



INFORMATION MEMORANDUM



Building, financing, operation and maintenance project of the M11 Moscow–St Petersburg highway at the 543–684km section on the basis of availability payment concession agreement

Introduction

Project goals and objectives Alignment with industry development strategic plans

The project comprises part of Avtodor's long-term Activity Program

4–8

Relevance to the Moscow–St Peterburg tollway construction plans

Key technical characteristics

Brief description

Project implementation basis

9–17

Design features

Cultural heritage and environmental protection

Key technical specifications

Concession agreement

General provisions

19–21

Rights and liabilities of the concedent

The concessionaire's liabilities

Commercial structure of the project

Financing. Construction stage

Financing. Operation stage

22–30

Risk sharing

31–33

Tender criteria and preliminary project schedule

Tender criteria

33–37

Preliminary project schedule

Introduction

“Russian Highways” (Avtodor) State Company is currently completing preparations for an open tender for the right to conclude a concession agreement on financing, construction and operation of the M-11 Moscow–St Petersburg highway at the 543–684 km section.

Key project information

Location:	St Petersburg, Leningrad region
Construction length:	137.5km
Projected traffic*:	23,000–26,000 vehicles per day at the 543-646 km section 18,000–21,000 vehicles per day at the 646-684 km section
Road category:	1A
Number of lanes:	6/4
Total project costs:	83.1 billion roubles (the price is calculated for the relevant years)
Government funding:	75%
Private funding:	25%
Contract type:	Availability payment concession agreement
Contract term:	27 years
Tendering period:	2013–2014
Construction period:	2015–2017

This information memorandum has been compiled with the purpose of acquainting and providing market participants with information on the project under consideration in a timely manner as well as with the key project implementation conditions. Avtodor State Company reserves the right to amend the present memorandum.

* First 3 years of toll operations.



Project goals and objectives

Alignment with industry development strategic plans

The project is to create and develop a national highway network in compliance with the following transport industry strategic planning documents and activities:

- Transport Strategy of the Russian Federation through 2030 enacted by Government Decree No. 1734-r dated 22 November 2008
- Russian Federation Transport System Development State Program enacted by Government Decree No. 2600-r dated 28 December 2012
- Federal Targeted Program Development of the Russian Transport System in 2010 through 2015 No. 848 from 5 December 2001 (as stipulated in Government Decree No. 377 dated 20 May 2008)
- Avtodor's long-term Activity Program (2010-2020) endorsed by Government Decree No. 2146-r dated 31 December 2009 (as stipulated in Government Decree No. 672-r dated 24 April 2013)
- Preparations for the FIFA 2018 World Cup Russia

The adoption by the Government of strategies and programs, as well as goals and guidelines stipulated therein, for the Russian transport system and infrastructure testifies to the high importance of long-term infrastructure development plans and projects pursued by Russian leaders on the basis of the public-private partnership.

The project comprises part of Avtodor’s long-term Activity Program

The project is part of the framework of national policies focusing on the creation of conditions conducive to economic growth, increased cross-industry competitiveness and a better quality of life by building highway and expressway networks offering road users the desired traffic speed, reliability, safety and affordable prices.

Avtodor State Company’s long-term Activity Program for 2010–2020 stipulates the following goals:

- To make provisions for the construction and renovation of highways and motorways linking Moscow and St Petersburg, and Central Russia to ports in the Baltic and Black Seas, as well as providing interconnection with the road networks of the Republic of Belarus and Ukraine.
- To create a network of toll sections within Avtodor roads, including the establishment of a single integrated traffic control and toll collection system.
- To attract private investment in the design, construction and renovation of Avtodor roads on the basis of public-private partnership mechanisms.
- To gradually create new international road routes integrated in the network of European and Eurasian transport corridors.
- To ensure the regulatory compliance of the transport and operating conditions of the roads under Avtodor management.
- To ensure the high quality of road works and the durability of road infrastructure facilities through the implementation of innovative programs and engagement in new and more efficient types of contractual relations.
- To enhance traffic safety and transport security within Avtodor highways.
- To increase the quality of services provided to Avtodor road users, including creating a network of multifunctional roadside servicing areas.
- To ensure the deployment of new effective road activities management systems.

Relevance to the Moscow–St Petersburg tollway construction plans

The need for the new M11 Moscow–St Petersburg tollway is determined by the following factors:

- The projected thoroughfare will boast highly intensive road traffic as it will link Central Russia to a major transport hub, St Petersburg, as well as to Scandinavian seaports.
- The existing highway, M10 Russia, has insufficient lanes in most of its parts: The approach to Moscow has six lanes and three to four lanes are available throughout most of the route, with the motorway narrowing down to two lanes at some of its stretches. M10 Russia's Moscow and St Petersburg approaches have reached the limit of their throughput capacity, which causes congestions and, consequently, an unjustified increase in transport costs and barriers to the economic development of the load areas.
- The M10 Russia highway passes through various settlements, which decreases the speed of traffic and, as a result, leads to transport and economic losses, environmental deterioration in inhabited areas and lower traffic safety.
- Expenses associated with the construction of detours are comparable with the costs of building a new highway due to the need to build a large number of transport junctions.
- M10 Russia does not meet the horizontal curve radius, longitudinal inclination, sight distance and a number of other requirements stipulated for the 1st category highways.
- The need to maintain due transport and operating conditions of the existing federal highways throughout the whole period of operations with the purpose to provide higher quality road infrastructure services.

The construction of the new highway started with the sections closest to areas with the highest transport loads. As of today, construction works are underway on the 15–58km section of the road following the signing of a concession agreement in line with the Russian Federation Government Decree No. 511-r dated 24 April 2007. In late 2011, a long-term investment agreement was signed with a view to building the 258–334km road section (a bypass of the city of Vyshny Volochyok) on the basis of a life cycle contract scheme.



Implementation of the Moscow–St Petersburg motorway construction project will help achieve the following socioeconomic goals:

- Create an effective network of highways connecting Moscow and St Petersburg.
- Reduce transport costs and improve the quality of related services.
- Improve the technical parameters and throughput capacity of the North–South International Transport Corridor and pan-European transport corridors No. 2 (East–West) and No. 9.
- Increase operational efficiency and the cargo turnover intensity at the Moscow and St Petersburg transport hubs.
- Create an infrastructure that will enhance the investment appeal and socioeconomic development of six Russian regions with an overall population of more than 25 million people.
- Implement new types of contractual relations, including co-investment of non-budgetary funds at the construction stage and assumption by the contractor of pass-through liabilities at the construction/operations stage.

The Ministry of Transport of the Russian Federation has adopted the decision to proceed with the project involving two road sections – 543–646km and 646–684km – jointly with Avtodor State Company based on an the analysis of the project on the construction of the Moscow–St Petersburg highway performed by a consortium of consultants.

The project is highly significant because:

- it will create an important structure within the St Petersburg transport hub, enabling a partial diversion of traffic flows from the existing congested road network.
- it is important for the transport system as a whole: The new thoroughfare will link the two regions starting and ending at the junctions with the existing federal highways (the 684th km of the St Petersburg Ring Road and 543rd km of the M10)

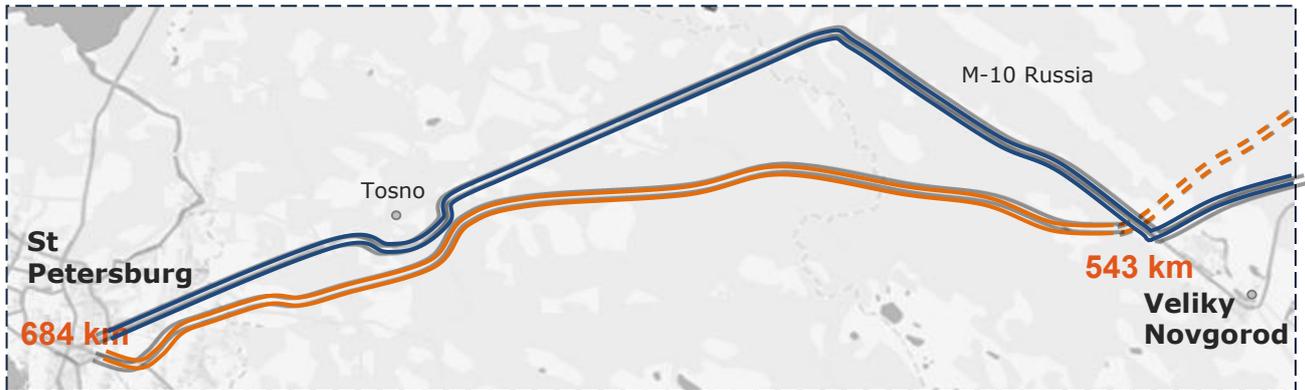


Key technical characteristics

Brief description

Highway route

The 137.5-kilometre road will constitute part of the Moscow–St Petersburg tollway linking the country’s two biggest cities.



The highway section under consideration crosses the territories of St Petersburg as well as the Leningrad and Novgorod regions.

In the Leningrad region, the road passes through the Tosnensky District and the areas adjacent to Annolovo, Pavlovsk and Pushkin. In St Petersburg, it runs across the Moskovsky and Pushkinsky districts and in the Novgorod region – the Novgorodsky and Chudovsky districts.

Construction length	137.5 km
Number of artificial constructions	64 bridges and flyovers 1 tunnel 3 transport junctions
Road category	IA
Number of lanes	4 lanes at the 543–646km section 6 lanes at the 646–684km section
Projected traffic*	23,000–26,000 vehicles per day at the 543–646km section 18,000–21,000 vehicles per day at the 646–684km section

* First 3 years of toll operation.

Project implementation base

The project is subject to implementation by a concessionaire in accordance with the approved design and budget estimates, which have received the endorsement of the State Expert Evaluation Department (Glavosekspertiza) of Russia.

- Design and budget estimates for the 646–684km section were endorsed by Glavosekspertiza on 25 October 2010
- Design and budget estimates for the 543–646km section were endorsed by Glavosekspertiza on 16 November 2012
- Avtodor started preparation of the construction sites in 2012*

Technical and economic indicators for the highway are set out in tender documents in line with the requirements provided in the design and budget estimates.

* The preparation of the construction sites is being carried out by Avtodor as part of a separate agreement. This work is not part of the concession agreement. The sites will be transferred closer to the start of construction activities.

Design features

The following factors were considered when designing various routing options jointly with the leading Russian highway and artificial structure design and survey institute Soyuzdorpoekt:

- Geological and hydrological conditions.
- The locations of environmental facilities and environmentally protected sites, so as to minimise the environmental impact.
- Spatial urban planning provisions.
- The need to detour inhabited areas, so as to ensure maximum traffic speed.
- The need to account for the possibility of attracting maximum transport flows and a gradual commissioning of road sections.
- How to protect the integrity of archaeological heritage sites and burial grounds.

After a comparison of the technical and economic parameters of various routing alternatives, the most appropriate option has been selected – one that fully satisfies the project objectives. It meets the requirements of ensuring minimum environmental impact, including on environmental centres, water conservation areas as well as natural reserves and wildlife sanctuaries, as it does not cross such territories. The proposed route is located in vicinity of the existing M10 Russia highway and ensures the preservation of the transport links established within Russian regions. It also accounts for future transport infrastructure developments.

Cultural heritage and environmental protection

Cultural heritage

Research into protected archaeological areas was conducted prior to project implementation. The studies revealed that the projected construction will not damage the archaeological heritage sites identified earlier. No archaeological sites were detected along the highway, except for the Oneg estate located 400–500m northeast of the road and a medieval settlement in the Zalesye tract situated 200–500m from the projected highway's 598th kilometre. In light of this, work in these areas should be carried out in compliance with the relevant protection measures stipulated by current Russian Federation laws.

One stretch of the road section under consideration also passes through a former battle zone in Myasnoy Bor, Novgorod Region, where the 2nd Workers and Peasants' Striking Army was demolished in 1942. This event is considered to be one of the most tragic chapters in the history of the World War II.

Avtodor attaches great importance to the preservation of historical sites in its freeway network construction projects. A set of measures has been developed to this end, so as to ensure thorough examination of the areas allocated for prospective roads. Apart from that, all of the remains of the fallen soldiers discovered on the site during its preparation for construction will be reburied with all due honours rendered.

Environmental protection

The highway will mostly pass through non-inhabited areas. The design documentation for the projected road sections has undergone a public environmental evaluation, which proved the adequacy of the engineering protection measures proposed to mitigate the adverse impact of the highway on public health, properties and environment. Environmental protection measures stipulated in the design documents have been developed in line with today's ecological requirements stipulated in the Russian laws.

The project design makes provisions for a number of measures aimed at mitigating the most adverse consequences of highway construction activities, including:

- Installing noise screens and glass panels in places subject to higher acoustic loads
- Installing local shower run-off treatment facilities to prevent the contamination of the aquatic environment
- Installing artificial facilities to ensure animal migration

Key technical specifications

Soil conditions and road surfacing

The Moscow–St Petersburg highway is located within the category II B construction and climatic zone, which is suitable for highway construction as far as soil conditions are concerned.

At the **543–571km** section, the highway crosses the river Pitba and the M10 Russia highway, passes over the Oktyabrskaya Railway and across the Polist and Glushitsa rivers as well as the Trubitskaya ditch. The ground is flat and, in some parts, undulating and is characterised by a continuous north-wise gradient. Swamp-podzolic and bog soils prevail within the area designated for the designed road section.

At the **571–646km** section, the road passes through large marshy lowlands with predominant spruce forests. With regard to the ground surface, the stretch under consideration represents a flatland with an extensive hydrographical network. The rivers crossed by the highway are unnavigable.

The **646–684km** section has a dense and well-developed river network. Most parts of the area are swamped and represent a flatland with an insignificant absolute elevation. The area is located in the middle and southern taiga subzones.

Considering the category of the road and its projected traffic intensity, there is a requirement for a heavy-duty pavement surfaced with stone mastic asphalt concrete.

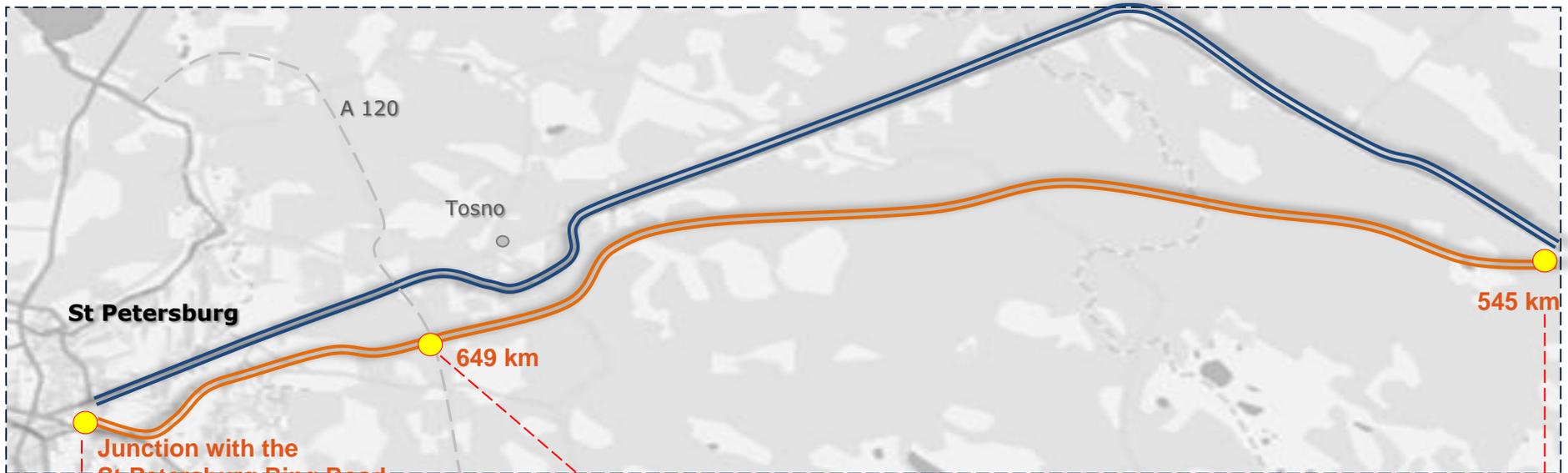
Number of lanes

In line with the construction design of the Moscow–St Petersburg highway and the projected traffic intensity, the following number of lanes is projected for the 543–684 km section:

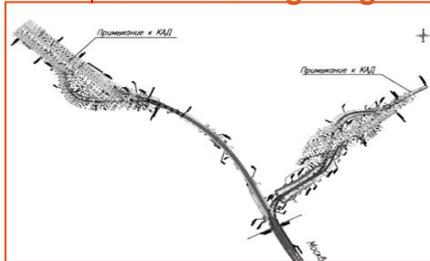
543–646 km:	4 lanes
646–684 km:	6 lanes

Junctions

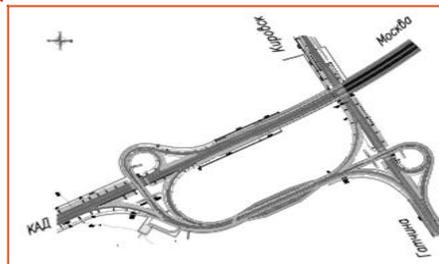
Three transport junctions are planned to be built at the intersections with major public roads.



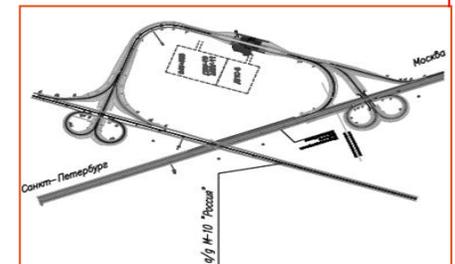
Junction with the St Petersburg Ring Road



St Petersburg's Moskovsky district in close vicinity to the Pilkovo junction. The interchange ensures transport links via the St Petersburg Ring Road to all city districts, whereas ramps 2 and 3 provide access to the Western High-Speed Diameter.



A junction at the crossing between the Moscow–St Petersburg highway and the A-120 Magistralnaya highway.



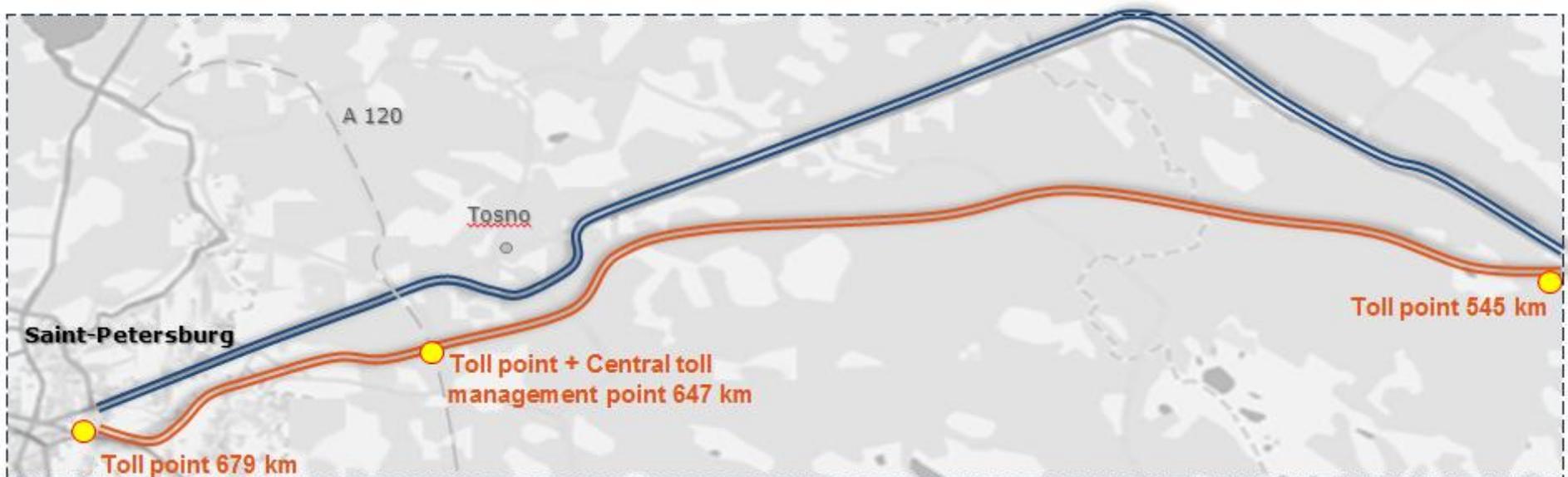
A junction at the crossing with the M10 Russia highway.

Toll collection system

The design documentation stipulates the use of a closed toll collection system after the completion of construction works. With a closed system, toll collection points (TCPs) are installed at all entries to and exits from a highway. Such TCPs shall be equipped with entry and exit tollgates. Users pay tolls upon exiting the road by presenting a travel pass issued at the entry point. The size of the toll is determined proportionally to the distance covered.

The current project design requires placing TCPs at the 545th, 647th and 679th kilometres of the highway.

The concessionaire will be in charge of building the toll collection points, which includes performing general road works, building toll booths and canopies, and installing and setting-up the equipment. The TCPs should be equipped to accept various forms of payment, such as cash, bank cards and electronic payments (transponders, contactless smart cards, etc.) Tolls will be collected with the use of both stop-to-pay and open-road technologies, with several tollgates allocated exclusively for pass-through operations.



Artificial constructions

Tunnel

A road tunnel is planned for construction at the crossing of a 1st technical category road with the St Petersburg–Gatchina leg of the St Petersburg–Warsaw railway in St Petersburg’s Pushkinsky district.

Key specifications:

- Designed to be divided in two separate sections, one for each traffic direction.
- The section is 73.9 metres long for vehicles heading towards Moscow and 76 metres long the traffic heading to St Petersburg.
- The distance from the top of the tunnel structure to the rail base is approximately 4.4 metres.
- Each tunnel section is 14.65 metres wide on the inside, including a 12.75-metre driveway together with safety strips and two operating aisles that are 0.75 metres wide each, separated from the driveway by 200-millimetre-thick curb stones.

Bridges and flyovers

Section	Distance	Total number
543–646km	2341.45m	38 units
646–684km	3194.41m	26 units

Traffic management facilities

To ensure road traffic safety and control, all necessary measures shall be implemented in line with GOST R 52289 standard (Traffic management facilities. Rules of application of traffic signs, markings, traffic lights, guardrails and delineators.)



Concession agreement

General provisions

Scope – it is the liability of the concessionaire to build a road and subsequently operate it on the toll basis.

Object – a road comprising of transport infrastructure engineering facilities specified in the design documentation: roadbed, pavement, bridges, drainage facilities, flyovers, overpasses, traffic control devices, toll plazas as well as other road and general-purpose facilities.

Term: 27 years

Ownership relations:

- The concedent assumes the ownership rights for the road.
- The concedent is obliged to provide the concessionaire with road ownership and operation rights for the duration of the contract term.



Rights and liabilities of the concedent

The concedent is the Russian Federation, as represented by State Company Avtodor on the basis of the corresponding Government Decree.

Avtodor has all the powers, subject to formalization in a Russian Federation Government Decree, required to conclude and perform a project-related concession agreement with a concessionaire.

Concedent's liabilities:

- To conclude, the land lease/sublease agreements with the concessionaire for the plots crossed by the highway and/or required by the concessionaire to perform road construction and operation activities.
- To transmit the existing highway construction design documentation to the concessionaire.
- To issue a financial grant to the concessionaire for the road building purposes.
- To transfer road ownership and use rights to the concessionaire for the period from the highway commissioning date until termination of the concession agreement.
- To pay the availability payments to the concessionaire starting from the commissioning of the road.
- To accept the road from the concessionaire upon termination of the concession agreement.

The concessionaire's liabilities

In accordance with the concession agreement, the concessionaire shall ensure:

- Co-financing of the construction in the amount of at least 25 per cent of the total highway cost.
- Launch the operation of the road in 36 months from the start of the construction.
- Operation of the road, including but not limited to:
 - Maintaining due transport and operating conditions of the road throughout the whole period of operation.
 - Performing regular and capital repairs as well as maintenance of the road throughout the whole period of operation.
 - Implementing other measures aimed at preserving the transport, operating and user access parameters of the road.
 - Collecting tolls from road users for the concedent starting from the date the highway is commissioned.
- That the user access parameters stipulated in the concession agreement are being upheld.
- That the road is transferred to the concedent upon termination of the concession agreement.



Commercial structure of the project

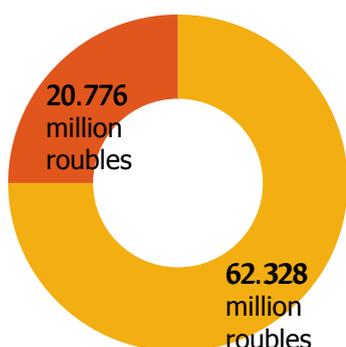
The concedent will ensure the following government aid to support project implementation:

- ➔ A financial grant provided at the highway **construction** stage.
- ➔ Concedent's availability payments effected during road **operations**.

Financing. Construction stage

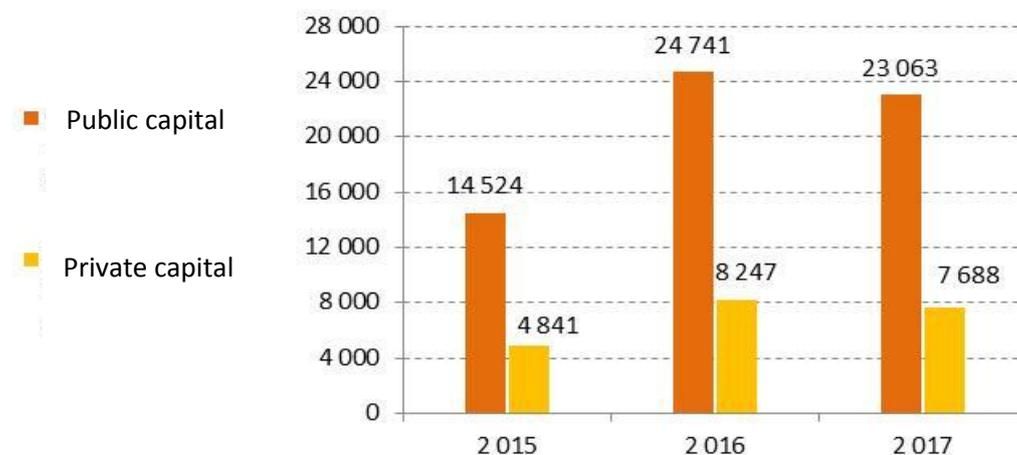
Total construction costs amount to 83.1 billion roubles (calculated for the relevant years), including VAT and excluding other related expenses at construction stage. The concedent and the concessionaire will share construction costs in the proportion of 75 to 25 per cent, respectively.

Initial tender conditions*. Construction financing



Initial construction cost = 83.1 billion roubles**

The government aid provided to support the construction of the road will be released to the concessionaire annually in instalments upon the successful completion of the relevant stages in line with following scheme:



* Construction costs do not include other expenses incurred by the concessionaire amounting to 3.377 million roubles (senior debt servicing, opening a senior debt service reserve account, SPV costs (including the refunded VAT at construction stage))

** Calculated in nominal terms, including VAT, excluding other related expenses at construction stage

KEY PROJECT FINANCIALS*

The amount due by the concedent as reimbursement of private funds has been calculated based on the following principles:

Item	Value	Comment
Construction costs:	RUR 83.104 bln	
- Financial grant	RUR 62.328 bln	75%
- Concessionaire's investments in construction	RUR 20.776 bln	25%
Miscellaneous expenses incurred by the concessionaire at the construction stage	RUR 3.328 bln**	Costs associated with operations of a project management entity, loan servicing and reserve provisions.
Total concessionaire's investments, including:	RUR 24.104 bln	
- Equity	RUR 5.447 bln	
- leveraged investment	RUR 18.657 bln	The funds shall be used within the construction period.
Loan term	15 years	
Floating interest rate (construction stage)	6.0% + CPI	A floating loan interest rate is adjusted for the consumer price index for goods and services as well as the fixed 6% premium provided at the construction stage.
Floating interest rate (operations stage)	5.5% + CPI	A floating credit interest rate is adjusted for the consumer price index for goods and services as well as the fixed 5.5% premium provided at the operations stage.
Refinanced part of the debt	Up to 50%	
Refinancing period	10 years	
Floating refinance rate	5.5% + CPI	A borrowing rate for the refinancing stage is set at the same level as the one on the primary loan throughout the operations stage.
Floating equity rate	8.5% +CPI	A borrowing rate for the concession stage as a part of equity financing.

* TBS during the tender

** Considering the refunded VAT at construction stage

Financing. Operation stage

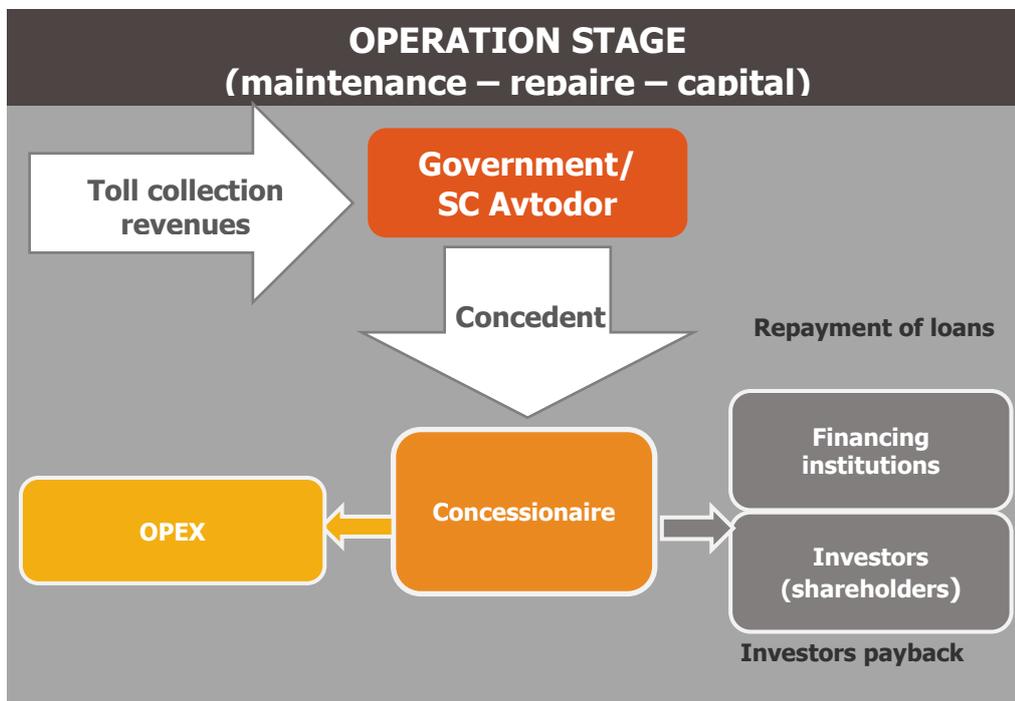
AVAILABILITY PAYMENT PRINCIPLE

Availability payments made by the concedent are regular payments effected annually in the amount established in the contract for the availability of the road to the users throughout the whole operating period, as well as for compliance with the engineering and operating requirements. Payments made by the concedent cover road operation costs incurred by the concessionaire as well as expenses associated with the creation of the road, taking into account the returns on the invested equity and loan capital.

The collection of tolls from the road users in favour of the concedent is carried out by the concessionaire independently.

The availability payments to the concessionaire will start after the launch of the road operation.*

Financing: operation stage



* The concession agreement is to specify in detail the payments to the concessionaire for the services rendered at the road operation stage

The actual amount of payments made by the concedent is determined with consideration to the potential premiums the concessionaire may receive and the sum that may be deducted in case the concessionaire fails to meet the requirements stipulated in the agreement.

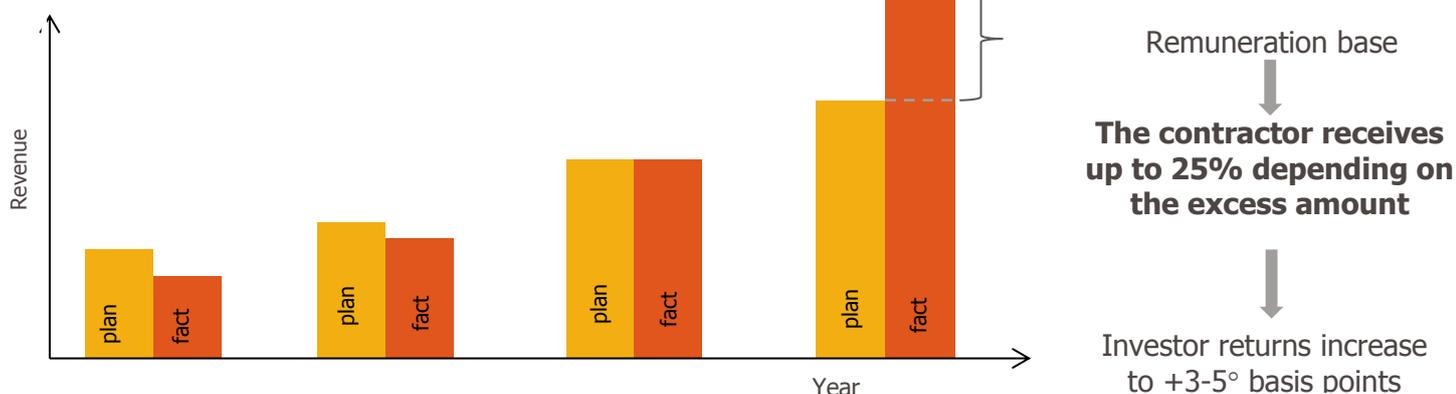
Bonus scheme

The bonuses (additional/extra payments made by the concedent) are paid to the concessionaire in case the amount of tolls it collects exceeds the forecasted amount set in the concession agreement.

Penalties/Operational and (or) Investment payment reductions

Penalties accrual and therefore reduction of availability payments is made in cases of violations or inability of the concessionaire to meet the requirements established by the concedent with regard to the road accessibility for vehicles, transport and operating indicators of the highway or its maintenance and operation requirements.

Scheme of Bonus for extra tolling income



Violations of road maintenance and operation requirements

- Violation of road maintenance requirements
- Violation of maintenance and utilisation requirements for toll collection and/or adaptive traffic control systems
- Violation of operational and user servicing requirements

Violations of vehicle accessibility or road transport and operation requirements

- Failure to ensure the required vehicle accessibility parameters
- Failure to meet the highway transport and operation parameters, in particular: evenness (longitudinal/transverse), tire-to-surface friction coefficient, pavement strength.
- Failure to meet the transport and operation parameters of artificial structures, in particular: compliance with the design load class, longitudinal strength, joint and control joint deficiencies and wear-out

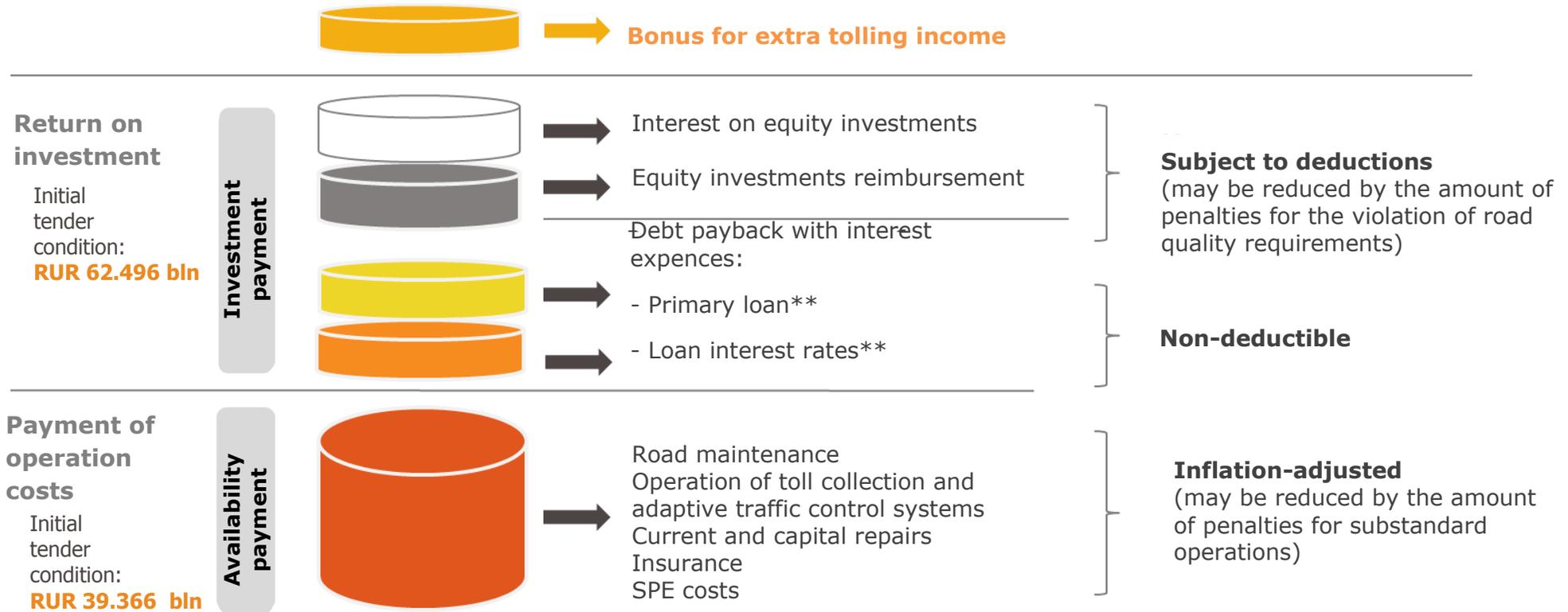
Reduction of Availability payment

Reduction of Investment payment

AVAILABILITY PAYMENTS STRUCTURE

Availability payments provided by Avtodor cover the following concessionaire's expenses:

- ➔ Repayment and servicing of loans for construction, taking into account the returns on the invested equity and loan capital
- ➔ Road operational costs.



* A toll collection system, an adaptive traffic control system

** Given that the project is structured around floating returns on the financing engaged (pegged to inflation rates), actual payments of primary loan and equity return interest rates will be adjusted to the difference between the forecast and actual inflation rates

*** Indexed to inflation rates

OPERATIONAL PAYMENT

An operational payment is a part of availability payment made by the concedent covering the road operation costs incurred by the concessionaire.

- This sub-criterion is initially estimated as worth 39.366 billion roubles, including VAT, as calculated for the first quarter of 2012.
- Payments are calculated for each year of the concession term after the road is commissioned based on the following formula:

$$OP_i = OP * f * CPI_i, \text{ where}$$

OP_i is the base amount of the availability payment for year i .

OP is the operational payment in the amount indicated in the tender bid of the signatory to the concession agreement for the whole concession term, as calculated for the 1st quarter 2012.

f is an adjustment factor for the relevant concession contract year after the commissioning of the road determined on the basis of the table below.

Concession agreement term, year	2018	2019	2020	2021	2022	2023	2024	2025
Factor	0.0191	0.0306	0.0345	0.0392	0.0416	0.0430	0.0438	0.0480
Concession agreement term, year	2026	2027	2028	2029	2030	2031	2032	2033
Factor	0.0525	0.0567	0.0578	0.0664	0.0633	0.0578	0.0510	0.0413
Concession agreement term, year	2034	2035	2036	2037	2038	2039	2040	2041
Factor	0.0385	0.0383	0.0377	0.0368	0.0365	0.0214	0.0219	0.0223

All adjustment factors for the whole concession agreement term add up to 1.

i is the concession agreement year starting from the moment the road is commissioned.

CPI_i is the consumer price index accrued for goods and services from the first quarter of 2012 to the first quarter of year i .

INVESTMENT PAYMENT

An investment payment is a part of availability payment made by the concedent covering the expenses incurred by the concessionaire in the process of repaying and servicing the attracted funds.

- ➔ This sub-criterion is initially estimated as worth 62.496 billion roubles (VAT exempt) for the whole concession term, as calculated for the relevant years.
- ➔ Payments are calculated for each year of the concession term after the commissioning of the road on the basis of the following formula:

$$IP_i = IP * f, \text{ where}$$

IP_i is the base amount of the investment payment for year i .

IP is the investment payment in the amount indicated in the tender bid of the signatory to the concession agreement for the whole concession term, as calculated for the relevant years.

The investment payment is determined in line with the concept of the floating funding costs, where a floating interest rate for investor loans is 5.5% + CPI and a floating interest rate for investor equity is 8.5% + CPI.*

f is an adjustment factor for the relevant concession contract year after the commissioning of the road determined on the basis of the table below.

Concession agreement term, year	2018	2019	2020	2021	2022	2023	2024	2025
Factor	0.0477	0.0471	0.0468	0.0464	0.0457	0.0449	0.0443	0.0445
Concession agreement term, year	2026	2027	2028	2029	2030	2031	2032	2033
Factor	0.0445	0.0444	0.0443	0.0337	0.0336	0.0336	0.0336	0.0335
Concession agreement term, year	2034	2035	2036	2037	2038	2039	2040	2041
Factor	0.0335	0.0334	0.0334	0.0333	0.0332	0.0538	0.0546	0.0562

All adjustment factors for the whole concession agreement term add up to 1.

i is the concession agreement year starting from the commissioning of the road.

* The estimate is based on the projected prices calculated for the nominal terms in line with official long-term inflation forecasts. Actual interest payments are subject to adjustment to the difference between the forecast and actual inflation rates

TARIFF POLICY

Commercial toll operation is expected to begin once the road section has been completed.

The concession agreement requires the concessionaire to perform the collection of tolls for the concedent. The concedent sets tariff rates within the limits established in the concession agreement on the basis of weighted average tariffs:

Established toll rate limits

Vehicle category and type	Classification criteria		Rate, roubles per km (as calculated for Q1 2012)	Maximum rate, roubles per km (as calculated for Q1 2012)
	Overall height of a loaded vehicle - H (in metres)	No. of axes		
I. Light motor vehicles: Cars (including, those with trailers up to 2 metres long), multifunctional vehicles, motorcycles.	$H \leq 2$	2 or more	1.75	2.60
II. Light trucks: Cars (including, those with trailers up to 2 metres long), utility vehicles, pickup trucks and minivans.	$2 < H < 2.6$	2 or more	2.65	3.90
III. Heavy-duty trucks and buses: Trucks, buses and coaches.	$H \geq 2.6$	2	3.50	5.20
IV. Heavy-duty trucks and buses: Trucks, buses, coaches and class 2 vehicles with trailers more than 2.6 metres long.	$H \geq 2.6$	3 or more	7.00	10.40

Traffic flow estimates

Section	2018	2041
543–646km	23,350 vehicles per day	49,142 vehicles per day
646–684km	18,710 vehicles per day	46,419 vehicles per day



Risk sharing

Risk sharing

The advantages of a public-private partnership include the optimal, balanced and efficient distribution of the risks associated with implementing the project between the parties to the concession agreement.

The optimal distribution of risks is ensured by the application of a principle that assigns all risks out of the concessionaire's control or purview to the State. All other risks are assumed by the concessionaire. This principle is stipulated in the draft concession agreement, which is included in the tender documentation.

Key risks associated with the project:

Type of risk	Risk definition	Private partner	Government
Risks associated with the late provision of land plots prepared for construction activities	Changes in the project timeframes due to delays in construction area preparation and land plot provision.		
Design risks	<p>Design errors.</p> <p>The private partner's risks may arise:</p> <ul style="list-style-type: none"> - due to design optimisations by the private partner; - once the engineering documentation has been completed, in the scope and on the conditions established in the concession agreement. <p>The Government's risks may arise:</p> <ul style="list-style-type: none"> - in cases where major errors are identified in the design documentation at the stage of the development engineering documentation by the private partner. 		
Regulatory risks	Legislative changes taking place after the agreement is signed, including amendments to tax laws with a significant negative impact on the initial conditions the private partner accepted by signing the agreement.		
Risks associated with the late completion of works	Longer construction period.		

Risks of increased construction costs	Actual construction expenses exceeding the estimates, including due to increases in the prices of construction materials and a lack of conscientiousness on the part of contractors.	●	
Environmental risks	<p>Environmental harm resulting from the construction and operation of the facility.</p> <p>The private partner's risks:</p> <ul style="list-style-type: none"> - Risks associated with a negative environmental impact owing to violations of legal requirements and regulations stipulated in environmental and other laws or provisions of the ecological assessment presented to the State appraising the design solutions adopted with regard to the facility's construction and operations. <p>The Government's risks:</p> <ul style="list-style-type: none"> - Risks of social protests associated with negative environmental impact, in case such protests take place for reasons other than violations by the private partner of legal requirements and regulations stipulated in environmental and other laws or provisions of the ecological assessment presented to the State appraising the design solutions adopted with regard to the facility's construction and operations. 	◐	◐
Risks of highway asset damage or loss	Damage and a partial or absolute loss of road assets during construction.	●	
Facility maintenance risks	Increased highway maintenance and repair costs due to changes in the prices of materials or certain types of work.	●	
Risks associated with changes in demand for the facility	Lower/higher user demand for the road compared to the forecasts.		●
Risks associated with insolvency of the concessionaire	Insolvency of the concessionaire.	●	
Risks of bankruptcy or insolvency of the bank assuring the performance by the concessionaire of its obligations under the agreement	Bankruptcy or a complete or partial insolvency of the issuer of the bank guarantee in the course of construction and/or operations.	●	
Risks associated with the need to make changes to the technical parameters of the road during its operations	Expansion of the road or junctions, TCP equipment upgrades		●



Tender criteria and preliminary project schedule

Tender criteria

Regulatory framework

The project tender is carried out in compliance with Russian Federation Federal Law No. 115-FZ “On concession agreements” adopted on 21 July 2005, as well as other regulations and directives.

Draft tender documentation is coordinated with the Ministry of Transport of the Russian Federation, the Ministry of Economic Development of the Russian Federation and the Ministry of Finances of the Russian Federation. Tender documentation and members of the tender commission are subject to approval by the Avtodor’s Supervisory Board.

Amendments to tender documents

Avtodor State Company may only amend the approved tender documents, including the draft concession agreement, if the period for submitting tender participation requests or bids is extended for at least 30 working days from the date such amendments are introduced, given that all other requirements stipulated in Federal Law No. 115-FZ “On concession agreements” are obeyed.

Apart from that, Avtodor is entitled to publish information on the tendering procedure in media, as well as on the company website.

Tender criteria features	Amount	Tender conditions	Criteria weights
Financial grant	62.328 billion roubles or less*, including VAT	Lowering the initial amount	0.4
Availability payment			
- Operational payment	39.366 billion roubles in real terms**, including VAT	Lowering the initial amount	0.3
- Investment payment	62.496 billion roubles***, VAT exempted	Lowering the initial amount	0.3
Total			1.0

The winner of the tender will be granted the right to sign a concession agreement with the concedent on the conditions of its tender bid, as long as it meets the requirements of the tender documentation and the tender award decision on entering into a concession agreement.

* As calculated for the relevant years

** As calculated for Q1 2012

*** Throughout the whole concession agreement term on the basis of prices calculated for the relevant years without consideration to adjustments of the floating interest rates to the difference between the actual and forecast inflation rates

Preliminary project schedule

Implementation dates	Key implementation stages	Stage period (calendar days)
14.05.2013	Russian Federation Government Decree on the signing of the Concession Agreement	1
30.05.2013	Public discussion of tender documents	1
15.06.2013	Coordination and approval of the tender documentation by Avtodor Supervisory Board	1
17.06.2013 – 20.06.2013	Announcement of a concession tender	4
17.06.2013 – 02.09.2013	Submission of tender participation requests (pre-qualification)	78
01.07.2013 – 15.07.2013	Road show	15
03.09.2013	Opening the tender envelopes	1
03.09.2013 – 15.10.2013	Pre-qualification results	43
15.10.2013 – 16.02.2014	Open consultations with the participants; preparation of tender bids	120
17.02.2014	Bid Opening Procedure	1
18.02.2014 – 01.04.2014	Tender results	42
02.04.2014 – 30.06.2014	Coordination of the concession agreement and its appendices with the winner/other entity granted the right to sign the concession agreement	88
01.07.2014	Signing the concession agreement	1
01.07.2014 – 31.07.2014	Preparation and submission to the RF Government of a draft document setting contract financial obligations and specifying long-term obligations of the Russian Federation	30
01.08.2014 – 31.12.2014	Financial close	190
2015 – 2017	Construction period	3 years
2018 – 2041	Operations	24 years

Contact details

Location	109074, Moscow, Slavyanskaya Ploshchad, 2/5/4, building. 3
Web	http://www.russianhighways.ru/en/
E-mail	id@russianhighways.ru
Telephone	+7 (495) 727-11-95
Fax	+7 (495) 784-68-04

This document does not represent an offer or an official announcement of the holding by State Company Russian Highways of any auction, competition or tender, or any other document of the same status creating any obligations for the company. The present document has been compiled for information purposes only. State Company Russian Highways reserves the right to amend, delete and change, including significantly, any and all information contained herein at any time without any prior notification, and without assuming any obligations to provide such notifications. The state company is in no event liable for the accuracy, completeness, relevance, timeliness, content, importance or factuality of any information provided in this document.