

LONGITUDINAL DE LA SIERRA HIGHWAY SECTION 4



ProInversión

Private Investment Promotion Agency - Peru

LONGITUDINAL DE LA SIERRA HIGHWAY SECTION 4

Huancayo - Izcuchaca - Mayocc - Ayacucho/Ayacucho - Andahuaylas -
Puente Sahuinto/Dv. Pisco - Huaytará - Ayacucho

1. BACKGROUND

Section 4 is a segment of the “Longitudinal de la Sierra” highway, a major 3,503 km long national road connecting 12 departments across the Peruvian Andes from Piura’s mountain range (on the Ecuadorian border) to Puno (on the Bolivian border).

In December 2013, ProInversión awarded a concession for Section 2 of the Longitudinal Sierra Highway to Concesionaria Sierra Norte S.A. (a consortium comprised of Sacyr Concesiones S.L.; Sacyr Concesiones Peru S.A.C., and Constructora Málaga Hnos.) who bid USD147,345,452 for the road’s Rehabilitation and Improvement (PRM); USD30,376 853 for Annual Initial Periodic Maintenance Payments (PAMPI) and USD21,383,278 for Annual Maintenance and Operation Payment (PAMO). The Concession of Section 2 of the Longitudinal Sierra Highway provides for interventions totaling approximately USD552 million, in addition to O&M costs to be paid by the Investor.



This project aims at accomplishing greater integration of Peru’s northern region. The project is approximately 875 km long across the departments of La Libertad and Cajamarca. Along the way it will serve numerous localities in both departments, for the benefit of over 1.5 million people.

2. PURPOSE OF PROJECT

Intervene the road infrastructure and develop the concession to I) offer adequate and safe transit conditions, and other services to road users; II) foster integration of local production areas in the project’s area of influence; and III) reduce logistic costs and foster access to public services and economic opportunities, among others, thus contributing to the social and economic development of Ica, Junín, Huancavelica, Ayacucho and Apurímac regions (states).

3. TYPE OF PROJECT

Section 4 connects major cities in the Center – South Peruvian Andes from Huancayo (in Junín) through Izcuchaca - Mayocc - Huanta - Ayacucho, and other cities to Abancay, in Apurímac, with connections to the Pacific coast along the Ayacucho - San Clemente highway segment.

The project includes improvement and rehabilitation, initial periodic maintenance, and subsequent maintenance and operation along approximately 970.94 km, in order to ensure the contract-defined level of service for the Huancayo-Izcuchaca-Mayocc-Ayacucho / Ayacucho-Sahuinto Bridge / Dv. Pisco - Huaytará – Ayacucho road segments.



B) COMPETITION FACTOR

The concession will be awarded to the bidder requesting the lowest co-financing for:

- Rehabilitation and Improvement (PRM).
- Initial Periodic Maintenance (PAMPI), and
- Annual M&O (PAMO).

The concession will be awarded to the bid getting the lowest score determined according to the following formula:

$$\text{Score} = A \times \text{PRM} + B \times \text{PAMPI} + C \times \text{PAMO}$$

The concession will be awarded provided at least 02 valid economic bids are submitted.

C) FINANCING

The Concessionaire will finance Rehabilitation and Improvement, Initial Periodic Maintenance and Operation and Maintenance.

D) STRATEGIC PARTNER

The Strategic Partner will be the operator, and must own and hold a minimum thirty five percent (35%) share in the Concessionaire's paid in capital.

5. PROJECT LOCATION AND AREA OF INFLUENCE

Junín, Huancavelica, Ayacucho, Apurímac and Ica departments, including the of Huancayo, Izcuchaca, Mayocc and Ayacucho and Pisco.

6. QUALIFICATION REQUIREMENTS

A) OPERATOR (STRATEGIC PARTNER)

- In the last 10 years, operate or have operated for 02 consecutive years one or more highway concessions over a total 100 km.
- In the last 5 years, operate or have operated during 02 consecutive years one or more highway concessions for a total 50 km.
- For freeway operations, the length of both ways will be recognized as experience.
- Bidders requesting recognition for experience in consortia must have held at least 20% participation in such.
- In all cases the concessions must have lapsed while still under the operator's management.

B) BUILDER (EXPERIENCE OF EACH COMPANY)

- In the last 15 years, have completed 100 km of new, or rehabilitation and/or improvement work.
- At least 10% of this experience at altitudes above 2,400 meters over sea level.
- If requesting recognition for works as a corporation or consortium member, hold at least 20% share in such.

C) FINANCIAL

Minimum Net Equity

For individual Bidders: USD 131.2 million

In case of Consortium:

Strategic Partner: USD 45.92 million

Each member (different Strategic Partner): USD 39.36MM

Financial Statements

Audited of the last 3 years available or analogous documents

Minimum Social Capital

On the date of subscription of the contract: USD 11.14MM

Before start of RandM or MPI: USD 44.57MM

D) GUARANTEES SYSTEM

Concessionaire:

- **Proposal Validity, Effectiveness, and Reliability Bond:** USD 13,102,211 million
- **Compliance Bond:** 50% of the reference PAMO.
- **Rehabilitation and Improvement Compliance Bond:** USD 16 million.
- **Initial Periodic Maintenance Compliance Bond:** USD 28.4 million.

7. REFERENCE AMOUNT OF INTERVENTIONS

US\$ 446 million (VAT excluded). Does not include O&M (Routine and Periodical).

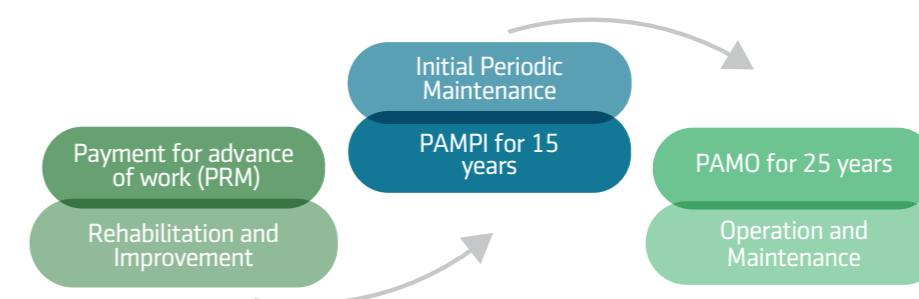
The estimated amount for interventions includes:

- **Rehabilitation and Improvement:** USD162 million
- **Initial Periodic Maintenance:** USD284 million

8. INVESTMENT REMUNERATION

GENERAL CO-FINANCING SCHEME

The State of the Republic of Peru, through the Ministry of Transportation and Communications, who will act as the Grantor, will co-finance the project pursuant to the terms, conditions, procedure and periods set forth in the Concession Contract. The interventions to be executed by the Concessionaire will be paid as follows:



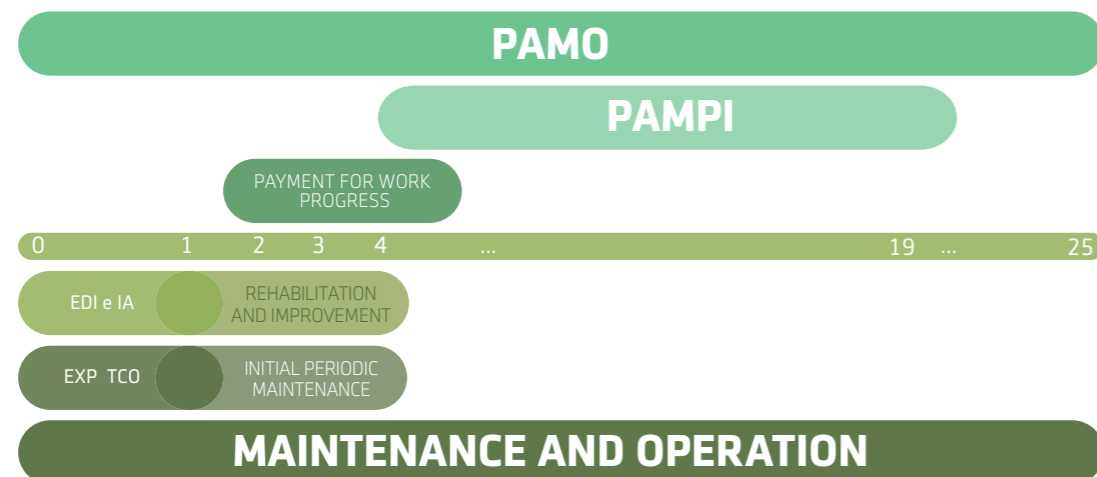
PRM: Payment for Rehabilitation and Improvement For Rehabilitation Costs and Improvements.

PAMPI: Annual Payment for Initial Periodic Maintenance For Initial Periodic Maintenance.

PAMO: Annual Payment for Maintenance and Operation For O&M costs.

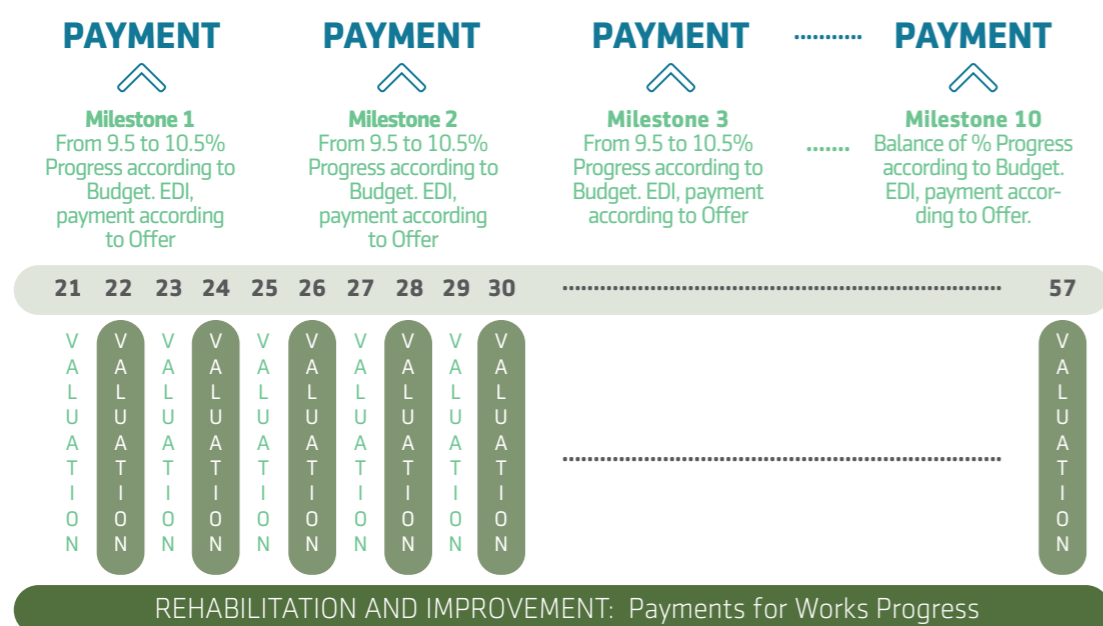
CONCESION TERM: 25 years





REHABILITATION AND IMPROVEMENT, PRM - PAYMENTS FOR PROGRESS

Payments for Rehabilitation and Improvement will reflect the percentages of progress made to each financial milestone, pursuant to the execution of expense estimates included in the approved Definitive Engineering Study and Environmental Management Instrument Study (EDI and IGA, respectively).



Monthly progress to the financial milestones will be assessed pursuant to the schedule for budget execution included in the approved Rehabilitation and Improvement EDI and IGA, which the Concession-holder will meet in line with its own Execution Program. This program will be used to determine whether the corresponding milestones were reached.

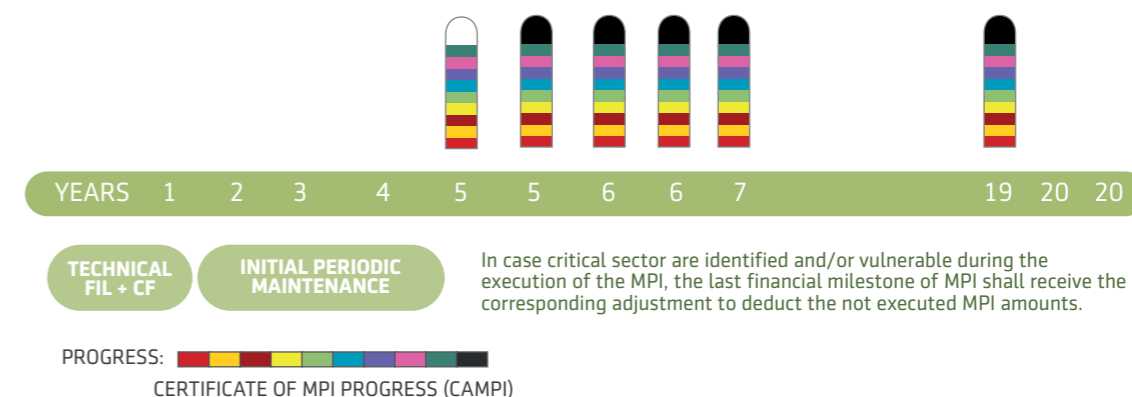
INITIAL PERIODIC MAINTENANCE PAYMENT, PAMPI

Payments for Initial Periodic Maintenance, PAMPI will be forwarded after completion of the Initial Periodic Maintenance intervention in semi-annual payments and for a period of 15 years taking into account the percent monthly progress to the corresponding financial milestone, pursuant to the Execution Program budget included in the Approved Technical Files.

SEMESTRAL PAYMENT FOR INITIAL PERIODIC MAINTENANCE PAMPI (15 YEARS)



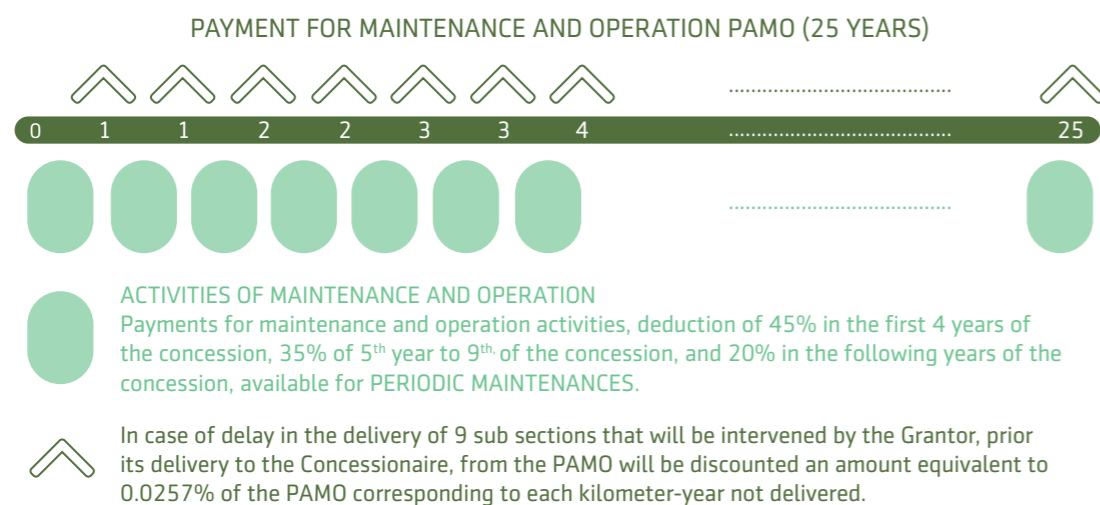
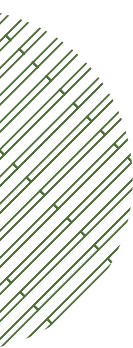
PAYMENT FOR INITIAL PERIODIC MAINTENANCE PAMPI (15 YEARS)



CAMPI is the Certificate of Progress in Initial Periodic Maintenance issued by the Regulator pursuant to the terms and conditions set forth in the Concession Contract.

ANNUAL PAYMENT FOR MAINTENANCE AND OPERATION, PAMO

The Annual Payment for Maintenance and Operation (PAMO) will proceed in semi-annual installments pursuant to the terms and reflect the Condition and Levels of Service Parameters set forth in the Concession Contract.



9. SUPERVISING ENTITY

The Supervisory Board for Investment in Public Transport Infrastructure (OSITRAN by its initials in Spanish) shall be in charge of supervising the mandatory works and the maintenance of the infrastructure.

10. SCHEDULE



Estimated award date: First quarter of 2019

The Ministry of Transportation and Communications has made available an updated pre-investment study for the Izcuchaca-Mayoc sub-section.

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