

COMBINED OPEN DISCUSSION
OF THE DRAFT TENDER DOCUMENTATION



Start-up Complex (construction stage) No. 3
Start-up Complex (construction stage) No. 4
Of the Central Ring Road

Project implementation legal framework

Concession with granter payment

The road toll is collected on behalf of the public partner, whereas, at the road operation stage, the concessioner receives annual payment from the public partner to cover its road operation costs and those of repayment its own and raised finance in consideration of return on invested funds

Purpose of the agreement

Setting up and proper operation of the road throughout its life cycle in accordance with the latest technical and road use parameters, ecological and road safety requirements

Grounds for the tender

- › The Russian Federation federal Statute No. 115 from 21.07.2005 “On the Concession Agreements”
- › The Russian Federation Government directive from 22.05.2014 No. 874-p and No. 875-p.

Project finance is envisaged by the Avtodor SC Long-term Action Plan (2010 – 2020).

Parties to the concession agreement

Granter

Russian Federation represented by
GK Avtodor

Concessioner

determined by the tender

Obligations of the parties

CONSTRUCTION Commissioning of the road

OPERATION Provision of comprehensive infrastructure services

Obligations of the Concessioner

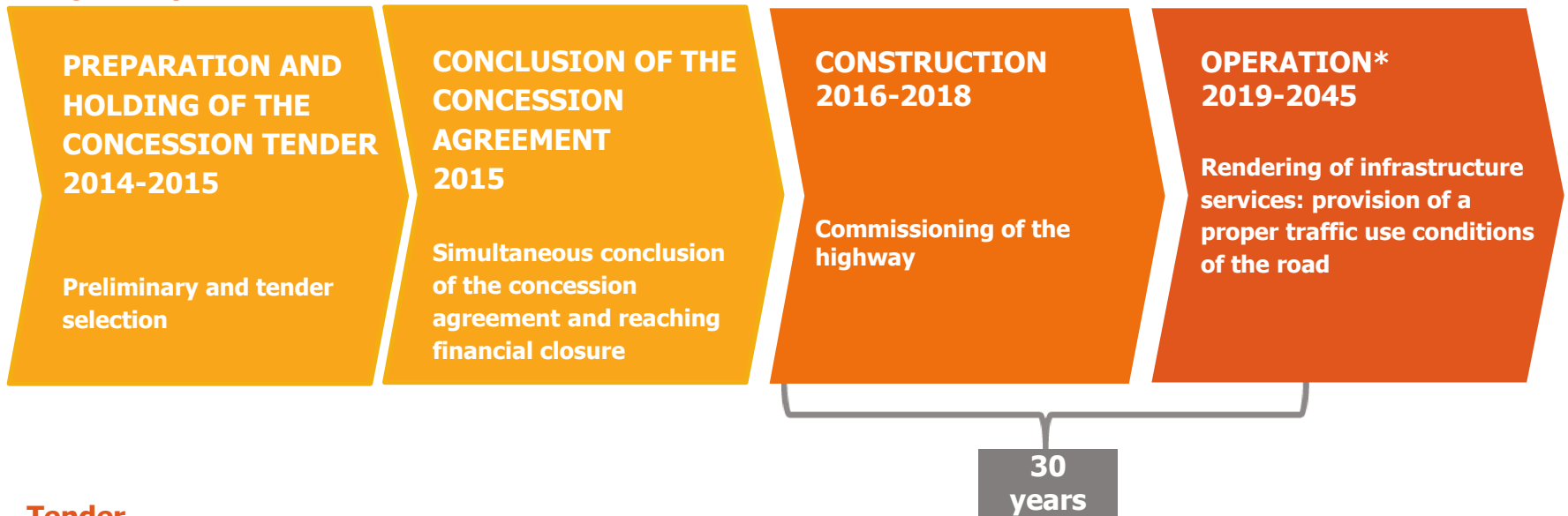
- › Co-financing of the road construction
- › Road commissioning no later than 36 months from the moment of obtaining the road construction permit
- › State registration of the Russian Federation's title to the road
- › Provisioning of a proper traffic use condition of the road and compliance with the traffic safety requirements
- › Road widening at the grantor's request
- › Insurance of the risk of loss of or damage to artificial structures and third party liability insurance
- › Provision to the public partner of irrevocable bank guarantees
- › Conveyance of the road to the grantor on expiry of the concession agreement

Obligations of the Grantor

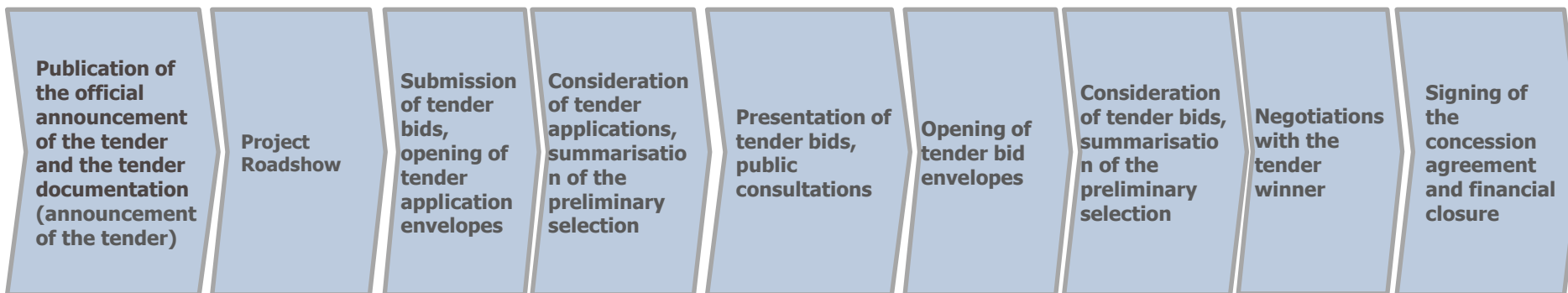
- › Conclusion with the concessioner of leases/subleases for land plots crossed by the road and/or needed by concessioner thereby for construction and operation of the road
- › Transfer to the concessioner of the available design documentation for road construction
- › Provision of a capital grant for construction of the road to the concessioner
- › Transfer of the road into possession and use by the concessioner from its opening prior to expiration of the concession agreement.
- › Payment to the concessioner from the grantor from the moment of the road commissioning.
- › Acceptance of the road from the concessioner on expiry of the concession agreement
- › Engagement of an operator for creation and operation the toll collection system (TCS) and the automated traffic control system (ATCS) and to ensure toll collection on behalf of the public partner, on the basis of a separate agreement.

Project stages

Project implementation



Tender



Specifics of the concession agreement

Performance of a public technological and price audit

Directive of the Government of the Russian Federation from 19 March 2013 No. 385-p; Network plan and schedule of measures for implementing the CRR construction project, approved on 5 November 2013 No. 6617п-П9

- The purpose of organising and holding a technological and price audit is to select the optimal variant for building the road created within the scope of the project, in consideration of the latest materials, structures and construction technologies, as well as minimisation of total costs during the road's life cycle.

Traffic use indicators

- On consideration of experience of implementing previous projects, it is proposed to establish a unified longitudinal smoothness indicator (IRI TEP value) of at least 1.9. The indicator's value at road start-up is an exception (1.4), as well as the possibility of the given indicator rising to 2.2 over 15 % of the length from the fifth year of use until the beginning of repairs or overhaul work.

- ➔ Creation and operation of the toll collection system (TCS) and the automated traffic control system (ATCS) do NOT constitute part of the concession agreement and will be carried out by an operator engaged by Avtodor SC by concluding a separate agreement
- ➔ Toll collection (operator's activities) in favour of the public partner will also be the responsibility of an operator engaged by Avtodor SC
- ➔ The operator will be selected on the basis of a separate tender relating to all the start-up complexes of the CRR (Single Operator).

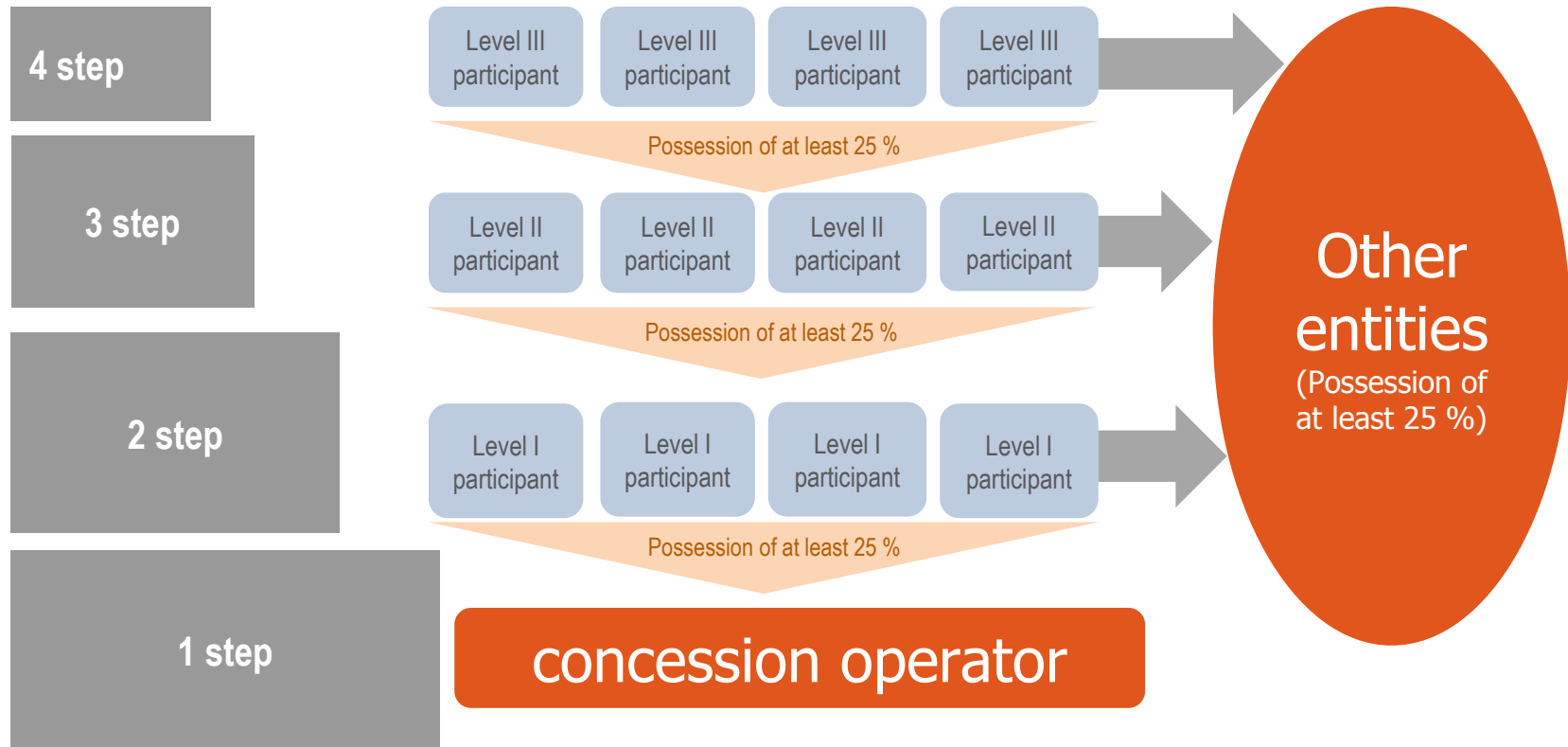
GENERAL

- An applicant may be an individual entrepreneur, Russian or foreign legal entity or two or more such legal entities not incorporated as a legal entities and operating under a simple partnership agreement (agreement on joint activities) of 2 or more aforesaid legal entities
- Absence of any obligations impeding performance of the tenderer's activities, including of any measures intended to suspend the tenderer's activities, on the bid submission date
- Absence of any debts with respect to accrued taxes, levies or other mandatory payments into public budgets of any level or state extra-budgetary funds for the period specified by the tender documentation in excess of the amount specified therein

QUALIFYING

- Tenderer's financial status: net assets of at least 5 bln RUB
- Requirements relating to experience of implementing and financing concession agreement and other PPP transport infrastructure development projects:
 - ✓ One project financed to the sum of ≥ 20 bln RUB
 - ✓ ≥ 25 % of investment finance through private investment (including borrowed and (or) the applicant's own funds)
- Requirements relating to road construction experience (category I highways and streets): accepted work worth of ≥ 20 bln RUB over the last 5 years.

Confirmation of the tenderer's conformity (possession ladder)



In the avoidance of doubt, the above persons may be set up under the legislation of the RF or that of another state.

Exceptions are companies set up under the legislation of states (territories) listed as not fulfilling the recommendations of the Financial Action Task Force on Money-laundering (FATF) or have not, to a sufficient extent, introduced the tax standards of the OECD.

Persons used for confirming the applicant's conformity with the qualification requirements:

- › A person confirming readiness to participate in the applicant's capital by concluding an agreement therewith stipulating mandatory acquisition of a stake in the applicant's capital of at least 25% of the shares/participatory interest
- › A person confirming the intention to provide its own funds as a contribution to the concession operator's own investments (at least RUB 1.25 bln) by concluding a preliminary agreement with the applicant
- › A person that has concluded with the applicant a binding agreement on joint implementation of the project stipulating the given person's obligation to provide its own funds as a contribution to the concession operator's own investments (at least RUB 1.25 bln)
- › A person(s) that has concluded a preliminary agreement of intent with the applicant to fulfil the functions of general contractor for construction of the road, including mandatory conclusion of a general contractor agreement
- › Persons belonging to the group of founders/shareholders (members) of the applicant and (or) the group of the main (parent) companies of such founders/shareholders (members).

Provision for participation in the tender

Total security:

- ✓ Preliminary selection – 210 mln RUB
- ✓ Tender selection – 640 mln RUB

	Preliminary selection			Tender selection		
CRR SC 3	Bank guarantee	210 mln RUB	0.33%*	Deposit	430 mln RUB	1%*
				Bank guarantee	210 mln RUB	
CRR SC 4	Bank guarantee	210 mln RUB	0.33%*	Deposit	430 mln RUB	1%*
				Bank guarantee	210 mln RUB	

The concessioner is required to pay funds to the State Company in connection with organisations and holding of the tender:

- ✓ SC No.3 – 135 446 000 RUB
- ✓ SC No.4 – 128 054 000 RUB

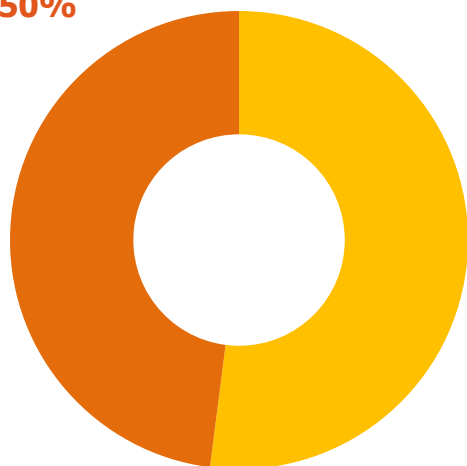
* Percentage of construction costs of concession agreement object

TENDER CRITERIA	CONTENT
Capital grant	<ul style="list-style-type: none">▪ Assessment of the proposals entered by tender participants for reducing the initial costs assumed by the grantor for building the road▪ The tender participant should submit documents and materials, including with a proposed distribution of the capital grant funds throughout construction years, on the basis of which the ultimate financial terms and conditions of the concession agreement will be determined
Accessibility payment	<ul style="list-style-type: none">▪ Assessment of the proposals entered by tender participants for reducing the initial grantor payment to the concession operator for accessibility of the road for users and observance of the traffic use indicators of the road
Operating payment	<ul style="list-style-type: none">▪ Paid to ensure proper traffic use condition of the road and observance of the traffic safety requirements
Investment payment	<ul style="list-style-type: none">▪ Provides for reimbursement of the concessioner's costs of creating the road in consideration of return on own and borrowed investments of concessioner.

NWF – main source of construction finance

Finance structure of CRR projects SC No.3 and SC No.4.

Private investment
45%-50%



Federal
subsidies
and NWF
funds
50%-55%

**NWF funds account for up to 90%
of total state finance**

Key parameters of allocation of the NWF funds:

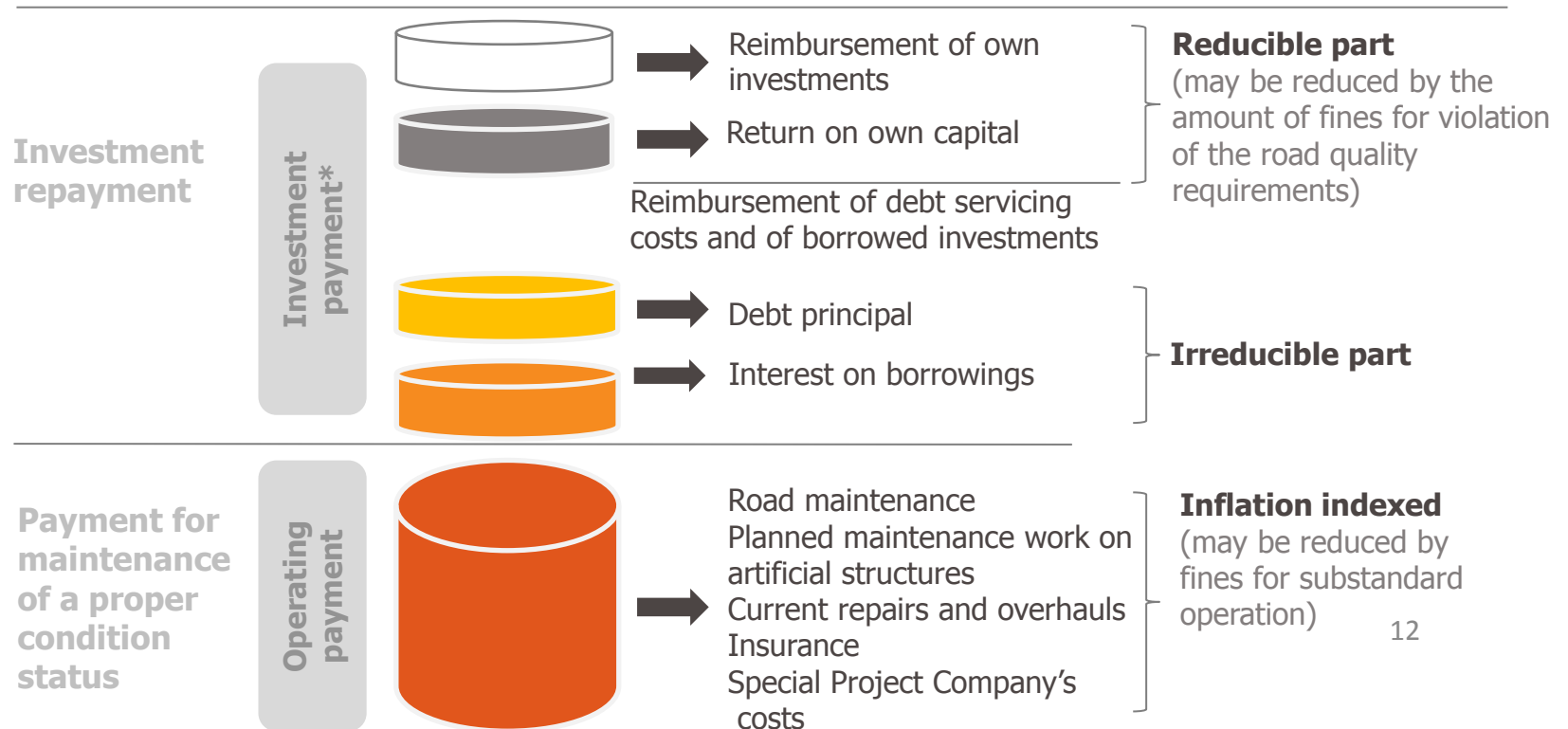
- Amount (nominal): up to **150.0 bln RUB**
- Pattern: issue of Avtodor SC bonded loans (coupon bonds)
- Number of issues: **no less than 5** (number may be increased)
- Repayment: from future toll collection
- Minimum rate of return: **CPI+ 1%**
- Placement term: **2014-2018**
- circulation/redemption period: **up until 2045**
- **Coupon payment deferral**: coupon income to be paid beginning in **2022**
- **Securing of NWF funds** (issue buy-up) for co-financing road creation costs in 2014-2017 in **October** of the work performance year.

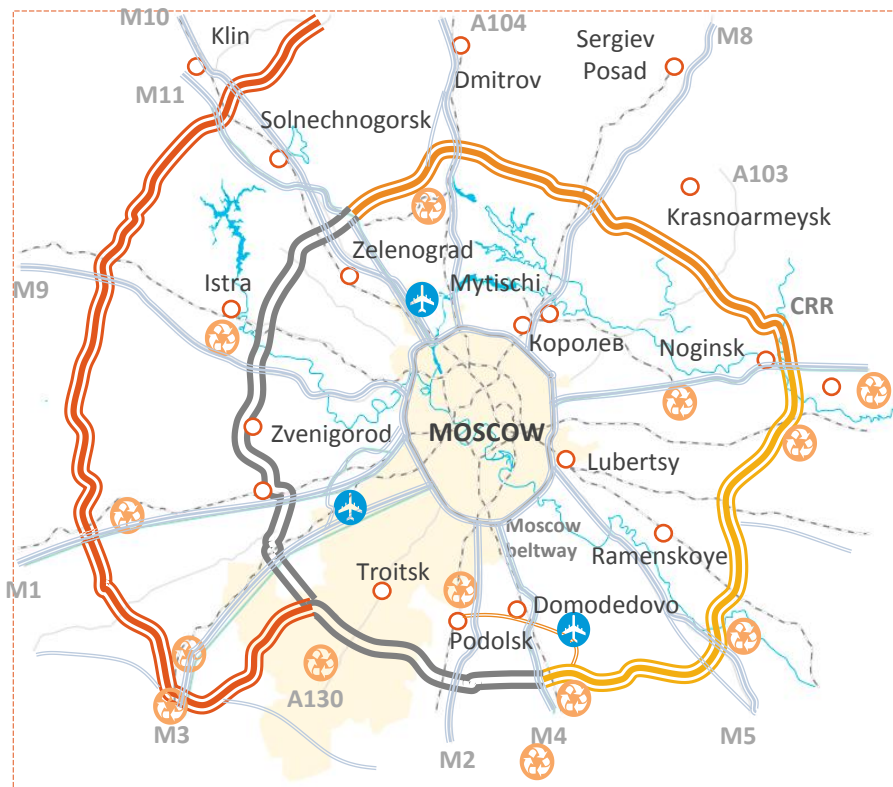
Structure of the public partner payment





The public partner payment is made by Avtodor SC and constitutes a payment for road accessibility for users and observance of the technical and use indicators of the road.

The public partner payment includes:

- ➔ Reimbursement of the concession operator's costs of creating the subject of the concession agreement in consideration of returns on the own and borrowed funds invested;
- ➔ Payment for ensuring a proper traffic use condition of the road and observing traffic safety requirements.





-  Construction stage II
-  Construction stage II CRR SC 4
-  Construction stage II CRR SC 3
-  CRR SC 1, SC 5

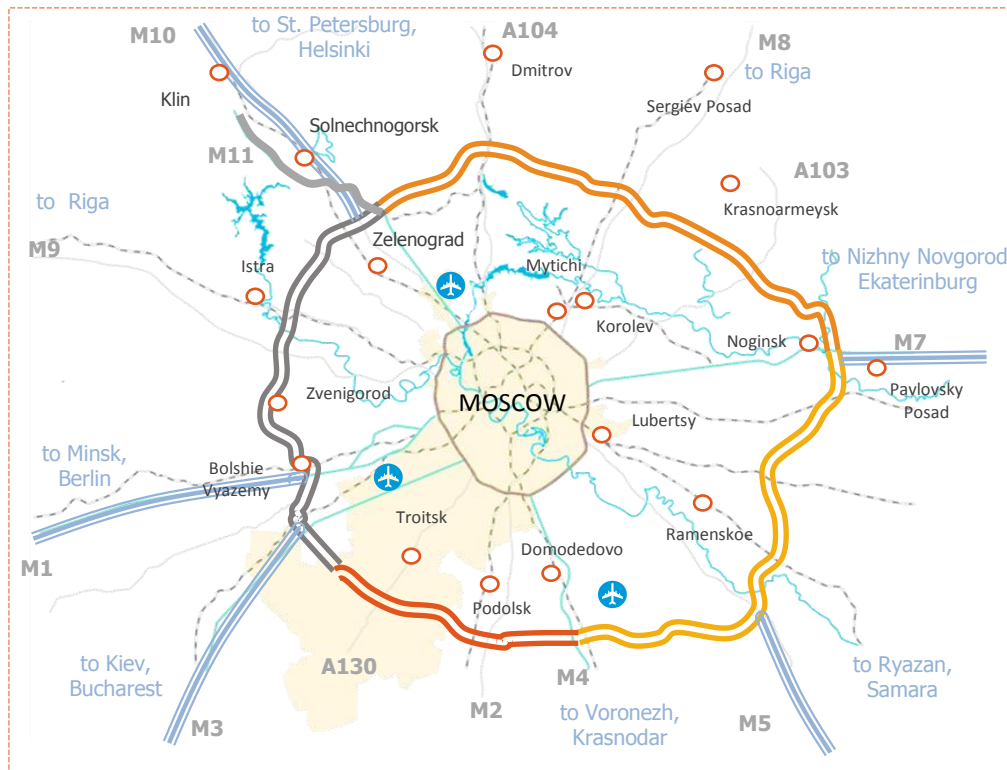
Stage II consists of:

- › **Widening of the road** from 4 to 6 lanes (at Startup Complex No.3) or to 6-8 (at SC No.4)
- › **Construction of traffic interchanges**, as well as additional exits at traffic interchanges and overpasses
- › **Development of the road in consideration of its full (future) scope.**

Unchangeable condition of the concession agreement:

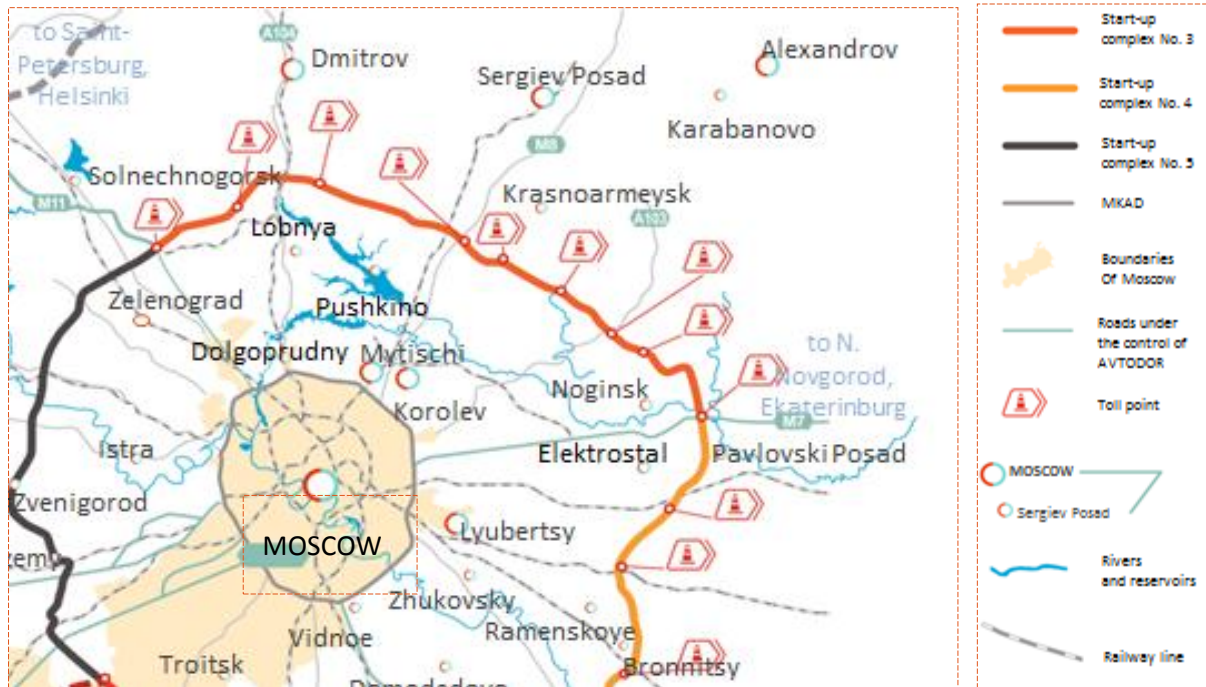
- › **The concessioner's obligation, at the public partner's request, to design, build and operate stage II of the road (selected segments thereof).**

CONSTRUCTION OF THE CENTRAL RING ROAD



START-UP COMPLEX No. 3

CRR construction, start-up complex No. 3



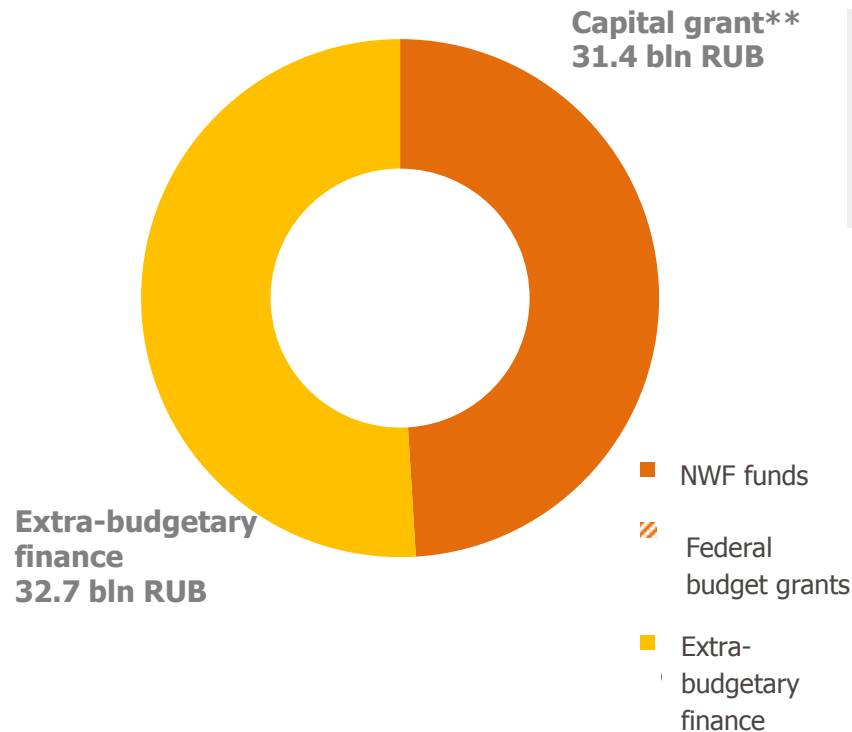
Location:	Solnechnogorsk, Dmitrov, Pushkino, Shchelkovo and Nогinsk districts and Chernogolovka Urban District
Length of section:	105.3 Km
Forecasted intensity*:	34 100 vehicles a day
Road category:	1A
Number of lanes	4 (construction stage I)
Total cost of the works under the agreement	64.1 bln RUB (in relevant year prices)
Type of contract:	Concession agreement
Term of contract:	30 years
Tender timing:	2014-2015
Construction period	2016-2018
Maintenance and operation period	2019-2045

* The average for the first five years of operation

Finance. Investment stage

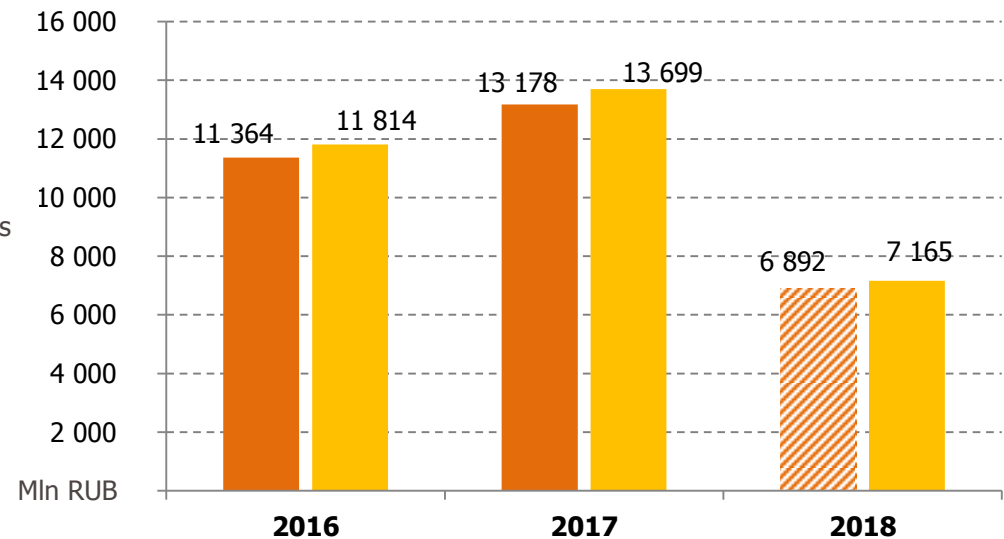
Road construction cost under the concession agreement = 64.1 bln RUB

Tender start conditions*



The state support for road construction will be paid to the concession operator in annual instalments, as the stages are successfully completed.

Project finance structure***



* In relevant year prices including VAT

** NWF funds account for up to 80% of the state finance total

*** Structure of capital grant financing (NWF, Federal budget grants) preliminary and may be updated by grantor

Subject of the concession agreement

Subject – Central Ring Road of the Moscow Region. Start-up Complex No. 3, including the following specified by the design documentation:

- › **Transport infrastructure engineering structures** (road bed, road surface, bridges, water diversion structures, flyovers, overpasses, technical means for traffic control, other roadside and road operation facilities, other than toll collection points).

Project documentation is available on Avtodor's website:

http://www.russianhighways.ru/about/technical_documentation/

Agreement term: 30 years from conclusion

Ownership relations:

- **Title to the road will belong to the grantor**
- **The grantor shall grant the concession operator the right to possess and use the road for operation thereof for the period of the agreement.**

Tender criteria

Parameters of tender criteria	Sum	Tender conditions	Weighted value of the tender criteria
Capital grant	31 434.5 mln RUB*, including VAT	reduction of the initial value	0.4
Payment for accessibility:			
- Operational payment	21 744.4 m RUB in base year prices** exclusive of VAT	reduction of the initial value	0.3
- Investment payment	108 247.0 mln RUB*** exclusive of VAT	reduction of the initial value	0.3
Total			1.0

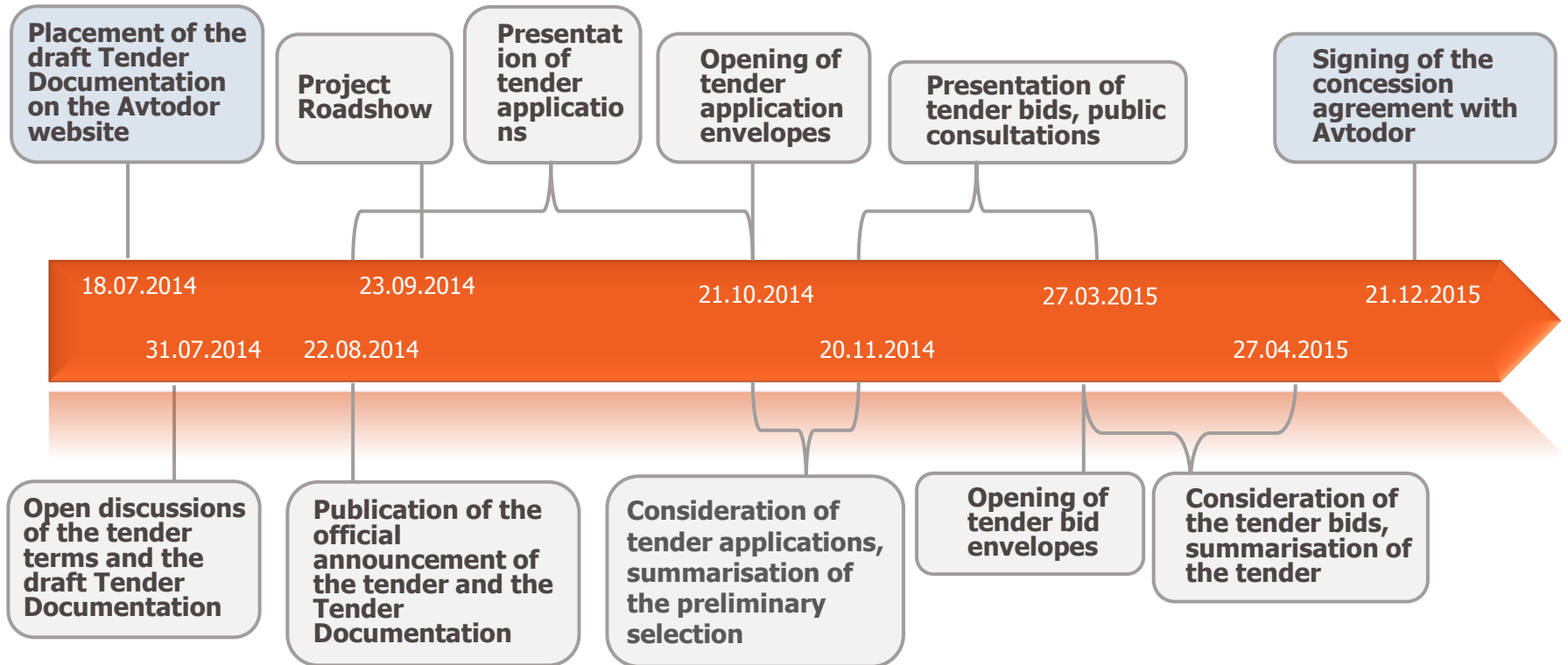
The tender winner will be entitled to conclude the concession agreement with the public partner on the conditions of the tender proposal meeting the requirements of the tender documentation.

* In relevant year prices

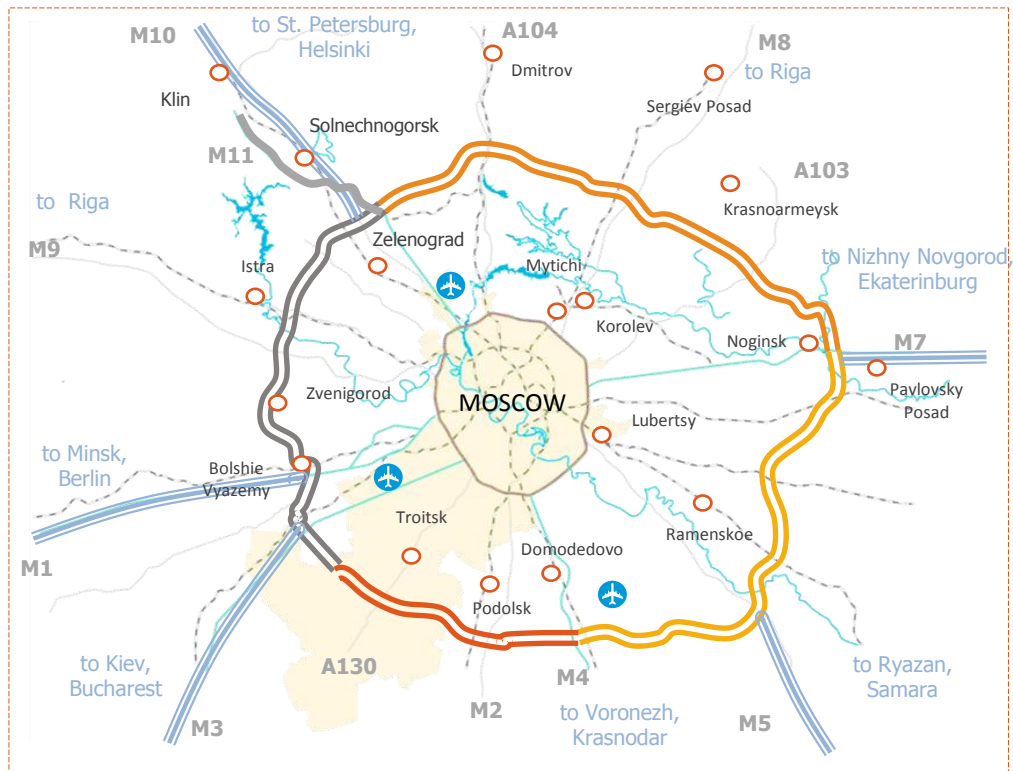
** In Q1 2014 prices

*** For the entire term of the concession agreement in relevant year prices

Planned open tender schedule



CONSTRUCTION OF THE CENTRAL RING ROAD



START-UP COMPLEX No. 4

Construction of CRR , start-up complex No. 4



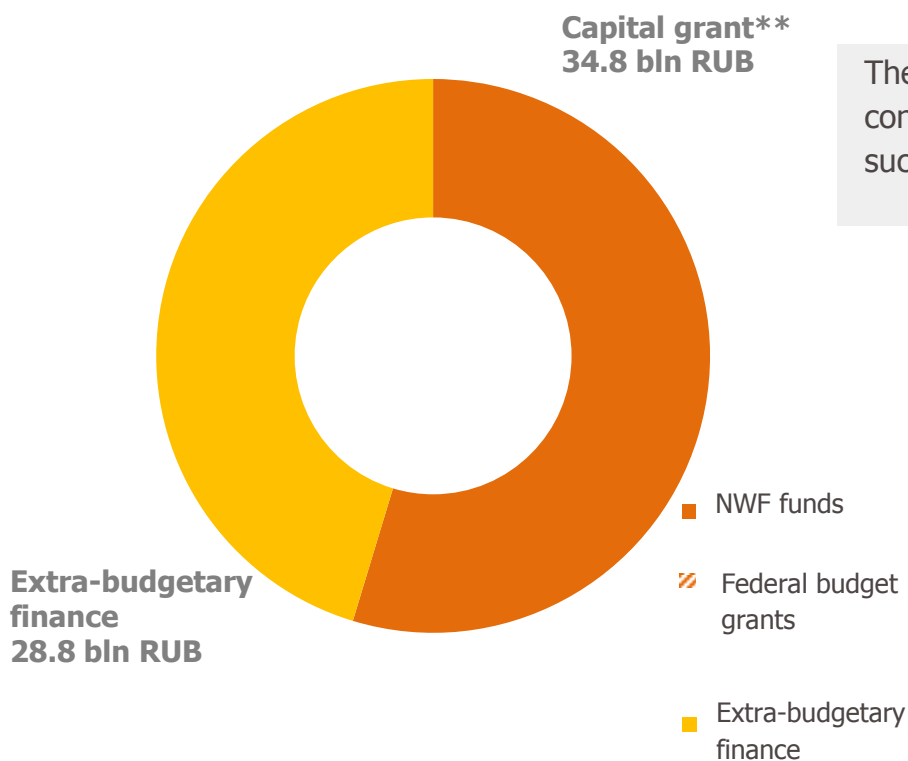
Location:	Nогinsk, Pavlovo-Posad, Voskresensk and Ramensky districts, Elektrostal and Domodedovo
Length of section:	96.5 km
Forecasted intensity*:	21 300 vehicles per day
Road category:	1A
Number of lanes:	4 (construction stage 1)
Total cost of the works under the agreement	63.6 bln RUB (in relevant year prices including VAT)
Type of contract:	Concession agreement
Term of contract:	30 years
Tender timing:	2014-2015
Construction period:	2016-2018
Maintenance and operation period:	2019-2045

* The average for the first five years of operation

Finance. Investment stage

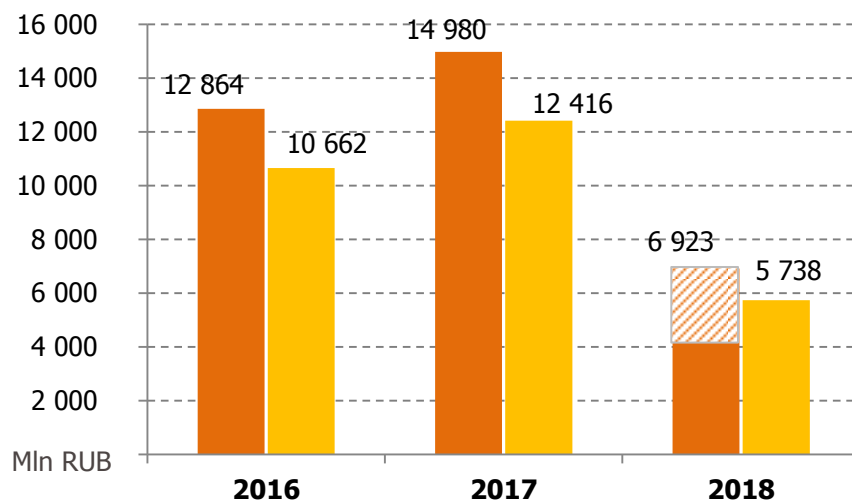
Road construction cost under the concession agreement = 63.6 bln RUB

Tender start conditions*



The state support for road construction will be paid to the concession operator in annual instalments, as the stages are successfully completed.

Project finance structure***



* In relevant year prices including VAT

** NWF funds account for up to 90% of the state finance total

*** Structure of capital grant financing (NWF, Federal budget grants) preliminary and may be updated by grantor

Subject – Central Ring Road of the Moscow Region. Start-up Complex No. 4, including the following specified by the design documentation:

- › **Transport infrastructure engineering structures** (road bed, road surface, bridges, water diversion structures, flyovers, overpasses, technical means for traffic control, other roadside and road operation facilities, other than toll collection points).

Currently, Avtodor SC redesigns a part of the project documentation with the planned completion date - December 2014.

Project documentation is available on Avtodor's website:

http://www.russianhighways.ru/about/technical_documentation/

Agreement term: 30 years from conclusion

Ownership relations:

- **Title to the road will belong to the grantor**
- **The grantor shall grant the concession operator the right to possess and use the road for operation thereof for the period of the agreement.**

Tender criteria

Parameters of tender criteria	Sum	Tender terms and conditions	Weighted value of the tender criteria
Capital grant	≤34 766.2 m RUB*, including VAT	reduction of the initial value	0.4
Payment for accessibility:			
- Operational payment	20 635.5 m RUB in base year prices** exclusive of VAT	reduction of the initial value	0.3
- Investment payment	94 869,0 m RUB*** exclusive of VAT	reduction of the initial value	0.3
Total			1.0

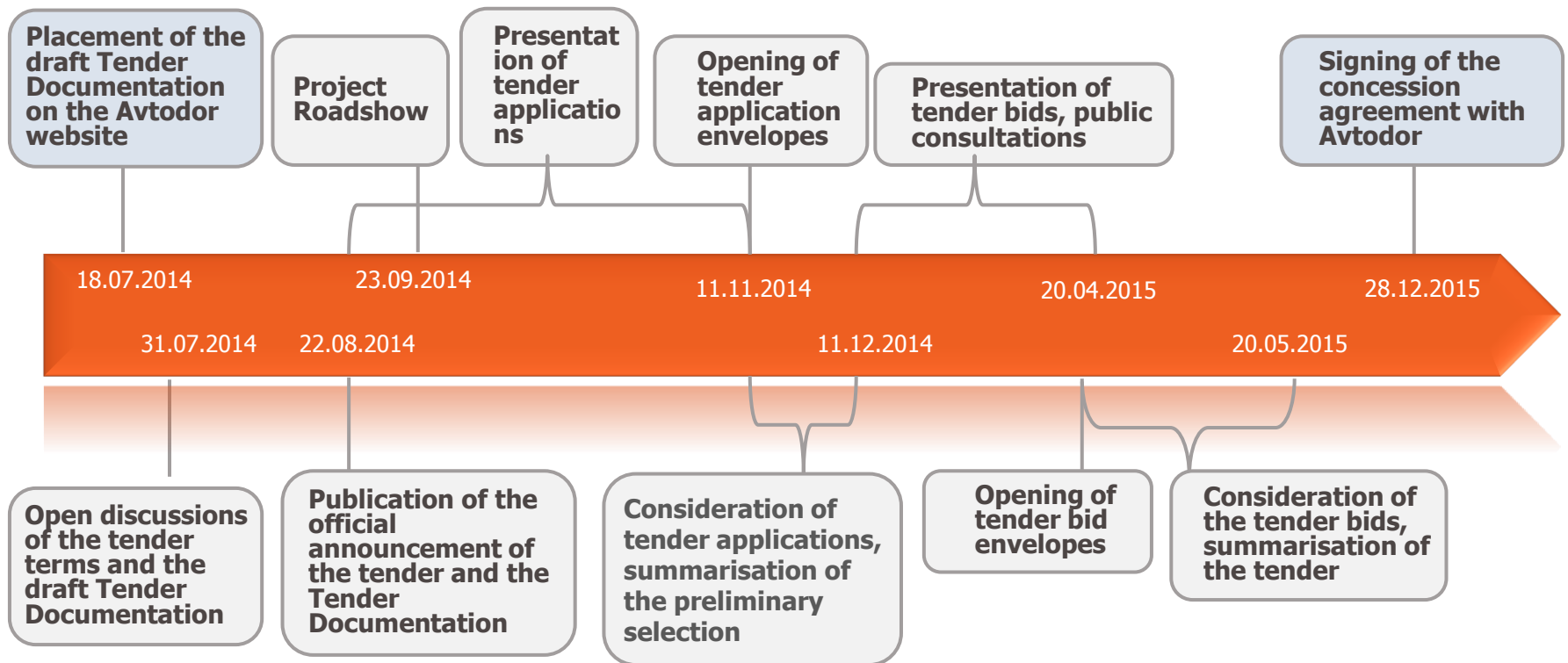
The tender winner will be entitled to conclude the concession agreement with the public partner on the conditions of the tender proposal meeting the requirements of the tender documentation.

* In relevant year prices

** In Q1 2014 prices

*** For the entire term of the concession agreement in relevant year prices

Planned open tender schedule



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