



Regulatory Model

Concession of Brasilia, Campinas and Guarulhos International Airports

January, 2012

DISCLAIMER

This presentation only provides an overview of Contract and Bidding Documents.

The information here presented does not exempt a thorough and comprehensive analysis of the original documents in Portuguese.

If the contents of the original documents conflict or diverge in any way from this presentation, the information in the original documents should prevail.

DISCLAIMER

Esta apresentação fornece apenas os principais aspectos do Edital e Contrato de Concessão.

As informações aqui presentes não dispensam a leitura completa e compreensiva dos documentos originais em português.

Havendo qualquer divergência entre os documentos originais e o conteúdo desta apresentação, considera-se que aqueles se sobrepõem a esta.

Summary

Initial Remarks

Legal Documents

Bidding Documents

Contract

Initial Remarks

Tariff Structure

- Connection Fee: R\$ 7,00 (domestic and international)
- Incorporation of ATAERO: 20,75%
- Viracopos airport tariffs adjusted to Category 1

Concession Fee

- Guarulhos: 10% of gross revenue
- Viracopos: 5% of gross revenue
- Brasília: 2% of gross revenue

Contract Term

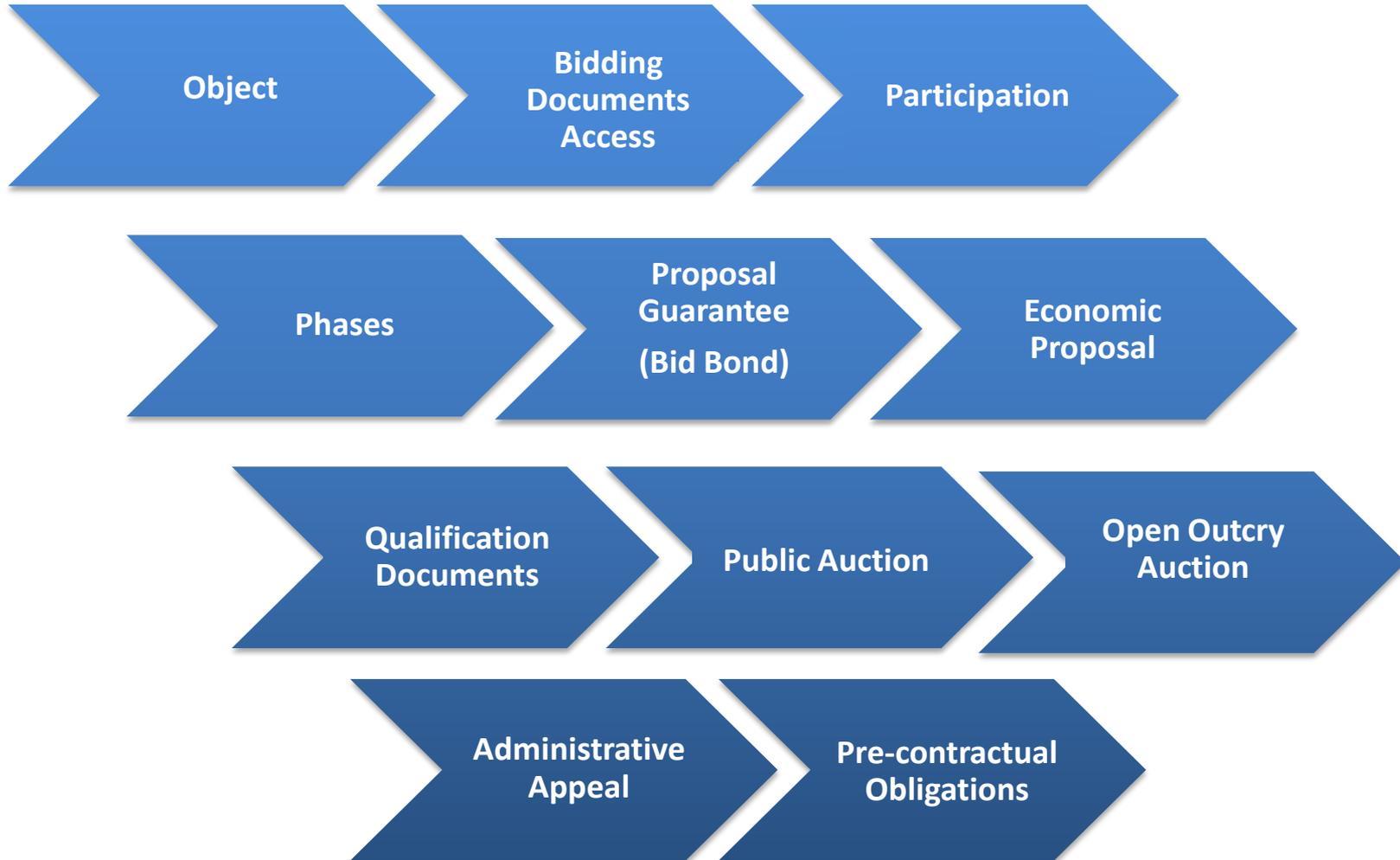
- Viracopos: 30 years
- Brasília: 25 years
- Guarulhos: 20 years

Capacity Assumptions

Master Plan

- Brasília: 2 runways (independent)
- Viracopos: 4 runways (2 independent + 2 segregated)
- Guarulhos: 2 runways

Minimum Separation: from 5 NM to 3 NM



Contract - Objects

- Concession for expansion, maintenance and operation of the Airports
- There are 3 distinct objects:
 - Brasilia International Airport (**SBBR or BSB**)
 - Campinas International Airport (**SBKP or VCP**)
 - Guarulhos International Airport (**SBGR or GRU**)
- **A single participant may present economic proposals for all 3 airports**
- **Each participant may only win the auction of 1 airport**



Bidding Documents Access and Explanations

- **Final Bidding Documents will be available to the public through**
 - electronic media, at the National Civil Aviation Agency - ANAC
 - the website www.anac.gov.br
- **Technical Visits are optional**
- **Notice of appeal**
 - Final deadline: up to 5 (five) days prior to the submission of economic proposals
 - It can be submitted for all 3 airports or for each airport individually
- **Feasibility Studies**
 - Studies findings are only indicative and does not bind ANAC or the future Concessionaire



Participation

- **Possibilities:**

It is allowed the participation of the following bidders, individually or in consortium*:

- Brazilian or foreign legal entities
- Pension funds
- Investment Funds

* A single entity, its parent, subsidiaries, affiliates or entities under common control may not participate in more than one consortium

*There can be no change in the consortium until the date of contract signature

*Airport Operator must have at least 10% of consortium participation

- **Restrictions:**

General: inapt, unable to bid and contract, convicted of environmental crimes, officials or technical managers who have worked at ANAC, Ministry of Defense (MD), Secretary of Civil Aviation (SAC) and Infraero in the last 180 days

Airlines, its parents, subsidiaries and affiliates, individually or in consortium, in a proportion equal to or greater than 2%

Airlines parents and affiliates, controlled or also affiliated to Brazilian public law entities (or from another country that has signed air services agreement with Brazil) in a proportion greater than 20%

Phases

Joint submission of all the envelopes for the three airports

Sequential opening of envelopes

1st

- **Statements, representations and Proposal Guarantee (1 envelope)**

2nd

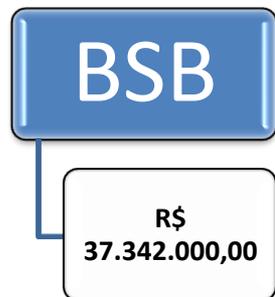
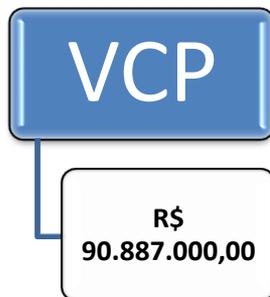
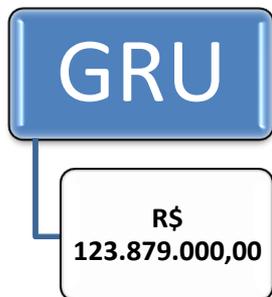
- **Economic Proposal (1 envelope for each airport)**

3rd

- **Qualification Documents (1 envelope)**

Proposal Guarantee (Bid Bond)

- Cash, federal government bonds, surety bond or bank guarantee.
 - Up to 0.7% of contract value.
 - The Bidder shall provide a guarantee for each airport that he intends to submit a proposal, according to the following values :
- **The Proposal Guarantee may be executed in the following cases:**
 - Total or partial default on obligations to participate in the auction
 - Qualification Documents or winning bidder's economic proposal inconsistent with bidding documents provisions
 - Failure to comply with pre-contractual obligations
 - Successful bidder's refusal to celebrate the concession contract
 - Fines, penalties and compensations enforcement



Economic Proposal



**Total Fixed
Contribution Value
offered for each
airport**

- Annual Payments
- Adjusted annually by IPCA (price index)

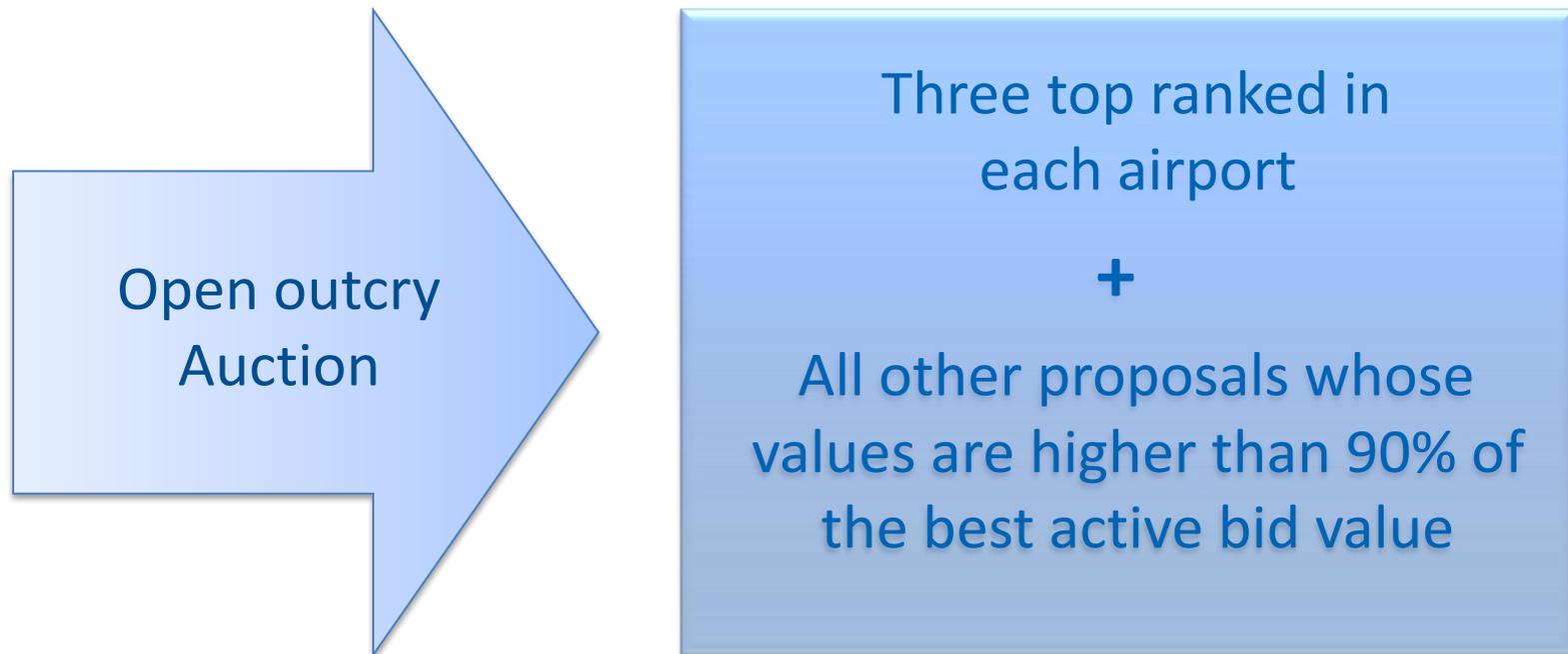
- **Statement of a financial institution stating that:**
 - Examined the bidding documents, the business plan and the economic proposal
 - Considers that the economic proposal and business plan are economically feasible
 - Considered feasible to grant funding for the Concessionaire's future obligations
- **Financial institutions must meet the following:**
 - Net worth of over R\$ 1 billion
 - Must not be related to the bidder's economic group and must not participate in the auction

Qualification Documents

- Legal Qualification
- Economic and Financial Qualification
- Fiscal and Labor Regularity
- **Technical Qualification**
 - ✓ Minimum experience of 5 years operating airport
 - ✓ Must have operated airport, in the last 10 years, that has processed at least 5 million passengers/year, including boarding, landing and connecting.

Public Auction

- Opening of Economic Proposals
- Classification of Bidders in descending order of Total Fixed Contribution Value for each airport



Public Auction

Bidders	Object	% of best offer	Open outcry auction participation
Bidder 1	R\$ 200	-	Yes - Automatic
Bidder 2	R\$ 190	-	Yes – Automatic
Bidder 3	R\$ 189	-	Yes – Automatic
Bidder 4	R\$ 185	92,5%	Yes - higher than 90%
Bidder 5	R\$ 150	75%	No – lower than 90%
Bidder 6	R\$ 100	50%	No – lower than 90%
Bidder 7	R\$ 76	38%	No – lower than 90%

Open outcry auction

- **Simultaneously for the three airports**
- **Each bidder may take part of the auction for all three airports, but may not be awarded with more than one**

General Procedures:

If the same bidder submits the highest bid for more than one airport, the bid resulting in a lower Global Fixed Contribution Value will be considered inactive

The bidder that submitted the highest active bid to the airport by the end of the auction will be awarded with it

The auction ends only with the absence of new bids

If the winning bidder is disqualified, the winner will be the second highest active bid of its airport

Administrative Appeals

- **Unique appellate stage for the public session:**
 - Possibility of a single appeal after the decision on the winners of the auction
 - Appeal may include all previous decisions of the Session Public Committee
 - Deadline of 5 working days for the submission of the appeal, starting from the publication of the decision that will declare the winners of the public session

Pre-contractual Obligations

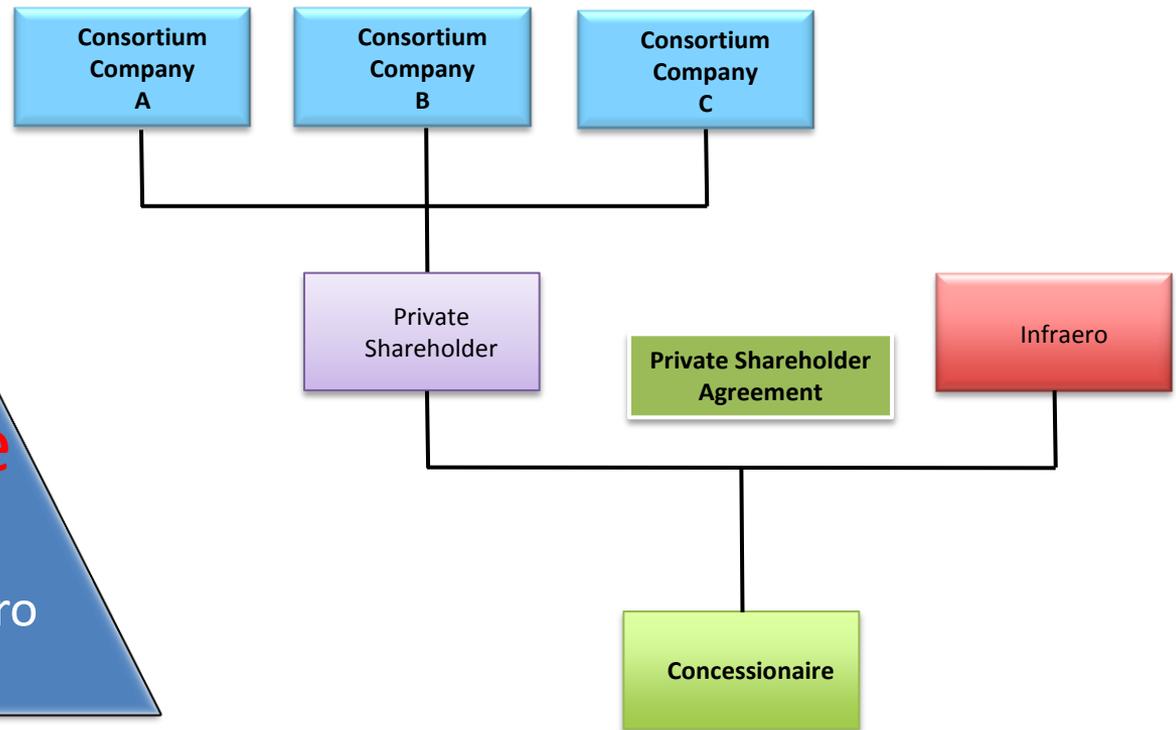
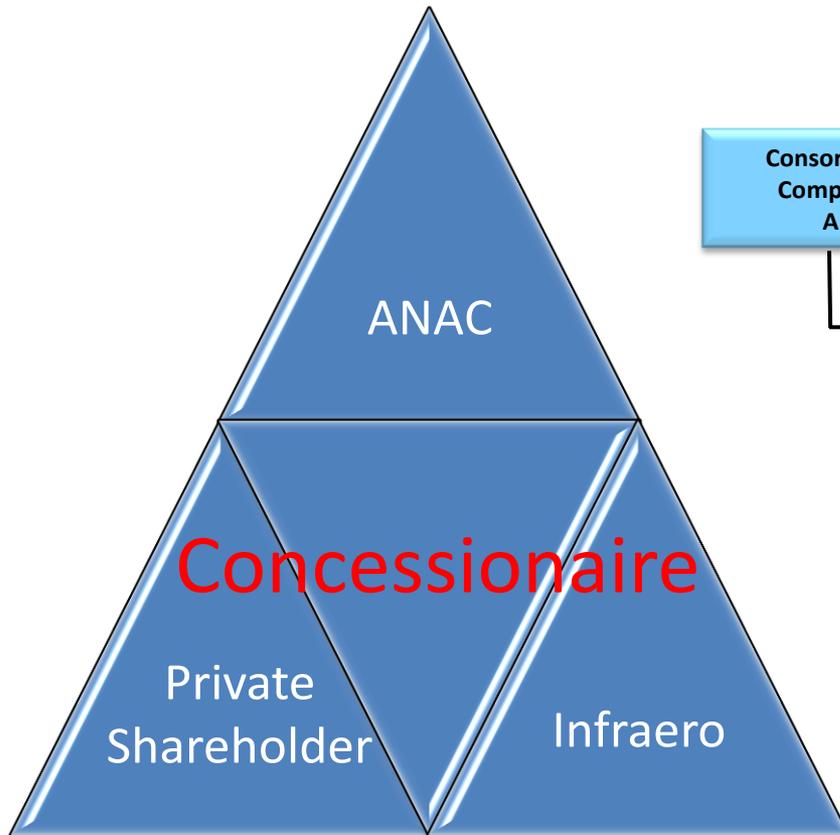
- **Private Shareholder Formation**
 - SPE composed of the companies that won the auction and presentation of its bylaws
- **Indication of its corporate structure**
- **Minimum Share Capital Payment:** (corresponding to the need for capital relative to first investments cycle):
 - **Brasilia:** R\$ 243,251,000.00
 - **Campinas:** R\$ 435,513,000.00
 - **Guarulhos:** R\$ 543,315,000.00
- **Signing of Private Shareholders' agreement**
 - Binding 50% plus one of the voting capital shares of the Private Shareholder
- **Performance Security Guarantee** (corresponding to 5% of contract value):
 - **Brasilia:** R\$ 266,732,000.00
 - **Campinas:** R\$ 649,197,550.00
 - **Guarulhos:** R\$ 884,853,800.00
- **Refund to preliminary studies to the auction:**
 - **Brasilia:** R\$ 2,536,053.46
 - **Campinas:** R\$ 7,697,166.54
 - **Guarulhos:** R\$ 7,031,910.77

Contract – Main Dispositions

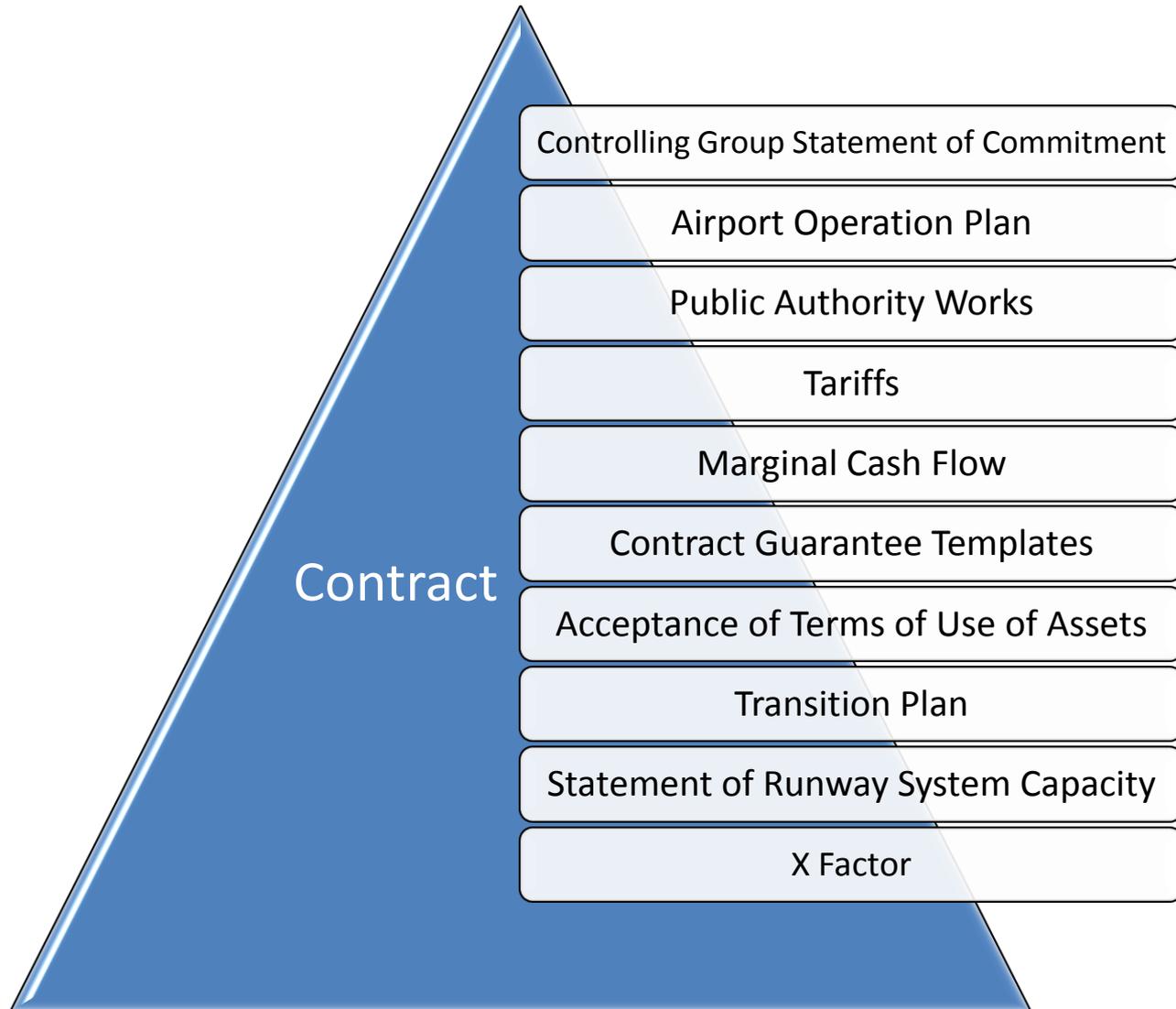


Parties to the Contract

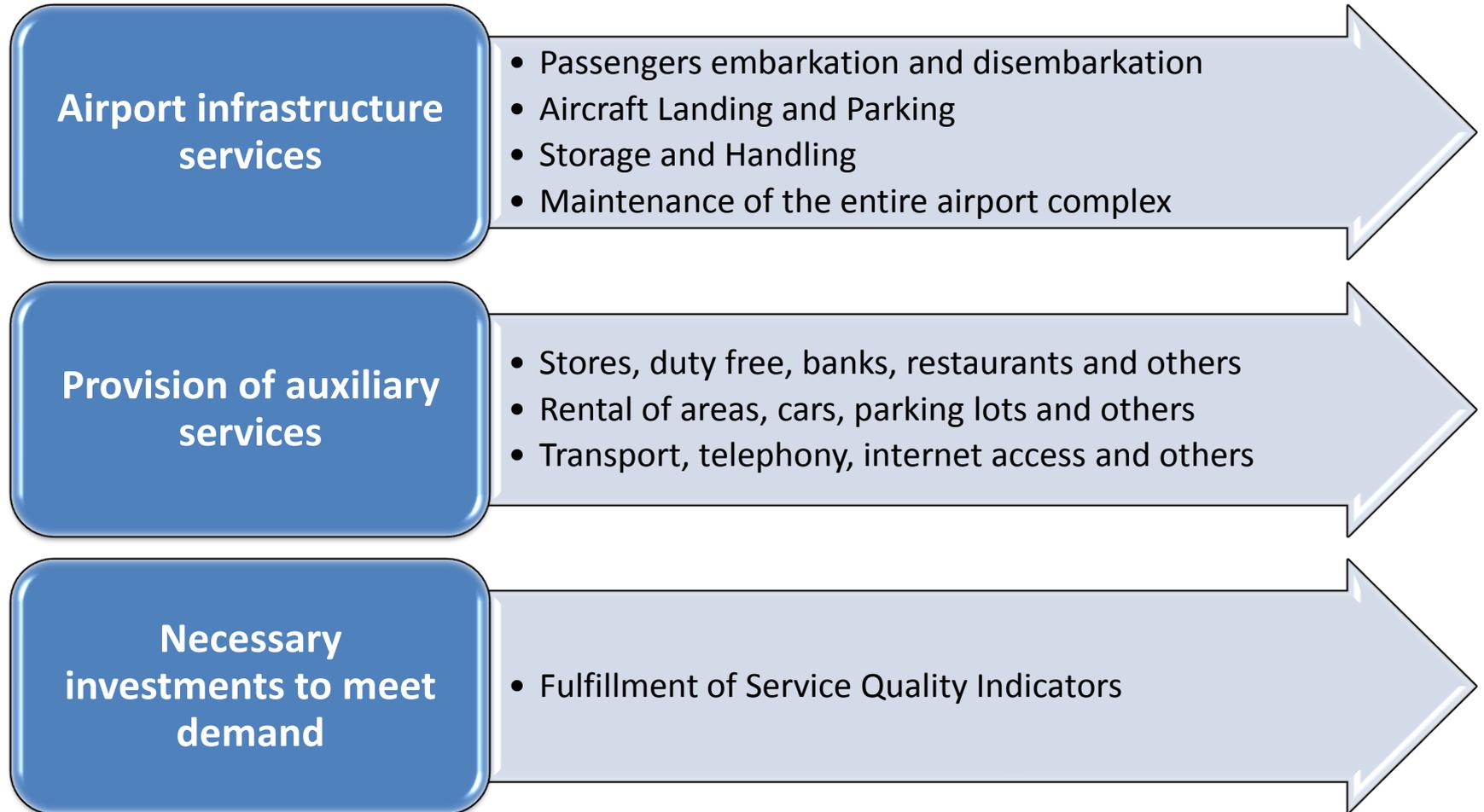
- Concessionaire corporate structure chart:



Contract Annexes

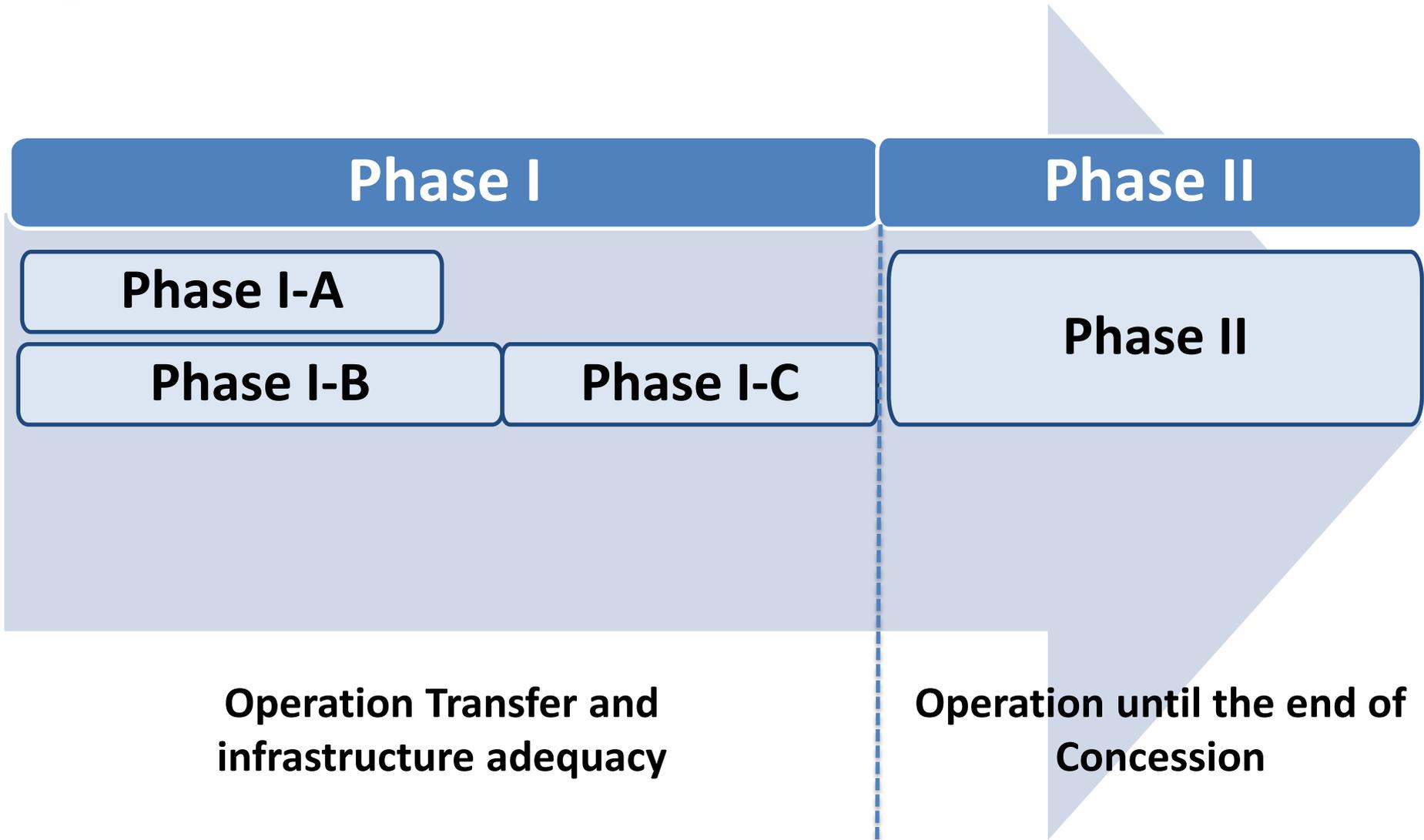


Object of the Concession



Equipment supply and the provision of air traffic services are not included in the object of concession

Implementation phases of the object



Phase I

Phase I-A: Operation Transition

Stage 1

- ✓ Operational transfer plan elaboration

30 days

Stage 2

- ✓ Infraero operates (revenues and expenses)
- ✓ Concessionaire monitors (full access)
- ✓ Company Notifications

+ 90 days

Stage 3

- ✓ Concessionaire operate (revenues and expenses)
- ✓ Infraero monitors
- ✓ Assignment of employees (indemnity)

+ 3-6 months

Phase I-B: Initial investments in runways, apron and passenger terminal. Infrastructure adequacy and level of service compliance **within 22 months**

Phase I

Phase I-C: Airport expansion and infrastructure adequacy to fully comply to *PEA*'s level of service

+ 24 months

Phase II

Airport Operational Plan (*PEA*)

- Expansion
- Maintenance
- Operation
- Plans
 - ✓ Infrastructure Management
 - ✓ Quality of Service

...until the end of concession

Airport Operation Plan (PEA)

Monitoring

- ✓ Planning
- ✓ Investment trigger
- ✓ Quality of Service Indicators
- ✓ Q Factor



Term and Value of Contract

Airport

Guarulhos

Viracopos

Brasilia

Term

20 years

30 years

25 years

**Contract Value
(aero and non-aero
revenues)**

**R\$
17,697,076,000.00**

**R\$
12,983,951,000.00**

**R\$
5,334,640,000.00**

Concession Fees

Fixed Fee

- Paid annually based on the total amount defined in the auction
- Adjusted annually by the Consumer Price Index - IPCA

Percentage Fee

- Pay annually and levied on the Concessionaire gross revenues:
 - **BSB: 2% (above the estimated for the year: 4,5%)**
 - **VCP 5% (above the estimated for the year: 7,5%)**
 - **GRU 10% (above the estimated for the year: 15%)**



Current Committed Capital Program

- Current committed capital program in progress will be completed by Infraero
- The Concessionaire can take over the contracts in progress
 - Rescind and indemnify contractors, being reimbursed by Infraero within the limits of the contract
 - Maintain the contract, being reimbursed for the costs of the works contracted within the limits of the contract
- ANAC may mediate any disputes arising from the execution of Infraero contracts

Rights and Duties

General Duties

- Fully comply with the contract
- Meet ANAC requirements
- Comply with labor and social security obligations

Provision of Services

- Provide adequate, continued, quality service
- Maintain customer service system
- Maintain emergency care system
- Train and equip airport employees

Operational Activities

- Obtain approval for the projects relating to the expansion and operation of the Airport
- Provide the necessary licenses
- Comply with the conditions of existing licenses
- Have Runway System Capacity assured by DECEA

Rights and Duties

Information

- Provide information and explanations required
- Generate reports
- Possess electronic database
- Inform financing terms
- Inform 30 days in advance every new charge rate

Governance

- Observe standards of corporate governance
- Presentation of Financial Statements
- Independent Audit Report
- Ensure employees the right to appoint a member of the Board of Directors

Insurance

- Engineering risk insurance
- Property damage insurance
- Liability insurance
- Insurance must be updated according to investment cycle

Rights and Duties

Share Capital

- Subscribe share capital (in cash, BRL) of at least:
 - BSB: R\$ 243,251,000.00
 - VCP: R\$ 435,513,000.00
 - GRU: R\$ 543,315,000.00

Performance Security Guarantee

Guarantee up to the end of Phase I-B:

BSB: R\$ 266,732,000.00

VCP: R\$ 649,197,550.00

GRU: R\$ 884,853,800.00

After the end of Phase I-B:

BSB: R\$ 133,366,000.00

VCP: R\$ 324,598,775.00

GRU: R\$ 442,426,900.00

At each investment trigger

10% of estimated investments

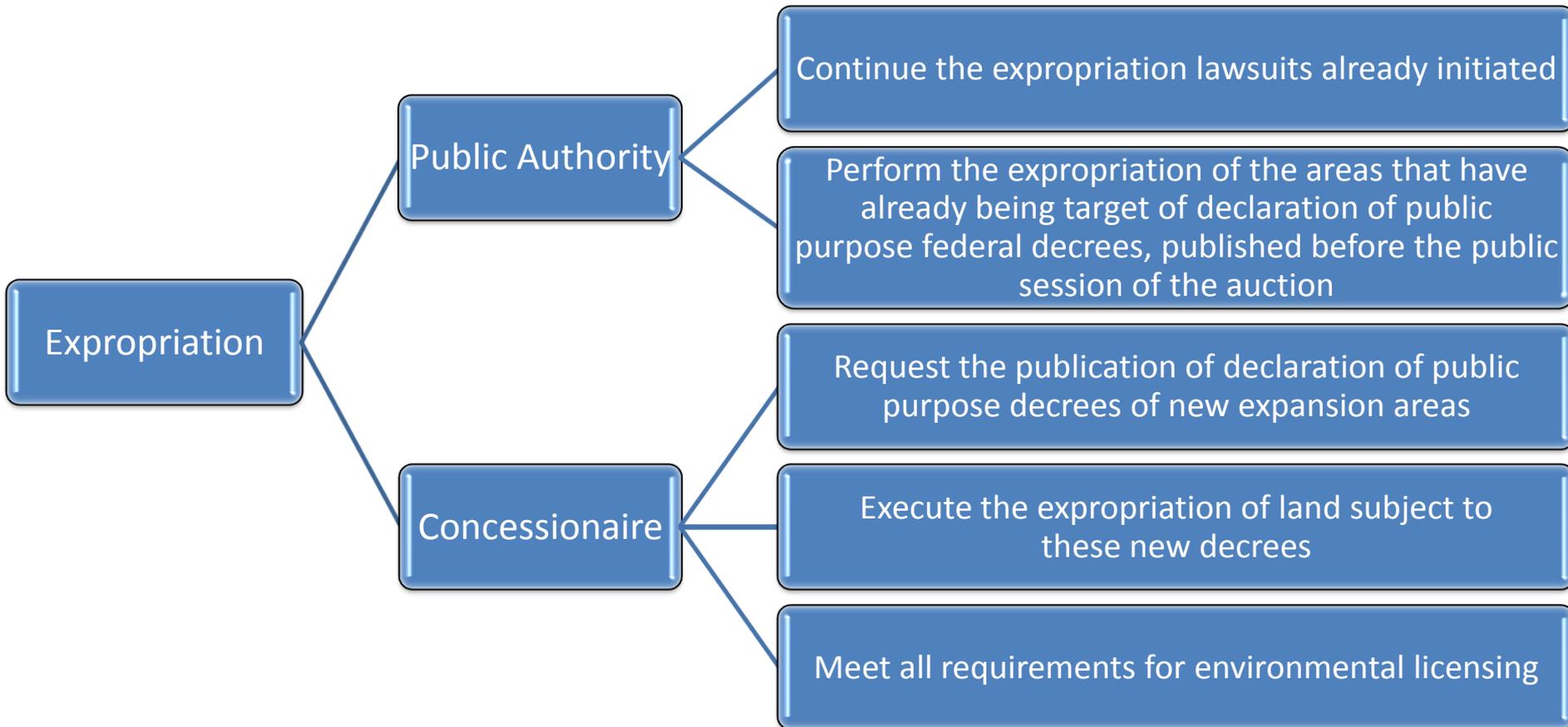
After the end of contract:

BSB: R\$ 19,159,000.00

VCP: R\$ 40,127,000.00

GRU: R\$ 64,476,000.00

Rights and Duties



Source of Revenue

Tariff Revenue

- **Annex 4 – Price-Cap Tariffs**
 - Boarding charges
 - Connection charges
 - Landing and Parking charges
 - Storage and Handling charges
- **Price-caps**
 - Freedom to practice discounts (non discriminatory)

Non-Aeronautical Revenues

- **Operational Areas and Activities**
 - Freely negotiated. ANAC may regulate prices of these areas and activities in presence of abusive or discriminatory practices.

- **Commercial Areas (*PEA*)**
 - Provision of services to airlines, retail and food concession areas, rental cars, hotels etc.
- **General Rule**
 - The Concessionaire may only operate an activity different from the airport operation by the formation of wholly owned subsidiary with separate accounts
 - The assignment of airport areas in the airport complex will follow its own rules in the contract

Risk Allocation

- **ANAC**
 - Complete set of risks are allocated in the contract
 - Subject to Economic and Financial Balance (EFB)
- **Concessionaire**
 - Non-exhaustive set of allocated risks
 - Fully and exclusively accountable for all other risks related to the Concession
 - Not subject to Economic and Financial Balance



Risk Allocation

ANAC

- Service changes caused by new security requirements
- Operational constraints due to government decision or omission
- Occurrence of events of force majeure or of unforeseeable circumstances, unless timely insured

Concessionaire

- Demand risks, including new airports
- Input price increases
- Incorrect estimate of the cost of investments to be made by the Concessionaire;
- Other risks not pertaining to ANAC

Regulatory tools



Tariff Regulation

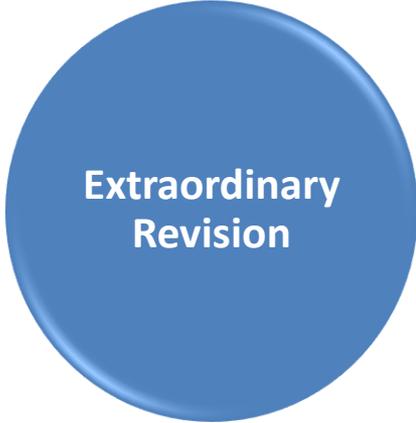
$$T = IPCA - X - Q$$



Review of Concession's parameters

- Public Hearing
- X Factor
- IQS / Q Factor
- WACC to MCF

Every 5 years



Extraordinary Revision

- Reset EFB
- Requested by Concession/ANAC
- Modification of charges, term, contract obligations
- Marginal Cash Flow

Transfer of Concession/Control

Direct or indirect change in Concessionaire's control:

Requires ANAC's authorization during Concessionaire's term

Private shareholder must always control the Concessionaire

Changes in shareholder's composition which does not change control

Requires authorization from ANAC until the concession's 5th year

Does not require ANAC's authorization after the concession's 6th year

Admission of new shareholders who participate in the other two Concessions

Prohibited until the concession's 5th year

ANAC may consent after the concession's 6th year

Airport Areas Assignment

Airport area assignment contracts:

- Limited to the term of the Concessions
- Freely negotiated

Contracts involving relevant investments may need ANAC's previous consent to ensure continuity in case of early concession's extinction

There must be full accounting transparency by the Concessionaire and the other parties

Current Infraero contracts are binding

Airport Areas Assignment

- Pending ANAC's approval, the Concessionaire may enter into contracts with air carriers to build, maintain or operate, exclusively or preferably terminal or parts of it.

The following rules apply to auxiliary air transport services:

Free access to air carriers and other companies

In case of capacity constraints to new entrants, the Concessionaire must require ANAC to limit the minimum amount of companies

The Concessionaire may request ANAC for authorization to exclusively provide services, if infrastructure constraints requires so

Employee Dispositions

- Concessionaire must select, within 18 months from the end of Phase I-A, which Infraero employees it intends to hire
- Employees may choose to either work for Infraero or for the Concessionaire

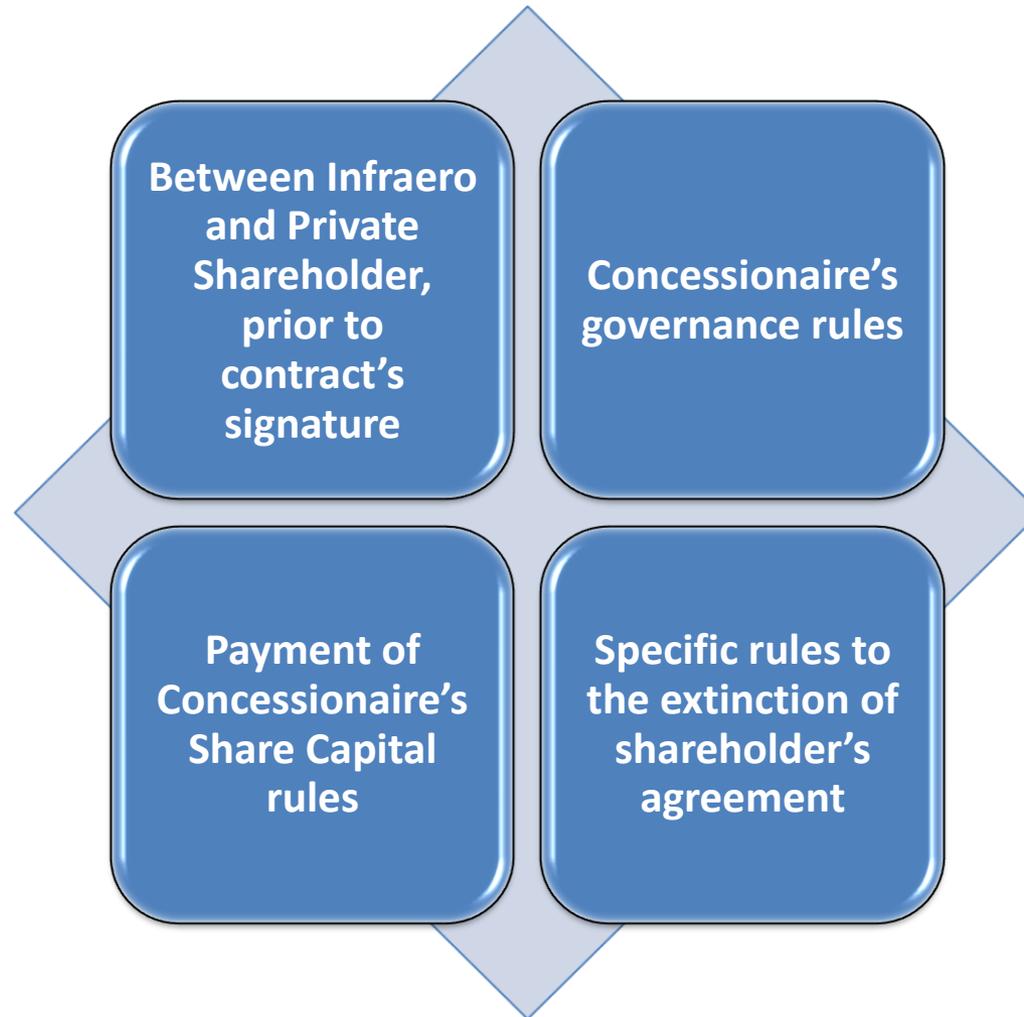
The employees transferred to the Concessionaire will be granted the following rights:

5 years stability after the transfer is concluded, limited to December 31st, 2018

Contract conditions at least equivalent to Infraero's

Infraprev (contribution paid by Concessionaire)

Shareholders' Agreement



Shareholders' Agreement

Infraero's Veto Rights

Any alteration or amendment to Bylaws

Any decision regarding Concession's extinction, except expropriation

Any partnership, consortium, joint venture or similar enterprise

Acquisitions or participation of other companies

Change of corporate purpose

Assignment or change in Independent Audit

Sale of essential assets of the Concessionaire below market value

Any indebtedness which is not connected to the fulfillment of investments according to the Airport Operation Plan

Any contract with a Related Party, except if its terms and conditions are according to market or permitted by the financier

Any corporate restructuring

Guarulhos – Current Situation



3D Final Project - Guarulhos



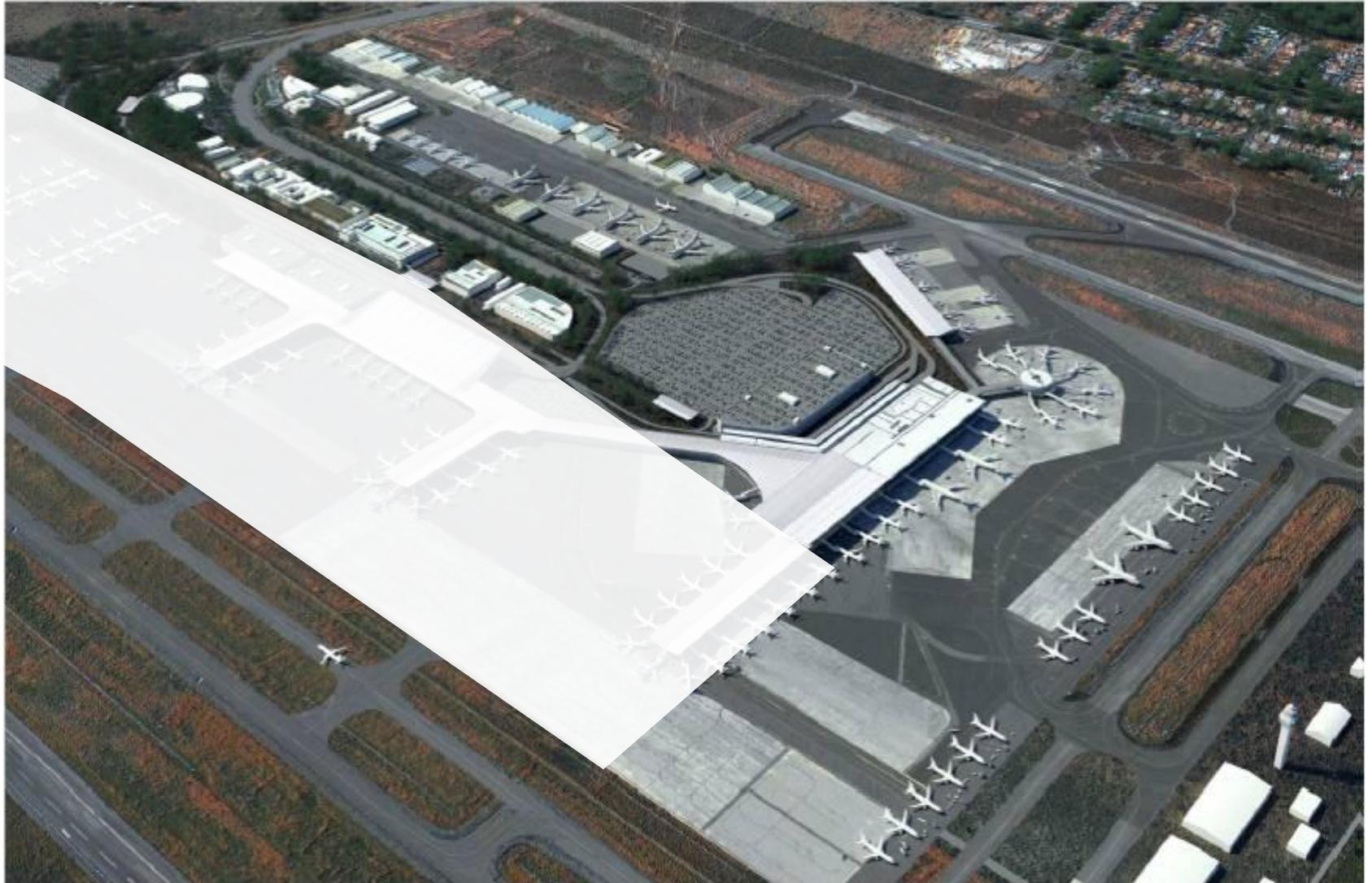
Viracopos – Current Situation



3D Final Project - Viracopos



Brasilia – Current Situation



3D Final Project - Brasília

