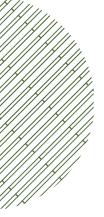


# LONGITUDINAL DE LA SIERRA HIGHWAY SECTION 4







### 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 Apurimac regions (states).

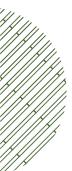
#### 3. TYPE OF PROJECT

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 alon 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.







#### A) GRANTOR ACTIVITIES

The Grantor will provide the following:

Periodic Maintenance / Others: (310.912/40.384) 351.296 km.

– Huancayo Dv.–Chancha Bridge:	3.834 km
– Chanchas Bridge - Huayucachi:	2.820 km
– Huayucachi – Imperial:	26.567 km
– Imperial – Izcuchaca:	31.219 km
– Mayocc – Huanta:	32.756 km
– Ayacucho – km 0+000:	7.628 km
– Abra Tocto – Ocros:	48.800 km
– Ocros – Chincheros:	55.200 km
– Chincheros – Snta María del Chicmo:	66.022 km
– Kishuara Dv–Sahuinto Dv.:	62.711 km
– Sahuinto Dv.– Sahuinto Bridge:	13.739 km

#### Road Emergencies

#### B) CONCESSIONAIRE ACTIVITIES

The Concessionaire will prepare the studies for and carry out the Initial Periodic Maintenance (MPI), Rehabilitation, and Improvement (RyM) operations.

#### Initial Periodic Maintenance: 502.776 km

– Huanta – Ayacucho:	42.253 km aprox.
– Ayacucho (Km 0+000)-Abra Tocto:	50.000 km aprox.
– Santa María de Chicmo-Andahuaylas:	20.340 km aprox.
– Andahuaylas – Kishuara Dv.:	54.307 km aprox.
– San Clemente –Choclococha Bridge:	163.81 km aprox.
– Choclococha Bridge– Ayacucho:	172.07 km aprox.

#### Rehabilitation and Improvement

Izuchaca and Mayoc: 116.8 km approx.

#### Routine and Periodic Maintenance

Along the 970.935 km during the life of the concession, with the exception of the urban area of Ayacucho (7,628 km), where only mandatory services will be provided.

Approximate length: 970.941.1 km°

#### 4. RELEVANT INFORMATION FOR THE PROJECT

#### TOLL BOOTHS

Present: To start charging within one month of contract signing. Existing tollbooths: Current toll rate + VAT (IGV) (after start of ambulance and vehicle emergency service).

Foreseen: At delivery and/or completion of interventions in the respective subsections: USD 1.5 toll fee plus VAT.

#### ADMINISTRATION TRUST

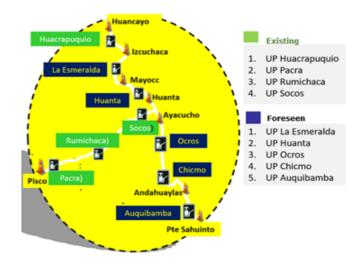
The Concessionaire shall establish and maintain, as trustor, an Administration Trust, to manage compliance with the obliqations derived from the Concession Contract.







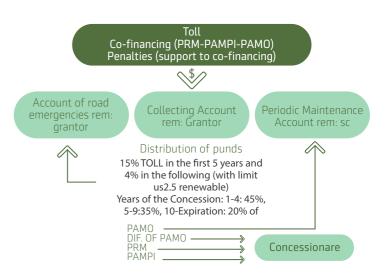
The funds deposited in the Administration Trust will flow from the collection of fees, cofinancing and penalties.



#### A) ADMINISTRATION TRUST ACCOUNTS

- O Collection Account, in which the CONCESSIONAIRE will deposit in domestic currency the whole of the daily toll collected
- O **Periodic Maintenance Account**, to ensure that part of the funds in the Collection Account are used for Periodic Maintenance by the Concessionaire.
- Road Emergency Account to guarantee the availability of funds needed to pay emergency contingencies.

## B) FUND MANAGEMENT MECHANISM Pursuant to the Trust Administration Agreement, the Grantor will instruct the Trustee to make transfers from the Collection Account to the Concessionaire, among others, for the amounts corresponding to the semi-annual PAMO installment in US Dollars; the amount corresponding to the PRM, in US Dollars as per accomplishment of scheduled milestones; and the corresponding PAMPI amount in US Dollars, as applicable.



#### 5. TENDER PROCESS CHARACTERISTICS

#### A) PROJECT TYPE

Comprehensive Project Tender. The Concession Contract will create a Public Private Partnership (PPP) for a co-financed concession awarded by the Grantor.



TRANSPORTATION INFRASTRUCTURE - 5





#### B) COMPETITION FACTOR

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

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

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

Score = A x PRM + B x PAMPI + C x 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 Avacucho 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.
- O 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.
- O Bidders requesting recognition for experience in consortia must have held at least 20% participation in such.
- O In all cases the concessions must have lapsed while still under the operator's management.
- B) BUILDER (EXPERIENCE OF EACH COMPANY)
- o In the last 15 years, have completed 100 km of new, or rehabilitation and/or improvement work.
- O At least 10% of this experience at altitudes above 2,400 meters over sea level.
- O 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:

- O Proposal Validity, Effectiveness, and Reliability Bond: USD 13,102,211 million
- O Complliance Bond: 50% of the reference PAMO.
- O Rehabilitation and Improvement Compliance Bond: USD 16 million.
- O 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)

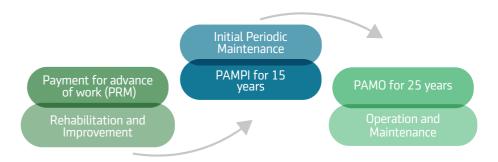
The estimated amount for interventions includes:

- 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.

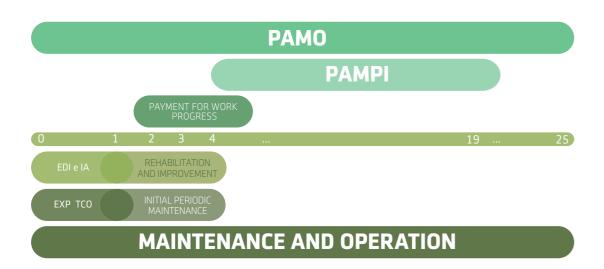
PAMO: Annual Payment for Maintenance and Operation For O&M costs.

CONCESION TERM: 25 years



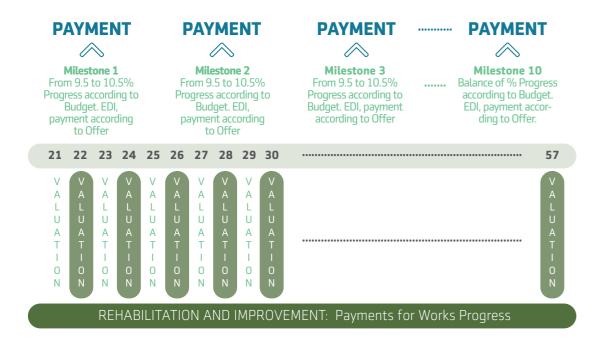
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#### REHABILITATION AND IMPROVEMENT, PRM - PAYMENTS FOR PROGRESS

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.



TRANSPORTATION INFRASTRUCTURE - 8





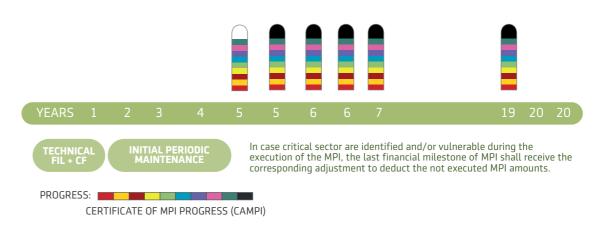
#### INITIAL PERIODIC MAINTENANCE PAYMENT, PAMPI

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

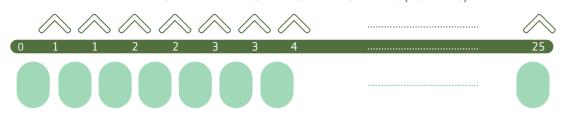
The Annual Payment for Maintenance and Operation (PAMO) will proceed in semi-annual installments pursuant to the terms and reflect the Condition and Levels of Service Parameters set forth in the Concession Contract.



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#### PAYMENT FOR MAINTENANCE AND OPERATION PAMO (25 YEARS)





ACTIVITIES OF MAINTENANCE AND OPERATION

Payments for maintenance and operation activities, deduction of 45% in the first 4 years of the concession, 35% of 5<sup>th</sup> year to 9<sup>th</sup>, of the concession, and 20% in the following years of the concession, available for PERIODIC MAINTENANCES.



In case of delay in the delivery of 9 sub sections that will be intervened by the Grantor, prior its delivery to the Concessionaire, from the PAMO will be discounted an amount equivalent to 0.0257% of the PAMO corresponding to each kilometer-year not delivered.

#### 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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