

Gebze Izmir Motorway & Izmit Bay Crossing Project

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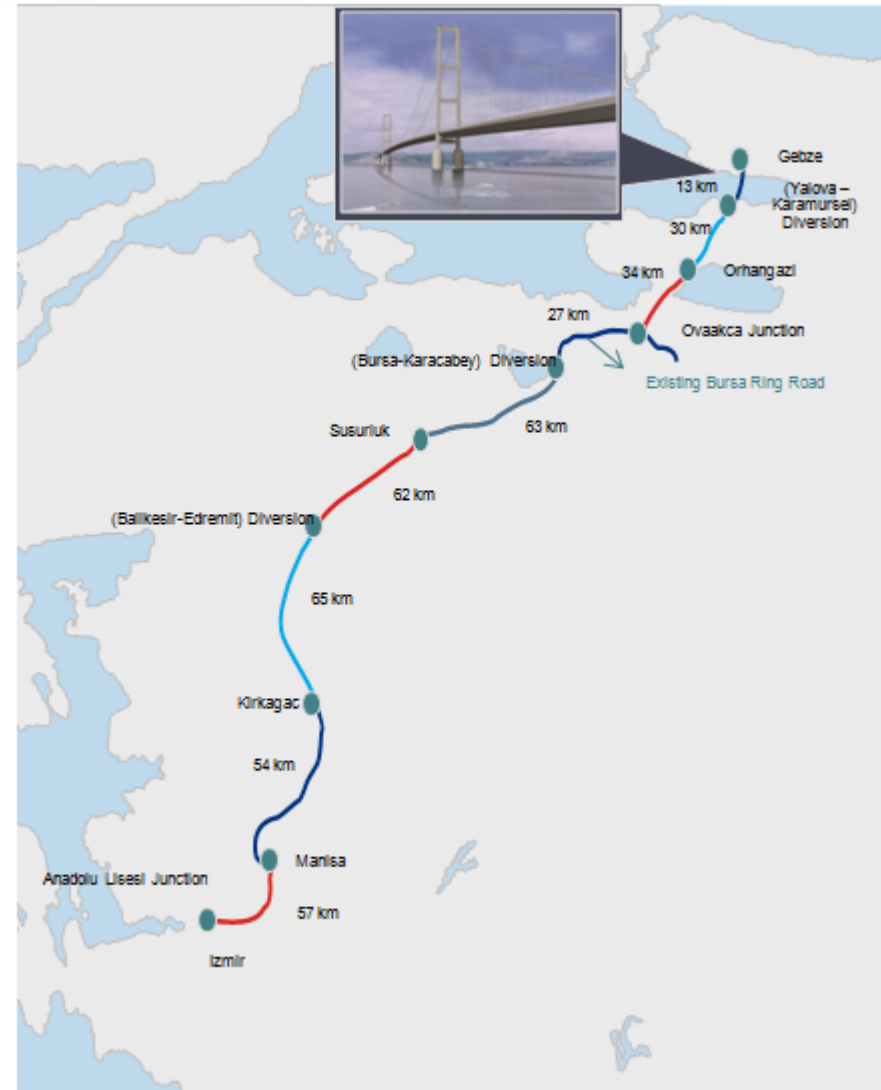


Project Location



Project Information

- The Gebze Orhangazi Izmir Project is the landmark transaction for the infrastructure sector in Turkey and one of the largest in the world.
- It is strategically important project for the Government of Turkey and the largest Public-Private Partnership (“PPP”) project in Turkey to date.
- The Project will provide a 421 kms Trans European Motorway (T.E.M.) standard highway between Gebze, on the north shore of Izmit Bay, and Izmir.
- It will occupy an strategic place in the national transportation network, due to the cities and regions it will serve.



Project Information



High Project Rationale

- Connects Istanbul with Izmir, two of the main economic centers of Turkey
- The area across which the project stretches has one third of Turkey's population and includes the seven most industrialized cities contributing to 45% of Turkey's GDP
- Expected to increase industrial capacity of the region and reduce emission and pollution due to congestion on current routes
- Travel time from Istanbul to Izmir estimated to be reduced from 10 hours to 4 hours
- Strategic importance of the Project in the context of the development of infrastructure in Turkey
- Landmark transaction for the infrastructure sector in Turkey and one of the largest in the world
- Strategically important project for the Government of Turkey
- Largest Public-Private Partnership ("PPP") infrastructure project in Turkey to date

İzmit Bay Bridge



The Project – Investment Rationale

- Strategic importance of the Project in the context of the development of infrastructure in Turkey
- Fast Growing Turkish Economy
- Experienced Contractors for Construction and Operations
- Robust Contractual Structure
- Robust Financials

The Project



- Turkey is the fastest growing economy in Europe between 2001 and 2011.
- Turkey's rapid economic growth is underpinned by macroeconomic stability, sustained fiscal discipline and political continuity with single party government, which enabled successful implementation of structural and legal reforms since 2002.
- Turkey has been upgraded by all major agencies since December 2009, given its improved fiscal and monetary conditions and long term visibility.
- Turkey's ratings upgraded to "Investment Grade ". Investors have a positive view on Turkey relative to other European countries with similar or higher ratings.
- Turkey has 80 cars for every 1,000 people compared to 500 cars for every 1,000 people in more mature economies reflecting a high potential for vehicle penetration with increased industrialisation and GDP Growth.
- Turkey is a "high-beta" economy. When the outlook for the global economy is brighter or investors are keen to take risks for other reasons, money flows into Turkey Experienced International and Turkish Sponsors

The Project



Project awarded to a consortium of six Sponsors under a concession from the General Directorate of Highways (“KGM”)

- Nurol Insaat ve Ticaret A.S
- Ozaltın Insaat ve Ticaret A.S
- Mak- Yol Insaat Sanayi Turizm ve Ticaret A.S
- Astaldi S.p.A
- Yuksel Insaat A.S
- Gocay İnsaat Taahhüt ve Ticaret A.S

The Project



Experienced International and Turkish Sponsors

- The transaction involves top Turkish and International construction companies as Sponsors and contractors .
- They have extensive experience in infrastructure projects in Turkey, including highway and bridge construction project.
- Sponsors also have experience in PPP projects as concessionaire, including infrastructures, parkings, hospitals, hotels, water and power plants.
- Sponsors have high degree of success on prior projects.

The Project



- The EPC Contractor of the Project is a JV participated by six Sponsors.
- The EPC Contractor sub contract the construction of the Suspension Bridge to one of the major building company with leading expertise and proven experience in designing and building long suspension bridges, IHI Itochu.
- Geology and Geotechnical Studies, Preliminary Design of the Motorway, Traffic Optimization Study and Expropriation Tasks, Technical Reviews and Risk Management, Environmental Impact Review, Permits and Licence Assesments, Insurance Plan, EPC contracts , O&M and HSEC procedures have already been completed by well experienced international firms.
- The O&M Contractor of the Project will be selected among well known international tollroad operators, which will be responsible for the operation and maintenance of the Motorway.

The Project



The grantor for the project is KGM (General Directorate of Highways), which contractually provides the guarantee of minimum revenues for the project

- The Project has the highest priority in KGM, the Turkish national highway agency
- KGM is a directorate having a separate legal personality, established on March 1, 1950 and affiliated with the Ministry of Transportation
- The main duties of KGM are in relation to the construction, improvement, repair, operation and maintenance of roads, motorways, tunnels and bridges on the national road network
- KGM is included within the central Government and has a separate budget, and pursuant to the Law No. 5018 and the Law No. 6001, it is funded by its own revenues (including, without limitation, revenues from motorways operated by KGM)

The Project



- The Contract Term is 22 years and 4 months in total (construction + operation) with a Construction Period of 7 years as of the date on which the Contract enters into force, in accordance with the contract signed
- Approximately USD 6 Billion Project Value
- Annual guaranteed income is approximately USD 700 milion
- Asset to be transferred to the KGM at the end of the Concession period
- Tariff will be adjusted for inflation and indexed to US\$
- Minimum traffic guarantee by KGM
- Debt assumption by KGM upon termination

The Project



Financing Strategy

- Initially the strategy was to finance whole project cost with the participation of all local and international banks, ECAs and IFIs. However;
 - Very large project cost,
 - World financial crisis and reluctance of international banks,
 - Very high cash and noncash requirements from sponsors (almost full recourse)led us to a new kind of project finance strategy.

New Financing Strategy

- Phasing (which helps to turn the greenfield project to brownfield project)
- Reasonable sponsors liabilities
- Only local banks

The Project



Financing Principals

Financial close of the USD6 Billion Gebze-Izmir highway BOT in Turkey has been pushed back as lenders and sponsors continue their negotiations over splitting the project financing into two distinct segments.

- Project Cost (Phase 1) : USD 2,8 Billion
- Project Cost (Phase II) : USD 3,2 Billion
- Loan Principal (Phase I) : USD 1.4 Billion
- Loan Principal (Phase II) : USD 2,2 Billion
- Equity (Phase I) : USD 1,4 Billion
- Equity (Phase II) : USD 1 Billion
- Upfront Equity Amount (Phase I) : USD 400.000.000
- Utilization Gearing Ratio : 40:60
- 6 Monthly Interest Payments
- DSCR 1.1x

The Project



Major Documents

- Facility Agreement
- Shareholder Contribution and Subordination Agreement (“SCA”)
- Implementation Contract
- Implementation Contract Direct Agreement (“ICDA”)
- Debt Assumption Agreement (“DAA”)
- Intercreditor Agreement
- Accounts Agreement
- Security Agreements
- Insurance Policies
- Fee Letters
- Hedging Documents

The Project



Debt Assumption

Debt Assumption Process kicks in simultaneous with IC Termination

Turkish Treasury has two options ;

- Assumption
- Debt Payment

Assumption Scenario

- Overdue Amount paid on the Assumption Date
- Assumed Loan paid in accordance with the repayment schedule under the DAA subject to terms set out in DAA

Debt Payment Scenario

- Principal Amounts payable and all Financing Costs due and payable (minus any amount irrevocably received or recovered by the Security Agent) paid on the Debt Payment Date

The Project



Liability of Shareholders

- Contribution
- Unassumed Amounts
- Litigation
- Indemnities
- Funding Phase I Cost Overruns Not Deferred by the EPC Contractor

The Project



Liability of OTOYOL A.Ş

- Perform all its obligations under any Transaction Document to which it is a party (including EPC Contract)
- Promptly obtain, maintain and comply with the terms of any Authorizations required under any Law
- Ensure that the Borrower complies with the requirements of the Transaction Documents to which the Borrower is party
- Shall procure that the Borrower complies with, the Borrower's obligations of the Facility Agreement
- Procure that the Borrower employs a sufficient number of suitably qualified and experienced management and technical personnel and other staff to ensure the execution of all aspects of the Project in an efficient manner and in accordance with the Implementation Contract, the Implementation Contract Direct Agreement, the other Project Documents and Good Industry Practice