Financing Infrastructure in Brazil

New York, June 29, 2015
## 2015-2018 Infrastructure investment prospects

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2010-13</th>
<th>2015-18</th>
<th>Total % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELECOMS</td>
<td>48.1</td>
<td>57.9</td>
<td>20.4</td>
</tr>
<tr>
<td>ENERGY</td>
<td>84.7</td>
<td>89.4</td>
<td>5.5</td>
</tr>
<tr>
<td>SANITATION</td>
<td>18.7</td>
<td>16.6</td>
<td>-11.4</td>
</tr>
<tr>
<td>URBAN MOBILITY</td>
<td>5.5</td>
<td>21.3</td>
<td>284.6</td>
</tr>
<tr>
<td>HIGHWAYS</td>
<td>28.5</td>
<td>27.2</td>
<td>-4.5</td>
</tr>
<tr>
<td>RAILWAYS</td>
<td>10.6</td>
<td>12.3</td>
<td>16.0</td>
</tr>
<tr>
<td>PORTS</td>
<td>6.8</td>
<td>17.0</td>
<td>150.0</td>
</tr>
<tr>
<td>AIRPORTS</td>
<td>5.1</td>
<td>6.8</td>
<td>33.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>207.7</strong></td>
<td><strong>248.5</strong></td>
<td><strong>19.7</strong></td>
</tr>
</tbody>
</table>

Source: BNDES, June 2015

*Exchange rate: US$ 1 = R$ 2.35 (2014 average)*
Infrastruction investments & BNDES disbursements

2003-2014: Projects supported by BNDES (0 default)

<table>
<thead>
<tr>
<th>Sector</th>
<th>N. projects</th>
<th>Financing (R$ bn)</th>
<th>Investments (R$ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>194</td>
<td>63</td>
<td>139</td>
</tr>
<tr>
<td>Energy</td>
<td>492</td>
<td>152</td>
<td>262</td>
</tr>
</tbody>
</table>

Source: BNDES
Framework conditions for infrastructure financing

Adequate risk allocation and a balanced structure of collaterals

- Grantor
- Concessionaire
- Users
- Equity
- Debt
- Insurance
- Construction

Developers
- Equity/Mezzanine investors
- Attractive rates of return

BNDES
- Banks
- Capital Market
- Adequate financing structure

Strong demand

Attractive rates of return
2015 enhanced financing conditions: all in costs reduced up to 200 bps

TOLL ROADS

Without debentures
- 35%
- up to 70%
- 35%

From 10% to 25% of debentures
- 25%
- 10%
- 35%

PORTS

Without debentures
- 25%
- up to 50%
- 25%

From 10% to 35% of debentures
- 35%
- 10%
- 25%
2015 enhanced financing conditions: all in costs reduced up to 200 bps

AIRPORTS

- Without debenture:
  - 15% (up to 30%)
  - 15%
  - 40%
  - 30%

- From 10% to 35% of debentures:
  - 35%
  - 20%
  - 15%
  - 30%

RAILWAYS

- Up to 70%
- 70%
- 30%

Legend:
- TJLP denominated debt
- Additional TJLP
- Basic rate (SELIC) or inflation (IPCA) denominated debt
- Debentures
- Equity/Cash Flow
- Optional IPCA or SELIC
Typical project finance timeline

**Timeline**

- **Auction**
  - 3 to 6 months
- **Contracts Signed/Approved**
  - 6 to 12 months
- **Bridge Loan**
  - Limited recourse
- **LT Loan**
  - 30 months to 60 months
  - Non-recourse
- **Project Completion**
- **End of Concession**
  - ... 20 to 30 years total

**Equity and Mezzanine Debt (Strategic & Financial Investors)**

**Bridge Loan**

**Long Term Loan (35-70%)**

**Infrastructure Bonds (10-35%)**

**Equity/Cashflow (20-30%)**
With bond issuance

- Shared guarantees
- Cross-default
- Amortization curve to be based on French Amortization System (Price Table) instead of Constant Amortization System
- Increased TJLP participation

With partners insurance companies, working on a guarantee on demand
Main take ways

- The years to come will offer low risk, steady and adequate returns to private investors in Brazil.

- As in its 63 years of experience, BNDES will maintain total commitment to support infrastructure.

- 2015: BNDES proposes innovations to engage in the private finance industry and capital markets.
  - Cost reduction in finance conditions.
  - Credit enhancement mechanisms.
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