

Capital Markets Day “Concessions”

22 November 2006



Phases of a PPP-Project

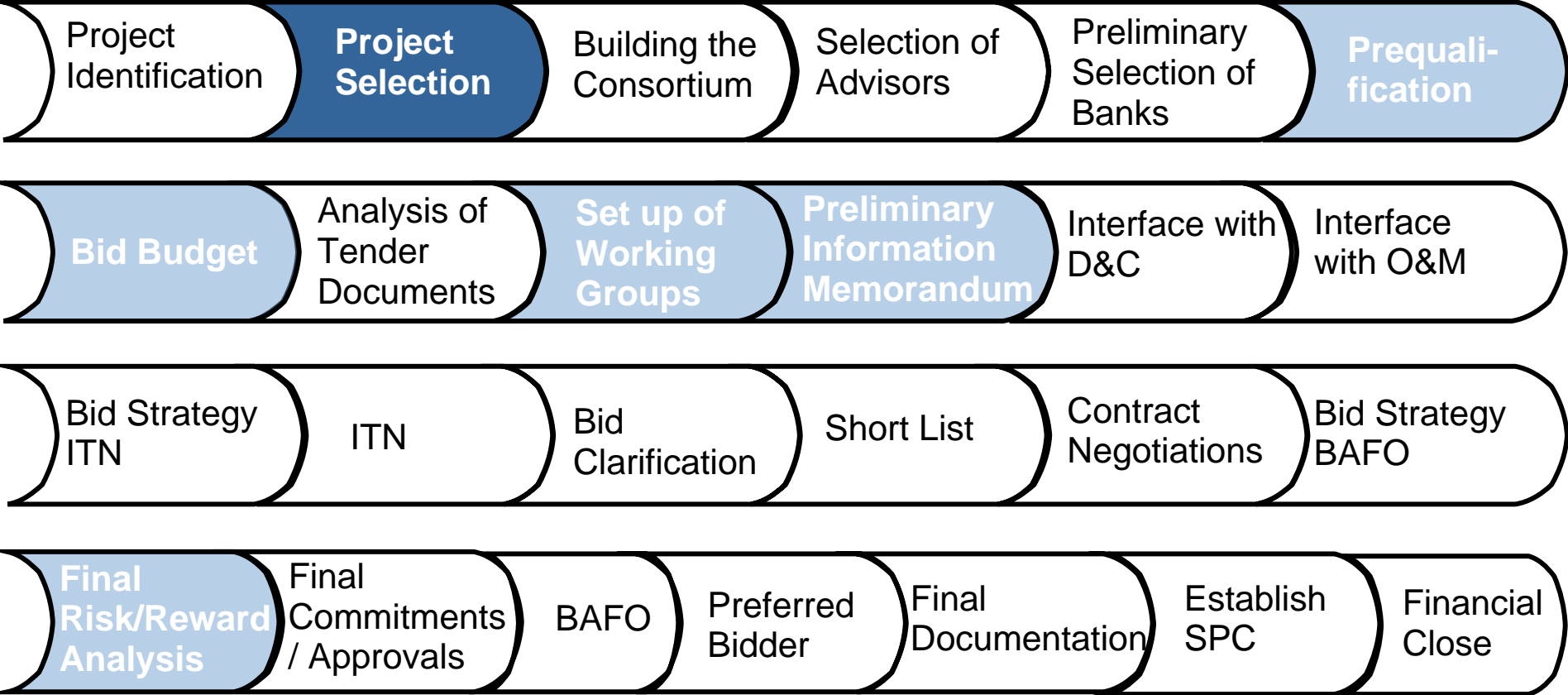
Jürgen Schönwasser, Managing Director

The Task:

- Define the process
- Structure the process
- Manage the process
- Conclude the process
- Support the operations

Phases of a PPP-Project: Example Transportation

Part 1: Development



Project Selection (1)

- Is it an attractive project?
- Can we win the project?

1. Client

- Country / State
- Legal framework
- Financial consideration
- Track record of closing deals
- Relationship
- Professionalism
- Quality of advisors

Project Selection (2)

2. Project

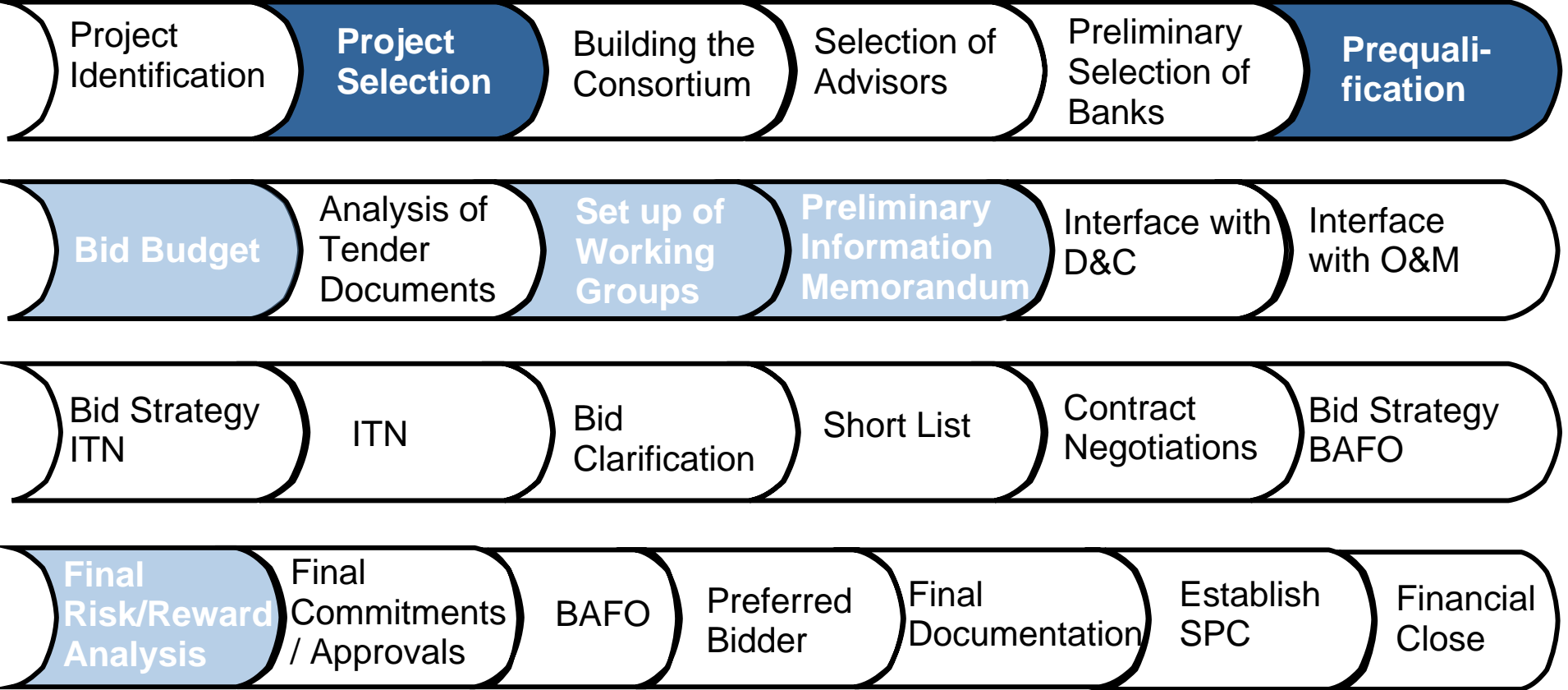
- Strategic fit
- Risk / Reward consideration
- Size

3. Competitiveness

- Competition
- Competitive edge of BB
- Competitive edge of partners
- Local know-how
- Own capacity
- Own experience

Phases of a PPP-Project: Example Transportation

Part 1: Development

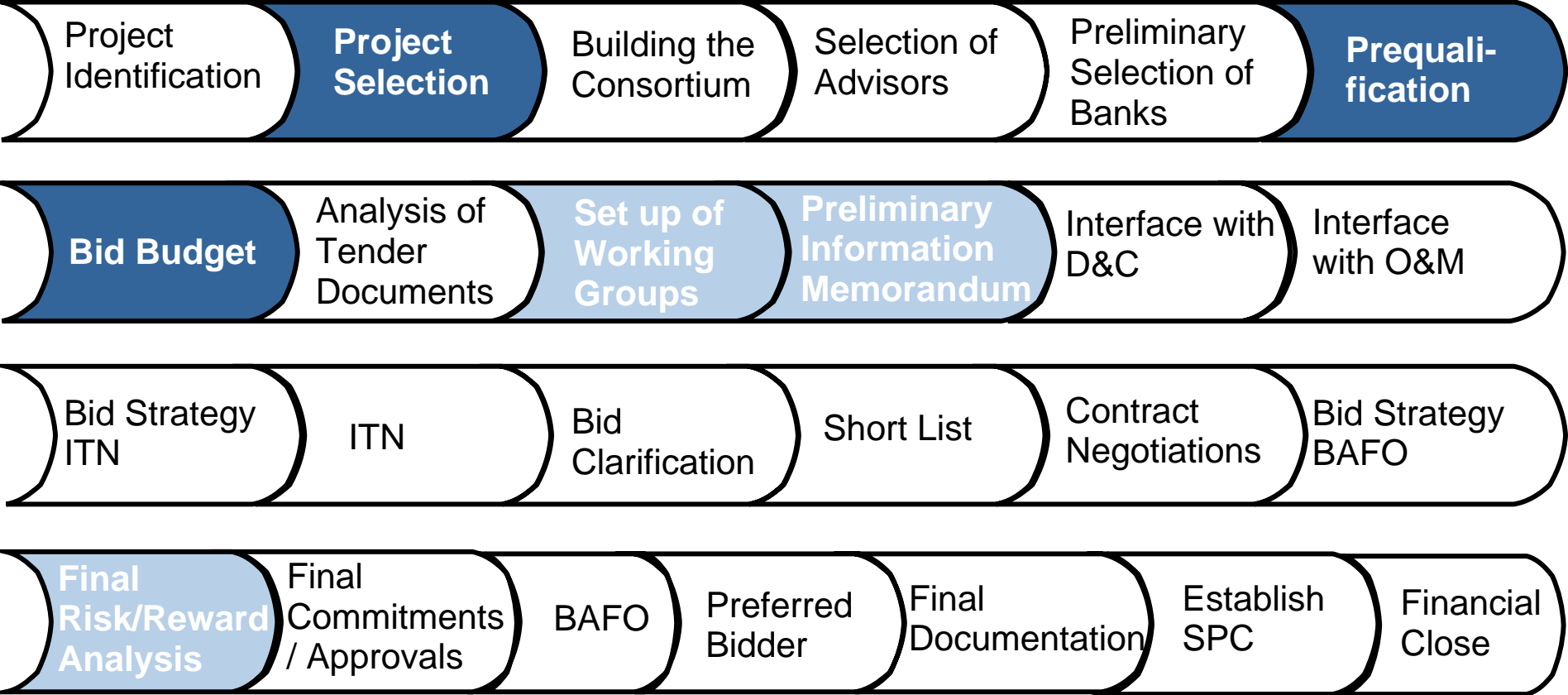


Prequalification

1. Members of the consortium
 - Corporate structure
 - Role in the consortium
 - Financial and economic standing
 - Experience, ability and technical capacity
 - Experience with PPP
2. Nominated subcontractors
3. Advisors
 - Support letters
4. Project management
5. Ability to secure funding
 - Support letters

Phases of a PPP-Project: Example Transportation

Part 1: Development

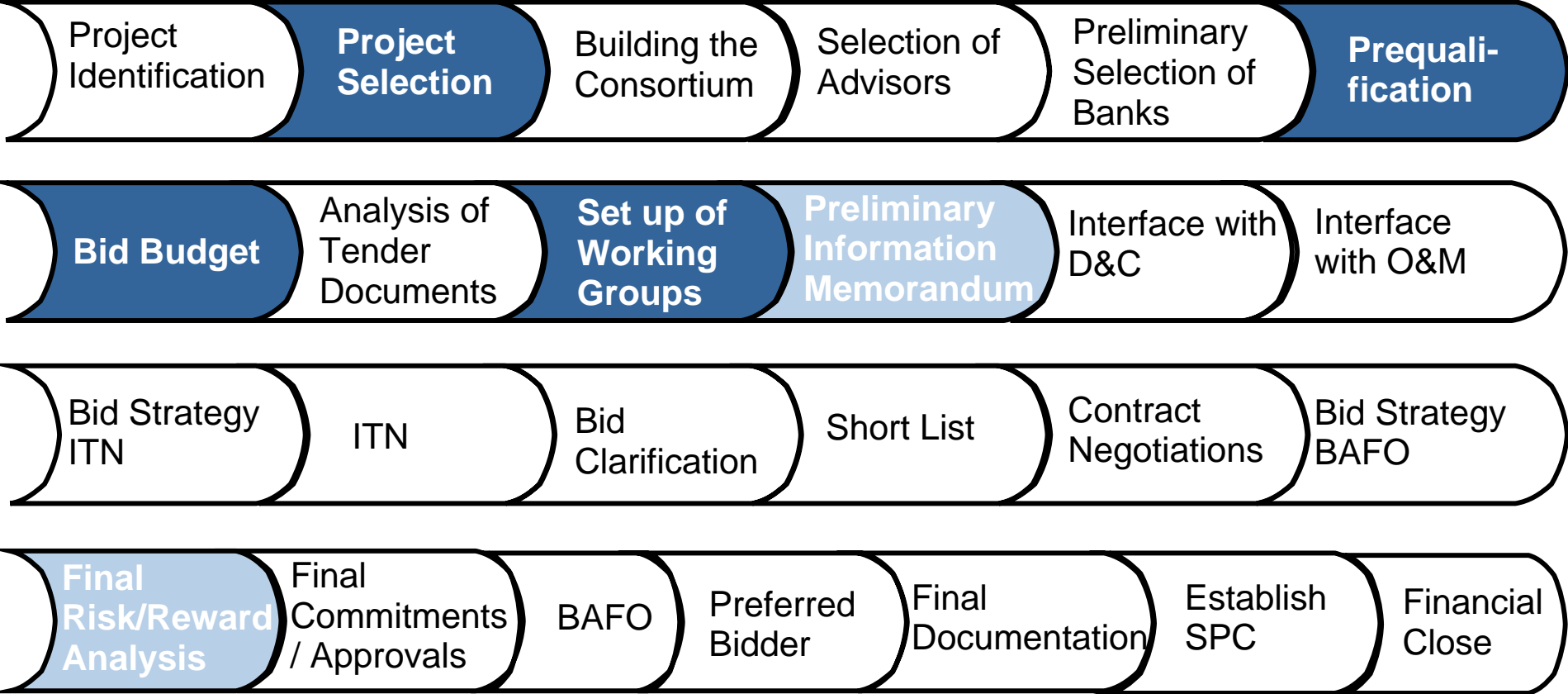


Bid Budget

Bid Stage Month Activity	Original appr. Budget to Bid Sub.	Current Budget to Bid Sub.	RFP Spent to To-Date	Remaining Budget	PQ	Budget RFP Bid Preparation	Budget BAFO Phase	Total Budget until PB Announcement	Total Budget Finalisation	Total Budget until CC=FC excl. Success Fees	Success Fees	Total Budget until CC=FC incl. Success Fees
	0	1	2	3=1-2	4	11	18	19	25	26	27	28
Bid Management:												
Local Project Office												
- Office Rent		0	0	0		0	0	0	0	0	0	0
- Bid Support		0	0	0		0	0	0	0	0	0	0
Bank Charges		0	0	0		0	0	0	0	0	0	0
Bid Bond		0	0	0		0	0	0	0	0	0	0
Translation		0	0	0		0	0	0	0	0	0	0
Copies		0	0	0		0	0	0	0	0	0	0
Document Production		0	0	0		0	0	0	0	0	0	0
Tender Documents		0	0	0		0	0	0	0	0	0	0
Bond Rating Prelim.		0	0	0		0	0	0	0	0	0	0
Other		0	0	0		0	0	0	0	0	0	0
SUBTOTAL BID MANAGEMENT	0	0	0	0	0	0	0	0	0	0	0	0
LEGAL ADVISER												
SUBTOTAL LEGAL ADVISER												
FINANCIAL ADVISER												
Retainer		0	0	0		0	0	0	0	0	0	0
Milestones		0	0	0		0	0	0	0	0	0	0
Out-of-Pocket Expenses:		0	0	0		0	0	0	0	0	0	0
London Trips	0	0	0	0		0	0	0	0	0	0	0
SUBTOTAL FINANCIAL ADV.	0	0	0	0	0	0	0	0	0	0	0	0
TAX/ACCOUNTING ADVISER												
Fees		0	0	0		0	0	0	0	0	0	0
Out-of-Pocket Expenses		0	0	0		0	0	0	0	0	0	0
SUBTOTAL TAX	0	0	0	0	0	0	0	0	0	0	0	0
INSURANCE ADVISER												
Fees		0	0	0		0	0	0	0	0	0	0
Out-of-Pocket Expenses		0	0	0		0	0	0	0	0	0	0
SUBTOTAL INSURANCE	0	0	0	0	0	0	0	0	0	0	0	0
TRAFFIC ADVISER												
SUBTOTAL TRAFFIC												
PUBLIC RELATIONS / LOBBY.												
SUBTOTAL LOBBYING												
OPERATIONS&MAINTENANCE												
Fees		0	0	0		0	0	0	0	0	0	0
Out-of-Pocket Expenses		0	0	0		0	0	0	0	0	0	0
SUBTOTAL O&M u. FOE	0	0	0	0	0	0	0	0	0	0	0	0
HSE												
Fees		0	0	0		0	0	0	0	0	0	0
Quality + HS	0	0	0	0		0	0	0	0	0	0	0
Environment	0	0	0	0		0	0	0	0	0	0	0
SUBTOTAL HSE	0	0	0	0	0	0	0	0	0	0	0	0
CONTINGENCY	0	0	0	0	0	0	0	0	0	0	0	0
ADVISERS TO LENDERS												
Financial Model Audit	0	0	0	0		0	0	0	0	0	0	0
Traffic Study Audit		0	0	0		0	0	0	0	0	0	0
Legal Advisor		0	0	0		0	0	0	0	0	0	0
- Out of Scope Issues		0	0	0		0	0	0	0	0	0	0
Insurance Advisor		0	0	0		0	0	0	0	0	0	0
Technical Advisor		0	0	0		0	0	0	0	0	0	0
SUBTOTAL ADV. LENDERS	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL COSTS	0	0	0	0	0	0	0	0	0	0	0	0

Phases of a PPP-Project: Example Transportation

Part 1: Development

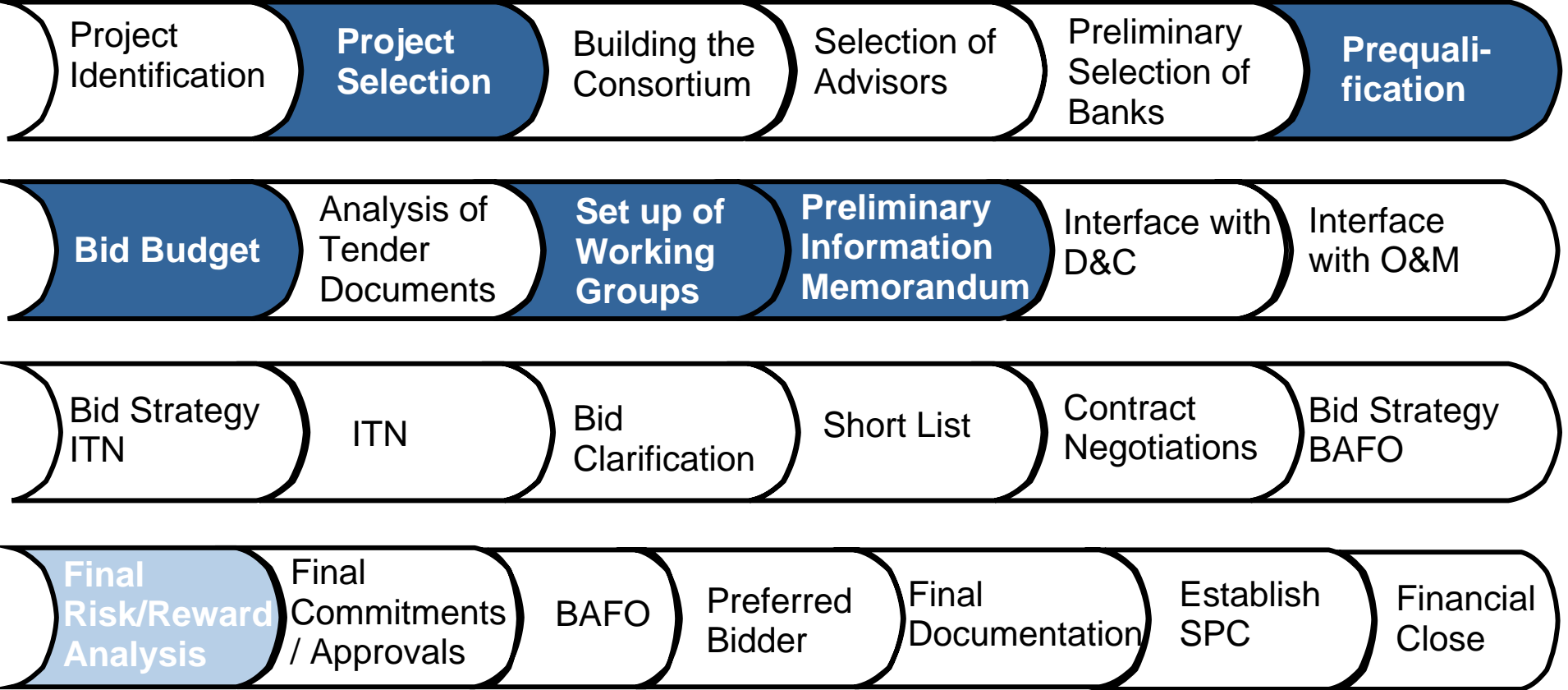


Working Groups



Phases of a PPP-Project: Example Transportation

Part 1: Development

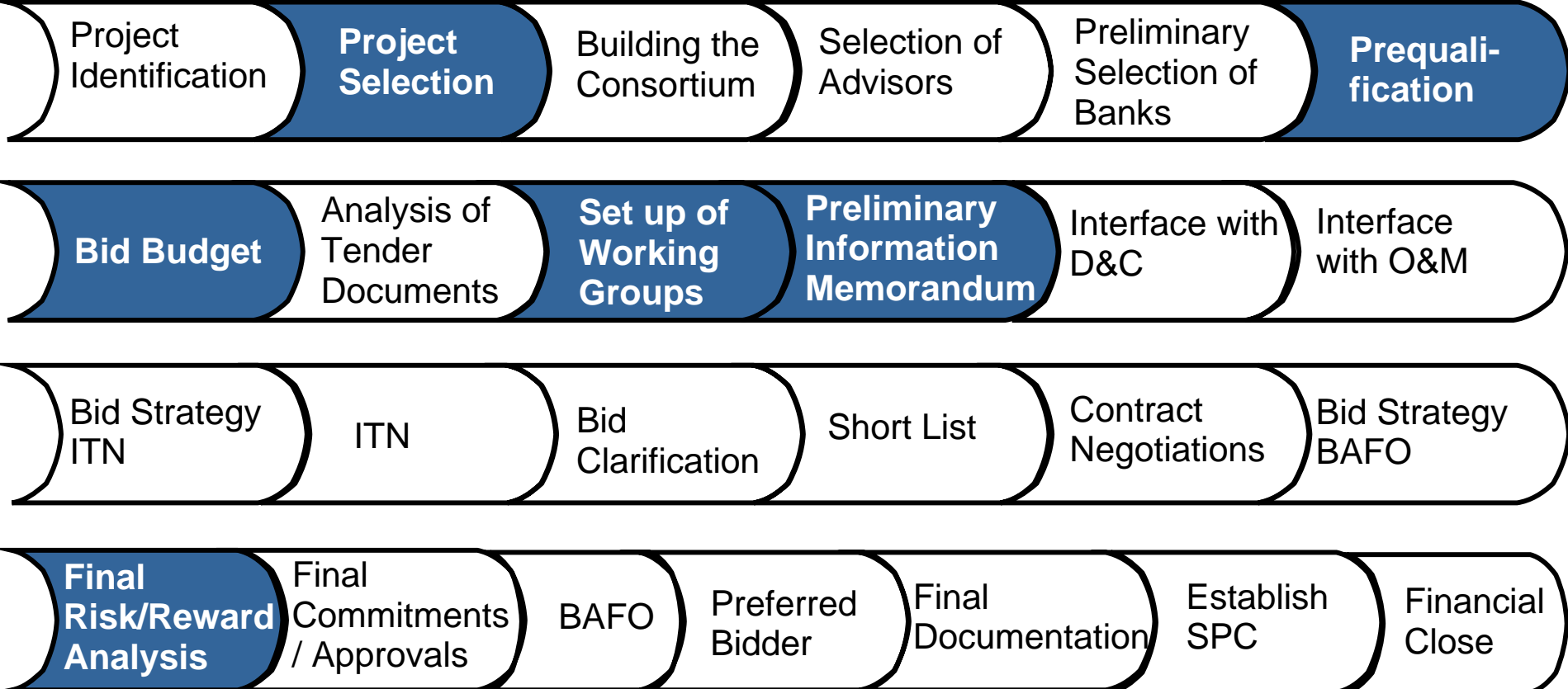


Preliminary Information Memorandum

1. Project Overview
2. The Consortium
3. Concession Contract
4. Concessionaire's Remuneration
5. Traffic
6. Commercial Arrangements
7. Insurance
8. Financing Plan
9. Risk Analysis
10. Base Assumptions & Sensitivity Analysis
11. Advisors to the Mandated Lead Arrangers
12. Various Financing Documents in Draft Form

Phases of a PPP-Project: Example Transportation

Part 1: Development

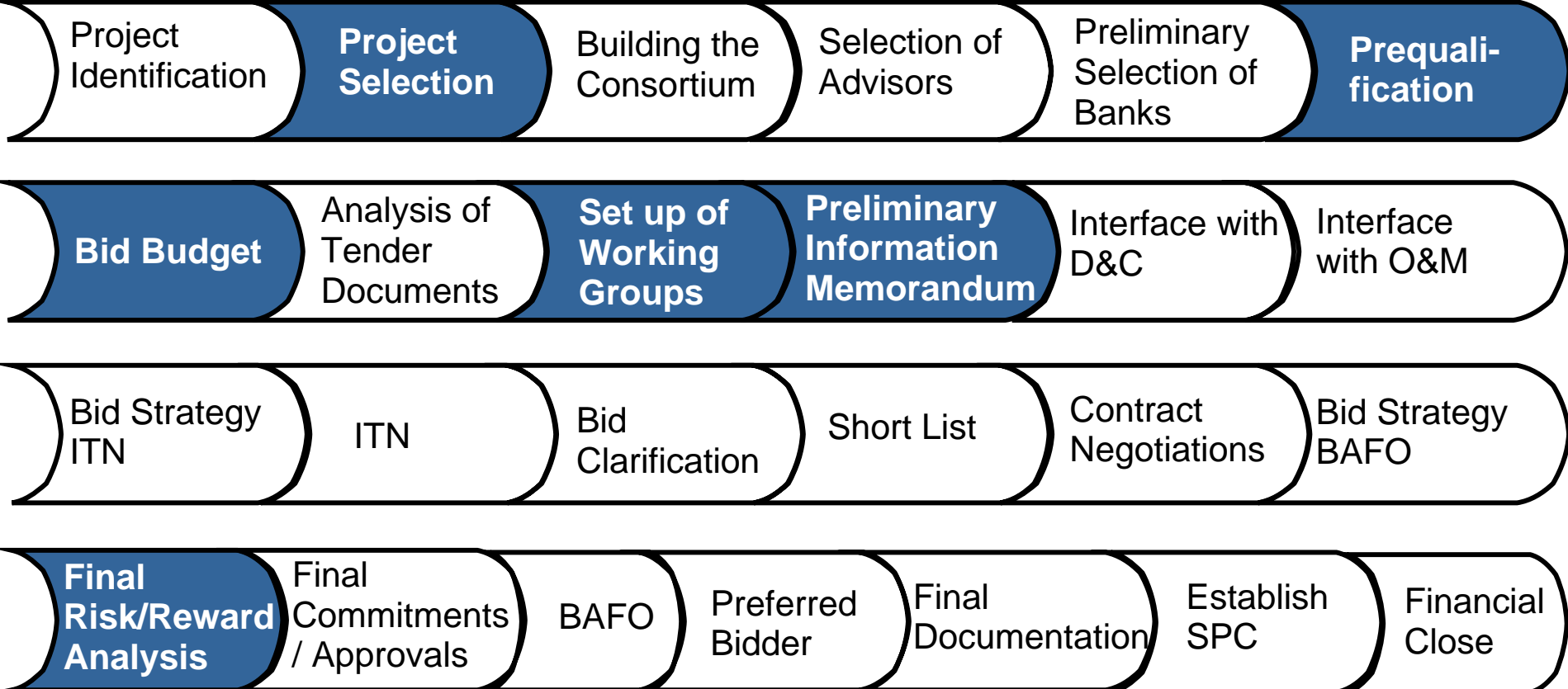


Risk / Reward Analysis

- Risk Matrix – Mitigation Measures – Pricing
- Pass through of Construction and O & M Risk
- Heavy Maintenance Risk: Life Cycle Evaluation
- Traffic Risk: Downside Risk Assessment
- Value Creation

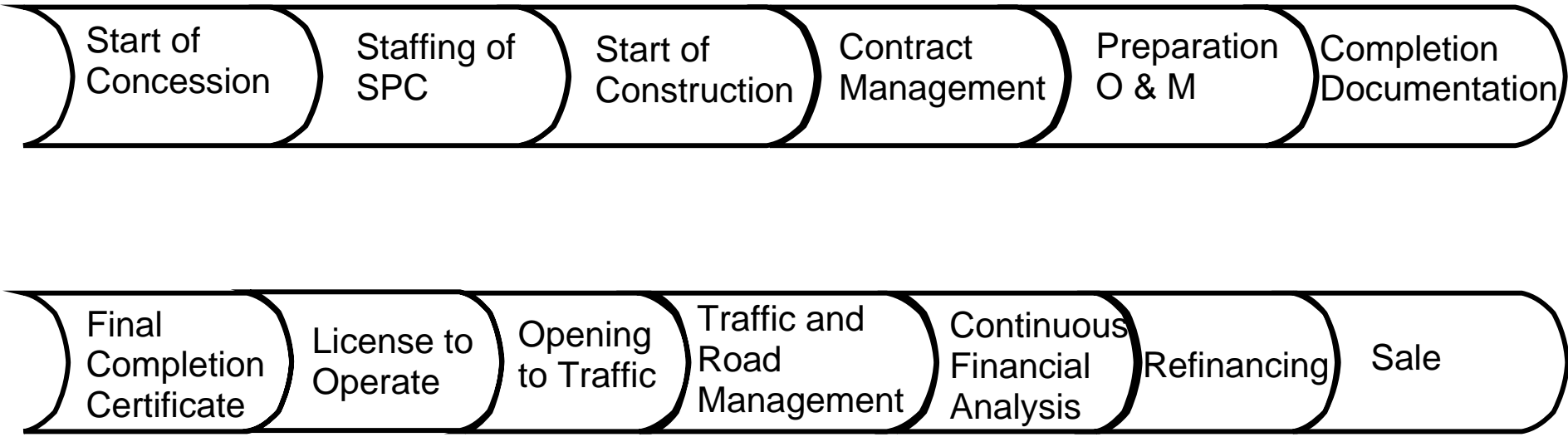
Phases of a PPP-Project: Example Transportation

Part 1: Development



Phases of a PPP-Project: Example Transportation

Part 2: Construction and Operation





M6 Motorway - Hungary

Table of Content

- Overview of M6 Project
- Payment mechanism
- Contractual structure
- Risk allocation
- Refinancing



Overview of Project

Payment mechanism

Contractual structure

Risk allocation

Refinancing

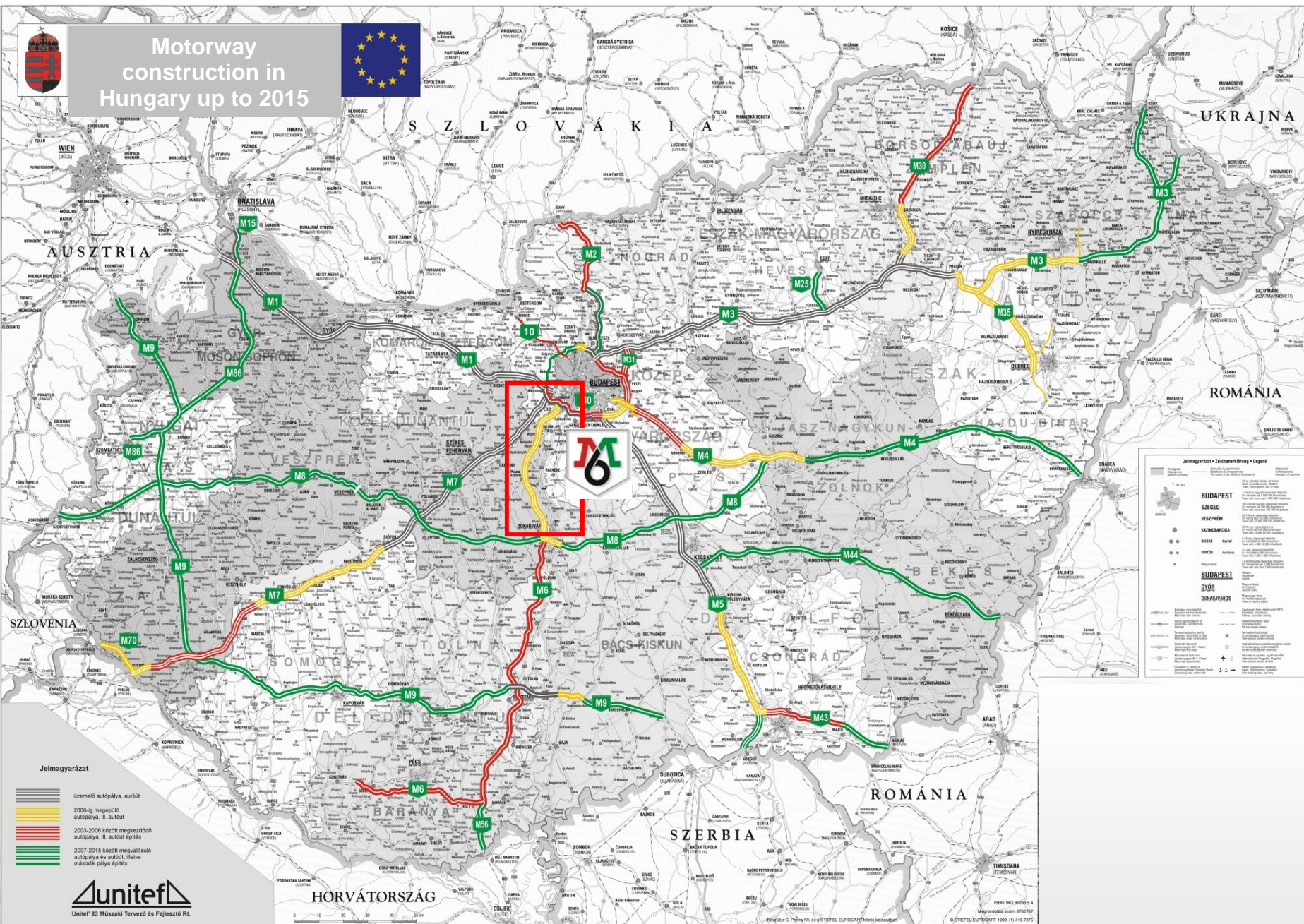




Financing, design, construction, operation and
maintenance of the first section of the
motorway M6 & M8 from Érd to Dunaújváros in
Hungary as PPP - model



Motorway construction in Hungary up to 2015



Jelmagyarázat

- üzemelő autópálya, autót
- 2006-ig megépülő autópálya, ill. autót
- 2003-2006 között megkezdendő autópálya, ill. autót építés
- 2007-2015 között megvalósuló autópálya ill. autót, illetve mások pálya építés



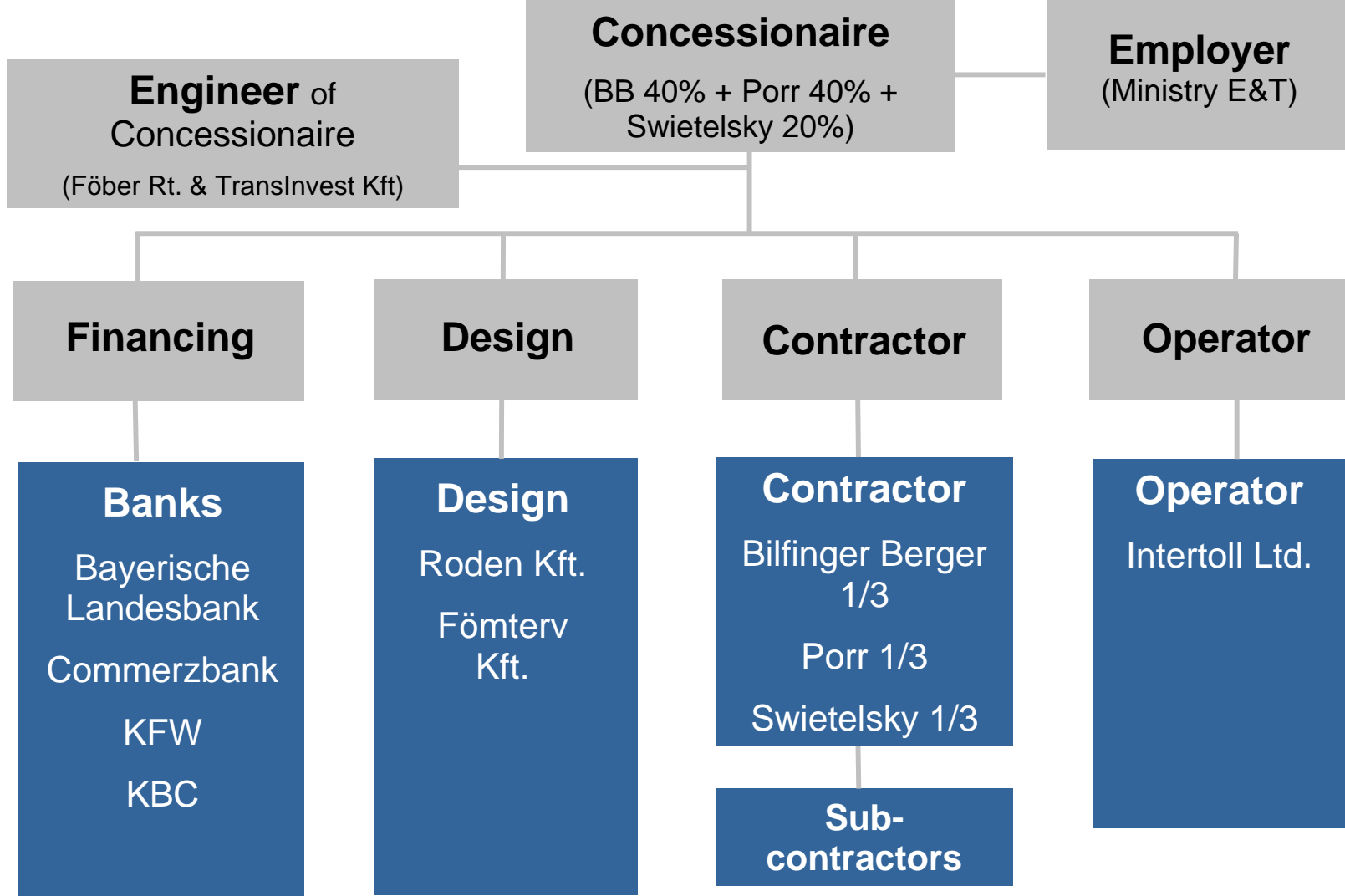
Jelmagyarázat - Típusjelölések - Legend

	BUDAPEST
	SZEGED
	VESZPRÉM
	KAZINCBARCICA
	MISKOLC
	DEBRECEN
	BUDAPEST
	GYŐR
	SOMLYÓVÁROSI

Key Characteristics

Motorway:	58.6 km
Investment volume:	approx. €482 m – construction € 395 m
Concession Term:	22 years incl. 18 month construction period
Payment Structure:	100 % availability risk

Key Project Participants



Overview of Project
Payment mechanism
Contractual structure
Risk allocation
Refinancing



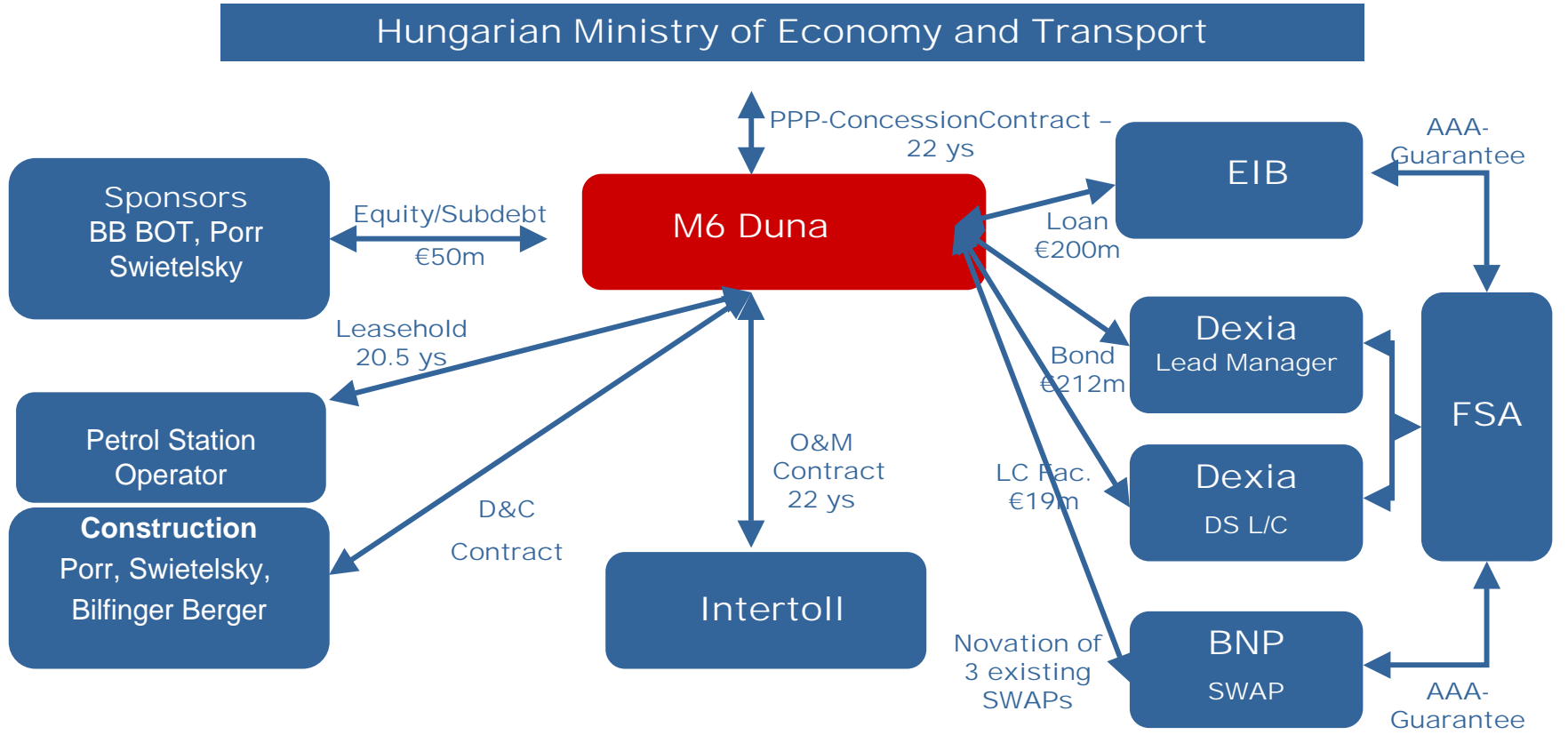
Payment mechanism

- ☒ 100% availability fee based
- ☒ Natural currency/inflation hedge
 - ☒ Availability fee in € and in HUF according to cash outflows
 - ☒ Escalation in line with real inflation, not with projected inflation
- ☒ Deductions for lane unavailability, due to e.g.
 - ☒ Routine maintenance
 - ☒ Heavy maintenance
- ☒ Deductions depend on
 - ☒ Length of affected road
 - ☒ Days and months
- ☒ Safety payment/deductions
- ☒ Rigorous performance point regime
- ☒ Small upside payment for substantially increased HGV traffic

- Overview of Project
- Payment mechanism
- Contractual structure**
- Risk allocation
- Refinancing



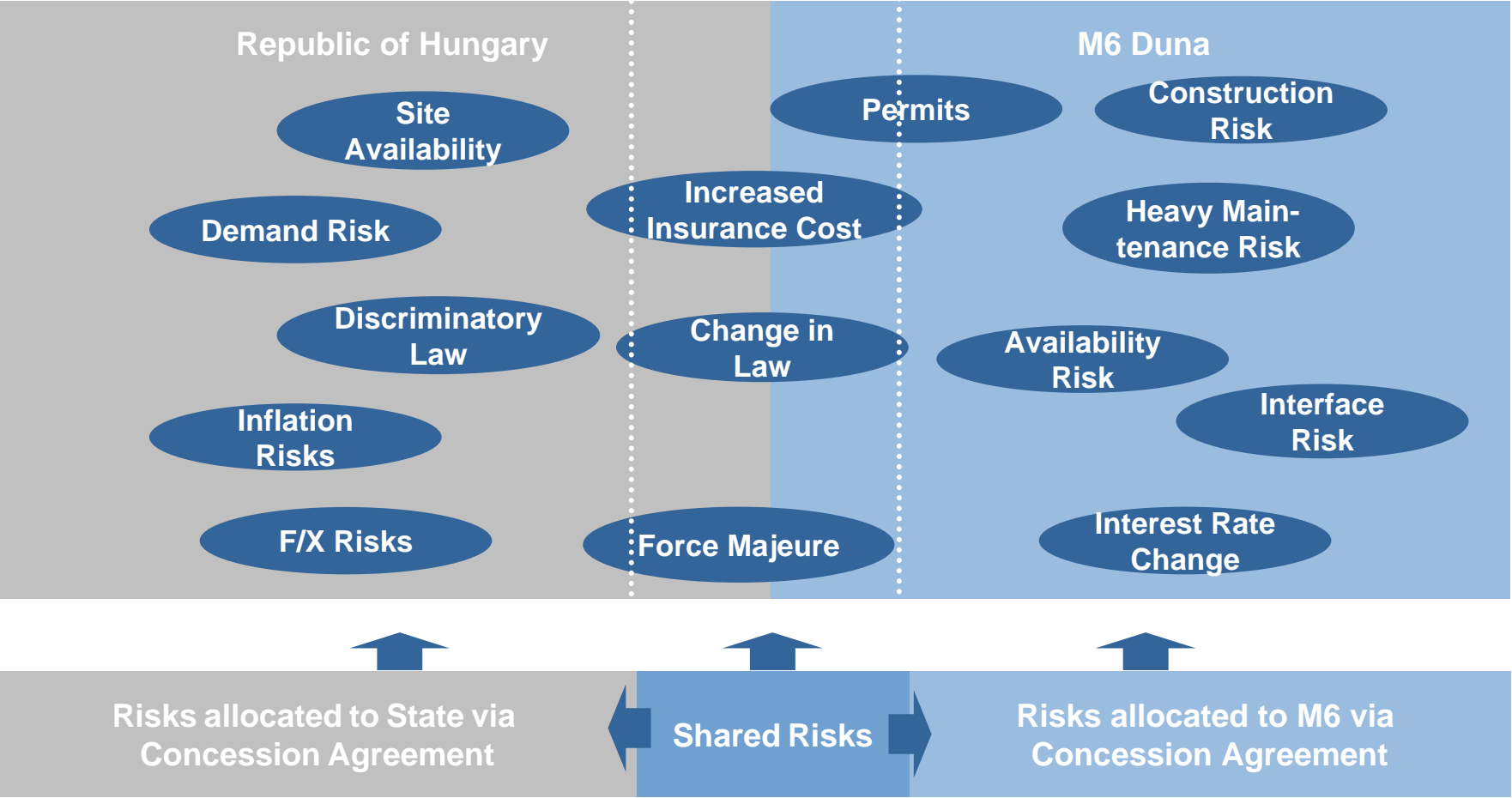
Contractual structure - Refinancing



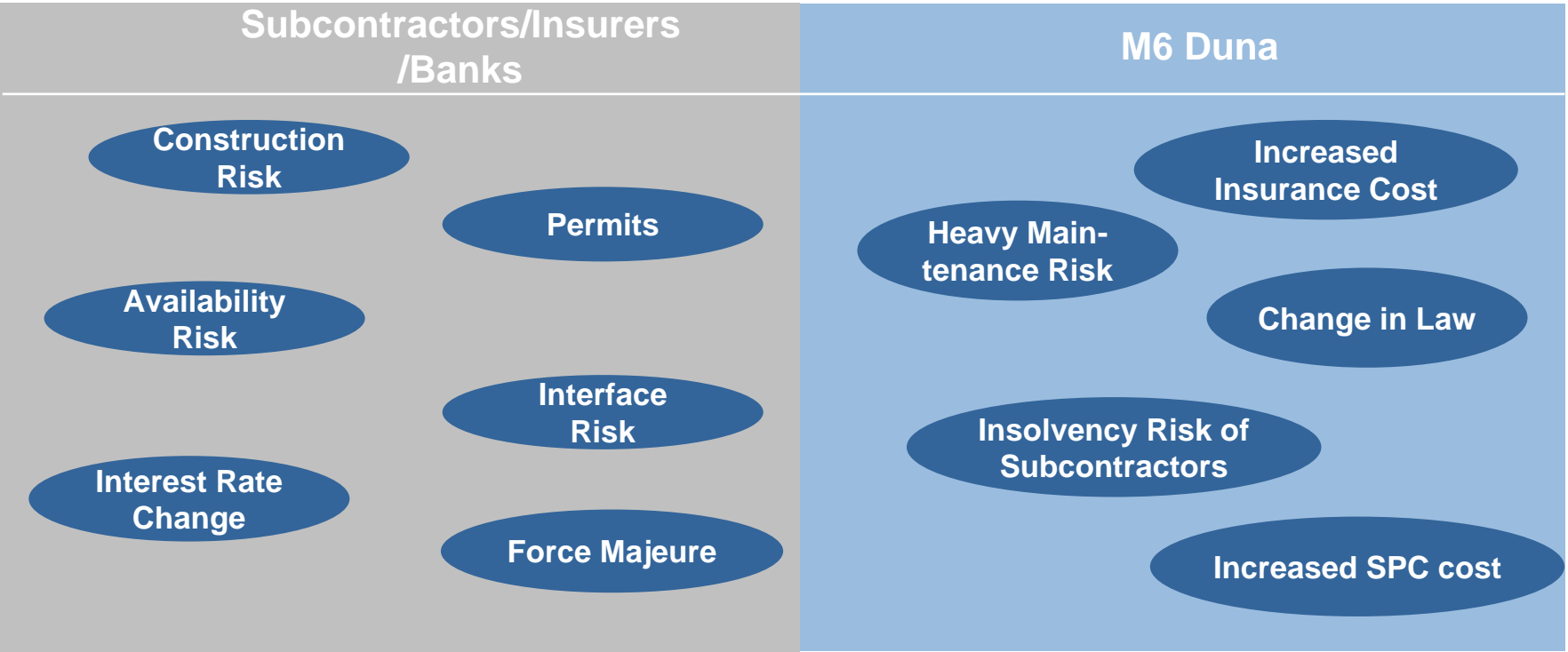
Overview of Project
Payment mechanism
Contractual structure
Risk allocation
Refinancing



Risk Allocation Concession Agreement



Risk Allocation M6 Duna



Risks allocated to Subcontractors /Insurers/Banks

Risks remaining with M6 Duna

Equity considerations for investment

- ☑ Strategic importance of Eastern Europe and Hungary
- ☑ Hungary debt ratings of A1 Moody's / A- S&P
- ☑ Availability fee based PPP project
- ☑ Construction risk with construction companies
- ☑ Operator with extensive experience in Hungary
- ☑ Operation and routine maintenance risk with Operator, guaranteed by performance and corporate guarantees
- ☑ Manageable Life Cycle Risks (Heavy Maintenance)

- ☒ **In general project economics are robust and should result in adequate equity returns**



Overview of Project
Payment mechanism
Contractual structure
Risk allocation
Refinancing



Refinancing

Amount

€412m - minimal re-gearing of €1m

Bond

€212m; Bond Manger: Dexia
Fully underwritten bond (no road show)
6 month Euribor + 27 bps; 35pbs upfront fee

EIB

€200m; 6 month Euribor + ; 30 bps upfront fee

Monoline FSA

Competitive premium – payment over time
No monitoring fee

DS L/C Facility

- Replacement of DSRA with L/C Facility: 27 bps

SWAP

Novation of existing SWAPs to BNP

Refinancing

Cover Ratios


- Debt Service Cover Ratio min 1 : 1.20; avg. 1.23
- Loan Life Cover Ratio min 1 : 1.22

IRR


>12% (Cash on Cash; Equity paid in in three tranches)

Benefits of Refinancing


Margin Saving

Margin saving of >70 bps 


Replacement of DSRA

Original DSRA amount: release in year 2025
 Replacement with DS L/C facility: distribution of original DSRA amounts in 2006 

Petrol Station income

€5.1m petrol station income received
 Release in 2006 instead of April 2007 

Re-gearing

€1m re-gearing – higher re-gearing not possible due to sensitivity constraints imposed by FSA 

Key Success Factors of the M6

- ✓ Project selection
- ✓ Small but highly qualified project management team
- ✓ Good interaction between the working groups
- ✓ Internationally experienced consultants
- ✓ Decision makers on both sides with balanced expectations on risk
- ✓ Focus on client relationship
- ✓ Support for the Construction Joint Venture
- ✓ Timing for the refinancing
- ✓ Smooth start of operations

➤ **Ready for the next project!!**

Capital Markets Day “Concessions”

22 November 2006



APPENDIX

List of abbreviations

- BAFO Best and final offer
- CC Contract close
- D&C Design & Construct
- DSRA Debt service reserve account
- EIB European investment bank
- E&T Environment & Transport
- FC Financial close
- HGV Heavy goods vehicle
- HSE Health, safety, environment
- ITN Invitation to negotiation
- L/C Letter of credit
- O&M Operation & Maintenance
- RFP Request for proposal
- SPC Special purpose company