

Project or Service Description to Execute

Guatemala, Guatemala, October 30, 2023

Lic. Francisco Anleu Quijada
General Manager
Empresa Portuaria Quetzal Guatemala
Government of Guatemala
Present

Dear Mr. Anleu Quijada,

I am writing to request your authorization for the use and exploitation of the maritime and terrestrial Port Quetzal Space according to Article 4. Requirements for the usufruct or lease request of areas and other facilities. Therefore, I present the following:

BACKGROUND

I, Josué Alexander Barrios Galindo, a single 46-year-old Guatemalan professional engineer, identified with Personal Identification Document – CUI – 2342 11601 0101, acting as Legal Representative of the entity TRANSSHIPPING WORLD COMPANY SOCIEDAD ANONIMA, with Tax Identification Number 91075866, accredited by the Act of Appointment registered under Registration 677031 Folio 939 Book 808 of Commerce Auxiliary Register of Guatemala; with fiscal domicile and place for notifications at 11 Calle 0-48 Office 1003 Zone 10 Diamond Building Guatemala, appear before you to present the description of the project or service to be developed, expose the impact of your request in terms of the port services it will provide, as well as its contribution to operational efficiency or additional cargo that will be mobilized through Puerto Quetzal, or the benefits derived from it by presenting properly substantiated projections.

My represented company is a private capital Guatemalan entity dedicated, among other commercial activities, to providing storage, international transportation services, and other activities related to foreign trade. Consequently, it has entered into an administrative contract with the Military Welfare Institute for leasing the real estate identified as Finca Santa Rosa located in the Municipality of San José, Department of Escuintla, in the urban farm located at kilometer 104 road to Iztapa, department of Escuintla Municipality of San José, property of the Military Welfare Institute Finca 8044 folio 44 of book 257E of Escuintla.

One of the objectives of my represented company, resulting from the contractual relationship described in the previous numeral, is to develop a project for constructing an industrial park named ZDEEP and a fuel storage and distribution terminal interconnected through a monobuoy serving as a connection and loading point for tankers for importing fuels through transport pipes, which is estimated to represent an economic benefit for the Municipality of San José Escuintla and surrounding areas, ensuring new sources of employment and economic growth for the population of that region.

Given the above, it is essential to request your authorization for using and exploiting the maritime and terrestrial Port Quetzal Space, as it is necessary to project a secondary access road critical for traffic decongestion on the CA9 highway towards Iztapa - San Marino, impacted by increased operations between the TADH hydrocarbon storage terminal and Puerto Quetzal. Therefore, the right of way is needed for constructing infrastructure for an access road section as described below.

PROJECT OR SERVICE DESCRIPTION TO BE DEVELOPED

PROJECT "MAIN ACCESS ROAD CA9 PROJECTION WITH ENTRY HOTEL MAR Y SOL 0+088 m."

In this single stage, the construction of an avenue and its acceleration and deceleration lanes is contemplated, starting from the roundabout located to the east of the main entrance to the customs area of Puerto Quetzal, located on the CA-9 highway on the road to Iztapa and Guatemala, intersecting the internal street serving as the entrance to Hotel Mar y Sol and Club Aire Mar y Tierra.

The request includes a right of way for constructing a 23.00 m wide x 88.00 m long avenue with 2.00 m wide pedestrian sidewalks on both sides and a central median with openings at its 12.00 m curvature radii at each end, with 100 m long acceleration lanes and 50.00 m long transition lanes at the entrance and exit of the CA-9 highway, and expansion of the curvature radii at the entrance to Hotel Mar y Sol from CA-9 in front of the Portuary.

Requested Area for Access Road Construction CA9 Junction - Hotel Mar y Sol Entrance 0+0.88 m

Description	Length	Width	Area (m²)
1. Sidewalk Area 1	233.24	2	466.48
2. Sidewalk Area 2	523.67	2	1047.33
3. Access Street Area	88	23	2024.00
4. Acceleration and Deceleration Lanes CA9	-	-	1659.87
5. Acceleration and Deceleration Lanes CA9	-	-	1659.87
Total Area to Request for Lease	-	-	6857.55

EXPLAINING THE IMPACT OF YOUR REQUEST IN TERMS OF PORT SERVICES PROVIDED AND CONTRIBUTION TO OPERATIONAL EFFICIENCY OR ADDITIONAL CARGO MOBILIZED THROUGH PUERTO QUETZAL OR THE BENEFITS DERIVED FROM IT WITH PROPERLY SUBSTANTIATED PROJECTIONS

In addition to the economic benefit for Puerto Quetzal by obtaining the usufruct or lease of the above-described areas, growth in imports and exports, payment of import tariffs, and generation of tax payments will also be promoted, contributing to the efficiency of operations and logistics of the port and its surrounding areas operated by third parties, decongesting the main access roads for some users to the port facilities, reducing the current vehicle load flow derived from vehicular traffic, and having multiple potential impacts, both positive and negative, such as:

Chapter 1: Impact on Port Services

Currently, Puerto Quetzal handles around 15 million tons of liquid bulk cargo annually. Assuming moving 25% of this cargo (3.75 million tons) through the monobuoy system would free up significant storage and docking capacity at port facilities. Based on industry averages, this could allow us to attract and serve approximately 200 additional ships per year, depending on the size and type of cargo of the ships.

This would mean increasing services to other ships and cargo types, which in turn can attract new customers and increase revenue. For example, expanding services for handling containerized or bulk solid cargo that have grown in recent years is vital for the port and my represented company to seek a solution or alternative where both activities can coexist without affecting the surrounding communities and third parties using the CA9 highway as the main transport route for their daily activities.

Regarding the safety of Puerto Quetzal operations, decongesting the main access road would reduce import and export times and the probability of accidents between cargo transport and private vehicles, improving safety conditions for port workers, transporters, and surrounding communities.

Safety incidents at the port related to mobility could be reduced by 85% with the help of constructing an alternate road that would decongest existing heavy cargo truck traffic on this communication route, meaning fewer safety incidents per year.

Chapter 2: Contribution to Operational Efficiency

Decongesting the main artery due to the cargo and transport flow would also contribute to operational efficiency. Currently, liquid cargo ships spend an average of 48 hours in port, including docking, loading/unloading, and undocking time. If we can reduce the waiting time based on mobility efficiency by 25%, this time will be reduced by an average of 12 hours per ship, leading to a 25% reduction in ship stay time.

From a safety perspective, operational efficiency can be improved by reducing safety incidents and emergency procedures. Efficiently moving away from the busiest port areas can reduce the probability of severe incidents causing operational interruptions. According to estimates, each major incident can cause up to 4 hours of interruption. If we can prevent these incidents annually, it would translate into recovered operational hours.

Chapter 3: Additional Cargo Mobilization

Freeing up capacity at port facilities would allow Puerto Quetzal to handle additional cargo volumes. If improved efficiency allows handling 15% additional solid bulk cargo, it would represent millions of tons of additional cargo each year.

The safe handling of additional cargo through Puerto Quetzal is a priority. The capacity freed up by reducing the flow to handle liquid bulk cargo would allow handling additional loads of other types of goods. This means ensuring the safety of these new operations, requiring investment in additional safety equipment and staff training, committed to safety and efficiency.

Chapter 4: Derived Benefits

Implementing alternate roads would bring indirect benefits. For example, reducing the average waiting time in port by one day based on 200 additional ships per year would save 200 waiting days annually. Assuming the average cost per day for a ship waiting in port is \$20,000, this would equate to potential savings of \$4 million annually for current customers.

In addition to the direct benefits mentioned, there are also indirect benefits from a safety perspective. Reducing port congestion would also reduce the risks associated with crowding, such as accidents and traffic. Fewer incidents mean less time and resources devoted to emergency response and recovery, and fewer interruptions to port operations.

Chapter 5: Future Projections

In the long term, there could be an annual growth of 8% in liquid bulk cargo volume as in the last five years, meaning handling around 17.5 million tons of liquid cargo by 2025. Maintaining the proportion of liquid bulk cargo managed through mobility efficiency at 25% would imply moving around 4.37 million tons of cargo in 2025. This would further free up capacity at port facilities, allowing handling a significant additional cargo volume.

Looking to the future, constructing an alternate access road could significantly and durably impact Puerto Quetzal's safety. If we continue to see an 8% growth in liquid cargo as in the last five years, the pressure on port facilities will only increase. However, if we maintain the proportion of liquid bulk cargo managed through monobuoys at 25%, it could mean a reduction in safety incidents.