



## **SIGNIFICANT INFORMATION**

In accordance with the provisions of article 82 of the Spanish Securities Market Act, Sacyr, S.A. hereby discloses the following significant information:

Further to our significant events of 2, 20, 23 and 31 January in connection with the project for design and construction of the third set of locks for the Panama Canal (the Project), in which the Sacyr Group is involved as part of the Consortium "Grupo Unidos por el Canal" (GUPC) along with the Italian firm IMPREGILO SpA, the Belgian firm JAN DE NUL, N.V. and the Panamanian firm CONSTRUCTORA URBANA, S.A. (CUSA), the company wishes to announce that the GUPC Consortium has issued a press release, attached, concerning the status of negotiations on the Project.

Madrid, 5 February 2014



## **GUPC Consortium Continues to Seek Panama Canal Solution Despite Break in Negotiations by Canal Authority**

### **Canal Expansion and 10,000 Jobs at Immediate Risk as International Disputes Await**

Panama, February 5, 2014

The international consortium of leading infrastructure firms constructing the Panama Canal third set of locks expansion project continues to seek a solution for funding the completion of the project and completion of the works in 2015, even as the Autoridad del Canal de Panama (ACP) broke off negotiations.

The break in negotiations puts the Panama Canal expansion and up to 10,000 jobs at immediate risk. Without an immediate resolution, Panama and the ACP face years of disputes before national and international tribunals over their steps that have pushed the project to the brink of failure.

The consortium, Grupo Unidos por el Canal (GUPC), includes Sacyr (Spain), Salini-Impregilo (Italy), Jan De Nul (Belgium) and Constructora Urbana (Panama) have successfully performed some of the largest construction projects in the world. GUPC has already completed more than 70% of the Project despite hardships and financial losses. GUPC has been making proposals and responding to proposals on an almost continual daily basis. GUPC continued to make efforts yesterday on the last proposal sent to ACP to reach agreement and allow completion of the expansion project in the shortest time possible.

GUPC supplemented its latest proposal and ongoing communications with ACP by sending a letter to ACP Administrator Jorge Quijano inviting the ACP to abandon its unreasonably rigid position and join GUPC in reaching a solution that allows the completion of the project in conformity with applicable contracts and laws. GUPC also reiterated the importance of receiving payment from ACP on a pending \$50 million invoice discussed in recent meetings, to allow payments to subcontractors and workers in order to cover this weeks payroll. While there has been no response, GUPC continues to seek a comprehensive solution.

### **The Need for Funding to Finish the Project**

The Third Set of Locks Contract is one of the biggest civil works projects in the world and requires funding adequate to finish the project in the face of difficult circumstances.

- GUPC had the highest technical score for its proposal and ACP has emphasized that the GUPC proposal cannot be compared to other proposals because each of the proposals had different designs that had an impact in the final proposal price.
- The project encountered unforeseen conditions and additional costs. Unforeseen geological conditions, for instance, have had a significant impact on costs related to civil works, requiring the use of extensive additional resources to progress the works keeping excellent quality standards and the highest respect of the environment in the Canal Zone. GUPC has been transparent and subjected the project to external audits.
- The Project is already more than 70% complete and the specialized Lock Gates will all be delivered in 2014. It requires additional funding of \$1.6 billion to reach completion. This is a burden of such a magnitude that no contractor or private company can bear alone.
- A funding plan is required to permit the completion of the works. GUPC and ACP have been focused on how to *fund* the additional costs through a co-financing arrangement in order to allow the completion of the project, while the parties arbitrate their disputes as to whose responsibility the overruns are.
- The funding is separate from the resolution of the ongoing disputes by DAB/Arbitration awards to determine the ultimate *liability* for under the contract and applicable laws.
- The circumstances require a balanced solution, reached in good faith, to pre-finance the \$1.6 billion in costs necessary to complete the project, and separately provide time for international arbitration proceedings to allocate the ultimate liability for those costs under the Contract and applicable law.
- To date, ACP has agreed to *zero* payments for the unforeseen circumstances affecting the project. GUPC also has reiterated the importance of prompt payment by ACP of a pending invoice for \$50 million to facilitate additional payments for subcontractors and workers. ACP instead has been talking about a mysterious “Plan B.”

### **A Solution is Possible**

The parties have been negotiating under a Negotiation Protocol proposed by GUPC and agreed by the parties two weeks ago, and extended in recent days. GUPC has put forward proposals that insist on full compliance with the Contract and applicable laws of the Republic of Panama and international law. The GUPC solution would allow for project completion and also have been adapted to address ACP’s comments and concerns, as follows:

- The Parties share the burden of *funding* the completion of the project through a 50% - 50% co-financing, despite the requirement under contract and applicable law that the project owner arrange all project funding and financing.
  - GUPC funding includes \$100 million in new funding, \$300 million already provided (beyond any contract obligations), and \$400 million in newly financed funding.

- ACP funding includes \$100 million, and otherwise consists of a moratorium of repayment of \$785 million in advance payments made under the contract. In other words, most of the ACP assistance is by extending the deadline for repayment of funds already advanced and fully secured, so that GUPC is able to put more funds into the project now.
- GUPC offers various security and interest payments for the ACP financing.
- An international arbitration tribunal will decide who is *liable* for the additional costs overruns and who should pay for them, under the contract and applicable law.
- With this agreement, the Panama Canal expansion will be completed as efficiently as possible and the ACP will begin to receive revenues from the Canal expansion that will exceed the funding amounts under discussion.

The GUPC investors are construction companies, not banks. It is unjust and impossible for the ACP and Panama to expect that private companies will finance \$1.6 billion in costs on a project that was to be fully funded by the ACP. Applicable Panamanian law requires an equilibrium and reasonable balance to the contract. Without ACP joining GUPC to reach a resolution, those funds will not be available to pay Panamanian workers, subcontractors and suppliers. Even worse, the broad economic benefits of the Panama Canal expansion will not be realized by the Panamanian people for years to come with far greater expense.

### **GUPC Seeks a Solution**

GUPC has taken a series of steps to facilitate a solution. GUPC continues to seek a solution for the Panama Canal expansion project, with the greatest efficiency of time and cost. The proposals under discussion have been fully aligned with applicable law and contracts.

- GUPC deferred the date when it could suspend works pursuant to the applicable Contract, expressed an openness to international mediation and proposed and agreed to the Negotiation Protocol aimed at averting suspension or alleged termination of the Contract.
- GUPC representatives from Spain, Italy, Belgium and Panama have been collaborating with their local representatives and international and local lawyers in a continuous effort to reach a resolution. The highly-publicized meetings in Panama have been only a part of GUPC's continuous series of business and legal efforts, virtually around the clock for weeks, aimed at resolution.
- GUPC has called for the support of all authorities for a resolution, and to protect and preserve an environment conducive to a resolution that allows the Panama Canal project to be completed with the greatest efficiency of time and cost, so that the project benefits may be fully realized by ACP and Panama.
- GUPC, as a consortium of international leaders in construction and infrastructure, has shown exceptional flexibility in offering to participate in co-financing of the project, despite the tremendous financial burden, and also has insisted on and put forward proposals that are fully aligned with all applicable law, contracts and international treaties, while, as ever, reserving all rights.

- GUPC has sought to maintain a positive environment for negotiations, under the negotiation protocol and refraining from adversarial public comments, even in the face of a series of inaccurate leaks of information and damaging comments involving ACP and officials. GUPC remains ready to put ACP's prior comments and positions aside in the interest of a resolution.

### **Implications of Breaking the Negotiations**

The entire world's attention is focused on Panama and its ability to complete the Panama Canal project. The decision of ACP to break the negotiations has serious and immediate ramifications, as GUPC has repeatedly warned orally and in writing. The break in negotiations by ACP means:

- Immediate risks of job losses affecting up to 10,000 workers and their families;
- Immediate incapacity of GUPC to pay numerous subcontractors from Panama and other countries;
- Delays in completion of the Panama Canal expansion project and delay in realizing the billions of dollars of revenues and broad economic growth opportunities the expansion can generate for Panama – according to public reports, insurer Zurich has estimated that the project will be delayed by 3-5 years without an agreement;
- Years of contentious arbitration and litigation proceedings in jurisdictions and for a worldwide that will leave a continuous shadow over ACP and the Panama Canal;
- Impacts on ports and companies throughout the Americas and the world that have made investments and plans in reliance on the expansion project;
- The failure of a strategic project for the economy of Panama and the world, leaving a permanent shadow over the Panama Canal expansion project in the books of history.

Leaders from across the Americas and around the world have visited the expansion project and countries and companies have invested billions in port expansion and domestic infrastructure in anticipation of new trade opportunities that depend on this project. Next year when leaders from throughout the Western Hemisphere gather in Panama for the historic Summit of the Americas, instead of celebrating Panama's vital role in global commerce, they will be left lamenting that the ACP and Panama abandoned talks rather than agreeing on a solution that could cement Panama's historic place in the world.

An agreement between GUPC and ACP offers the only path to complete the Canal promptly and efficiently with the least impact on employees and their families, subcontractors, suppliers and all affected by the abandonment of negotiations. GUPC again invites collaboration and resolution.

**About GUPC**

Grupo Unidos por el Canal, S.A. (GUPC SA) is the contractor for the design and construction of the Third Set of Locks - Main Project of Panama Canal Expansion Program.

The group's technical capability and knowledge in infrastructure projects in several countries of the world ensure that these projects will be conducted with the highest quality standards and in the agreed time.

GUPC is formed by Sacyr of Spain, Salini-Impregilo of Italy, Jan De Nul of Belgium and Constructora Urbana, SA (CUSA) of Panama.