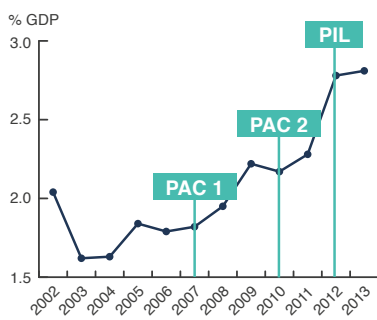


Summary

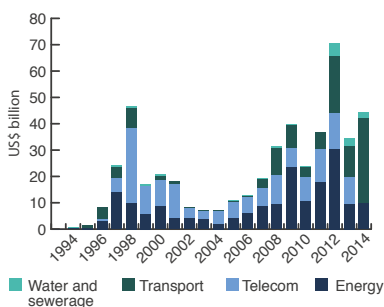
- 1 New stage in the Logistics Investment Program
- 2 Investments of the new Program per sector
- 3 Funding model
- 3 Other infrastructure investments
- 4 Infrastructure debentures
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Chart 1 - Investment in infrastructure as share of GDP has grown



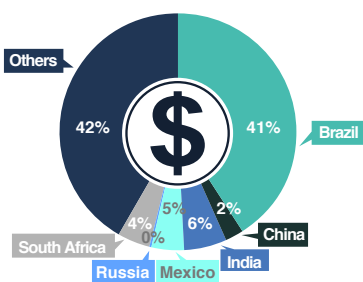
Source: SEAE - Brazilian Ministry of Finance

Chart 2 - Total contracted investment in infrastructure with private participation - Brazil



Source: PPI/World Bank

Chart 3 - Total contracted infrastructure investment with private participation - 2014 - Developing countries



Source: PPI/World Bank

New stage in the Logistics Investment Program

The Brazilian government launched the new stage of the Logistics Investment Program – PIL – on Tuesday, June 9, 2015. The Program aims at increasing investments in infrastructure, enhancing the competitiveness of the economy and improving transportation conditions. The Program detailed projects and financing conditions and set the framework of concession models.

Expected investments total R\$198.4 billion, of which R\$66.1 billion in highways, R\$ 86.4 billion for railways, R\$37.4 billion for ports and R\$8.5 billion for airports. Of this total, approximately R\$ 69.2 billion will be invested between 2015 and 2018. The new Program will allow for increased infrastructure investment as a share of GDP, strengthening the trend (chart 1) seen in the past seven years since the PAC 1 (2007), the PAC 2 (2010) and the first stage of the PIL (2012).

The BNDES (Brazilian Development Bank) will continue to have a relevant role in financing the new Program. However, one novelty is the encouragement of larger private credit and capital market participation with the issuance of infrastructure debentures ensuring greater access to the BNDES' public financing indexed by the long-term interest rate TJLP.

The new PIL emphasizes private sector participation and establishes clear guidelines for reduced regulatory risk and increased legal certainty for investments. Greater coordination will be established between the public and private sectors, thus ensuring increased regulatory predictability and encouraging the use of infrastructure debentures to finance the projects. The projects have been chosen specifically to allow for the participation of a larger pool of stakeholders: the average size in highway sections is now of about 400 km. Internal Rate of Return (IRR) estimates will be based on risk and adjusted for the financial cost of each project.

Brazil has an important history of private participation in infrastructure investment (chart 2), and stands out among developing countries in the area (chart 3), having been responsible for 41% of infrastructure investment contracted with private participation in developing countries in 2014 (chart 3).

Table 1 - Planned Investments

R\$ billion

	5 auctions in 2015 (2,603 km)	19.6
	11 auctions in 2016 (4,371 km)	31.2
	New investments in existing concessions	15.3
	North-South Railway (Palmas-Anápolis and Barcarena-Açailândia)	7.8
	North-South Railway (Anápolis-Estrela D'Oeste-Três Lagoas)	4.9
	Lucas do Rio Verde-Miritituba (PMI)	9.9
	Rio-Vitória Railway (Public Hearing)	7.8
	Bioceanic (Brazilian section)	40
	New investments in existing concessions	16
	Authorizations for Private Use Terminals - TUPS (63)	14.7
	New leases (50)	11.9
	Early renewals of leases (24)	10.8
	Porto Alegre	2.5
	Salvador	3.0
	Florianópolis	1.1
	Fortaleza	1.8
Total	Regional delegated airports	0.1
	Total	198.4

Source: Federal Government

Investments of the new Program per sector



Five auctions in 2015 and 11 in 2016 (totaling 6,974 km). 400 km sections on average, allowing medium-sized companies to participate

The concessions for **highways** will continue to be conducted through reverse auctions awarded to the lowest fare. Average section size will be 400 km, which makes it easier for smaller companies to participate. Highway sections with projects initiated in 2014 which will be auctioned in 2015 are the following (except for Rio-Niterói bridge, already auctioned in March 2015):

- BR 163/MT/PA (Sinop/MT – Miritituba/PA);
- BR-476/153/282/480/PR/SC (Lapa/PR – Chapecó/SC);
- BR-364/060/MT/GO (Rondonópolis/MT-Goiânia/GO); and
- BR-364/GO/MG (Jataí/GO-BR-153/MG).

An additional 4,376 kilometers of new sections will be auctioned in 2016 for a total of R\$ 31.2 billion in investments.



Railway model: vertical integration with strengthening of trackage rights

For **railways**, the plan is to use a vertical integration model with financing structured through concessions with payment for licenses (outorga onerosa). Granting of trackage rights and the consequent integration of the rail network will be required.

Initial plans provide for bidding of the North-South Railway sections between Palmas/TO and Anápolis/GO and between Barcarena/MA and Açailândia/PA (1,430 km, estimated CAPEX of R\$7.8 billion) and the section between Anápolis/GO-Estrela D'Oeste/SP-Três Lagoas/MS (895 km, estimated CAPEX of R\$4.9 billion).

The public hearing for the section Rio de Janeiro/RJ - Vitória/ES (CAPEX = R\$ 7.8 billion) will take place in the second half of 2015. New investments are also planned for railways already under concession, PMIs (Expression of Interest Procedure) for new railways are currently awaiting conclusion, and the guidelines and timelines for the studies of the Bioceanic Railway, which will link Campinorte/GO to the Pacific (3,500 km, estimated CAPEX of R\$ 40 billion), are being drawn up.



Auction by highest license purchase bid for 50 new port leases. Early renewal for 24 areas. Authorizations for 63 new TUPs

The Program provides for the continuation of authorization for building TUPs: 63 new licenses to be authorized in 2015 (investments of R\$14.7 billion).

As for existing **port** leases, for which legislation allows for anticipated extensions, renewals will be reviewed by the Secretariat of Ports of the Presidency of the Republic (SEP) and the National Water Transport Agency (Antaq) so that the planned investments - estimated at R\$10.8 billion - can begin.

The auction of new leases (blocks 1 and 2) will generate an additional R\$11.9 billion in investments through the granting of 50 port areas (leases) located in public ports, and auctions may be based on the criterion of largest license purchase bid.



Four airports with total turnover of 27.8 million passengers in 2014

Concessions are initially planned for the **airports** of Porto Alegre, Salvador, Fortaleza and Florianópolis, with total turnover of 27.8 million passengers in 2014, distributed as follows:

- Salvador/BA: 9.2 million;
- Porto Alegre/RS: 8.5 million;
- Fortaleza/CE: 6.5 million;
- Florianópolis/SC: 3.6 million.

The concessions will bring the experience of international operators and will improve the quality of the services and infrastructure offered by the country's terminals.

The restructuring and modernization of Infraero and the creation of new regional hubs (with the concession of seven delegated regional airports) are also targets incorporated into the Program.

Funding model

The BNDES will play a relevant role in financing the new Program. However, one novelty is the encouragement of larger private credit and capital market participation with the issuance of infrastructure debentures, ensuring greater access to BNDES' public financing indexed by the long-term interest rate TJLP.

The BNDES will also provide funding with different financing conditions, and use of concessionaire's own funds (equity and cash flow).

The following tables show the financing conditions for roads (table 2.1), railways (table 2.2), ports (table 2.3) and airports (table 2.4). For roads, for example, BNDES may use resources linked to TJLP (long term interest rate) to finance up to 35% of the required investment - if the concessionaire does not issue any debenture. BNDES will be able to use TJLP-linked funding to finance up to 45% of the project if the concessionaire issue debentures to cover between 10 and 25% of its funding necessities. The remaining would come from other BNDES sources of funding and from concessionaire's own funds (equity and cash flow).

Table 2.1

Highways	No debentures	With minimum (10%) debentures	With maximum (25%) debentures
BNDES TJLP + 1.5% p.a. + credit risk	35%	45%	45%
BNDES/other sources + 1.5% pa. + credit risk	35%	15%	0%
Infrastructure debentures	0%	10%	25%
Equity + cash flow	30%	30%	30%

Source: Federal Government

Table 2.2

Railways	No debentures	20% debentures
BNDES TJLP + 1.5% p.a. + credit risk	70%	70%
BNDES/other sources + 1.5% pa. + credit risk	20%	0%
Debentures and other private sector investment	0%	20%
Equity + cash flow	10%	10%

Source: Federal Government

Table 2.3

Ports	No debentures	With minimum (10%) debentures	With maximum (35%) debentures
Debentures	25%	35%	35%
Debentures	45%	25%	0%
Infrastructure debentures	0%	10%	35%
Equity + cash flow	30%	30%	30%

Source: Federal Government

Table 2.4

Airports	No debentures	With min (15%) debentures	With maximum (35%) debentures
BNDES TJLP + 1.5% p.a. + credit risk	15%	30%	35%
BNDES/other sources + 1.5% pa. + credit risk	55%	25%	0%
Infrastructure debentures	0%	15%	35%
Equity + cash flow	30%	30%	30%

Source: Federal Government

Other infrastructure investments

In addition to the figures announced in the new plan, new bidding processes for urban mobility, energy and telecommunications are planned for the next 12 months. For energy, bidding processes are expected for eight generation plants and 8,479 km of transmission lines, as well as substations.

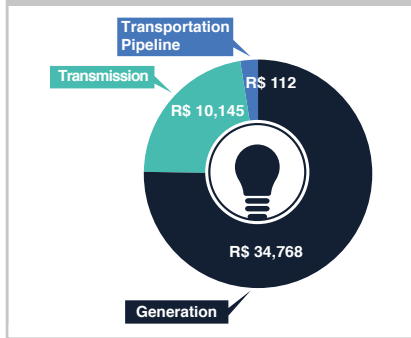
The 13th auction round for exploration and production of oil and natural gas is scheduled for October 7, 2015. It will cover 269 auction blocks (185 onshore and 84 offshore) in 10 Brazilian states. The call for bid for the Guapimirim-Comperj gas pipeline (between Itaboraí/RJ and Guapimirim/RJ) is currently under public consultation. Chart 4 shows the distribution of the expected investment in energy (excluding petroleum & gas exploration and refining) to be auctioned in 2015.

A total of 40 electricity distribution concessions will expire in 2015 and 2016. Decree No. 8,461 of June 2, 2015 has ordered the continuation of these contracts, subject to the achievement of quality and management efficiency targets. In this context, the Government is considering selling its controlling stake in some Eletrobrás Group energy distributors that are part of the National Destatization Program (such as Celg).

Anatel (Brazil's National Telecommunication Agency) is reviewing a proposal to auction new licenses for the 2.5 GHz and 1.8 GHz frequencies, both used for 4th generation mobile broadband (4G). Bidding is likely to take place in lots and on a per-city basis.

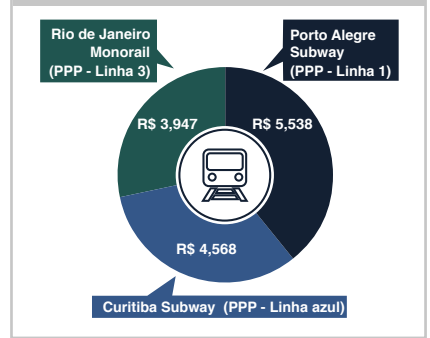
Urban mobility, in turn, will be contemplated with bidding planned for PPPs to build new lines for the Porto Alegre and Curitiba subway systems and the São Paulo and Rio de Janeiro monorail systems. Chart 5 shows the distribution of the expected investment in urban mobility to be auctioned in 2015.

Chart 4 - Energy investments planned for bidding in 2015 - excluding oil (R\$ million)



Source: Seae - Brazilian Ministry of Finance

Chart 5 - Urban mobility investments forecast for bidding in 2015 (R\$ million)



Source: Seae - Brazilian Ministry of Finance

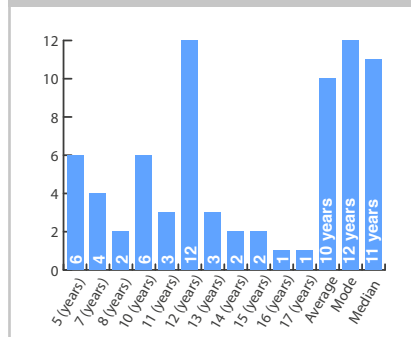
Infrastructure debentures

✦ Debentures linked to infrastructure investments are referred to in Article 2 of Law 12,431/2011, and must be used to finance infrastructure investment or intensive economic production in research, development and innovation. To this end, infrastructure debentures enjoy full income tax exemption for resident individuals and a 10 percentage point decrease for local companies. Non-residents, whether individuals or corporations, are exempt from Income Tax and IOF (Financial Operation Tax) when investing in debentures that finance any investment (Article 1 of Law No. 12,431/2011).

Since 2012, the annual issuance volume of the incentivized debentures has been above R\$4 billion (chart 3). These securities may be subject to regular public offerings (pursuant to Securities and Exchange Commission of Brazil – CVM – No. 400/2003) as well as to public offerings with restricted efforts, which allow for the participation of up to 50 eligible investors (pursuant to CVM Instruction No. 476/2009). It should be noted that the amount of bonds issued has increased year by year.

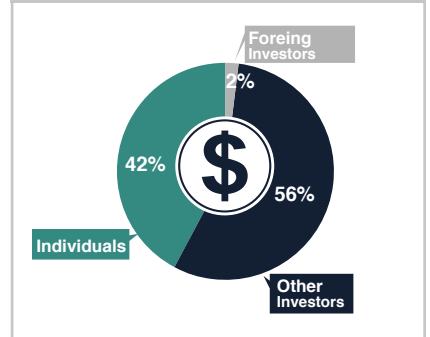
Chart 6 shows that infrastructure debentures issued between 2012 and april/2015 have average maturity of 10 years. Most investors in incentivized debentures are local corporations or institutional investors, with the second largest group composed of resident individuals (chart 7).

Chart 6 - Infrastructure per Debenture Series Issued (years) - Article 2, Law No. 12,431 2011/2012 - April 2015 data



Source: Anbima and ministerial decrees
Prepared by: Seae - Brazilian Ministry of Finance

Chart 7 - Summary - Distribution of Infrastructure Debentures



Source: Seae - Brazilian Ministry of Finance

Table 3 - Volume of Incentivized Debentures - 2012-2015 (Apr)

Incentivized debentures	Amount - R\$ million - Law No. 12,431/2011				
	2012	2013	2014	2015	Total amount issued
Distribution - ICVM 400	515.00	3,411.82	2,755.90	871.70	7,554.42
Distribution - ICVM 476	3,519.00	2,703.70	2,254.05	440.00	8,916.75
Total	4,034.00	6,115.52	5,009.95	1,311.70	16,471.17
Article 1 - Law 12,431/2011	2,914.00	2,118.73	0.00	0.00	5,032.73
Article 2 - Law 12,431/2011	1,120.00	3,996.79	5,009.95	1,311.70	11,438.44
Total	4,034.00	6,115.52	5,009.95	1,311.70	16,471.17

Source: Anbima and ministerial decrees. Prepared by: Seae - Brazilian Ministry of Finance

**Table 4 –
Amounts of Incentivized Debentures Issued - 2012-2015 (Apr)**

Incentivized Debentures	Amount - R\$ million - Law No. 12,431/2011				
	2012	2013	2014	2015	Total Amount
Distribution - ICVM 400	2	6	5	3	16
Distribution - ICVM 476	7	8	15	2	32
Total	9	14	20	5	48
Article 1 - Law 12,431/2011	4	5	0	0	9
Article 2 - Law 12,431/2011	5	9	20	5	39
Total	9	14	20	5	48

Source: Anbima and Ministerial Decrees. Prepared by: Seae - Brazilian Ministry of Finance

PMI monitoring

Status of Expression of Interest Procedures - PMIs

Through PMIs (Expression of Interest Procedures) interested private companies carry out technical and economic feasibility studies for projects indicated as potential developments by the Government. The tables below show the companies that have registered to conduct these studies following the public calls published in the first half of 2014.

Studies for current highway PMIs (table 5) were all delivered, while it is expected that PMIs for railways (table 6) are delivered in the second semester 2015.

Table 5 - PMIs (Expression of Interest Procedures) underway for highways

Participating companies	BR-101/RJ (Rio-Niterói Bridge)	BR-163/MT/PA	BR-364/GO/MG	BR-364/060/GO/MT	BR-476/153/480/282/SC/PR
CCR	Study Selected				
Ecorodovias		Study Delivered		Study Delivered	
EGP					Study Delivered
J. Malucelli and Concesolo					Study Selected
Odebrecht Transport		Study Delivered		Study Delivered	
Planos Engenharia	Study Delivered				
Planos Engenharia and Triunfo Participações					Study Delivered
Planos Engenharia and EGP			Study Delivered	Study Delivered	

Source: Brazilian Ministry of Transport

■ Study Selected ■ Study Delivered

Table 6 - Ongoing PMIs (Expression of Interest Procedures) for Railways

Participating companies	EF-151 Açailândia-Barcarena	EF Estrela D'Oeste-Dourados	EF-354 Sapezal-Porto Velho	EF-170 Sinop-Miritituba
CREEC - China Railway			Study Ongoing	
Estação da Luz Participações				Study Ongoing
EPC Engenharia	Study Ongoing	Study Ongoing		
Galvão Engenharia/ Mendes Junior		Study Ongoing		
ISOLUX / ISOLUX CORSAN	Study Ongoing			
ITB / CONTÉCNICA / LHB	Study Ongoing	Study Ongoing		
Norsk Hydro Brasil / ATOC - Tocantins	Study Ongoing			
PROGEN / J&F / Concremat		Study Ongoing		
Triunfo Participações / Planos Engenharia / ITALFERR SPA / Companhia Brasileira de Alumínio / TECNIC	Study Ongoing			
Urbaniza Engenharia	Study Ongoing	Study Ongoing		
UTC / CONSTRAIN				Study Ongoing

Source: Brazilian Ministry of Transport

■ Study Ongoing

Regulatory agenda

Open public consultations

Table 7 shows current public hearings dealing with infrastructure regulation. Brazilian regulatory agencies open public hearings regularly. The Secretariat for Economic Affairs of the Ministry of Finance, pursuant to its mandate in competition advocacy, has a say in all public hearings that may affect competition.

Table 7

Agency	Proceeding No.	Topic	Opening date	End date
Aneel	AP 32/2015	Conceptual discussion of the "Generation Scaling Factor" (GSF).	28MAY/15	26JUN/15
ANP	AP 11/2015	Deadlines and procedures to be followed in measuring multiphase fluid to determine oil, natural gas and water appropriations	29MAY/15	26JUN/15
Aneel	AP 34/2015	Auction 08/2015- 1 st Reserve Energy Auction of 2015 (solar power).	03JUN/15	03JUL/15
Aneel	AP 36/2015	Authorization to market energy in the National Interconnected System - SIN	03JUN/15	03JUL/15
ANP	AP 37/2015	Security Scheme for Submarine Systems	05JUN/15	03JUL/15
ANA	AP 4/2015	Inspection Guide and Forms for Dam Safety Inspections	18MAY/15	17JUL/15
ANA	AP 5/2015	Dam Safety Periodical Inspection Guide	18MAY/15	17JUL/15
ANA	AP 6/2015	Inspection Guide and Forms for Emergency Action Plans	18MAY/15	17JUL/15
Aneel	AP 20/2015	National Interconnected System - SIN	16APR/15	07AUG/15
Aneel	AP 37/2015	Access to the distribution system through connection to facilities owned by distributors	05JUN/15	04SEP/15
ANTT	TS 04/2015	Production (per section) and safety targets for railway cargo transport concessionaires	22MAY/15	22JUN/15

Source: Seae - Brazilian Ministry of Finance

Recent news

- The Brazilian Civil Aviation Secretariat (SAC) published a public call for bid in the Official Gazette of June 10 requesting the submission of projects for the concession of four international airports (table 8). The deadline for applications by interested companies is June 30, 2015. Studies must be submitted by companies within 90 calendar days from the date of publication of the term of authorization.
- On May 6, the Brazilian Federal Court of Accounts (TCU) authorized the publication of auctions for Block 1 port terminals (located in the Port of Santos and in ports in Pará).

**Table 8 –
PMI notices for airports published on June 10, 2015**

SAC Notice No.	International airports	Maximum amounts to be reimbursed (whichever is less)
01/2015	<ul style="list-style-type: none"> Porto Alegre/RS (Salgado Filho Airport) Salvador/BA (Luís Eduardo Magalhães Airport) Florianópolis/SC (Hercílio Luz Airport) Fortaleza/CE (Pinto Martins Airport) 	2.5% of the estimated investment for the project, as determined by the results of studies, or: <ul style="list-style-type: none"> Porto Alegre: R\$ 9,444,000.00 Salvador: R\$ 12,592,000.00 Florianópolis: R\$ 9,444,000.00 Fortaleza: R\$ 9,444,000.00

Source: Seae - Brazilian Ministry of Finance

- On May 6, the National Agency of Petroleum, Natural Gas and Biofuels (ANP) announced that the 13th Auction Round planned for October 7 will offer 269 blocks in 22 sectors of 10 sedimentary basins, for a total of 125,126 km² of areas located in 10 Brazilian states.
- The Ministry of Transports published 11 public call notices in the Official Gazette of June 10, 2015 requesting PMIs for highways (table 9). July 10, 2015 will be the cut-off date for applications from companies interested in conducting the required studies. The studies must then be submitted by companies within 180 calendar days from the date of the term of authorization.
- SAC published Ordinances 16, 17 and 18 of June 9, 2015 in the Official Gazette of June 10, 2015. The Ordinances officially state SAC's authorization for the concession of seven public delegated airports:
 - Comandante Rolim Adolfo Amaro State Airport (SBJD), located in the city of Jundiá/SP;

Table 9 - PMI notices for highways published on June 10, 2015

MT Notice No.	Road sections	Maximum amounts to be reimbursed (whichever is less)
01/2015	BR-101/BA	2.5% of the estimated investment for the project or R\$ 2,731,570.00 considering the baseline month of January 2015
02/2015	BR-101/SC	2.5% of the estimated investment or R\$ 3,004,727.00
03/2015	BR-262/MS	2.5% of the estimated investment or R\$ 4,463,385.00
04/2015	BR-267/MS	2.5% of the estimated investment or R\$ 3,404,902.00
05/2015	BR-280/SC	2.5% of the estimated investment or R\$ 4,187,496.00
06/2015	BR-364/MT/RO	2.5% of the estimated investment or R\$ 11,012,324.00
07/2015	BR-101/PE; New Metropolitan Arch of Recife; BR-232/PE	2.5% of the estimated investment or R\$ 7,709,856.00
08/2015	BR-262/ES/MG; BR-381/MG	2.5% of the estimated investment or R\$ 4,171,107.39
09/2015	BR-470/SC; BR-282/SC	2.5% of the estimated investment or R\$ 6,215,687.00
10/2015	BR-101/RJ/SP; BR-465/RJ; BR-493/RJ	2.5% of the estimated investment or R\$ 4,874,486.00
11/2015	BR-101/RS; BR-116/RS; BR-290/RS; BR-386/RS	2.5% of the estimated investment or R\$ 7,939,308.21

Source: Seae - Brazilian Ministry of Finance

Glossary

ANA	National Water Agency
Anatel	National Telecommunication Agency
Anbima	Brazilian Financial and Capital Markets Association
Aneel	National Electricity Agency
ANP	National Agency for Petroleum, Natural Gas and Biofuels
Antaq	National Water Transport Agency
ANTT	National Land Transport Agency
BNDES	Brazilian Development Bank
CVM	Securities and Exchange Commission of Brazil
MF	Ministry of Finance
MT	Ministry of Transportation
SAC	Secretariat of Civil Aviation
Seae	Secretariat of Economic Monitoring
SEP	Secretariat of Ports
TCU	Federal Court of Accounts

- Antônio Ribeiro Nogueira Junior State Airport (SDIM), located in the city of Itanhaém/SP;
- Campo dos Amarais State Airport (SAM), located in the city of Campinas/SP;
- Arthur Siqueira State Airport (SBBP), located in the city of Bragança Paulista/SP;
- Gastão Madeira State Airport (SBBP), located in the city of Ubatuba/SP;
- Armando Américo Fachini Airfield (SDAA), located in the city of Araras/SP;
- Nelson Rodrigues Guimarães Airfield (SBCN), located in the city of Caldas Novas/GO.
- Decree No. 8,464 of June 8, 2015, amending Decree No. 8,033 of June 27, 2013, was published on June 09, 2015. It allows for the following criteria to be used (exclusively or in combination) for the awarding of concession or lease bids for organized ports and port facilities:
 - greater handling capacity;
 - lower tariff;
 - lower cargo handling time;
 - greater investment value;
 - less consideration from the granting authority;
 - best technical proposal, according to objective criteria established by the granting authority; or
 - greater license purchase bid.
- Decree No. 8,464/2015 also provides that the granting authority may authorize the leased port area to expand into contiguous areas inside the organized port's polygonal area, by request of the lessee and in the form or regulation. This will be permitted whenever the measure brings proven efficiency into port operations and in case of technical, operational or economic impossibility of holding a new bidding process to lease the area.
- The new concessionaire of the Rio-Niteroi Bridge, Ecofonte, a company of the EcoRodovias group, took over concession operations on June 1st. The concession agreement, signed on May 18 (the company won the concession auction on March 18), provides for a 30-year concession of the bridge and requires Ecofonte to invest around R\$1.3 billion to improve the bridge.

* This newsletter seeks to inform potential investors about opportunities and conditions of investment in infrastructure in Brazil.

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Graphic design and layout
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