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BRAZIL IN NUMBERS



•**Area:**

8,515,767 km²

3,287,597 sq mi

•**Coastal shore:**

7,367 km

4,577 mi

•**Population:**

205 million

•**Government:**

Federal Presidential
Constitutional Republic

•**Nominal GDP (2014):**

R\$: 5.5 trillion

US\$: 2.4 trillion

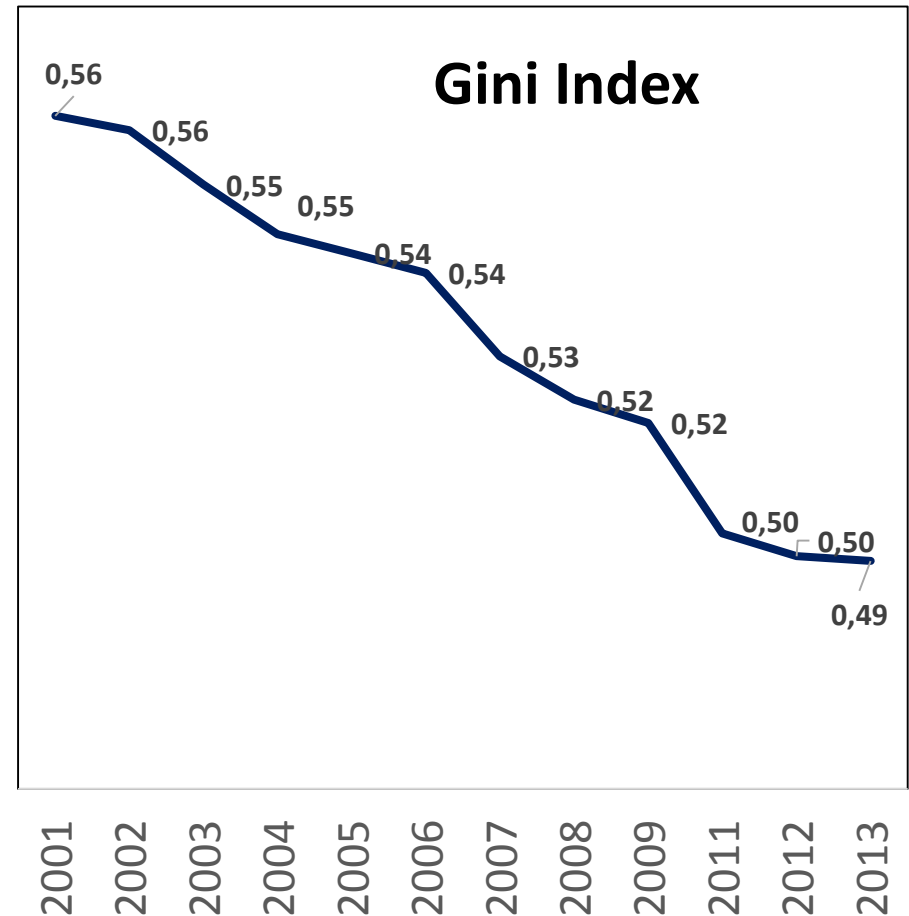
•**GDP *per capita* (2014):**

R\$: 27,229

US\$: 11,604

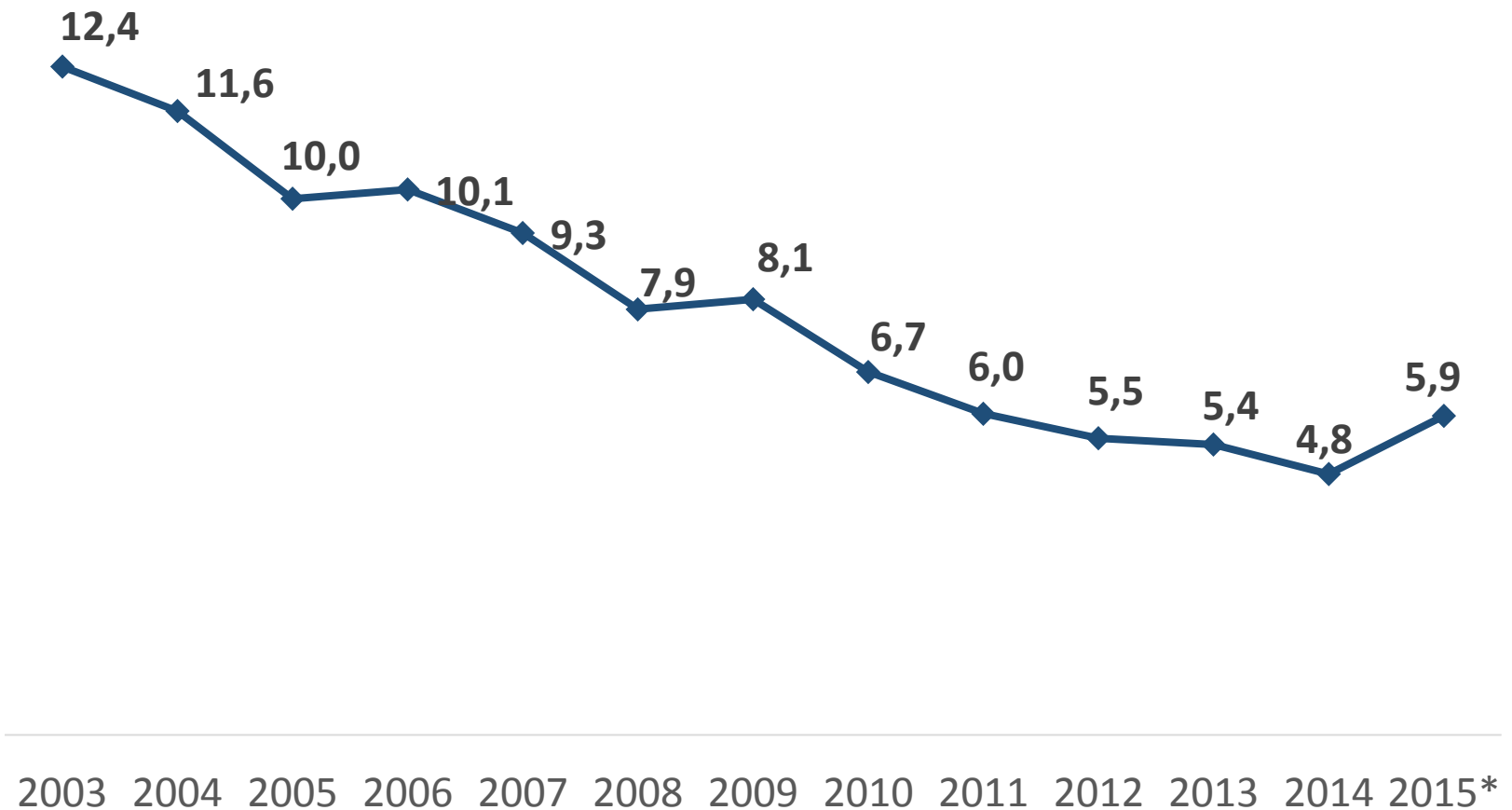
Brazil has achieved important changes in the last 15 years

- More than 50% of population in middle class
- Inequality is falling
- Education is improving
- People are getting access to basic public services and goods
- Low unemployment and increasing revenue



Source: IBGE

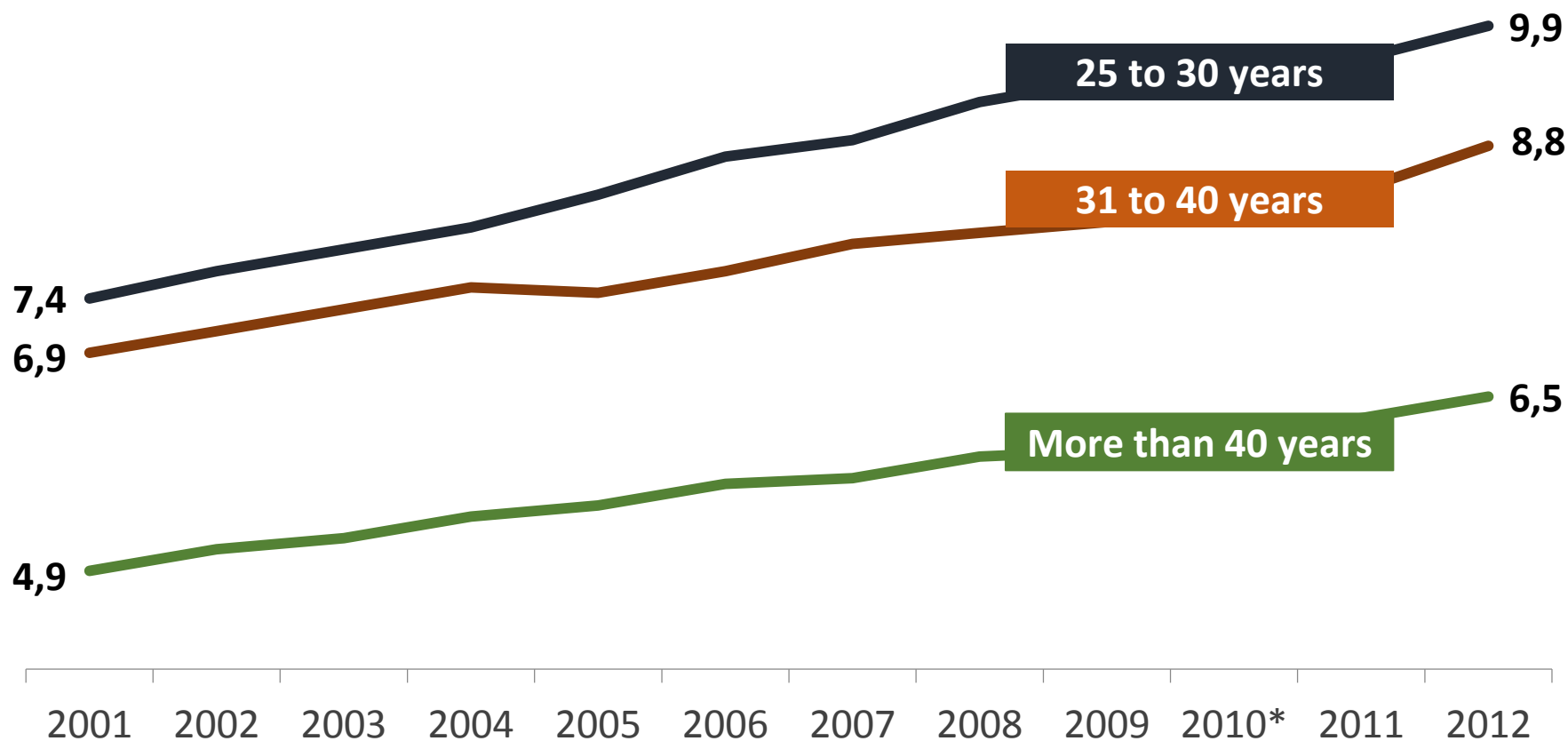
Unemployment Rate (%)



Source: PME/ IBGE.

* 12 month moving average up to August

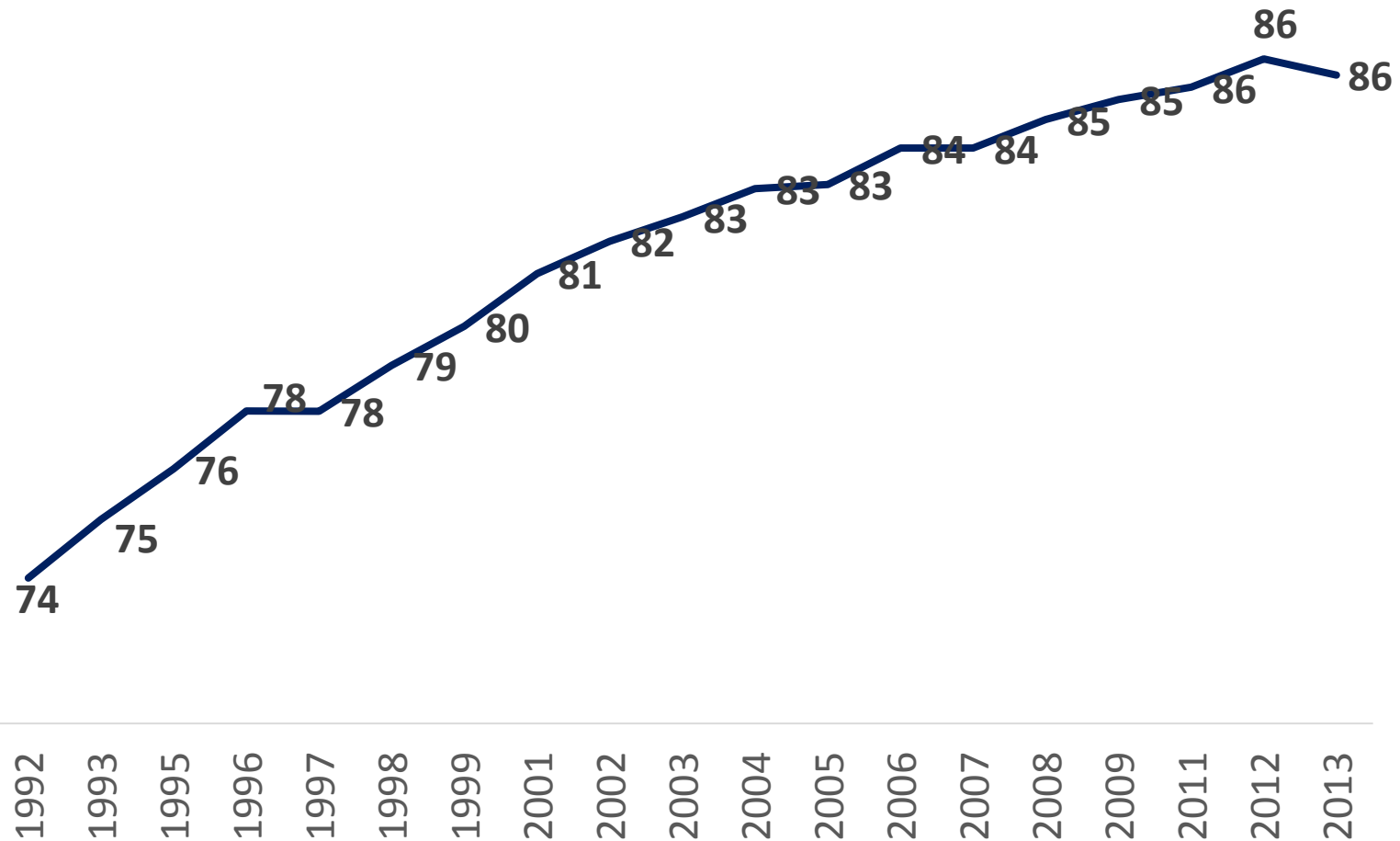
AVERAGE SCHOOLING YEARS BY AGE GROUP



Source: PNAD/IBGE.

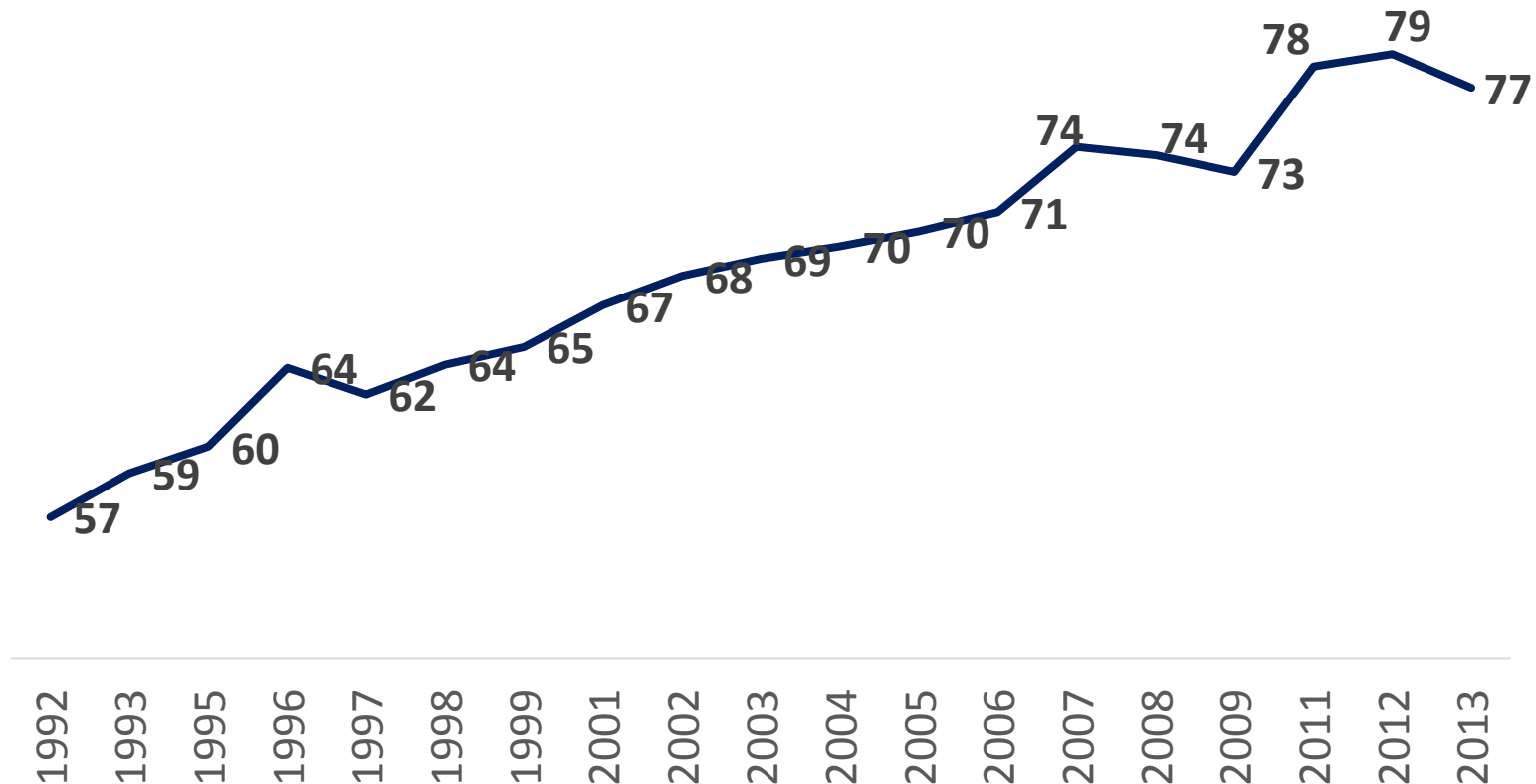
Note: Harmonized data, disregarding the North countryside .

Share of Homes with Water Supply (%)

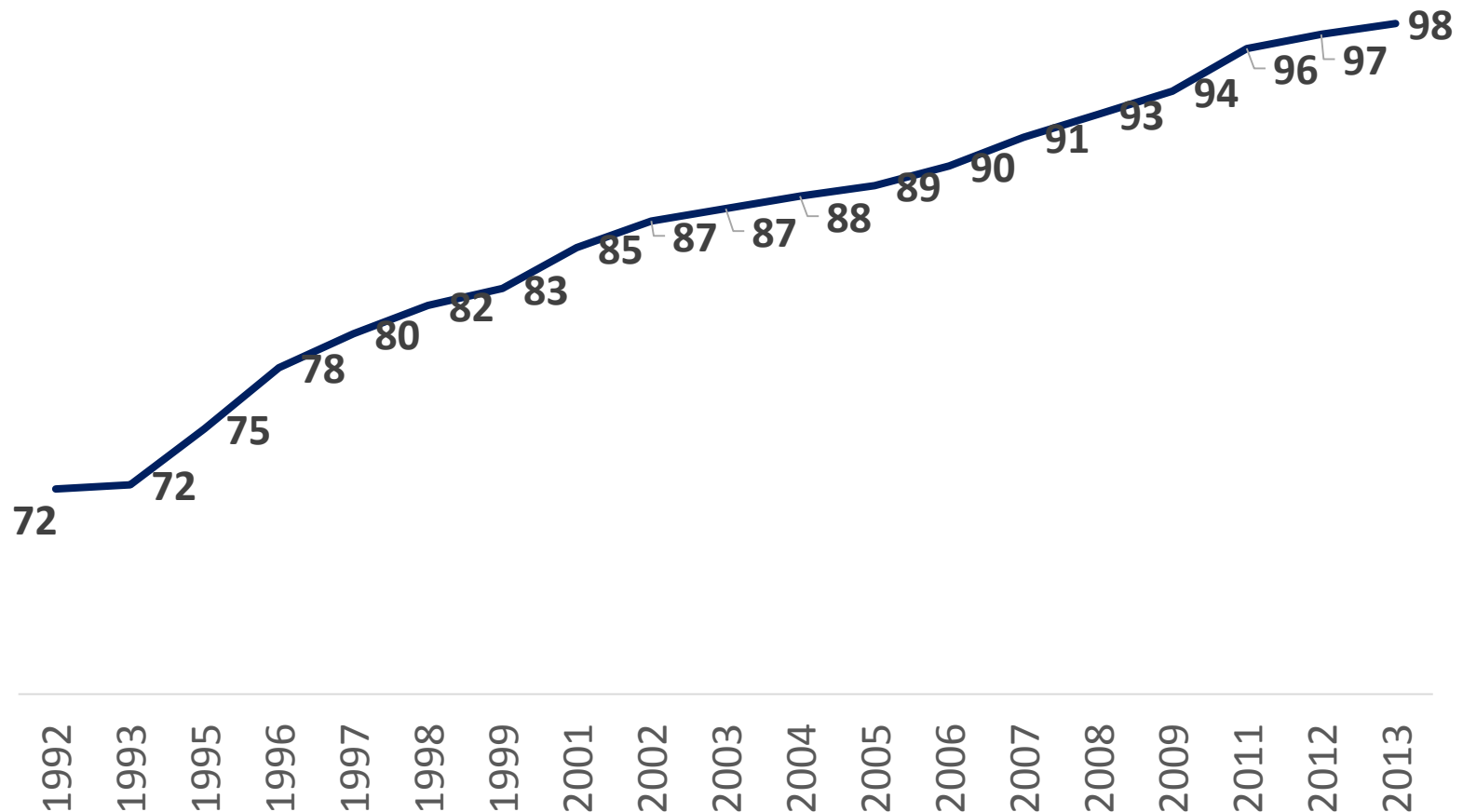


Source: IBGE

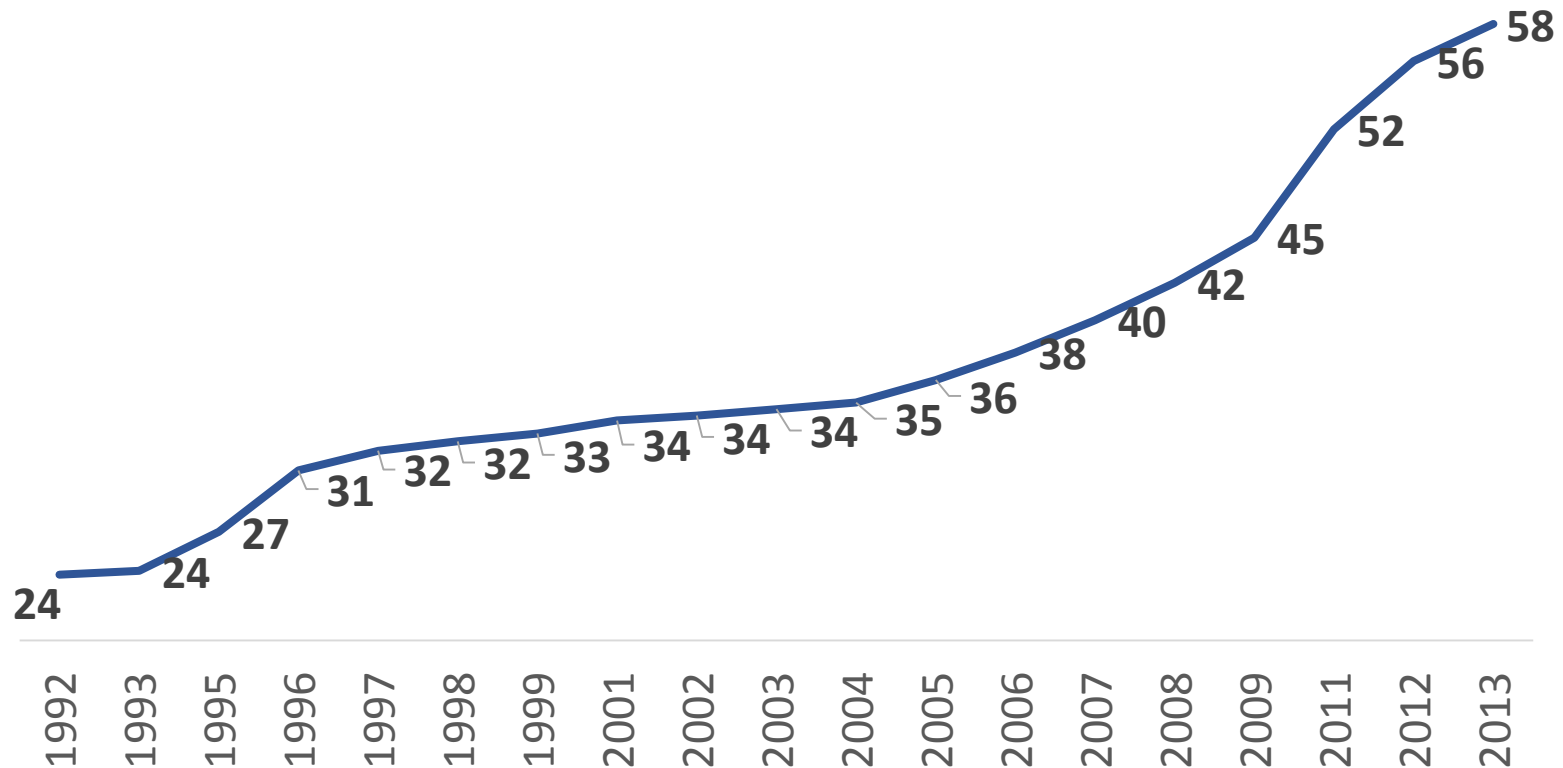
Share of Homes with Waste Collection (%)



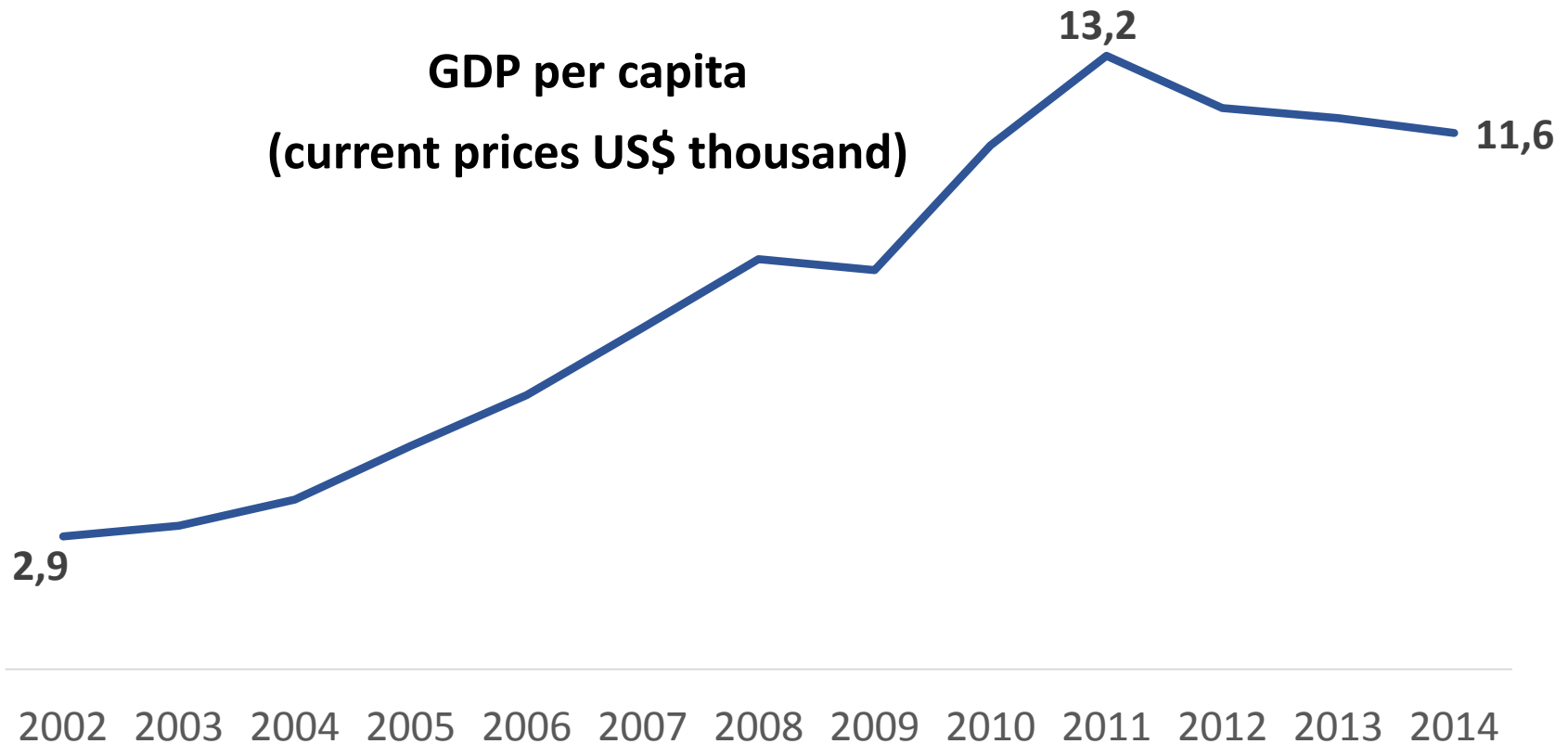
Share of Homes with Refrigerator (%)



Share of Homes with Washing Machine (%)



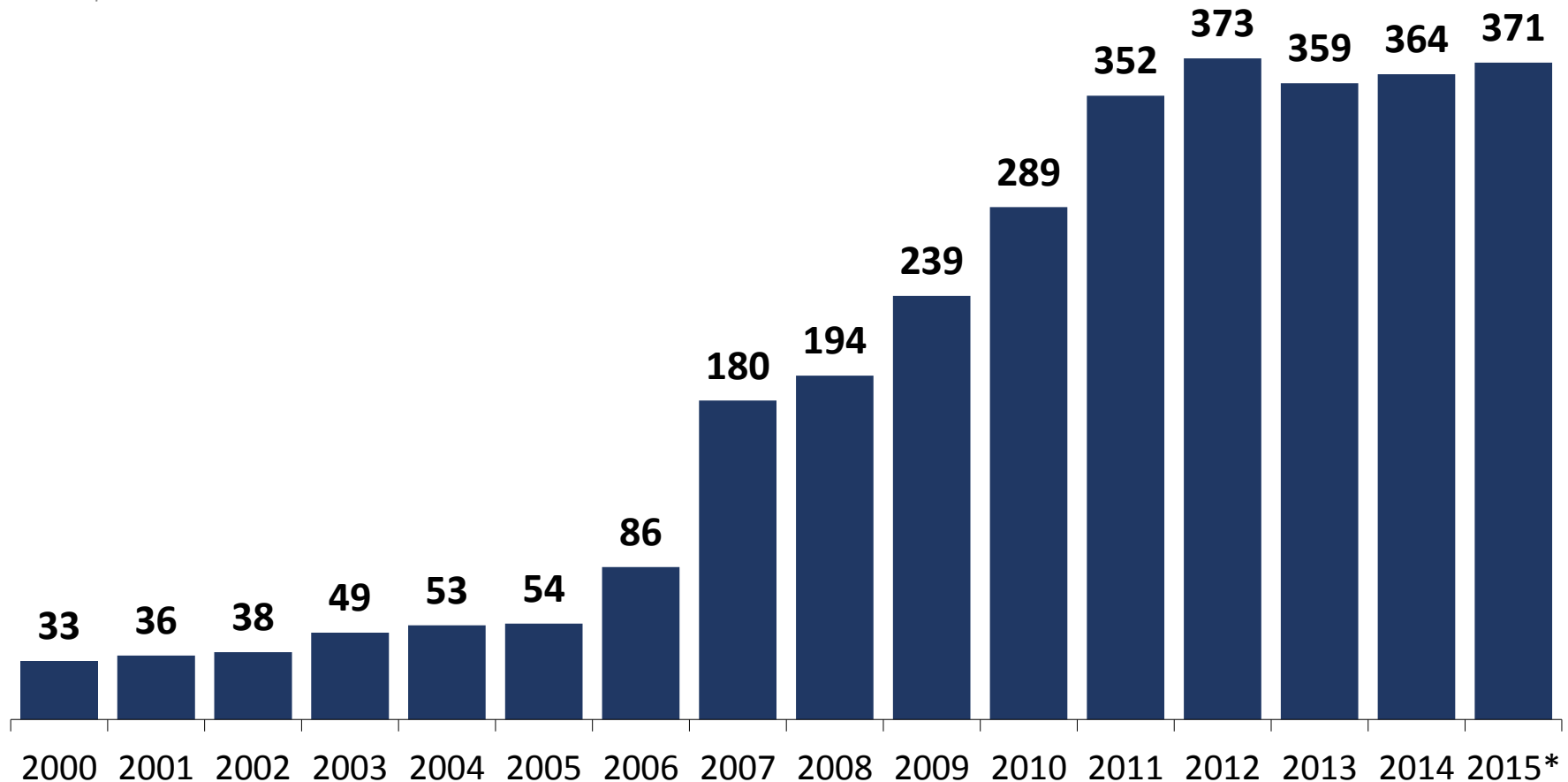
GDP per capita had grown continuously during 10 years, but the economy slowed down, commodities cycle ended and Brazil needs to adjust its economy to hard times.



Source: IBGE.

But this will be a different crisis: for the first time the government will not face a foreign currency shortness

US\$ billion



Source: BCB.

* Position of September/2015.

Government strategy to overcome this situation: a classic recovery

1. Fiscal adjustment

Cuts in most of social programs, subsidied loans and running costs

2. Major reforms

Tax system, pensions, unemployment insurance, public prices realignment

3. Microeconomic reforms to spur productivity

4. Exports expansion

Resumed trade negotiations, BRL devaluation

5. Investments in infrastructure

2015 fiscal effort amounts R\$ 134 billion (2,3% of GDP)

Federal Government has reduced its expenditures in R\$ 108.3 billion, which represents 81% of total fiscal effort.

Only 2,3% is related to tax increase.

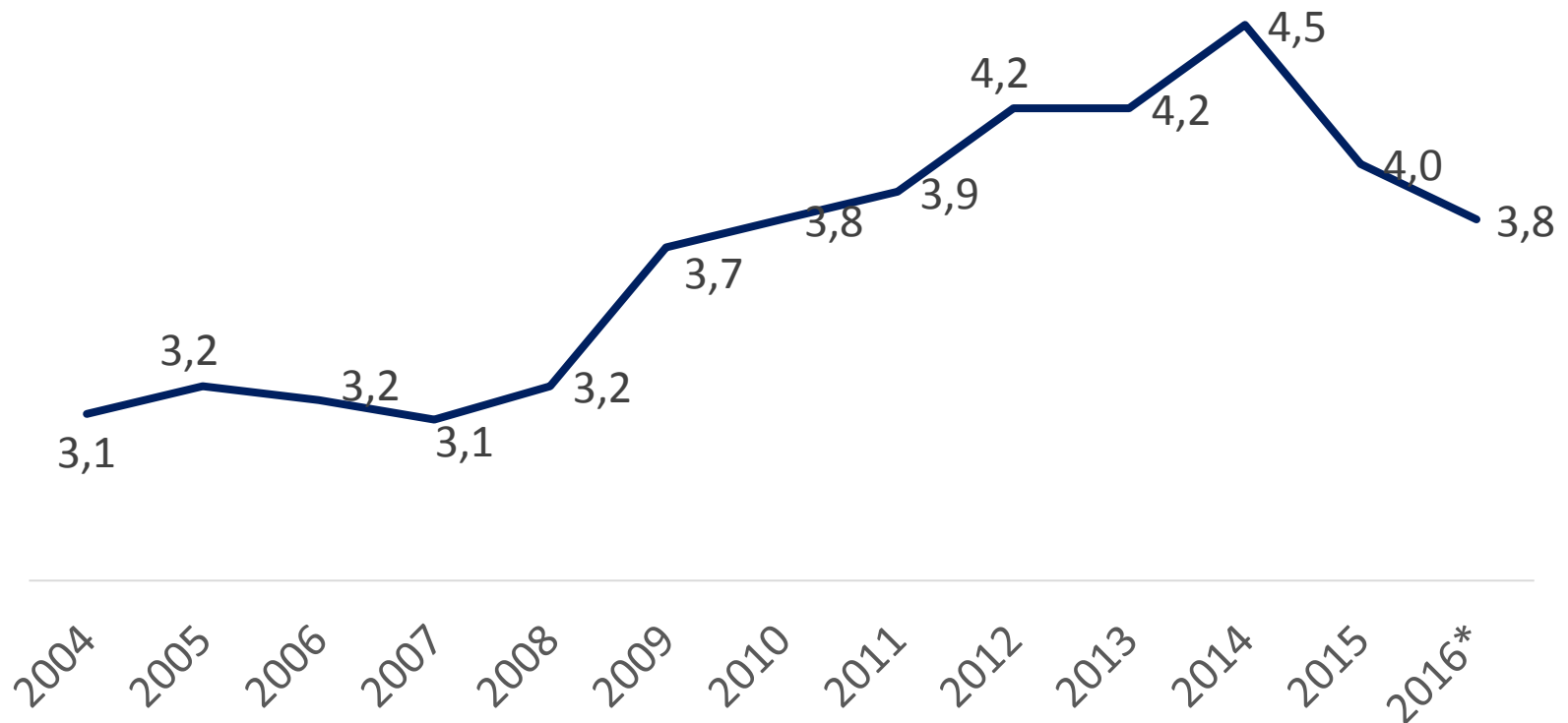
	R\$ million	% of GDP	Share of total
Initiatives to reduce discretionary expenditure	82,680	1.42	61.7
Initiatives to reduce mandatory expenditure	25,714	0.44	19.2
Reversion of tax redemptions	21,210	0.37	15.8
Tariffs Correction by past inflation	1,320	0,02	1,0
Tax increase	3,127	0.05	2.3
Total Effort	134.051	2,31	100,0
GDP 2015 (forecasted)	5,797,248	-	-

Total Fiscal Effort for 2016 Budget Law

	R\$ million	% of GDP	% of Total
Expenditure Reduction	61,300	0.97	42.7
Revenue Increase	89,320	1.35	57.4
Revenues with assets	32,300	0.52	22.5
Selling assets	27,300	0.44	19.0
Concessions	5,000	0.08	3.5
Tax increase	50,270	0.83	34.9
Total Effort	143,870	2.30	100.00
GDP Forecast	6,253,178	-	-

Discretionary Expenditure

(% of GDP)



Source: SOF

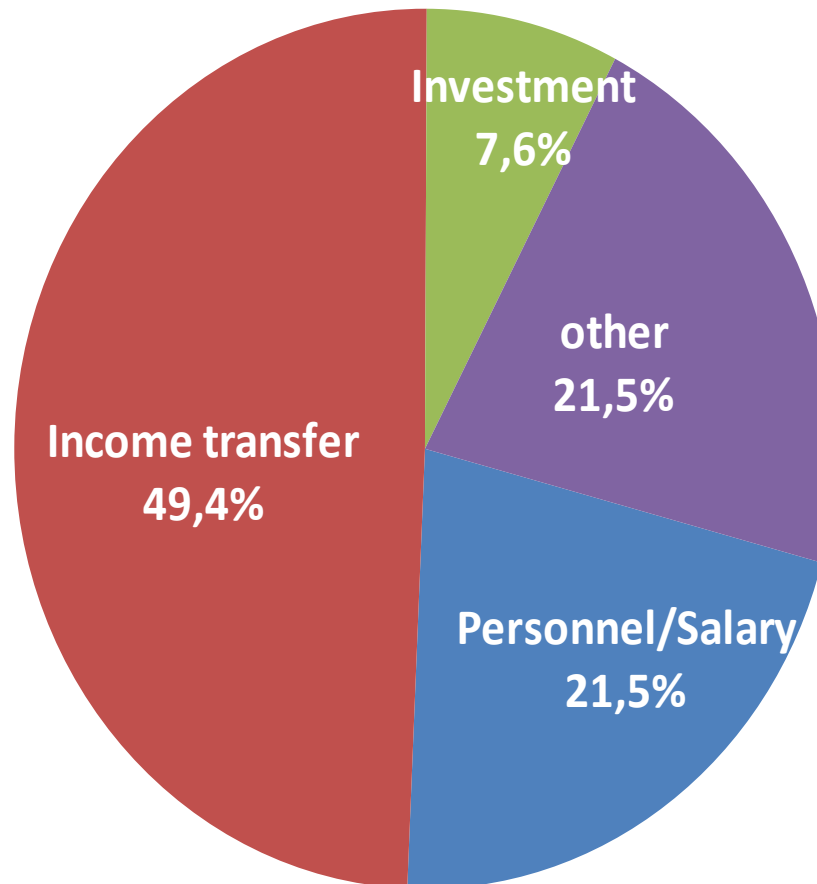
* PLOA 2016 adjusted

Budget Rigidity - 2016

	Budget 2016		
	R\$ bi	% GDP	% of expenditure
Total expenditure	1.210,6	19,4%	100,0%
Total expenditure not subjected to restriction	1.107,9	17,7%	91,5%
Mandatory	960,2	15,4%	79,3%
Social security	491,0	7,9%	40,5%
Personnel	252,6	4,0%	20,9%
Unemployment insurance	55,0	0,9%	4,5%
Special benefits (hadicaped and elderly)	46,1	0,7%	3,8%
Transfer to FGTS	6,0	0,1%	0,5%
Subsidies	28,3	0,5%	2,3%
Tax exemptions over payroll	18,5	0,3%	1,5%
Legislative and judiciary expenditures	13,6	0,2%	1,1%
Tranfer to Federal District	12,0	0,2%	1,0%
Judicial decisions	10,3	0,2%	0,8%
Other mandatory	26,7	0,4%	2,2%
Discretionary but not sbjected to restriction	147,8	2,4%	12,2%
Minimum expenditure with health (except personnel)	89,5	1,4%	7,4%
Minimum expenditure with education (except personnel)	17,0	0,3%	1,4%
Bolsa Família	28,8	0,5%	2,4%
Public servants benefits	12,4	0,2%	1,0%
Discretionary	102,7	1,6%	8,5%
Investment (except health)	41,8	0,7%	3,5%
Other	60,9	1,0%	5,0%
Obs: Total discretionary expenditure	250,4	4,0%	20,7%

Brazil is a big welfare state expending almost half of its budget in income tranfers programs

Fedral Governement Expediture (%) - 2014



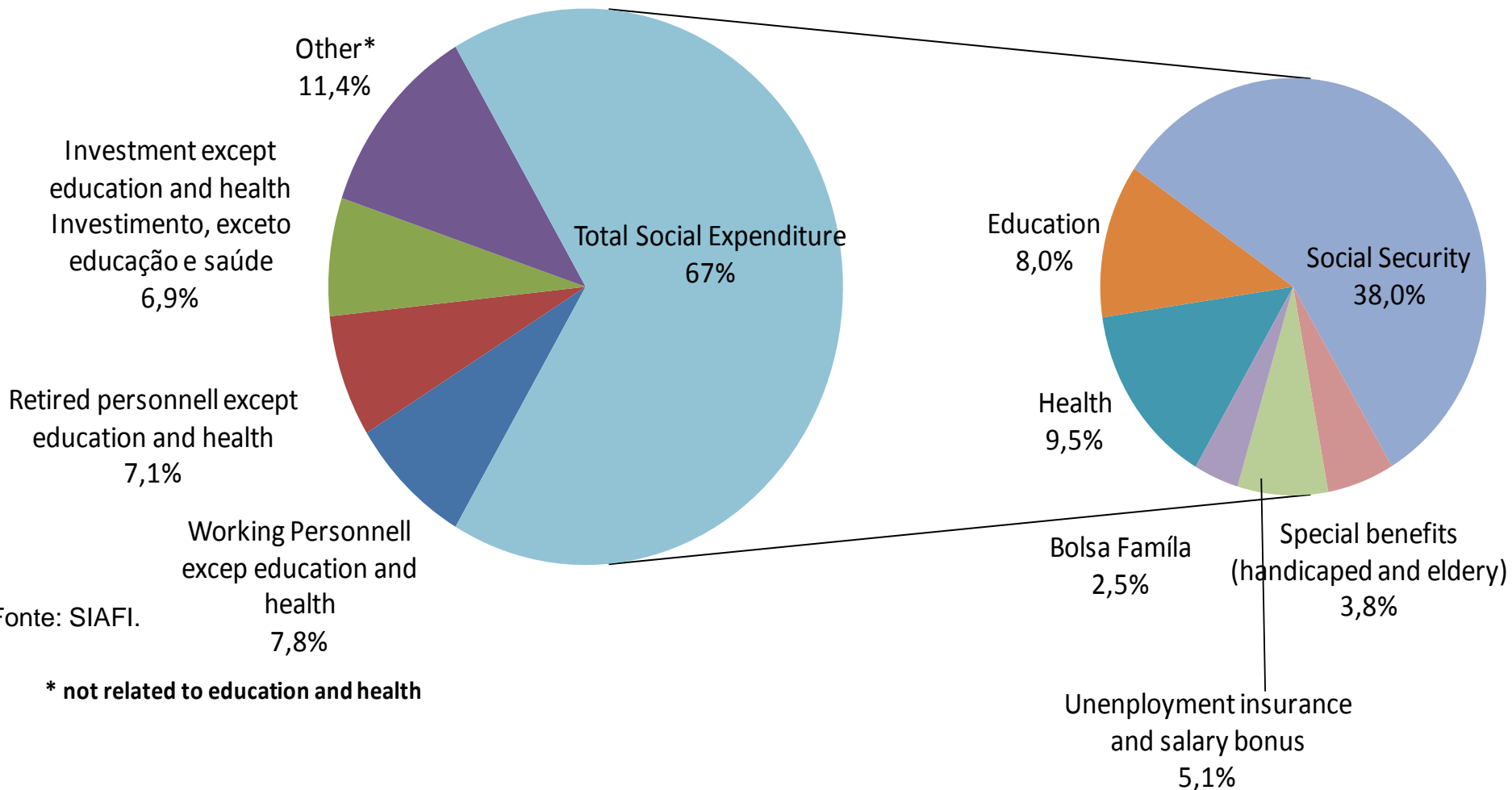
Fonte: SIAFI.

EXPENDITURE COMPOSITION

LOGISTICS
INVESTMENTS
PROGRAM

Adding education and health, the social expenditure accounts for almost 70% of the total

Federal Government Expenditure 2014

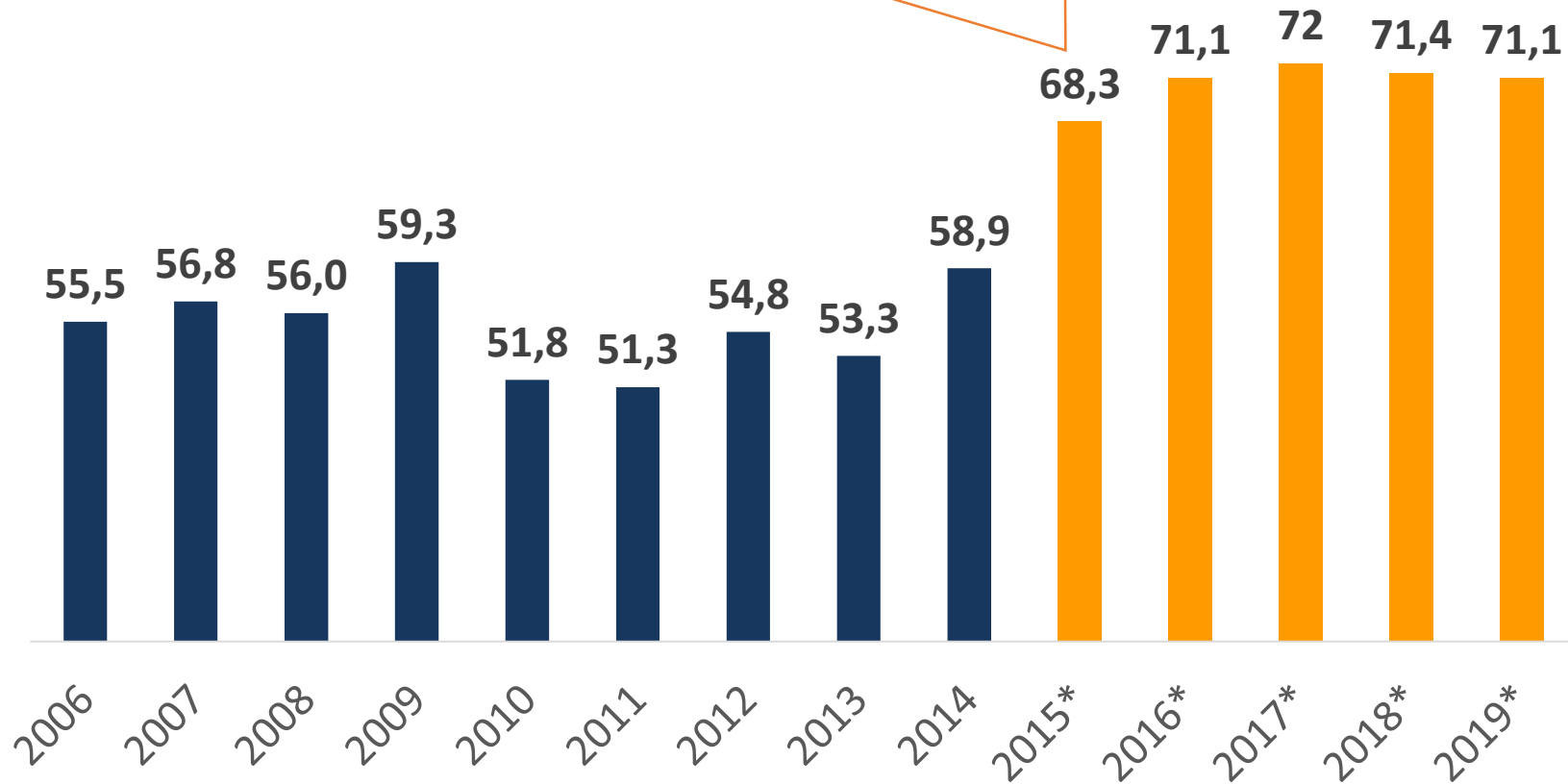


GENERAL GOVERNMENT GROSS DEBT

Debt stabilizes after 2016

% of GDP

International Reserves: 15.95% of GDP
Loans to BNDES under PSI: 9% of GDP

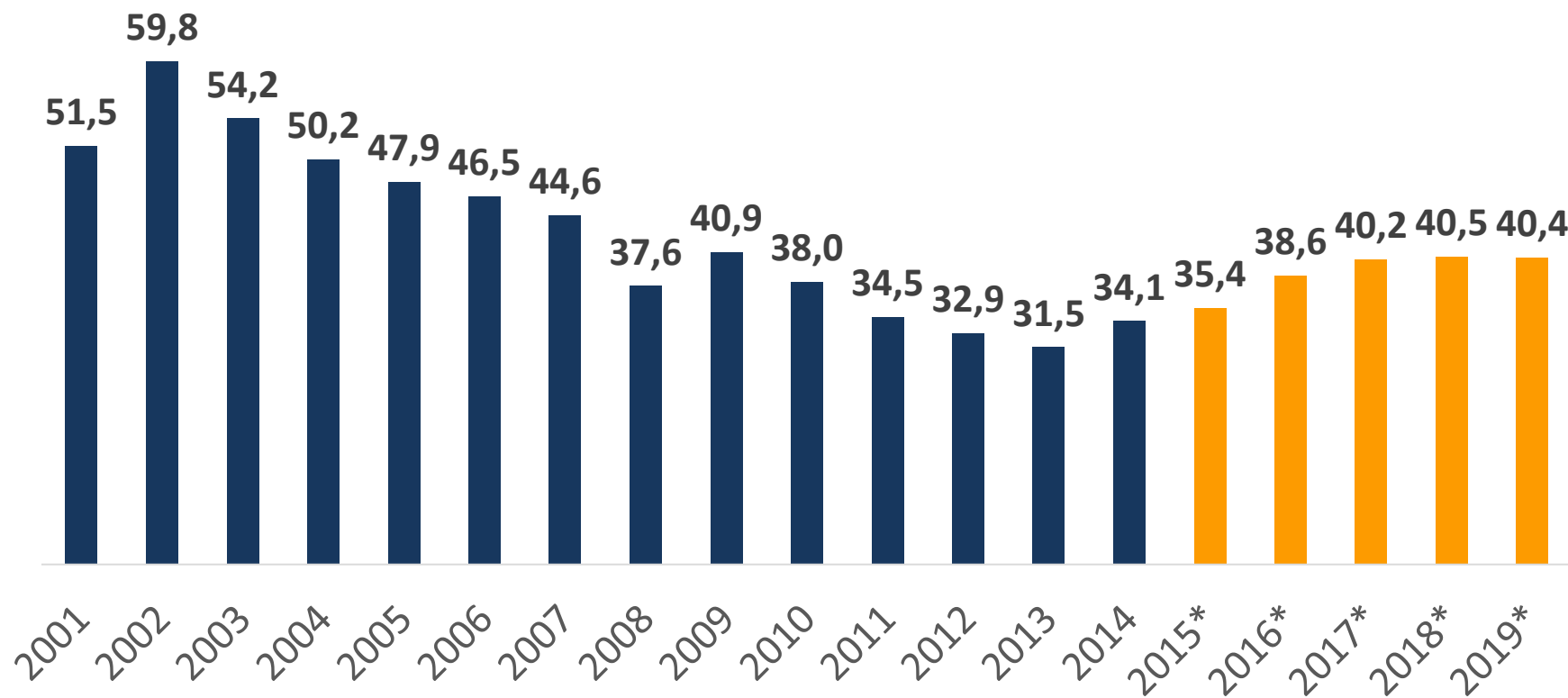


Source: BCB.

* Central Bank forecasts based on Ministry of Finance assumptions on 10/05/2015.

Stabilized, after a declining trend between 2001 and 2014

% of GDP

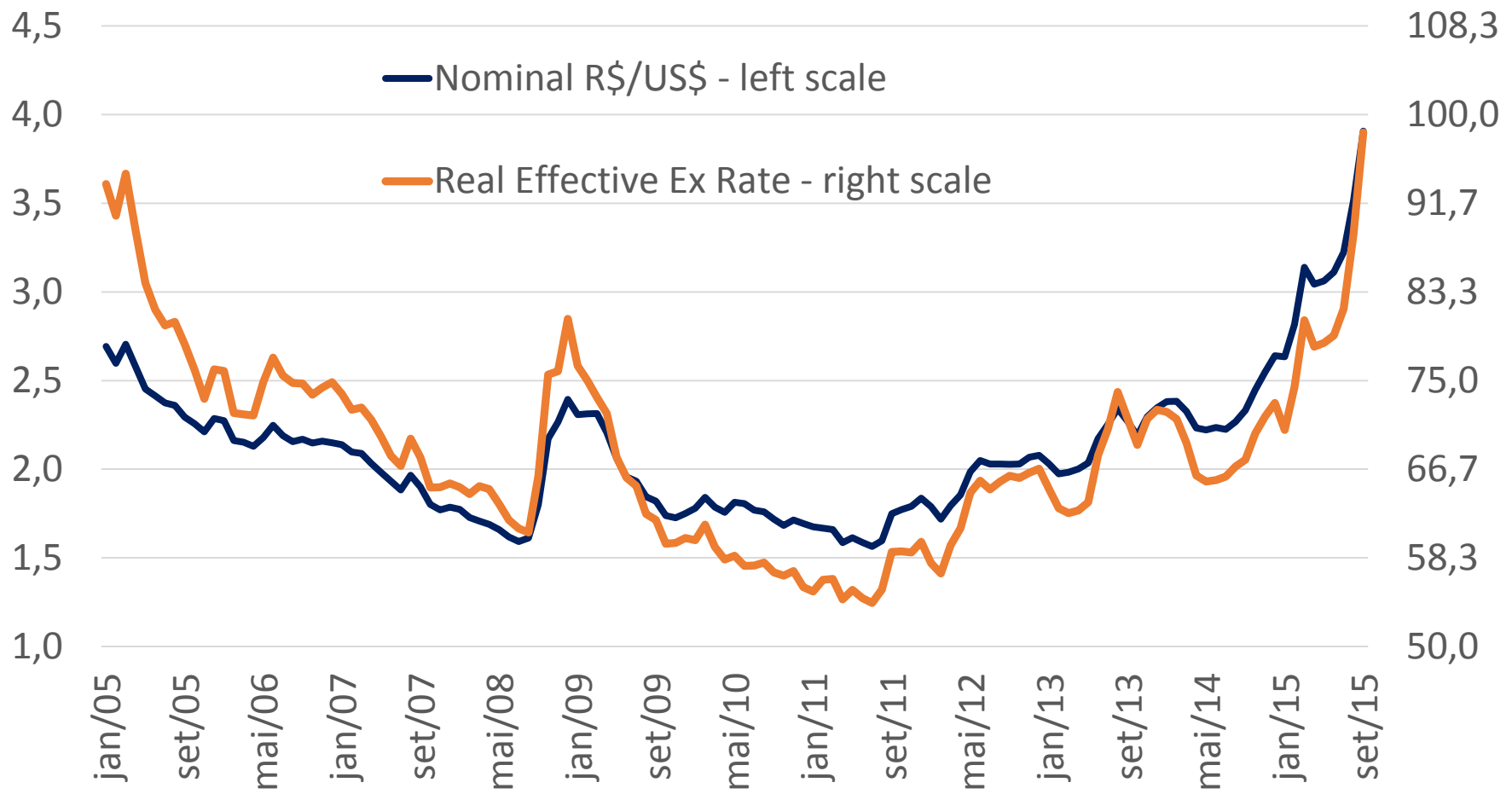


Source: BCB.

* Central Bank forecasts based on Ministry of Finance assumptions on 10/05/2015.

NOMINAL AND REAL EXCHANGE RATE

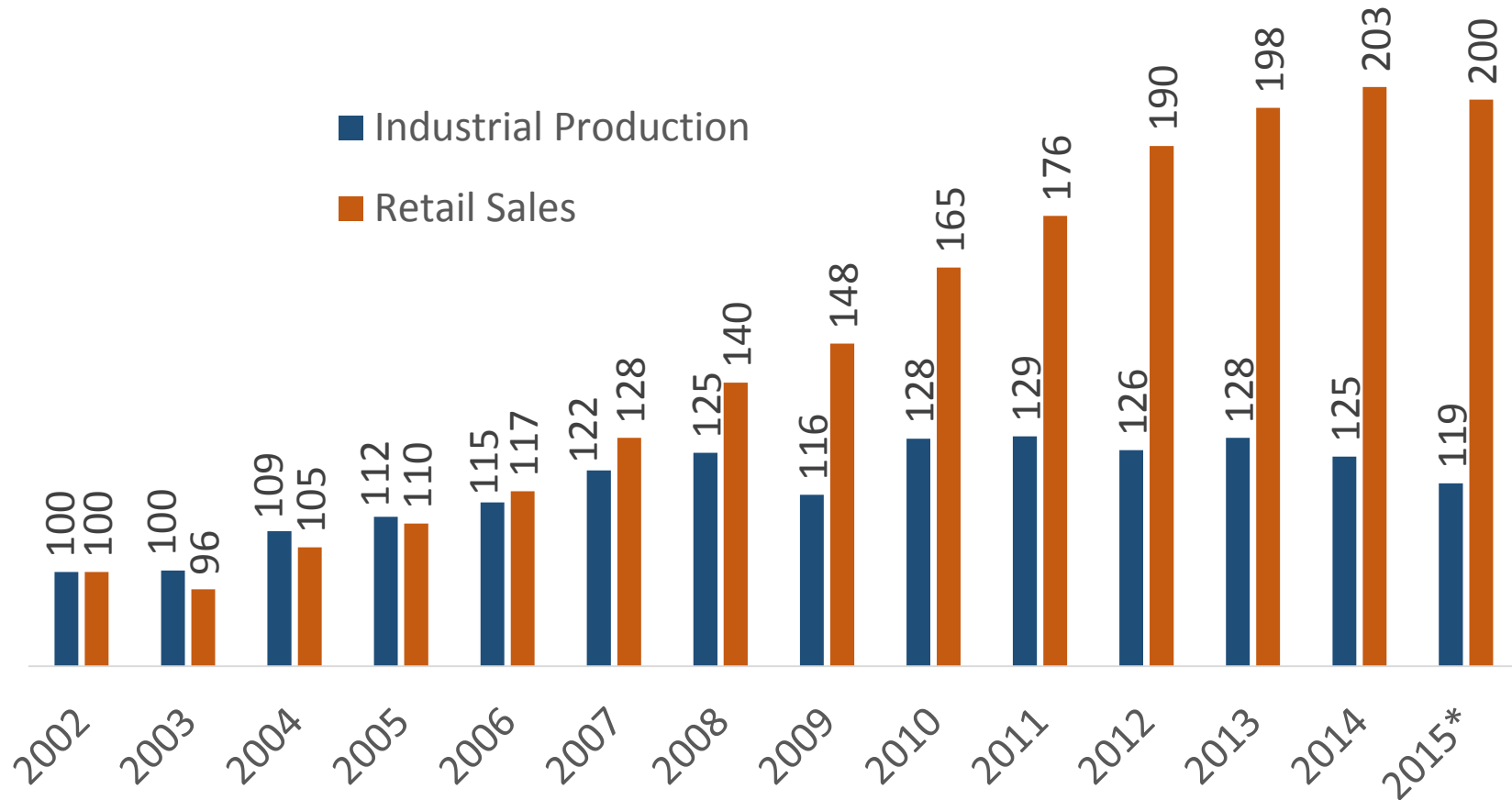
Devaluation will help to increase exports in near futures



Source: BCB.

RETAIL SALES AND INDUSTRIAL PRODUCTION

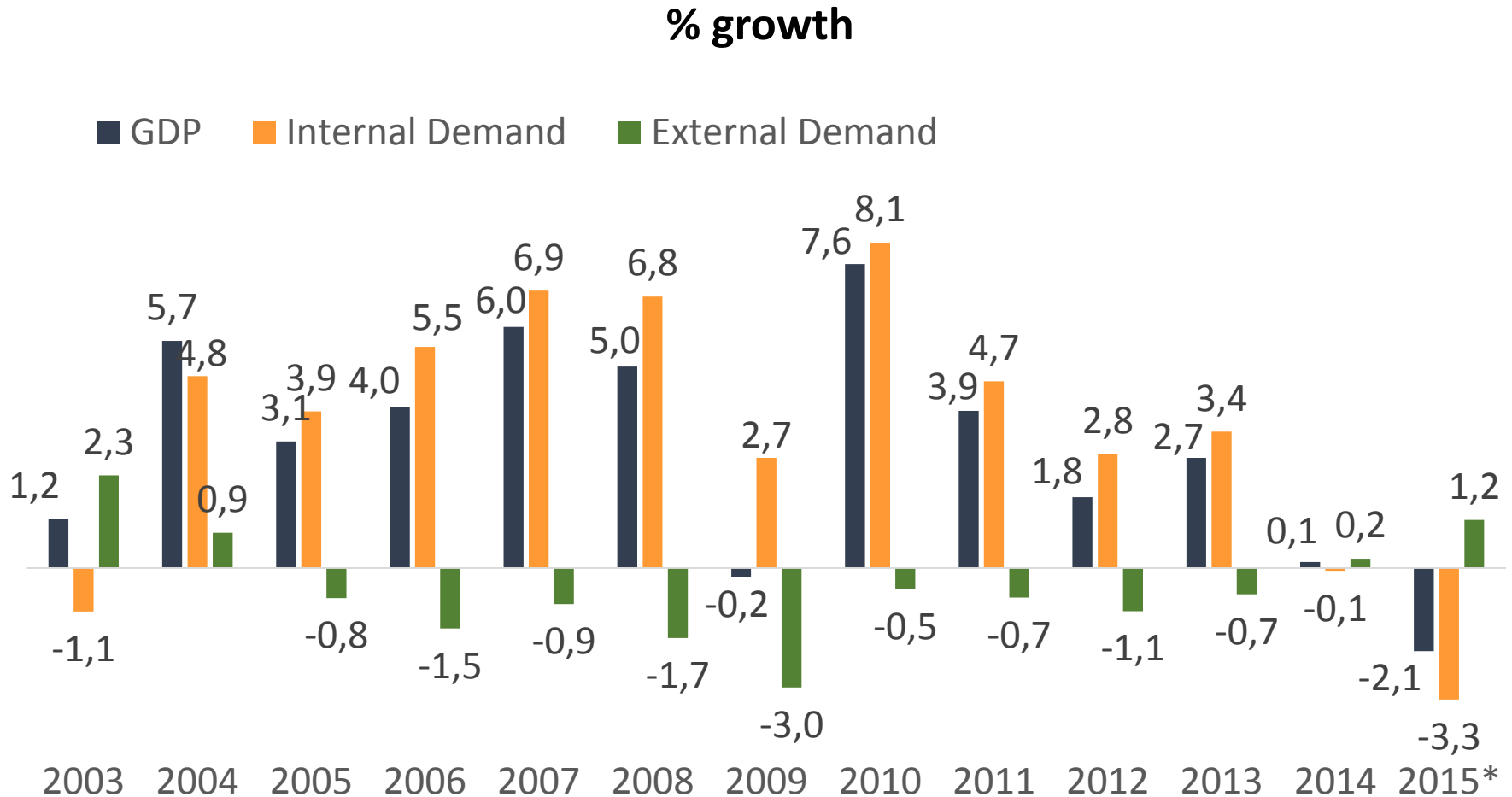
Index (2002 = 100)



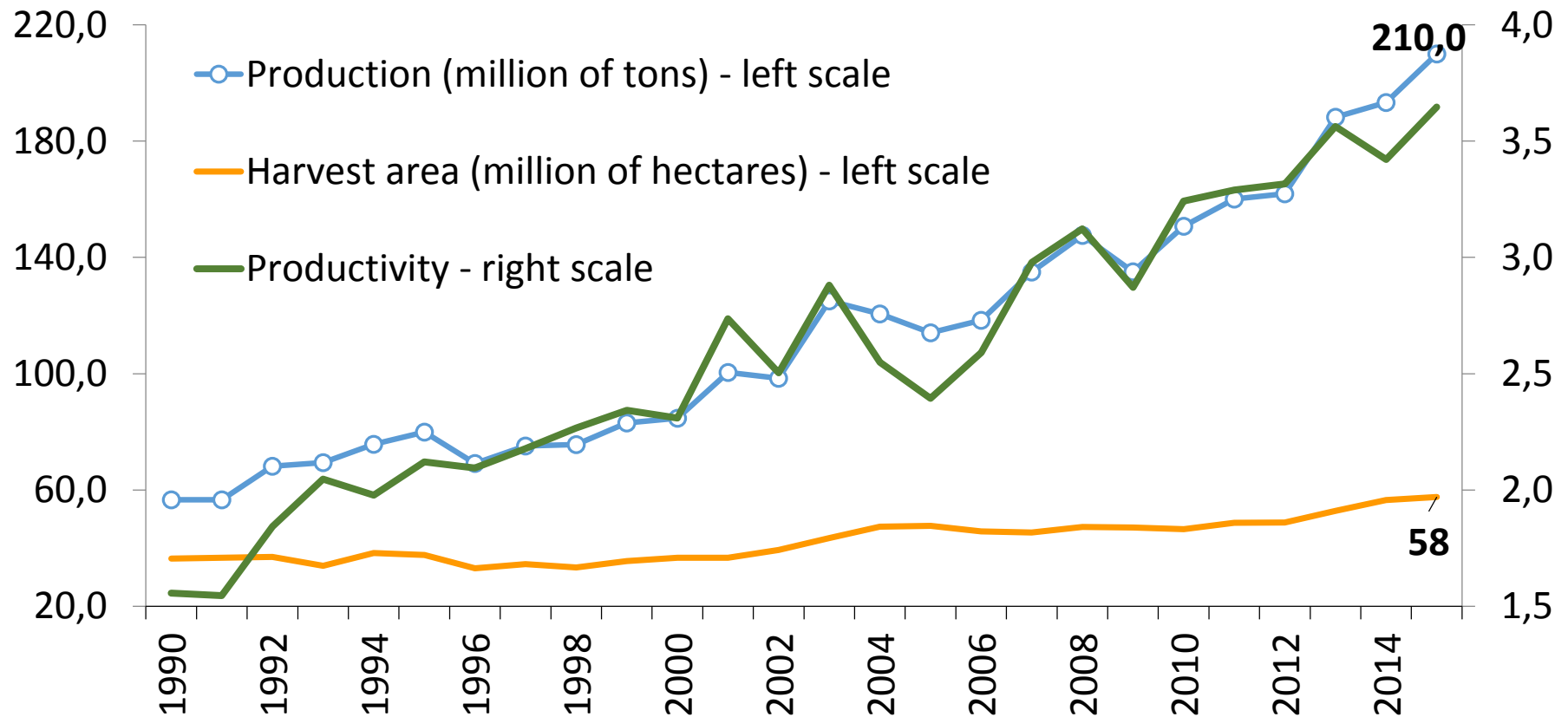
Source: IBGE.

* 12 month moving average up to July

In fact, external demand will account positively in 2015 after a long period of negative contribution to GDP



Source: IBGE.
1ST semester

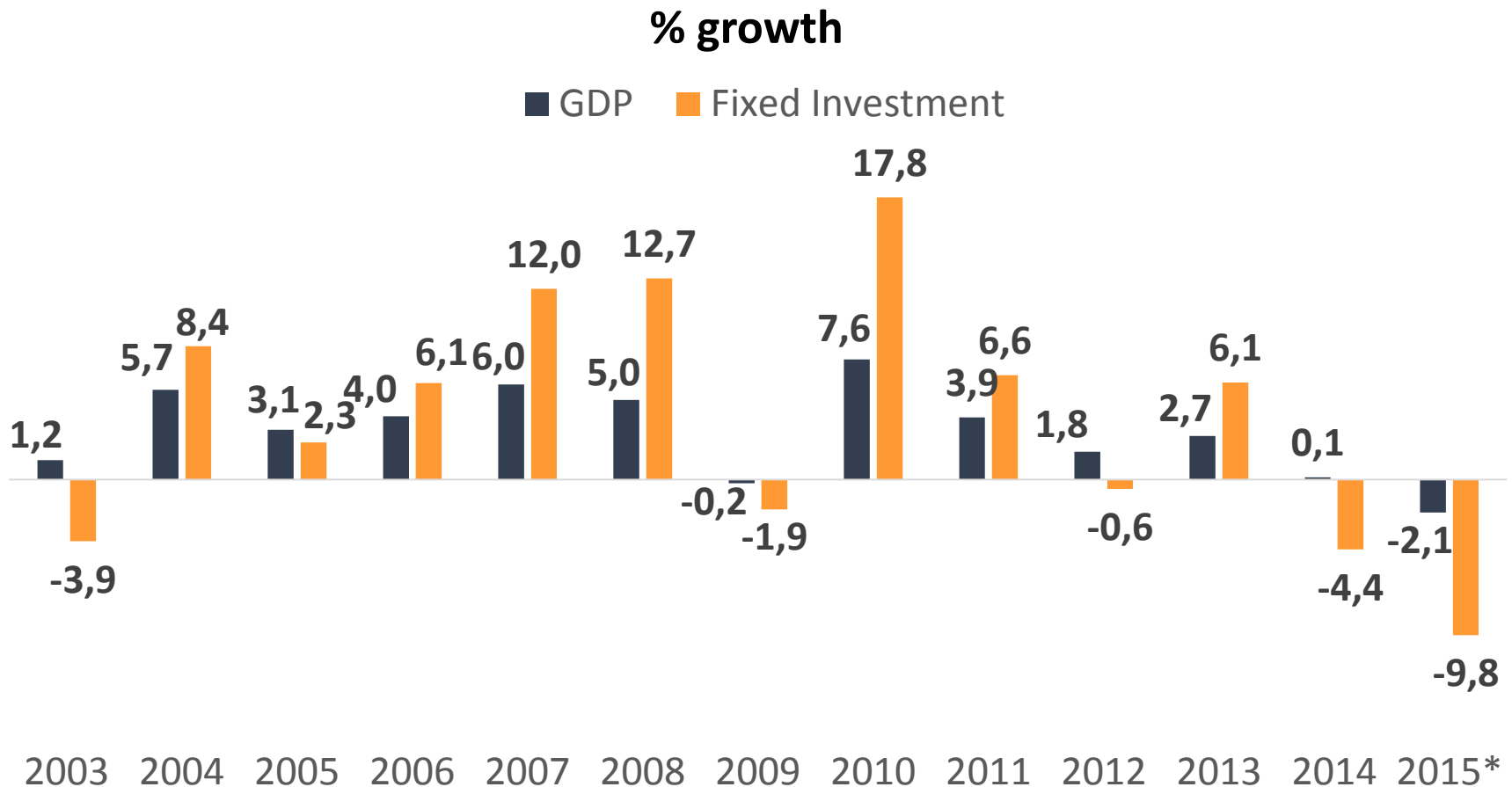


Source: IBGE.

* August forecast

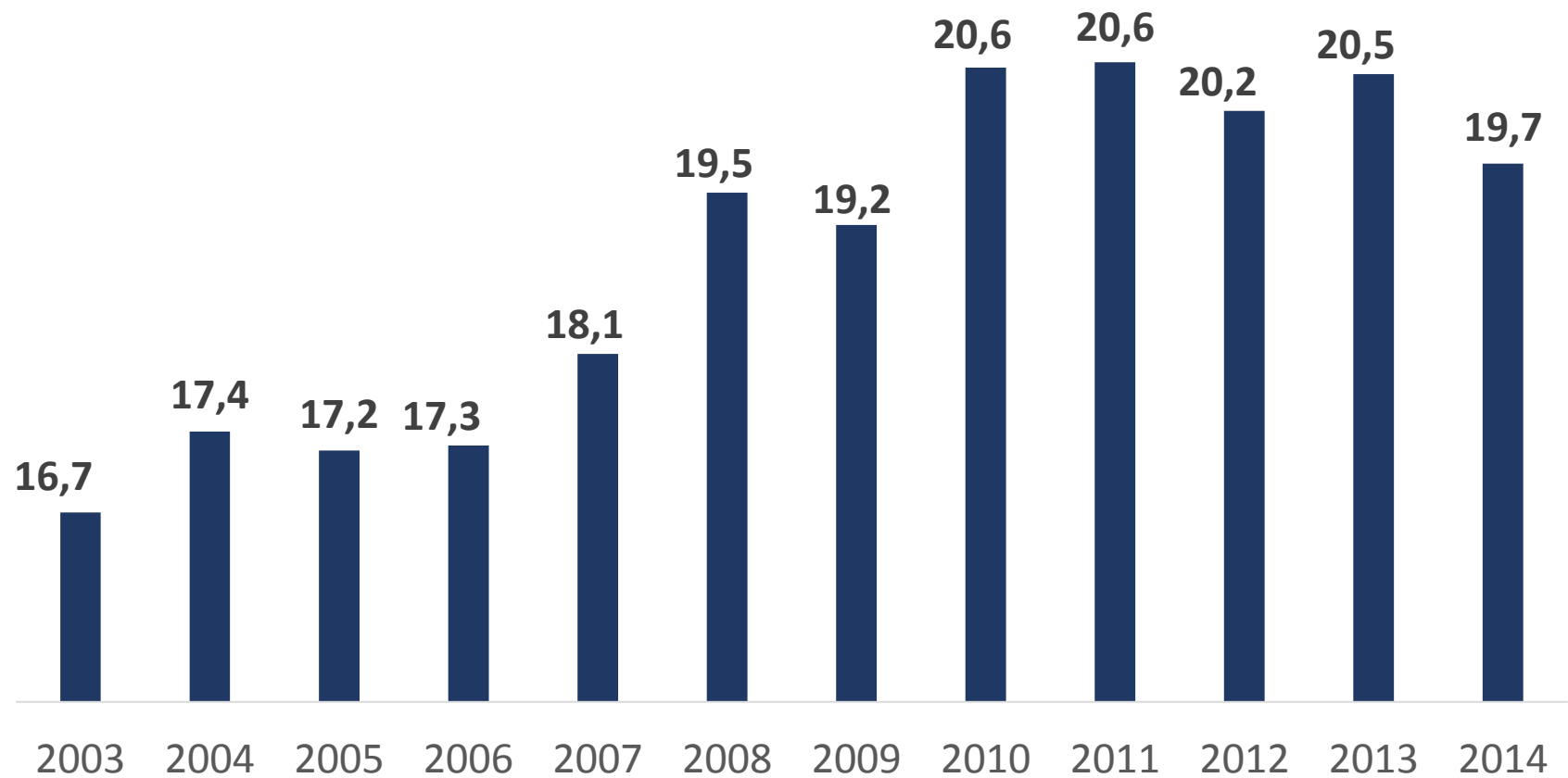
GDP AND FIXED INVESTMENT

Investment had grown over GDP during the last ten years. For the next few years this shall be one of the most important drives of growth.



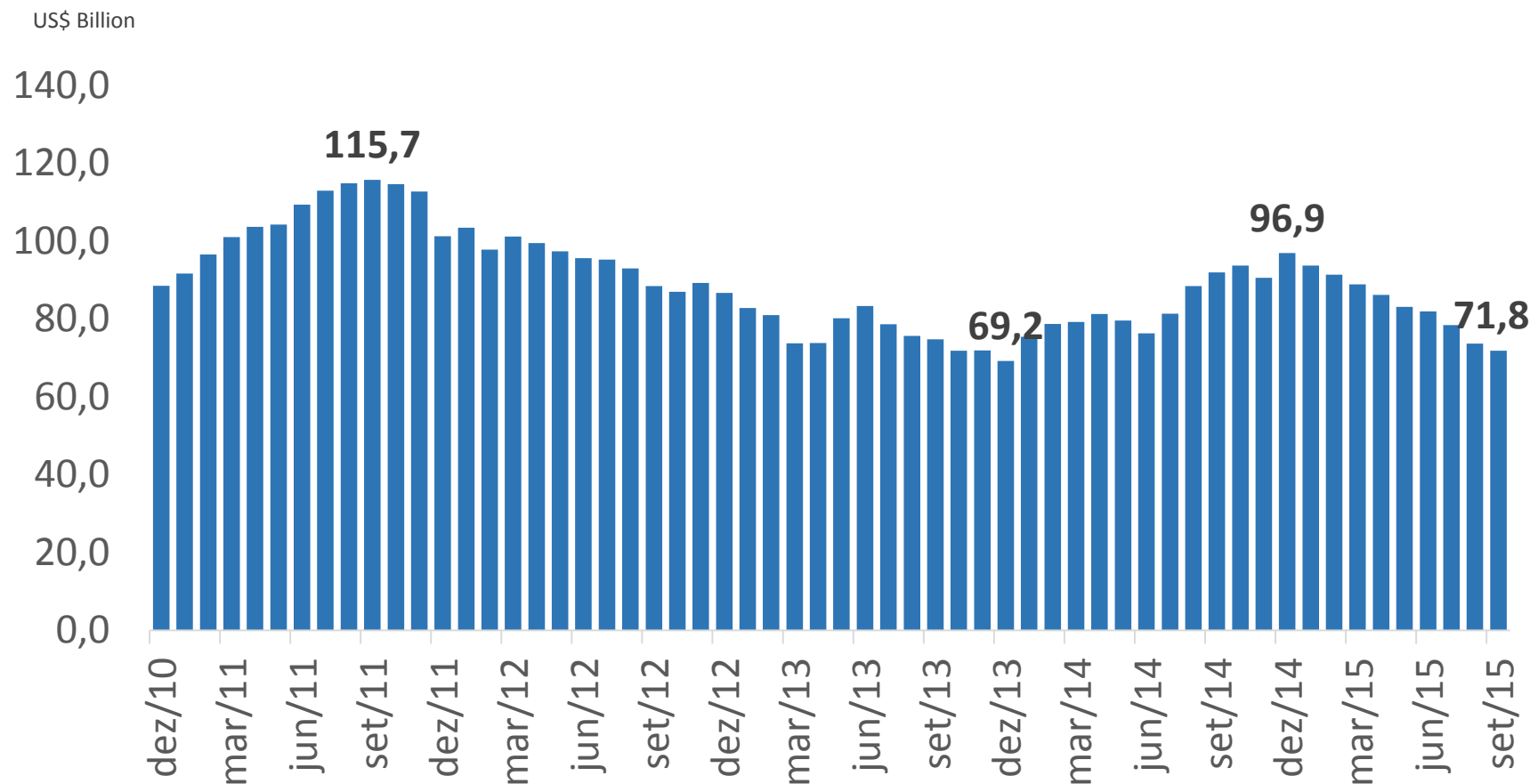
Source: IBGE.
1st semester

% of GDP



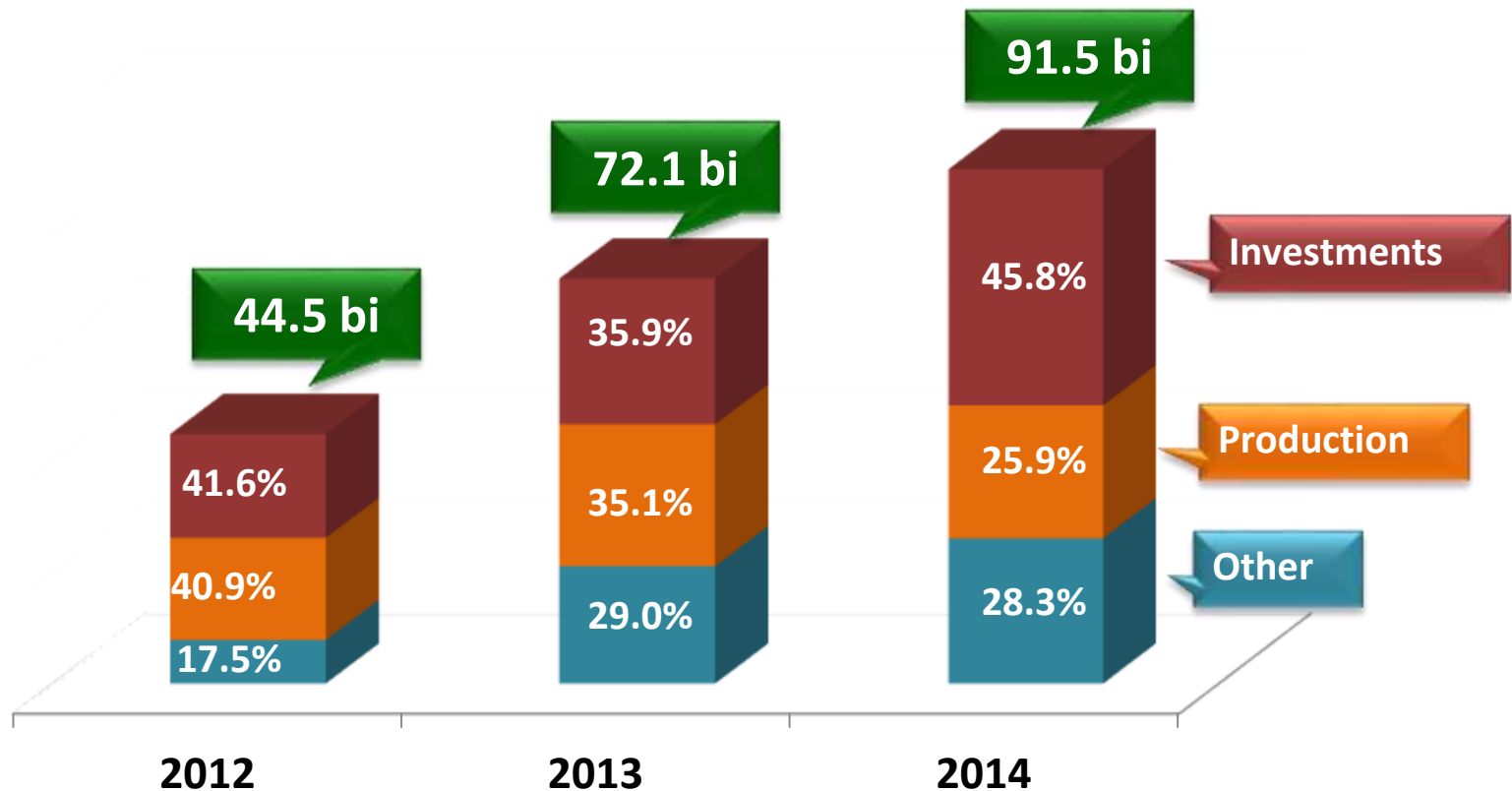
Source: IBGE.

FOREIGN DIRECT INVESTMENT



Source: BCB.
12 months-flow
Data based on BPM6 - IMF

Tax Redemptions Focused on Investments and Production



CONCESSIONS IN BRAZIL



Total Investment US\$ 49.5 billions

Highways

US\$ 16.5 bi

Railways

US\$ 21.5 bi

Ports

US\$ 9.3 bi

Airports

US\$ 2.2 bi

* Exchange rate (R\$/US\$): 4,01

** Figures include new investments in current concessions, not presented in the following slides. For more information: www.logisticabrasil.gov.br/logistics-brazil

5 STEPS FOR CONCESSIONS IN BRAZIL

Project
development

Public
hearing

Federal
Court of
Accounts

Auction

Contract
Signature

**Project analysis and adjustments
by the government**

Project
development

Public
hearing

Federal
Court of
Accounts

Auction

Concession

- **REQUEST FOR PROPOSALS (RFP):** Government opens a RFP and authorizes interested companies to prepare economic studies and to present proposals.
- **Selection of best project for each concession according to criteria of best quality.**
- **Selected project is complemented in accordance to Regulatory Agency guidelines.**
- **Costs are paid by the winner of the auction.**

Project
development

Public
hearing

Federal
Court of
Accounts

Auction

Concession

- **Studies and projects are made public.**
- **Society contributions.**
- **Doubts are clarified.**
- **Regulatory agencies adjust studies incorporating contributions if necessary.**



- **Tribunal de Contas da União – TCU (Federal Court of Accounts) analyses studies and projects.**
- **TCU analyses engineering projects, economic studies, modelling and papers.**
- **Covers aspects of efficiency, legality and accountability.**
- **Further adjustments of studies may be needed.**



- **Regulatory Agencies officially publish the concession documents to authorize applications and the auction date is determined.**
- **Regulatory Agencies conduct auction and verify eligibility requirements of winning company.**



- **After pre-requirements are fulfilled, the contract is signed and the winning company assumes the concession.**
- **Concessionaire further develops project and defines schedule for project and investment execution.**
- **Beginning of the operation.**
- **Regulatory agencies supervision.**

Foreign company participation:

1. Through Brazilian branch - Brazilian legislation treats the Brazilian branch as a local company.
2. Through a joint venture with a Brazilian partner.
3. Through authorization for foreign company to operate in Brazilian market – takes about 30d to obtain.

Recent Improvements:

Exemption of minimum net equity as requirement for participation.



**6 airport
concessions awarded**

**US\$ 6.5 Billion
in investments**



São Gonçalo
do Amarante
RN



Guarulhos
SP



Viracopos
SP



Brasília
DF



Confins
MG



Galeão
RJ

**5 new international operators in the Brazilian
market, with increase of efficiency and services
and infrastructure improvement**



- **4 airports.**
- **US\$ 2.1 Billion in investments.**
- **General Guidelines:**
 - Expanding infrastructure.
 - Creating new regional hubs.
 - Increasing the level of satisfaction among passengers with improvement of airports infrastructure.
 - Bringing innovation and experience through partnerships with international operators.
 - Encouraging tourism.
 - Enhancing cargo transportation.

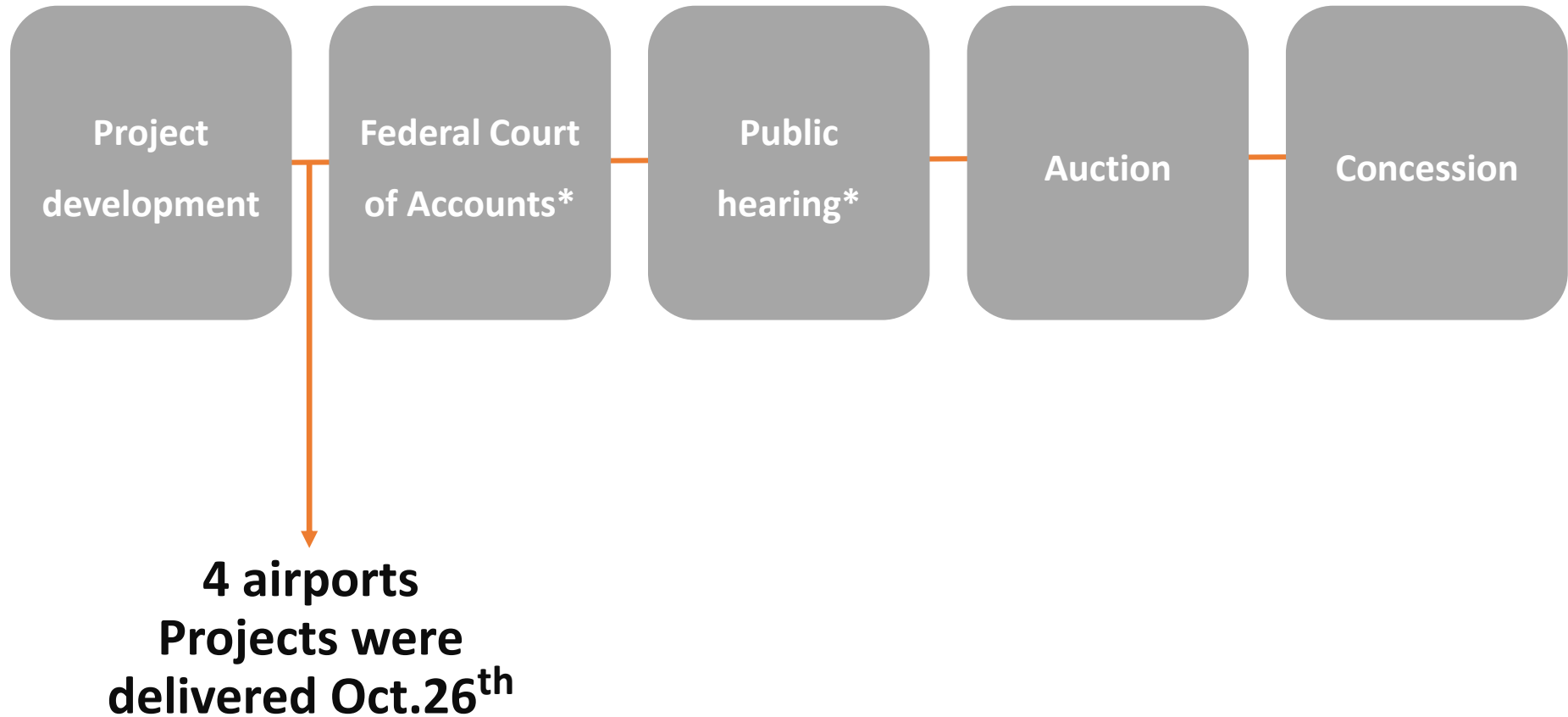




- **Brownfield airports.**
- **Main Investments: apron enlargement, expansion and construction of terminals, new airstrips etc.**
- **Bidding criteria: higher grant.**
- **Remuneration of the concession holder: flight and airport tariffs and additional revenues (shopping, parking etc.).**

PROJECTS STATUS

LOGISTICS
INVESTMENTS
PROGRAM



*For airports the Federal Court of Accounts and the Public Hearing steps are exchanged



Phase	Deadline
Beginning of projects development	Jun.10 th
Projects conclusion	Oct.26 th
TCU analysis and approval	1 st quarter 2016
Auction	2 nd quarter 2016



1995-2002 1.316 km awarded in 6 roads



2003-2010 3.305 km awarded in 8 roads



2011-2014 5.350 km awarded in 7 roads



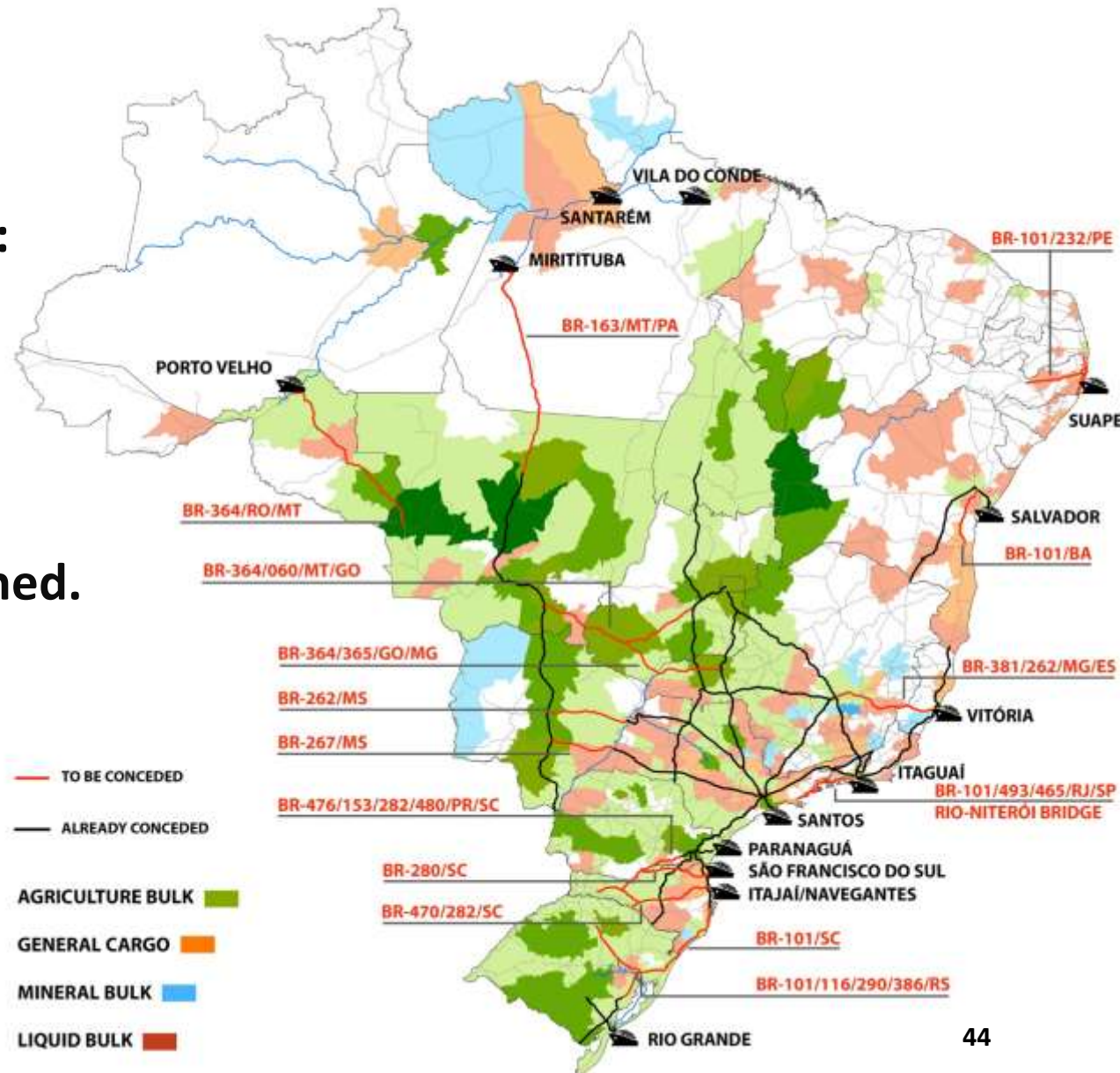
2015-2018 7.068 km to be awarded in 16 roads



HIGHWAY CONCESSIONS

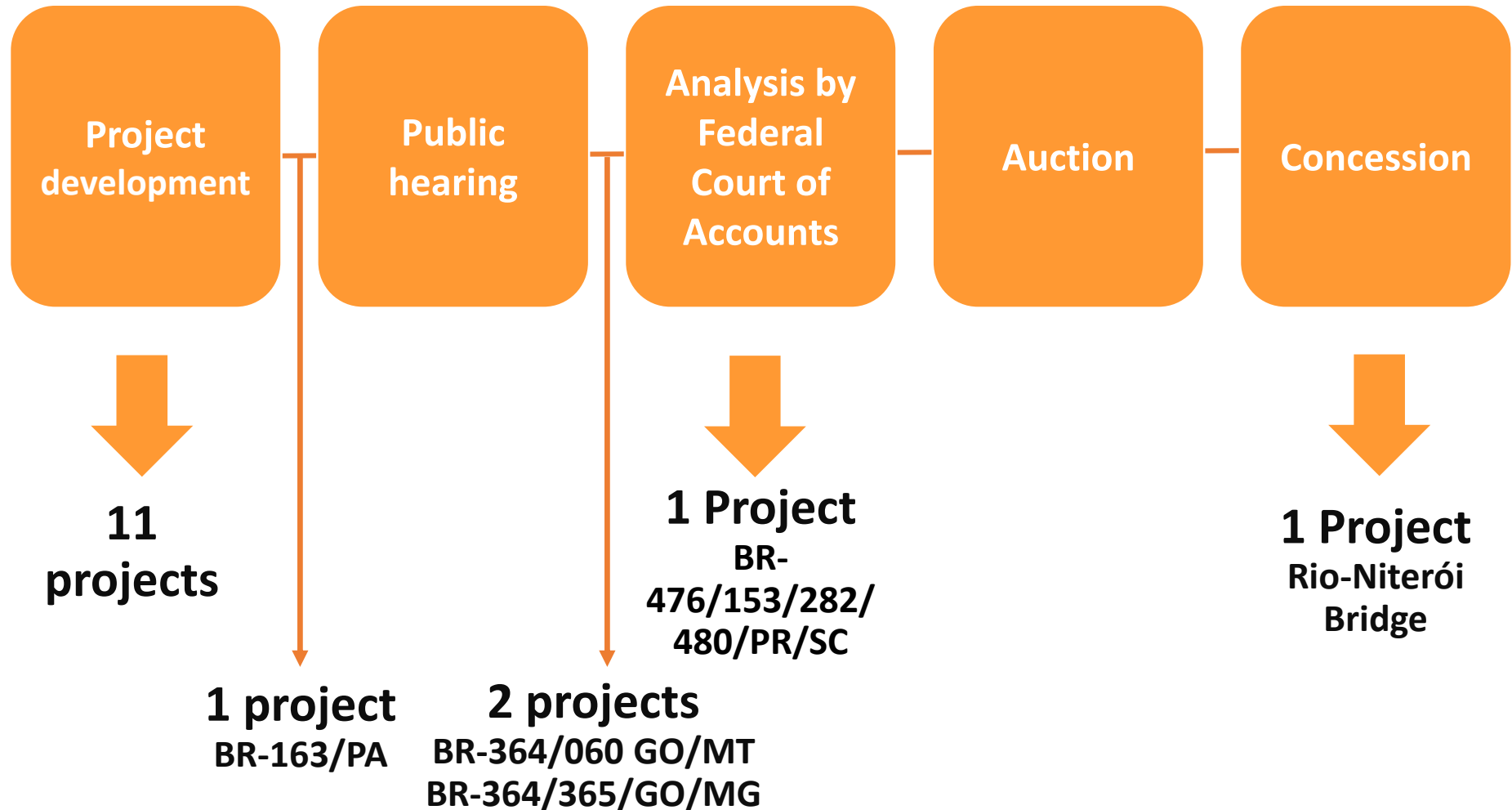
LOGISTICS
INVESTMENTS
PROGRAM

- 16 projects.
- Estimated investment:
US\$ 12.8 billion.
- 7.081 km in 14 States.
- 1 contract already signed.





- **Brownfield projects. Main investments: duplication, third lane, asphalt recovery, traffic systems, etc.**
- **Bidding criteria: lowest toll.**
- **Concession period: 30 years.**
- **Long term financing by BNDES – partnership with commercial banks and capital markets.**
- **Express licensing for highways speeds up the beginning of operations.**
- **Environmental risk supported by the government.**
- **Expropriation cost cap defined in the contract.**
- **Contract determines maximum term for dispute resolution by ANTT on financial economic imbalances – 4 months.**





TERMINALS		Amount	Investments (US\$ bi)
Private Terminals	Operating	17	0,4
	Authorized	25	2,4
	Expansion	5	0,7
	Sub Total	47	3,5
Terminal Leases	Renewal	6	1,8
Total			5,3

PUBLIC PORTS – TERMINAL LEASES

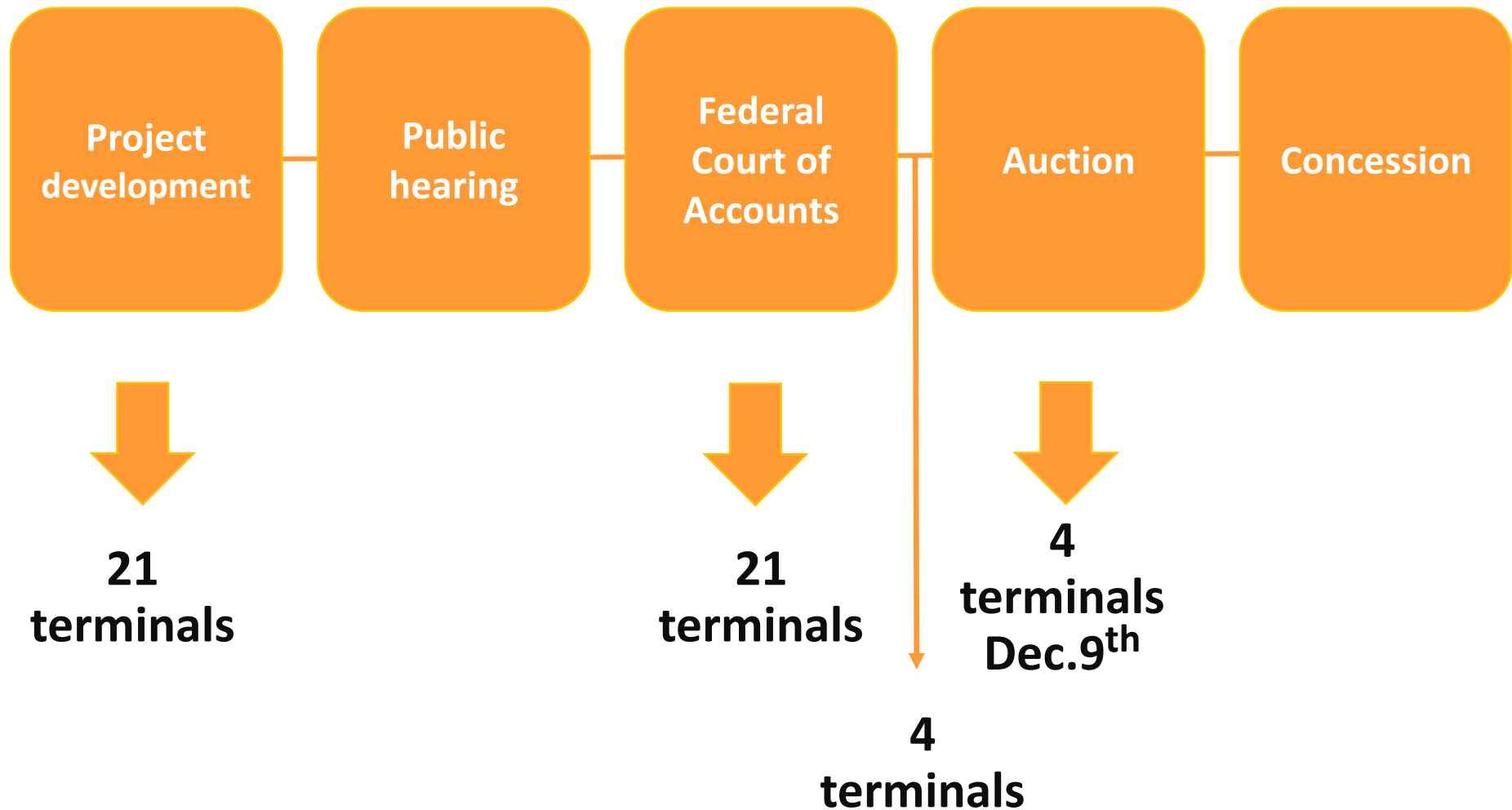
- **Main investments:** port installations improvement, storage facilities and docking sites construction, etc.
- *Brownfield* and *greenfield* terminals.
- **Bidding criteria:** highest grant.
- **Maximum concession period:** 25 years.
- **Concession revenue:** operation toll payed by users and additional tariffs.

PRIVATE TERMINALS

- **Government authorizes building and operation of private terminals, outside public ports.**
- **Main prerequisite:** ownership of terminal land.
- **No need of bidding process – government authorizes new terminals according to the Ports Law prerequisites.**
- **Beginning of operation within 3 years of authorization.**

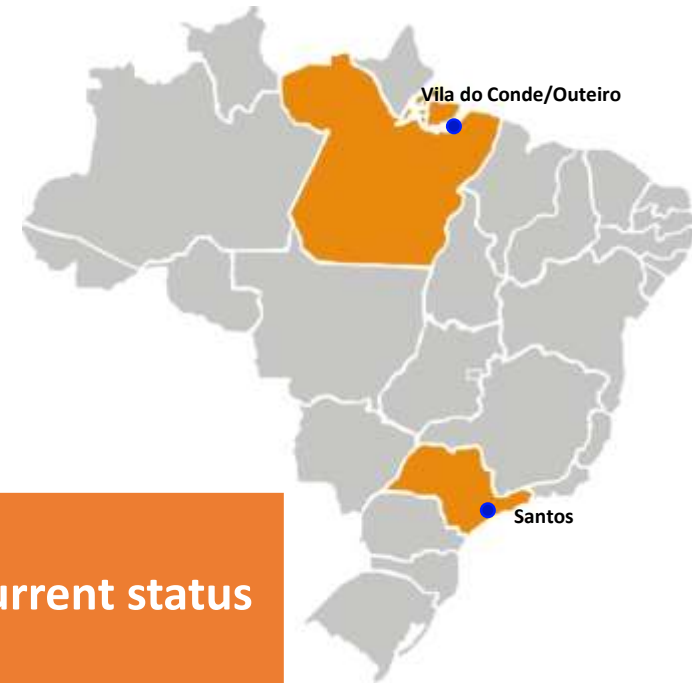
PORTS PROJECTS STATUS

LOGISTICS
INVESTMENTS
PROGRAM





- 4 terminal leases with papers published
 - Auction scheduled to Dec.9th.
- US\$ 285 mi in investment.



Porto	Cargo	N. of Terminals	Estimated Investment (US\$ mi)	Current status
Santos	Cellulose Pulp	2	86	Bidding notice: Oct.26 th Auction: Dec.09 th
Santos	Grains	1	74	
Vila do Conde	Grains	1	125	



- 4 terminal leases authorized by the Court of Accounts.
- US\$ 246 mi in investment.



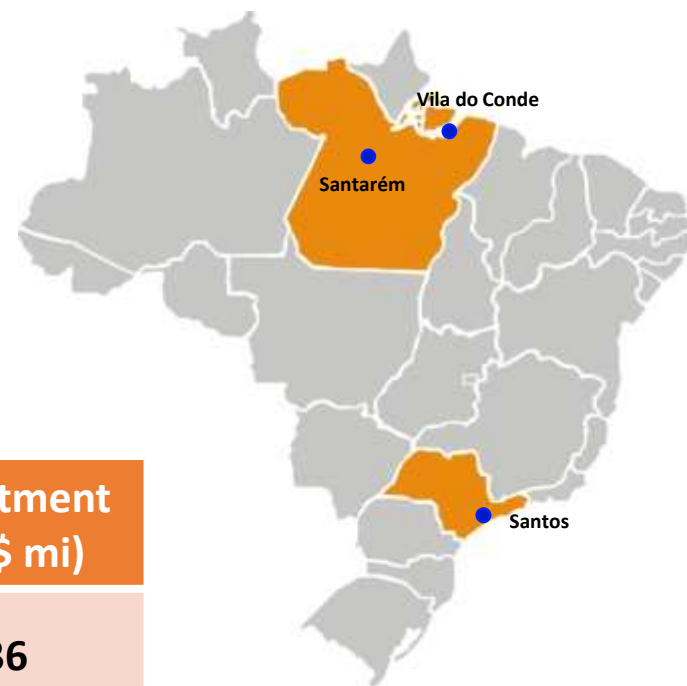
Porto	Cargo	N. of Terminals	Estimated Investment (US\$ mi)	Current status
Outeiro	Grains	3	163	Auction preparation
Santarém	Grains	1	83	

LEASES

FEDERAL COURT OF ACCOUNTS

LOGISTICS
INVESTMENTS
PROGRAM

- 21 terminals approved by TCU.
- US\$ 638 mi in investments.
- Current status – necessary TCU approval of new bidding criteria.

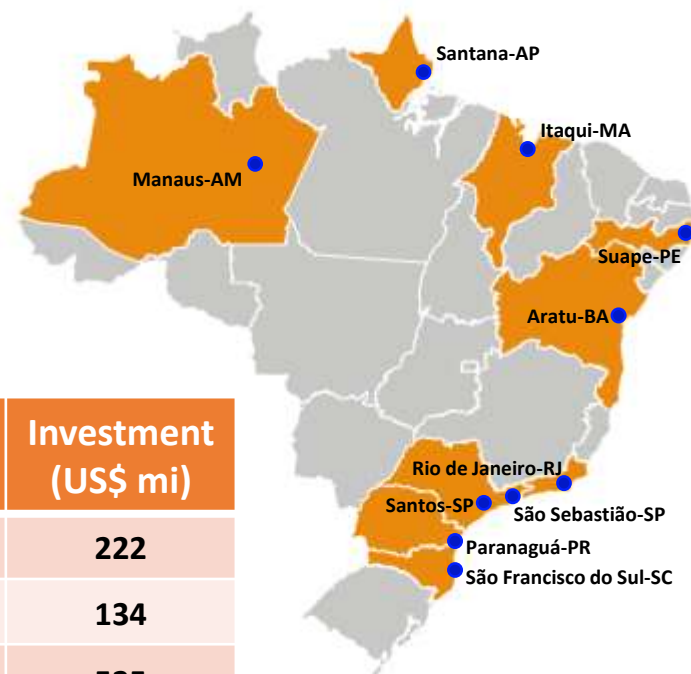


Ports	Cargo	N. of terminals	Investment (US\$ mi)
Pará State	Containers and General Cargo	1	36
Pará State	Liquid bulk	12	263
Pará State	Mineral bulk	2	123
Santos	Liquid Bulk	2	59
Santos	Liquid Bulk	2	86
Santos	Mineral Bulk	2	71

LEASES PROJECT DEVELOPMENT

LOGISTICS
INVESTMENTS
PROGRAM

- **21 terminals.**
 - 6 projects delivered on Oct.26th, via RFP.
 - 15 existing projects being updated.
- **US\$ 1,797 bi in investments.**



Ports	Cargo	N. of terminals	Investment (US\$ mi)
Manaus	Containers	1	222
Itaqui	Mineral Bulk	2	134
Suape	Containers, Mineral Bulk, Vehicles, Grains	5	525
Rio de Janeiro	Grains	1	16
Santos	Grains and liquid bulk	2	248
S Sebastião	Containers and general cargo	1	269
Paranaguá	Grains, general cargo, mineral bulk and vehicles	6	239
S. F. do Sul	General cargo	1	50
Aratu	Mineral Bulk	1	82
Santana	General cargo	1	12



- **New Private Terminals requests in 16 States.**
- **6 authorized since program announcement**
 - ✓ US\$ 0.7 bi of investments


New Private Terminals Requests	Investment (US\$ Billion)
57	2.9

PUBLIC AND PRIVATE RAILWAYS INVESTMENTS


LOGISTICS
INVESTMENTS
PROGRAM



1995-2002 **512 km built**



2003-2010 **909 km built**



2011-2014 **1.088 km built**

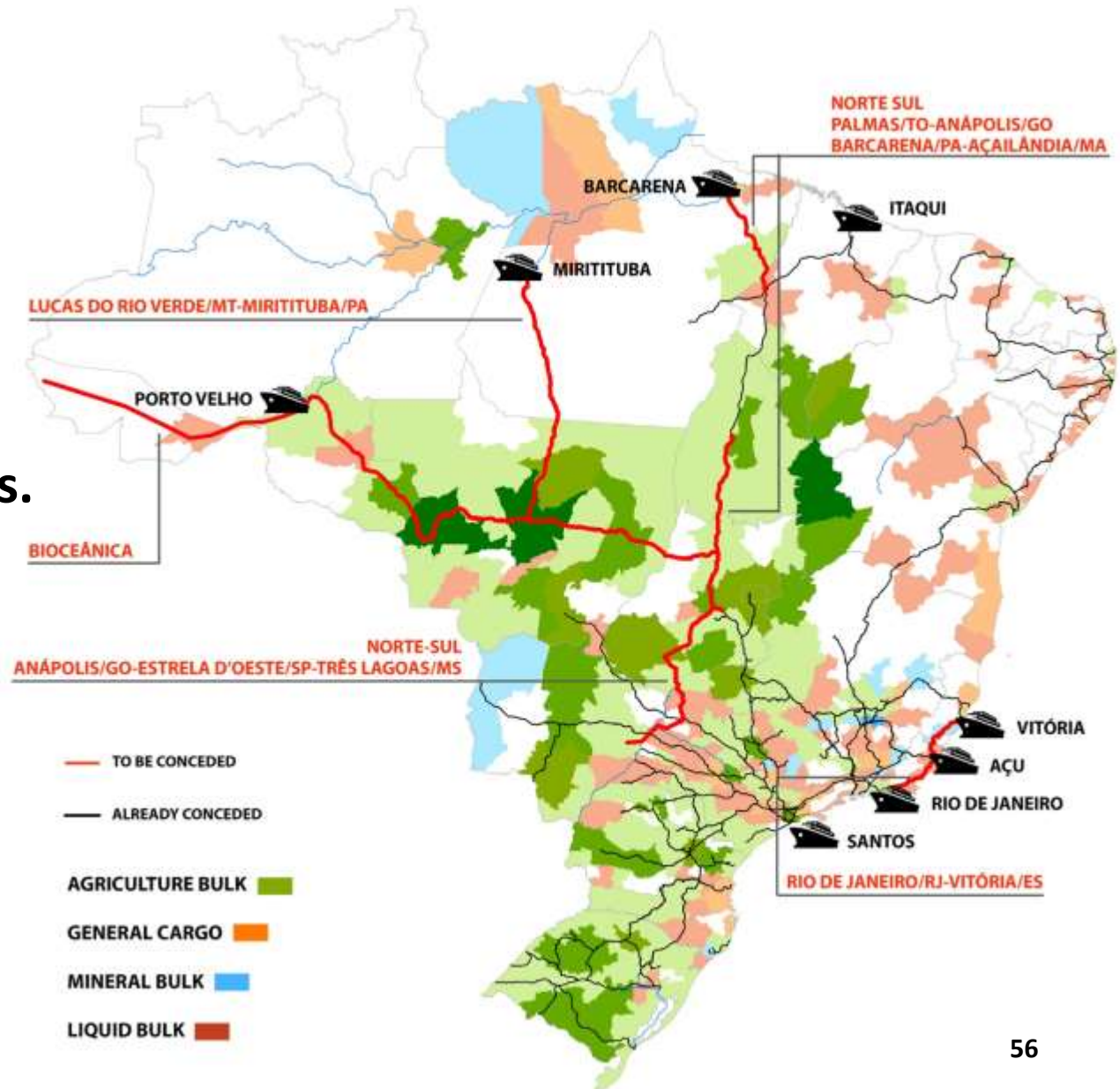


RAILWAYS CONCESSIONS

LOGISTICS
INVESTMENTS
PROGRAM

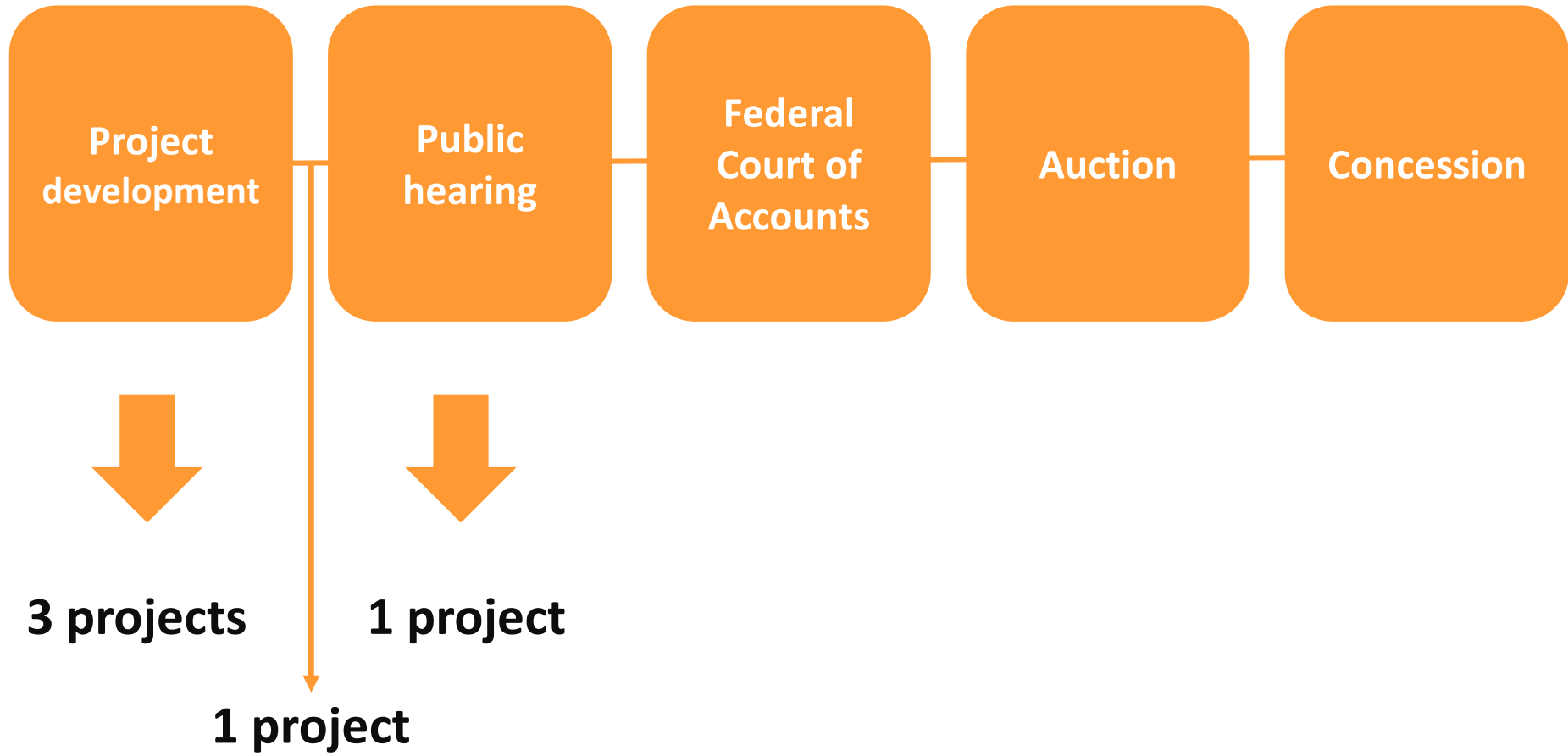


- 5 projects.
- US\$ 17,5 billion in investments.
- 7.537 Km of railways.





- **Ensure access to existing concessions and to ports.**
- **Vertical concession, with concessionaire revenues based on transportation tariffs.**
- **Brownfield and greenfield railways to be conceded.**
- **Greenfield projects developed via RFP – integration with brownfield projects and economic modelling made by ANTT.**



Discount rate of projects that will be used in the auctions

Industry	PIL 1 (2013)	PIL2 (2015)
Airports	6,63%	8,5%
Highways	7,2%	9,2%
Ports ⁽¹⁾	8,0%	10,0%
Railways	8,5%	-

(1) Leases of areas in public ports.

The issuing of, at least, 10% of project bond raises the share of funding in TJLP from 35% to 45%

ROADS	Without Project Bond	Minimum of 10% Project Bond	Maximum 25% Project Bond
BNDES TJLP + 1,5% a.a. + credit risk rate	35%	45%	45%
BNDES + 1,5% a.a. + credit risk rate	35%	15%	0
Project Bond	0	10%	25%
Equity + Cash Flow	30%	30%	30%

* BNDES - Banco Nacional de Desenvolvimento Econômico e Social is government development bank.

The issuing of, at least, 15% of Project Bond, raises the share of funding in TJLP from 15% to 30%

AIRPORTS	Without Project Bond	Minimum of 15% Project Bond	At Most 35% Project Bond
BNDES TJLP + 1,5% a.a. + credit risk rate	15%	30%	35%
BNDES + 1,5% a.a. + credit risk rate	55%	25%	0%
Project Bond	0%	15%	35%
Equity + Cash Flow	30%	30%	30%

* BNDES - Banco Nacional de Desenvolvimento Econômico e Social is government development bank.

BNDES* may finance up to 70 % referenced in TJLP and 20% in market rates, regardless of whether Project Bond have been issued

RAILWAYS	Without Project Bond	20% Project Bond
BNDES TJLP + 1,2% a.a. + credit risk rate	70%	70%
BNDES + 1,2% a.a. + credit risk rate	20%	0%
Project Bond and other private investments	0%	20%
Equity + Cash Flow	10%	10%

* BNDES - Banco Nacional de Desenvolvimento Econômico e Social is government development bank.

The issuing of, at least, 10% of Project Bond, raises the share of funding in TJLP from 25% to 35%

RAILWAYS	Without Project Bond	Minimum of 10% Project Bond	Maximum 35% Project Bond
BNDES TJLP + 1,5% a.a. + credit risk rate	25%	35%	35%
BNDES + 1,5% a.a. + credit risk rate	45%	25%	0%
Project Bond	0%	10%	35%
Equity + Cash Flow	30%	30%	30%

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