

Final Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.

I. Introduction and Background

This project follows on the heels of an earlier USAID-funded technical assistance project, also implemented by BearingPoint, which was able to set the stage for implementation of the airports concession transaction for the airports located in the cities of Bourgas and Varna, on Bulgaria's Black Sea Coast. Prior USAID technical assistance to the Ministry of Transportation and Communication ('MTC') and to the Government of Bulgaria ('Government') accomplished the following key objectives which lay the framework for meaningful concessions in Bulgaria and for this transaction in particular:

- **Enabling Environment** – Advisors prepared amendments to the Civil Aviation Act designed to enable airport concessions to satisfy strategic objectives for Bulgaria. Advisors proactively engaged members of Parliament and other key persons through participation in public and private sessions, preparation of written explanatory materials and participation in and leadership of multiple workshops and study-tours. Amendments were supported by the Council of Ministers (COM) and went through complete Parliamentary review and debate, achieving strong-majority support in final voting in Parliament.
- **Concession Analyses** - Advisors completed comprehensive concession analyses in support of the airports concession transaction, including legal, financial, social, environmental and technical analyses in accordance with requirements of the Concessions Act. A detailed investment program was developed for the airports, which was incorporated into a financial model to forecast future financial performance. Advisors developed preliminary transaction terms and conditions with counterparts and prepared preliminary draft tender documents.
- **Capacity Building** - Advisors developed improved capacity to implement and develop concession transactions within counterpart organizations, including MTC leadership and practitioners, The Civil Aviation Administration (CAA) the COM and others. Advisors completed numerous formal training and seminar/workshop activities on specific topics critical to the development of infrastructure concessions throughout Bulgaria. As a result, Government personnel are more qualified to successfully develop and implement diverse concession transactions, including the planned airport concessions and other key infrastructures.
- **Public Awareness and Support** - Advisors engaged in a public relations campaign to support airport concessions and concessions in general, including the use of multiple media outlets, capacity building for Government counterparts and members of the media, and the incorporation of international experience into local knowledge and discussions. Advisors also engaged key industry groups such as airlines and tour operators to build support for concessions.
- **Investor Relations** - Advisors engaged directly with interested investors and supported MTC leadership to represent the concession transaction to the international investment community. As a result, qualified investor interest to participate in the planned airport transaction is significant and preliminary due diligence by numerous investors has already taken place. Multilateral agencies, such as the World Bank, the EBRD and the IMF have been apprised of the planned transaction and are extremely supportive.

The importance of the development of these international airports, and in particular their development through the significant involvement of experienced private sector parties, is difficult to underestimate. Successful completion of this project will accomplish key strategic objectives for the Ministry of Transport and Communication and for Bulgaria.

Immediate investment in the airports' infrastructure, including the airfields, the passenger terminals and related buildings and considerable airport equipment, remains for many the most important result of this

transaction. This investment is expected to be in the range of \$150 million USD in the next 3-5 years. Completion of the airports concession transaction will enable this investment to be funded entirely by the private sector, with no recourse to the State budget, which will allow budgetary funds to be channelled elsewhere as needed.

Immediate improvement in the operational and financial performance of the airports is perhaps a more critical objective and one which can only be realized through the involvement of private sector partners. World-class development and operation of the airports through the involvement of experienced international airport operating companies will ensure that the airports offer the range and quality of services that passengers should reasonably expect at these airports, while ensuring that the airports contribute to the destination's good value orientation. Greater commercial orientation will not only improve the airports' quality of service, but also their financial performance while maximizing its direct and indirect job creation potential.

Greater use and development of infrastructure concessions throughout Bulgaria is another expected outcome of this transaction. This includes not only other transport infrastructure, but also infrastructure belonging to the Ministry of the Environment, Ministry of Regional Development and municipal infrastructures. We are hopeful that this transaction can serve as a key success story for Bulgaria, and as a valuable learning experience and benchmark for numerous transactions which may follow.

II. Summary of Key Results

The project team began the project with the stage set for the implementation of the airport concession transaction. Nevertheless, deadlines were extremely tight for the transaction's implementation and successful closure, particularly so owing to Bulgaria's complicated concession law and implementing regulations. BearingPoint worked closely with MTC leadership and professionals within the Concessions Department to accomplish the following intermediate milestones and the tender's successful completion:

- ✓ Approval by the Council of Ministers of the decision to initiate the airport concession transaction, supported by legally-required concession analyses, and the formation of the Tender Commission; this approval was received in August 2004.
- ✓ Formal announcement of the tender, made in September 2004 and the approval of the first-stage tender documentation (supporting pre-qualification).
- ✓ Completion of the pre-qualification process and the short-listing of prequalified parties, completed in December 2004. Four highly-qualified bidders were shortlisted.
- ✓ Formal approval by the Tender Commission of second-stage tender documents, including the draft concession agreement, completed and distributed in December 2004.
- ✓ Completion of due-diligence and clarification process, followed by the submission of binding proposals; four proposals were received by the deadline of March 7, 2005, of which three were determined to be compliant with the procedural requirements, and thus judged on their technical and financial merits.
- ✓ Ranking and final determination of a preferred bidder by the Tender Commission, completed by late March 2005. The preferred bidder was Copenhagen Airports, while both the second and third place candidates, Fraport-led consortium and Vinci Airports, respectively, were also judged to have submitted qualifying proposals.
- ✓ Decision by the Council of Ministers confirming the preferred bidder as the winning bidder, and empowering the Ministry of Transportation and Communication to sign the concession agreement with this winning bidder; this decision was issued in early April 2005.

- ✓ Completion of final negotiations on the concession agreement, followed by its formal public signature on June 12, 2005, thus signaling the end of the transaction.

A legal challenge was filed to the tender process by the 2nd and 3rd place bidders charging that the Tender Commission failed to execute the tender correctly in accordance with the Council of Ministers' decision and the concession regulations. As a result of this challenge the final outcome from this transaction remains uncertain.

III. Narrative Description (presented chronologically)

August 2004

The Council of Ministers Decision authorizing the airports concession transaction was published on August 24, 2004.

The Prime Minister authorized the formation of the Tender Commission shortly after publication of the COM Decision. The Commission consisted of Deputy Prime Minister (and Minister of Transportation and Communication) Vassilev, Deputy Minister of Economy Lingorsky, Deputy Minister of Finance Ivanovsky, COM Director of Economic Policies Kamenova and Head of the MTC Legal Department Stoyanova. We are pleased that the composition of the Commission reflects institutions keenly aware of the transaction's importance for Bulgaria; however, some of its members are inexperienced with international transactions, and others lack English-language skills which will complicate the Commission's work with investors and both legal and technical advisors. MTC leadership has requested that BearingPoint be approved as advisors to the Commission, and the list of approved advisors and experts was one of the first issues taken up by the Commission when it convened its initial meeting in early September.

The tentative timeline for transaction implementation was determined as follows:

September 24, 2004	Publication of Tender Opening
mid-November 2004	Submission of Pre-Qualification Applications
Dec 2004 / Jan 2005	Due Diligence by Pre-Qualified Bidders
March 7, 2005	Submission of Binding Proposals
End-March 2005	Selection of Winning Bidder

The COM Decision specified a maximum period for implementation of the concession transaction: eight months from its publication. During this period the Commission must recommend a Winning Bidder to the Council of Ministers. The COM is then to confirm this decision, and empower the Ministry of Transportation and Communication to conclude the concession contract. Owing to the parliamentary elections expected in summer 2005, it is generally accepted that the contract must be signed during the 2nd quarter of 2005, which is consistent with this schedule and with international practice for similar transactions.

The MTC-led tender for legal advisors was closed on August 13, and twelve applications were received - this result exceeded the expectations of the MTC. The applications included several from consortia of well-known and respected international law firms and well-respected Bulgarian law firms. Advisors assisted the MTC to review proposals and prepare clarification requests, which were considerable owing to the often poor fit between the public procurement requirements and the standard international practice for a procurement of this type. A consortium of the French law firm of Gide Loyrette Nouel and the Bulgarian

law firm of Arsov Natchev Ganeva was selected as the winner, and a contract was concluded with the firm by the end of the month.

Advisors and MTC counterparts continued to develop the draft tender documentation for review and approval by the Tender Commission. The draft Terms of Reference in English and Bulgarian, which will be made to all interested parties following the tender's opening, was ready for review by the Tender Commission by the end of August. There remained several outstanding issues to be resolved for inclusion into this document, including the language of the tender itself, the participation of subsidiary companies, documentation requirements for the application process and several others. As advisors, it was extremely important that we review each of these issues carefully with Commission members and other experts, incorporating international best practice into the discussion so that the Commission makes informed decisions consistent not only with Bulgarian legal requirements and practices (with which it is quite familiar) but also with the reasonable expectations of international investors.

A major revision of the information memorandum was also initiated this month to incorporate the updated concession analyses and available traffic and financial data from the 2004 season.

Advisors prepared initial drafts of the Bulgarian and English language public announcements for further development and approval.

Several international airport-operating companies completed site visits to the airports during the month of August. They were encouraged to do so by MTC counterparts due to the seasonality of the airports and the inability to conduct meaningful due diligence in many respects during the winter season. The preliminary feedback from such site visits was positive, and several interested parties made their interest public through subsequent visits with local officials and the granting of interviews. Despite the relatively strong interest shown in this transaction, we must remember that the potentially qualified and likely interested investors are not many – all reasonable efforts must be made to promote the opportunity and to structure the transaction and the tender to maintain its attractiveness. Expectations must be managed to ensure that success is measured by the quality of the submitted proposal(s), not by their quantity. Attachment 1 is the final pre-announcement marketing notice of the concession transaction.

September 2004

The Tender Commission commenced its meetings in early September 2004. Its first task was to approve the public announcement of the tender, followed by review and approval of the first stage tender documents, namely the terms of reference for the transaction. Attachment 2 is the public announcement of the tender.

The Commission approved the participation of advisors and experts at Commission meetings, including representatives from each of the involved ministries and BearingPoint as financial and technical advisors. The Commission has also permitted advisors and experts, including our team, to play an active role in discussions, raising issues and providing opinions when asked.

The announcement of the opening of the tender for publication in the Bulgarian press was published in the State Gazette on September 25, exactly one month following the publication of the Council of Ministers Decision, as required by law. The Commission also approved the public notice for the international press. This notice was published in the Financial Times (September 28) and The Economist (October 2) at the Commission's expense. Additionally, the MTC placed all relevant public information on its Website in English, including the COM decision, the public notice (Bulgarian and international) and the Concessions Act and Implementing Procedures – investors have confirmed to us that this step has proven extremely useful to them.

Advisors completed the transaction Terms of Reference early this month, after which it was reviewed by Commission advisors and experts. The Commission selected Bulgarian as the language of the transaction, which we believe will make the transaction more difficult and costly for investors, particularly as technical information for the industry is most frequently prepared in English. The Commission also imposed heavy restrictions on the use of subsidiary companies for participation in the tender. While we acknowledge that this is due to past transaction history that discredits subsidiary participation, this remains the industry practice and its prohibition may cause difficulties for the transaction and eventual contract completion. The Terms of Reference was approved at month's end, and will be distributed to all interested parties at a nominal cost of 500 Euros.

Advisors and MTC counterparts continued the preparation of stage two tender documents, including the information memorandum, and request for proposals document. Advisors also initiated the collection of documents for presentation in the dataroom, to be made available to all qualified investors during the second stage of the tender.

October 2004

The Terms of Reference for the airport concession transaction was made available for purchase in Bulgarian and English translation as of October 1. The document consists of several distinct sections:

- the procedures for the first and second stage of the tender,
- the contents (requirements) of the application,
- summary technical information about the airports,
- summary information about the concession terms and conditions, and
- template forms to be submitted as part of the application.

The Terms of Reference was purchased by 19 interested parties, including major international and Bulgarian companies. The Commission received several requests for clarification to the documents, and Advisors assisted Commission members and other advisors and experts to review the questions and to prepare suitable responses. The questions were focused on the preparation of applications, as many bidders were keenly interested to prepare exactly what the Commission wanted, and not to undertake the preparation of any documents or translations that would not be necessary. The Commission also confirmed that changes in the make-up of consortia would be permitted if they do not violate the original requirements. The Commission received a request to extend the deadline for submission of applications, but did not do so. MTC counterparts were extremely professional in the preparation of investor responses and in their efforts to respond in a timely manner.

As permitted in the Terms of Reference, several investors conducted site visits during the first stage of the concession transaction. This provided a final opportunity for investors to see the airports during the season, and enabled preliminary due diligence to take place. The MTC requested that each of the airport operating companies establish a commission of three persons to interact with investors, showing the airports and answering limited questions – this system has proved to be effective at this early stage of the transaction.

Advisors continued work on the 2nd stage tender documentation, including the Information Memorandum and the Request for Proposals. The information memorandum was updated to reflect the 2004 tourism season and changes to the airports' traffic and technical profile this past year. Advisors worked closely with the CAA and the airport operating companies to ensure that they review the IM closely and provide their comments and suggestions.

Advisors initiated preparation of the dataroom this month, including the identification and collection of required documents and the actual procedures for investor due diligence, including both document review and investor site visits. The dataroom is a key element in the 2nd stage of the tender and will allow all prequalified parties to review a broad range of original documents in both English and Bulgarian and to incorporate this information into their decision-making process and into their technical and financial proposals. Attachment 3 is a list of the documents (by general description) available for review in the dataroom.

The airports completed the summer tourist season this past month, and both Bourgas and Varna continued their recent exceptional traffic growth. Bourgas Airport exceeded 1.35 million passengers through October, more than 35% of the previous year's total and exceeding the total reached at Varna Airport for the first time. Varna Airport has received more than 1.30 million passengers, growth of approximately 15%. Outstanding passenger growth, and the continued positive outlook evident from continued tourism development on the seacoast, has greatly supported international interest in the concession opportunity, while at the same time convincing domestic decision-makers in both the private and public sectors of the need and wisdom for undertaking the concession transaction in the first place.

November 2004

Eight applications to pre-qualify and participate in the airport concession tender were received by the submission deadline, November 12. Advisors were present at the opening of applications by the Commission, and played an active supporting role throughout their review. The number of responses exceeded somewhat our expectations and those of the Commission. More importantly, the quality of the majority of the applicants (and their applications) was extremely high, representing exactly the direct participation of strategic international airport operating companies that we had targeted in preparation for the transaction, including its structure and its marketing.

Advisors and Commission experts from the relevant ministries reviewed in detail the submitted applications, which contained considerable information about each applicant. Advisors focused their attention on a review of the relevant experience of the key consortia members, their financial position (ability to undertake the necessary investments) and any other disclosures that would raise concerns for the Commission. Owing to the specific and detailed requirements for applications, additional clarifications were requested from nearly every applicant – these clarifications were received in late November, enabling a final decision on qualification to be made in early December and on schedule.

Press reports on the submission of applications were factual and almost unanimously positive. The direct participation of several of the major international airport operators (mostly European) was noted, and has raised public confidence in the transaction and its successful outcome.

BearingPoint was pleased to be able to bring a highly-skilled technical airports advisor to the project, Trevor Carnahoff. During his two-week assignment, Advisors were able to finalize specific airport planning issues contained within the 2nd stage tender documents, particularly the planning targets for the major investment program, and also work closely with the CAA to understand and support these recommendations.. The completion of this short-term assignment was instrumental and enabled the project to complete the technical elements within the tender documents, and to build confidence among the MTC and the CAA in past decisions and in our ability to successfully implement the transaction and the long-term concession. Attachment 4 is one of the outputs of the required capacity technical assessments.

The 2nd stage tender documents were largely completed this month, with only final reviews and editing remaining – they are expected to be delivered to qualified investors in mid-December. Advisors led the

preparation of the Request for Proposals (RFP), the main document governing investor due diligence and the submission and scoring of proposals, the Information Memorandum and the Legal Analysis, which was initially prepared as part of the concession analyses documentation. Although Advisors led the preparation of these documents, counterparts were extremely active in their development and can now incorporate this experience into subsequent concession transactions led by the MTC and throughout the Government. Attachment 5 is the final version of the Request for Proposals (the only tender document included in this final report).

Advisors provided substantial comment and input into the draft concession contract, which was prepared by the international legal advisors. Several issues were particularly critical, including the rate-setting mechanism, the master planning process, compensation in the event of termination, and still others. Advisors submitted a complete set of comments to the contract as a whole, and prepared several separate notes on the specific issues mentioned above. The draft contract will be further developed in the month of December prior to its submission to investors as part of the 2nd stage tender documentation.

Advisors continued the preparation of the dataroom and the investor due diligence process. Lists of essential documents were submitted to each of the airports and to the CAA, and already initial documents have been received – remaining data room information is expected to be delivered in December. Advisors prepared a set of Data Room Rules, which govern the entire investor due diligence process (data room review, interviews and site visits). The data room is expected to be finalized in late December and be available to investors beginning in early January.

December 2004

On December 3, on schedule, the Tender Commission approved the selection of five investors for qualification and admission to the 2nd stage of the tender. Of the eight applications received, two were determined to be entirely non-compliant, and a third was determined to not meet the additional qualification criteria (concerning experience). We are extremely pleased with the selection of the five investors, as each one is highly qualified, experienced and clearly capable to implement the concession. The use of offshore holding companies and daughter companies is non-existent, with each of the applicants directly controlled by a major international airport operator/developer or its parent company.

Press reports were factual and positive, owing in large part to the clear and direct participation of qualified international airport operating companies and the widely acknowledged transparent implementation process that has thus far taken place. The press now understands quite clearly why this transaction is taking place and appears to be cautiously optimistic about its prospects for success.

The entire 2nd stage tender documentation was approved by the Commission the week of December 20th.

Advisors played an active role in the final revision of the draft concession contract, confirming that the various articles accurately reflected the terms and conditions put forward and agreed to-date – the international legal advisors lack the technical understanding of many aspects of this transaction and are certainly not as familiar with its history and details as are BearingPoint advisors, making our role to bridge these gaps extremely important. Advisors drafted the master plan requirements section of the draft concession contract and the necessary text for the regulation of airport charges, two critical, transaction-specific technical issues. Together with the international legal advisors, we strived to maintain balance within the draft concession contract and to protect it from other advisors and experts who wanted it to be more one-sided in favor of the State, with the understanding that it would be subject to extensive negotiation afterwards. We feel quite strongly that this approach is not in the State's interests and will result in reduced

confidence by qualified investors and poorer terms and conditions and overall quality within investor proposals.

According to schedule, the 2nd stage tender documents were available to all qualified candidates on December 27th. Such candidates paid the required 5,000 Euros for participation and took delivery of the documentation package by the end of the year.

January 2005

Advisors led the final preparation for investor due diligence, in close cooperation with MTC counterparts. Advisors collected more than 30 folders of dataroom documents, and prepared a comprehensive index of this information; three copies of the dataroom documents were prepared, enabling the use of up to three datarooms at a given time. Advisors identified a shortlist of persons who should be available for investor interviews, including representatives from each of the two airports and from the Civil Aviation Authority. Advisors also prepared a written set of guidelines for the designated persons and for investors; this was done primarily to ensure that designated persons did not answer questions or otherwise provide information that was not appropriate, including information about other investors, or passing directly documents to investors without going through the formal dataroom. The dataroom was available for investor review beginning January 10, as established in the tender documents.

The initial round of due diligence by the majority of investors was completed by January 21, with only two investors waiting until February to complete this process. Investors submitted considerable requests for additional information, to which Ministry counterparts and airports management responded to as quickly as possible. Advisors supported the Tender Commission to prepare responses to several sets of investor requests for clarifications received this month.

It is worth noting that the MTC Concessions Department has initiated several sea and river port concessions in the last several months, in large part drawing on its experiences leading the implementation of this airports concession transaction. The first Council of Ministers decision to formally initiate these tenders was confirmed this past month, with tenders opening for port terminal concessions in Vidin and Rousse. MTC experts have commented to us that they will incorporate to a large degree lessons learned from the implementation successes (and difficulties) relating to the airports concession transaction.

February 2005

The formal investor due diligence process was closed on February 11. All five of the shortlisted candidates conducted due diligence, including review of the dataroom documentation, interviews with designated persons and site visits to the airports. Candidates sent between two and ten international representatives to Bulgaria to lead the review process, and additionally hired Bulgarian accounting/finance firms and Bulgarian law firms to support their due diligence teams. *We estimate that candidates spent between 1.5 – 2 million Euros in total to research this opportunity and to prepare a binding proposal, with as much as 50% of this sum being spent in Bulgaria; this is consistent with industry norms.*

The Commission and its advisors and experts conducted extensive meetings to determine the content of the final draft concession agreement. Candidates submitted comments to the preliminary draft concession agreement in late January, and the Commission was required to submit the final version on February 18, thus enabling candidates to have sufficient time to incorporate the final draft into their decision-making process and binding proposal. The international legal advisors led the drafting of the agreement, however they relied heavily on BearingPoint advisors to advise on the transaction structure and the form and content of the other

leading tender documents, including the Council of Ministers Decision initiating the airports concession transaction. Key sections of the concession agreement that were commented on by candidates included:

- representations and warranties by the State, which the preliminary draft reflected in a manner in which the State assumed little if any responsibility for the quality of the information provided, and more importantly, for potential or actual liabilities of the airports from the period prior to the concession (partially accepted by the Commission);
- actions necessary to be completed by both parties in order to reach the effective date by which transition of operational control and responsibility at the airports is completed – candidates submitted several valuable suggestions which were incorporated (partially accepted by the Commission);
- dispute resolution, which all candidates suggested should be according to international arbitration rather than BG courts (accepted by the Commission);
- specific change in law protections, which protect the concessionaire from adverse changes in applicable law (rejected by the Commission as unwarranted);
- expansion of step-in rights and other forms of lender security (rejected by the Commission as illegal under currently applicable law); and,
- improvements to compensation payments in the event of termination, so as to ensure appropriate balance of interests (partially accepted by the Commission).

A funded extension of the project was granted, enabling the project to provide technical advisory services through mid-June, in line with the transaction timeline. Additionally, USAID and the Ministry of Transport and Communications have agreed in principle to a cost-sharing arrangement whereby the Ministry would pay for a portion of the project's local expenses.

March 2006

In accordance with the original proposal submission deadline, binding proposals were due on March 7th. Four proposals were submitted: Copenhagen Airports (Denmark), Fraport/BM Star (Germany/Bulgaria), Hochtief Airports (Germany), and Vinci Airports (France). The Tender Commission conducted a formal opening of proposals in front of the media, and gave a brief press conference at that time. Minister Vassilev reiterated the importance of the transaction to Bulgaria, both as a conduit to the development of airport infrastructure and also as a conduit to future infrastructure concessions. He also emphasized his satisfaction with the conduct of the tender: its transparency, competitiveness and the high-level of interest shown by highly qualified international investors.

The Commission and its advisors and experts reviewed proposals in each of their three main volumes. Of the four proposals received, one was determined to be non-compliant as a result of non-payment of the required deposit (from Hochtief Airports). This was unfortunate for all parties, as it removed a qualified investor from further consideration and resulted in a considerable waste of effort on the investor's behalf as well. The exact circumstances and reasons for the non-payment are not clear, as well as whether this might later become a subject of dispute, but the Commission was resolute on its decision, which we supported.

BearingPoint had its full complement of financial and technical advisors on-site to support the Tender Commission during its review of business and investment proposals. Short-term advisors were engaged in the specific review of the technical quality and appropriateness of the business and investment proposals, reviewing the specific investment programs and whether and how they would satisfy the airports' requirements. Short-term advisors also examined the financial impacts of investors' proposals, including the projected user costs for the airports and also the quality and reliability of the various financing packages presented by investors. In each case, BearingPoint advisors were uniquely qualified to support the

Commission and delivered expertise that was otherwise unavailable to the Commission. In addition to conducting its own review of proposals, BearingPoint advisors also supported the review by other experts, answering questions and engaging in constructive discussions thereby ensuring that proposals were understood to the full extent possible by all Commission members and advisors/experts. As a result of this work, BearingPoint delivered a complete package of written analyses on the business and investment proposals which Commission members received and reviewed and which served as a basis for the Commission's own assessment of investor proposals (these materials were prepared solely for the Tender Commission and are not attached to this final report due to their confidential nature). Attachment 6 is a guideline on proposal assessment prepared to assist the Tender Commission and its advisors and experts.

Following the initial proposal assessment period and a subsequent period for clarifications to be submitted and reviewed, the Commission engaged all its advisors and experts and reviewed each of the investors' business and technical proposals in its entirety as well as the developed analyses – this meeting lasted nearly a full-day. Once this process was completed, the Commission conducted its scoring of investor technical proposals which accounted for 70% of the overall proposal scoring. Afterwards, the Commission opened up the financial proposals (30% of overall proposal scoring) in front of all advisors and experts and announced the results. Financial proposals included a single number representing the concession fee offer as a percentage of concessionaire gross revenues, and the scoring of financial proposals was done according to a specific formula, leaving zero room for discretion.

Following the completion of the proposal assessment process, the Commission calculated the scores and determined the final results. These results, as well as a summation of the entire tender process, were included in a final report prepared for submission to the Council of Ministers for its review and approval. One of the Commission members requested additional time and information to review the reasonableness of one of the investor's financial proposal. At the request of the Minister, BearingPoint advisors met on several occasions with this person and his team of experts, reviewing the financial models in detail and confirming their integrity and that of the transaction approach. Attachment 7 is a note to Minister Vassilev summarizing BearingPoint's detailed review of technical proposals.

Advisors made a presentation to the US Ambassador during late March on the status of the transaction. We updated the Ambassador on the status of the project, provided to him guidance on the next steps, and responded to specific questions about the transaction and its impacts. Attachment 8 is a brief summary note presented to the US Ambassador.

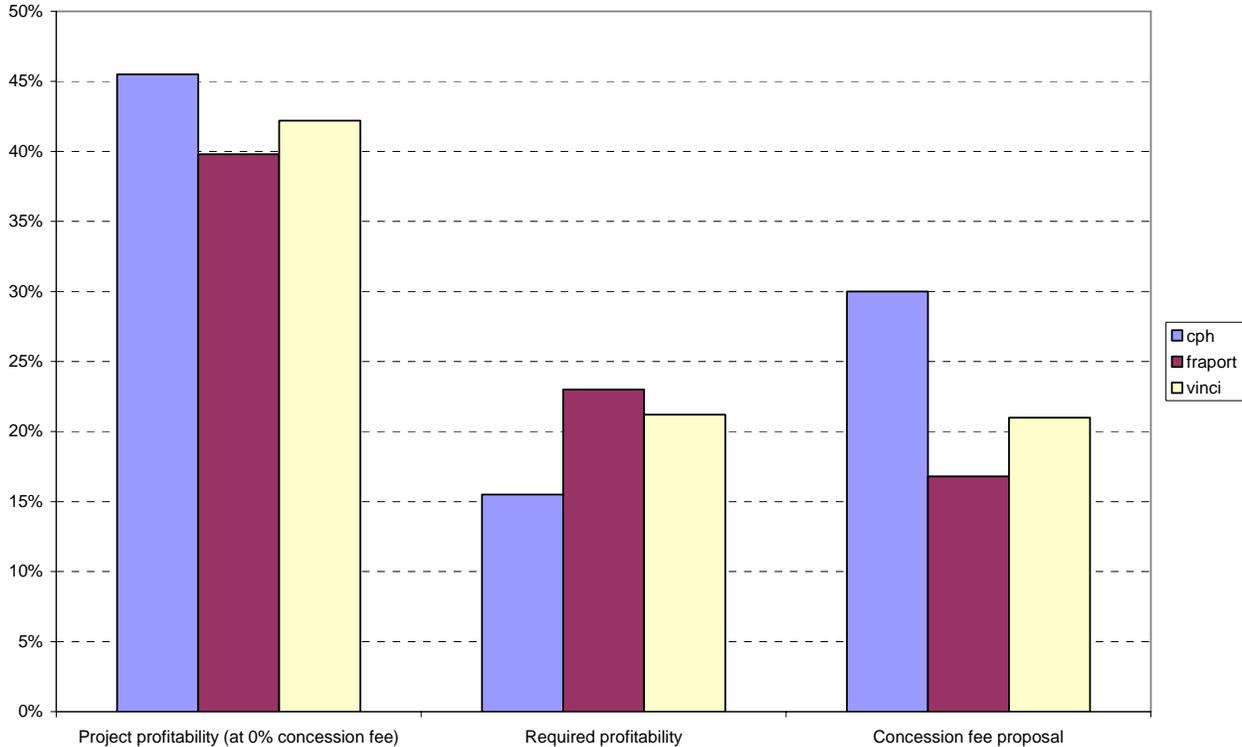
April 2006

BearingPoint participated in final discussions among members of the Tender Commission prior to its confirming the tender results. BearingPoint's analysis, as presented to members of the Commission, presented the following facts:

- CPH assumptions for ground-handling, while aggressive, are perfectly reasonable and represent its assessment of future market conditions. They are in no way binding on the Ministry.
- The CPH financial proposal, similar to other financial proposals submitted, does not result in an overall increase in expected airport user charges. This is due to the inverse relationship between concession fee, expressed as a percentage of gross revenue, and required return on equity, expressed as a percentage of net invested equity. This was a fundamental part of the transaction set-up, and was confirmed following a review of the actual financial and investment proposals.
- Finally, the CPH concession fee proposal is perfectly reasonable and still permits CPH to earn a healthy rate of return on its investment. Its ability to offer a significantly higher concession fee when compared to its competitors is due to (1) a slightly more optimistic view of the airport concession opportunity in Bulgaria, and (2) a slightly lower required return on equity when

compared to its competitors. These two facts, each of which is perfectly reasonable, combine to result in the rather large differential in concession fee proposals, as illustrated below.

Comparison of Financial Proposals



At the Council of Ministers meeting on April 7, the results of the tender were confirmed, and a formal decision was issued and published the next day. The COM decision confirmed Copenhagen Airports as the winning bidder, and provided one month for the conclusion of the concession agreement. Several reasons were provided for the selection of CPH: the quality of its operating program, including the lowest expected user charges; the extremely high near-term capital investment commitments; the concession fee which was several percentage points above the nearest competitors; and the commitment by CPH to invest its own capital, thereby eliminating any reliance on debt capital should lenders' security not be possible. The COM decision included the scoring of all candidates' proposals: Fraport came in 2nd place and Vinci placed 3rd. Attachments 9 and 10 present summary information about each of the candidates and their proposals, as presented to the Council of Ministers.

The Minister arranged to meet with representatives of each of the candidates immediately following the COM decision. The purpose for these meetings was several fold: to personally thank each of the candidates for its participation in the tender, to explain the results of the tender, to confirm to each candidate that the tender process was transparent, competitive and properly and thoroughly conducted, and in general terms, to discourage losing candidates from appealing the COM decision, a right granted to all candidates by the Concessions Law. Although we offered our services during these meetings, BearingPoint representatives were not present. We understand that although the meetings in general went well, the Minister was not in a position to thoroughly explain proposal scoring and possibly, in his efforts to be complementary to all candidates, did not explain in sufficiently frank and honest terms that the losing candidates lost on proper

technical and financial grounds. As a result and judging by their ensuing actions, losing candidates were not discouraged from believing that their proposals should have been declared the winning proposal.

On the same day as the publication of the COM decision the Minister held a press conference to announce the results of the tender. In attendance were senior Ministry leadership, members of the Tender Commission, key parliamentarians from the Transport Commission, representatives from the Bulgarian aviation industry including management of the Bourgas and Varna airports and of course members of the media. BearingPoint prepared talking points for the Minister, which the Minister incorporated verbatim in his presentation to the press. Minister Vassilev led the press conference, during which he thanked the many parties which provided their support, including USAID. He provided some detail about the tender process, the reasoning behind the selection of Copenhagen Airports as the winning candidate and the details and implications of the CPH proposal. As expected, press coverage in the days following the press conference was extensive, mostly positive and factual, although continuing to place undue emphasis on the CPH financial proposal rather than the quality of its entire proposal – for the losing candidates, such emphasis suggests that the tender may not have been properly conducted. Attachment 11 is talking points for the Minister’s press conference, prepared by BearingPoint advisors.

Work to finalize the concession agreement with Copenhagen Airports began immediately following publication of the COM decision. BearingPoint was asked to participate throughout this process, supporting the Ministry and its legal advisors, as well as playing a general facilitator role to ensure that the agreement would be successfully completed. One thing that we noticed very quickly was that high level participation from the Ministry, namely Minister Vassilev or DM Yankov, was essential if these discussions were to be productive – the Ministry’s legal department, as well as its legal advisors, were simply not empowered to address any material concerns that CPH had other than to reject them.

Within the 7-day period as provided by law, both Fraport Airport and Vinci appealed the COM decision confirming CPH as the winning candidate. The stated grounds for the appeals allege technical violations, fundamental lack of compliance with the initial COM decision authorizing the tender and non-compliance of the scoring procedure with the tender documents themselves. It is BearingPoint’s position, both technically and legally, that none of these arguments is sufficient grounds for legitimate appeal and that nothing should result in the overturning or unwinding of the tender results. As an initial step, BearingPoint produced a point-by-point detailed response to each of the appeals, providing very strong arguments against most of the points raised and indicating which points, however small, had some merit and what we believe the appropriate arguments in response should be.

The Ministry filed the necessary documents with the appeals court following the submission of the appeal and requested ‘advanced implementation’ of the concession agreement. This is a legal decision issued by the same court in which the appeal is filed which permits the Ministry to continue implementation of the Government’s decision until such time as a final court decision on the merits of the appeal is issued.

May-June 2005

The Supreme Court of Appeals ruled on May 11 to permit advanced implementation of the Government decision confirming Copenhagen Airports (CPH) as the winning bidder, and authorized the MTC to conclude the concession agreement. This decision was based on three factors: the time-sensitivity of the airport concession transaction and its economic impact, whether such a decision prejudices appellants’ future rights if granted, and finally, a consideration of the merits of the appeals themselves.

BearingPoint continued to provide technical support to the parties throughout the finalization of the concession agreement. The parties included the MTC Legal and Concessions Departments, the Civil

Aviation Administration, Copenhagen Airports, and Bulgarian legal firms representing CPH and the MTC. The legal issues, particularly among an experienced international investor and a considerably less similarly experienced Government entity, required patience to work through, and a large supporting and facilitating role by BearingPoint to reach resolution. BearingPoint's work on the contract included a number of specific issues, including:

- appropriate insurance coverage for the assets and the parties
- appropriate environmental protection provisions and safeguards
- transfer of movable assets and their payment
- regulatory provisions and the setting of charges
- provisions for the implementation of the immediate investment program

BearingPoint advisors provided key counsel to the MTC and to Minister Vassilev during final sessions with senior CPH representatives on site in Bulgaria to resolve remaining issues and reach final agreement on the concession contract. These sessions were challenging for all involved due to the high stakes and the fact that issues to this point unresolved were of critical importance to both sides. One of the key issues to CPH was its ability to pledge the shares of the company so as to obtain better terms and conditions for project finance; although not inconsistent with international practice, this was not accepted by the Minister due to the added risk it posed for the MTC and because such clause was not present in the COM decision authorizing the transaction.

With respect to the appeal, BearingPoint advisors on several occasions, including in writing, advised MTC leadership to seek outside legal counsel to defend the interests of the transaction. Lawyers from the Council of Ministers who would be tasked to defend the Government's interests, were not sufficiently familiar with the case, and the MTC legal department, although quite skilled, was not experienced presenting arguments in front of the courts. Furthermore, because confidence in the legitimacy of the tender was so high, several law firms, including those well-connected in political circles, were willing to represent the Government. Although such recommendations were taken under advisement, no actions were taken presumably because the Ministry was confident in the strength of its case, in the actions that it was taking behind the scenes to settle the appeal, and finally due to the cumbersome procurement process that might be necessary for the hiring of outside legal counsel. Attachment 12 is a note sent to Minister Vassilev advising him to hire outside legal council.

On June 12 and in the presence of all major Bulgarian media representatives, the parties signed the concession agreement. Minister Vassilev and Mr. Kjeld Binger, CEO of Copenhagen Airports, signed the concession agreement. Both parties expressed their satisfaction with the tender process and with the transaction's terms and conditions, and their confidence that under the new concession arrangement the airports would expand and become a significant asset in the continued growth and expansion of the Black Sea Coast region and its tourism industry in particular. Both the Minister and CPH thanked representatives of USAID and BearingPoint for its support to the transaction, which was much appreciated.

The Bulgaria Airports project officially ended on June 20, 2005, with a signed concession agreement for the international airports Bourgas and Varna between the Government of Bulgaria and Copenhagen Airports, one of the leading international airport operating companies worldwide. Implementation of the agreement is subject to satisfaction of pending appeals by the losing candidates. Finally, it should be noted that the 2nd place candidate, in the event that the courts decide to in effect award the transaction to it, is Fraport Group, another leading international airport operating company.

Also in June the Minister officially signed the Memorandum of Understanding for its cost-sharing agreement with USAID, committing itself to paying a significant portion of the project's expenses.

Attachment 13 and 14 are the Memorandum of Understanding and the draft Letter Agreement between the MTC and BearingPoint.

As a final attachment, attachment 15, please find excerpted media reports from throughout the project, including the initial stages of the appeals process.

Epilogue

During the 2nd half of 2005 in a lengthy court process hampered by a change of power within the Bulgarian Government, the Bulgarian courts effectively overturned the Council of Ministers Decision selecting Copenhagen Airports as the winning bidder. It was determined that Copenhagen Airports should have been disqualified during the initial pre-qualification stage – a decision argued on technical grounds but which cannot be understood by us. In fact, the disqualification of Copenhagen Airports allows the tender results to stand, enabling the 2nd place bidder, Fraport, to possibly be confirmed as the winning bidder. It is unclear at this time what the eventual result of the transaction will be.

As a final note, in our estimation this project led to a concerted effort throughout the Bulgarian Government to develop concession transactions and other forms of public-private partnership. The Ministry completed a mid-size port concession transaction in 2005, using many of the lessons and materials developed as a result of this project. And several other ministries have developed concession initiatives which are at varied stages of development. Finally, the new Government has led an effort to revise the Concessions Law, ostensibly to improve its effectiveness; BearingPoint is quite confident that the experience of this project and this transaction will no doubt be incorporated into revisions of the Concessions Law, most certainly to its benefit.



REPUBLIC OF BULGARIA MINISTRY OF TRANSPORT AND COMMUNICATIONS

9 Diakon Ignatii Street 1000 Sofia
Tel: (+359 2) 940 9771
Fax: (+359 2) 988 5094

mail@mtc.government.bg
www.mtc.government.bg

Airports Concession Opportunity (updated July 30, 2004)

Background

The Ministry of Transport and Communication (MTC), representing the Government of Bulgaria (Government), is responsible for the development of civil aviation in Bulgaria. The MTC has committed itself to the development of the Bourgas and Varna Airports, key infrastructure necessary to support the rapidly expanding tourism sector on Bulgaria's Black Sea Coast.

Specific MTC objectives include:

- investment in airfield, terminal and land-side infrastructure to meet capacity requirements and accepted international standards for airport safety, security and quality of service;
- the efficient provision of airport services to meet target service quality levels and to maintain or improve Bulgaria's competitive position in the international tourism market;
- the promotion and development of passenger traffic in close coordination with national and international tour operators and members of the local business community; and,
- the development of additional commercial activities and revenues for the airports, as well as support to regional investment and development initiatives.

It is the MTC's intention to identify a qualified strategic partner through a competitive tender process to invest in, develop and manage the Bourgas and Varna Airports through a long-term master concession (35 years, with option to extend). A single tender will be conducted to select one concessionaire to operate and manage the Bourgas and Varna Airports, maintaining each airport in accordance with international standards and contractual requirements. Qualified bidders shall be led by internationally experienced airport operators with sufficient financial resources and a successful track record in developing airport infrastructure and managing airport operations in accordance with international standards: specific minimum criteria include operation of airports in at least two countries, operation of one airport of not less than 5 million PAX and a second airport of not less than 2 million PAX and recent, demonstrable experience managing comprehensive airport investment programs in excess of 100 million Euros.

This concession represents an attractive opportunity for industry leaders to participate in the rapidly growing Bulgarian economy. Bulgaria enjoys one of the fastest economic growth rates in Europe, has recently joined NATO, and has a clear road map for joining the European Union in 2007. The Government is committed to attracting foreign investment and to supporting business by providing a stable and business-friendly environment.

The tourism industry, concentrated primarily on the Black Sea Coast, has experienced sustained and significant growth in the number of international visitors. Based on initial data for the season, the Ministry of Economy projects 2004 to be the fifth consecutive year of double-digit growth. Bulgaria has successfully positioned itself as a tremendous value for traditional seaside package holidays and is

becoming increasingly successful expanding its tourism offerings to a diverse mix of travelers. Major countries of origin for tourists include Germany, UK, Russia and the Scandinavian countries. Substantial private investment has been made to add resort capacity, to upgrade resort accommodation quality and to diversify the tourism product - continued major private sector investment in the tourism industry, coupled with the development of supporting infrastructure, is forecast well into the future.

The stable political and economic environment, coupled with ongoing investments in tourism capacity, are a positive sign for the continued and growing demand for airport services.

The Airports

Bourgas Airport

Bourgas International Airport is located on Bulgaria's southern Black Sea coast, approximately 10 kilometers northeast of Bourgas (population approximately 225,000). The surrounding region has sizable local industry, including the largest refinery in the Balkans (Lukoil Neftohim) and a key regional seaport. Bourgas Airport relies on international charter traffic during the summer tourist season (primarily May – September) from European points of origin. Passenger traffic growth has been exceptional since the late 1990s with traffic in 2003 exceeding 1,026,000 passengers. This represents the third consecutive year of 30% or better year-on-year growth. Total aircraft movements (ATMs) in 2003 were in excess of 8,990 and were undertaken by a wide variety of aircraft types. Indications for the near-term future are for continued traffic growth, increased diversity of passenger country of origin, and expansion of the international charter season.

Bourgas Airport has a single runway exceeding 3,200 meters in length and has an ICAO classification of 4E. Apron space is 182,000 square meters and accommodates 23 aircraft stands. Passenger terminal buildings are separate for arriving and departing passengers. The airport enjoys favorable climatic conditions with extremely high visibility, generally in excess of 1,000 meters year-round.

Varna Airport

Varna International Airport is located on Bulgaria's northern Black Sea coast, approximately 10 km from downtown Varna (population approximately 350,000). Varna is the third largest city in Bulgaria and a regional center, including substantial local industry and a major seaport. Varna Airport receives primarily international charter traffic from European points of origin during the summer tourist season and also has year-round scheduled domestic travel from Sofia. The airport handled over 1,186,000 passengers during 2003. Average year-on-year growth over the last 3 years was 24%. Total ATMs in 2003 were more than 10,100 and were undertaken by a variety of aircraft models. Preliminary indications for the near-term future are for continued passenger growth, increased diversity of passenger country of origin and expansion of the international charter season.

Varna Airport has a single runway in excess of 2,500 meters in length and has an ICAO classification of 4D. The current runway width of 45 meters (exclusive of shoulders) does not fully comply with ICAO standards for Code D and E aircraft. The apron area is over 215,000 square meters. A single passenger terminal services international arriving and departing passengers as well as all domestic traffic.

Concession Structure

Currently each airport is managed by a separate airport operating company 100% owned by the State. These companies are responsible for airfield maintenance and basic aircraft and passenger services. Both companies provide a full-range of ground-handling services to airport customers. Commercial

activities at the current time are not fully developed and represent an important opportunity to add value. The selected Concessionaire will replace the functions of these companies.

Both airports are in need of immediate investment to renew the airfields, upgrade essential airport equipment and technology, and expand passenger terminal capacity. The Concessionaire is expected to accomplish the Airports' capacity upgrade through the immediate renewal/replacement of the passenger terminals. Complete compliance with appropriate ICAO standards for airfield development and IATA level C for passenger service areas are determined to be minimum output requirements of the capital investment program, with additional guidance provided in the tender documentation.

The Concessionaire will be required to deliver infrastructure improvements at its own cost and expense. It is intended that the Concessionaire will commence the development programs immediately following regulatory approval of a Master Plan, to be initiated by the Concessionaire at the onset of the concession period.

Bulgarian law requires that charges for airport users be based on cost. For this reason, the setting of user fees will be a direct result of the planning and budget approvals process during the concession term. It is the intention of the MTC to apply a dual-till regulatory regime to support the development of ancillary commercial services by the Concessionaire.

The Concessionaire will be required to pay a percentage of total revenues to the Government of Bulgaria as a concession fee, plus a fixed initial payment of 3 million Euros at the closing of the transaction.

Current Status

The Concessions Act, Civil Aviation Act, and relevant Council of Ministers decrees provide the enabling framework and guidelines for this transaction. Parliament has passed amendments to the Civil Aviation Act crucial to the success of the concession, and the Council of Ministers has recently taken its decision on the terms and conditions of the concession transaction. It is the intention of the Government to open the competitive tender in September 2004.

PLEASE NOTE: Those parties interested in seeing the airports in peak operation are encouraged to contact the MTC to arrange an informal site visit during the summer season.

MTC Contact Details

Please indicate your interest to receive additional information and to be notified of the opening of the tender by contacting:

Ms. Ralitsa Marinova
Director, Concessions and Public State Property Directorate
Ministry of Transport and Communications
9, Dyakon Ignatii Street
1000 Sofia
Bulgaria
Tel: (+359 2) 940 94 19
Fax: (+359 2) 988 51 49
E-mail: rmarinova@mtc.government.bg
Web site: www.mtc.government.bg

Attachment 2-Public Announcement

Mail.1

LONG-TERM AIRPORT CONCESSION OPPORTUNITY - BULGARIA PUBLIC ANNOUNCEMENT OF TENDER

The Opportunity

The Government of Bulgaria has committed itself to the development of the Bourgas and Varna International Airports (the Airports) on its Black Sea Coast. The Airports are experiencing rapid traffic growth and each now handles more than 1 million international passengers annually.

The Tender Process

A single tender shall be conducted to select one concessionaire to operate, manage and develop the Airports for a term of 35 years.

The Tender shall be conducted through a two-stage selection process. The first stage will include application and pre-qualification of bidders; the second stage will include the submission of proposals and the selection of a preferred bidder.

Qualified bidders shall be led by internationally experienced airport operators with sufficient financial resources and a successful track record in developing airport infrastructure and managing airport operations in accordance with international standards.

Part I of the Tender Documents is available beginning October 1, 2004. The deadline for receipt of applications is November 12, 2004. The expected deadline for the submission of proposals is March 7, 2005.

Submission of Applications

Applications must be submitted in accordance with the terms and requirements set out in Part I of the Tender Documents, which may be received in person by an authorized representative, at which time must be submitted a (1) receipt of payment of 500 Euros and (2) proof of authorization. A declaration of confidentiality must be signed at the time of receipt of Part I of the Tender Documents. Submitted applications must include a receipt for purchase of the Part I Tender Documents by the applicant or consortium member.

Concessions and Public State Property Management Department

Ministry of Transportation and Communication, Room # 1005
Sofia, 9 Dyakon Ignatii Street
Tel. ++359(2)9409-597, -419, -420 fax: ++359(2)988-5149

Payment Information

To: Ministry of Transport and Communication
Account #5400124833
Bank Code #66196611 w/ Bulgarian National Bank
Euro Account w/ Deutsche Bank, Frankfurt
Swift Code: DEUTDEFF

The full text of the public announcement was published in the Bulgarian State Gazette, September 24, 2004.

Attachment 3-Data Room Requirements

Data room requirements

(all documents should be made available in English)

A. Financial and management information

1. Management information

- Internal management and financial reports
- Board of directors material and minutes from the board of director meetings
- Annual financial accounts with Profit and Loss statement, Balance sheet and cash flow statement
- Auditors opinion and management letters
- Monthly P&L accounts for the last two years and the current budget year
- The budget for the current year and the latest revision of the budget (i.e. the latest expectation to the financial result for the current year)
- Budget for next financial year
- Any internal financial business plan for the next 5-10 years
- Specification of any one-off revenues or expenses (extraordinary items)

2. Traffic, handling and aeronautical revenue

- Full details of the current tariff regulation and aeronautical charges
- Disclosure of handling contracts
- Disclosure of any agreements / practice made with airlines regarding rebates or other deviations from the official tariff structure (including handling)
- Passenger and operational statistics (movements, MTOW and other relevant data) split on airlines and destination at a level of detail sufficient to recalculate total historic aeronautical and handling revenue
- Detailed description of the future tariff regime

3. Commercial revenue and activities

The disclosure of data regarding commercial activities should be at a level of details sufficient to recalculate historic commercial revenue. This information should at least contain:

- Disclosure of payment conditions for all commercial contracts
- Sales data from each commercial outlet / activity
- Generated revenue to the airport from each contract and operator
- Profit and Loss statement for activities operating with profit sharing
- Separate profit and loss accounts (before financing and taxes) for own operated commercial activities.

Attachment 3-Data Room Requirements

4. Operational costs

- Full specified organisational chart with number of employees within each department.
- Specification of function, organisational placement and annual salary and pension contribution for each single fulltime and temporary employment (specify length and period of temporary employment)
- Profile of key management incl. contracts
- Employee payroll records´
- General description of staff incl. age profile, education etc.
- For each operational cost item in the P&L a breakdown of the cost to the general ledger level. The sum of the disclosed ledgers shall minimum cover 90% of the total sum within each main item in the P&L. All ledgers with annual registrations above €100.000 should also be disclosed
- A list of external suppliers and their annual transaction amounts with the airport. The list shall cover 90% of external costs
- Disclosure of financial terms in contracts with major service suppliers
- Detailed specification of social security costs, pension costs and other personnel related expenses such as training, canteen, transportation etc
- Disclosure of incentive scheme, bonus programme and management remuneration

5. Depreciations and amortisation

- Complete list of fixed assets
- A detailed description of the depreciation policies
- A description of the different asset classes specifying accounting and tax life times and depreciation rates and average age of the assets within each asset class
- List of intangible assets and any impairment charges booked
- Per asset class; a balance statement with:
 - opening balance
 - the depreciation of the year
 - impairment charges
 - the capital expenditure additions of the year
 - end-year balance

6. Taxes

- A detailed tax calculation specifying accounting taxes, cash taxes and deferred taxes.
- Disclosure and explanation of any tax liability and tax assets
- Full description of tax compliance status and forward looking tax status

7. Capital structure and financial expenses

- List of all short and long term debt arrangement
- Copies of all financing agreements (including government grants and shareholder loans) specifying

Attachment 3-Data Room Requirements

cost of debt, repayment profile, covenants and other terms and conditions

- Description of the short-term cash management policy and the placing conditions

8. Capital expenditures

- Historic capital expenditures split on major projects and on asset class according to tax and accounting depreciation rates
- Current capital expenditure commitments

9. Other items

- Detailed pension liability statement and description of future pension scheme
- Specification of any off balance sheet items
- Detailed specification of accounts receivables and accounts payables with amounts split on customers / suppliers and grouped by aged.
- Full description of any related party transaction
- Trading amounts in foreign currency
- Disclosure of any lease contract
- Disclosure of any bad debt provision or other provisions
- Disclosure of any partnerships, joint venture or other minority interests.
- Disclosure of any future funding commitments
- Disclosure of the airports insurance policies, risk covered and associated costs
- Description of IT systems, soft- and hard ware

B. Legal information

1. Regulatory framework / Governmental regulation

- Description of regulatory environment (i.e. operating license, charges, environment etc.)
- Copies of operating license
- Copies of environmental permits
- Copies of charge framework
- Copies / description of other relevant permits
- Other relevant information

2. Commercial contracts

- Full list of commercial contracts incl. info of parties, subject, value, term
- Copies of all material commercial contracts (i.e. above €50,000)

Attachment 3-Data Room Requirements

3. Litigation

- Full list of ongoing and potential litigation
- Comments / legal opinion on material litigation (i.e. above €50,000)

4. Management and Employees

- Copies / description of collective agreements
- Copies of management contracts
- Evidence of social security compliance
- Description of any benefit, insurance or other employee programme

5. Financial agreements

- Copies of all financial agreements

6. Handling and other operational agreements

- Copies of all material agreements with airlines and 3rd party suppliers
- Copies of any use licenses and similar rights

C. Operational information

1. Commercial operation

- Full list of commercial activities and outlets, incl. description of activities, fixed fees, variable fees, percentage fee of turnover, m2, pricing policy, investments, background information on concessionaires
- Blue prints of terminals with commercial outlets
- Copies of any surveys
- Traffic data incl. passengers split on EU and non-EU
- Description of any national legislation relevant for commercial operation at the airports

2. Aeronautical operation

- LOCATION
 - Opportunities of expanding the airport boundary
 - What are the opportunities for expansion both within and outside the existing boundaries
- WEATHER
 - Wind conditions
 - Temperature conditions

Attachment 3-Data Room Requirements

- ½Extend of periods with reduced visibility (CAT I – III)
- Other adverse weather conditions (e.g. sandstorms, snowstorms, hurricanes)

→ TRAFFIC

- Number of annual operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Number of monthly operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Number of daily operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Distribution of traffic on international and domestic
- Distribution of traffic on Schengen /Non-Schengen (if applicable)
- Number of passengers pr. operation
- Distribution of traffic on IMC and VMC
- Annual aircraft mix
- Daily aircraft mix
- Constrains on the number of operations and the aircraft mix – night curfew
- Typical operation pattern during the day (arrival and departure)
- Distributions of annual operations on runway headings
- Slot co-ordination
- Peak hours during the day
- Average stand occupancy time (total and by ICAO class)
- Expectations regarding traffic development (e.g. aircraft mix and operations divided into scheduled, charter, freight, G/A, helicopter, military and other traffic)
- Number of annual passengers (scheduled, charter, G/A)
- Break down of passenger traffic into
 - Busy month
 - Busy day
 - Busy hour (busiest hour and 30th busy hour)Distributed as shown on enclosed Table 1.
- Break down of passenger traffic into Schengen/Non-Schengen (if applicable)
- Break down of passenger traffic into terminals.

→ BLUEPRINTS AND FLOW CHARTS (existing buildings, constructions and facilities)

- Airport area and environs
- Airport area
- Terminal buildings (all levels) including key operational functions such as check-in, security, hold lounge(s), gates, immigration, baggage reclaim, customs, landside terminal areas, circulation areas
- Terminal facilities, shops, restaurants etc.
- Airside/landside security border line within the terminal
- Curbside area including parking areas
- Airfield and aprons
- Landside areas
- Passenger flow charts within both terminals for
 - Scheduled international/domestic passengers and for
 - Charter international/domestic passengers

Attachment 3-Data Room Requirements

including position of immigration control, customs control, security control and collecting point for passenger departure fee.

- Baggage flow charts for terminals (departing and arriving baggage)

➔ DEVELOPMENT PLANS

- Existing Master Development Plan
 - Copy of existing MDP
 - Terminal development plans, including blueprints
 - Airside development plans, including blueprints
 - Landside development plans, including blueprints
 - Infrastructure development plans (e.g. rail link, hotels, conference facilities, and office buildings)
- Forecasts (operations and passengers)
- Existing CAPEX
- Existing OPEX

➔ ATC

- Number of SID's and STAR's
- Constrains in approach and departure routes (e.g. environmental, military, other airports, topography)
- Radar systems
- Separation and control of enroute traffic and traffic in the terminal area
- Location and height of ATC tower
- Location and height of Apron tower
- MET equipment
- Separation and control of helicopter traffic
- Separation and control of other traffic (e.g. military, custom-narcotic control)
- Co-ordination and use of same ATC equipment in adjacent airports
- Life expectancies of equipment and buildings
- Current plans for improvements

➔ RUNWAYS AND BRIDGES

- Take-off and landing distances
- Widths and shoulders
- PCN (pavement classification number)
- Pavement type
- Bridges (location)
- NAV systems (ILS, PAPI, VASA, CAT I – III)
- Lighting systems
- Declared runway capacity
- Actual runway capacity
- Special facilities to operate helicopter traffic
- Special facilities to operate other traffic types (e.g. military)
- Life expectancies of equipment and pavement
- Current plans for improvements

Attachment 3-Data Room Requirements

→ TAXIWAYS IN THE MANOEUVRING AREA AND ON THE APRON AREA

- Taxiway widths (shoulder, curves)
- Separations RWY/TWY TWY/TWY TWY/objects
- PCN (pavement classification number)
- Pavement type
- Maximum aircraft type
- Lighting systems
- SMGCS
- ASMGCS
- Life expectancies of equipment and pavement
- Current plans for improvements

→ AIRCRAFT PARKING STANDS

- Number of stands (commercial, freight, domestic, international, common use, G/A, other)
- Specification of stands on aircraft size (ICAO class) and type (turn-in/turn-out, nose-in/push-back, nose-in/power-back)
- Helipad
- Pavement type
- PCN (pavement classification type)
- Technical equipment (DGS, 400 Hz, portable water, fuel, PCA, loading bridges)
- SMGCS
- ASMGCS
- Control of traffic on the apron area
- Stand allocation systems
- Life expectancies of equipment and pavement
- Current plans for improvements

→ TERMINALS (AIRSIDE AND LANDSIDE)

- Check-in facilities, number of counters in each terminal, circulation areas
- Outbound baggage sorting system(s)
- Security control (hold baggage): 100% screening, numbers of units and positions in each terminal (centralised check, concourse check or gate check, operator)
- Security control (passengers): numbers of units and positions in each terminal (centralised check, concourse check or gate check, segregation of departing/arriving passengers, operator)
- Number of gates, distributed on gates
 - With or without loading bridge
 - With or without lounge facilities
 - Number of bus gates
- Airside circulation areas, piers etc.
- Immigration control, number of units and positions in each terminal (Schengen/Non-Schengen if applicable)
- Baggage reclaim facilities, number and size of belts in each terminal

Attachment 3-Data Room Requirements

- Customs control, number of units and positions in each terminal
- Collecting point for departure passenger fee, number of units and positions in each terminal (if applicable)
- Terminal facilities for General Aviation traffic

→ CURBSIDE

- Number of passengers (percentage) using tour busses, hotel shuttle busses, taxis and private cars
- Public parking, long term/short term, capacity and demand
- Staff parking, capacity and demand
- Car rental parking, capacity and demand
- Parking for tour busses

→ FIRE AND RESCUE

- ICAO category
- Equipment (trucks, ambulances)
- Sea-rescue (equipment)
- Training facilities
- Life expectancies of equipment

→ FUEL FARM

- Capacity (litres/days)
- Supply system to fuel farm
- Supply system to aircraft
- Is the fuel facilities owned and operated by the airport

→ CARGO

- Facilities
- Capacity
- Number and names of operators
- Development plans

→ ORGANISATION

- Organisation chart
- Number of employees per department
- Duties done in-house
- Duties outsourced
- Handling

→ MAINTENANCE

- What is the construction/maintenance history of buildings
- What is the construction/maintenance history of paved areas (runways, taxiways, aprons)
- What is the average unit costs for construction works including airport infrastructure

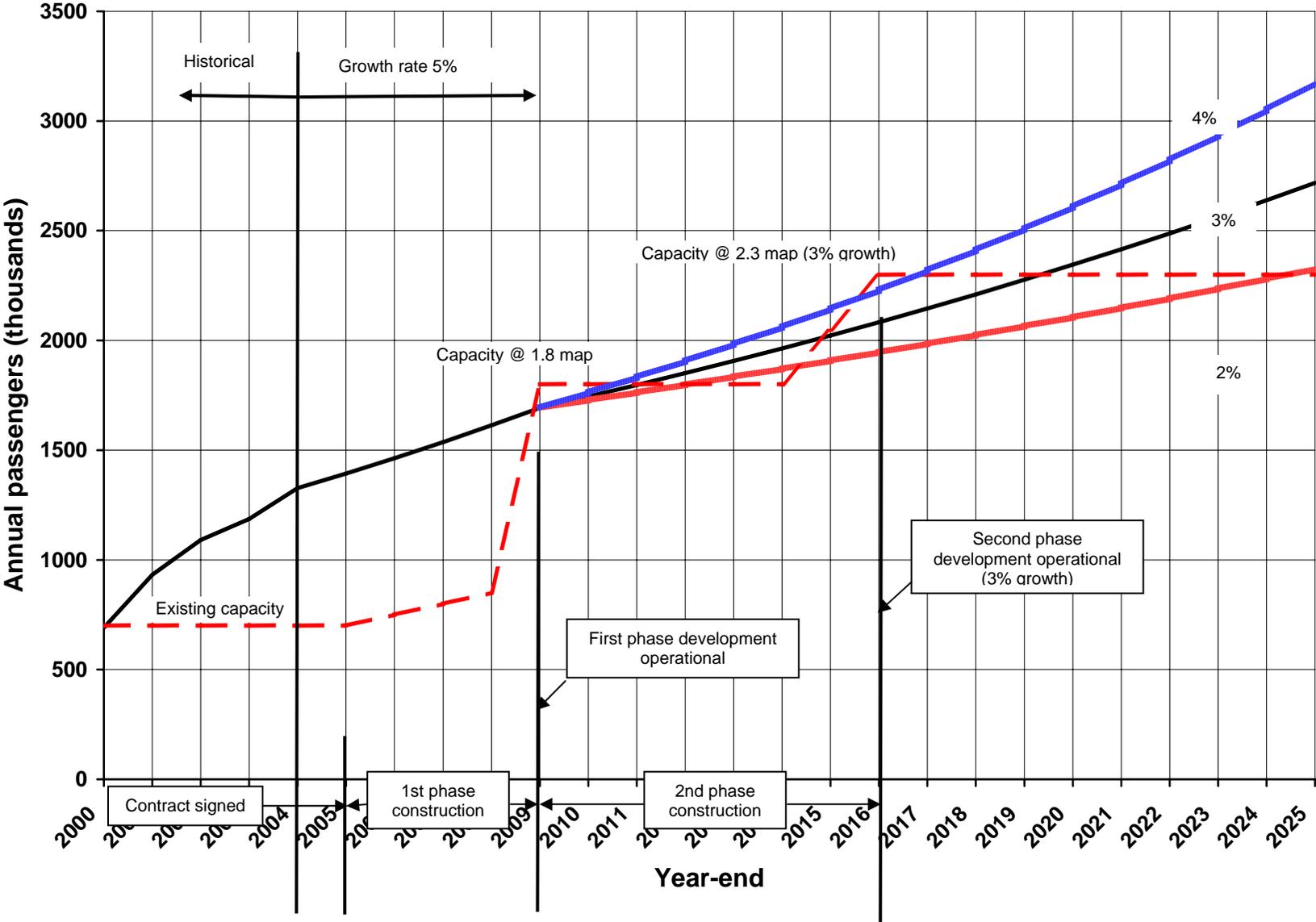
Attachment 3-Data Room Requirements

- What is the purchase/maintenance history of equipment (a/c, nav. aids, lighting)

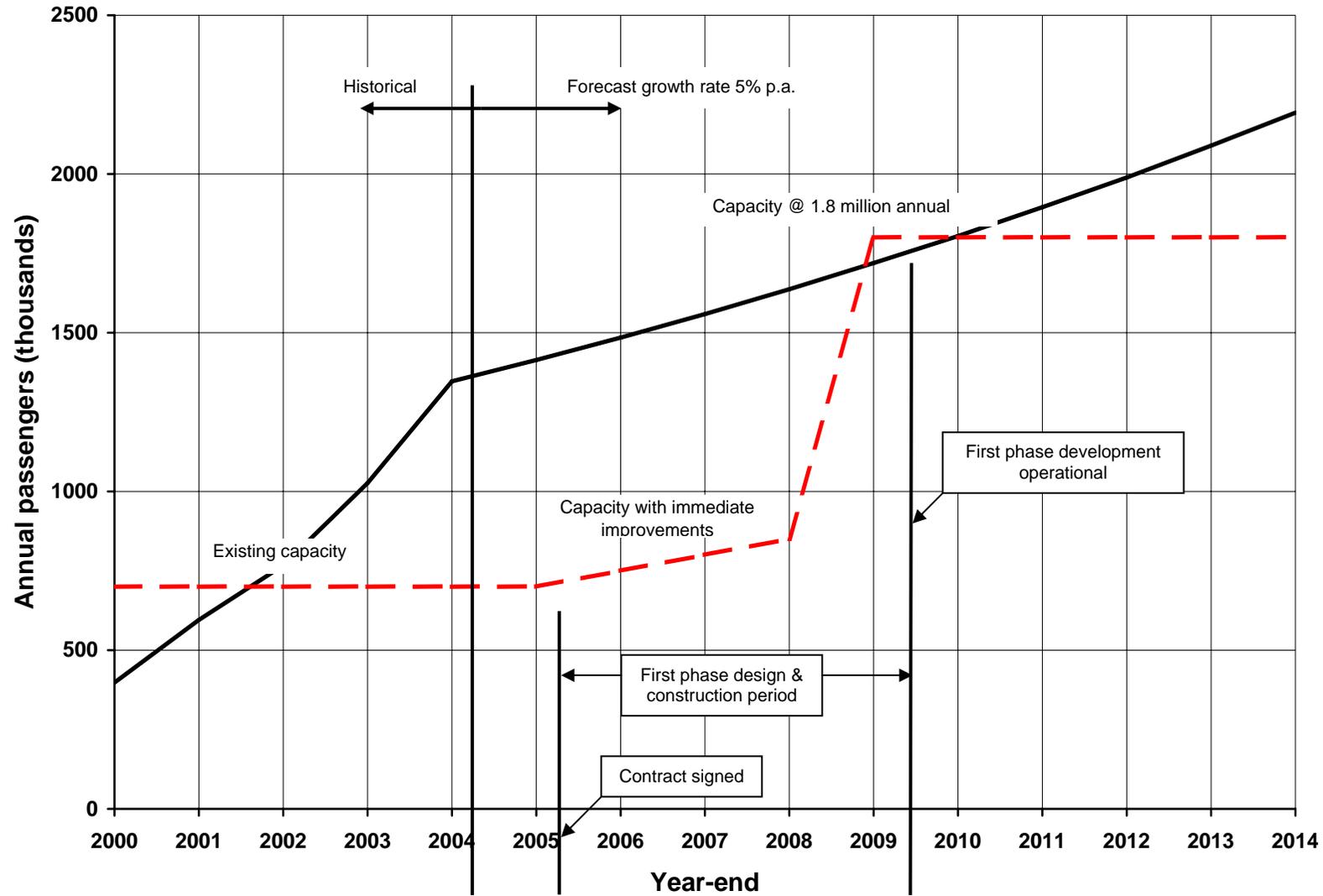
➔ AUTHORITIES

- Compliance with Local laws and regulations
 - Compliance with ICAO regulations (standards and recommended practices)
 - Environmental
 - Existing regulations
 - Compliance with existing regulations
 - Ongoing projects
 - Planned projects included in CAPEX/OPEX
 - Backlogs
 - Military rights
-

Varna Development Phasing Capacity vs. Demand



Bourgas First Phase Development Capacity vs. Demand



REQUEST FOR PROPOSAL

I. PARTICIPATION IN THE TENDER AND PROPOSAL PREPARATION AND SUBMISSION

The following information regarding participation in the Tender and preparation and submission of Proposals is provided as a supplement to the information in *Section 4 Holding the Tender* of Tender Documents Part 1 “Terms of Reference”.

Only those Admitted Candidates which have purchased the Tender Documents Part Two may participate in the Tender and submit a Proposal.

1. Proposal Preparation

- 1.1. Admitted Candidates shall be provided with the opportunity to carry out on-site inspection of the subjects of the concession – Bourgas Airport for Public Use and Varna Airport for Public Use – public state property. Scheduled site-visits and meetings with the Airports and CAA management can be arranged through the procedures described in the Data Room Rules, here attached in Appendix G.
- 1.2. A Data Room containing relevant documentation about the Airports shall be made available to Admitted Candidates, pursuant to the procedures outlined in the Data Room Rules.

2. Comments on the Draft Concession Agreement and Clarifications to the Tender

- 2.1. Admitted Candidates shall be entitled to provide written comments to the Commission regarding the form and content of the Draft Concession Agreement. Comments shall contain supporting rationale and specific proposals for revisions to the Draft Concession Agreement as appropriate. Comments shall be addressed to the Commission and must be received no later than January 25, 2005.
- 2.2. After review of all written comments received, the Commission will submit to Admitted Candidates a final Draft Concession Agreement, upon which Candidates shall base the submission of Proposals. The Commission will not disclose any information to Admitted Candidates about the nature of comments received. The Commission will provide the final Draft Concession Agreement to Admitted Candidates no later than February 18.
- 2.3. Admitted Candidates may submit written questions about the Tender to the Commission until February 11. The Commission’s responses will be provided on a rolling basis to all Admitted Candidates, without disclosing the names of Admitted Candidates which submitted questions, not later than February 18, 2005.

3. General Structure of Proposals

- 3.1. Admitted Candidates shall submit Proposals in one original and one copy, both in the Bulgarian Language. The following optional language exception is permitted: the Investment and Business Proposals may be submitted in English language, provided an Executive Summary discussing the key points for each of the sections is provided in Bulgarian. In cases where an Admitted Candidate has opted for this language exception and the Admitted Candidate has been selected as the Winning Candidate, the Admitted Candidate shall provide a complete Bulgarian-language version of the Proposal within two weeks from the effective date of the Decision of the Council of Ministers on the determination of the Winning Candidate.
- 3.2. The Proposal shall consist of three Volumes:

Attachment 5-Request for Proposal

Volume 1 - Documents proving the Admitted Candidate's compliance with the formal requirements specified in Section II, item 1 below;

Volume 2 - Investment Proposal and Business Proposal for each Airport and Pro-Forma Financial Templates; and

Volume 3 - Concession Fee Proposal.

4. Delivery of Proposals

- 4.1. Each Volume must be in a separate sealed envelope. The Tender Commission shall provide the mandatory envelope(s) to Admitted Candidates that have purchased the Tender Documents Part Two. The label of the envelope should read only:

“Proposal for a non-attendance tender for selection of a concessionaire of Civil Airport for Public Use Bourgas and Civil Airport for Public Use Varna – public state property”.

The Commission shall also provide to each Admitted Candidate a separate envelope to insert and seal the registration number of the Application, in conformity with Article 12, Paragraph 1 of the Concessions Act and Article 21, Paragraph 1 of the Rules for Implementation of the Concessions Act.

All Admitted Candidates will have the same envelopes and no replacement will be allowed.

- 4.2. The deadline for submission of Proposals shall be by **5:00 PM on March 7, 2005**. Proposals shall be delivered at the registration Office of the Ministry of Transport and Communications, Sofia, 9 Dyakon Ignatii Street, floor 2.
- 4.3. Admitted Candidates shall accompany their Proposals with the following in a separate unsealed envelope:
- (a) Proof of payment of refundable bid guarantee deposit in the amount of 300,000 (three-hundred thousand) Euros to the bank account of the Ministry of Transport and Communications #5400124833, bank code #66196611 with the Bulgarian National Bank (BNB), Head Office, Sofia, as the EUR account of the BNB is with Deutsche Bank, Frankfurt, SWIFT code: DEUTDEFF;
 - (b) Proof of purchase of Tender Documents Part II as per item 4.2 of Tender Documents Part I; and
 - (c) Sealed envelope containing the registration number of the Application for admission to the Tender, pursuant to Article 12, Paragraph 1 of the Concessions Act.

The documents under this item shall be submitted in one original copy, if the Admitted Candidate has such, or a copy certified by the Admitted Candidate's authorized representative for the Tender (“Authorized Representative of the Candidate”).

II. PROPOSAL CONTENTS

The Proposal and supporting documents shall consist of the following respective components.

1. Documentary evidence of compliance with the formal requirements

Those Admitted Candidates who fail to provide each of the necessary documents to prove compliance with the formal requirements as specified below shall not be considered for the competition. Proposals must be accompanied by the following documentation in order to prove that they are in compliance with the formal requirements included in Tender Documents Part I, relevant laws, decrees and Decision #647 of the Council of Ministers:

- 1.1. A signed copy of Template #4 from Tender Documents Part One describing the members and allocation of shareholding in the case of a Consortium, valid as of the submission date of the Proposal.
- 1.2. A copy, duly initialed on each page by the Authorized Representative of the Candidate for acceptance and agreement, of this Request for Proposal;
- 1.3. Declaration on the Origin of Funds pursuant to Article 4, Paragraph 7 and Article 6, Paragraph 5, item 3 of the Act on Measures Against Money Laundering, according to the Template attached in Appendix A. (form specified in Appendix #1 of the Rules for Implementation of the Act on Measures Against Money Laundering).
- 1.4. Declaration signed by the Authorized Representative of the Candidate that the Proposal is irrevocable and shall remain valid for 8 (eight) months past the deadline for submission of Proposals. This Declaration shall be submitted according to the Template attached in Appendix B.
- 1.5. The second copy of the Confidentiality Declaration under Art. 19a of RICA concerning the confidential nature of the information included in “Tender Documents-Part Two”, signed by the authorized representative of the Admitted Candidate upon receipt of “Tender Documents – Part Two”.

2. Contents of Business Proposal

The Business Proposal shall detail how the Admitted Candidate will manage and operate the Airports. Where appropriate, the Admitted Candidate may choose to demonstrate its experience in each area with examples from other projects. The Business Proposal shall be comprised of seven distinct Plans separately for each airport: Social; Operations and Maintenance; Safety and Security; Environmental Protection; Organization and Management, Commercial, and Transition Plans. Where the budgets, forecasts, and commitments contained in the individual plans of the Business Proposal are impacted by the phasing of the Investment Proposal, this shall be described in the detail of each plan.

2.1. Social Plan

Specifically the Social Plan shall include:

- 2.1.1. Description of the employment arrangements for employees that the Admitted Candidate intends to initiate during the concession term. Specific plans with regard to full-time and part-time staff numbers shall be outlined;

Attachment 5-Request for Proposal

2.1.2. Description of the methods, processes and means by which the Admitted Candidate intends to implement knowledge transfer of international best practices and skills to the existing workforce. This Plan shall contain specific proposals for local management and staff development and training.

2.2. Operations and Maintenance Plan

Specifically the Plan shall include:

2.2.1. The approach the Admitted Candidate will use for the operation of the Airports and a plan to improve performance with respect to operating costs and quality of service. This shall include a list of the specific actions and timetable the Admitted Candidate will take to improve operating performance;

2.2.2. A description of the system for ensuring that performance objectives are achieved. This shall list binding performance measurements which will be used to evaluate the Concessionaire's performance, which are in any event subject to agreement by the CAA and the Ministry of Transport and Communications as appropriate. The Plan shall include a binding list of indicators and targets that shall be submitted substantially in the form of Appendix C. Minimum targets proposed by the Admitted Candidate shall be included in the Concession Agreement and should be attained no later than the completion of the works described in the Intermediate Development Plan contained in the Investment Proposal. A plan to collect and report performance data shall also be submitted as part of this Plan;

2.2.3. A description of the system for ensuring that airport equipment and facilities are properly maintained or replaced in accordance with industry best practice and the useful life of the equipment and facilities.

2.3. Safety and Security Plan

Specifically the Plan shall include:

2.3.1. A plan to preserve and enhance airport and flight safety and security in compliance with the requirements of the Bulgarian legislation;

2.3.2. A description of emergency response initiatives which shall be the precursor of a comprehensive emergency response plan that shall be incorporated in the airport operating manuals submitted for approval as part of the licensing procedure for airport operator during the transition period.

2.3.3. A description of how the Concessionaire would work in coordination with Bulgarian and international security authorities;

2.3.4. A plan to maintain the required level of protection for rescue and fire fighting appropriate to the aerodrome category determined using the principles contained in ICAO Annex 14, and at all times at least level 8.

2.4. Environmental Protection Plan

Specifically the Plan shall include:

2.4.1. A plan to ensure the environmental impact of each the Airports is minimized, addressing issues such as noise, stormwater runoff, fuel spills, erosion, air pollution, etc. and appropriate mitigation measures;

Attachment 5-Request for Proposal

- 2.4.2. A description of the approach to improve waste management and incinerator systems;
- 2.4.3. A description of the approach to improve water supply and sewage systems;
- 2.4.4. A description of the Concessionaire's commitment to reach out to the local communities, including specific programs targeted to local stakeholders and impacted communities.

2.5. Organization and Management Plan

Specifically the Plan shall include:

- 2.5.1. A description in detail of the organizational structure and personnel that will be responsible for managing each of the the Airports under the Concession. It shall contain a detailed organizational chart and statement of responsibilities for key positions. It shall describe how the company that will be Concessionaire will be structured and managed, breaking out the separate management structures for the regulated aeronautical and commercial and ground-handling activities where appropriate. Detailed resumes of key personnel must be attached;
- 2.5.2. A description of the organization proposed for the management of design and construction activities and how such organization will integrate into the overall organizational structure;
- 2.5.3. A description in detail of the extent and nature of short-term and long-term expatriate personnel commitment. The Government expects the Concessionaire to draw upon the skills and experience of its international affiliates and personnel for the management of the Airports. This shall also include a budget and description of how the organization may change over time, with projections for transitioning from expatriate to local management over the length of the concession period;
- 2.5.4. The proposed interface between the Concessionaire and Government agencies with responsibility for activities on or related to the Airports, with particular attention to air traffic control, ground control, safety and security, policing and emergency response.

2.6. Commercial Plan

Specifically the Plan shall include:

- 2.6.1. A description of the retail, duty-free, and food and beverage shops that will be introduced to the Airports with detailed assumptions of spend-per-passenger and commercial terms to be arranged with commercial businesses, resulting in a pro-forma schedule of forecasted non-aeronautical revenues;
- 2.6.2. A description of how the ground-handling operations would be provided during the Concession, according to IATA principals and Bulgarian legislation; a pro-forma schedule of revenues and expenses clearly separating the activities from airport administration accounts, and demonstrating that cost-plus principles will be applied when setting fees for services;
- 2.6.3. A description of other sources of commercial revenues, including from other developments on concession property, including proposed property rental and other income;
- 2.6.4. A marketing plan to promote and develop traffic for the Airports. This plan shall describe the actionable steps, contacts to be made, expected costs and results to be achieved.

2.7. Transition Plan

Attachment 5-Request for Proposal

The Plan shall include timelines, step-by-step workplan and milestones regarding the transition from the signing of the Concession Agreement until full operational control and responsibility for the Airports are taken, taking into consideration the seasonal nature of the Airports' operations. The Plan shall cover at least the following areas in detail:

- 2.7.1. Management and staff transition: the Admitted Candidate shall discuss its plans with respect to the management of the Airports' current employees who will be transferred to the Concessionaire. A detailed staffing plan should be included in the Transition Plan describing how the Admitted Candidate will manage the transfer of responsibilities and activities from existing management to the Concessionaire;
- 2.7.2. Transfer of management and servicing of leases, contracts and other agreements;
- 2.7.3. Preparation of airport operating and ground-handling manuals for each of the Airports, as required by law;
- 2.7.4. Ability to meet criteria and obtain Bulgarian Airport Operator and Ground-Handling Operator licenses from the CAA;
- 2.7.5. Transfer and acquisition of assets, where applicable (as detailed in Draft Concession Agreement); and
- 2.7.6. Communications strategy.

3. Contents of Investment Proposal

The Admitted Candidate shall prepare an Investment Proposal for the Airports, separately for each airport, which shall include the overall nature, scope, and timing of airport infrastructure investments required to meet demand for the entire Concession term of 35 years and the means to finance them. The Investment Proposal shall be described in terms of staged development plans as described below with particular emphasis on the Immediate and Intermediate Development, including categories of capital projects to be implemented, including without limitation for each development stage discussions of:

- (i) The timeframe and the proposed staging of each project designed to minimize disruption to on-going airport operations during the implementation period;
- (ii) Technical parameters of the project and implications for the site;
- (iii) Cost estimates and sources of funding of the capital projects contained in each stage;
- (iv) The rationale, covering discussions of the traffic forecasts, capacity/demand and peak hour analyses, and planning criteria.

3.1. Long-Term Airport Layout Plan

The Long-Term Layout Plan for each airport shall form the basis of the more detailed Master Plan to be prepared by the Concessionaire within 6 months from the date on which the Concession commences, as specified in the Draft Concession Agreement. The Layout Plan shall indicate how the Admitted Candidate proposes to integrate phased developments into the overall long-term airport development strategy.

- 3.1.1. The airport layout plan shall be submitted at 1:5000 scale and shall indicate in block schematic form the location and approximate size of all facilities proposed to be located within airport property limits, including the passenger terminal complex, cargo and airport support facilities. The plan will illustrate the scope of runway, taxiway and apron development, as well as the extent of required upgrades to or relocation of major air traffic control infrastructure, and visual and navigation aids. The airport layout plan will also indicate required improvements to the ground transportation system of access and approach roads, service roads and car parking.
- 3.1.2. The plan shall also indicate the extent of any land acquisition required outside the present airport boundaries to meet unconstrained demand throughout the Concession period, although it is expressly understood that such indication shall not constitute a commitment by the Government in any form that such land can be acquired. The Admitted Candidate shall indicate what limitations, if any, exist for the development of each airport if it is considered that the capacity of either airport will be constrained within the Concession period by the area available within the limits of the present airport boundaries.
- 3.1.3. The drawings shall be submitted in two sizes. Two sets of drawings shall be printed at full size on A0 sheets and two copies of drawings shall be reduced to an appropriate scale and printed on A3 size sheets. Electronic copies of schematics shall also be submitted on a CD-ROM in AutoCAD Version 2000 or later.
- 3.1.4. The Long-Term Airport Layout Plan shall indicate clearly the limits of the Intermediate Development, together with graphic representations of future development stages, including a discussion of the levels of traffic that would trigger implementation of each subsequent development stage following completion of Intermediate Development.

Attachment 5-Request for Proposal

3.2. Immediate Improvements Plan

The Admitted Candidates are expected to be aware of the acute congestion that has been occurring at the Airports during the past summer seasons. One of the important benefits to the Government of awarding the Concession is that it expects the Admitted Candidates to have a full understanding of present conditions and that there will be a quick response to immediate needs. The Admitted Candidate shall prepare an Immediate Improvements Plan for each airport that can be implemented without delay immediately following the handover of the Airports to the Concessionaire, in order to provide relief until the Master Plan is approved and works related to the Intermediate Plan can begin.

3.2.1. The Immediate Improvements Plan shall contain measures that can effectively address congestion problems at the Airports and provide relief during the forthcoming busy seasons. In preparing this Plan, the Admitted Candidate shall include only those works which are permissible in the absence of approved Master Plans for the Airports, including the acquisition of equipment, the building of temporary structures, completion of approved airfield extension projects, and repair and refurbishment throughout the Airports. The Government recognizes that some of the measures may have to be temporary in nature and may or may not be incorporated into the major project defined as the Intermediate Development Plan in article 3.3 hereunder. Immediate improvements shall address:

- (i) Essential repairs and replacement of airport equipment and infrastructure to ensure safety and security;
- (ii) Capital improvements to provide additional space and passenger/baggage handling capacity paying particular attention to the most critical shortages at the Airports;
- (iii) Capital improvements to provide additional aircraft stands, together with operational measures to improve operational safety on the apron at the Airports;
- (iv) Provision of additional or upgraded ground-handling equipment and facilities to correct current shortfalls;
- (v) Capital improvements and/or operational measures to relieve congestion in the landside system of access roads, car parks and curbs with special consideration given to the large number of tour buses during the peak periods;
- (vi) Temporary or permanent measures to improve the air quality and environmental comfort of passengers in areas of the terminal buildings at the Airports;
- (vii) Capital improvements and/or operational measures to ensure the safety and security of the traveling public within the terminal buildings and on the airside and landside operational areas.

3.2.2. The Admitted Candidate shall submit the Immediate Improvements Plan as a separate component of the Investment Proposal. The submission shall include as a minimum:

- (i) Drawings where appropriate and/or a narrative description of the works and measures to be undertaken at each airport;
- (ii) A prioritized list of the capital works and management measures together with a rationale for how they can be implemented in the absence of an approved Master Plan;

Attachment 5-Request for Proposal

- (iii) Detailed capital costs expressed in Euros for implementation of the immediate improvements together with a breakdown of costs into the category of regulated activities and non-regulated activities as further described in the Draft Concession Agreement.

3.3. Intermediate Airport Development Plan

This Plan shall describe the first major investment to be undertaken by the Concessionaire, commencing immediately following receipt of approval of the Master Plan as described in more detail in the Draft Concession Agreement.

- (i) The Intermediate Development Plan shall detail the Admitted Candidate's proposed solution to the requirement for increasing the capacity of each airport to accommodate a traffic volume of not less than 1.8 million annual passengers. The Admitted Candidate shall make its own assessment and propose its own most cost-effective solution that meets the above requirements, in addition to those requirements for public safety, security and comfort as further described in this section.
- (ii) The Admitted Candidate's plan shall contain a complete and comprehensive investment program including, without limitation, all design and construction works related to landside and airside infrastructure provision, and equipment supply, installation and commissioning. For the sake of clarity, at the completion of delivery of improvements in the Intermediate Development Plan, it is understood that the Airports shall be fully commissioned and operationally capable of meeting the requirements above without the need for further investment.
- (iii) The works included in the Intermediate Development Plan shall be completed within a period of 36 months from the date of receipt of approval of the Master Plan as described in more detail in the Draft Concession Agreement.
- (iv) The Plan shall be prepared in sufficient detail to facilitate a determination by the Commission of the ability of the Admitted Candidates' Proposals to meet the traffic, service and other requirements. Admitted Candidates shall further demonstrate this by a completed binding template of planning target indicators and expected traffic flows substantially in the form of Appendix D.

The Intermediate Development Plan for each airport shall address the following three areas: Terminal Development; Airfield Development, and Airport Support Facilities.

3.3.1. Terminal Development

The Plan shall detail the Admitted Candidate's proposed solution to the requirement for increasing the capacity of the Airports to each meet a traffic volume not less than 1.8 million annual passengers at a service level as specified by the International Air Transport Association (IATA) under a Level C designation. The Admitted Candidate is at liberty to divert from any existing building/construction planning proposals (as may be disclosed to the Admitted Candidate in the Data Room).

Specifically, the Plan shall include:

- (i) A description of planning criteria, methodologies and service standards used. The Admitted Candidate shall demonstrate that it has used industry-accepted standards and methodologies in carrying out capacity/demand analyses such as those contained in the latest edition of "Airport Development Reference Manual"

Attachment 5-Request for Proposal

published by IATA and “Airport Planning Manual” document 9184 published by ICAO; and that the Plan conforms to the requirements of International Standards and Recommended Practices, Aerodromes, ANNEX 14, Volume I to the Convention on Civil Aviation as Published by the International Civil Aviation Organization (ICAO);

- (ii) A complete program of requirements for all major components of the Intermediate Development, indicating the selection criteria for peak day and peak hour traffic volumes on which the program of requirements has been based, together with the planning parameters used to derive the requirements;
- (iii) Concept designs and site plans (electronic copies to be submitted on CD-ROM in AutoCAD Version 2000 or later) accompanied by narrative discussion, which present the magnitude, scope, phasing and form of the proposed development, including:
 - 1. Concept site plan of the development showing major components, their relationship to existing facilities, and the physical linkage and integration within the airside, groundside and the ground transportation network and other infrastructure;
 - 2. Apron space plan indicating aircraft positions and vehicle movement patterns and connections to runway and taxiway systems;
 - 3. Schematic floor plans in sufficient detail to illustrate space allocations and flow patterns for both passengers and baggage;
 - 4. Schematic building elevations, representative building cross-sections and renderings to illustrate the building features and the design intent; and
 - 5. Security procedures and arrangements including identification of primary and secondary security lines, and provisions to accommodate government inspection services such as customs and immigration.
- (iv) A project delivery program indicating:
 - 1. Anticipated project design and construction management arrangements; and
 - 2. Implementation plans defining project timing and phasing including construction staging to minimize disruption to airport operations.

3.3.2. Airfield Development

The Plan shall describe the scope of airfield development that will be required to support a balanced airport development with a capacity of 1.8 million annual passengers, and the corresponding number and type of aircraft movements in the peak planning day as projected by the Admitted Candidate.

The Plan for each airport shall be laid out in conformance with the specifications contained in ICAO Annex 14 – Volume I and in conformance with the planning principles contained in ICAO Aerodrome Design Manual, Parts 1 and 2. Runway, taxiway, and apron layout dimensions shall be based on Code E aircraft operations without restrictions.

The Plan for each airport shall describe at a minimum:

Attachment 5-Request for Proposal

- (i) Layout drawings, scale 1:1000 or 1:2000, of the airfield system of runway, taxiways, aprons including aircraft stands by Aircraft Code Letter, and holding bays indicating clearly the dimensions of major critical components, together with minimum operational clearance dimensions used in the layout, all conforming to the specifications and requirements stipulated above;
- (ii) Airside access and service road layouts, scale 1:1000 or 1:2000, indicating the means by which aircraft will be serviced safely and efficiently by ground handling equipment;
- (iii) Rescue and firefighting services including any future requirement to upgrade the ICAO Aerodrome Category and corresponding facilities for larger size aircraft operating at the Airports;
- (iv) Required relocation, if any, of major items of air traffic control infrastructure, navigational aids and visual aids;
- (v) Required changes or improvements to apron floodlighting; and
- (vi) Required changes or major reconstruction to the airfield drainage system.

3.3.3. Airport Support Facilities

The Plan shall include all essential airport infrastructure and facilities to support the balanced development of the Airports to each accommodate 1.8 million annual passengers.

With regard to airport services and utilities the Plan shall indicate the scope and capital costs required to provide the following services, including but not limited to:

- (i) The main airport power supply and distribution system together with emergency standby power generation requirements;
- (ii) Water supply and treatment facilities;
- (iii) Sewage collection, treatment and disposal facilities, and proposed garbage disposal arrangements;
- (iv) Aircraft fuelling facilities plan including location and storage capacity, proposed method of aircraft fuelling and equipment requirements;

With regard to ground-handling, the Plan shall indicate the required capital investment in equipment, storage and maintenance facilities in order to accommodate the level and type of traffic indicated above.

With regard to ancillary commercial activity, the plan shall contain a description of proposed facilities and their location on the airport property to broaden the range of services and revenue sources available.

3.4. Capital Costs and Funding Plan

3.4.1. Capital Costs

The total estimated capital costs for the plans described in 3.2, and 3.3 shall be presented separately for each plan. The summarized capital costs shall be deemed to be inclusive of all professional fees associated with planning and design, and project management,

Attachment 5-Request for Proposal

together with construction costs and the provision, supply, installation and commissioning of fixed and mobile equipment. The capital costs shall be quoted in year 2005 Euros, and shall be further broken down as follows:

- (i) Cost categories of regulated activities and non-regulated activities as further described in the Draft Concession Agreement;
- (ii) For each category above the costs shall be broken down into the years in which they are expected to be incurred.

3.4.2. Funding Plan

With respect to funding the Concession, the Admitted Candidate is required to set out in detail the proposed sources of investment capital of the Concessionaire. It is understood that the financing for the intermediate improvements will not be fully and unconditionally committed at the Proposal stage. The intention of the Tender is to require the Admitted Candidate to provide as much evidence as possible to indicate that the Proposal is structured such that the Concessionaire can begin funding the necessary capital improvements quickly and without difficulty, and that the most efficient sources of capital will be used in order to minimize the financial impact to airport users. The Admitted Candidate shall address:

- (i) Drawdown of various financings (e.g. equity, shareholder loans and project loans); and
- (ii) Indication of availability of funds and support from financial institutions as evidenced by draft term sheets for various financings (e.g. interest rate, principal repayment, covenants, reserve requirements, events of default, guarantees, etc.).

4. Financial Pro-Forma Statements

- 4.1. So that the Tender Commission may assess the viability and impact of the specific subsections of the Business Proposal and Investment Proposal, Proposals shall be accompanied by pro-forma financial statements of the Concessionaire. These shall be submitted in hard copy as well as electronically. Electronic copies shall be on CD-Rom in Microsoft Excel version 2000 or later, with no hidden cells or formulas. The pro-forma statements shall include for each airport, as well as for the consolidated concession company where appropriate, operating profit and loss statements, balance sheets, and cash flow statements. The pro-forma statements must also include a discussion of the key assumptions used in the projections and their rationale, an assessment of risks relevant to the financial viability of the Concessionaire, and an indication of the sensitivities to changes in key assumptions. The financial projections shall be presented in sufficient detail to allow a thorough assessment of the individual items of revenue and expenditure.

NOTE- FOR PURPOSES OF THE PRO-FORMA FINANCIAL STATEMENTS, ALL ADMITTED CANDIDATES SHALL USE THE ASSUMPTION OF 15% CONCESSION FEE AND 15% REGULATED RATE OF RETURN AS INDICATED IN THE TEMPLATE ATTACHED IN APPENDIX F. THE PROPOSED CONCESSION FEE SHALL ONLY APPEAR IN THE CONCESSION FEE PROPOSAL ENVELOPE.

- 4.2. In addition to the spreadsheets, the supporting analysis shall address, with descriptive detail of methodology, the following:

Attachment 5-Request for Proposal

- (i) Traffic forecast;
 - (ii) Regulated aeronautical revenues;
 - (iii) Commercial aeronautical revenues (ground-handling);
 - (iv) Ancillary commercial revenues;
 - (v) Operating costs (separately for regulated and commercial activities, with specific separate accounting for ground-handling);
 - (vi) Concession fee payments (**USING 15% ASSUMPTION**);
 - (vii) Capital improvement expenditures separately for regulated and commercial activities, with specific separate accounting for ground-handling business;
 - (viii) Maintenance capital expenditures (e.g., capital repairs) separately for regulated and commercial activities, with specific separate accounting for ground-handling;
 - (ix) Financing and debt service; and
 - (x) General assumptions used in financial modeling (e.g., inflation rate, exchange rate, income tax rate).
- 4.3. So that the Tender Commission may assess the financial impact of the Investment and Business Proposals on airport users, the financial statements shall also be accompanied by a schedule of annual regulated activities cost basis resulting from the proposed improvements, using the cost-plus regulatory formula as described in more detail in the Draft Concession Agreement, according to the template attached in Appendix F. In following this template, Admitted Candidates must use a 15% concession fee and 15% regulated return for this template, and depreciation of capital improvements must be according to straight-line method using average 20-year duration for all capital assets.

5. CONCESSION FEE PROPOSAL

5.1. Payment Offer

The Payment Offer shall include a duly completed Payment Offer, in the form attached hereto as Appendix E. The numbers in the Payment Offer shall be expressed both in figures and in letters. In the case of a discrepancy between the amount in figures and the amount in letters, the latter will prevail. No conditions or qualifications may be attached to any of the declarations required in the attached form of Payment Offer.

III. PROPOSAL SCORING

1. Scoring Procedure

- 1.1. All Proposals received will be considered concurrently.
- 1.2. Proposal envelopes will be opened sequentially: once the Tender Commission has determined that the Admitted Candidate has satisfactorily provided the requisite compliance documentation in Volume One, the Tender Commission will then open Volume Two. Once the Tender Commission has assigned scores to the Investment and Business Proposals of all Candidates, the Tender Commission will then open the Concession Fee Proposals to complete the scoring process.

2. General Scoring Methodology

- 2.1. Investment, Business, and Concession Fee Proposals shall be scored independently, but the scores shall be combined according to the following weightings assigned to each section as outlined in the Decision #647 of the Council of Ministers to sum to a final overall score:

Investment Proposal - 40%

Business Proposal - 30%

Concession Fee Proposal - 30%

3. Investment and Business Proposal Scores

- 3.1 Business and Investment Proposals shall be scored independently of the Concession Fee Proposal. A number of 0-10 (greater number means greater score) shall be assigned to each Investment Proposal and Business Proposal by the Tender Commission.
- 3.2 The scores assigned to Business Proposals and Investment Proposals shall then be multiplied by the weightings in 2.1 above to generate a weighted score:

EXAMPLE FOR ILLUSTRIVE PURPOSES ONLY:

A Business Proposal score of 7.00 multiplied by the weighting 30% results in a weighted score of 2.10.

An Investment Proposal score of 8.00 multiplied by the weighting 40% results in a weighted score of 3.20.

4 Concession Fee Proposal Score

The proposed concession fee percentage of gross revenues submitted per Appendix E shall be scored in direct relation the highest fee percentage offered and then multiplied by the weighting in 2.1 above. The highest fee percentage offered shall receive a score of 10. Lower offers shall be scored by dividing the offer by the highest offer:

EXAMPLE FOR ILLUSTRIVE PURPOSES ONLY:

Highest offer is 20%, receiving a score of $10 * .30 =$ weighted score of 3.00. An offer of 15% would receive a score of $15/20 * 10 * .30 =$ weighted score of 2.25.

APPENDIX A

Declaration of Origin of Funds

pursuant to Article 4, Paragraph 7 and pursuant to Article 6, Paragraph 5, item 3 of the Act on Measures against Money Laundering

The undersigned: _____
(full name)

Social Security Number: _____

Permanent address: _____

Citizenship: _____

Identification document: _____

In my capacity of _____, with

BULSTAT (if available) #: _____

Tax #: _____

Corporate seat and registered headquarters' address:

Herewith declare that financial funds subject to the current transaction, _____
originate from the _____ following:

I am aware of the penalties pursuant to Article 313 of the Penalty Code for declaration of untrue information

Date: _____

Signatory: _____
(signature)

APPENDIX B

Declaration of Validity of Proposal

THE UNDERSIGNED:

[NAME OF ADMITTED CANDIDATE], herewith declares that its Proposal is binding and irrevocable and shall remain valid for 8 (eight) months past the deadline for submission of Proposals, as specified in Section I, item 4.2 of the Request for Proposals.

In case the undersigned is selected as a Winning Candidate, it shall in good faith undertake all necessary steps to conclude the Concession Agreement, and in conformity with its Proposal. Failure to meet this obligation shall be deemed as breach of this Declaration.

Signed on _____ (date) _____ (month), 2005.

[NAME OF ADMITTED CANDIDATE] _____

[PERSON'S NAME]: _____

Position: _____

APPENDIX C

Performance monitoring during the Concession Period

ПРИЛОЖЕНИЕ С

APPENDIX C

Следене на качеството на работата през периода на Концесията

Performance monitoring during the concession period

СФЕРА НА ДЕЙНОСТ <i>PERFORMANCE AREA</i>	ИЗМЕРИТЕЛ <i>MEASURE</i>	МИНИМАЛНИ ЦЕЛИ <i>MINIMUM TARGET</i>
Обслужване на пътници и проверка на багажи <i>Passenger check-in and baggage check</i>	Време за чакане на един пътник, брой чакащи на опашка <i>Wait time, number in line</i>	
Проверка “сигурност” на пътниците <i>Passenger security screening</i>	Време за чакане на един пътник, брой чакащи на опашка <i>Wait time, number in line</i>	
Паспортна проверка Заминаващи <i>Departure immigration</i>	Време за чакане на един пътник, брой чакащи на опашка <i>Wait time, number in line</i>	
Паспортна проверка Пристигащи <i>Arrival immigration</i>	Време за чакане на един пътник, брой чакащи на опашка <i>Wait time, number in line</i>	
Колички за багаж <i>Luggage trolleys</i>	Наличие <i>Availability</i>	
Получаване на багаж <i>Bag reclaim</i>	Време за чакане <i>Wait time</i>	
Качване/слизане от самолет <i>Aircraft enplaning/deplaning</i>	Наличие на стоянки/ автобуси; време за чакане <i>Availability of stands/ buses; wait time</i>	
Информационни табла за обявяване на полетите и др. <i>FIDS/BIDS</i>	% от времето, през което работят <i>% of time operational</i>	
Климатизици, вентилация /отопление <i>HVAC</i>	% от времето, през което работят <i>% of time operational</i>	
Чистота/хигиена <i>Cleanliness</i>	Потребителско проучване <i>Customer survey</i>	
Указателни табели	Потребителско проучване	

Attachment 5-Request for Proposal

<i>Way finding/signage</i>	<i>Customer survey</i>	
Разнообразие на търговски услуги / цена срещу качество <i>Commercial services range/value for money</i>	Потребителско проучване <i>Customer survey</i>	

Attachment 5-Request for Proposal

APPENDIX D

ПРИЛОЖЕНИЕ D	APPENDIX D
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(to be completed for each airport)

		ПРЕДЛОЖЕНИЕ PROPOSAL
Бенчмарк за трафика: <i>Traffic benchmarks:</i>		
	Общо годишен брой пътници качени на борд & слезли от борда на самолет <i>Total annual enplaned & deplaned passengers</i>	
	Общо заминаващи пътници в пиков час <i>Total departing peak hour passengers</i>	
	Общо пристигащи пътници в пиков час <i>Total arriving peak hour passengers</i>	
	Общо пътникопоток (2-посочен) в пиков час <i>Total 2-way peak hour passengers</i>	
	Годишен брой самолетни движения <i>Annual Air Traffic Movements</i>	
	Брой самолетни движения в час пик <i>Peak hour ATM's</i>	
Терминал: <i>Terminal area:</i>		
	Общо площ на терминала (м2) <i>Total departures terminal area (m2)</i>	
	Площ на терминала Заминаващи на един заминаващ пътник в час пик (м2) <i>Departures terminal area per DPHP (m2)</i>	
	Общо площ на терминала Пристигащи (м2) <i>Total arrivals terminal area (m2)</i>	
	Площ на терминала Пристигащи на един пристигащ пътник в час пик (м2) <i>Arrivals terminal area per APHP (m2)</i>	
	Общо комбинирана площ на терминала (м2) <i>Total combined terminal area (m2)</i>	
	Общо комбинирана площ на терминала на един пътник в час пик (м2) <i>Total combined terminal area per PHP (m2)</i>	
Общо площ за основни дейности (м2) <i>Total core operations space (m2)</i>		
	Брой изходи (gates) <i>Number of gates</i>	
	Площ на един изход (м2) <i>Area per gate (m2)</i>	
	Брой гишета за чекиране <i>Number of check-in desks</i>	
	Ширина на едно гише за чекиране (л.м.) <i>Length per check-in desk (linear meters)</i>	
	Система за изходящ багаж (м2) <i>Outbound baggage system (m2)</i>	
	Система за входящ багаж (м2) <i>Inbound baggage system (m2)</i>	
	Брой конвейери за багаж <i>Number of bag claim belts</i>	
	Дължина на конвейерите за багаж (л.м.) <i>Length of bag claim belts (linear meters)</i>	

Attachment 5-Request for Proposal

	Брой рентгени за проверка на заминаващи пътници <i>Number of departing passenger screening stations</i>		
Общо публични площи (m2) <i>Total public space (m2)</i>			
	Площ за опашка на едно гише за чекиране (m2) <i>Queuing area per check-in desk (m2)</i>		
	Общо площ за чекиране (m2) <i>Total check-in area (m2)</i>		
	Площ за чекиране на един заминаващ пътник в час пик (m2) <i>Check-in area per DPHP (m2)</i>		
	Площ за опашка в зоната за проверка за сигурност – Заминаващи (m2) <i>Departure security screening queuing area (m2)</i>		
	Площ за проверка за сигурност на един пътник в час пик – Заминаващи (m2) <i>Departure security screening area per PHP (m2)</i>		
	Площ за опашки в зоната за паспортна и митническа проверка – Заминаващи (m2) <i>Departure Immigration and customs queuing area (m2)</i>		
	Площ за паспортна и митническа проверка на един заминаващ пътник в час пик (m2) <i>Departure Immigration and customs area per DPHP (m2)</i>		
	Общо площ в стерилната зона и чакалните - Заминаващи (m2) <i>Total airside departure lounge and waiting area (m2)</i>		
	Площ в зоната за заминаващи пътници/чакални на един пътник в час пик (m2) <i>Departure lounge area per DPHP (m2)</i>		
	Площ за опашки в зоната за паспортна проверка – Пристигащи (m2) <i>Arrivals immigration queuing area (m2)</i>		
	Площ за опашки в зоната за паспортна проверка на Пристигащи пътници – площ на един пристигащ пътник (m2) <i>Arrivals immigration queuing area per APHP (m2)</i>		
	Площ за получаване на багаж – Пристигащи (m2) <i>Arrivals baggage claim area (m2)</i>		
	Площ за получаване на багаж на един пристигащ пътник в час пик (m2) <i>Arrivals baggage claim area per APHP (m2)</i>		
	Площ за митническа проверка – Пристигащи (m2) <i>Arrivals customs clearance area (m2)</i>		
	Площ за посрещачи – Пристигащи (m2) <i>Arrivals meet and greet area (m2)</i>		
	Тоалетни (m2) <i>Toilets (m2)</i>		
Общо търговски площи (m2) <i>Total commercial space (m2)</i>			
	Магазини /други услуги (m2) <i>Retail/other services (m2)</i>		
	Заведения за хранене/барчета и павилиони (m2) <i>Food and Beverage (m2)</i>		
	Безмитни магазини (m2) <i>Duty Free (m2)</i>		
	Офисни площи за отдаване под наем (m2) <i>Office rental space (m2)</i>		
Общо площи за мениджмънта и администрацията (m2) <i>Total management & admin space (m2)</i>			
	Гранична полиция, Митници (m2) <i>Gov't Immigration, Customs offices (m2)</i>		
	Офиси на мениджмънта на летищния оператор (m2) <i>Airport operator management offices (m2)</i>		
	Гишета за информация (m2) <i>Information desks (m2)</i>		
	Сервизни помещения като: захранване с вода, ток, място за телефонна централа, кабелни помещения и др. (m2) <i>Utilities (m2)</i>		

Attachment 5-Request for Proposal

Общо площ пред терминала (m2) <i>Total roadside area (m2)</i>		
Тротоари пред терминала – Заминаващи (л.м.) <i>Departures curb (linear meters)</i>		
Тротоари пред терминала – Пристигащи (л.м.) <i>Arrivals curb (linear meters)</i>		
Площ за слизане от автобуси/паркинг (m2) <i>Coach drop off/parking (m2)</i>		
Паркинг за коли (дългосрочен /краткосрочен за клиенти, и за служители (m2) <i>Car parking (long-term/short-term and employee) (m2)</i>		
Зона за наемане рента кар / паркинг рента кар (m2) <i>Rental car lot (m2)</i>		
ЛЕТАТЕЛНО ПОЛЕ <i>AIRFIELD</i>		
Общо площ перон (m2) <i>Total apron area (m2)</i>		
Общо площ перон на едно самолетно движение в час пик (m2) <i>Total apron area per peak hour ATM (m2)</i>		
Брой стоянки за самолети (по вид самолети) <i>Number of parking stands (by aircraft type)</i>		
Дължина на пистата (л.м.) <i>Runway length (linear meters)</i>		
Ширина на пистата (л.м.) <i>Runway width (linear meters)</i>		
Ширина на страничните ивици за безопасност (л.м.) <i>Runway shoulders width (linear meters)</i>		
PCN – твърдост <i>Runway PCN harness measure</i>		

APPENDIX E

FORM OF BINDING PAYMENT OFFER

This shall be included in the Concession Fee Proposal Envelope only.

THE UNDERSIGNED:

[NAME OF ADMITTED CANDIDATE] declares that in the event that it is selected as the Winning Candidate for the Concession of Bourgas and Varna Airports, it irrevocably commits to set up a Bulgarian Registered Company to be the Concessionaire who shall commit:

- (i) To make an initial payment of €3,000,000 (three million EUROS) within one month of signing the Concession Agreement;
- (ii) To make payment(s) for each year of the concession, defined as [insert bid figure, not less than 12%] percent of from the higher of the following two figures:
the total amount of revenues from all current year activities related to the use of the subjects of the Concession; and
57M (fifty-seven million) Bulgarian Leva, inflation-adjusted with the applicable inflation index for the respective period as per the Concession Agreement.

Thus executed at _____ on this ____ day of _____, 2005.

[NAME OF BIDDER]

By:
Title:

Attachment 5-Request for Proposal

Appendix F (to be completed for each airport)

Template for analysis of financial impact of Proposal on airport users

REGULATED Activities
Euros in thousands
constant prices

For each concession year

LANDING AND AIRCRAFT PARKING Charges

Depreciation charge	annual depreciation charge of improvements employed in services covered by landing and parking charges
Interest charge	annual interest charge of loans used to finance improvements employed in services covered by landing and parking charges
<i>Equity employed balance</i>	<i>remaining balance sheet value of said improvements less outstanding balance of loan principal employed in their financing</i>
<i>Regulated Return</i>	<i>percentage derived from subtracting proposed concession fee percentage from number 30. Fixed in contract for duration of concession</i>
Equity charge	equity employed balance multiplied by regulated return
Operating expense	direct and indirect expense allocation related to provision of services covered by landing and parking charges
Total cost basis	(Depreciation+Interest+Equity charge+ Operating Expense) / (1-proposed concession fee percentage)

PASSENGER Charges

Depreciation charge	annual depreciation charge of improvements employed in services listed covered by passenger charges
Interest charge	annual interest charge of loans used to finance improvements employed in services covered by passenger charges
<i>Equity employed balance</i>	<i>remaining balance sheet value of said improvements less outstanding balance of loan principal employed in their financing</i>
<i>Regulated Return</i>	<i>percentage derived from subtracting proposed concession fee percentage from number 30. Fixed in contract for duration of concession</i>
Equity charge	equity employed balance multiplied by regulated return
Operating expense	direct and indirect expense allocation related to provision of services covered by passenger charges
Total cost basis	(Depreciation+Interest+Equity charge+ Operating Expense) / (1-proposed concession fee percentage)

APPENDIX G

Data Room Rules

1. General procedures

The Data Room Rules (“the Rules”) shall set the manner in which authorized representatives of Admitted Candidates shall:

- (a) visit the Data Room in order to review information in connection with the Airports;
- (b) conduct on-site visits at the Airports; and
- (c) undertake interviews with designated persons within the management of the CAA and the Bourgas Airport EAD and Varna Airport EAD (“Designated Persons”).

Access to the Data Room shall be granted only to persons authorized by the Admitted Candidate (“Permitted Representatives”), who have duly signed a Confidentiality Declaration and are familiar with these Rules.

The Data Room documents and any additional information to be requested by persons authorized by the Admitted Candidate are deemed confidential information, which is subject to the Confidentiality Declaration. The contents of the Data Room may only be used by the Admitted Candidate to evaluate the potential concession of the Airports. Admitted Candidates and their Permitted Representatives shall not in any form divulge or use any information made available to them during their inspection at the Airports, interviews of Designated Persons and review of the Data Room to any other person or for any other purpose whatsoever.

The documents in the Data Room have been provided by the Airports, CAA and the Ministry of Transport and Communications (MTC). Any projections and/or estimates that these documents may contain are made by or on behalf of the Airports or the MTC and contain elements of subjective judgment and analyses; no assurances are given by the Tender Commission as to the attainability or appropriateness of any such estimates and/or projections.

2. Data Room Location

The Data Room is located at the building of the Ministry of Transport and Communications – Admitted Candidates will be provided specific room information in advance of their arrival.

3. Data Room Supervisors

The Tender Commission will appoint supervisors to oversee the operations of the Data Room, including the arrangement of interviews and site visits by Admitted Candidates.

4. Access to the Data Room and Airports

Access to the Data Room and the Airports shall be granted beginning January 10, 2005 to all Candidates which have purchased the 2nd Stage Tender Documents.

Attachment 5-Request for Proposal

Admitted Candidates are requested to submit by January 4, 2005 a written request for admission to the Data Room (according to template provided herein). Such request shall specify the dates and times during which the Admitted Candidate requests access to the Data Room, including the undertaking of site visits to the Airports and interviews with Designated Persons. Initial requests shall be limited to a total of 10 working days.

The Tender Commission shall review all written requests and approve a Schedule for Data Room visits, site visits at the Airports and interviews with Designated Persons. Access shall be granted by the Tender Commission on a non-preferential basis with all reasonable efforts made to accommodate the scheduling requests of all Admitted Candidates. The Tender Commission will communicate the Schedule for access to the Data Room and the conduct of site visits and interviews to each of the Admitted Candidates which have submitted a request by the above deadline by January 6, 2005. At this time the Commission may also provide the index of documents and information for review in the Data Room (which may be supplemented from time to time) and the list of Designated Persons.

Data Room hours shall be Monday through Friday, 9:00AM to 5:30 PM. Site visits to the Airports and interviews with Designated Persons may be conducted from 9:00AM to 5:00PM. Data Room visitors and visitors to the Airports shall leave their premises when the time designated for the visit expires.

Beginning January 26, 2005, Admitted Candidates may submit to the Commission additional written requests for access to the Data Room and the Airports, which the Commission shall consider and respond to on an as-received basis.

5. Data Room Visitors

In order to be granted access to the Data Room and the Airports, each Admitted Candidate must present to the Tender Commission a signed Declaration (as per template provided herein). The Declaration must be accompanied by a list of persons authorized by the Admitted Candidate to work in the Data Room, including the conduct of site visits and interviews, together with their respective functions during this process.

The Admitted Candidate shall specify which one of the persons authorized to work in the Data Room is a Team Leader. The Team Leader will be responsible for the timely and proper submission of requests for information and interviews and shall participate in the inspection of the provided documents and closure of the Data Room after the team has finished work for the day.

In order to be granted access, each representative shall submit to the Data Room supervisor a signed Declaration (as per template attached herein).

The Tender Commission will ensure that Permitted Representatives will have access to the Data Room, the Airports and to Designated Persons for a total of not less than 10 workdays at least four weeks prior to the deadline for submission of Proposals.

The number of Permitted Representatives who may undertake a review of the Data Room, including the conduct of site visits and interviews, at a single time shall not exceed 20 persons.

6. Safety and Security

Permitted Representatives working in the Data Room or conducting interviews and site visits at the Airports shall abide to all applicable safety and security rules.

Attachment 5-Request for Proposal

7. Translation

The majority of information and documents in the Data Room are in original Bulgarian language. In some cases the documents are accompanied by English translation, in which case the Tender Commission does not take responsibility for the accuracy of such translations. Translation and interpretation of information and documents in the Data Room is the responsibility of the Admitted Candidate.

8. Review of documents

No documents may be taken out of the Data Room, except the copies that have been provided by the Data Room supervisors. Documents that are in folders may be taken out of the folders for review, but must be returned in the same place and manner in which they were found. Bound documents should not be dismantled.

No document may be marked, altered, modified, varied (including varying the sequence thereof), destroyed or damaged in any way.

There may be several sets of the same documents in the Data Room for the convenience of the Permitted Representatives and in such cases all of those sets should be considered as individual documents. All documents should be returned to the Data Room supervisors at the end of the session, and they may not be removed from the Data Room.

9. Electronic Copies and Copying Services

Certain information from the Data Room may be provided to Permitted Representatives on CD. Those documents will be specified in the Data Room index. Certain Data Room documents may be copied if so specified in the Data Room index. Requests for copying documents shall be executed by the Data Room supervisors. Some Data Room documents may be classified as 'not be copied' and they will be labeled as such in the index. Documents permitted to be copied may be copied by the Data Room supervisors against payment under a price-list which will be available in the Data Room. Incurred costs shall be payable by Admitted Candidates within one week from delivery of invoice by the Commission.

Requests for photocopying shall be submitted according to a form to be made available in the Data Room.

10. New Information

In case Permitted Representatives have questions or requests for additional information, such requests shall be submitted to the Data Room supervisors according to a form made available in the Data Room.

Admitted Candidates and their Permitted Representatives may not directly request and receive any written information directly by employees of the MTC, the CAA and/or the Airports unless such persons are authorized as Data Room supervisors.

Any additional information provided by the MTC, the CAA and/or the Airports shall be provided to Admitted Candidates only through Data Room supervisors. Supervisors shall deliver such information to the Team Leader of the Admitted Candidate or through revision to the Data Room index which will then be provided to all Admitted Candidates.

Attachment 5-Request for Proposal

11. Interviews with MTC and Airports' employees

Permitted Representatives who wish to interview Designated Persons of the CAA/Airports, should submit a written interview request as per form provided in the Data Room.

Data Room supervisors may not make comments to or provide explanations on the documents and information contained in the Data Room.

12. Equipment

Permitted Representatives may bring their own equipment (such as laptop computers, portable printers, Dictaphones, calculators) for use in the Data Room. No fax machines and/or copy machines, scanning or other optic devices and digital devices may be brought in by Permitted Representatives to the Data Room. The use of optical and digital cameras will be permitted during site visits at the Airports except where expressly prohibited by the Airports' management. Permitted Representative may not record in any manner (note taking is permitted) the conduct of interviews with Designated Persons.

13. Breach of Rules

In case of breach of these Rules by a Permitted Representative, his/her access to the Data Room may be suspended.

Attachment 5-Request for Proposal

Request for Admission to the Data Room and the Conduct of Site Visits and Interviews

The Undersigned:

1. Hereby request that access to the Data Room and the conduct of site-visits and interviews be provided to us at the dates and times indicated below.
2. We accept that the Tender Commission cannot provide assurances that such dates and times will be granted to us, and that the Commission will take measures to ensure fair and equal treatment of all Admitted Candidates.
3. We shall utilize only the dates and times provided to us by the Commission to carry out our review of the Data Room, including the conduct of site visits to the Airports and interviews with designated persons.

Listed in order of preference

Admitted Candidates may specify continuous blocks of time on a single line. Individual blocks of time should not be less than 4 hours (morning session beginning 9:00 AM and/or afternoon session beginning 1:30 PM). Activities should be specified as one or more of: (1) Data Room review, (2) Bourgas site-visit, (3) Varna site-visit, and (4) interviews with Designated Persons.

Num ber	Date(s)	Time	Total # of hours	Activity (Data Room review, site-visit to Bourgas or Varna Airport, interviews)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
Total (shall not exceed 80 hours)				

[NAME OF Admitted Candidate]

By:

Title:

Date:

Attachment 5-Request for Proposal

DECLARATION

The undersigned:

..... [name of the physical person who signs the declaration], identification document #, issue date issuing institution, expiry date ,

[in case of second representative] and [name of the physical person who signs the declaration], identification document #, issue date issuing institution, expiry date ,

in the capacity of:

- person(s) with representative powers as per registration
- proxy (ies)

.....
.....
.....
.....[full name,
registration data (number in the respective commercial register and/or company case number),
corporate seat and headquarters' address of candidate ("The Candidate"),

The Candidate participating in the non-attendance tender for selection of a concessionaire of Civil Airport for Public Use Bourgas and Civil Airport for Public Use Varna – public state property, pursuant to Decision #647 dated August 10, 2004 (State Gazette # 74/2004) of the Council of Ministers of the Republic of Bulgaria ("the Tender"),

Attachment 5-Request for Proposal

HEREWITH DECLARE THE FOLLOWING:

- (a) I am/we are aware of and accept the Data Room Rules and
- (b) confirm that that I agree to treat as strictly confidential the information provided in the Data Room and at the Airports;
- (c) confirm that if my/our permitted representatives request copies of documents of which copies are allowed to be made or request documents to be sent by fax, as well as any phone calls made by them, I/we accept an obligation to pay to the MTC the cost of these services, as per the invoice presented by the MTC.
- (d) The attached list specifies the names and positions/functions/capacity of persons appointed as our permitted representatives; and
- (e) We agree herewith to furnish Confidentiality Declarations (as approved by the Tender Commission) signed by our permitted representatives and submit the signed declarations in the format specified by you, prior to the Data Room and related visits by our permitted representatives.
- (f) The designated Team Leader of our Permitted Representatives is [.....]. He/she will be responsible for observing and compliance with the Data Room Rules and inspections of the Data Room Documents at the end of each working session at the Data Room during the Data Room review process.

Date:

SIGNATORY:
[signature]

.....
[first and last name]

Attachment 5-Request for Proposal

[Name of Admitted Candidate]

Name of Permitted Representative	Employer	Position/function/capacity
1		
2		
3		
.....		

Attachment 5-Request for Proposal

DECLARATION of CONFIDENTIALITY

The undersigned

HEREWITH DECLARE THAT:

- a) I shall not, for any reason whatsoever, disclose the information provided to me in the Data Room, through interviews with Designated Persons or through site visits to the Airports to any third parties who are not authorized by the Candidate. The information obtained by me shall be used solely in connection with the present procedure for selection of a Concessionaire of Civil Airport for Public Use Bourgas and Civil Airport for Public Use Varna.

- b) I am aware of and accept the Data Room Rules.

.....
Signature

.....
Name

.....
Company, address

General Approach to Scoring

1. The Tender Documents require that the Commission complete the scoring of business and investment proposals, after which financial proposals are scored and a final result determined. ***This approach should be confirmed by the Commission.***
2. Commission members are familiar with the weighting of the main proposals as directed by the COM Decision. They are as follows:
 - Business Proposal 30%
 - Investment Proposal 40%
 - Financial Proposal 30%.
3. The COM Decision indicates the required elements of each proposal, and implies that each of them be considered in the scoring of the proposals. The Request for Proposals (RFP) portion of the Tender Documents follows expressly the required elements from the COM Decision. Those elements are:
 - Business Proposal
 - Social Plan
 - Operations and Maintenance Plan
 - Safety and Security Plan
 - Environmental Protection Plan
 - Organization and Management Plan
 - Commercial Plan
 - Transition Plan
 - Investment Proposal
 - Suitability of investment program (separated in the RFP into immediate, intermediate and long-term layout plans)
 - Financing Plan
 - Impact of investment program on users
 - Financial Proposal
 - Concession fee proposal only (% of gross revenues)
4. It is assumed that individual Commission members will separately score each proposal, after which scores will be averaged and a final score will be produced. ***The Commission should confirm this approach.***
5. In order to ensure that each of the suggested elements covered in the COM Decision is taken into consideration, the Commission may choose to assign weights to each of the required proposal elements, and then score each of them (0-10). This will result in an overall score for each proposal. ***This approach is indicated in the attached spreadsheet.*** The Commission may decide to apply common weights to each of the required elements, or alternately, each Commission member may suggest his/her own weights in accordance with his/her own preferences and ideas about the relative importance of various elements.
6. Consideration should be given to individual scores that appear as outliers compared to the others and can exert a greater influence on overall proposal scoring. An example would be if four Commission members score one proposal an 8 and another proposal a 6, while the fifth Commission member may score the first proposal a 0 and the second proposal a 10. The end-result would be an overall average score of 6.4 and 6.8 respectively, showing the influence of a single member under such cases.

General Criteria for Assessment of Proposals

Business Proposal

1. Each plan should be reviewed for degree of compliance with RFP requirements as follows (full text in RFP):

Social Plan

- (1) description and plan for employment arrangements,
- (2) plan for knowledge transfer

Operations and Maintenance Plan

- (1) detailed plan to improve operating performance,
- (2) system for performance measurement and realization including Appendix C indicators,
- (3) approach to facility and equipment maintenance

Safety and Security Plan

- (1) general plan for airport and flight safety and security,
- (2) description of emergency response initiatives,
- (3) description of coordination efforts with BG authorities,
- (4) plan to maintain necessary rescue and firefighting standards

Environmental Protection Plan

- (1) plan to minimize environmental impact,
- (2) approach to improve waste management,
- (3) approach to improve water supply and sewage,
- (4) commitment to local communities and stakeholders

Organization and Management Plan

- (1) detailed description of organizational structure, including org chart and description of responsibilities, separation by types of activities and CVs,
- (2) organizational plan for design and construction activities and their integration into overall organization,
- (3) description of extent and nature of expatriate short and long-term personnel commitment,
- (4) description of interaction with State agencies

Commercial Plan

- (1) description of commercial shops to be introduced, and accompanying assumptions, forecast of commercial revenues
- (2) description of the planned provision of ground-handling services, in accordance with applicable requirements, indication of pro-forma revenues and cost-basis
- (3) description of other commercial revenues to be developed
- (4) detailed marketing plan for traffic development

Transition Plan

- (1) description of management and staff transition
- (2) description of contracts transition
- (3) description of preparation of required manuals
- (4) evidence of ability to meet licensing requirements
- (5) approach to acquisition of assets as required

Attachment 6-Proposal Assessment Process

- 2. Each Plan should be reviewed against the following criteria:**
 - a. demonstrated understanding of specific relevant circumstances at the airports
 - b. quality/reasonableness of assumptions and approach
 - c. quality of binding commitments expressed (timing, nature, etc.)
 - d. confidence in ability to deliver (past experience, etc.)
 - e. impact on operating costs

Deputy Prime Minister Nikolay Vassilev
Minister of Transport and Communications
Republic of Bulgaria

March 28, 2005

Re: review of Candidates' proposals, concession tender for airports at Bourgas and Varna

Dear Minister Vassilev:

We appreciate that our team has been allowed to advise directly the members of the Tender Commission and its advisors and experts. We understand fully this responsibility, and treat it with the commitment and professionalism which it requires.

Attached please find the analyses and information which you and the other Commission members requested our team to provide. We remain available to support the Commission and its advisors and experts during its review of Candidates' proposals.

Please note that the financial models produced by the Candidates are highly complex, consistent with industry standards for this type of transaction. ***We did not find any of the financial models to contain assumptions which we believe to be manifestly invalid or otherwise clearly inappropriate.*** We stand behind the analyses produced from our work with the financial models, and have made no adjustments other than those required to consider the actual financial proposals submitted. Furthermore, while we do not expect that we made any errors, owing to the level of complexity such are possible – still, we would not expect any conclusions to be altered.

We met extensively with experts from the Ministry of Economy over the last two weeks. We attempted to explain the financial models and the underlying transaction structure, and to answer any specific questions which they had. We did not provide to them any additional written materials other than those which were provided to the Commission, since at the time of our meetings none had been prepared other than internal working drafts. We were forthright and honest in all such discussions, which were generally cordial and constructive.

We look forward to providing continued support to you and your team until such time as the concession agreement has been signed and transition of control to the concessionaire has been initiated. It has been our pleasure to support the Ministry throughout this process, and we are pleased about the quality of the results.

Very truly,

David Spira, CFA
Project Manager and Technical Advisor

Bulgaria Airports Concession Project

Funded by USAID

Implemented by BearingPoint

March 28, 2005

Project Objectives

- 1) Successful completion of a tender for a long-term concession transferring operational and development rights and responsibilities for Bulgaria's Black Sea Airports (located at Varna and Bourgas) to a highly-qualified strategic partner/investor;
- 2) Development of capacity within various Government ministries and agencies to implement similar transactions (public-private partnerships) in the future.

Primary counterpart Ministry of Transport and Communication leadership and experts.

Current Status

- Final proposals by prequalified candidates were submitted to the Tender Commission on March 7. Four proposals were submitted at that time; lead members are: Copenhagen Airports (Denmark), Fraport Airports (Germany), Hochtief Airports (Germany), Vinci Airports (France).
- General assessment of proposals is that they are high-quality, meeting or exceeding the requirements and expectations of the Government. Highly competitive and truly open tender.
- Advisors prepared written analyses of the proposals for review by the Commission; Advisors are playing a key role in the discussion and review of proposals by members of the Commission and other experts. We are valued for our technical and transaction expertise/experience, as well as for our integrity.
- Deadline for final decision by the Tender Commission is March 29, 2005, after which the Commission will submit its report to the Council of Ministers.

Next Steps

- Winning Bidder to be confirmed by a decision of the Council of Ministers.
- Minister Vassilev and MTC leadership to complete the final concession agreement with the Winning Bidder – intense work and considerable pressure for both parties to sign agreement quickly (deadline will likely be either one or two months). *Although a draft concession agreement has been preliminarily agreed to, it is uncertain the extent and difficulty of this process.*
- Following signature of the final concession agreement, two-month transition period required to transfer assets and contracts, grant necessary licenses and finally transfer operational control and responsibility for the airports to the Concessionaire.

BearingPoint's contract with USAID expires June 20, 2005.

Proposal Summary

- New passenger terminals by 2008 at each airport. Immediate operational improvements and investments to impact the airports now.
- Compliance with all European and international standards for safety/security/environment, comfort and level of service requirements.
- Commercial expansion, including route and traffic development and participation in regional development initiatives.
- Overall job growth at the airports.
- Capital investments in the range 400-500 million Euros, including 100-150 million Euros within the next five years. Financing to be provided by equity, through European and Bulgarian banks and through IFIs.
- Continued low user charges and attractive concession fees to the State, linked to overall airport revenues.

Impact Analyses

- Removal of a bottleneck to seacoast tourism development; catalyst for tourism and regional development in its place.
 - Creation of jobs immediately and long-term, directly and indirectly at the airports.
 - Development of considerable procurement opportunities for international and local companies through the implementation of a significant capital investment program (technology, equipment, services, etc.).
 - Improved professional development of all BG firms that wish to provide goods and services to the concessionaire – direct impact of highly-respected international airport operator operating locally.
 - Identification of weak spots in concession legislation/regulations – efforts are currently underway to revise and improve relevant legislation/regulations (i.e. increase necessary flexibility for implementation, enable greater security to lenders in such transactions).
 - Experience gained by leadership and experts throughout the Government will be invaluable to future concession transactions; MoF and MoE roles in this transaction repeated for all concessions, and MTC experts are presently undertaking multiple seaport concessions – simply would not be possible without leading role of this concession.
-

Comparison of Proposals

	Copenhagen	Fraport-BM Star	Vinci	
<i>2% Euroland inflation</i>				
total investments	526 Million euro	563 Million euro	748 Million euro	
concession fee proposal	30.00%	16.80%	21.00%	
total concession fees paid to State	1,297 Million euro	591 Million euro	1,157 Million euro	
<i>no inflation</i>				
Average letishte taxe per departing passenger-Varna	12.23 euro	12.54 euro	23.75 euro	2004 actual 13.16 euro
Average letishte taxe per departing passenger-Bourgas	11.15 euro	12.13 euro	19.70 euro	13.61 euro
shareholders investment	55 Million euro	13 Million euro	28 Million euro	

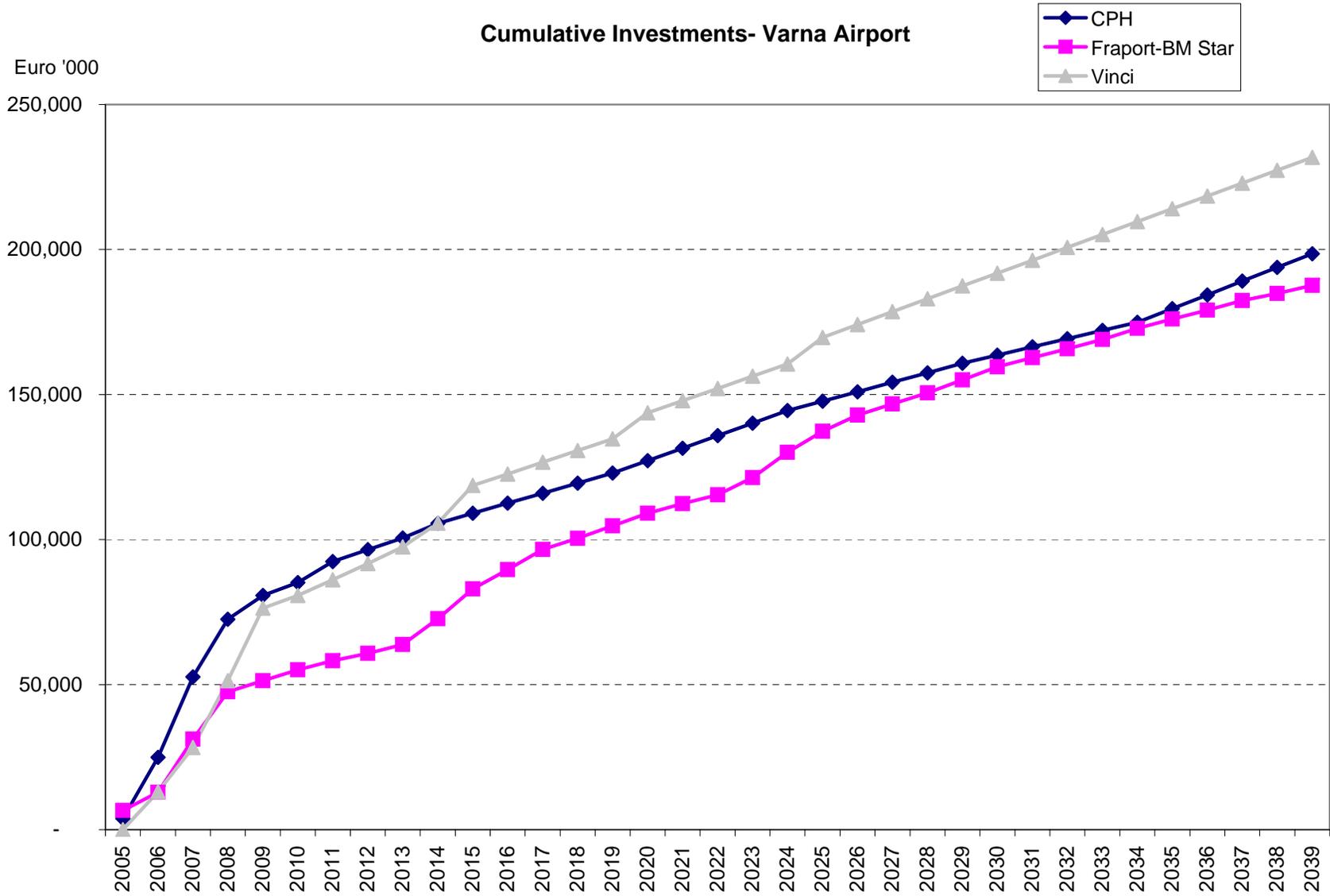
Comparison of Proposals

<i>no inflation</i>	Copenhagen	Fraport-BM Star	Vinci	
total investments	399 Million euro	403 Million euro	500 Million euro	
concession fee proposal	30.00%	16.80%	21.00%	
total concession fees paid to State	867 Million euro	380 Million euro	752 Million euro	
				2004 actual
Average letishte taxe per departing passenger-Varna	12.23 euro	12.54 euro	23.75 euro	13.16 euro
Average letishte taxe per departing passenger-Bourgas	11.15 euro	12.13 euro	19.70 euro	13.61 euro
shareholders investment	55 Million euro	13 Million euro	28 Million euro	

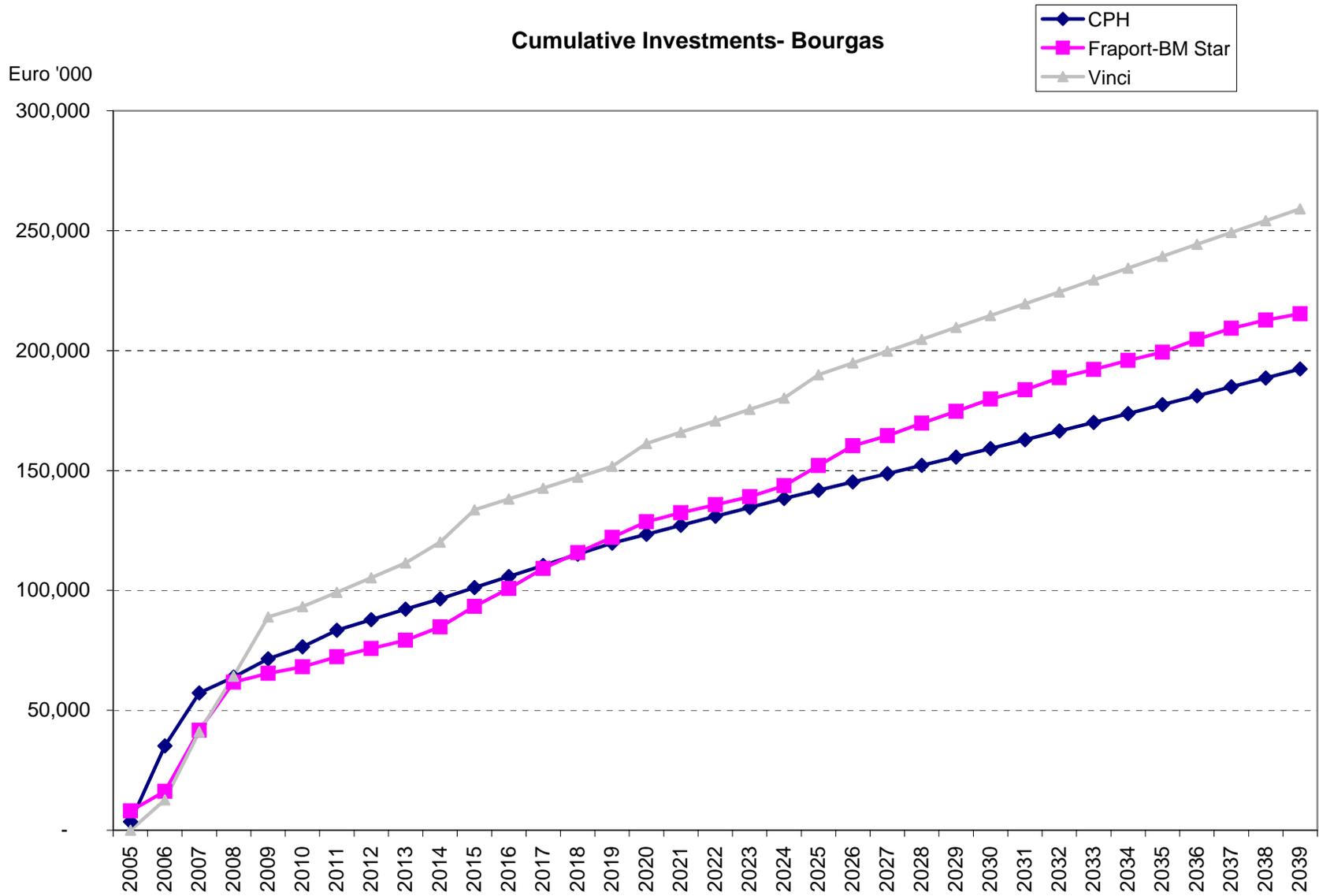
Comparison of Bidders

	Copenhagen	Fraport-BM Star	Vinci Airports-Vinci Concessions
consortium ownership	<u>Copenhagen A/S- 100%</u> Danish State-36.94% Stock market-63.06%	<u>Fraport AG- 60%</u> State-70.5% <i>Federal Rep. of Germany-18%</i> <i>State of Hesse-32%</i> <i>City of Frankfurt-20.5%</i> Stock market-29.5% BM Star- 40% Bon Marine?-100%	<u>Vinci Airports- 51%</u> Vinci S.A.-100% <u>Vinci Concessions- 49%</u> Vinci S.A.-100% <u>Vinci S.A.</u> stock maket-100%
Qualification for tender			
total airports managed	13	6	17
total passengers	45 million	70 million	15 million

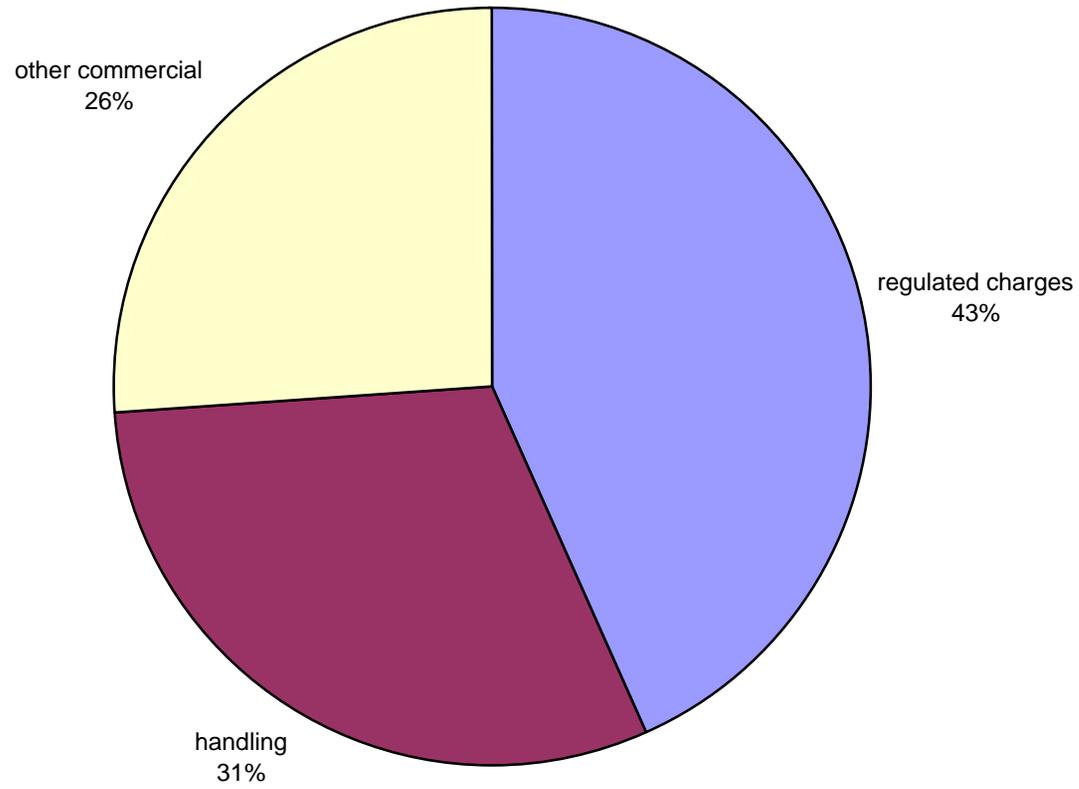
Cumulative Investments- Varna Airport



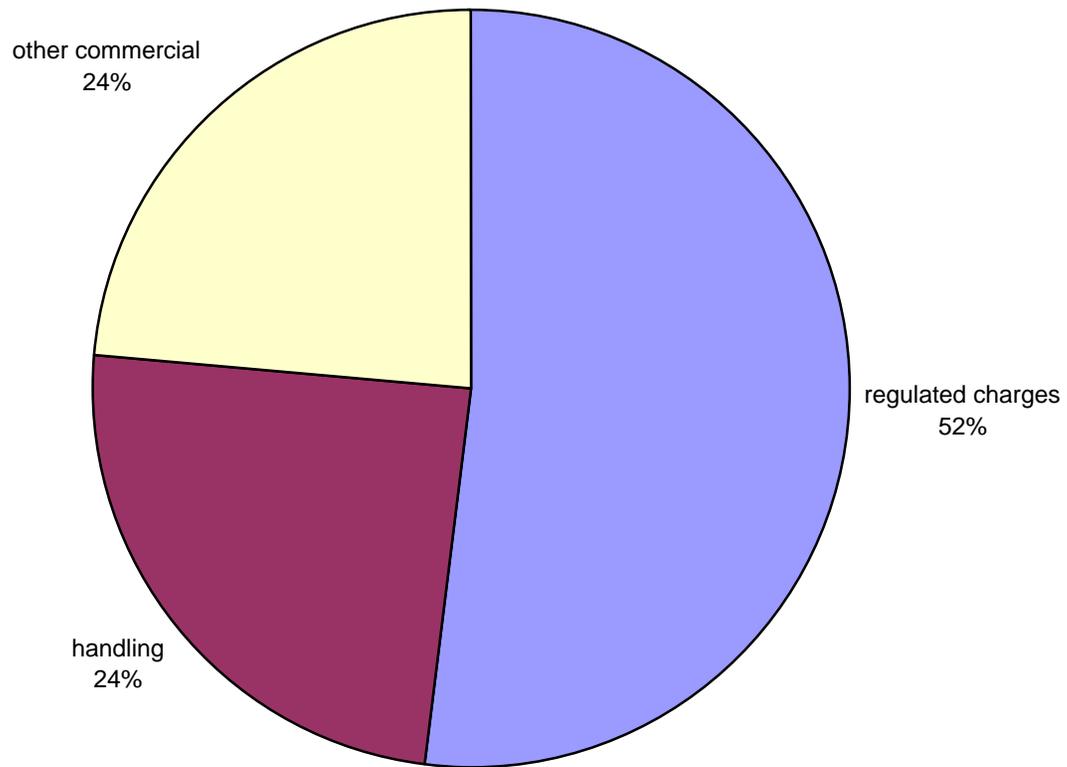
Cumulative Investments- Bourgas



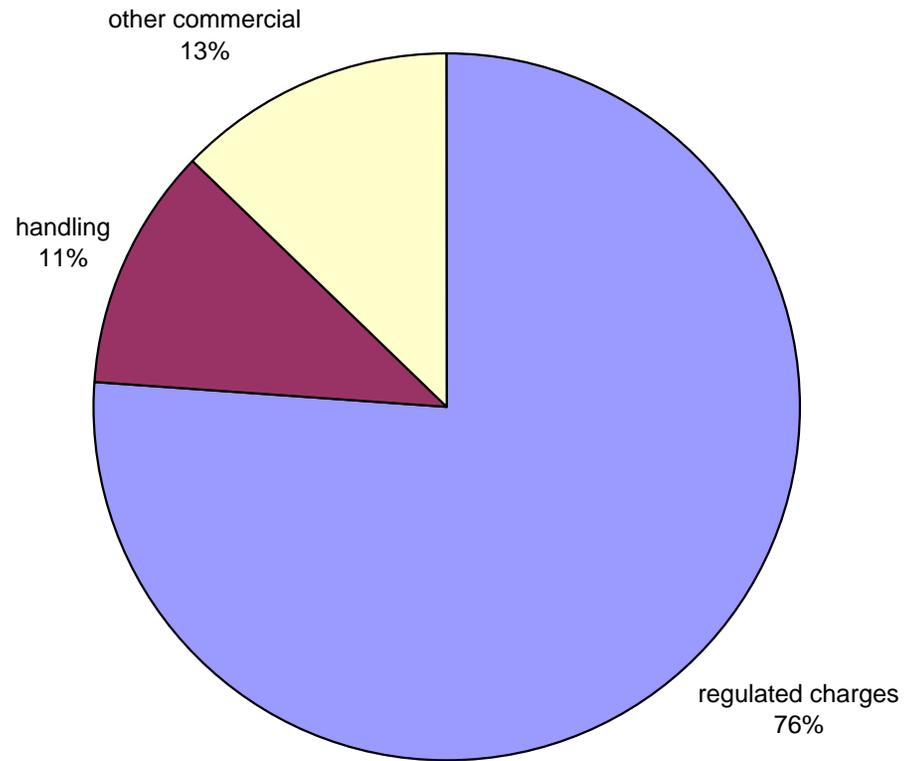
Sources of Revenues- CPH



Sources of Revenues- Fraport/BM Star

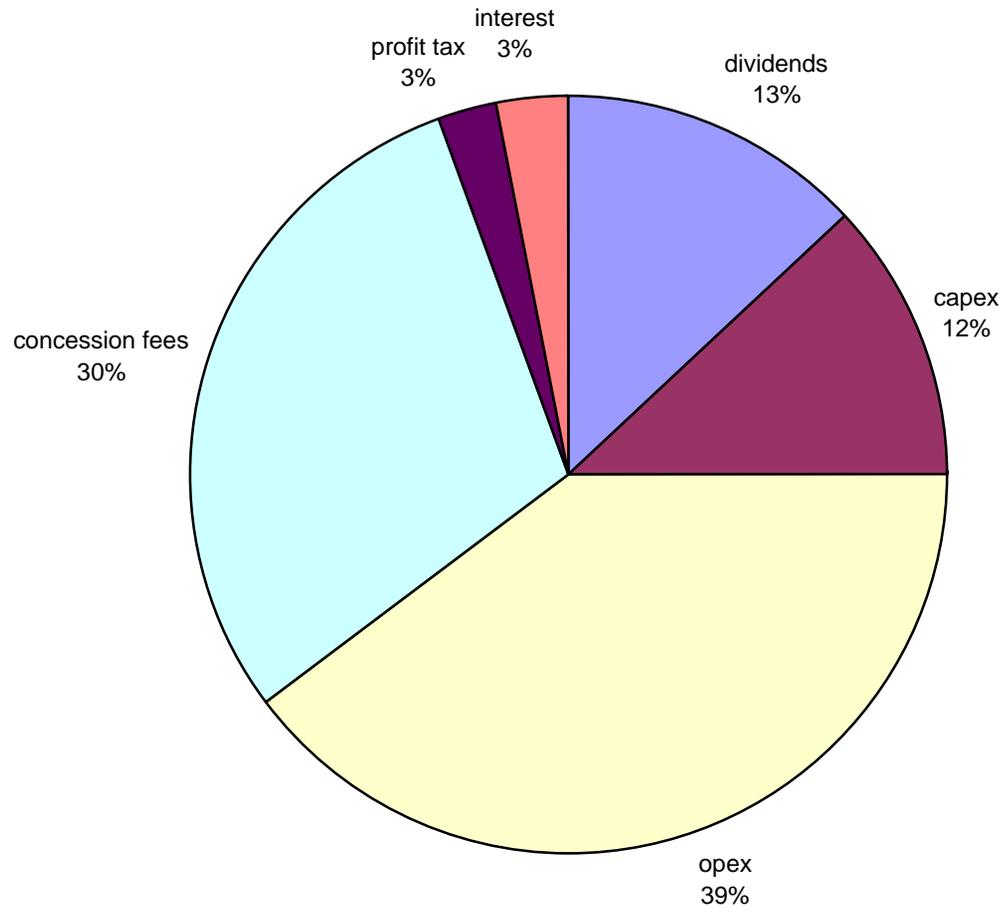


Sources of Revenues- Vinci

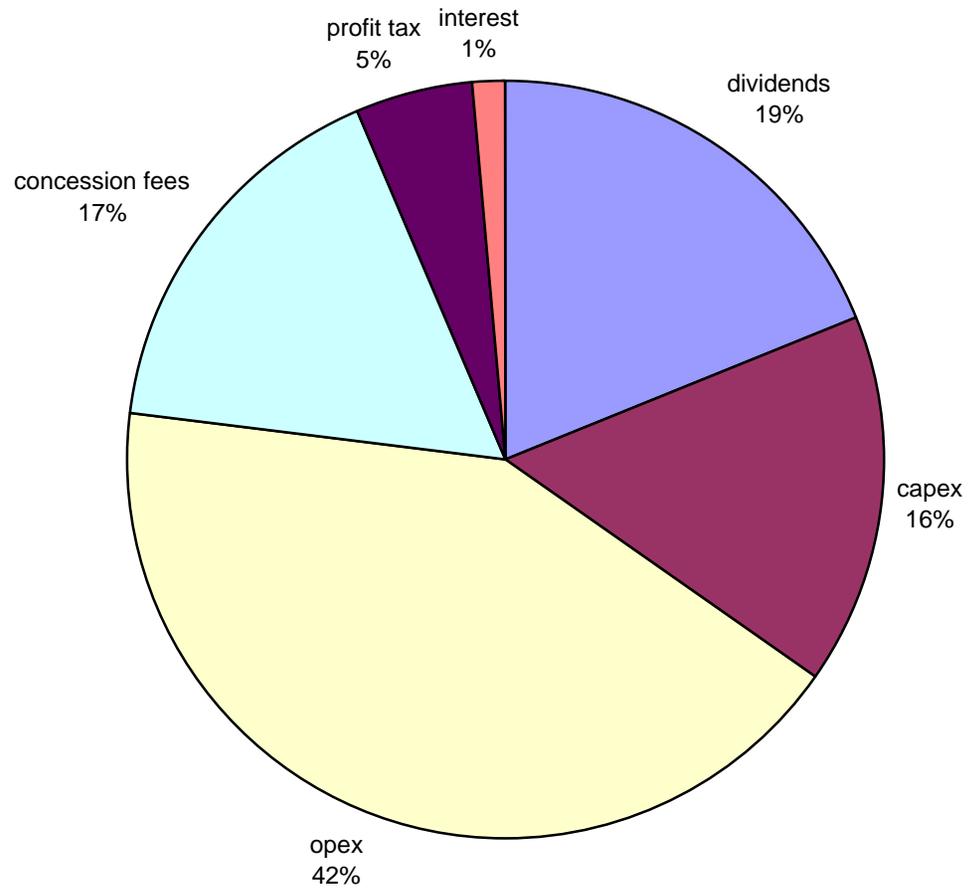


Attachment 10-Summary Data for COM

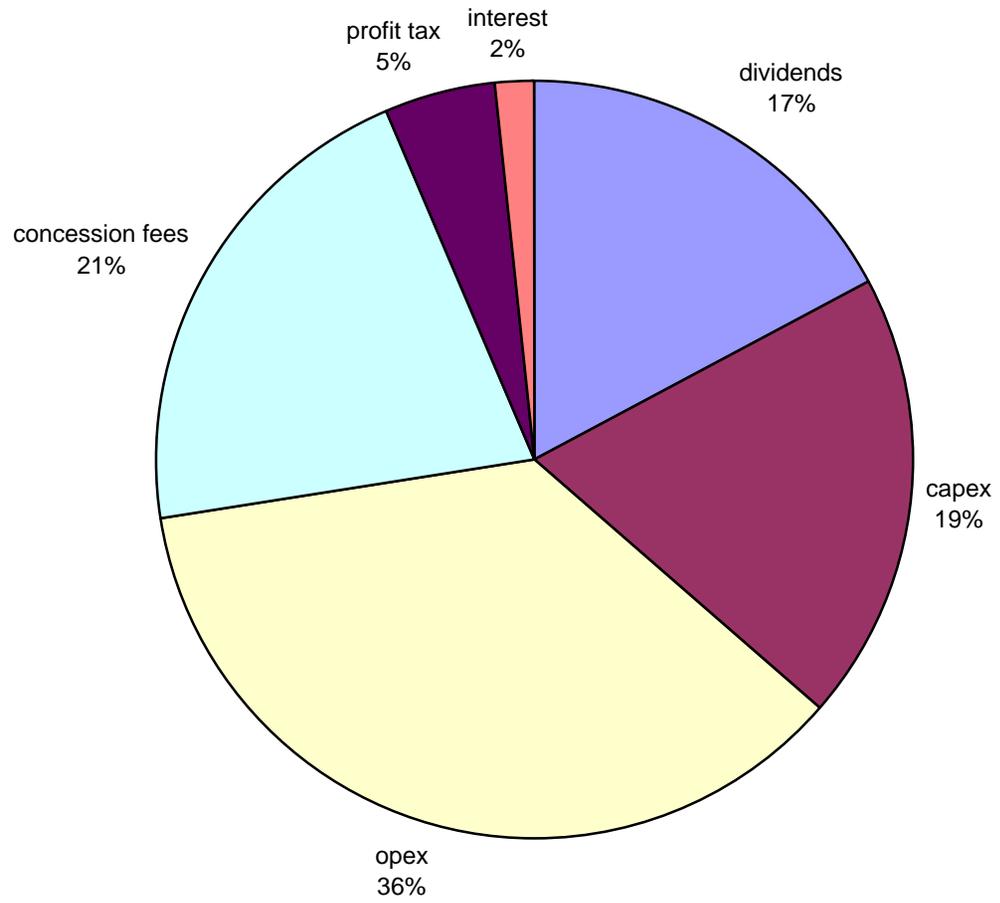
Uses of revenues- CPH



Uses of revenues- Fraport/BM Star



Uses of revenues- Vinci



Talking Point on Copenhagen Airports and its Proposal (press conference on April 8 by Deputy Prime Minister / Minister of Transport and Communications Nikolay Vassilev)

Background on CPH

1. CPH is one of the best airport operators in the world. Its home airport in Denmark was recently voted the best airport in Europe in a survey conducted by Airports Council International (ACI) and the International Air Transport Association (IATA).
2. CPH operates more than 10 airports in 4 countries worldwide, including in Europe, Asia and North America. Total annual passenger traffic is approximately 45 million persons (by comparison, Bulgaria's airports totals just over 5 million passengers annually).
3. CPH operates highly-successful tourism-driven airports in China and in Mexico, and will bring that expertise to Bulgaria. CPH has its base in Denmark, one of the Nordic countries, and operates another airport in the United Kingdom (Newcastle), two of the most important markets for Bulgaria's tourism industry.
4. CPH is a publicly traded company, with more than 60% of its shares traded on the Danish stock exchange and in the hands of private investors.

Background on the CPH Proposal

Investment Program

5. CPH will invest approximately 400 million Euros at today's values (525 million Euros adjusted for inflation) over the life of the 35-year concession in the airports, split approximately equally between Bourgas Airport and Varna Airport.
6. Immediate investments in the airports (first 12 months) will total approximately 25 million Euros, with more than 10 million Euros invested in Varna and nearly 15 million Euros invested in Bourgas. This includes temporary expansions and much-needed improvements to the passenger terminals, critical airfield repairs and new equipment, and long-delayed investments to improve safety, security and environmental conditions.
7. Major capital investments totaling more than 100 million Euros are scheduled during the period 2006 – 2008, resulting in new and expanded passenger terminals at each airport (more than 50 million Euros to be invested in terminal construction), completely renovated and expanded airfields, and complete compliance with all international standards for level of service, safety, security, and the environment. ***The airports are expected to be fully modernized and upgraded in time for the summer season 2008.***
8. CPH is committed to a significant and immediate investment of its own money in the development of the two airports (expected to exceed 50 million Euros), and will finance the remaining capital investments through loans and reinvested profits.

Business Program

9. CPH is committed to ensuring continued employment for all those currently employed at the airports, and intends to expand overall employment at the airports.
10. CPH is committed to human resource development and training, spending more than 700,000 Euros on training activities for each of the first 3 years of the concession and more than 300,000 Euros annually over the life of the concession. CPH will also transfer its know-how and expertise to the airports through the use of long-term and short-term employees from throughout its airport group.
11. CPH is committed to developing operational synergies between the two airports, maintaining the full independence of each airport but taking full advantage of cost-savings opportunities in procurement, maintenance and other fields.

12. CPH will establish working groups of airport users and community representatives to enable full consultation and coordination in the continued development of the airports.
13. CPH will use its considerable resources to expand the network of flight connections to/from the airports and to maximize the development of passenger traffic for the benefit of the airports, the tourism industry and the region as a whole.
14. CPH will participate in regional development initiatives and investment projects, taking a long-term view on the potential of the region and the interdependence of the airports and the region.

Financial Proposal

15. CPH is committed to paying the State a concession fee of 30% of all gross revenues of the airports (2004 gross revenues were in excess of 34 million Euros). This figure is forecast to be more than 1.2 billion Euros (adjusted for inflation) over the life of the concession.
16. User charges will remain at or near their current levels, with maximum increases expected to remain below 15% over the life of the concession and average charges actually decreasing (not adjusted for inflation). Concession fee expense is being offset by CPH’s low cost of capital and efficient operations, while long-term capital investments that are tied to traffic development ensure that airport user charges remain near their current levels. The Council of Ministers will continue to set the airport charges in step with the approval of the master plan for each airport and its periodic update – charges will be based on actual capital investments, approved expenses and forecasts for passenger traffic.

Concession Agreement and Next Steps

17. As required by Law, CPH will now register a Bulgarian legal entity, 100% owned by CPH. This entity will be granted the concession and will remain majority owned by CPH for the life of the concession.
18. The concession agreement is expected to be signed within one month of the entry into force of the COM decision, and the parties are committed to achieving this result as quickly as possible. At its completion, CPH will pay 3 million Euros to the State and place a performance bond for an additional 15 million Euros.
19. Following the signing of the concession agreement and in close coordination with the Civil Aviation Administration (CAA), CPH will undertake to receive the necessary airport operating licenses and initiate steps for the transfer of employees, movable assets and operational control and responsibility for the airports. This transition period is expected to last no more than two months.
20. We appreciate your continued support for this very good result for Bulgaria.

ANALYSIS OF RETURNS TO THE GOVERNMENT OF BULGARIA		
	<i>euro millions</i>	<i>USD millions (1 euro equals 1.3 USD)</i>
total investments (no inflation)	399	519
total investments (nominal)	526	684
concession fees (no inflation)	867	1,127
concession fees (nominal)	1,297	1,686
Net Present Value @ 7%	360	468
profit tax paid by concessionaire	112	146
Net Present Value @ 7%	32	42

Deputy Prime Minister Nikolay Vassilev
Minister of Transport and Communications
Republic of Bulgaria

May 26, 2005

Re: the appeals process for the airports concession transaction

Dear Minister Vassilev:

As you know, the outstanding results that you and others have worked so hard to achieve for Bulgaria are at risk as a result of the appeals to Council of Ministers Decision #247. While we believe the appeals are without material grounds, they still pose a considerable risk to the successful implementation of the transaction.

Please consider whether it appropriate for the Council of Ministers or your Ministry to hire for itself legal counsel to support it during this appeals process. Such counsel will not only compliment the existing legal teams of the Government, but also provide additional expertise and resources necessary to enable the Government to make the strongest case possible in defense of its actions and this transaction. Although Copenhagen Airports will have its legal counsel present, it will be present only to defend the interests of its client, not the Government.

It seems appropriate that the Government takes all legal actions available to it to defend this transaction and the excellent results it promises to deliver. The Government already has existing relationships with several law firms which might make it relatively easy to add this scope of work, including some that may already be familiar with this transaction.

Our technical assistance to the Ministry will end soon. It has been our pleasure to support the Ministry throughout this process, and I am hopeful that one day very soon we can all realize the fruits of our hard labor together.

Very truly,

David Spira, CFA
Project Manager and Technical Advisor

MEMORANDUM OF UNDERSTANDING

between

the US Agency for International Development

and

The Ministry of Transport and Communication

on

Technical assistance in Airport concessioning

ARTICLE 1. PURPOSE

The U.S. Agency for International Development (USAID), and the Ministry of Transport and Communications (MTC), hereinafter referred to as the "Parties", agree that they share a common interest in and commitment to concessioning of the airports of Varna and Burgas. Recognizing the Ministry of Transport and Communications leading role in this effort and USAID's role as a technical assistance provider, both parties agree to cooperate in a mutual effort to achieve the following objectives:

- Finalizing the concessioning tender, and negotiating the concession contract for the two airports
- Capacity building of MTC staff to undertake similar transactions in the future.,

USAID wishes to furnish and the MTC wishes to receive in-kind assistance for the purposes of reviewing and evaluating potential concessionaires proposals, selecting a winning bidder and negotiating a contract with it thus contributing to the Ministry's ability to successfully implement and close the ongoing tender process. Accordingly, pursuant to Article 1(b) of the Agreement between the Government of the United States of America and the Government of Bulgaria Concerning Economic, Technical and Related Assistance, the Parties have concluded the present Memorandum of Understanding, hereinafter referred to as the "MOU", to set forth their understandings with respect to their undertakings in support of the stated purposes.

ARTICLE 2. UNDERTAKINGS OF THE PARTIES

The U.S. Government, through USAID, wishes to furnish to the MTC in-kind assistance in the form of ex-pat technical assistance and training through June 20, 2005. USAID intends to

Attachment 13-Memorandum of Understanding

implement this assistance through the USAID's project entitled "Airport Concessions," implemented by Bearing Point.

2. 1 USAID agrees to provide technical assistance in the following areas:

- Tender Process Management

USAID-funded ex-pat advisors will assist MTC counterparts and the Tender Commission to manage the successful implementation of the tender process. This includes communication between the Commission and interested investors, well-functioning Commission meetings, and timeliness of Commission decision-making.

- Selection of Winning Bidder

USAID funded ex-pat advisors will be engaged with the Tender Commission in its technical review of investor proposals and the preparation of 'requests for clarification' to investors. Advisors will present non-binding opinions on investor proposals for consideration by the Commission. Advisors will assist the Commission to implement agreed proposal/investor scoring and will be engaged to promote transparency throughout the Commission's work. As a result a recommendation by the Tender Commission will be presented to the Council of Ministers by April 24, 2005 identifying the preferred bidder.

- Completion of the Concession contract

This step includes the incorporation of key elements of the winning bidder's proposal into the final concession contract, negotiation of final elements of the concession contract and its signing by representatives of both parties. Advisors will provide technical assistance to MTC experts throughout this process.

2. 2. The Ministry of Transport and Communications agrees to:

- Commit a team of senior staff members from key functional divisions in the Ministry as counterparts to the technical assistance team;
- Provide on-going access to relevant tender documentation
- Cover the costs associated with the Bearing Point experts involved as consultants to the tender process up to the amount of USD 30,000, which represents less than 10% of the program costs provided by USAID. A separate contract arrangement will be signed between MTC and Bearing Point to that effect **that extends the tax and customs exemption provisions of the Framework Bilateral Agreement to these reimbursement of costs**. In doing this, the MTC will comply with the provisions of the Art. 12, Paragraph 1(8) of the Procurement Act.

ARTICLE 3. STANDARD PROVISIONS

3.1 Relation to Framework Bilateral Agreement: In-kind assistance furnished by USAID pursuant to this MOU is considered United States assistance within the scope of the Agreement

Attachment 13-Memorandum of Understanding

between the United States of America and the Government of the Republic of Bulgaria concerning Economic, Technical and Related Assistance signed July 27, 1998 and is subject to the terms and conditions of that agreement, including provisions relating to exemptions from taxes and customs duties exemptions.

3.2 Compliance with U.S. Law and Regulations: USAID shall obligate, commit and expend funds and carry out operations pursuant to this MOU only in accordance with the applicable laws and regulations of the United States.

3.3 Records, Audit and Inspection: The GoB, acting through the MTC, shall maintain or cause to be maintained, as appropriate, records relating to the assistance adequate to show use and receipt of assistance furnished pursuant to this MOU. Records shall be maintained for a period of three (3) years after assistance has been furnished. The MTC shall afford authorized representatives of USAID or their designees, the opportunity at all reasonable times to inspect the site of the assistance and records relating to the assistance.

3.4 Publicity: The GoB will give appropriate publicity to the assistance as a program to which the U.S. Government has contributed.

3.5 Authorized Representatives: The Parties shall be represented by those holding or acting in the offices held by the signatories to this MOU. Each Party may, by written notice to the other, identify additional representatives authorized to represent that Party for all purposes other than executing formal amendments to this MOU. Each party shall notify the other, in writing, of changes in its authorized representatives.

3.6. Language. This MOU is written in both English and Bulgarian. In the event of ambiguity or conflict between the two versions, the English version shall prevail.

3.8. Effective Date: This MOU shall be effective on the date of signing by both Parties.

3.9 Third Party Instruments and Availability of Funds: In order to provide the in-kind assistance described above, USAID may enter into such contracts and other instruments with public and private parties as USAID deems appropriate. All undertakings of the U.S. Government pursuant to this MOU are subject to the availability of funds and to further agreement between USAID and such public and private parties, regarding the provision of in-kind assistance. This MOU is not intended to effect an obligation of funds by USAID.

In witness whereof, the Parties have caused this MOU to be signed in their names and delivered as of this ____th day of _____, 2004.

Debra D. McFarland
USAID Mission Director

Nikolay Vassilev
Deputy Prime Minister and

Attachment 13-Memorandum of Understanding

Minister of Transport and Communication

**ДОГОВОР
МЕЖДУ BEARINGPOINT, INC. И
МИНИСТЕРСТВО НА ТРАНСПОРТА И
СЪОБЩЕНИЯТА ЗА ВЪЗЛАГАНЕ НА
УСЛУГА ЗА ПРЕДОСТАВЯНЕ НА
ТЕХНИЧЕСКА ПОМОЩ ЗА
КОНЦЕСИОНИРАНЕТО НА ЛЕТИЩА**

Днес.....2005 г. на основание Споразумението от юни 2005 г. (Letter of Understanding) между USAID и Министерство на транспорта и съобщенията на България, Заданието USAID/ BearingPoint (адаптирано) и във връзка с чл. 12, ал. 1, т. 8 от Закона за обществените поръчки на Република България се сключи настоящия договор за възлагане на услуга за предоставяне на техническа помощ за концесионирането на летища

1. Възлагане. С настоящия договор Министерството на транспорта и съобщенията на Република България (“Министерството”) възлага на BearingPoint да извърши работата в съответствие със Споразумението и Описанието на работата, включено в Заданието USAID/ BearingPoint (адаптирано) по проекта за концесиониране на гражданско летище за обществено ползване Бургас и гражданско летище за обществено ползване Варна, а именно:

- Финализирането на конкурса за концесията и;
- Преговорите по концесионния договор за двете летища Бургас и Варна.

Страните се съгласяват, че към датата на подписване на настоящия договор, е финализиран конкурсът за концесията, определен е спечелилият конкурса участник и е подписан концесионният договор.

2. Срок. Двете страни се съгласяват техническата помощ от международните консултанти от BearingPoint да се предостави за срок до 20 юни 2005 г.

**CONTRACT
BETWEEN BEARINGPOINT, INC. AND
BULGARIA MINISTRY OF
TRANSPORT AND COMMUNICATIONS
FOR ASSIGNMENT OF TECHNICAL
ASSISTANCE SERVICES FOR THE
CONCESSIONING OF AIRPORTS**

Today,, 2005 pursuant to the Letter of Understanding between the USAID and the Ministry, dated June 12, 2005 and the Task Order issued by USAID to BearingPoint (Sanitized) and in accordance with Art. 12, para 1, i. 8 of the Public Procurement Act of the Republic of Bulgaria, the present contract for assignment of technical assistance for the concessioning of airports was signed.

1. Authorization. With the present contract the Bulgaria Ministry of Transport and Communication (“Ministry”) hereby assigns to BearingPoint to perform work in accordance with the Letter of Understanding and the Statement of Work included in USAID/ BearingPoint Task Order (Sanitized) under the project for the concessioning of civil airport for public use Varna and civil airport for public use Bourgas, more specifically:

- Finalizing the concession tender, and;
- Negotiating the concession contract for the two airports Varna and Bourgas

The parties acknowledge that as of the date of signing the present contract the tender for the concession is finalized, the winning bidder is selected and the concession contract is signed.

2. Deadline. The two parties agree that the technical assistance of the international advisers from BearingPoint shall be provided for the period through June 20th, 2005.

3. Условия. В допълнение на посочените тук условия, важат всички клаузи и условия на следните документи, които се считат включени в този Договор чрез препращане: Споразумение (Letter of Understanding) между USAID и Министерството от юни 2005 г.; и условията на Заданието от USAID до BearingPoint. По отношение на задълженията на страните, Министерството замества USAID в условията на Заданието, приложено към този Договор, включени в този Договор чрез препращане. В случай на несъответствие или противоречие между условията по приложеното Задание и условията по настоящия Договор, прилагат се условията по настоящия Договор.

4. Освобождение от данъци. Министерството се съгласява, че по отношение на този Договор и плащанията за BearingPoint по него са приложими данъчните и митнически облекчения, съдържащи се в Споразумението между правителството на Република България и правителството на Съединените Американски Щати за икономическа, техническа и съответна друга помощ (подписано на 27 юли 1998 г.). В случай че Министерството извърши намаляване, удържане или плащане на някакви данъчни плащания от суми, изплатени или дължими на BearingPoint по настоящия Договор, сумите изплатени или дължими на BearingPoint се изравняват до брутната сума до необходимата степен, така че да се осигури, че BearingPoint ще получи и задържи, без други задължения, нетна сума равна на сумата, която BearingPoint би получил ако не бяха направени никакви данъчни удръжки.

5. Ограничаване на отговорността. BearingPoint отговаря пред Министерството за неизпълнение на задълженията си по този договор до размера на сумата, платена от Министерството на BearingPoint по настоящия Договор.

3. Terms. In addition to the terms set forth herein, all the terms and conditions contained in the following documents are incorporated by reference: The Letter of Understanding between the USAID and the Ministry, dated June 8, 2005; and the terms and conditions of the Task Order issued by USAID to BearingPoint. With regard to the parties obligations hereunder, the Ministry shall be substituted for USAID in the terms and conditions of the Task Order attached here to. In the event of a conflict between any of the terms and conditions of the attached Task Order and the terms and conditions of this Contract, the terms and conditions of this Contract shall prevail.

4. Tax Exemptions. The Ministry agrees that this Contract and payments to BearingPoint hereunder are subject to the tax and customs exemptions contained in the Framework Bilateral Agreement between the Government of the USA and the Government of Bulgaria (signed on 27 July 1998). If the Ministry makes any tax deduction, withholding or payment from any amount paid or payable by the Ministry to BearingPoint under this Contract, the amount paid or payable to BearingPoint shall be grossed-up to the extent necessary to ensure that BearingPoint receives and retains, free of liability, a net amount equal to the amount that BearingPoint would have received and retained had no tax deduction or withholding been made.

5. Limitation of Liability. In performing this Contract, BearingPoint shall be liable to the Ministry for failure to perform its obligations under the present contract up to the amount paid to BearingPoint by the Ministry hereunder.

6. Плащане. Министерството оторизира извършването на разходи и/или работа, които не надвишават \$ 30 000 щатски долара. BearingPoint ще представи една обща фактура, а Министерството ще извърши плащане на BearingPoint срещу тази фактура в срок до 30 дни от нейното получаване. Неприемането на отделни позиции по фактурата следва да бъде съобщено писмено на BearingPoint в срок до 7 дни от получаването на фактурата. Фактурата следна да бъде придружена с отчет на BearingPoint описващ изпълнението на задълженията по този договор съгласно Глава А4 Задание за изпълнение, раздел 6 Отчетност, точка 3 от Заданието USAID/ BearingPoint (адаптирано). Отчетът и електронната му версия следва да бъдат представени в дирекция „Концесии” на Министерството.

7. Цялостност на Договора. Настоящият Договор и документите, инкорпорирани чрез препращане, представляват цялостния договор между страните и заместват всички предходни и други писмени и устни ангажименти, договорености, споразумения или уведомления по отношение на предмета на този Договор. Настоящият Договор не може да бъде изменян, освен с писменото съгласие на надлежно упълномощени представители на всяка от страните.

8. Съгласие. BearingPoint приема настоящия Договор с подписването на настоящия документ и връщането му на Министерството. При приемане и от двете страни, BearingPoint ще изготви и представи фактура за услугите, предоставени на Министерството

Николай Василев
Nikolay Vassilev
Заместник министър-председател и
министър на транспорта и съобщенията
Deputy Prime Minister and Minister of Transport
and Communications

6. Payment. The Ministry authorizes to make expenditures and/or perform work not to exceed \$ 30,000 US dollars. BearingPoint shall submit a single invoice and Ministry will make payment to BearingPoint against such invoice within 30 days of its receipt. Non-acceptance of individual line items on the invoice must be communicated to BearingPoint in writing within 7 days of receipt of the invoice. The invoice should be accompanied by a report from BearingPoint describing in detail the execution of obligations under the present contract according to USAID/ BearingPoint Task Order (Sanitized), chapter A.4 Statement of work; point 6 Reporting requirements item 3. The report and the electronic version of it must be submitted to Concession Directorate of the Ministry.

7. Entire Agreement. This Contract and the documents incorporated by reference constitute the entire agreement between the parties and supersedes all prior and contemporaneous oral and written agreements, commitments, understandings or communications with respect to the subject matter herein. This Contract may not be modified except in writing signed by a duly authorized representative of each party.

8. Acceptance. BearingPoint shall accept this Contract by signing below and returning this document to the Ministry. Upon acceptance by both parties, BearingPoint shall prepare and submit the invoice for services performed to the Ministry.

Каръл Суон
Carol Swan
Управляващ директор, Публични услуги
MANAGING DIRECTOR, EMERGING MARKET
OPERATIONS
BEARINGPOINT, INC.
1676 International Drive, McLean, VA 22102-4828

1. Reuters report on the short-listing of qualified investors

Bulgaria Picks Bidders For Airports Tender
December 3, 2004

Bulgaria has shortlisted five companies as bidders in a tender to run and modernize its two main Black Sea airports in the port cities of Varna and Bourgas, a source close to the process said on Friday.

The 35-year concession for the two airports is key to Bulgaria's efforts to boost its growing tourism industry, a main driver of the Balkan state's nascent economy and a source of foreign funds it uses to cover its wide current account gap.

The firms include German airport operator Fraport, Denmark's Copenhagen Airports, Italian Vinci Airports, a German-Bulgarian consortium led by construction firm Hochtief and a consortium led by Airports de Paris, said the source, who wished not to be named.

A special commission led by Transport Minister Nikolai Vassilev which had been set up to award the concession declined to comment on the process, under which short-listed bidders should file offers by March 7.

The commission received eight non-binding bids last month and aims to attract a strategic investor to pour fresh cash into the outdated airports and bring them up to European Union standards.

A US consortium led by American International Airports, another grouping of airport operators from Poland's Gdansk and France's Nice, and the US company Dutko Group will not continue on the tender, the source said.

The two airports, which lie 130 kilometres apart on the Black Sea coast, are seen as a lucrative deal, as the booming tourism industry is expected to continue to grow as Bulgaria prepares to join the EU in 2007.

More than four million travelers are expected to visit Bulgaria this year, while tourism revenue surged by 25 percent in the first six months of the year to a record EUR646 million (USD\$869.7 million).

The transport ministry has said it expects the winner to invest at least EUR130 million (USD\$175 million) to overhaul the terminals and runways of the airports in the process, which is likely to be finalized by April.

2. From the Website of the Council of Ministers

Copenhagen Airports Won the Contest for Concessionaire of Varna and Burgas Airports

The concession of Burgas and Varna airports is part of the government's efforts to establish modern transport infrastructure in the country

8 April 2005

Receiving 9.15 points out of 10, Copenhagen Airports, chosen by ACI (Airports Council International) for airport No1 in Europe, is the winner at the concession contest for the airports in Burgas and Varna, announced at a special press conference Deputy Prime Minister and Minister of Transport and Communications Nikolay Vassilev. He chaired the contest committee, appointed by Prime Minister Simeon Saxe-Coburg.

The winner had serious competitors, and the procedure was professional and transparent. One of the parameters ranking the Danish company first, was the offered concession fee of 30% of all revenues, said Deputy Prime Minister Nikolay Vassilev. This means EUR 1 297 million of direct budget revenues for the country. The minimum concession fee included in the concession procedure was 12% of all the revenues of the airport for the next 35 years.

Copenhagen Airports has also the best investment programme, divided equally between the two airports. For 35 years, it is scheduled to be a total of EUR 526 million. Over BGN 106 million of these funds will be allocated for the first three years in Varna and Burgas for the construction of new terminals.

This is the first concession in the system of the Ministry of Transport and Communications. The Deputy Prime Minister pointed out that the concession of the airports is an important step forward for the development of Bulgarian tourism and aviation. New terminals with longer runways will be constructed. This modernization will enable the introduction of new destinations to the seaside resorts, and hence the quality of services will change drastically.

Minister Vassilev said that the concession is expected to reduce airport fees for air lines. The concession of Burgas and Varna airports will be a factor in attracting foreign investors, setting up new stores, hotels; and as a consequence thousands of new jobs will be created and the flow of passengers will increase.

Second in the contest was ranked the consortium of German Fraport AG Frankfurt Airport Services Worldwide and Bulgarian BM Star Ltd., which was granted 7.95 points; third ranked French Vinci Airports and Vinci Concessions, receiving 7.36 points.

The concession contract will be signed by 1 month.

The concession of Burgas and Varna airports is part of the government's efforts to establish modern transport infrastructure in the country as well as in the Balkans.

3. Sofia Echo, April 2005

Danes win coastal airports
Ivan Vatahov

Attachment 15-Media Reports

COPENHAGEN Airports won a 35-year concession for the management of two Bulgarian airports – in Varna and Bourgas – beating three other major bidders.

“The Danish company has pledged to invest a total of 526 million euro over the whole concession period in equal parts for the two airports,” Transport and Communications Minister Nikolai Vasilev told a news conference on April 8. The investment planned for the first three years until 2008 exceeds 106 million euro.

Under the deal, Copenhagen Airports will pay the state 30 per cent of the total revenues from running the two airports, which according to Government estimates would amount to 1.2 billion euro for the entire concession period.

The second-graded bidder Fraport proposed 16.8 per cent, and Vinci Airports of France offered 21 per cent, Vassilev said.

Four companies submitted bids for the concession to run Bulgaria’s Black Sea airports in Varna and Bourgas, which are the main arrival gates to the country during the summer tourist season.

The three other bidders were a team led by Germany’s Hochtief Airport GmbH and Bulgaria’s Albena AD, a French consortium of Vinci Airports and Vinci Concessions and a consortium of Germany’s Fraport AG Frankfurt Airport Services Worldwide and Bulgaria’s BM Star Ltd.

The Government is expected to sign a final agreement with Copenhagen Airports on the terms of the concession contract in late May.

Besides annual fees, the winning bidder will have to pay an initial charge of three million euro within a month after signing the concession agreement.

The concession is of particular importance for Bulgarian aviation since new terminals allowing the landing of bigger aircraft will be built, Vassilev said. As a result, the investment climate will improve, tourism will be promoted, the number of passengers will increase, new jobs will be created boosting the overall economic growth of Varna and Bourgas and of the country in general.

In accordance with the Labour Code, all employees of Varna and Bourgas airports will be reappointed to jobs by the concessionaire. Besides, thousands of new jobs are expected to be created in the process of construction and operation of the two airports, Vassilev said.

“I am satisfied because the winner was chosen in a completely open and transparent procedure,” he said.

Varna and Bourgas are the third and fourth largest cities in Bulgaria with 340 000 and 200 000 inhabitants, respectively. The two cities are located on the Black Sea coast about 120 km apart.

The area is one of the most rapidly growing tourist destinations in Europe. In connection with the privatisation of hotel operations, development in the area has been strongly affected by a rapid expansion and renovation of the hotel capacity. Several large international hotel operators are currently adding substantial amounts of new capacity to the area. It is expected that this growth will continue in the years ahead.

In 2004, the airport at Varna had 1.3 million passengers and recorded a growth rate of 14 per cent, while the airport at Bourgas had 1.4 million passengers and growth at the rate of 30 per cent.

The Danish firm said it expected traffic to triple, to eight million passengers, by 2040.

Vassilev said 3.063 million passengers were expected to use the airports this year.

Vassilev added that despite the surprisingly high price of the Danish offer, average

Attachment 15-Media Reports

airport fees are to fall by about 10 per cent to some 12 euro for a passenger over the next 35 years.

To compensate for the lower airport fees, the concessionaire hopes to boost retail and services revenues to six euro a traveller, from the current two euro.

“We in the transport ministry estimated that this offer will allow Copenhagen to get a 10 to 15 per cent return on investments over the whole period, which was lower than what the other bidders offered,” Vassilev said.

4. Initial Filing of Appeals

Outcast Bidders Contest Bulgarian Airports Concession

Business

Fraport AG and Vinci Airports are contesting the Bulgarian government's decision to let Copenhagen Airports of Denmark upgrade and run the two main Black Sea airports at Varna and Burgas, a court official was quoted as saying by Reuters.

The German and French airports, along with a German-Bulgarian consortium led by construction firm Hochtief, have taken part in the concession tender to operate the terminals at Varna and Burgas. Eventually, the 35-year concession was granted to Denmark's Copenhagen Airports and the deal is awaiting official signature.

However, the appeal of competitors against the tender result may potentially delay the deal.

According to Rosa Georgieva, spokeswoman for the Bulgarian Supreme Administrative Court, the appeals of Fraport and Vinci were filed on Friday, but denied to reveal details on the appeals before the court rules on their validity.

Last week, Fraport announced it seek for more information concerning the government's decision because Copenhagen would be hard pressed to meet certain commitments in its offer.

Bulgarian Transport Minister Nikolay Vassilev has said the government picked Copenhagen Airports mainly due to the high annual concession fee offered - 30% of either airport taxes or concession activities, whichever is higher. The Danish bidder has offered some EUR 103 M over the first three years, considerably less than the other concession suitors.

5. Announcements by Copenhagen Airports

Preferred Airports Concessionaire Firm on Bulgarian Strategy

Business

Copenhagen Airports A/S, the preferred bidder for the concession of Bulgaria's Black Sea airports Varna and Burgas, once again confirmed its plans to assist Bulgaria's government into making Bulgaria's Black Sea region a successful tourism destination.

The company also announced that it is confused by the reaction of the outcast bidders.

We believe that we have been picked for a winner in the tender as a result of a fair and legal procedure, a press release circulated to the media reads.

The press release came after the outcast bidders Fraport AG and Vinci Airports announced that they are contesting the government's decision to let Copenhagen Airports upgrade and run the two main Black Sea airports.

Bulgarian Transport Minister Nikolay Vassilev has said the government picked Copenhagen Airports

Attachment 15-Media Reports

mainly due to the high annual concession fee offered - 30% of either airport taxes or concession activities, whichever is higher. The Danish bidder has offered some EUR 103 M over the first three years, considerably less than the other concession suitors.

6. Signing of the Concession Transaction

Bulgaria, Copenhagen Airports Clinch Coastal Airports Deal

Business

Bulgaria's Transport Minister Nikolay Vassilev and Copenhagen Airports will sign the concession contract for two coastal airports at Varna and Burgas on Sunday.

The Danish company was the preferred bidder for the concession of Bulgaria's Black Sea airports Varna and Burgas with an ambitious program to renovate the former and build a new terminal at the latter airport facility.

The government picked Copenhagen Airports for the high annual concession fee offered - 30% of either airport taxes or concession activities, whichever is higher. The Danish bidder has offered some EUR 103 M over the first three years, considerably less than the other concession suitors.

The outcast bidders have insisted that it is illegal to allow a preliminary enforcement of an administrative act under appeal, as it is the case.

One of outcast bidders - the German-Bulgarian consortium of Fraport AG and BM Star - has filed a suit at a five-member panel of the Supreme Administrative Court after a lower panel neglected the appeal of Fraport AG and Vinci Airports, another suitor in the tender.

The May 11 ruling of the three-panel court gave the go-ahead to the 35-year concession of the two airports.

The airports of Varna and Burgas, third and fourth largest cities of Bulgaria, were offered for concession for a period of 35 years.

The concession winner will take the obligation to maintain them in year-round operation for domestic and international flights - Varna and Burgas are now fully engaged in the summer only.

7. Court Halts Bulgarian Coastal Airports Concession Deal

Business: 20 October 2005, Thursday.

A three-member panel of Bulgaria's Supreme Administrative Court (SAC) canceled the Council of Ministers decision on the concession agreement between Bulgaria and Copenhagen Airports AS.

On Thursday the court reviewed once again the claims of the outcast bidders, the consortium of Fraport AG and BM Star and the Vinci Concession and Vinci Airports consortium.

The court registered lack of experience of the picked candidate and violations in the tender procedure executed by the tender commission.

SAC ruled that the Cabinet should continue the negotiations for the concession with the other candidates - Fraport AG and BM Star and the Vinci Concession and Vinci Airports consortium. Besides that Bulgaria's Council of Ministers should pay BGN 80,075 to the Vinci Concession and Vinci Airports consortium, which is equal to the taxes they have paid for the legal suit. Another BGN 50 M will be paid to Fraport AG and BM Star.

Attachment 15-Media Reports

The SAC members accepted the claims as reasonable, as the Tender Commission has received Copenhagen Airports AS tender documentation after the deadline expired.

The magistrates also ruled that the picked bidder does not meet the top priority in the candidates' assessment - at least 2 years experience in managing at least 2 big airports over the last five years in different countries. The magistrates pointed out that the Tender Commission had wrongfully reviewed the financial parameters presented by the picked bidder.

The court halt was taken following the litigations of the outcast bidders, the consortium of Fraport AG and BM Star and the Vinci Concession and Vinci Airports consortium. They have insisted that it is illegal to allow a preliminary enforcement of an administrative act under appeal, as is in the case with the concession agreement.

August 2004 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.

Introduction

On August 24, the Council of Ministers Decision on the airports concession transaction was published in the State Gazette. The Government is now committed to a clear timetable for the various stages of transaction implementation, with selection of a winning bidder to take place within eight months of this date. Experts from the Ministry of Transportation and Communication (MTC) completed the tender for international legal advisors, which will further support the project and provide complementary resources critical for eventual transaction success.

Ministry of Transport and Communication Activity

The COM Decision, which was approved by the Council of Ministers in late July, was published on August 24. It was necessary to redact the document slightly prior to its publication to make minor corrections and to incorporate requested adjustments by the COM. The publication was also put-off until late August to ensure that the Government and other necessary authorities would be back in session shortly after its publication for the next critical actions and decisions.

The Prime Minister authorized the formation of the Tender Commission shortly after publication of the COM Decision. The Commission consists of Deputy Prime Minister (and Minister of Transportation and Communication) Vassilev, Deputy Minister of Economy Lingorsky, Deputy Minister of Finance Ivanovsky, COM Director of Economic Policies Kamenova and Head of the MTC Legal Department Stoyanova. We are pleased that the composition of the Commission reflects institutions keenly aware of the transaction's importance for Bulgaria; however, some of its members are inexperienced with international transactions, and others lack English-language skills which will complicate the Commission's work with investors and both legal and technical advisors. MTC leadership has requested that BearingPoint be approved as advisors to the Commission, and the list of approved advisors and experts will be one of the first issues taken up by the Commission when it convenes its initial meeting in early September.

The tentative timeline for transaction implementation is as follows:

September 24, 2004	Publication of Tender Opening
mid-November 2004	Submission of Pre-Qualification Applications
Dec 2004 / Jan 2005	Due Diligence by Pre-Qualified Bidders
March 7, 2005	Submission of Binding Proposals
End-March 2005	Selection of Winning Bidder

The COM Decision specifies a maximum period for implementation of the concession transaction: eight months from its publication. During this period, which expires on April 24, 2005, the Commission must recommend a Winning Bidder to the Council of Ministers. The COM is then to confirm this decision, and empower the Ministry of Transportation and Communication to conclude the concession contract. Owing to the parliamentary elections expected in summer 2005, it is generally accepted that the contract must be signed during the 2nd quarter of 2005, which is consistent with this schedule and with international practice for similar transactions.

The tender for legal advisors was closed on August 13, and twelve applications were received - this good result exceeded the expectations of the MTC. The applications included several from consortia of well-known and respected international law firms and well-respected Bulgarian law firms. Advisors assisted the MTC to review proposals and prepare clarification requests, which were considerable owing to the often poor fit between the public procurement requirements and the standard international practice for a procurement of this type. A consortium of the French law firm of Gide Loyrette Nouel and the Bulgarian law firm of Arsov Natchev Ganeva was selected as the winner, and a contract was concluded with the firm by the end of the month. Its first task will be to meet with MTC counterparts and advisors, provide legal review of the initial tender documentation and begin work on the draft concession contract. It should be noted that we have severed our relationship with one of the lawyers from Arsov, Natchev and Ganeva, which formerly worked with us.

Advisors and MTC counterparts continue to develop the draft tender documentation for its review and approval by the Tender Commission. The draft Terms of Reference in English and Bulgarian, which will be made to all interested parties following the tender's opening, is ready for review by the Tender Commission. There remain several outstanding issues to be resolved for inclusion into this document, including the language of the tender itself, the participation of subsidiary companies, documentation requirements for the application process and several others. As advisors, it is extremely important that we review each of these issues carefully with Commission members and other experts, incorporating international best practice into the discussion so that the Commission makes informed decisions consistent not only with Bulgarian legal requirements and practices (with which it is quite familiar) but also with the reasonable expectations of international investors.

A major revision of the information memorandum was also initiated this month to incorporate the updated concession analyses and available data from the 2004 season, which is mostly completed at this time. Advisors prepared initial drafts of the Bulgarian and English language public announcements for further development and approval. During its initial meetings throughout the month of September, the Commission will approve the public announcements and must approve the Terms of Reference for distribution in early October.

Lastly, several international airport-operating companies completed site visits to the airports during the month of August. They were encouraged to do so by MTC counterparts who were reminded by Advisors that the tender will take place during the Fall, and most investors will not have an opportunity to undertake formal due diligence during the busy summer tourist season. The preliminary feedback from such site visits was positive, and several interested parties made their interest public through subsequent visits with local officials and the granting of interviews. Interested investors also conducted brief exit meetings with MTC experts and Advisors, discussing the transaction and providing informal feedback on a variety of issues. Despite the relatively strong interest shown to date in this transaction, we must remember that the potentially qualified and likely interested investors are not many - all reasonable efforts must be made to promote the opportunity and to structure the transaction and the tender to maintain its attractiveness. Still, expectations must be managed locally to ensure that success is measured by the quality of the submitted proposal(s), not by their quantity. (END)

September 2004 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.
Barents Group, LLC

Introduction

Public announcement of the tender took place on September 25, as planned, with official notice placed in the Bulgarian State Gazette. This was followed by publications in the Financial Times and the Economist, and direct correspondence with investors and interested parties which had submitted expressions of interest. Prior to this, the Tender Commission and its advisors and experts, Advisors included, established the procedures for the concession tender and approved the 1st Stage Tender Documents.

Ministry of Transport and Communication Activity

The Tender Commission commenced its meetings in early September. Its first task was to approve the public announcement of the tender, followed by review and approval of the first stage tender documents, namely the terms of reference for the transaction.

The Commission approved the participation of advisors and experts at Commission meetings, including representatives from each of the involved ministries and BearingPoint as financial and technical advisors. The meetings have been led by Minister Vassilev, who shows careful consideration for the opinions and positions of other Commission members upon whose support the tender is heavily reliant. The Commission has also permitted advisors and experts, including our team, to play an active role in discussions, raising issues and providing opinions when asked.

The announcement of the opening of the tender for publication in the Bulgarian press, a legal requirement, was reviewed over the course of several Commission meetings and eventually approved. It was published in the State Gazette on September 25, exactly one month following the publication of the Council of Ministers Decision, as required by law. The announcement contained considerable information about the details of the concession tender, including the dates for submission of applications and binding proposals (March 7, 2005). The Commission also approved the public notice for the international press. This notice was published in the Financial Times (September 28) and The Economist (October 2) at the Commission's expense. Additionally, the MTC placed all relevant public information on its Website in English, including the COM decision, the public notice (Bulgarian and international) and the Concessions Act and Implementing Procedures – investors have confirmed to us that this step has proven extremely useful to them.

Advisors completed the transaction Terms of Reference early this month, after which it was reviewed by Commission advisors and experts for compliance with existing laws and regulations and the Council of Ministers Decision. For the most part, the terms and conditions of the document as prepared by Advisors were accepted by the Commission, although the Commission did make several decisions contrary to Advisor recommendations. The Commission selected Bulgarian as the language of the transaction, which we believe will make the transaction more difficult and costly for investors, particularly as technical information for the industry is most frequently prepared in English. The Commission also imposed heavy restrictions on the use of subsidiary companies for participation in the tender. While we acknowledge that this is due to past transaction history that discredits subsidiary participation, this remains the industry practice and its prohibition may cause

difficulties for the transaction and eventual contract completion. Although the Commission acted contrary to our recommendations in these instances, Commission members did consider our proposals and their rationale prior to taking decisions. The Terms of Reference was approved at month's end, and will be distributed to all interested parties at a cost of 500 Euros. The document contains all necessary procedural information, including the templates for submission of qualification applications, as well as basic information about the airports and the concession transaction.

Advisors worked closely with the international legal advisors who were on-site for one week this month to meet with counterparts. We discussed in broad terms the transaction structure and the draft concession contract, which will assist them greatly to prepare the initial draft of the concession agreement.

Several investors completed site visits to the airports in September, the last month of the tourist season and the last opportunity to see the airports in peak operation prior to the deadline for submission of proposals. During exit interviews and phone calls with investors, strong interest to participate in the transaction was confirmed. The transaction is seen as extremely attractive for several reasons, most notably:

- the continued high growth of airport passenger traffic supported by the thriving tourism industry;
- attractive and appropriate transaction terms and conditions which support a successful win-win transaction; and
- Bulgaria's attractive macroeconomic conditions and stability, including its likely accession to the EU in 2007.

Advisors and MTC counterparts continued the preparation of stage two tender documents, including the information memorandum, and request for proposals document. Airports data through October 2004 will be included in the information memo. Advisors also initiated the collection of documents for presentation in the dataroom, to be made available to all qualified investors during the second stage of the tender.

Attachments:

1. International public notice of the tender.
2. Advisor opinion to the Commission on subsidiary participation.

**LONG-TERM AIRPORT CONCESSION OPPORTUNITY - BULGARIA
PUBLIC ANNOUNCEMENT OF TENDER**

The Opportunity

The Government of Bulgaria has committed itself to the development of the Bourgas and Varna International Airports (the Airports) on its Black Sea Coast. The Airports are experiencing rapid traffic growth and each now handles more than 1 million international passengers annually.

The Tender Process

A single tender shall be conducted to select one concessionaire to operate, manage and develop the Airports for a term of 35 years.

The Tender shall be conducted through a two-stage selection process. The first stage will include application and pre-qualification of bidders; the second stage will include the submission of proposals and the selection of a preferred bidder.

Qualified bidders shall be led by internationally experienced airport operators with sufficient financial resources and a successful track record in developing airport infrastructure and managing airport operations in accordance with international standards.

Part I of the Tender Documents is available beginning October 1, 2004. The deadline for receipt of applications is November 12, 2004. The expected deadline for the submission of proposals is March 7, 2005.

Submission of Applications

Applications must be submitted in accordance with the terms and requirements set out in Part 1 of the Tender Documents, which may be received in person by an authorized representative, at which time must be submitted a (1) receipt of payment of 500 Euros and (2) proof of authorization. A declaration of confidentiality must be signed at the time of receipt of Part 1 of the Tender Documents. Submitted applications must include a receipt for purchase of the Part I Tender Documents by the applicant or consortium member.

Concessions and Public State Property Management Department

Ministry of Transportation and Communication, Room # 1005
Sofia, 9 Dyakon Ignatii Street
Tel. ++359(2)9409-597, -419, -420 fax: ++359(2)988-5149

Payment Information

To: Ministry of Transport and Communication
Account #5400124833
Bank Code #66196611 w/ Bulgarian National Bank
Euro Account w/ Deutsche Bank, Frankfurt
Swift Code: DEUTDEFF

The full text of the public announcement was published in the Bulgarian State Gazette, September 24, 2004.

For Consideration by the Tender Commission:

From: BearingPoint, Financial and Technical Advisors to MTC
Issue: Subsidiaries and Corporate Structure

Recommendation: The Tender Commission should enable Bidders or Key Consortium members to prove their operational and financial capabilities through the parent company, which has an effective majority control over the subsidiary. This will reflect the predominant international practices in similar transactions involving complex corporate structures. Majority beneficial ownership by the parent company is sufficient to demonstrate this control. Restrictions on corporate ownership and governance structure should be limited to the composition of the Bulgarian registered corporate entity defined as the Concessionaire, so as to allow bidders to propose the derivative corporate hierarchy and structure at the group level that is most appropriate for their participation.

Rationale:

1. International airport operating companies, like multinational companies in all sectors of the economy, possess diverse corporate structures. This is due to the specific legal and corporate requirements imposed on them by their home countries, to their desire to optimize revenues and minimize potential liabilities (tax, legal, etc.) and to their individual strategies for growth.
2. For the above reasons, many of these companies create a subsidiary through which international investments such as the Bulgaria Airports Concession are undertaken. This subsidiary may be wholly-owned, jointly owned by a combination of two or more of its existing subsidiaries with related parties, or it may reflect an existing partnership between the company and one or more of its partners. It may be the same subsidiary through which multiple international airport projects are undertaken, or it may be a unique subsidiary for an individual international airport investment project.
3. The COM decision requires that the bidder, or key consortium member, maintain at least 51% of the shareholding of the concessionaire throughout the life of the concession. This fact will be included in the tender documents and in the concession contract, and will be strictly adhered to. The issue of subsidiary participation does not alter this fact.
4. However, for the reasons indicated in items 1 and 2 above, the Commission should recognize that this shareholder may be an existing subsidiary of the parent company which is recognized to have the operational and financial expertise, or possibly a newly created subsidiary for participation in this transaction. This is typical practice in infrastructure concessions. Parent companies are often consolidating corporate entities that are not structured to take up direct equity stakes, and indeed in the case of publicly traded companies may not be permitted to under the regulations of their country of registration.
5. To ensure that the parent company with the underlying expertise is truly in control of the subsidiary, the Commission may consider expressly stating in the tender documentation that the parent company must demonstrate beneficial ownership of not less than 51% of the ownership of this subsidiary and maintain such control throughout the life of the concession. This protects the interests of the State and is in compliance with the COM decision and international practice.

October 2004 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.
Barents Group, LLC

Introduction

More than 15 interested parties purchased the stage 1 tender documents during the month of October, including many leading international airport operating companies. Advisors and MTC counterparts responded to five separate requests for clarification from investors, primarily centered on requirements for applications. Advisors completed and delivered drafts of the information memorandum and the request for proposals to the Tender Commission and its advisors and experts.

Ministry of Transport and Communication Activity

The Terms of Reference for the airport concession transaction was made available for purchase in Bulgarian and English translation as of October 1. The document consists of several distinct sections:

- the procedures for the first and second stage of the tender,
- the contents (requirements) of the application,
- summary technical information about the airports,
- summary information about the concession terms and conditions, and
- template forms to be submitted as part of the application.

In order to receive the Terms of Reference, interested parties are required to pay 500 Euros into the MTC account, be physically present in the designated MTC office to provide original signatures and take delivery of the hard copy documents, and to demonstrate authorized company representation through the use of notarized, legalized and certified original and translated documents. Also, at least one member of an applicant or consortia must have registered to receive the Terms of Reference. Although cumbersome, these procedures are effective at weeding out non-serious parties from further participation.

The Terms of Reference was purchased by 19 interested parties, including major international and Bulgarian companies. The Commission received several requests for clarification to the documents, and Advisors assisted Commission members and other advisors and experts to review the questions and to prepare suitable responses. The Commission provides responses to all those which purchased the Terms of Reference, and does not disclose the party which asked the question. The questions were focused on the preparation of applications, as many bidders were keenly interested to prepare exactly what the Commission wanted, and not to undertake the preparation of any documents or translations that would not be necessary. The Commission also confirmed that changes in the make-up of consortia would be permitted if they do not violate the original requirements. The Commission received a request to extend the deadline for submission of applications, but did not do so. MTC counterparts were extremely professional in the preparation of investor responses and in their efforts to respond in a timely manner. Advisors remain in contact with several of the interested parties so as to unofficially address lingering questions or issues but under no circumstances do we provide inappropriate information to one or another party – in many cases, we suggest that questions be formally raised to the Commission.

As permitted in the Terms of Reference, several investors conducted site visits during the first stage of the concession transaction. This provided a final opportunity for investors to see the airports

during the season, and enabled preliminary due diligence to take place. The MTC requested that each of the airport operating companies establish a commission of three persons to interact with investors, showing the airports and answering limited questions – this system has proved to be effective at this early stage of the transaction.

Advisors continued work on the 2nd stage tender documentation, including the Information Memorandum and the Request for Proposals. The information memorandum has been updated to reflect the 2004 tourism season and the changes to the airports' traffic and technical profile this past year. A draft was sent to the Commission and its advisors and experts early in the month and several sets of comments were received, which we are presently incorporating. Advisors are working closely with the CAA and the airport operating companies to ensure that they review the IM closely and provide their comments and suggestions. Advisors expect the document to be finalized in the month of November.

The draft Request for Proposals went through two English-language revisions during the month of October, after which it was translated into Bulgarian and made available to the entire Commission. The Request for Proposals contains critical guidance about the second stage of the tender process, the requirements and contents of investor proposals, and selection criteria that the Commission will broadly apply in making its recommendations to the Council of Ministers. The document also contains details about the investment requirements, the standards and targets to be met by proposals and the level of detail to be provided by investors. The Request for Proposals will be completed by early December at the latest, depending on the timing of feedback from the Commission and its advisors and experts.

Advisors initiated preparation of the dataroom this month, including the identification and collection of required documents and the actual procedures for investor due diligence, including both document review and investor site visits. The dataroom is a key element in the 2nd stage of the tender and will allow all prequalified parties to review a broad range of original documents in both English and Bulgarian and to incorporate this information into their decision-making process and into their technical and financial proposals. The dataroom will be maintained in two identical copies to enable two investors to undertake simultaneous review, and needs to be available nearly immediately following the delivery of 2nd stage tender documents to pre-qualified investors, as soon as mid-December.

Advisors secured USAID approval for a short-term technical advisor to join the project and provide assistance on specific investment planning issues. This work is expected to begin in early November, and will greatly support the completion of 2nd stage tender documents by Advisors and their approval by the Commission.

The airports completed the summer tourist season this past month, and both Bourgas and Varna continued their recent exceptional traffic growth. Bourgas Airport exceeded 1.35 million passengers through October, more than 35% of the previous year's total and exceeding the total reached at Varna Airport for the first time. Varna Airport has received more than 1.30 million passengers, growth of approximately 15%. Outstanding passenger growth, and the continued

positive outlook evident from continued tourism development on the seacoast, has greatly supported international interest in the concession opportunity, while at the same time convincing domestic decision-makers in both the private and public sectors of the need and wisdom for undertaking the concession transaction in the first place.

Lastly, as the tender moves into its competition stages, the confidentiality requirements of all Commission members and their advisors and experts, including our team, will limit somewhat the disclosures that we can make to USAID about the progress of the transaction, the participants in the tender and the opinions expressed by the Commission members. We do not anticipate that this will pose a problem in our ability to report accurately to USAID on our activity and the project's progress toward realizing its objectives.

Attachments: Due diligence document checklist

Data room requirements

(all documents should be made available in English)

A. Financial and management information

1. Management information

- Internal management and financial reports
- Board of directors material and minutes from the board of director meetings
- Annual financial accounts with Profit and Loss statement, Balance sheet and cash flow statement
- Auditors opinion and management letters
- Monthly P&L accounts for the last two years and the current budget year
- The budget for the current year and the latest revision of the budget (i.e. the latest expectation to the financial result for the current year)
- Budget for next financial year
- Any internal financial business plan for the next 5-10 years
- Specification of any one-off revenues or expenses (extraordinary items)

2. Traffic, handling and aeronautical revenue

- Full details of the current tariff regulation and aeronautical charges
- Disclosure of handling contracts
- Disclosure of any agreements / practice made with airlines regarding rebates or other deviations from the official tariff structure (including handling)
- Passenger and operational statistics (movements, MTOW and other relevant data) split on airlines and destination at a level of detail sufficient to recalculate total historic aeronautical and handling revenue
- Detailed description of the future tariff regime

3. Commercial revenue and activities

The disclosure of data regarding commercial activities should be at a level of details sufficient to recalculate historic commercial revenue. This information should at least contain:

- Disclosure of payment conditions for all commercial contracts
- Sales data from each commercial outlet / activity
- Generated revenue to the airport from each contract and operator
- Profit and Loss statement for activities operating with profit sharing
- Separate profit and loss accounts (before financing and taxes) for own operated commercial activities.

4. Operational costs

- Full specified organisational chart with number of employees within each department.
- Specification of function, organisational placement and annual salary and pension contribution for each single fulltime and temporary employment (specify length and period of temporary employment)
- Profile of key management incl. contracts
- Employee payroll records'
- General description of staff incl. age profile, education etc.
- For each operational cost item in the P&L a breakdown of the cost to the general ledger level. The sum of the disclosed ledgers shall minimum cover 90% of the total sum within each main item in the P&L. All ledgers with annual registrations above € 100.000 should also be disclosed
- A list of external suppliers and their annual transaction amounts with the airport. The list shall cover 90% of external costs
- Disclosure of financial terms in contracts with major service suppliers
- Detailed specification of social security costs, pension costs and other personnel related expenses such as training, canteen, transportation etc
- Disclosure of incentive scheme, bonus programme and management remuneration

5. Depreciations and amortisation

- Complete list of fixed assets
- A detailed description of the depreciation policies
- A description of the different asset classes specifying accounting and tax life times and depreciation rates and average age of the assets within each asset class
- List of intangible assets and any impairment charges booked
- Per asset class; a balance statement with:
 - opening balance
 - the depreciation of the year
 - impairment charges
 - the capital expenditure additions of the year
 - end-year balance

6. Taxes

- A detailed tax calculation specifying accounting taxes, cash taxes and deferred taxes.
- Disclosure and explanation of any tax liability and tax assets
- Full description of tax compliance status and forward looking tax status

7. Capital structure and financial expenses

- List of all short and long term debt arrangement
- Copies of all financing agreements (including government grants and shareholder loans) specifying cost of debt, repayment profile, covenants and other terms and conditions
- Description of the short-term cash management policy and the placing conditions

8. Capital expenditures

- Historic capital expenditures split on major projects and on asset class according to tax and accounting depreciation rates
- Current capital expenditure commitments

9. Other items

- Detailed pension liability statement and description of future pension scheme
- Specification of any off balance sheet items
- Detailed specification of accounts receivables and accounts payables with amounts split on customers / suppliers and grouped by aged.
- Full description of any related party transaction
- Trading amounts in foreign currency
- Disclosure of any lease contract
- Disclosure of any bad debt provision or other provisions
- Disclosure of any partnerships, joint venture or other minority interests.
- Disclosure of any future funding commitments
- Disclosure of the airports insurance policies, risk covered and associated costs
- Description of IT systems, soft- and hard ware

B. Legal information

1. Regulatory framework / Governmental regulation

- Description of regulatory environment (i.e. operating license, charges, environment etc.)
- Copies of operating license
- Copies of environmental permits
- Copies of charge framework
- Copies / description of other relevant permits
- Other relevant information

2. Commercial contracts

- Full list of commercial contracts incl. info of parties, subject, value, term
- Copies of all material commercial contracts (i.e. above € 50,000)

3. Litigation

- Full list of ongoing and potential litigation
- Comments / legal opinion on material litigation (i.e. above € 50,000)

4. Management and Employees

- Copies / description of collective agreements
- Copies of management contracts
- Evidence of social security compliance
- Description of any benefit, insurance or other employee programme

5. Financial agreements

- Copies of all financial agreements

6. Handling and other operational agreements

- Copies of all material agreements with airlines and 3rd party suppliers
- Copies of any use licenses and similar rights

C. Operational information

1. Commercial operation

- Full list of commercial activities and outlets, incl. description of activities, fixed fees, variable fees, percentage fee of turnover, m2, pricing policy, investments, background information on concessionaires
- Blue prints of terminals with commercial outlets
- Copies of any surveys
- Traffic data incl. passengers split on EU and non-EU
- Description of any national legislation relevant for commercial operation at the airports

2. Aeronautical operation

→ LOCATION

- Opportunities of expanding the airport boundary
- What are the opportunities for expansion both within and outside the existing boundaries

→ WEATHER

- Wind conditions
- Temperature conditions
- ½Extend of periods with reduced visibility (CAT I – III)
- Other adverse weather conditions (e.g. sandstorms, snowstorms, hurricanes)

→ TRAFFIC

- Number of annual operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Number of monthly operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Number of daily operations (scheduled, charter, freight, G/A, helicopter, military, other)
- Distribution of traffic on international and domestic
- Distribution of traffic on Schengen /Non-Schengen (if applicable)
- Number of passengers pr. operation
- Distribution of traffic on IMC and VMC
- Annual aircraft mix
- Daily aircraft mix
- Constrains on the number of operations and the aircraft mix – night curfew
- Typical operation pattern during the day (arrival and departure)
- Distributions of annual operations on runway headings
- Slot co-ordination
- Peak hours during the day
- Average stand occupancy time (total and by ICAO class)
- Expectations regarding traffic development (e.g. aircraft mix and operations divided into scheduled, charter, freight, G/A, helicopter, military and other traffic)
- Number of annual passengers (scheduled, charter, G/A)
- Break down of passenger traffic into
 - Busy month
 - Busy day
 - Busy hour (busiest hour and 30th busy hour)Distributed as shown on enclosed Table 1.
- Break down of passenger traffic into Schengen/Non-Schengen (if applicable)
- Break down of passenger traffic into terminals.

→ BLUEPRINTS AND FLOW CHARTS (existing buildings, constructions and facilities)

- Airport area and environs
- Airport area

- Terminal buildings (all levels) including key operational functions such as check-in, security, hold lounge(s), gates, immigration, baggage reclaim, customs, landside terminal areas, circulation areas
- Terminal facilities, shops, restaurants etc.
- Airside/landside security border line within the terminal
- Curbside area including parking areas
- Airfield and aprons
- Landside areas
- Passenger flow charts within both terminals for
 - Scheduled international/domestic passengers and for
 - Charter international/domestic passengersincluding position of immigration control, customs control, security control and collecting point for passenger departure fee.
- Baggage flow charts for terminals (departing and arriving baggage)

→ DEVELOPMENT PLANS

- Existing Master Development Plan
 - Copy of existing MDP
 - Terminal development plans, including blueprints
 - Airside development plans, including blueprints
 - Landside development plans, including blueprints
 - Infrastructure development plans (e.g. rail link, hotels, conference facilities, and office buildings)
- Forecasts (operations and passengers)
- Existing CAPEX
- Existing OPEX

→ ATC

- Number of SID's and STAR's
- Constrains in approach and departure routes (e.g. environmental, military, other airports, topography)
- Radar systems
- Separation and control of enroute traffic and traffic in the terminal area
- Location and height of ATC tower
- Location and height of Apron tower
- MET equipment
- Separation and control of helicopter traffic
- Separation and control of other traffic (e.g. military, custom-narcotic control)
- Co-ordination and use of same ATC equipment in adjacent airports
- Life expectancies of equipment and buildings
- Current plans for improvements

→ RUNWAYS AND BRIDGES

- Take-off and landing distances

- Widths and shoulders
- PCN (pavement classification number)
- Pavement type
- Bridges (location)
- NAV systems (ILS, PAPI, VASA, CAT I – III)
- Lighting systems
- Declared runway capacity
- Actual runway capacity
- Special facilities to operate helicopter traffic
- Special facilities to operate other traffic types (e.g. military)
- Life expectancies of equipment and pavement
- Current plans for improvements

→ TAXIWAYS IN THE MANOEUVRING AREA AND ON THE APRON AREA

- Taxiway widths (shoulder, curves)
- Separations RWY/TWY TWY/TWY TWY/objects
- PCN (pavement classification number)
- Pavement type
- Maximum aircraft type
- Lighting systems
- SMGCS
- ASMGCS
- Life expectancies of equipment and pavement
- Current plans for improvements

→ AIRCRAFT PARKING STANDS

- Number of stands (commercial, freight, domestic, international, common use, G/A, other)
- Specification of stands on aircraft size (ICAO class) and type (turn-in/turn-out, nose-in/push-back, nose-in/power-back)
- Helipad
- Pavement type
- PCN (pavement classification type)
- Technical equipment (DGS, 400 Hz, portable water, fuel, PCA, loading bridges)
- SMGCS
- ASMGCS
- Control of traffic on the apron area
- Stand allocation systems
- Life expectancies of equipment and pavement
- Current plans for improvements

→ TERMINALS (AIRSIDE AND LANDSIDE)

- Check-in facilities, number of counters in each terminal, circulation areas
- Outbound baggage sorting system(s)
- Security control (hold baggage): 100% screening, numbers of units and positions in each terminal (centralised check, concourse check or gate check, operator)
- Security control (passengers): numbers of units and positions in each terminal (centralised check, concourse check or gate check, segregation of departing/arriving passengers, operator)
- Number of gates, distributed on gates
 - With or without loading bridge
 - With or without lounge facilities
 - Number of bus gates
- Airside circulation areas, piers etc.
- Immigration control, number of units and positions in each terminal (Schengen/Non-Schengen if applicable)
- Baggage reclaim facilities, number and size of belts in each terminal
- Customs control, number of units and positions in each terminal
- Collecting point for departure passenger fee, number of units and positions in each terminal (if applicable)
- Terminal facilities for General Aviation traffic

→ CURBSIDE

- Number of passengers (percentage) using tour busses, hotel shuttle busses, taxis and private cars
- Public parking, long term/short term, capacity and demand
- Staff parking, capacity and demand
- Car rental parking, capacity and demand
- Parking for tour busses

→ FIRE AND RESCUE

- ICAO category
- Equipment (trucks, ambulances)
- Sea-rescue (equipment)
- Training facilities
- Life expectancies of equipment

→ FUEL FARM

- Capacity (litres/days)
- Supply system to fuel farm
- Supply system to aircraft
- Is the fuel facilities owned and operated by the airport

→ CARGO

- Facilities
- Capacity
- Number and names of operators
- Development plans

→ ORGANISATION

- Organisation chart
- Number of employees per department
- Duties done in-house
- Duties outsourced
- Handling

→ MAINTENANCE

- What is the construction/maintenance history of buildings
- What is the construction/maintenance history of paved areas (runways, taxiways, aprons)
- What is the average unit costs for construction works including airport infrastructure
- What is the purchase/maintenance history of equipment (a/c, nav. aids, lighting)

→ AUTHORITIES

- Compliance with Local laws and regulations
 - Compliance with ICAO regulations (standards and recommended practices)
 - Environmental
 - Existing regulations
 - Compliance with existing regulations
 - Ongoing projects
 - Planned projects included in CAPEX/OPEX
 - Backlogs
 - Military rights
-

November 2004 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.
Barents Group, LLC

Introduction

The Tender Commission received eight applications for participation by November 12, the submission deadline, representing a significant display of investor interest in the transaction. Applicants include many first-tier international airport operating companies, the exact target for this transaction. The Commission requested specific clarifications to several of the applications, and the final selection (pre-qualification) is expected the first week of December. Advisors and MTC experts continue to prepare 2nd stage tender documents, and were assisted by a short-term technical expert on airport planning. Advisors are leading the collection of documents and information for investor due-diligence.

Ministry of Transport and Communication Activity

As expected, several applications to pre-qualify and participate in the airport concession tender were received by the submission deadline, November 12. Advisors were present at the opening of applications by the Commission, and played an active supporting role throughout their review. In total, eight applications were received, a response that exceeded our expectations and those of the Commission. More importantly, the quality of the majority of the applicants (and their applications) was extremely high, representing exactly the direct participation of strategic international airport operating companies that we had targeted in preparation for the transaction, including its structure and its marketing.

Advisors and Commission experts from the relevant ministries reviewed in detail the submitted applications, which contained considerable information about each applicant. Advisors focused their attention on a review of the relevant experience of the key consortia members, their financial position (ability to undertake the necessary investments) and any other disclosures that would raise concerns for the Commission. Owing to the specific and detailed requirements for applications, additional clarifications were requested from nearly every applicant – these clarifications were received in late November, enabling a final decision on qualification to be made by December 3, as scheduled.

Press reports on the submission of applications were factual and almost unanimously positive. Although the Commission could not formally disclose the names of applicants owing to such a restriction in the Concessions Act, the press was nevertheless able to learn their names and report on the applicants, the key members and their consortia partners. The direct participation of several of the major international airport operators (mostly European) was noted, and has raised public confidence in the transaction and its successful outcome. This confidence is shared by the Commission and those working on the transaction, further supporting everyone's continued hard work in its successful implementation.

BearingPoint was pleased to be able to bring a highly-skilled technical airports advisor to the project, Trevor Carnahoff. During his two-week assignment, Advisors were able to finalize specific airport planning issues contained within the 2nd stage tender documents, particularly the planning targets for the major investment program, and also work closely with the CAA to understand and support these recommendations.. Advisors conducted a site visit to the airports and were able to collect additional information for inclusion into the concession documentation. The completion of this short-term assignment was instrumental and enabled the project to complete the technical elements within the tender documents, and to build confidence among

the MTC and the CAA in past decisions and in our ability to successfully implement the transaction and the long-term concession.

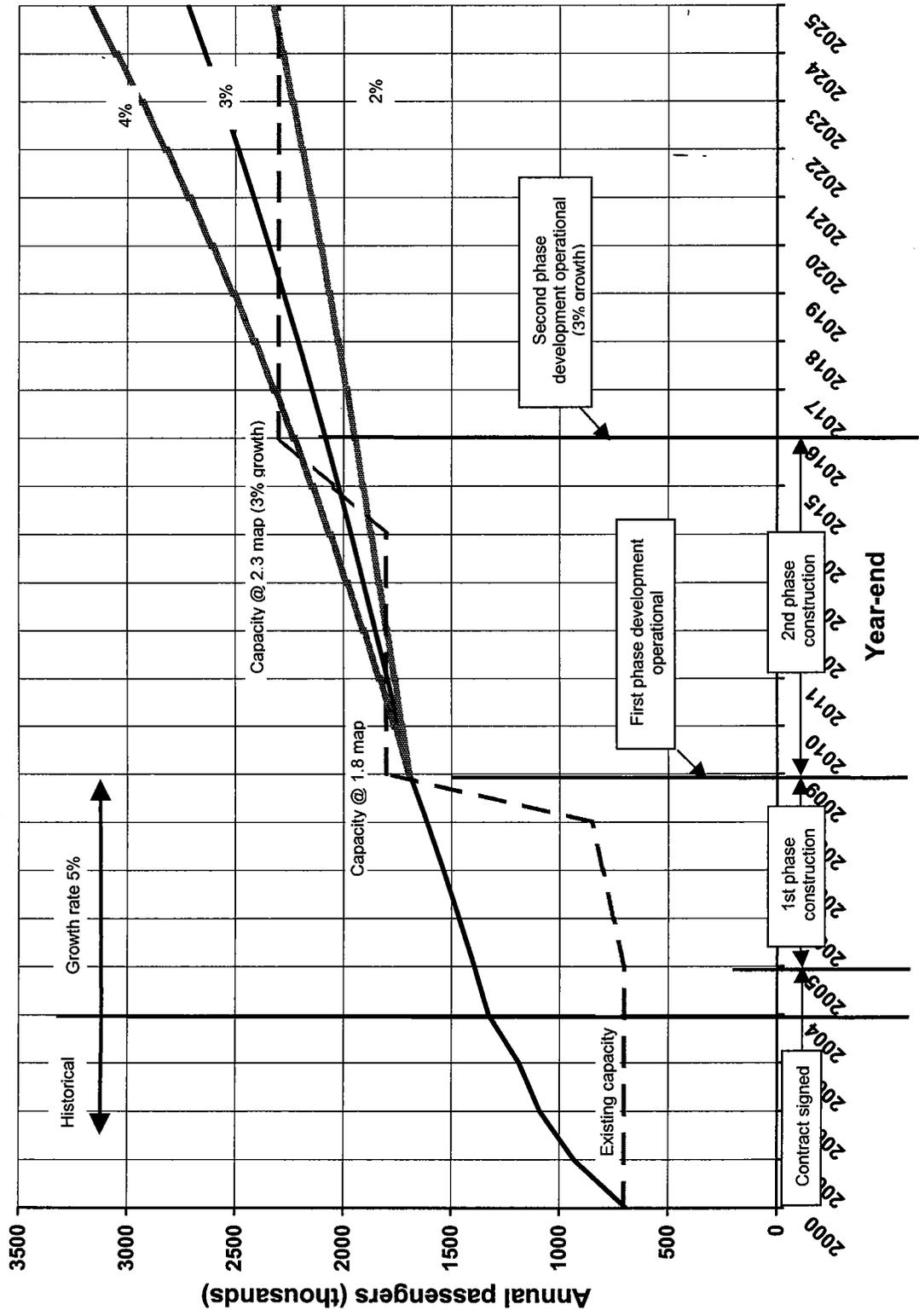
The 2nd stage tender documents were largely completed this month, with only final reviews and editing remaining – they are expected to be delivered to qualified investors in mid-December. Advisors led the preparation of the Request for Proposals (RFP), the main document governing investor due diligence and the submission and scoring of proposals, the Information Memorandum and the Legal Analysis, which was initially prepared as part of the concession analyses documentation. The preparation of these documents involved considerable time and attention working closely with counterparts on key issues, incorporating counterpart and Commission decisions, ensuring legal compliance, and finally, preparing the documentation in both English and Bulgarian language. Although Advisors led the preparation of these documents, counterparts were extremely active in their development and can now incorporate this experience into subsequent concession transactions led by the MTC and throughout the Government.

Advisors provided substantial comment and input into the draft concession contract, which was prepared by the international legal advisors. Several issues were particularly critical, including the rate setting mechanism, coverage of the master planning process, compensation in the event of termination, and still others. Advisors submitted a complete set of comments to the contract as a whole, and prepared several separate notes on the specific issues mentioned above. The draft contract will be further developed in the month of December prior to its submission to investors as part of the 2nd stage tender documentation; unlike the other documents it will remain a draft document while investor feedback is received, after which the contract will be finalized and re-submitted to investors prior to the deadline for the submission of proposals. In this way, proposals will be submitted according to the revised (final) concession contract, and minimal contract negotiations with the winning investor are expected.

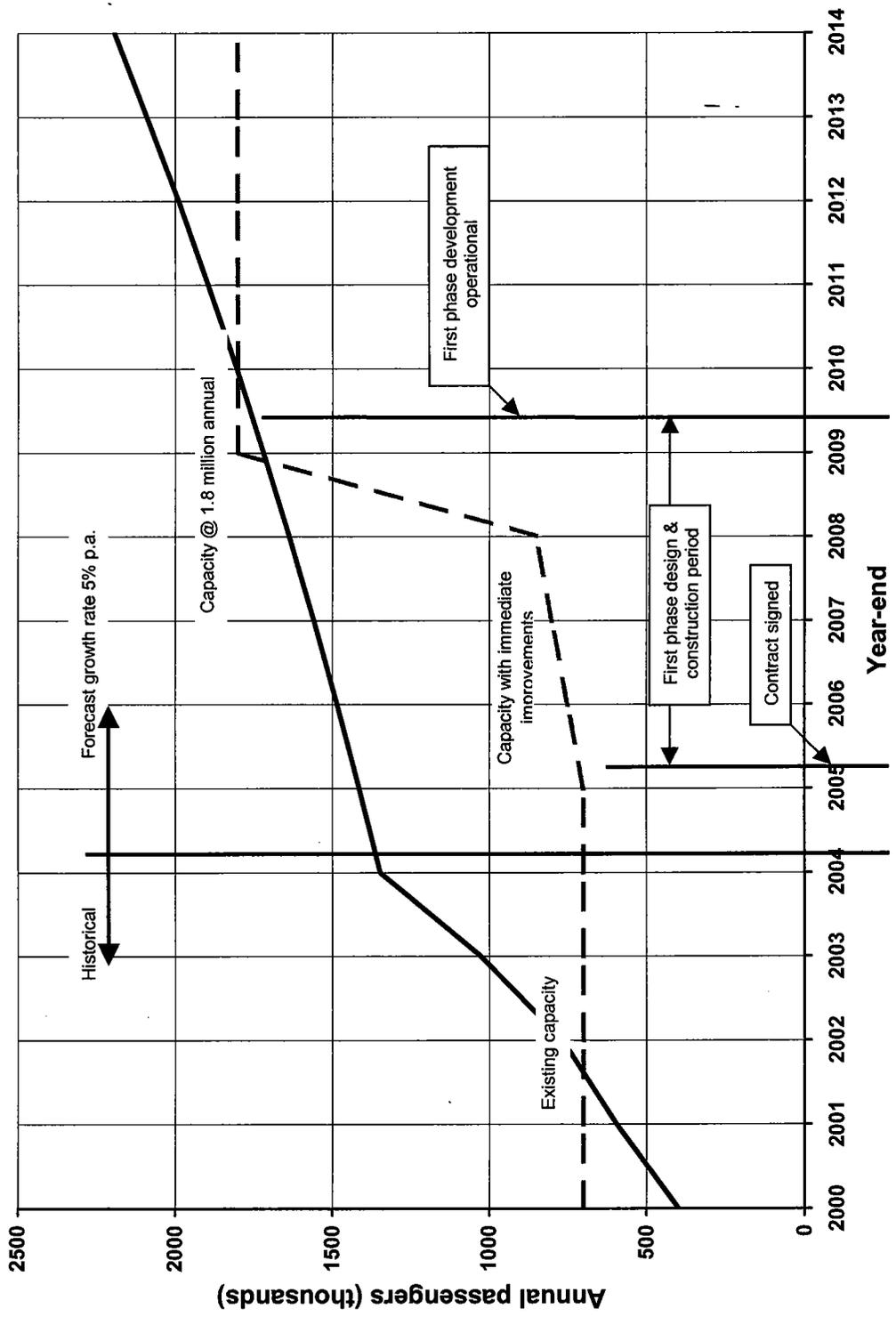
Lastly, Advisors continued the preparation of the data room and the investor due diligence process. Lists of essential documents were submitted to each of the airports and to the CAA, and already initial documents have been received – remaining data room information is expected to be delivered in December. Advisors anticipate that significant supplementary information will be made available to investors through the data room for their review, consistent with the detail provided in comparable transactions. Advisors prepared a set of Data Room Rules, which govern the entire investor due diligence process (data room review, interviews and site visits). Advisors also anticipate requesting approval to make a portion of the data room documents available on CD for investors – this is a relatively new international standard practice and one which greatly improves the ability of investors to perform due diligence and prepare high-quality proposals. The data room is expected to be finalized in late December and be available to investors beginning in early January.

Attached: Technical Work Products concerning Airport Capacity Planning Targets

Varna Development Phasing Capacity vs. Demand



Bourgas First Phase Development Capacity vs. Demand



December 2004 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.
Barents Group, LLC

Introduction

The Tender Commission selected five candidates for prequalification. All five are led by highly-qualified international airport operating companies, experienced both in airport development (investment) and operations. 2nd stage tender documentation was completed and approved by the Commission for distribution, which began on December 27. The tender remains on schedule for the submission of proposals on March 7, 2005.

Ministry of Transport and Communication Activity

On December 3, on schedule, the Tender Commission approved the selection of five investors for qualification and admission to the 2nd stage of the tender. Of the eight applications received, two were determined to be entirely non-compliant, and a third was determined to not meet the additional qualification criteria (concerning experience). We are extremely pleased with the selection of the five investors, as each one is highly qualified, experienced and capable to implement the concession. In short, the prequalification process worked perfectly, removing from consideration dangerous, unqualified candidates which could spoil the concession transaction. The use of offshore holding companies and daughter companies is non-existent, with each of the applicants directly controlled by a major international airport operator/developer or its parent company.

Press reports, such as the one included here as an attachment, were factual and positive, owing in large part to the clear and direct participation of qualified international airport operating companies and the widely acknowledged transparent implementation process that has thus far taken place. The press now understands quite clearly why this transaction is taking place and appears to be cautiously optimistic about its prospects for success.

Following the decision on the determination of qualified candidates, and in accordance with the Concessions Act, the Commission was required to allow for challenges to be filed before initiating the 2nd stage of the tender. Up to two weeks is allowed for legal challenge, and during this period no challenges were received, thus clearing the way for the initiation of the 2nd stage of the tender.

The entire 2nd phase tender documentation was completed this month and approved by the Commission the week of December 20th. There was considerable last minute review and revision to the Request for Proposals, including the inclusion of procedural dates and deadlines for the initiation of investor due diligence and the submission of written comments to the draft concession agreement. Qualified investor are required to submit their due diligence scheduling requests by January 4, and the due diligence process will begin on January 10, including the review of the data room, the conduct of site visits and interviews with key persons at the airports and within the CAA. Written comments to the preliminary draft concession agreement are due on January 25, and the Commission will be required to approve a final draft concession agreement by February 18.

Advisors played an active role in the final revision of the draft concession contract, making sure that the various articles accurately reflected the terms and conditions put forward and agreed to-date – the international legal advisors lack the technical understanding of many aspects of this transaction and are certainly not as familiar with its history and details as are BearingPoint

advisors, making our role to bridge these gaps extremely important. In particular, Advisors drafted the master plan requirements section of the draft concession contract and the necessary text for the regulation of airport charges, two critical, transaction-specific technical issues. Together with the international legal advisors, we strived to maintain balance within the draft concession contract and to protect it from other advisors and experts who wanted it to be more one-sided in favor of the State, with the understanding that it would be subject to extensive negotiation afterwards. We feel quite strongly that this approach is not in the State's interests and will result in reduced confidence by qualified investors and poorer terms and conditions and overall quality within investor proposals.

According to schedule, the 2nd stage tender documents were available to all qualified candidates on December 27th. Such candidates paid the required 5,000 Euros for participation and took delivery of the documentation package by the end of the year. Most of the candidates are presently finalizing their advisory teams, including the selection of financial and legal advisors and translation teams. We estimate that investors will spend between 1 – 2 million Euros each to prepare and submit proposals, inclusive of all expenses – much of this amount will be spent in Bulgaria for hotel and travel services, advisory services, translation services and other costs.

Lastly, Advisors and MTC counterparts are nearing completion of the data room in preparation for investor due diligence in January. The overwhelming majority of the requested documentation and information has been received and is being incorporated into the data room index, thus providing to all investors the complete information necessary to make their investment decisions and to prepare their proposals. The collected information is sorted into three categories: Varna Airport information, Bourgas Airport information, and CAA and general information. The Commission has approved the creation of three data rooms so that as many as three investors may conduct due diligence simultaneously – this is essential due to the very tight deadlines which have been imposed on investors. Additionally, the Commission has approved the use of CDs to supplement the data room. The use of soft-copy files will reduce the reliance on photocopies, and in many cases greatly impact the ability of investors to analyze and process data that would not be possible based on hard-copies only – this is becoming a standard international practice for tenders of this sort, and we are pleased to be able to follow suit for this transaction.

Attachment: Reuters report on the short-listing of qualified investors

Bulgaria Picks Bidders For Airports Tender
December 3, 2004

Bulgaria has shortlisted five companies as bidders in a tender to run and modernize its two main Black Sea airports in the port cities of Varna and Bourgas, a source close to the process said on Friday.

The 35-year concession for the two airports is key to Bulgaria's efforts to boost its growing tourism industry, a main driver of the Balkan state's nascent economy and a source of foreign funds it uses to cover its wide current account gap.

The firms include German airport operator Fraport, Denmark's Copenhagen Airports, Italian Vinci Airports, a German-Bulgarian consortium led by construction firm Hochtief and a consortium led by Airports de Paris, said the source, who wished not to be named.

A special commission led by Transport Minister Nikolai Vassilev which had been set up to award the concession declined to comment on the process, under which short-listed bidders should file offers by March 7.

The commission received eight non-binding bids last month and aims to attract a strategic investor to pour fresh cash into the outdated airports and bring them up to European Union standards.

A US consortium led by American International Airports, another grouping of airport operators from Poland's Gdansk and France's Nice, and the US company Dutko Group will not continue on the tender, the source said.

The two airports, which lie 130 kilometres apart on the Black Sea coast, are seen as a lucrative deal, as the booming tourism industry is expected to continue to grow as Bulgaria prepares to join the EU in 2007.

More than four million travelers are expected to visit Bulgaria this year, while tourism revenue surged by 25 percent in the first six months of the year to a record EUR646 million (USD\$869.7 million).

The transport ministry has said it expects the winner to invest at least EUR130 million (USD\$175 million) to overhaul the terminals and runways of the airports in the process, which is likely to be finalized by April.

(Reuters)

January 2005 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No. PCE-I-00-03-00037-00 / Task Order No. 800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:
BearingPoint, Inc.
Barents Group, LLC

Introduction

Investors began the due diligence process this month, initiating a review of the dataroom documents, site visits to the airports and interviews with designated persons. Advisors played a lead role in the preparation of the due diligence process, providing much-needed support to counterparts. Investors submitted comments to the preliminary draft concession agreement in late January, and considerable work was initiated on the revision of the draft concession agreement.

Ministry of Transport and Communication Activity

Advisors led the final preparation for investor due diligence. Advisors collected more than 30 folders of dataroom documents, and prepared a comprehensive index of this information. Three copies of the dataroom documents were prepared, enabling the use of up to three datarooms at a given time; this was essential given the proposal deadlines. The Commission sorted the documents into three categories: available on electronic copy, available for photocopying, and available only for physical inspection in the dataroom. Advisors identified a shortlist of persons who should be available for investor interviews, including representatives from each of the two airports and from the Civil Aviation Authority. Advisors also prepared a written set of guidelines for the designated persons and for investors; this was done primarily to ensure that designated persons did not answer questions or otherwise provide information that was not appropriate, including information about other investors, or passing directly documents to investors without going through the formal dataroom. The dataroom was available for investor review beginning January 10, as established in the tender documents.

As requested, investors submitted a proposed schedule for due diligence by January 5. The initial round of due diligence by the majority of investors was completed by January 21, with only two investors waiting until February to complete this process. Investors submitted considerable requests for additional information, to which Ministry counterparts and airports management responded to as quickly as possible. Initial reports from investors confirmed their general satisfaction with the amount and quality of information made available to them, both through the dataroom, and during site visits and interviews; the most commonly expressed concerns involved the time necessary for new information to be made available, particularly owing to the tight deadlines on the final submission of proposals.

Advisors supported the Tender Commission to prepare responses to several sets of investor requests for clarifications received this month. Such requests concerned proposal requirements and basic assumptions necessary in the analyses of the concession transaction. Advisors also met informally with each of the investors, providing general guidance and responding to specific questions where appropriate – assisting the Tender Commission and the transaction in this manner is a natural role for Advisors and limits considerably the need for investors to submit formal requests for clarification or otherwise seek information directly from Commission members.

All prequalified investors submitted comprehensive comments to the draft concession agreement on January 25, according to schedule. The Commission established a schedule for the review, consideration and incorporation of investor comments into the final draft concession agreement, to be submitted to investors in mid-February in a process led by the international

legal advisors. An initial review of investor comments confirms a general satisfaction with the business terms and conditions established in the agreement, but several specific concerns. Among those concerns are: (1) the need for greater clarity in the specific concessionaire rights to operate the airports and those limitations, and (2) clarity on the responsible party for certain transaction risks that are within the State's reasonable power to control. These and other issues will be reviewed in detail in early February and the Commission's decisions will be reflected in the revised draft. BearingPoint's role in this process is to ensure the integrity of the business and transaction terms and conditions and to provide its expert opinions to the agreement on par with other Commission experts.

Press reports continue to be uniformly positive about the transaction, with little if any rumors and no obvious favorites; investors have confirmed to us that they perceive the transaction as open and competitive. Minister Vassilev initiated this month an amendment to the implementing regulations governing concession transactions, enabling the Tender Commission to make available to the public limited information about the tender and the participants – prior to this amendment the Commission was not permitted to issue any public statements. This change was determined to be necessary so as to provide official information on the progress of the tender, and minimize the opportunity for rumors to take hold and sway public opinion, or worse still, the actual conduct of investors.

It is worth noting that the MTC Concessions Department has initiated several sea and river port concessions in the last several months, in large part drawing on its experiences leading the implementation of this airports concession transaction. The first Council of Ministers decision to formally initiate these tenders was confirmed this past month, with tenders opening for port terminal concessions in Vidin and Rousse. MTC experts have commented to us that they will incorporate to a large degree lessons learned from the implementation successes (and difficulties) relating to the airports concession transaction.

January was the final month of the original term of this project. A small amount of funds remain under the original project ceiling, and a 30-day no-cost extension was requested. This will enable the project to provide continuous support through the month of February, leading to the submission of investors' proposals in early March.

February 2005 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No.PCE-I-00-03-00037-00/Task Order No.800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:

BearingPoint, Inc.

Introduction

Investors completed the due diligence process and submitted final requests for clarification to the tender documentation. All five of the short-listed candidates committed considerable resources to this process, confirming the seriousness of their intentions. Advisors supported the Commission and its experts to review candidate comments to the draft concession agreement and played a key role in the preparation of the final draft concession agreement. The Commission confirmed that it will not extend the deadline for submission of final proposals, which remains March 7, 2005.

Ministry of Transport and Communication Activity

The formal investor due diligence process was closed on February 11. All five of the shortlisted candidates conducted due diligence, including review of the dataroom documentation, interviews with designated persons and site visits to the airports. Candidates sent between two and ten international representatives to Bulgaria to lead the review process, and additionally hired Bulgarian accounting/finance firms and Bulgarian law firms to support their due diligence teams. General industry practice is for serious candidates to spend between 1.5 – 2 million Euros in total to research an opportunity and to prepare a binding proposal, with as much as 50% of this sum being spent in the host country's economy.

The Commission and its advisors and experts, ourselves included, conducted several lengthy meetings to determine the content of the final draft concession agreement. Candidates submitted their comments to the preliminary draft concession agreement in late January, and the Commission was required to submit the final version on February 18, thus enabling candidates to have sufficient time to incorporate the final draft into their decision-making process and binding proposal. The international legal advisors led the drafting of the agreement, however they relied heavily on BearingPoint to advise on the transaction structure and the form and content of the other leading tender documents, including the Council of Ministers Decision initiating the airports concession transaction. Key sections of the concession agreement that were commented on by candidates included:

- representations and warranties by the State, which the preliminary draft reflected in a manner in which the State assumed little if any responsibility for the quality of the information provided, and more importantly, for potential or actual liabilities of the airports from the period prior to the concession (partially accepted by the Commission);
- actions necessary to be completed by both parties in order to reach the effective date by which transition of operational control and responsibility at the airports is completed – candidates submitted several valuable suggestions which were incorporated (partially accepted by the Commission);
- dispute resolution, which all candidates suggested should be according to international arbitration rather than BG courts (accepted by the Commission);
- specific change in law protections, which protect the concessionaire from adverse changes in applicable law (rejected by the Commission as unwarranted);
- expansion of step-in rights and other forms of lender security (rejected by the Commission as illegal under currently applicable law); and,
- improvements to compensation payments in the event of termination, so as to ensure appropriate balance of interests (partially accepted by the Commission).

The final draft concession agreement was completed on time and submitted to candidates as required by the tender documents. We are confident that it reflects a considerable improvement from the preliminary draft and will enable candidates to submit binding proposals as required. Still, it is anticipated that a period of negotiation, hopefully brief, will be required to complete the concession agreement with the preferred bidder – this is standard international practice and should be expected.

In addition to comments on the concession agreement, investors also submitted final requests for clarification to the tender itself. This included questions about the final content of submitted proposals, as well as the complicated procedures for the actual submission of proposals. BearingPoint continued to engage informally with investors, making sure that investors' questions were properly understood and providing any additional and appropriate clarity to this important stage of the tender. At the end of the month, it was clear that only one of the five investors would not be submitted a proposal, although the investor did conduct due diligence on the opportunity – this investor was a late-comer to the opportunity and never fully committed to its participation in the transaction. Finally, those investors with which we spoke confirmed their confidence in the transaction's transparency and fundamental openness – we share this opinion.

Press reports on the transaction remain limited, with little information in the public domain of interest to report. One of the investors, Copenhagen Airports, has chosen to engage in a bit of self-promotion, by providing itself to the media and sharing information about itself and its qualifications. It has not shared any specific information about its proposal or the tender itself, which is prohibited. In general, the lack of press coverage about the transaction indicates that both investors and the Commission/experts are maintaining the required non-disclosure of information, and that the public remains accepting of this transaction, both on its merits and on the conduct of the tender. In Bulgaria, no news about a tender is generally good news.

Lastly, the project received a funded extension in February, extending its period of performance until mid-June. This coincides with the end-dates of service for this Government and with the next parliamentary elections. We are confident that this will provide sufficient time for us as Advisors to complete our work and hopefully to see this transaction through to its successful completion. Additionally, USAID and the Ministry of Transport and Communications have agreed in principle to a cost-sharing arrangement whereby the Ministry would pay for a portion of the project's local expenses. This arrangement is also critical to the project's overall finances and ability to provide necessary services to the counterparts.

March 2005 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No.PCE-I-00-03-00037-00/Task Order No.800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:

BearingPoint, Inc.

Introduction

Four qualified investors submitted binding proposals on March 7th. Minister Vassilev invited the press to witness the official opening of the proposals, including confirmation of which bidders submitted proposals by the required deadline. For the remainder of the month, the Tender Commission and its advisors and experts reviewed proposals, finally opening the financial proposal on March 23. The Commission completed the scoring of proposals at that time, determining a Preferred Bidder for the concession transaction, and submitted its report for approval by the Council of Ministers in early April, thus signaling the conclusion of the tender. The quality of submitted proposals was exceptional, and the investment climate and competitive tender process resulted in the Preferred Bidder's submission of an extremely attractive business, investment and financial proposal for Bulgaria. We are extremely pleased with this result.

Ministry of Transport and Communication Activity

In accordance with the original proposal submission deadline, March 7th remained the deadline for the submission of binding proposals from qualified investors. Four proposals were submitted at that time, with only one of the qualified investors, choosing not to submit a proposal. Proposals were received from: Copenhagen Airports (Denmark), Fraport/BM Star (Germany/Bulgaria), Hochtief Airports (Germany), and Vinci Airports (France). The Tender Commission, led by the Minister, conducted a formal opening of proposals in front of the media, and gave a brief press conference at that time. Minister Vassilev reiterated the importance of the transaction to Bulgaria, both as a conduit to the development of airport infrastructure and also as a conduit to future infrastructure concessions. He also emphasized his satisfaction with the conduct of the tender: its transparency, competitiveness and the high-level of interest shown by highly qualified international investors.

The Commission and its advisors and experts reviewed proposals in each of their three main volumes, each packaged and sealed separately. The first volume consisted of compliance information, including necessary consortia materials and signatures, and payment of the required deposit (300,000 Euros cash deposit). The second volume consisted of the investment and business proposals, matching with the requirements of the tender documentation. The third volume consisted of the concession fee proposal, essentially a single number on a single page representing the offered concession fee as a percentage of concessionaire gross revenues. The compliance information was reviewed on a compliant / non-compliant basis, and subsequent sections of non-compliant proposals were not reviewed. Of the four proposals received, one was determined to be non-compliant as a result of non-payment of the required deposit (from Hochtief Airports). This was unfortunate for all parties, as it removed a qualified investor from further consideration and resulted in a considerable waste of effort on the investor's behalf as well. The exact circumstances and reasons for the non-payment are not clear, as well as whether this might later become a subject of dispute, but the Commission confirmed its decision and as advisors we supported it as the correct action.

BearingPoint had its full complement of financial and technical advisors on-site to support the Tender Commission during its review of business and investment proposals. Short-term advisors were engaged in the specific review of the technical quality and appropriateness of

the business and investment proposals, reviewing the specific investment programs and whether and how they would satisfy the airports' requirements. Short-term advisors also examined the financial impacts of investors' proposals, including the projected user costs for the airports and also the quality and reliability of the various financing packages presented by investors. In each case, BearingPoint advisors were uniquely qualified to support the Commission and delivered expertise that was otherwise unavailable to the Commission. In addition to conducting its own review of proposals, BearingPoint advisors also supported the review by other experts, answering questions and engaging in constructive discussions thereby ensuring that proposals were understood to the full extent possible by all Commission members and advisors/experts. As a result of this work, BearingPoint delivered a complete package of written analyses on the business and investment proposals which Commission members received and reviewed and which served as a basis for the Commission's own assessment of investor proposals.

Proposal assessment was conducted over a period of just over two weeks. Requests for clarification were submitted to investors at the end of the first week and submitted within one week, as required by the tender documents – the clarification requests were centered on technical issues such as unit costs for construction, the strength of financing commitments, the use of technical service agreements, and other such issues, and the responses were generally satisfactory to enable the Commission to complete its assessment. Finally, during a single half-day meeting the Commission engaged all its advisors and experts, including BearingPoint, and reviewed each of the investors' business and technical proposals in their entirety: asking questions, making comparisons, discussing the absolute and relative strengths and weaknesses, etc. Once this process was completed, the Commission excused itself and conducted its scoring of this portion of investor proposals which accounted for 70% of the overall proposal scoring.

Afterwards, the Commission opened up the financial proposals in front of all advisors and experts and announced the results. Financial proposals included a single number representing the concession fee offer as a percentage of concessionaire gross revenues, and the scoring of financial proposals is done according to a specific formula, leaving zero room for discretion. The minimum concession fee proposal permitted according to the tender documentation was 12%, with no specific maximum or ceiling. For practical purposes however, the link between concession fee and regulated rate of return at equity for the regulated portion of airport activities and services, set in the agreement to sum total to 30%, creates a practical cap in the range of 30%.

Following the completion of the proposal assessment process, the Commission calculated the scores and determined the final results. These results, as well as a summation of the entire tender process, were included in a final report prepared for submission to the Council of Ministers for its review and approval. One of the Commission members requested additional time and information to review the reasonableness of one of the investor's financial proposal. At the request of the Minister, BearingPoint advisors met on several occasions with this person and his team of experts, reviewing the financial models in detail and confirming that (1) the proposals of all investors would enable each to operate profitably, (2) that each was operating under assumptions on the airports' future development that were equally valid, and finally confirming that (3) none of the specific financial proposals would have an adverse impact on airport user charges. This last point confirms the integrity of the transaction approach linking concession fee and regulated return on equity to the Government's

predetermined figure, and thereby effectively capping their contribution to airport user charges. As a result of these meetings, which were at times contentious and which may have indicated that the objections were not solely based on legitimate concerns, by March 28 all Tender Commission members signed the report without objection, signaling the conclusion of the Commission's work and of the tender process.

The results, as later announced to the public, were as follows:

Preferred Winner:	Copenhagen Airports
2 nd place:	Fraport / BM Star
3 rd place:	Vinci Airports

Copenhagen Airports and Fraport / BM Star scored comparably on the business and investment proposals, with Fraport scoring slightly higher; Vinci scored considerably lower on these criteria than the other two, although its proposal was also judged to be acceptable. However, Copenhagen Airports delivered the highest financial proposal (30%), considerably higher than Vinci Airports (21%), and both of which were considerably higher than Fraport (16.8%). As a result, Copenhagen Airports was the clear winner, with Fraport edging Vinci out slightly for 2nd place.

It is expected that in early April the Council of Ministers will confirm the results of the tender and issue a decision on the tender results – this decision will identify the Winning Bidder and govern the Ministry's conclusion of a concession agreement with the Winning Bidder. The Ministry will be pushing to complete and sign the concession agreement within 30 days, and the transfer of control at the airports within a further 60 days. It should be noted however, that the Council of Ministers' decision will be subject to an appeals process built directly into the Concessions Act and which would prevent the coming into force of this decision until such an appeal would be resolved. Based on Bulgarian experience and without making a link to the legitimacy of such an appeal, this remains a distinct possibility that cannot be guarded against.

Finally, in late March Advisors made a presentation to the US Ambassador during a regular weekly economic task force meeting. We updated the Ambassador on the status of the project, provided to him guidance on the next steps, and responded to specific questions about the transaction and its impacts. We delivered a brief summary note on the transaction, attached to this report.

Attachment: Notes for Economic Task Force Meeting with US Ambassador

Attachment: Notes for Economic Task Force Meeting with US Ambassador

Bulgaria Airports Concession Project

Funded by USAID

Implemented by BearingPoint

March 28, 2005

Project Objectives

- 1) Successful completion of a tender for a long-term concession transferring operational and development rights and responsibilities for Bulgaria's Black Sea Airports (located at Varna and Bourgas) to a highly-qualified strategic partner/investor;
- 2) Development of capacity within various Government ministries and agencies to implement similar transactions (public-private partnerships) in the future.

Primary counterpart Ministry of Transport and Communication leadership and experts.

Current Status

- Final proposals by prequalified candidates were submitted to the Tender Commission on March 7. Four proposals were submitted at that time; lead members are: Copenhagen Airports (Denmark), Fraport Airports (Germany), Hochtief Airports (Germany), Vinci Airports (France).
- General assessment of proposals is that they are high-quality, meeting or exceeding the requirements and expectations of the Government. Highly competitive and truly open tender.
- Advisors prepared written analyses of the proposals for review by the Commission; Advisors are playing a key role in the discussion and review of proposals by members of the Commission and other experts. We are valued for our technical and transaction expertise/experience, as well as for our integrity.
- Deadline for final decision by the Tender Commission is March 29, 2005, after which the Commission will submit its report to the Council of Ministers.

Next Steps

- Winning Bidder to be confirmed by a decision of the Council of Ministers.
- Minister Vassilev and MTC leadership to complete the final concession agreement with the Winning Bidder – intense work and considerable pressure for both parties to sign agreement quickly (deadline will likely be either one or two months). *Although a draft concession agreement has been preliminarily agreed to, it is uncertain the extent and difficulty of this process.*
- Following signature of the final concession agreement, two-month transition period required to transfer assets and contracts, grant necessary licenses and finally transfer operational control and responsibility for the airports to the Concessionaire.

BearingPoint's contract with USAID expires June 20, 2005.

Proposal Summary

- New passenger terminals by 2008 at each airport. Immediate operational improvements and investments to impact the airports now.
- Compliance with all European and international standards for safety/security/environment, comfort and level of service requirements.

- Commercial expansion, including route and traffic development and participation in regional development initiatives.
- Overall job growth at the airports.
- Capital investments in the range 400-500 million Euros, including 100-150 million Euros within the next five years. Financing to be provided by equity, through European and Bulgarian banks and through IFIs.
- Continued low user charges and attractive concession fees to the State, linked to overall airport revenues.

Impact Analyses

- Removal of a bottleneck to seacoast tourism development; catalyst for tourism and regional development in its place.
- Creation of jobs immediately and long-term, directly and indirectly at the airports.
- Development of considerable procurement opportunities for international and local companies through the implementation of a significant capital investment program (technology, equipment, services, etc.).
- Improved professional development of all BG firms that wish to provide goods and services to the concessionaire – direct impact of highly-respected international airport operator operating locally.
- Identification of weak spots in concession legislation/regulations – efforts are currently underway to revise and improve relevant legislation/regulations (i.e. increase necessary flexibility for implementation, enable greater security to lenders in such transactions).
- Experience gained by leadership and experts throughout the Government will be invaluable to future concession transactions; MoF and MoE roles in this transaction repeated for all concessions, and MTC experts are presently undertaking multiple seaport concessions – simply would not be possible without leading role of this concession.

April 2005 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No.PCE-I-00-03-00037-00/Task Order No.800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:

BearingPoint, Inc.

Introduction

The Council of Ministers approved the results of the concession tender on April 7, confirming Copenhagen Airports as the Winning Bidder. The following day, the Minister announced the results at a major press conference, and as a result significant positive press coverage was received. Unfortunately, the Council of Ministers decision was appealed, thereby delaying and putting into jeopardy the tender results. As permitted by Law, the Ministry moved forward on the concession agreement, while at the same time taking actions to defend its actions against the appeal, which in our professional analysis is unwarranted.

Ministry of Transport and Communication Activity

BearingPoint participated in final discussions among members of the Tender Commission to address remaining concerns about the proposals prior to confirming the results of the tender. BearingPoint's analysis, as presented to members of the Commission, presented the following facts:

- CPH assumptions for ground-handling, while aggressive, are perfectly reasonable and represent its assessment of future market conditions. They are in no way binding on the Ministry.
- The CPH financial proposal, similar to other financial proposals submitted, does not result in an overall increase in expected airport user charges. This is due to the inverse relationship between concession fee, expressed as a percentage of gross revenue, and required return on equity, expressed as a percentage of net invested equity. This was a fundamental part of the transaction set-up, and was confirmed following a review of the actual financial and investment proposals.
- Finally, the CPH concession fee proposal is perfectly reasonable and still permits CPH to earn a healthy rate of return on its investment. Its ability to offer a significantly higher concession fee when compared to its competitors is due to (1) a slightly more optimistic view of the airport concession opportunity in Bulgaria, and (2) a slightly lower required return on equity when compared to its competitors. These two facts, each of which is perfectly reasonable, combine to result in the rather large differential in concession fee proposals.

Each of the Tender Commission members confirmed the results of the tender with no objection.

At the Council of Ministers meeting on April 7, the results of the tender were confirmed, and a formal decision on the results of the tender was issued and published the next day. The COM decision confirmed Copenhagen Airports as the winning bidder, and provided one month for the conclusion of the concession agreement. Several reasons were provided for the selection of CPH: the quality of its operating program, including the lowest expected user charges; the extremely high near-term capital investment commitments; the concession fee which was several percentage points above the nearest competitors; and the commitment by CPH to invest its own capital, thereby eliminating any reliance on debt capital should lenders' security not be possible. The COM decision included the scoring of all candidates' proposals: Fraport came in 2nd place and Vinci placed 3rd.

The Minister arranged to meet with representatives of each of the candidates immediately following the COM decision. The purpose for these meetings, which in principal we

supported, was to personally thank each of the candidates for its participation in the tender, explain the results of the tender, confirm to each candidate that the tender process was transparent, highly competitive and properly and thoroughly conducted, and in general terms to discourage any thoughts by losing candidates for appealing the COM decision, a right granted to all candidates by the Concessions Law. Although we offered our services during these meetings, BearingPoint representatives were not present. We understand that the meetings in general went well, but that the Minister was not in a position to thoroughly explain proposal scoring and possibly, in his efforts to be complementary to all candidates, did not explain in sufficiently frank and honest terms that the losing candidates lost on proper technical and financial grounds. As a result and judging by their ensuing actions, the losing candidates were not discouraged from believing that their proposals should have been declared the winning proposal.

On the same day as the publication of the COM decision the Minister held a press conference to announce the results of the tender. In attendance were senior Ministry leadership, members of the Tender Commission, key parliamentarians from the Transport Commission, representatives from the Bulgarian aviation industry including management of the Bourgas and Varna airports and of course members of the media. BearingPoint prepared talking points for the Minister, which the Minister incorporated verbatim in his presentation to the press. Minister Vassilev led the press conference and indicated the strategic vision for infrastructure development in Bulgaria which this transaction represents and is in fact the first of its kind in Bulgaria. He thanked the many parties which provided their support, including USAID. He provided some detail about the tender process, the reasoning behind the selection of Copenhagen Airports as the winning candidate and the details and implications of the CPH proposal. He took questions from the press, which was interested to know the details of other candidates' proposals (generally not appropriate to share) and specific implications for airport users (strangely these questions were focused on ground handling, something the press understands very poorly). The only negative from the press conference was that the Minister overemphasized the role of the CPH financial proposal in declaring it the winning candidate. Although the financial proposal was important, it was the overall quality of the CPH proposal, including all three elements, which enabled it to win the tender. While the financial proposal is easier to speak to, the continued emphasis on it is not only inaccurate but harmful to the perception and acceptance of the transaction. As expected, press coverage in the days following the press conference was extensive, mostly positive and factual, although continuing to place undue emphasis on the CPH financial proposal rather than the quality of its entire proposal – for the losing candidates, such emphasis suggests that the tender may not have been properly conducted.

Work to finalize the concession agreement with Copenhagen Airports began immediately following publication of the COM decision. BearingPoint was asked to participate throughout this process, supporting the Ministry and its legal advisors, as well as playing a general facilitator role to ensure that the agreement would be successfully completed. One thing that we noticed very quickly was that high level participation from the Ministry, namely Minister Vassilev or DM Yankov, was essential if these discussions were to be productive – the Ministry's legal department, as well as its legal advisors, were simply not empowered to address any material concerns that CPH had other than to reject them. This work proceeded intermittently throughout April on both high-level as well as technical legal issues and is likely to continue well into May.

Within the 7-day period as provided by law, both Fraport Airport and Vinci appealed the COM decision confirming CPH as the winning candidate. Needless to say, this result is extremely disappointing. The stated grounds for the appeals allege technical violations, fundamental lack of compliance with the initial COM decision authorizing the tender and non-compliance of the scoring procedure with the tender documents themselves. It is BearingPoint's position, both technically and legally, that none of these arguments is sufficient grounds for legitimate appeal and that nothing should result in the overturning or unwinding of the tender results. However, this process must be treated with the utmost seriousness and addressed on both the legal and the political levels if the outstanding results of the tender are to stand. As an initial step, BearingPoint produced a point-by-point detailed response to each of the appeals, providing very strong arguments against most of the points raised and indicating which points, however small, had some merit and what we believe the appropriate arguments in response should be.

The Ministry filed the necessary documents with the appeals court following the submission of the appeal and requested 'advanced implementation' of the concession agreement. This is a legal decision issued by the same court in which the appeal is filed which permits the Ministry to continue implementation of the Government's decision until such time as a final court decision on the merits of the appeal is issued. BearingPoint assisted the Ministry Legal Dept. to prepare the necessary documents and supporting arguments, which are based on the urgent need for the transaction's effective implementation and on the Ministry's supreme confidence in the fundamental soundness of the tender it conducted, and thus the groundlessness of the appeals – the documents were delivered to the Court of Appeals in late April, and a quick ruling is anticipated.

May-June 2005 Monthly Report

USAID Airport Concessions Project
Sofia, Bulgaria

Contract No.PCE-I-00-03-00037-00/Task Order No.800

Administration Office: Budapest, Hungary
Technical Office: Sofia, Bulgaria

Submitted by:

BearingPoint, Inc.

Introduction

The Council of Ministers' decision on the airport concession transaction withstood an initial legal challenge, clearing the way for its continued implementation. Negotiations on the final terms and conditions of the concession agreement were completed by the parties, including agreement on several highly challenging issues. The concession agreement was signed on June 12 in a public ceremony, and was broadly hailed as a major success. While Copenhagen Airports remains committed to the transaction, implementation of the contract itself remains in a holding pattern pending satisfaction of existing legal appeals, which are themselves more an indicator of real competition than an unfair process

Ministry of Transport and Communication Activity

The Supreme Court of Appeals ruled on May 11 to permit advanced implementation of the Government decision which confirmed Copenhagen Airports (CPH) as the winning bidder, and authorized the MTC to conclude the concession agreement. This decision was based on three factors: the time-sensitivity of the airport concession transaction and its economic impact, whether such a decision prejudices appellants' future rights if granted, and finally, a consideration of the merits of the appeals themselves. So while the positive outcome is on the whole highly positive for the transaction, it by no means puts to rest future legal challenges, which are expected to continue.

BearingPoint continued to provide technical support to the parties throughout the finalization of the concession agreement. The parties included the MTC Legal and Concessions Departments, the Civil Aviation Administration, Copenhagen Airports, and Bulgarian legal firms representing CPH and the MTC. The inclusion of the draft concession agreement as part of the tender documents, including a single round of comment and revision during the tender itself, ensured that the parties were addressing a much smaller list of contractual issues and not those which might reflect a gross misunderstanding of the transaction and its terms and conditions. Still, the legal issues, particularly among an experienced international investor and a considerably less similarly experienced Government entity, required patience to work through, and a large supporting and facilitating role by BearingPoint to reach resolution.

BearingPoint's work on the contract included a number of specific issues, including:

- appropriate insurance coverage for the assets and the parties
- appropriate environmental protection provisions and safeguards
- transfer of movable assets and their payment
- regulatory provisions and the setting of charges
- provisions for the implementation of the immediate investment program

BearingPoint advisors provided key counsel to the MTC and to Minister Vassilev during final sessions with senior CPH representatives on site in Bulgaria to resolve remaining issues and reach final agreement on the concession contract. These sessions were challenging for all involved due to the high stakes and the fact that issues to this point unresolved were of critical importance to both sides. One of the key issues to CPH was its ability to pledge the shares of the company so as to obtain better terms and conditions for project finance; although not inconsistent with international practice, this was not accepted by the Minister due to the added

risk it posed for the MTC and because such clause was not present in the COM decision authorizing the transaction.

One of the issues of vital importance to Minister Vassilev was the effective date for the transaction, which is not only a key provision in the agreement but could prove influential in the appeals case of the transaction. Minister Vassilev requested that the effective date be as soon as possible, enabling CPH to takeover the airports' management, initiate its investment program and demonstrate to the public, and perhaps to the courts, the wisdom of the concession framework and the transaction's results. To this end, the Minister was willing to provide additional protections to ensure that in the event of court ruling against the transaction CPH would be made whole for its investments. However, CPH was not interested to pursue this option; it preferred to sign the agreement but not implement it until such time as the appeals process was completely resolved. CPH explained to the Minister that its reputation was paramount and that it would not engage in any contract that was subject to appeal and possible reversal. Following these final sessions, essentially by late May, all of the remaining issues in the concession agreement were finalized.

With respect to the pending appeal, BearingPoint advisors on several occasions, including in writing, advised MTC leadership to seek outside legal counsel to defend the interests of the transaction. Lawyers from the Council of Ministers who would be tasked to defend the Government's interests, were not sufficiently familiar with the case, and the MTC legal department, although quite skilled, was not experienced presenting arguments in front of the courts. Furthermore, because confidence in the legitimacy of the tender was so high, several law firms, including those well-connected in political circles, were willing to represent the Government. Although such recommendations were taken under advisement, no actions were taken, most likely because the Ministry was confident in the strength of its case, in the actions that it was taking behind the scenes to settle the appeal, and finally due to the cumbersome procurement process that might be necessary for the hiring of outside legal counsel.

After approximately one and one-half months of negotiation and contract drafting the language of the concession agreement was finalized in early June, including all appendices and in the English and Bulgarian languages. Although the final agreement stuck largely to the draft agreement presented during the tender, the incorporation of the CPH proposal, and agreement on specific technical language was time-consuming to achieve. This is entirely consistent with a transaction of this magnitude and nature, if not even ahead of typical realized timetables. CPH was insistent on many things, most of which were reasonable (certainly not all), while MTC representatives took time to understand these issues, determine their legality and finally determine whether the MTC should accept revised language. All parties worked diligently to achieve this result, which reflects the interests of CPH and the Government of Bulgaria and is true to the tender process.

On June 12 and in the presence of all major Bulgarian media representatives, the parties signed the concession agreement. Minister Vassilev and Mr. Kjeld Binger, CEO of Copenhagen Airports, signed the concession agreement. Both parties expressed their satisfaction with the tender process and with the transaction's terms and conditions, and their confidence that under the new concession arrangement the airports would expand and become a significant asset in the continued growth and expansion of the Black Sea Coast region and its tourism industry in particular. Both the Minister and CPH thanked representatives of USAID and BearingPoint for its support to the transaction, which was much appreciated.

As a final note for the project, and a possible sign of a difficult legal process ahead, the court ruled against advanced implementation of the COM decision confirming CPH as the winning bidder. This happened after the signing of the concession agreement and so in essence has no impact – the concession agreement is valid upon its signature. However, the ability of the appealing parties to have the court take seriously their arguments, which are largely unfounded and based on misunderstandings and truly minor technicalities, is a sign of the relatively weak legal process in Bulgaria and opportunities for its abuse.

The Bulgaria Airports project officially ended on June 20, 2005, with a signed concession agreement for the international airports Bourgas and Varna between the Government of Bulgaria and Copenhagen Airports, one of the leading international airport operating companies worldwide. Implementation of the agreement is subject to satisfaction of pending appeals by the losing candidates. Finally, it should be noted that the 2nd place candidate, in the event that the courts decide to in effect award the transaction to it, is Fraport Group, another leading international airport operating company.