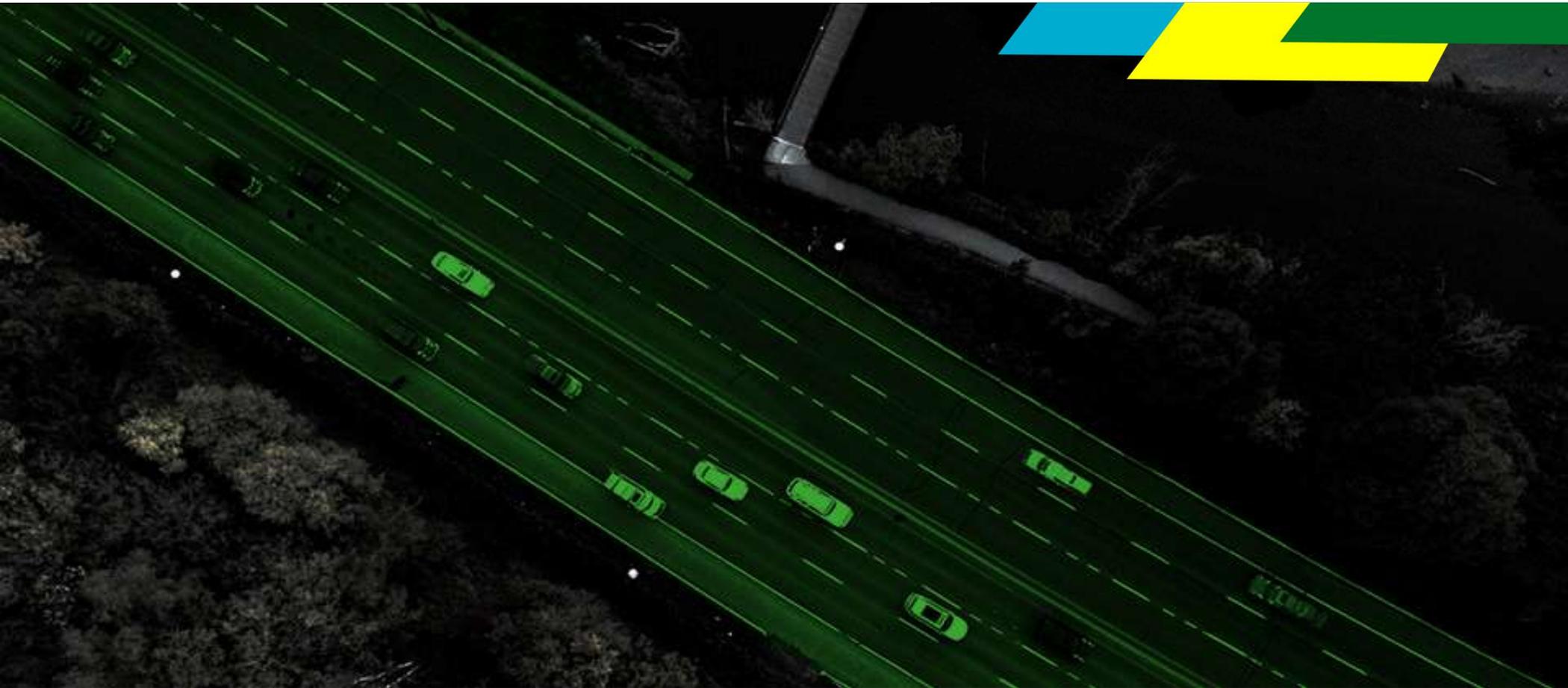
BRAZIL | IFC'S RECENT EXPERIENCE IN THE ROAD SECTOR

- In 2016, amidst Brazil's worst political and economic crisis in decades, **IFC was hired by the State Government of Sao Paulo** for the structuring of its new round of roads concessions, encompassing four roads and more than 1,500 kms.
- Sao Paulo's understanding of Brazil's scenario and challenges to be overcome made the main goal of IFC's work to **pursue innovations** that would lead its road concessions programme to the **best international practices**, with the needed **bankability and attractiveness features**.
- These concession agreements included, among other novelties, (i) set of new bankability provisions; (ii) FX risk mechanism; (iii) detailed early termination and indemnification clauses; (iv) improvements on auction procedures.
- The project has further received Brazil's 2017 PPP awards for **most innovative idea of the year**, for the bankability innovations included in the agreements.

- It was, among other factors, the successful Sao Paulo experience that led the **Federal Government** to hire IFC for the structuring of their upcoming road concessions for four road lots that are among the **most strategic of the country**.
- IFC is now aiming to not only bring some of the Sao Paulo innovations to the Federal level, but also improve some of the designed mechanisms and implement novelties that would need federal legislation enforcement.



FEDERAL ROADS PROGRAMME



FEDERAL ROADS CONCESSIONS PROGRAMME



The Federal Government began a new round for road Concessions, including **4 Lots comprising brownfield highways**, which shall encompass operation, rehabilitation, maintenance and capacity adequacy (extension and duplication) services **with investments of BRL 25 billion (USD 8 billion)**.



The project is being developed by the **Planning and Logistics Company (EPL)**, linked to the Private Investments and Partnerships' (PPI) Office, with the support of the **International Finance Corporation (IFC)**.



The Global Infrastructure Facility (GIF), the Private Sector Participation Program (PSP), a partnership between **IFC, BNDES and BID** and **EPL** are funding the studies.



FEDERAL ROADS CONCESSIONS PROGRAMME



- The program comprises 4 road concessions amounting **more than 2,000 km**, including **4 existing federal concessions** and the possibility to incorporate additional stretches currently publicly managed.
 - The four concessions correspond to 3 highways from the 1st Stage of federal roads concessions and 1 road from the 3rd Stage.
- These are **brownfield highways** with established **traffic history**, where thousands of vehicles run every week.
- They are the main route to important destinations, including the main connection between the two most important economic centers in Brazil, Sao Paulo and Rio de Janeiro, and the main connection between the mid-north and central-south regions, a relevant stretch for agribusiness in Brazil.



OBJECTIVES OF THE PROGRAMME



Toll Road Concessions for operation, rehabilitation, maintenance and capacity adjustment (extension and duplication) of existing federal highways.



Creation of a new paradigm to encourage international competition for infrastructure projects in Brazil.



How?

- By offering **credibility and attractive returns**.
- By considering **financing aspects** in the local and international markets.



Attracting the best concession players to assure early investments, service level, fair tariffs and upfront fees.



How?

- **By acknowledging the needs** of investors to the structure of the projects.
- **By preparing concession packages** at global level through a competitive and transparent process.



Incorporating technical and technological **innovations** to the operation and management of private highways.

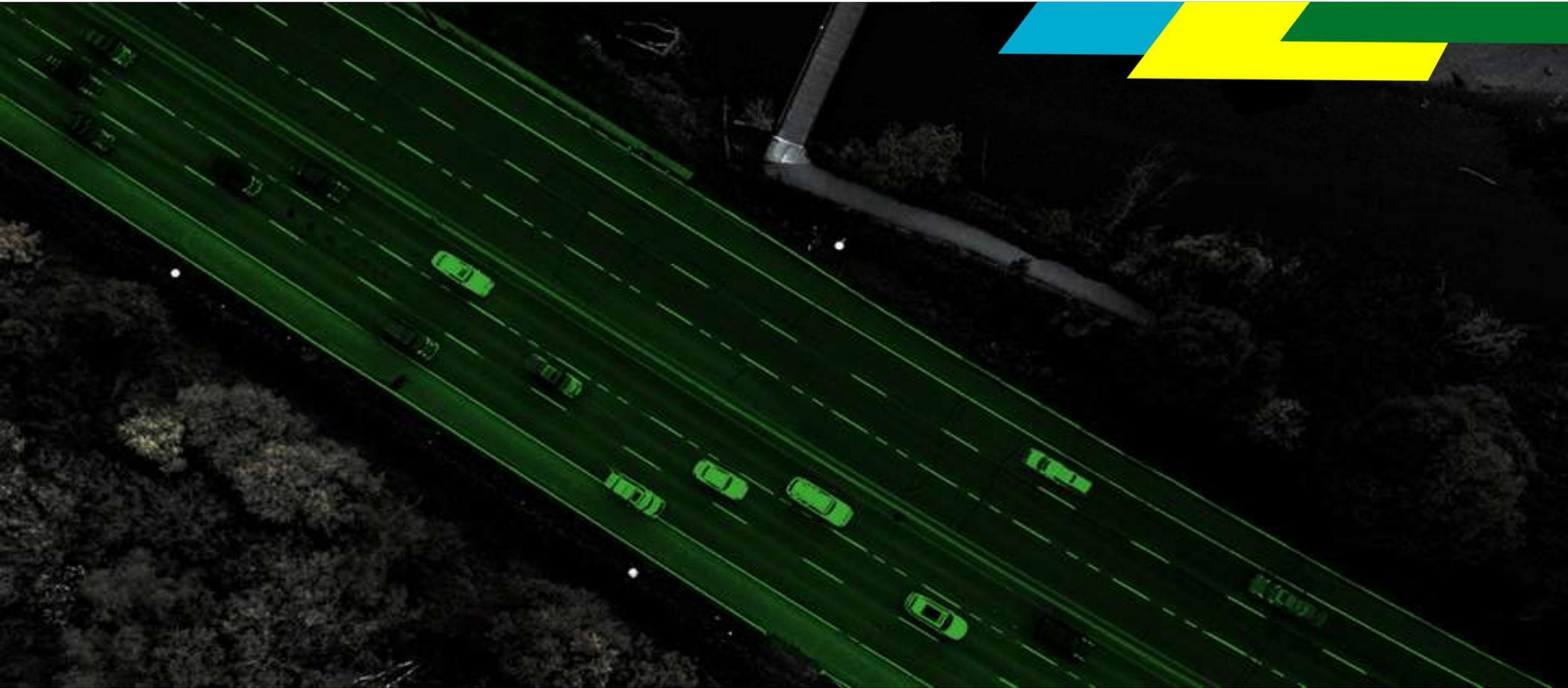


How?

- By including innovative options in **ITS and tolls**.
- By creating the **right incentives** to attract these investors.



THE ASSETS



BR-153/TO/GO

Approximately **625 km**, running through 23 cities between Aliança (TO) and Anápolis (GO).

- 598 Km of single lanes
- 27 Km of double lanes

It is the main connection between the mid-north (Tocantins, Maranhão, Pará and Amapá states) and central-south regions.

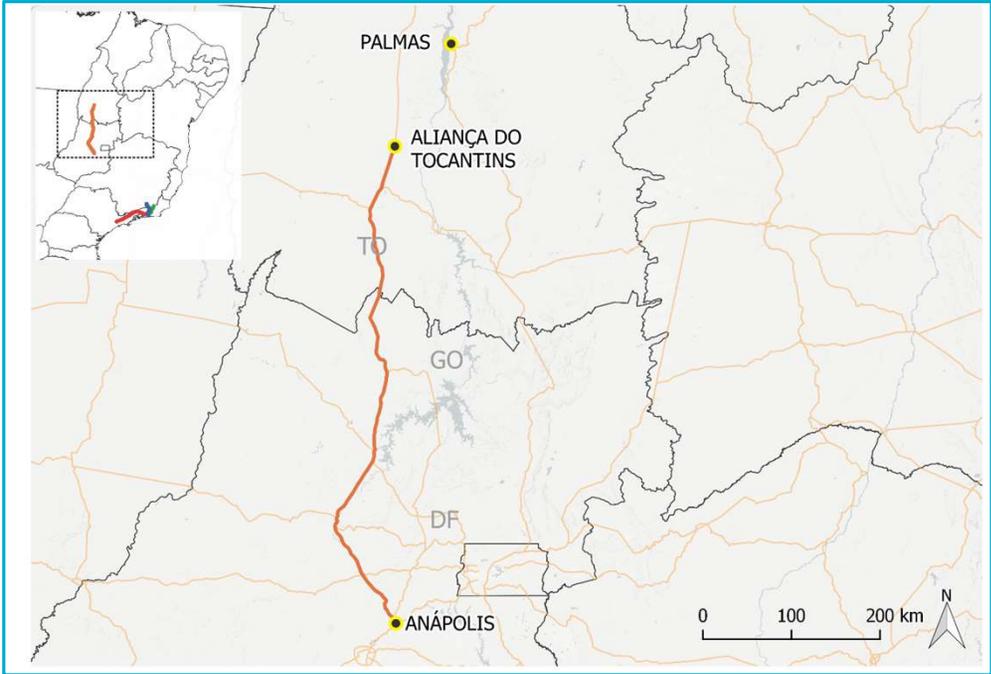
This road was included in the 3rd Stage of road Concessions and the contract was signed in 2014.

Estimated Capex of BRL 4.8 billion (**USD 1.5 billion**) (1)

ADTV of **17 thousand** (1)

On August 15, 2017, the concession of Rodovias Galvão (BR-153/TO/GO) was terminated due to a process of forfeiture.

On August 23, 2017, the road was included in the project portfolio of the Partnerships and Investments Program (PPI).



(1) Source: IFC’s internal Pre-Feasibility estimates



BR-116/RJ/SP

Current **Nova Dutra** Concession, the contract in force expires in 2021.

Approximately **402 km**, running through 34 cities between Rio de Janeiro (RJ) and São Paulo (SP).

- In addition to the current stretches of Nova Dutra, other stretches currently managed by DNIT may be included in the concession.

The road connects the two largest metropolitan areas in Brazil, and it is the main connection between the north-east and the south areas of Brazil.

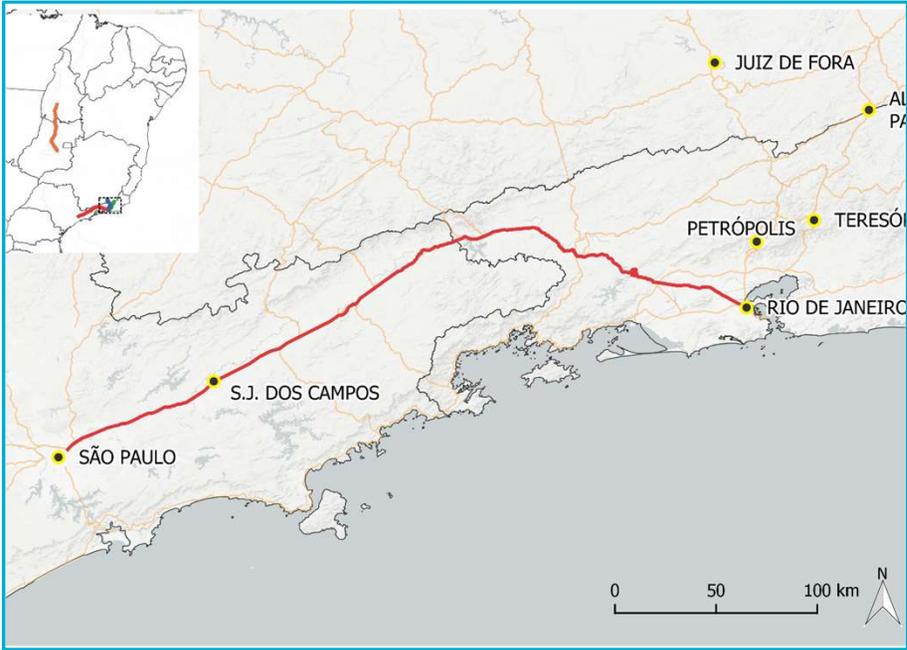
6 toll stations already implemented

Estimated Capex of BRL 15.5 billion (**USD 5.0 billion**) (1)

ADTV of **42 thousand** (1)

EBITDA of BRL 1.0 billion (**USD 317 million**) (2)

Toll Revenues of BRL 1.3 billion (**USD 384 million**) (3)



(1) Source: Avançar Parcerias, PPI
(2) Source: Adjusted EBITDA accordingly to IFC’s internal Pre-Feasibility studies
(3) Source: ANTT 2017



BR-116/RJ

Current CRT Concession, the contract in force expires in 2021.

Approximately **143 km**, running through the cities of Duque de Caxias, Magé, Guapimirim, Teresópolis, São José do Vale do Rio Preto and Sapucaia, and it comprises:

- 40.4 km of double lanes in Baixada Fluminense
- 14 km of single lane in Serra dos Órgãos
- 88 km of single lane between Teresópolis and Além Paraíba
- Besides the stretches of current CRT, other stretches currently managed by DNIT may be included to the concession.

1 toll station already implemented

Estimated Capex of BRL 3.3 billion (**USD 1.0 billion**) (1)

ADTV of **23 thousand** (1)

EBITDA of BRL 156 million (**USD 49 million**) (2)

Toll Revenues of BRL 200 million (**USD 64 million**) (3)



(1) Source: Avançar Parcerias, PPI
(2) Source: Adjusted EBITDA accordingly to IFC’s internal Pre-Feasibility studies
(3) Source: ANTT 2017



BR-040/MG/RJ

Current **Concer** Concession, the contract in force expires in 2021.

Approximately **180 km**, between Rio de Janeiro (RJ) and Juiz de Fora (MG)

- Besides the stretches of current Concer, other stretches currently managed by DNIT may be included to the concession.

The road, besides being relevant to the south-west region, is also an important connection between Brasília and Rio de Janeiro

3 toll stations already implemented

Estimated Capex of BRL 4.3 billion (**USD 1.4 billion**) (1)

ADTV of **17 thousand** (1)

EBITDA of BRL 216 million (**USD 68 million**) (2)

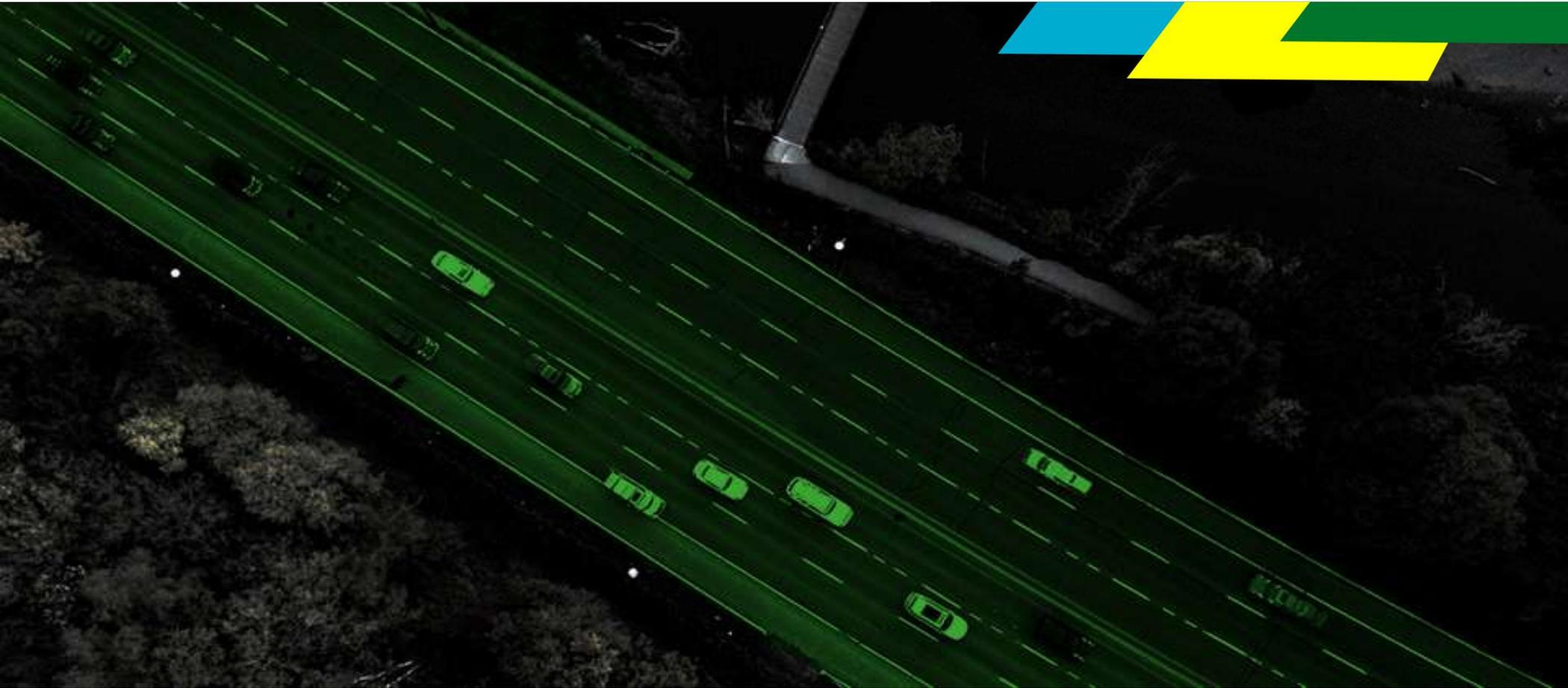
Toll Revenues of BRL 277 million (**USD 89 million**) (3)



(1) Source: Avançar Parcerias, PPI
(2) Source: Adjusted EBITDA accordingly to IFC’s internal Pre-Feasibility studies
(3) Source: ANTT 2017



STRUCTURING



STRUCTURING | CRITICAL PATH

Technical Studies

- Engineer Studies (Egis)
- Traffic Studies (SDG)
- E&S Studies (JGP)
- Financial Modelling Studies (IFC)
- Legal Studies (Lobo & de Rizzo)

Market Sounding

- 30 + meetings with different groups
- Comprehensive Market Sounding Report
 - Bidding Process and Transparency
 - Attractiveness and Bankability
 - Incentives, Indicators, Technologies and Operation
 - Observations to the 4 road lots

Results / Products

- Technical and Legal Due Diligence
- Technical Reports
 - Engineer
 - Traffic
 - E&S
- Financial Modelling
- Bidding Documents for Public Consultation
- Final Bidding Documents for the Auction
- Implementation of Bidding Process (procedures, deadlines, etc.)
- Organization of a complete and bilingual Data Room with comprehensive information/data and all transaction final products



TECHNICAL STUDIES



IFC is directly responsible for, besides the coordination and quality control of all technical studies, conducting the financial modelling activities and promotion of the four transactions.



Development of engineering field studies, interventions program, functional projects, CAPEX and OPEX estimates and KPIs design for the future concessions.



Responsible for revising the main legal issues of the Project, elaboration of the bidding documents, as well as providing support along the bidding process.

Responsible for the development and planning of the traffic studies (OD, PD, CVCs), elaboration of the traffic forecasting model, network simulation and toll studies.



Responsible for the project PMO activities (supervision and organization of the project schedule and alignment between different work fronts), as well as manualizing and organizing workshops on the main project procedures/stages.



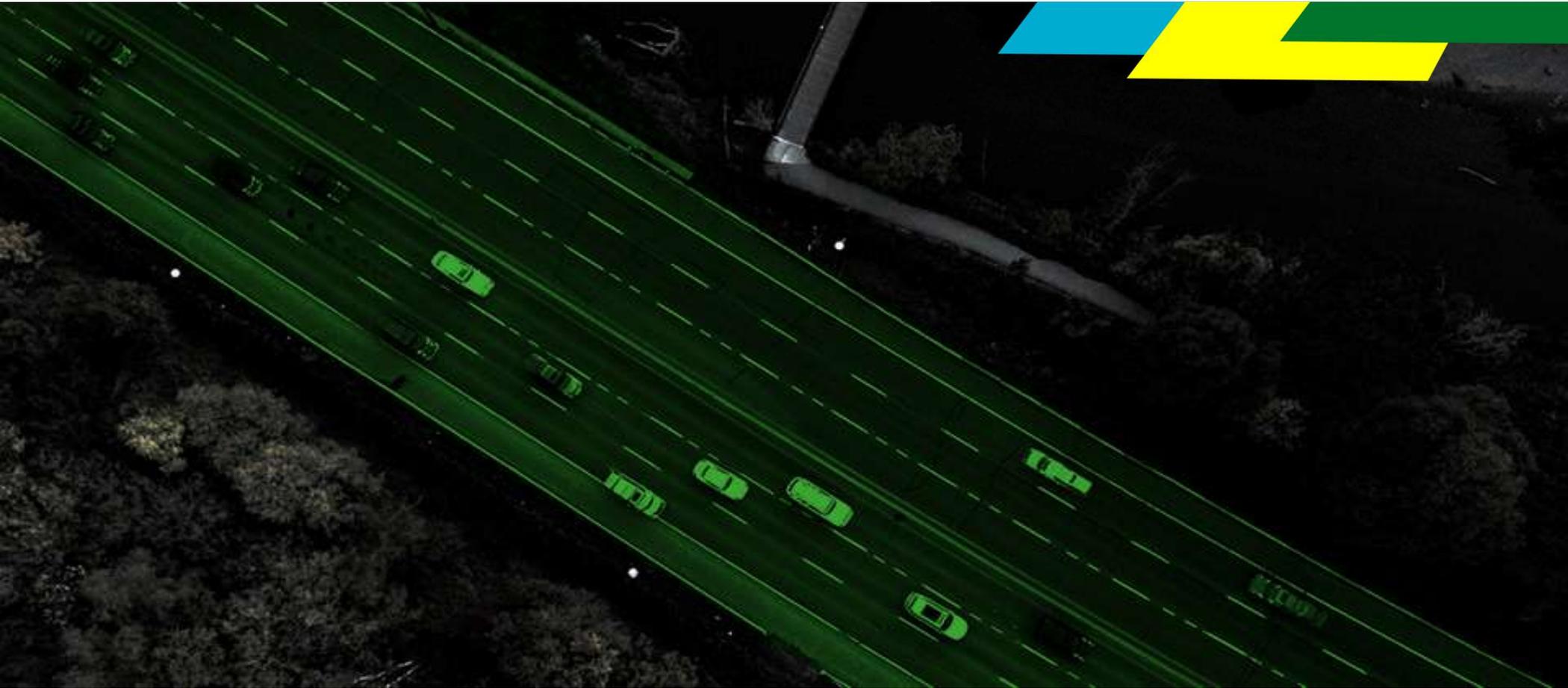
Provide support regarding the social and environmental issues, including risk analysis, prevention methods, elaboration of environmental licensing guidelines, social and environmental CAPEX and OPEX estimates.



Corporate Communication Consulting firm, responsible for elaborating an integrated communication plan for events, promotional material, project's branding and media monitoring.



CONTACTS



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