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# **Project Status and Projection**

for the  
***Interoceanic Railroad & Ports Project***

By  
***Canal Interoceanico de Nicaragua, S. A. (CINN)***

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# Canal Interoceanico de Nicaragua

- Canal Interoceanico de Nicaragua S.A. (CINN) has conceived and developed the **Interoceanic Railroad & Ports Project** (Dry Canal) to be constructed in Nicaragua to serve the ever increasing demand for container transport services across the Central American Isthmus

# Viability Rail/Port Configuration



**PORT at PIE DEL GIGANTE  
(PACIFIC COAST)**

**RAILROAD CORRIDOR**

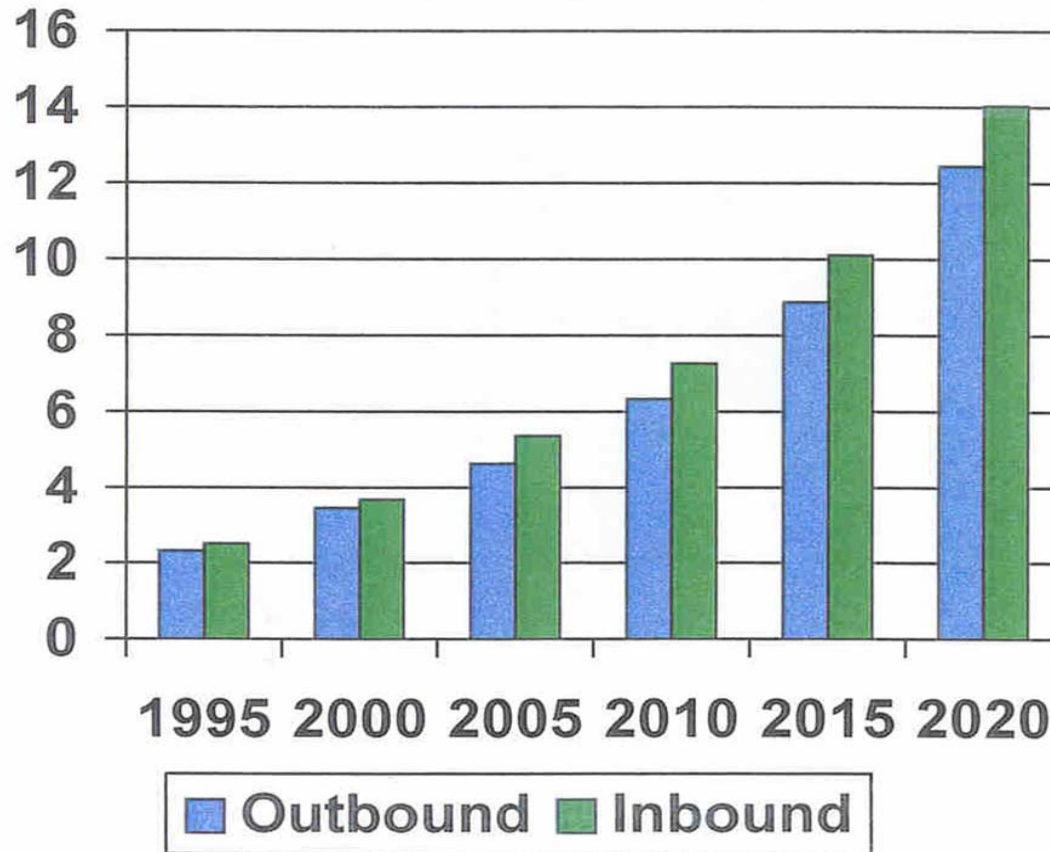
**PORT at MONKEY POINT  
(CARRIBEAN COAST)**

**CINN**

# The Company

- CINN is a Nicaraguan corporation founded to develop, build, and operate the intermodal transport system to transport containerized cargo across Nicaragua.
- CINN commenced activities in Nicaragua in November 1994 and presented the Project Concept to the Mixed Commission formed for that purpose in 1995, leading to the awarding of the “first option rights” to CINN in March 1995.
- CINN completed a Viability (Pre-Feasibility) study in 1998 with positive results and finalized the private concession contract terms
- CINN was granted the right to proceed by the National Assembly “Decreto 2878” and contract terms were incorporated by reference the text of the “Normativa Basica” published in the “Gaceta”.
- CINN has commenced the Feasibility Study work prior to any official start date

# Projected Latin American Container Growth



Growth in Latin American Containerized Traffic, in Millions of TEUs.

# Executive Summary

- CINN's private investors have engaged a highly experienced team of international companies and consultants.
- CINN and its participants have expended over US\$12 million to develop the Project.
- Project will benefit the people and Government of Nicaragua (GON) by:
  - CINN's payment of royalties on gross revenues of containers transported
  - Stimulating the economy through influx of foreign capital
  - Large scale employment
  - Increasing the tax base and money supply in the country
  - Establishing Nicaragua as a world-class international trade hub

# Executive Summary

- CINN has organized a multi-national project team from Korea, Belgium, USA, Canada, Nicaragua, and other countries.
- CINN will maximize procurement of Nicaraguan goods and services to support the Project construction and operation.
- Nicaraguan engineering and construction forces will be qualified and complete for contracts let by CINN and/or the Project Manager.
- Railroad construction will be “design-build” contracts.

# Project Description

- Project consists of modern, deep water container ports on the Pacific and Atlantic Coasts connected by a dedicated railroad for transport of containerized cargo.
- Ports and terminals will be designed using latest port handling technologies to accommodate the largest container vessels in service today and for the foreseeable future.
- Free zones will be located at each Port.

Project Costs (\$ '000)	
East Coast Port	635,877
West Coast Port	518,258
Railway	1,482,600
<b>Total Project Costs</b>	<b>2,636,735</b>

# Project Benefits

- Creation of Jobs
  - Approximately 20,000 jobs during construction and 7,000 permanent jobs.
  - United Nations estimates three times the Project job's number will be generated in indirect jobs in the private sector to support the Project.
- Revenue for the GON
  - Based on 5% free zone royalty, revenue projections for the GON for the first operating year are projected at US\$20 million.
  - Projections for years 5 and 10 are US\$35 and US\$57 million respectively.
- Revenue for regional and local communities
  - Equipment, consumable, and construction materials will be acquired in country as available.
  - Most laborers will be from Project region.

# Project Benefits to Nicaragua

- Increase in number and quality of employment.
- Technology transfer and skill training at both the local and national level.
- Improved infrastructure development within the Project region and local communities in support of Project development and operations.
- Improved standard of living in local communities through economic development, access to utilities, improved health services, employment stability, and education in environmental awareness.
- Increase money supply and tax base.
- International destinations for foreign investment in “value-added” business.

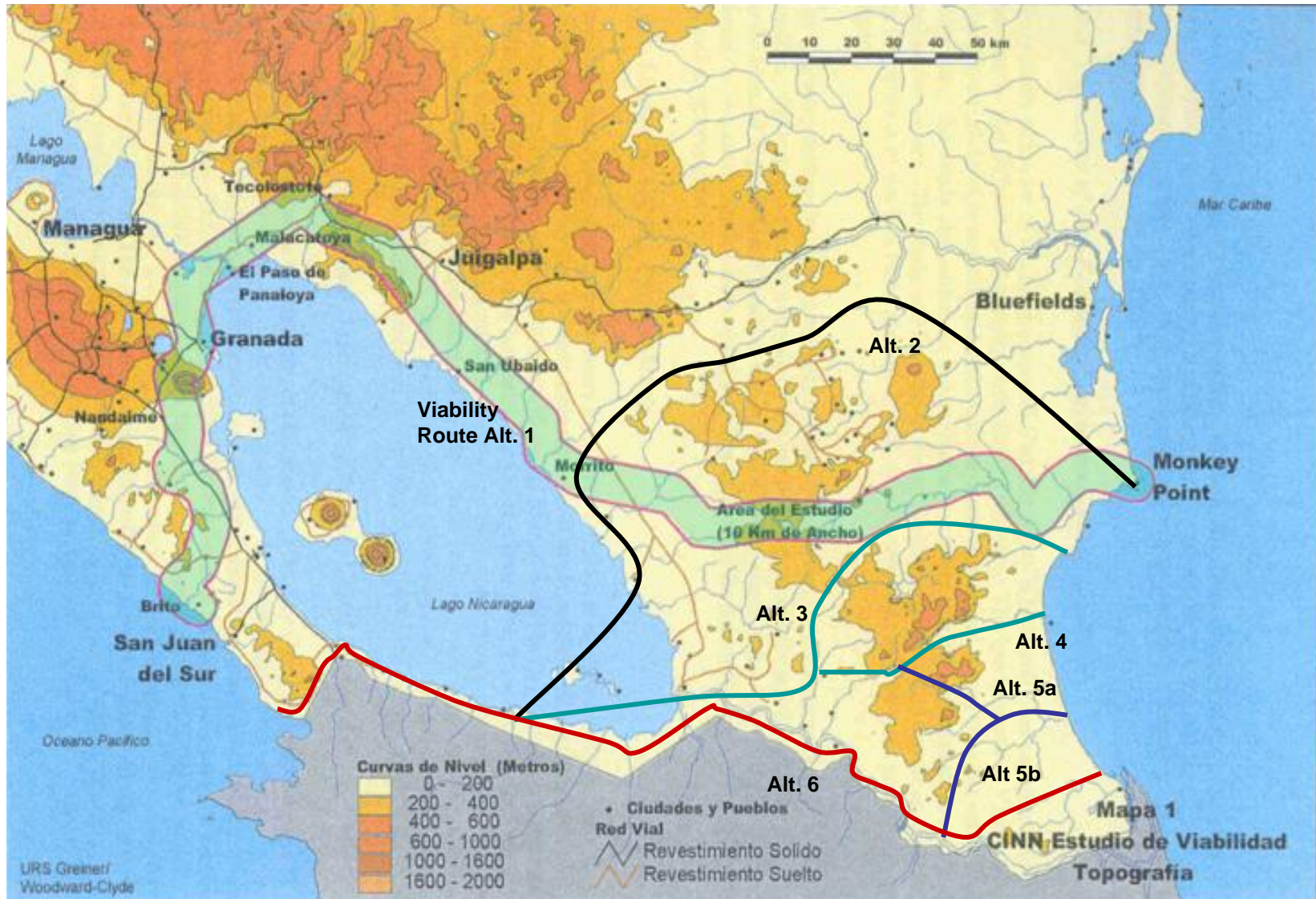
# Viability Study

- The Viability Study, completed in 1998, was the culmination of four years of work by CINN and its team members. The Study team worked in cooperation with the GON and people of Nicaragua.
- The Viability Study concluded that:
  - Project, as conceptualized, is technically and economically viable.
  - Development cost is estimated to be US\$2.6 billion to build and equip all facilities over an approximate four (4) year construction time.
  - Only 1,000 containers per day each way (less than 10% of the potential market for container movements) are required to guarantee an acceptable rate of return and financial success for the Project.
  - Market growth is significantly greater than historical projected trends.
  - Potential environmental impacts will be minimized and every effort will be taken to mitigate any negative environmental effects.
  - Economic benefits of the Project to the GON and Nicaraguan people will be significant and will result in an improved standard of living.

# Post-Viability Study

- Investigations have continued to identify alternative port and rail configurations for selecting a preferred configuration that
  - Best meets the needs of the Project
  - Has minimal socio-economic and environmental impact
- Based on the following criteria, five alternative port and rail configurations, including the viability configuration, have been identified
  - Length of rail
  - Topography (slope and elevation differences)
  - Protected areas
  - Population areas
  - Natural harbor configuration
- Configurations continue to be evaluated by an international team of scientists and engineers that include Nicaraguan specialists

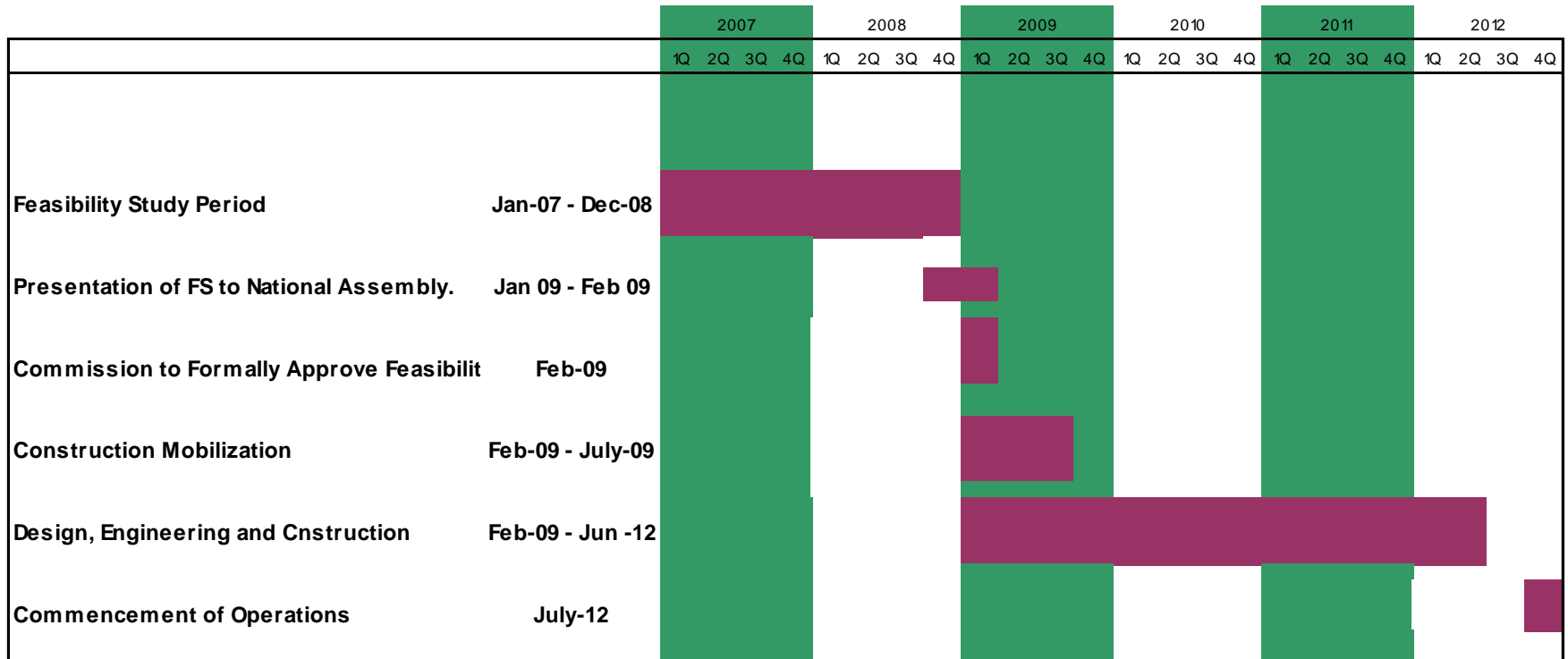
# Alternative Rail/Port Corridors



# Feasibility Study

- Environmental, socio-economic, geotechnical engineering, and geological studies to evaluate and select preferred port and rail configuration from a set of alternative configurations.
- Define and survey port and rail footprints.
- Advance design to develop specifications for procuring construction and defining equipment specifications.
- Define concept of operations.
- Conduct Market and financial analysis.
- Preparation of Environmental Impact Assessment and Mitigation Plan.
- Prepare Environmental Impact Assessment with MARENA “over the shoulder” review for submission to the National Assembly.
- Present Final Feasibility Report to the National Assembly.

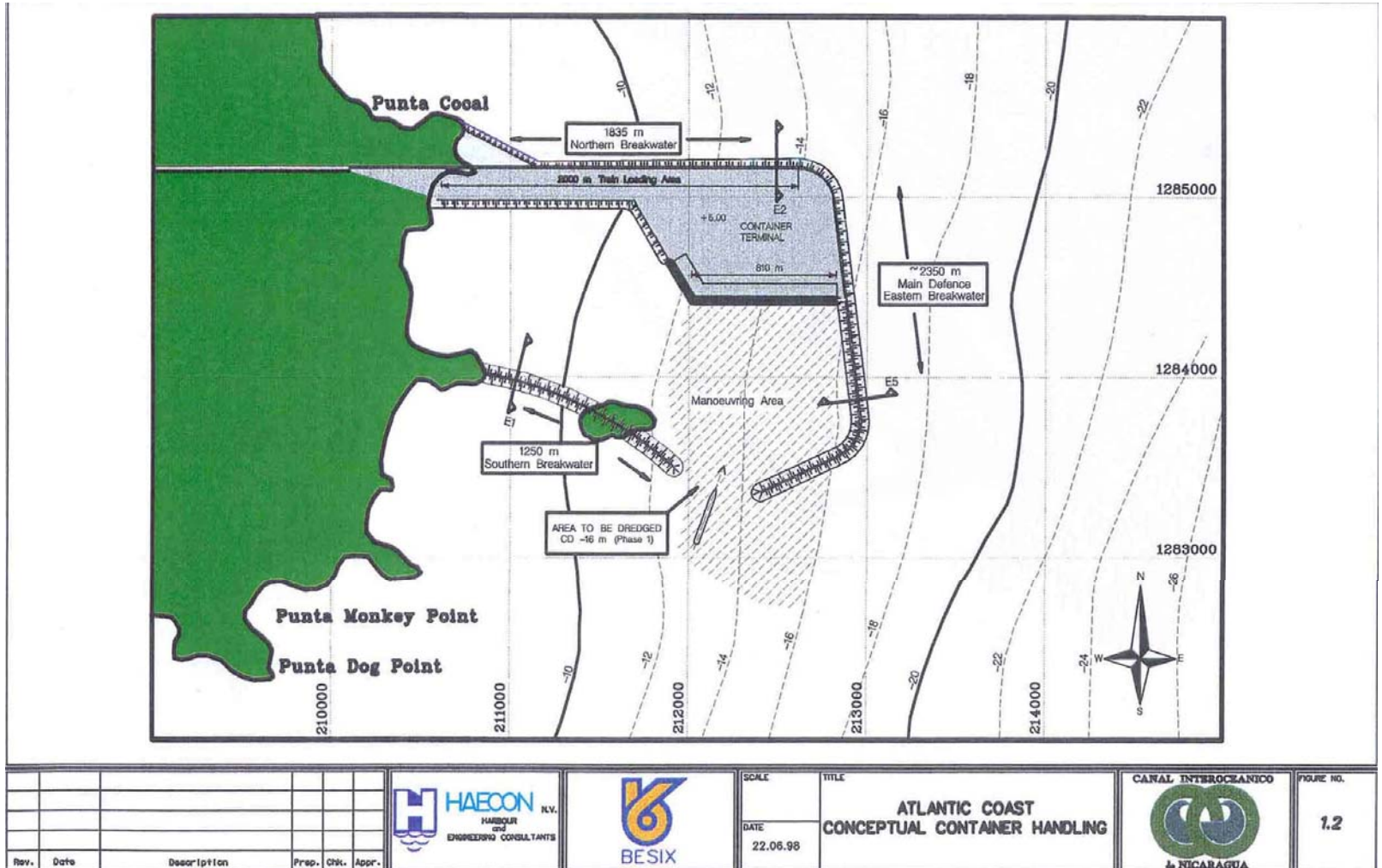
# Project Timetable



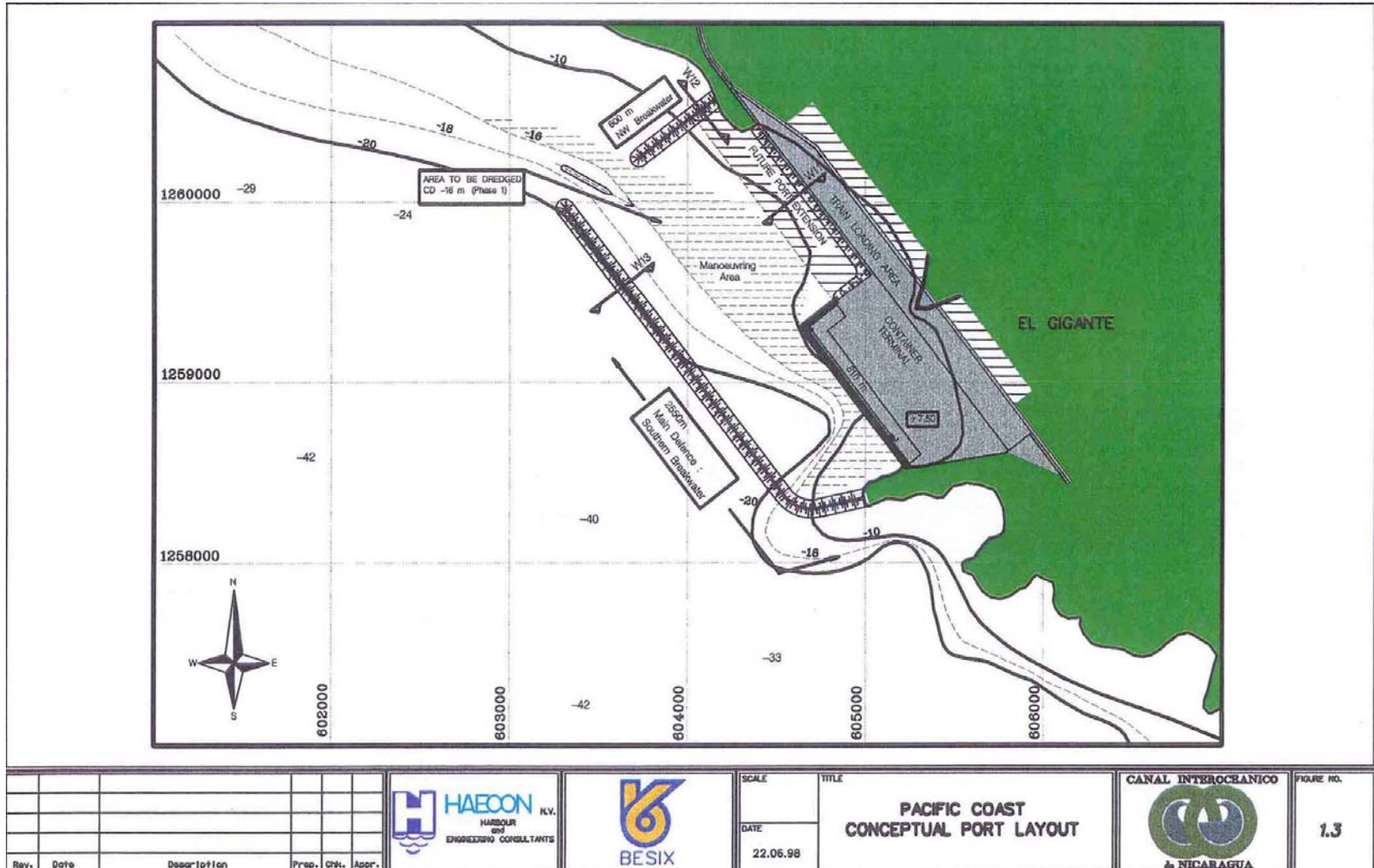
# Ports

- Project will consist of two modern container ports, located on the Pacific and Atlantic Coasts connected by a dedicated railroad.
- Ports will be dedicated to the loading and unloading of containers from ship-to-rail-to-ship transport.
- Port will be 16m and design depth for the Atlantic Port will be based on capacities necessary for future Atlantic container ships.
- Each port will have latest available container cranes and will be designed for future expansion.
- Container handling equipment will be based on a rail-mounted gantry crane system (RMG).
- On-shore facilities will include rail terminal, loading/unloading area, distribution center for sorting and storage, and both maintenance and administration buildings.
- Free Zone and Regional freight access.

# Atlantic Port Conceptual Drawing



# Pacific Port Conceptual Drawing



# Railroad

- Initial railroad will be a single track with four passing sidings.
- Rail bed will be constructed for the single track and passing sidings; however, major river crossings and bridging will be constructed for a double track to facilitate expansion for later phases.
- Optimum design speed is planned for 100 km/hr, with an average speed of 70 km/hr.
- Initial projected throughput is 1,000 containers/day each way on five trains/day each way.
- Design capacity for container throughput is over 4,000 containers/daily with five (5) container cranes at each port.
- Diesel-electric locomotives.

# Market Potential

- Primary markets include Canada, U.S., Europe and Latin America.
- Largest component of the Project market potential is intermodal traffic across the U.S.
- Growth in Latin American cargos should generate steady gains through the Region over the forecasted period.
- Most of the long-term growth will be supported by Latin American trade flow.

**Total Potential Market for the Nicaraguan Dry Canal, 1995 - 2020, in TEU's**

	1995	2000	2005	2010	2015	2020
Latin American Flows	1,512,012	2,166,538	3,221,827	4,653,850	6,737,365	10,003,474
Intermodal Flows	3,335,358	4,357,591	6,478,505	8,872,892	12,497,559	17,680,104
In-Transit Flows	1,695,700	2,071,789	2,835,872	3,919,009	5,556,713	7,896,728
<b>Total</b>	<b>6,543,070</b>	<b>8,595,918</b>	<b>12,536,204</b>	<b>17,445,751</b>	<b>24,791,637</b>	<b>35,580,306</b>

# Competition

- Container traffic can be diverted from Panama Canal and U.S. land-bridge system.
- Panama Canal will service a greater number of bulk cargo and other non-container vessels.
- Effective capacity of the Panama Canal has been reached resulting in queuing to gain access (included widening of the Gaillard Cut).
- Panama Canal Commission estimates that the Canal will be at saturation by 2012.
- Expansion of the Panama Canal and other water canal concepts are 50-100 year development projects.

**CINN Market Share as a Percentage of Total (Number/Year)**

	2011	2015	2020
Total TEU (000)	17,446	24,772	35,580
Total FEU (000)	9,692	13,762	19,767
Projected CINN Share	730	1,460	1,460
Market Share %	7.5%	10.6%	7.4%

# Financial Summary

## Project Cost Summary

(\$US Millions)	Yr. 1	Yr. 2	Yr. 3	Total
<b>East Coast Port</b>				
Civil Works	181,518	167,555	167,555	516,628
Container Handling Equipment	25,736	23,757	23,757	73,250
Marine Equipment	16,162	14,919	14,919	46,000
East Coast Port Total	223,416	206,231	206,231	635,878
<b>West Coast Port</b>				
Civil Works	140,192	129,408	129,408	399,008
Container Handling Equipment	25,736	23,757	23,757	73,250
Marine Equipment	16,162	14,919	14,919	46,000
West Coast Port Total	182,090	168,084	168,084	518,258
<b>Railway</b>				
Civil Works	501,190	462,637	462,637	1,426,464
Equipment	19,724	18,207	18,207	56,138
Railway Total	520,914	480,844	480,843	1,482,601
<b>Total Project Costs</b>	<b>926,420</b>	<b>855,159</b>	<b>855,158</b>	<b>2,636,737</b>

\* The analysis also includes estimates for the following costs: contingency, financial and development fees, debt service reserve, interest during construction, maintenance reserve and initial working capital.

# Financial Summary

## Operations Financial Summary

Operating Year	1	5	10	15	20
(US\$ '000)	2009	2013	2018	2023	2028
<b>Total Revenue</b>	<b>381,289</b>	<b>677,888</b>	<b>1,136,587</b>	<b>1,200,790</b>	<b>1,264,088</b>
Expenses					
Operating Expenses	11,544	16,298	24,677	27,920	31,589
Maintenance Expenses	25,744	50,425	96,099	108,727	123,015
General and Administrative Expenses	39,656	71,484	124,897	137,483	150,835
<b>Total Expenses</b>	<b>76,944</b>	<b>138,207</b>	<b>245,673</b>	<b>274,130</b>	<b>305,439</b>
<b>Operating Income</b>	<b>304,345</b>	<b>539,680</b>	<b>890,914</b>	<b>926,660</b>	<b>958,649</b>
Cash Available for Debt Service	304,345	541,563	890,914	926,660	964,316
Total Debt Service	273,086	360,617	303,662	0	0
<b>Cash Available for Capital Expenditures</b>	<b>31,259</b>	<b>180,946</b>	<b>587,251</b>	<b>926,600</b>	<b>964,316</b>
Capital Expenditures	1,000	1,000	1,000	1,000	1,000
Cash Available for Dividends	30,259	179,946	586,251	925,600	963,316
Dividends	0	89,973	293,126	462,830	481,658
<b>Net Cash</b>	<b>30,259</b>	<b>89,973</b>	<b>293,126</b>	<b>462,830</b>	<b>481,658</b>
Debt Service Coverage Ratio	1.11	1.50	2.93	n/a	n/a

# Project Team

## CINN FEASIBILITY STUDY TEAM

