



Port Financing

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1	Port Industry and Financial Institutions
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Why do banks engage in the port financing at all?

1. Ports Industry and Financial Institutions

Long-Term Partnership

- Dynamic industry
 - Organic growth
 - Mergers & Acquisitions
- Increasing investment needs
- Growing business opportunities for banks

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Multiple Sources exist
for the financing of the
ports

2. Port Financing

2.1 Sources of Funds

- Internal financing
- Private equity
- Public equity (through IPO)
- Financial institutions (Debt/Mezzanine Financing)

2. Port Financing

2.2 Uses of Funds

Type of the deal
requires a tailor-made
solution

- Greenfield port project -> construction & operating period financing
- Port expansion -> capex financing of ongoing business
- Port acquisition -> upfront capital requirements

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3. Project Financing of the Ports

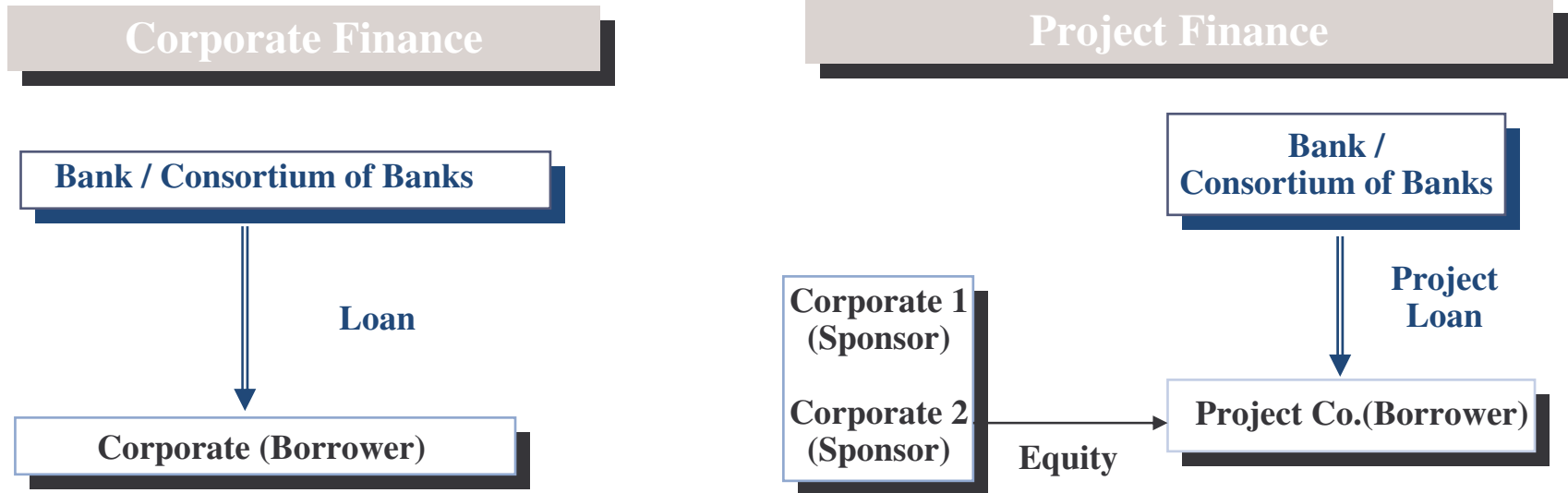
3.1 Definition of Project Finance

- The term „Project Finance“ is used to refer to a wide range of financing structures and techniques, which have one feature in common: the financing is not primarily dependent on the credit support and creditworthiness of a Sponsor or the value of physical assets involved, but to a decisive degree on the economic reliability, the performance of the project itself and its ability to produce the cash flows needed to service debt and equity.
- To succeed, the financing of a „project“ must be structured to meet the commercial objectives of all parties involved.

Why Project Finance it?

3. Project Financing of the Ports

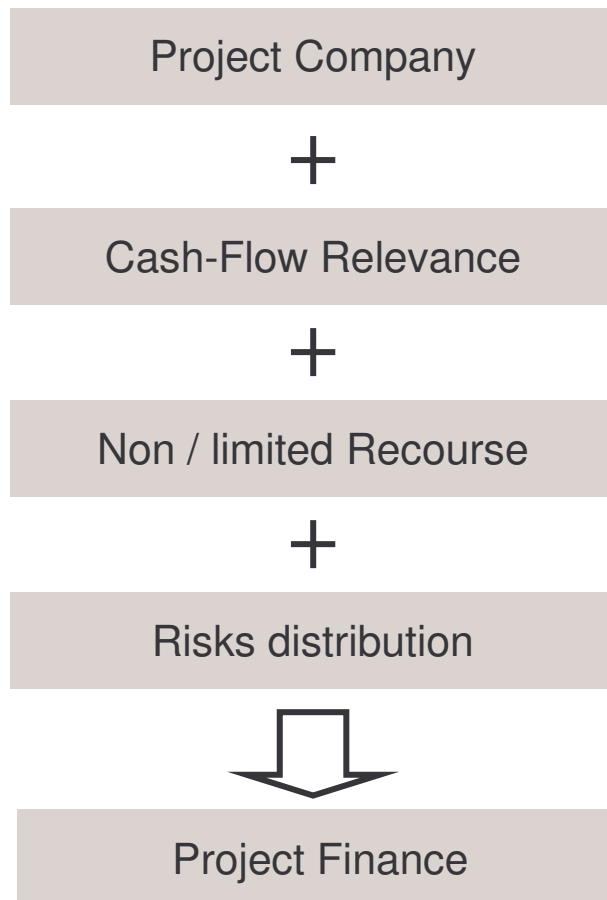
3.1 Corporate vs. Project Finance



- high creditworthiness
- full recourse on the company for the debt service
- balance sheet effective

3. Project Financing of the Ports

3.2 Main Characteristics

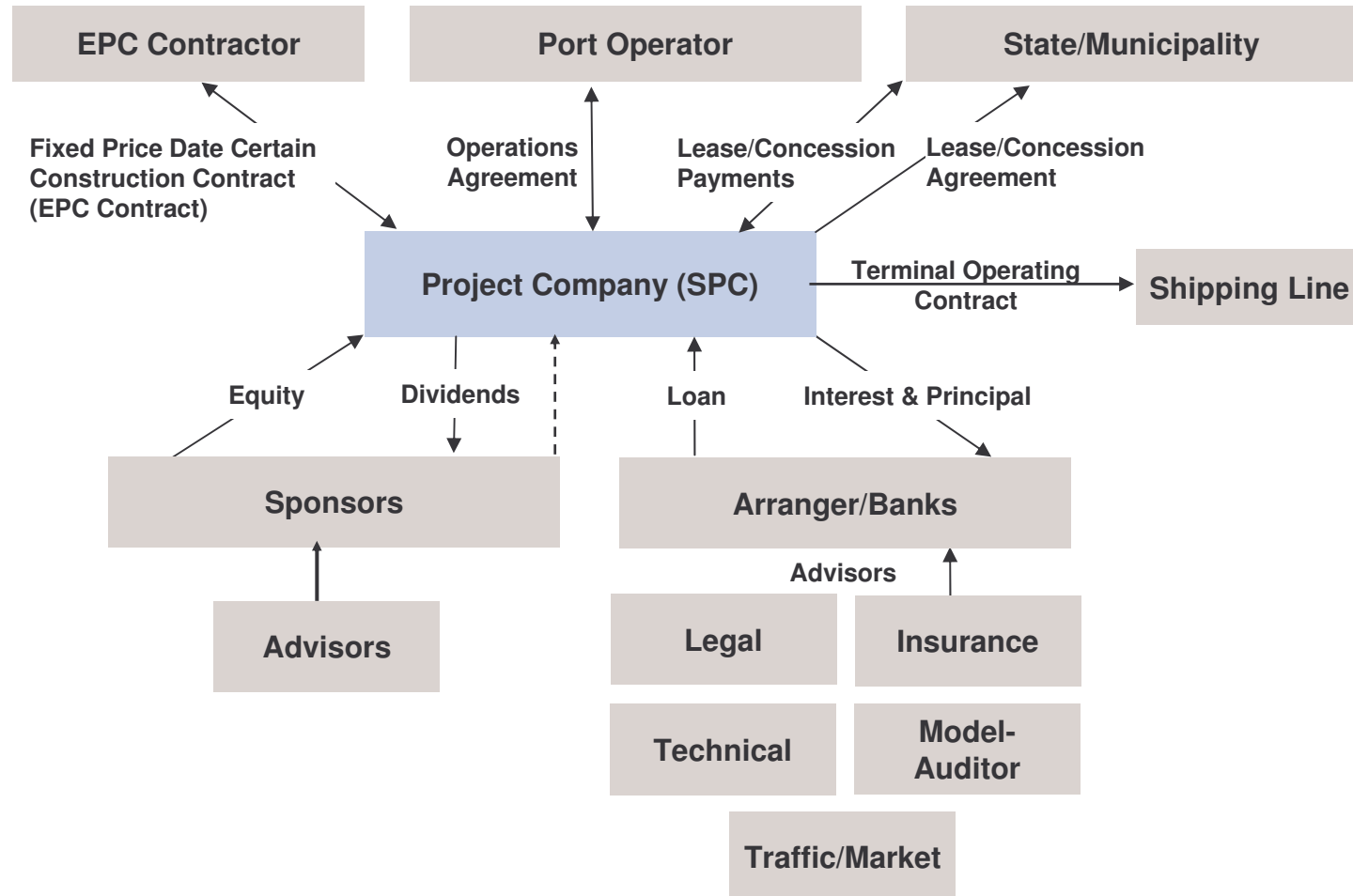


- Project company (Special Purpose Entity): the Project company is carrier of all rights and duties in connection with the port project and its financing
- Relevance of cash-flow: the Project Company's credit standing depends significantly on its expected cash-flow from the port operation and not on the balance sheets of the Project Company or its sponsors.
- Recourse: from financial close or upon fulfillment of pre-defined conditions, the lenders will have no (non-recourse financing) or limited (limited-recourse-financing) recourse to the sponsors.
- Risks allocation: project risks are structured in a way to be allocated among the involved parties which have the best capability to mitigate or absorb the relevant risks.

3. Project Financing of the Ports

3.3 Typical Structure

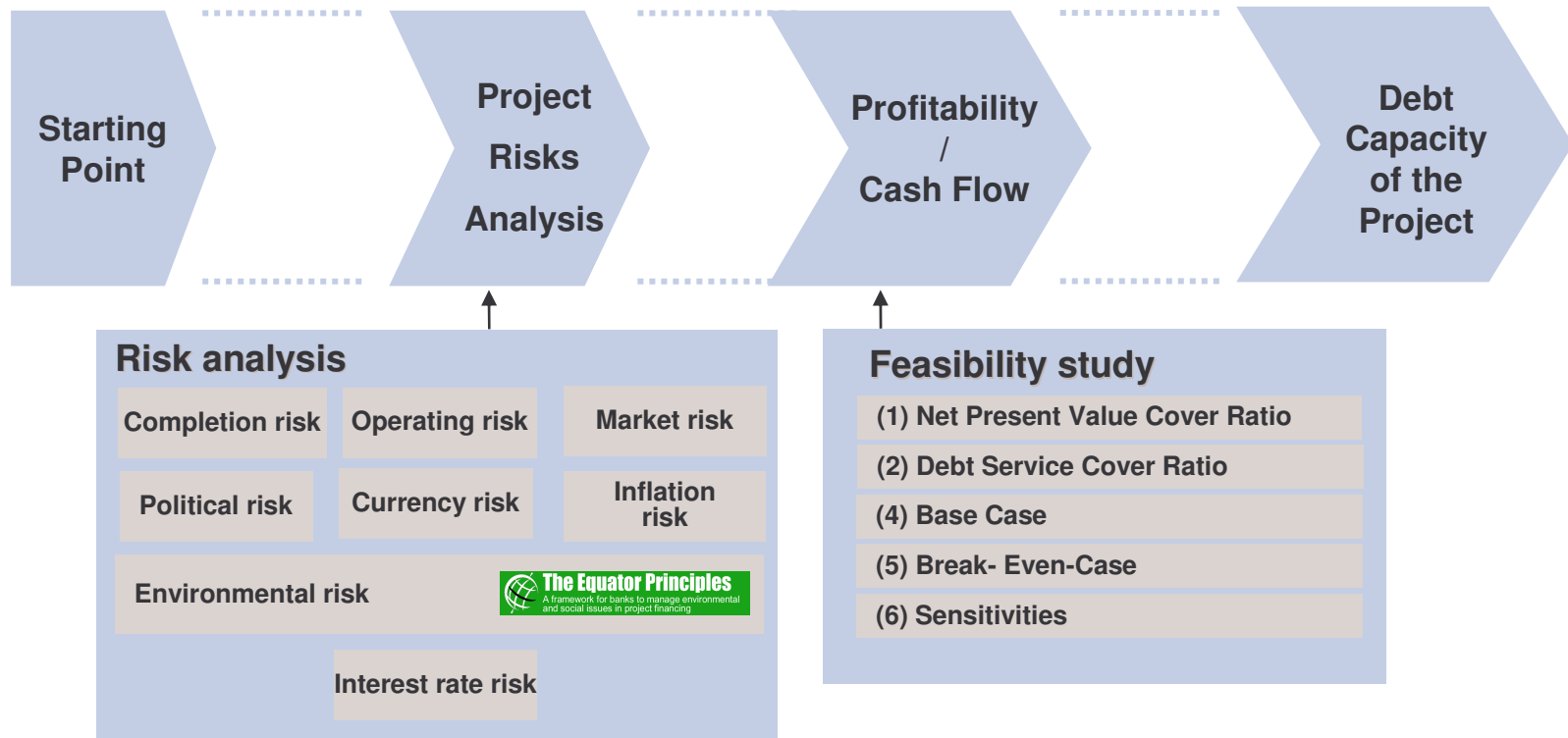
Sophisticated contractual structure with clear defined roles for all parties involved



3. Project Financing of the Ports

3.4 Where to start - Check List

Check list for the Project 1/4



3. Project Financing of the Ports

3.4 Where to start - Check List

2/4

Check list for the
Project 2/4

- Short presentation of each Project Sponsor
- Financial reports of all Project Sponsors
- Project description
- Project country and transfer risk
- Contractual structure and securities / collaterals
- Track record of the general contractor and suppliers
- Technology

3. Project Financing of the Ports

3.4 Where to start - Check List

3/4

Check list for the
Project 3/4

- Operating company
- Feasibility study
- Technical feasibility
- Management
- Environmental aspects

3. Project Financing of the Ports

3.4 Where to start - Check List

4/4

Check list for the
Project 4/4

- Value of the investment and risks in view of potential time and cost overruns
- Time line
- Market information
- Detailed cost breakdown
- Sources of funds
- Cash flow forecasts
- Financial model analysis

3. Project Financing of the Ports

3.5 Identifying Risk Factors confronting Port Projects

1/3

Risk Factors in Port
Projects 1/3

Political Risks	Typical Risk Taker(s)	Possible Mitigants
Expropriation, Nationalization, Confiscation (country risk)	Project Company / Insurer	Political Risk Insurance ("PRI"), Buy-out Provision
Breach of Contract	Project Company / Authority / Insurer	PRI, Pre-agreed Dispute Resolution mechanism Government pays debt and guaranteed equity return to the Project Company
Currency Convertibility / Transferability Restrictions	Project Company / Insurer	PRI, Frequent currency conversion, Offshore Account.
Political Violence – War, Terrorism, Civil Disturbance	Project Company / Insurer / Authority	PRI, Force Majeur Provisions
Early Termination due to Operator Default	Operator	Step-in Rights, Substitution Right
Change in Laws	Project Company or Authority	Proper Provisions in Concession

3. Project Financing of the Ports

3.5 Identifying Risk Factors confronting Port Projects

2/3

Risk Factors in Port
Projects 2/3

Construction Risks	Typical Risk Taker(s)	Possible Mitigants
Delay	Contractor	Date Certain EPC Contract with proper Liquidated Damages / Retention, Buffer / Extension of Time in the concession, insurance
Cost overrun	Contractor / Authority	Fixed price EPC Contract, Compensation due to Authority requested changes
Design / Technology Risk	Contractor	Proven technology & design, experienced contractor / Sub-contractor, monitoring mechanism

3. Project Financing of the Ports

3.5 Identifying Risk Factors confronting Port Projects

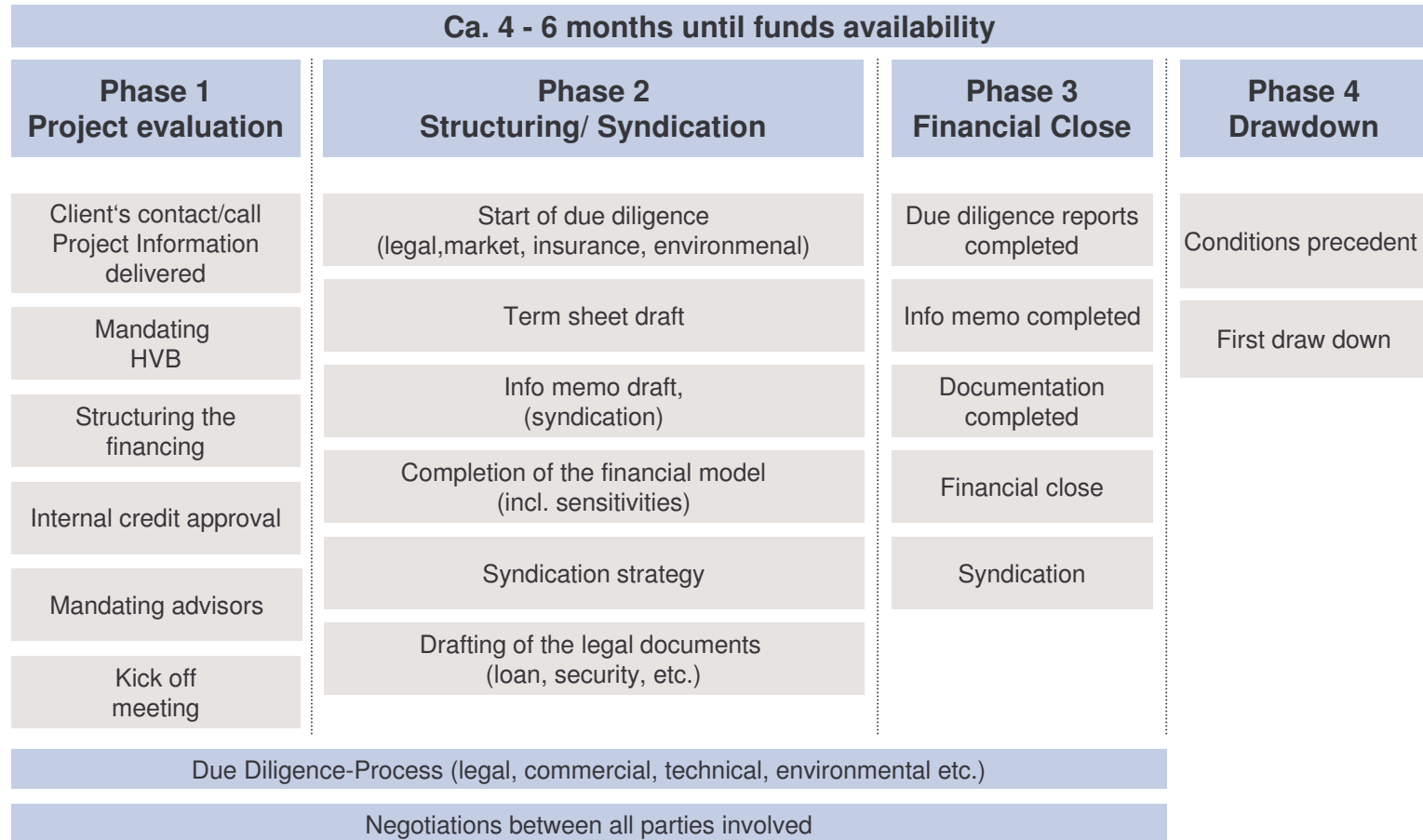
3/3

Risk Factors in Port
Projects 3/3

Operational Risks	Typical Risk Taker(s)	Possible Mitigants
Macro-economic shock	Operator	Robust financial structure, Contingent Sponsor Support
Operating, Management and Maintenance Risk	Operator / Sub-contractor	Experienced Management Resources / Sub-contractor
Security Risks	Operator / Authority	Dedicated Security Team
Traffic / Market Risk	Operator / Authority	Realistic traffic projection, Terminal Operating Contracts with container lines
Financial Risks	Typical Risk Taker(s)	Possible Mitigants
Currency mismatch	Operator	Robust financing structure to achieve Natural Hedge, Cross Currency Swap
Interest Rate Risk	Operator	Interest Rate Swap, Fixed rate financing

3. Project Financing of the Ports

3.6 From call to cash



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4. Track Record Port Project Finance

HVB has a strong track record in the worldwide port financing.

Arranger (2000-2006)

Project Name	Type	HVB's Role	Volume in `000	Country	Year
Infinity (ongoing)	Container Terminal	Man. Lead-Arranger	\$ 2.150.000	Can/USA	2006
Halterm (ongoing)	Container Terminal	Sole Lead-Arranger	C\$ 200.000	Canada	2006
Mersin (ongoing)	Container Terminal	Man. Lead-Arranger	\$ 755.000	Turkey	2005
Marport II	Container Terminal	Man. Lead- Arranger	\$ 190.000	Turkey	2005
Pusan Newport Phase 1	Container Terminal	Lead Arranger	\$ 1.800.000	Korea	2005
Pusan Newport Phase 1-1	Container Terminal	Man. Lead Arranger	\$ 1.200.000	Korea	2003
Marport	Container Terminal	Co-Arranger	\$ 141.000	Turkey	2002
Altenwerder	Container Terminal	Arranger	€ 394.00	Germany	2001
Dalrymple Bay	Harbour Terminal	Co-Arranger	AUD 885.000	Australia	2001
Gateway Containers	Container Terminal	Joint-Arranger	\$ 420.000	USA	2001
Montevideo (TCP)	Container Terminal	Arranger	\$ 92.000	Uruguay	2001
Valparaiso	Container Terminal	Participant	\$ 170.000	Chile	2001
Asia Container Terminal Ltd.	Container Terminal	Lead-Manager	HKD 3.689.00	Hong Kong	2000
San Antonio	Container Terminal	Joint-Arranger	\$ 203.000	USA	2000

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5. Contacts

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