

EXECUTIVE SUMMARY

MARKET SOUNDING NOVA FERROESTE 2021

After the technical feasibility and environmental impact studies concluded in the last two months of 2021, and with the expectation of an auction for Nova Ferroeste in 2022, we decided to intensify the agenda between the government and all possible stakeholders in this process.

The ESG agenda is an integral part of the work carried out by the Government of Paraná. Dialogue and transparency are the guiding principles of the Nova Ferroeste project. For these reasons, between December 1st and 8th, we carried out the Nova Ferroeste Market Sounding in partnership with the Investment Partnership Program (PPI) of the Federal Government and the Ministry of Infrastructure.

With pre-scheduled one-on-one meetings of 60 minutes, registered participants brought, in addition to doubts about the studies presented, contributions for the next steps of this project.

The main information about the event's operation is presented below.

The meetings were held in videoconference and/or in person (when requested) format. The time schedule provided for the holding of 60-minute meetings, with 20-minute breaks between each one and an 80-minute lunch break. The first meeting of each day started at 9 am and the last ended at 5:40 pm.

The dissemination of the event began on 11/19/2021 through the Nova Ferroeste website (<http://www.novaferroeste.pr.gov.br/Pagina/Sondagem-de-Mercado>). On the same website, interested parties were able to obtain details of the studies and the presentation that was made at each meeting, as well as instructions on how to register (by electronic form).

Based on requests for dates and times suggested by the participants and, subsequently, eventual adjustments due to the coincidence of some suggestions, the final configuration of the meeting agenda was as follows:

| | Wednesday 01/12 | Thursday 02/12 | Friday 03/12 | Monday 06/12 | Tuesday 07/12 | Wednesday 08/12 | Monday 13/12 |
|----------------------|------------------------------|-------------------|----------------------------|---------------------------|----------------------------------|------------------------|-----------------|
| <u>02:00 - 03:00</u> | - | - | - | <u>ADIA (fundo árabe)</u> | - | - | - |
| 09:00 - 10:00 | Carter -OHL (Espanha) | UK Export Finance | RUMO | MRS | CITIC (China Int Trust Inv Corp) | RZD (Russian Railways) | BNDES* |
| 10:20 - 11:20 | Sumitomo Corporation (Japan) | Marsh Seguros | New Development Bank | - | CEF | Itaú BBA | - |
| 11:40 - 12:40 | BTG Pactual | - | - | ABIFER | Ecorodovias | - | - |
| | | | | | | | |
| 02:00 - 03:00pm | Pullin e Campano | - | Concremat (CCCC) | Patria | - | Santander | - |
| 03:20 - 04:20pm | Douracoop | - | China Railway Group (CRCC) | WeBuild (Italia) | - | - | - |
| 04:40 - 05:40pm | - | - | - | CCR S.A. | - | - | - |

*Bank had booked the 11:40 am on 12/08, we had to reschedule for 12/13

Regarding the profile of operations in the market, 11 of the 24 participants had the profile of operator, concession controller or constructor. The other meetings were with players who act as project financiers or interests in general.

The following is a compilation of the main considerations made by the companies during the Market Sounding:

Demand

- Question about the evolution of the railway's capacity in terms of cargo demand in the coming years.
- Types of cargo and quantity of volume that will be transported by the railroad.
- Discussion regarding the synergy between modals, especially in southern Mato Grosso do Sul. How will Nova Ferroeste capture the demand in this region.
- Synergy and complementarity with the South Network.
- How cargo is captured by the railroad.
- Elucidation as to who will assume responsibility for demand risks, weather events, licenses.

Environmental and Social

- Analysis of risks raised in terms of geological aspects.
- Questioning about the execution of environmental licensing for the entire route or segmented by stretches.
- Responsible for licensing federal environmental areas.
- Clarification about the treatment given to the subject of involuntary resettlement. Who will be responsible for resettlement: the concessionaire or the government.
- Forecast for Nova Ferroeste to go to auction with the environmental licenses.

Projects

- How was the study carried out between lowering and raising loads in relation to gauge.
- Engineering challenge (slope, terrain overlap) that justifies the value (CAPEX) of the new railway.
- Understanding the possibility of reinvesting in the Balsa Nova/Paranaguá and Guarapuava/Balsa Nova stretches instead of building a new route parallel to the existing one, thus having the opportunity to reduce Capex.
- Questioning about the capacity of the Port of Paranaguá.
- Doubts regarding the exclusion of the Cascavel/Chapecó branch from the studies presented.
- Evaluation of the rolling stock considered in the studies.
- Reorganization of the Port of Paranaguá is included in the technical studies (adaptation of the terminals, the hopper).
- Doubts about the type of gauge used in the new railway.

- Doubt related to the change of the proposed layout and engineering studies.
- Assess whether there will be interference between road and railway along the route.
- Some overlap with the area of influence of the BR-277 between Curitiba and Paranaguá.

Finance and Regulation

- Concern about contract guarantee at election year.
- Doubt about the legal model adopted by Nova Ferroeste: concession or authorization.
- The railway auction will contemplate the entire planned route or the sections will be auctioned by lot.
- Technical questions regarding whether Nova Ferroeste will be within the scope of ANTT or DNIT.
- Doubt about considering other scenarios in relation to the investment.
- Question regarding the development of risk studies.
- Suggested insertion of the risk matrix and business plan in the studies.
- The project foresees some Government guarantee.
- Explanation of project financeability in a way that does not impair cash flow. Possibility to reverse the phasing order.
- Need to understand the harmonization of Nova Ferroeste with the renovation of Malha Sul.
- Importance of explaining the role of the government in the development of the project (government support for financing, assistance for foreign investors to settle in Brazil with a view to the operation, mitigation of exchange risks).
- Question about the project schedule.
- Questioning about the fee charged.
- The layout is final or there is freedom of choice.
- Possibility of consortium between Brazilian and foreign companies.