



日伯経済合同委員会



Comitê de Cooperação Econômica Brasil-Japão

WATER INFRASTRUCTURE BUSINESS in BRAZIL

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1 Overview of Brazilian Water Sector

- ◆ Current Situation in Brazil
- ◆ Water Sector Law
- ◆ Remaining Issues
- ◆ Concessionaires

2 Overview of our Project

- ◆ Investment Structure
- ◆ Site Map

3 Value-up with Japanese Technology

- ◆ Japanese Technology
- ◆ Value-up items
- ◆ Sumitomo Corporation's 6 material issues

WATER INFRASTRUCTURE BUSINESS in BRAZIL

C o n t e n t s

- Current Situation in Brazil
- Water Sector Law
- Remaining Issues
- Concessionaires

Current Situation in Brazil

□ Brazil has a great chance for expansion & Privatization of Water Infra.

1. Current situation of water sanitation

- Comparison of "Coverage Ratio of Current Sanitation" & "Goal of PLANASB"
- R\$15 bil (= US\$ 4.3 bil) /year investment is necessary until 2033

2. Who are the players in the market?

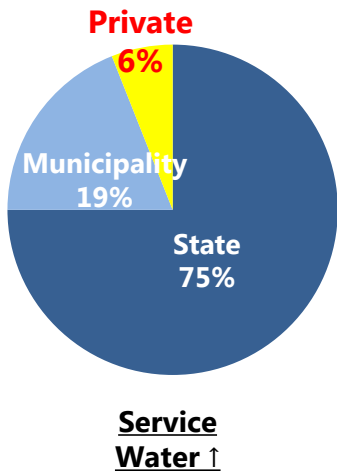
- Private player in Service Water 6% and in Sewerage Water 12%
- State / Public company are eager to have know-how and fund. There is a plenty of room to be privatized.

Coverage Rate

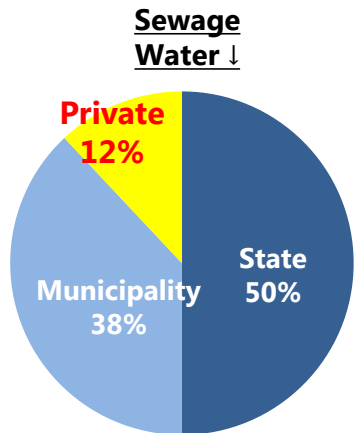
	2015	→	2033
• Water Service Coverage rate	83.3%	→	99%
• Sewerage Coverage rate	50.3%	→	92%
• Treatment Coverage rate	42.7%	→	86%
• Non-revenue water rate	34.8%	→	31%

cf: SNIS (National Information System for Sanitation) - 2015

Parties of Sanitation Service in Brazil



cf: GO Associados

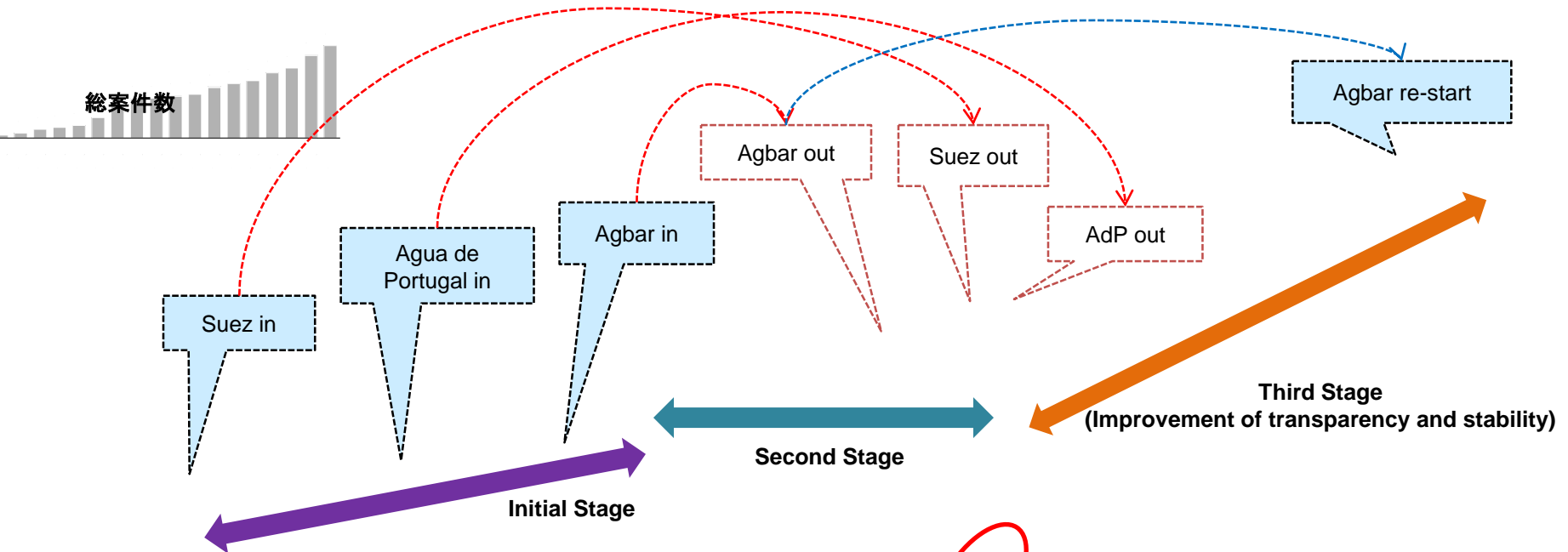


Water Sector Law

- In 2007, sector laws for water concessionaire were finalized.
- Private company restarted participating in Brazil's water market



- 1st Regulation for concession
- Compensation for termination
- Concessionaire's profit
- Formality of contract
- Law for BOT contract
- Grant by Regulatory Agency
- Obligation of submission of Sanitation Plan
- Right of stoppage to client who doesn't pay
- Economic Rebalance



Remaining Issues

- There is a plenty of room to be improved.
- The environment for investment in Brazil could be more attractive.

• CAIXA / BNDES Loan

- ✓ Low interest rate financing is essential for investment into Infra. sector.
- ✓ Need to consider accelerated procedure for loan application/approval

• Tax Duty

- ✓ Need to address taxation on high-tech imported products which contribute to Infra. sector in Brazil.

• PPP Risk / Municipality Risk

- ✓ Need monitoring of municipality contract at Federal level.
- ✓ Need to avoid the contract default due to financial difficulty

Advantages of Economic Partnership Agreement

Brazil-Japan EPA, a legal framework aiming at trade liberalization, elimination of investment barriers and enhancement of business environment

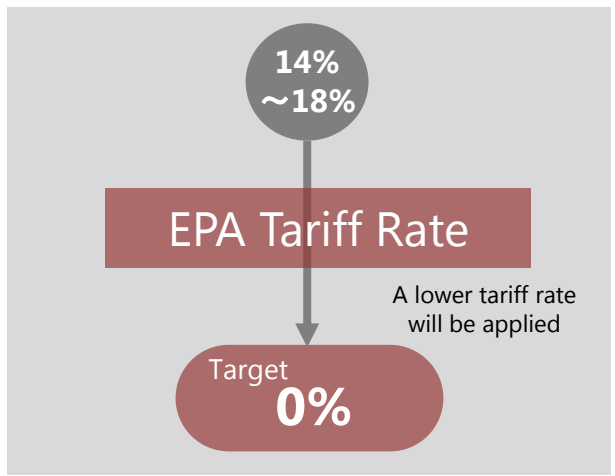


- Chapter
- 3.1 Trade in Goods**
 - 3.2 Rules of Origin**
 - 3.3 Trade Facilitation and Custom Procedures
 - 3.4 Regulatory Issues
 - 3.5 Trade Rules
 - 3.6 Investment and Services**
 -
- } About the reduction of tariffs on importation and exportation

















Some of the Benefits Japanese Companies could get:

- 1 Lower Tariff**
 - The Tariff to be **eliminated for more than 90%** of trade volume/value in 10 years after the agreement.
 - The liberalization process to be included the whole spectrum of tariff rates.

- 2 Better Investment Environment**
 - Foreign capital ceilings and entry barriers to be eliminated.
 - Local contents requirements to be mitigated.
 - Unrestricted remittance of profits and capital to be adopted.



Concessionaires

Concessionaire	Type	Shareholder	Area	Population Served	Net Revenue (2016)	EBITDA (2016)	Net Profit (2016)
 sabesp	SABESP サンパウロ州 衛生公社	- Sao Paulo州(50.1%) - Public (49.8%)		27.7mil	R\$ 14,098 Mil (約4,511億円)	R\$ 4,571Mil (約1,463億円)	R\$ 2,947Mil (約940億円)
 COPASA A água de Minas	COPASA ミナスジェライス州 衛生公社	- Minas Gerais州 (51.5%) - Public (49.5%)		14.6mil	R\$ 3,643Mil (約1,166億円)	R\$ 1,396Mil (約447億円)	R\$ 434Mil (約139億円)
 SANEPAR	SANEPAR パラナ州 衛生公社	- Parana州 (40.3%) - Citigroup (2.5%) - Norges Bank (2.2%) - OPP Fia Invest (2.0%) - Public (53.1%)		10.3mil	R\$ 3,372 Mil (約1,079億円)	R\$ 1,170Mil (約374億円)	R\$ 626Mil (約200億円)
 BRK Ambiental	Private Concessionaire	- Brookfield (56%) - Sumitomo (14%) - FI-FGTS (30%)		17mil	<u>2015</u> R\$ 2,044 Mil (約654億円)	<u>2015</u> R\$ 768Mil (約246億円)	<u>2015</u> R\$ 194Mil (約62億円)
 Grupo Águas do Brasil	Private Concessionaire	- Carioca (45%) - Queiroz Galvao (24%) - Trana (17%) - Cowan (14%)		6mil	<u>2015</u> 約R\$ 1,000 Mil (約320億円)	-	-
 AEGEA	Private Concessionaire	- Equipav (71.04%) - GIC (18.64%) - IFC (10.29%)		4mil	R\$ 795Mil (約254億円)	R\$ 403Mil (約129億円)	R\$ 115Mil (約37億円)
 CAB ambiental	Private Concessionaire	- Galvao Par (66.7%) - BNDES Par (33.3%)		6.6mil	<u>2015</u> R\$ 469 Mil (約150億円)	<u>2015</u> R\$ 155Mil (約49億円)	<u>2015</u> ▲R\$ 67Mil (約▲21億円)
 GS Inima	Private Concessionaire	-		1.5mil	R\$ 250Mil (約80億円)	R\$ 54Mil (約17億円)	▲R\$ 38Mil (約▲12億円)

BRK AMBIENTAL PROJECT

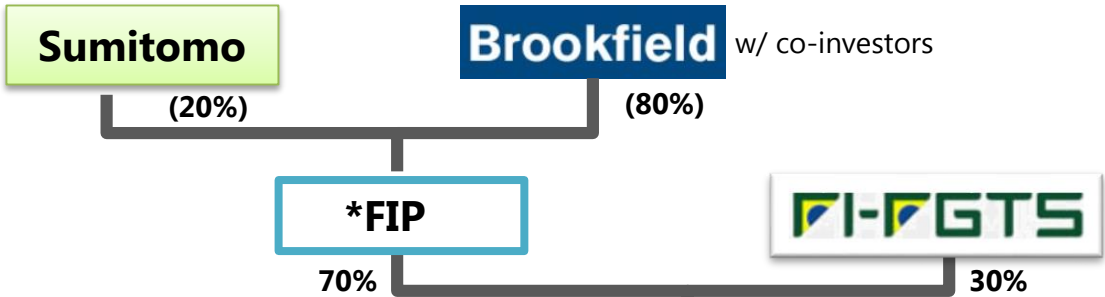
C o n t e n t s

- Overview of BRK Ambiental
- Site Map

Overview of BRK Ambiental

Project name	BRK Ambiental	
Type of business	Municipal Water & Sewage Service (W&WW) / Industrial Water Treatment (Utility) / Waste Management (Residues)	
Established Year	2017	
Project formation	Sumitomo Corporation	14%
	Brookfield w/ co-investors	56%
	FI-FGTS	30%
Number of employees	5,000	

Investment Scheme



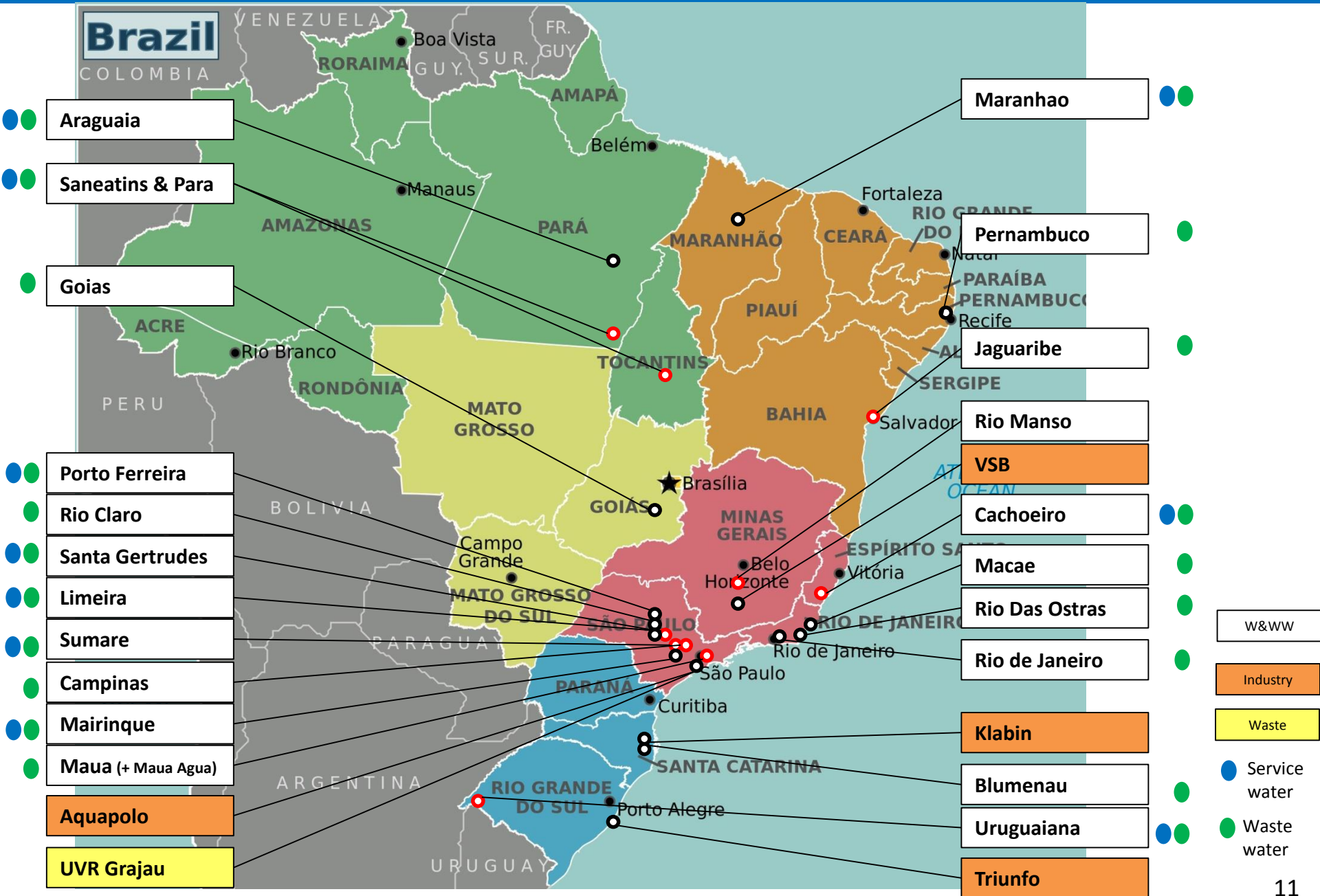
*FIP:
Fundação Investimento em Participações
(Brazilian Investment vehicle)

Brookfield

- Canadian Asset Manager
- **115-year** experience in Brazil
- **US\$ 250bil** assets all over the world
(**US\$13bil in Brazil**)
- Assets in Infrastructure, Renewable Energy, Property, Sustainable Resources, Private Equity



Site Map



Value-up

C o n t e n t s

- Sumitomo's Water Business History
- Value-up Solution
- Sumitomo's 6 Materiality

Sumitomo's Water Business History

1980's, 1990's

Water Industry: Desalination plant / Middle East

Water Supply Build Operate Transfer (BOT) Business Launch

480,000m³/d

Bulk Water Supply BOT project (Izmit, Turkey 1995)



2000's

Wastewater treatment BOT Business Launch

390,000m³/d

Juarez Wastewater treatment BOT project (Juarez, Mexico 2006)



2007

Cooling Water Supply BOT project Business Launch

56,300RT

District Cooling Water Supply BOT project (Abu Dhabi)



2010

Alliance with Beijing Capital (China) & Wabag (India)



 Sumitomo Corporation

2012

Win IWP contract from Oman

2013

Water Supply Business Launch

Acquisition: Sutton & East Surrey Water PLC (UK)



Service for **13 million** people



Tokyo JAPAN

Tokyo Metropolitan Government
Bureau of Waterworks

Advanced Technology



JAPAN – Tokyo Metropolitan Government Bureau of Waterworks

The history started in 1898.

Service Population : 13million

Water Coverage : 100%

Sewage Coverage : 100%

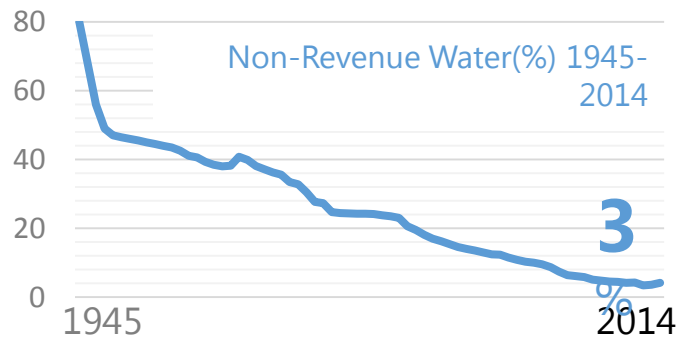
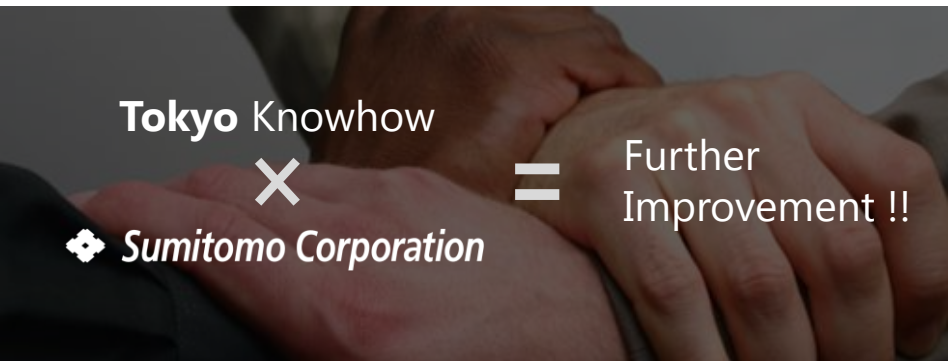


東京都下水道サービス株式会社

Advanced Technologies



Our Concept



Value-up Solution



NRW
reduction



Leakage detector



High-efficient
sludge treatment



Screw press sludge treatment



Cost
reduction



Replacement to energy saving pumps



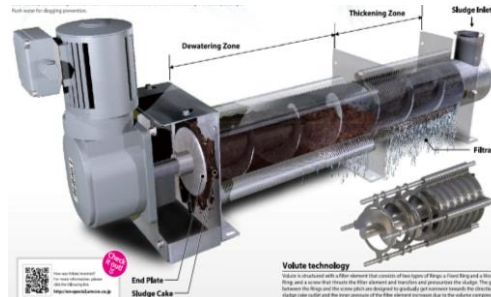
Operation
Improvement



Training for NRWreduction



Japanese hydrometer



Concentration/Screw press integrated
sludge treatment

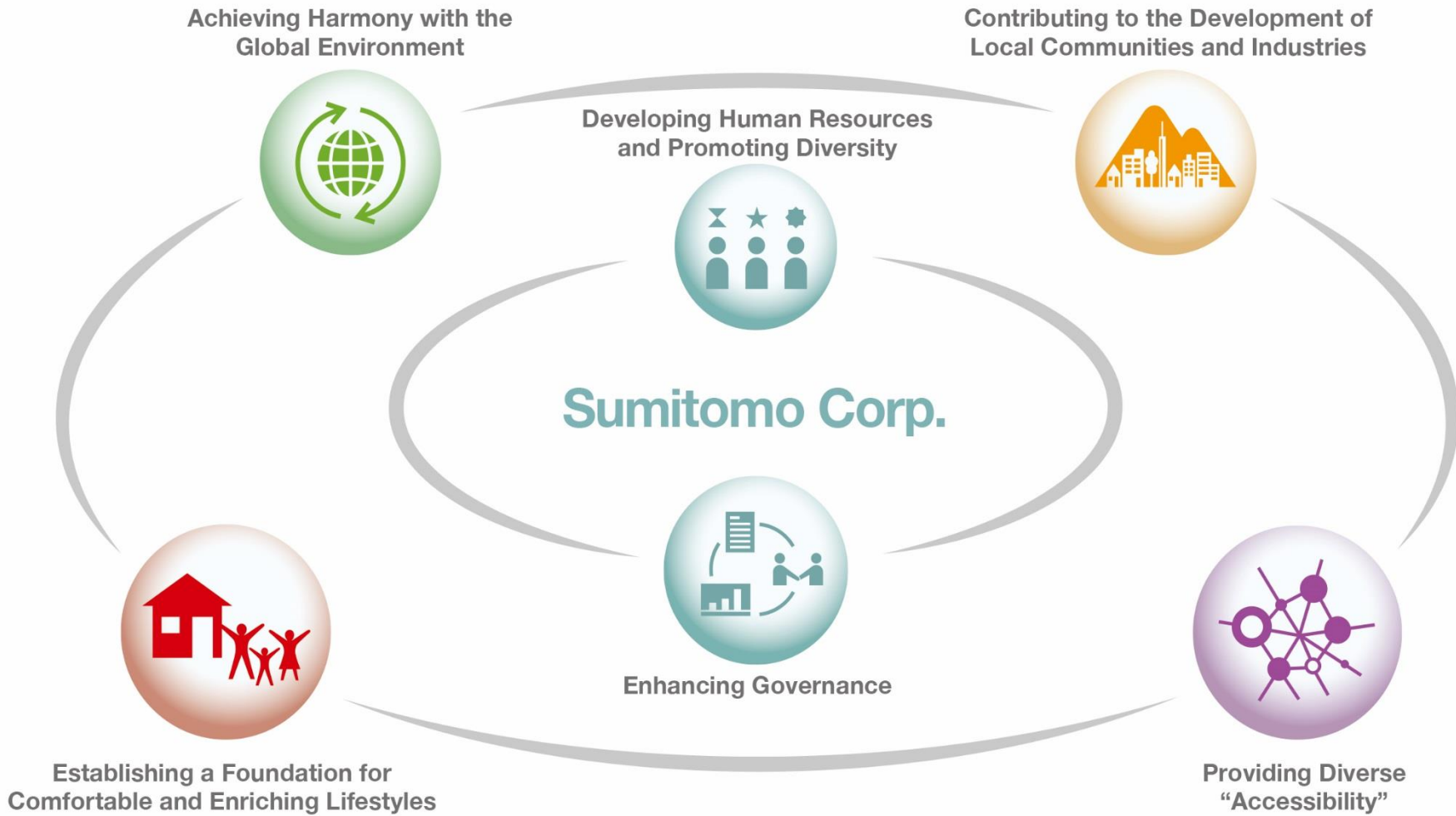


Water power station



HR training

Sumitomo Corporation's 6 Material Issues



To achieve prosperity and realize dreams through sound business activities.

Project Management



Hands-On




Global Partners



A person is captured in a dynamic splash of water, with their arms outstretched. The scene is set against a sunset sky, with the sun low on the horizon. The water droplets are frozen in time, creating a sense of movement and energy. The overall mood is one of joy and accomplishment.

THANK YOU!!

 **Sumitomo Corporation**