



DEXIA

Public Private Partnership & Infrastructure Finance



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DEXIA

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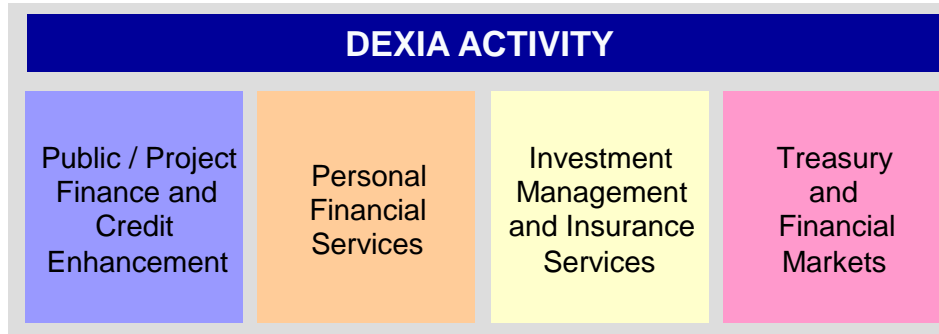
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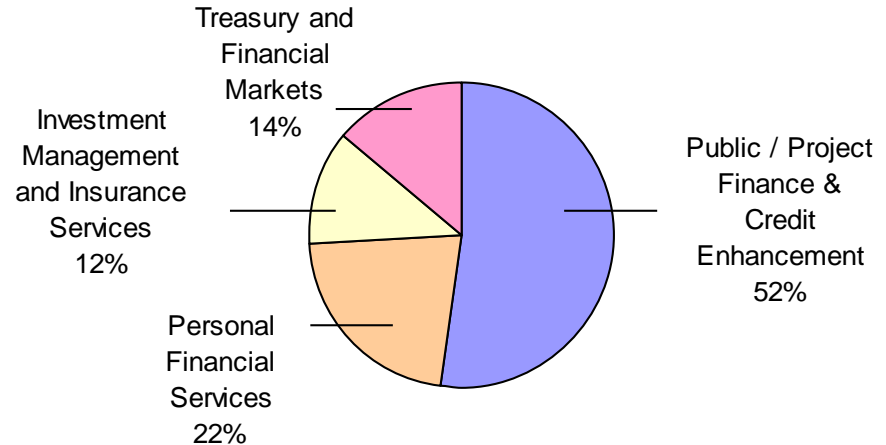
► A leading European banking group driven by 4 business lines



► Dexia's history

- 1996 : merger of Crédit Local de France and Crédit Communal de Belgique
- New Group was re-branded DEXIA
- Steady international expansion since the early 90's

Business lines contribution to net income
(group share, as of Dec. 31st, 2005)



Dexia key figures



- Dexia is in the **top thirty** of the Euronext 100 index and is listed on three European stock exchanges (Paris, Brussels, Luxembourg).

- Dexia is the **world leader in Public Finance** with a total market share of 17% in Europe and of 25% in the United States.

- More than **30 000 employees** in 28 countries

Ratings: DEXIA GROUP

Dexia Municipal Agency

Dexia Kommunalbank

F.S.A.

AA (Standard & Poor's)
Aa1 (Moody's)
AA+ (Fitch)

AAA / Aaa / AAA

AAA

AAA / Aaa / AAA

Dexia Group Balance Sheet

(14th ranking among European banks)

F.S.A. Insured Portfolio

EUR 567 billion

USD 376 billion

Net Income

EUR 2.75 billion

Tier 1 Ratio

9.8%

R.O.E.

23.1%

Listed on major European Stock Exchanges

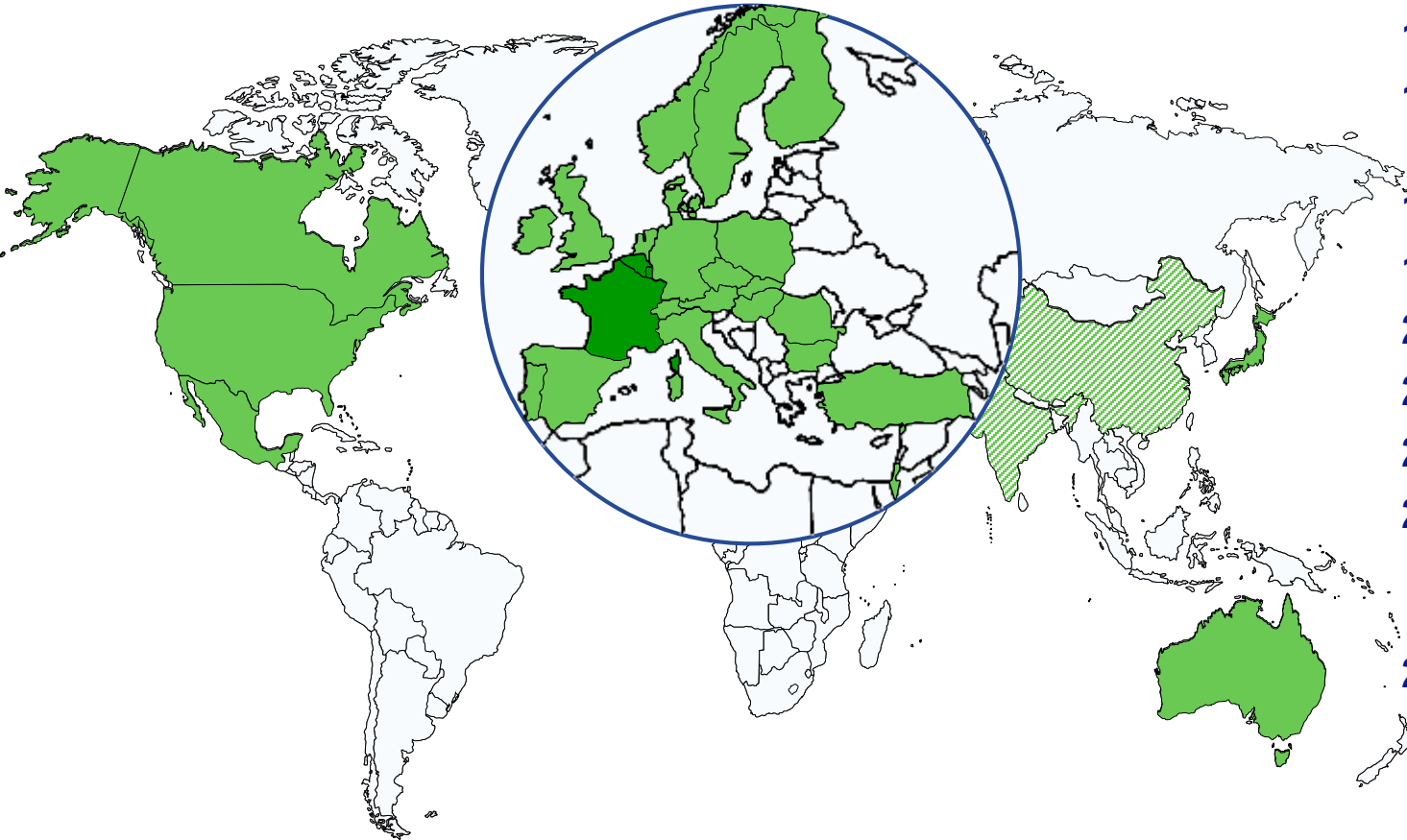
Euronext 100, CAC 40, BEL 20

Stock market capitalization

EUR 27.7 billion (04/23/07)

* As of Dec. 31st, 2006

Strong geographical expansion since Early 90's



1990: US

1992: UK / Austria

1995: Germany

1996: Portugal /
Scandinavia

1997: Italy

1998: Ireland / Spain

2000: FSA / Slovakia

2001: Netherlands / Israel

2004: Australia / Poland

2005: Mexico / Canada /
Romania / Bulgaria /
Czech Republic

2006: Japan / Hungary /
Turkey / Switzerland
/ China / India



FSA, acquired by Dexia in 2000, is a monoline insurer with a strong presence in Europe.

- Established 1985 in the U.S. with focus on asset-backed securities
- FSA also guarantees governmental and public infrastructure financings
- Insurance in force on net par amount of \$376 billion at December 2006
- Strong capital position
 - ✓ Claims-paying resources of \$6 billion
 - ✓ Rated Aaa or AAA by Moody's, S&P and Fitch

- Regulated by the New York State Department of Insurance and the “Financial Services Authority” in the United Kingdom
- Operates worldwide with a strong European presence

Dexia : a leader in Project Finance



- **Focus on five areas :** Transportation, Environment, Accommodation PFI, Energy, Telecoms
- **Total Loan commitments :** EUR 19 billion as of December 2006
EUR 6 billion of new commitments in 2006 with 39 Arranging Mandates
- **Service Provided :** Financial Advisory, Debt Arranging & Underwriting, Equity/Funds Investments
- **Team :** Carried out by over 130 professionals

Euromoney / Dealogic



Global PPP/PFI #1
Europe #4
North America #6

Thomson Financial



Project Finance Bank
of the Year for the EMEA Region

Infrastructure Journal



#10 Global
Arranger

(League Table Rankings - 2006)

Key 2006 references – all sectors



▪ **Main 2006 transactions:**

- ✓ ASSOCIATED BRITISH PORTS, UK: largest acquisition finance arranging mandate ever (£2.4bio)
- ✓ PEEL PORTS, UK: acquisition finance (£1.2bio)
- ✓ INDIANA TOLL ROAD, US: largest transportation concession awarded in the US (\$ 4.1bio)
- ✓ M6 MOTORWAY, Hungary, first ever wrapped bond refinancing in Central Europe (€431mio)
- ✓ GOLDEN EARS BRIDGE, Canada: largest PPP project in Canada, first wrapped loan in North America (C\$ 1.0 bio)
- ✓ GLASGOW HOSPITALS, UK: largest ever UK Accommodation PFI bank loan (£ 212m)
- ✓ CHSF HOSPITAL, France, largest PPP in that country (€ 344m)
- ✓ MAJADAHONDA HOSPITAL, Spain: first hospital PPP in that country (€ 223m)
- ✓ Q7, Netherlands: first project financing for an offshore wind farm (€ 379m)

- **Deal of the Year** : Golden Ears Bridge (Infrastructure Journal)

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A Quick Reminder of Standard PPP Models



	Deferred Payments	UK PFI	Concession
Transferred risks	<ul style="list-style-type: none"> ✓ Construction 	<ul style="list-style-type: none"> ✓ Construction ✓ Operation 	<ul style="list-style-type: none"> ✓ Construction ✓ Operation ✓ Traffic/volume
Country	<ul style="list-style-type: none"> ✓ Spain and Germany 	<ul style="list-style-type: none"> ✓ UK, Portugal, Holland, Australia... 	<ul style="list-style-type: none"> ✓ Fairly used in France and others
Application	<ul style="list-style-type: none"> ✓ Infrastructure integrated to a public service 	<ul style="list-style-type: none"> ✓ Administrative buildings ✓ Transportation 	<ul style="list-style-type: none"> ✓ Mainly Roads ✓ Water

Comparison of risk transfer and financing costs

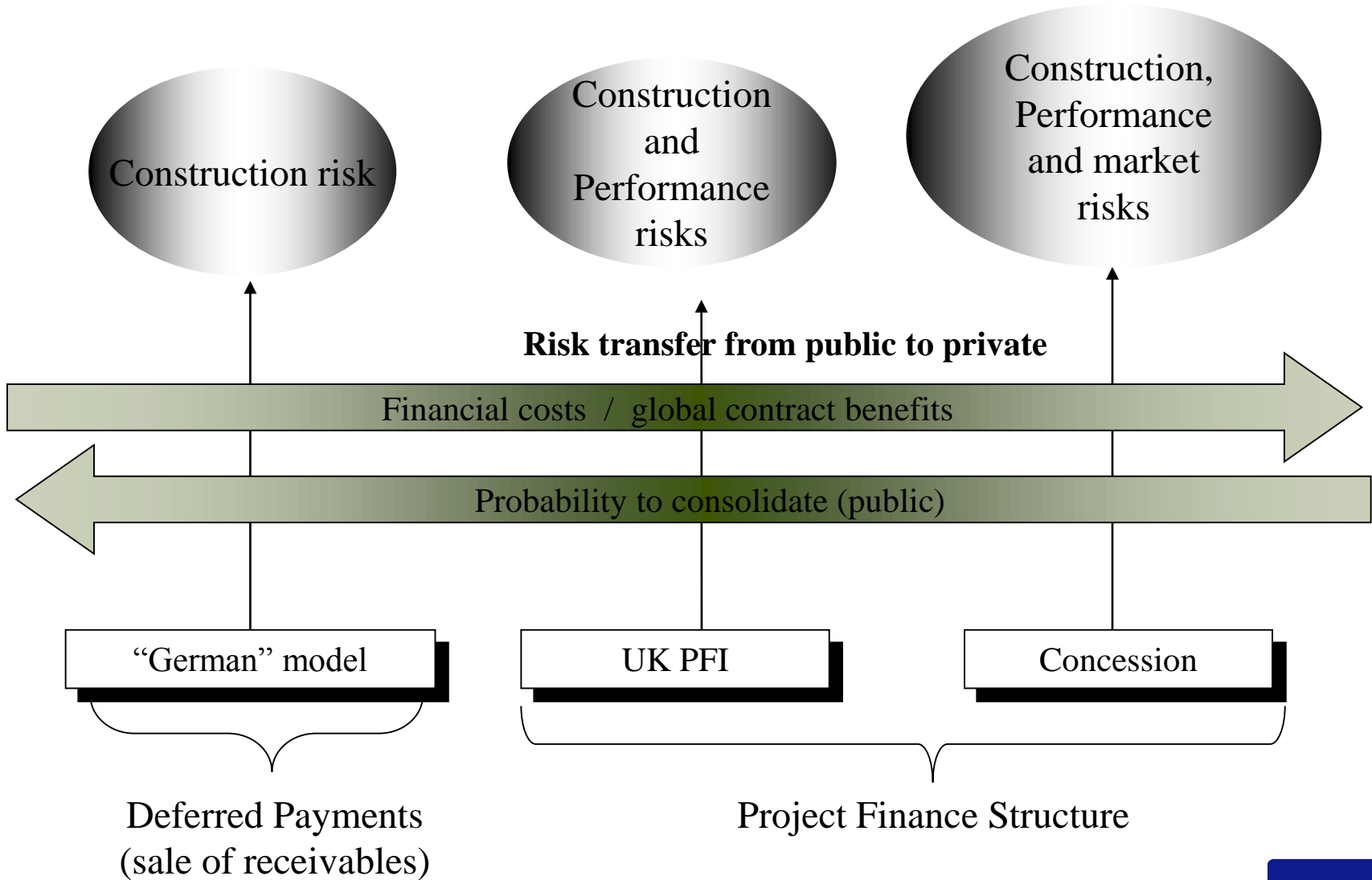


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The Infra Market is doing well

- Steady deal flow for private sector
 - ✓ Public authorities are still experiencing budgetary constraints
 - ✓ PPPs are not seen as politically-taboo anymore
 - ✓ Interest of private sector involvement well understood

- The size of the Infrastructure finance market has dramatically increased :
 - ✓ Current trend for privatising infrastructure assets (ports, airports, motorways...) is creating a momentum
 - ✓ Huge appetite from private sector both on debt and equity side :
 - New investors class looking for mature assets generating predictable cash-flows : pension funds, private equity funds, infrastructure specialised funds...
 - The banking market has clearly demonstrated its ability to “deliver” for Jumbo-type transactions - players accept (request?) increasingly high final holds



Deal Structures have evolved

- Road PPPs (i.e. no traffic risk) : an approach increasingly used
 - Greenfield traffic risk can prove difficult to absorb for private sector (e.g. Sidney cross-city tunnel)
 - Schemes have diversified away from pure PFI model :
 - ✓ Mix of structures commonly observed (e.g. availability plus shadow toll payments : Canada, Austria)
 - ✓ More innovative / taylor-made arrangements are being sought (e.g. Madrid Calle 30, Antwerp Masterplan)
 - ✓ Depends on public sector objective, and in particular, off-balance sheet treatment or not (e.g. French PPPs)
 - ✓ Projects undertaken by stand-alone public bodies without government guarantee
- Market globalization : new solutions easily exported to new markets

Perspectives : Deal Structures (cont'd)



- Toll Roads: perception of Concession structures has changed
 - ✓ Is it adapted for greenfield projects ? Exceptions: France, US
 - ✓ Certainly makes more sense for brownfield assets / privatizations
 - ✓ Very long-term concessions become the standard
 - ✓ Shadow toll regimes not in fashion anymore
 - ✓ Increased use of Vignette system → traffic risk easier to analyse in that context (A-models)

- Other assets (ports, airports...) :
 - ✓ A variety of frameworks
 - ✓ Essentially brownfield assets: acquisitions / privatizations / extension

Perspectives : Deal Structures (cont'd)



- Is there a risk of a bubble ?
 - ✓ Security granted to lenders (and equity) increasingly reduced (e.g. capped compensation on termination clauses)
 - ✓ Market has become extremely aggressive
 - High leverage / asset prices paid in acquisitions
 - Projects financed without subsidies (which would have previously required some)



Financing solutions: quite a tool box

On the bank debt side :

- Long-term debt available essentially for PPPs
 - ✓ Based on the hope of a relatively quick take-out post-construction (but with little margin step-ups)
 - ✓ Tight coverage ratios,
 - ✓ Limited tail,
 - ✓ High gearing
- } Can be justified in light of good track-record,
But structures seem to have reached their limit
- Aggressive (although stabilizing?) pricings :
 - ✓ Basle II effect has been priced in
 - ✓ Clear effect of market globalization
- Increased use of wrapped debt (also Basle II collateral effect) : the “best of both worlds”

Perspectives : Financing Solutions (cont'd)



On the bank debt side (cont'd) :

- Concession projects (real toll) :
 - ✓ Wide use of mini-perms, plus capex and so-called liquidity lines (allowing for interest capitalisation)
 - ✓ Super-long bond take-out the natural route (e.g. Chicago Skyway)

- Acquisition finance : a new market has emerged for infrastructure assets
 - ✓ 5-9 years mini-perm with cash sweeps
 - ✓ Infrastructure finance pricing has been accepted by markets (as opposed to leverage finance)
 - ✓ Deleveraging driven by Net Debt / EBITDA covenants / lock-ups
 - ✓ Bank refinancing

Perspectives : Financing Solutions (cont'd)



On the capital market side :

- Vanilla wrapped bonds :
 - ✓ Still attractive in the context of refinancings
 - ✓ Cheap (e.g. M6) and relatively straight-forward to structure

- Hybrid structures now available
 - ✓ Conduit finance, partly paid bonds, etc
 - ✓ Allow to address negative carry issue

- Attractive solutions on the interest rate derivatives side as well
 - ✓ CPI swaps – if liquid
 - ✓ Accreting / asymmetrical swaps

Conclusion



From the Public Sector perspective :

- For new projects: taylor-made solutions are available to best address public sector priorities
- Keys of success: allow for reasonable risk allocation and don't go for more complexity than needed
- Right timing for privatization, if political context allows...

(but politically sensitive: 'jackpot' comes with the need to relinquish public control of the asset)

From the Private Sector perspective (how to win a deal ?):

- Large choice of sophisticated tools, but not necessarily easy to grasp for new entrants (important role of the financial advisor)
- In acquisition finance: equity wins the deal
- Allow for reasonable risk allocation and process with your lenders !

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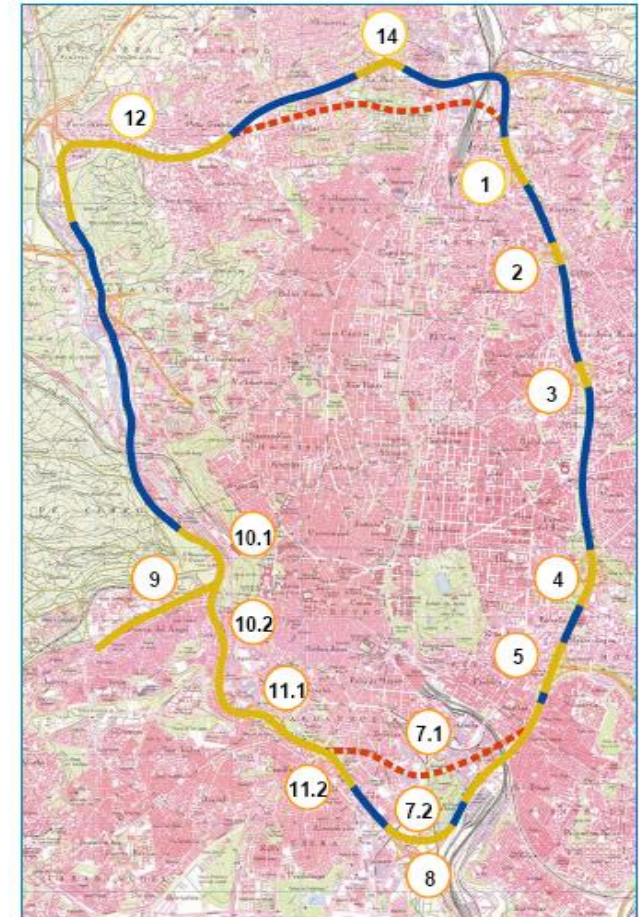


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Calle 30 Project – Madrid Ring Road

Project Background

- **Dexia MLA** of this major **€2.5 bio financing**
- **Largest PPP** transaction ever closed in Spain, and most important project of urban rehabilitation ever undertaken by the Municipality of Madrid
- **Refurbishment of the entire Madrid inner ring road** called Calle 30, with the following objectives:
 - ↪ **Smoother traffic** (4,400 h of driving time savings per day, 15% accident reduction and significant pollutant emission reduction)
 - ↪ **Town-planning:** re-routing of major sections into tunnels, and redevelopment of corresponding newly vacant surface areas into green park areas, housing estates,...

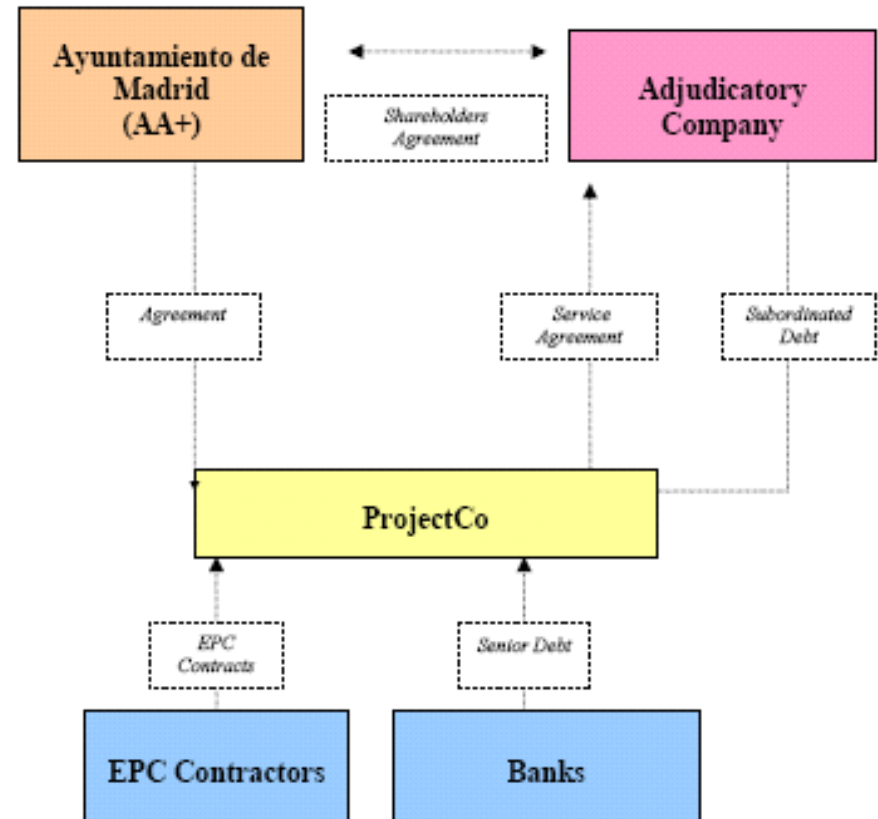


— M30
— Sections of the works
- - - Tunnels

Calle 30 Project – Madrid Ring Road

Contractual Structure

- **Strong level of involvement** of the Municipality
- Project company Madrid Calle 30 is public-private joint-venture
 - 80% owned by Municipality
 - 20% attributed to private partners Ferrovial, Dragados and API Conservacion following tender
- Project Co responsible for works (subcontracting via 16 lumps sum EPC contracts) and **operation during 35 years**
- Payment mechanism:
 - **Base Payment:** fixed yearly amount
 - **Additional Payment:** subject to performance-based deductions



Calle 30 Project – Madrid Ring Road

Financial Structure



- Project costs (phase 1): EUR 3 bn
- Total equity (inc.20% from private partners): EUR 570 m
- Debt structure in two tranches mirroring the two payment streams:

Tranche	Debt service met from	Amount	Tenor
Tranche A	Fixed Base Payments	EUR 1.35 bn	30 years
Tranche B	Additional Payments bearing performance-risk	EUR 1.15 bn	20 years

- Highly protective termination regime (termination payments based on accounting value and forecasted to exceed senior debt at any time)

Madrid Calle 30
Ring Road
Renovation
Spain

EUR 2,500 million
Dexia Sabadell Banco Local:
Mandated Lead Arranger
& Agent



EMEA Municipal Finance
Deal of the Year



Lessons learnt

- There is no single PPP model – Calle 30 scheme departs significantly from ‘mainstream structures’ (eg PFI)
- Yet Transaction was a major success
 - ✓ Tranche A quasi-municipal risk, resulting in highly attractive pricing terms and conditions
 - ✓ Tranche B: strong involvement of the City of Madrid and protective contractual framework resulted also in better pricing than on other PPP structures
- Meaningful private sector expertise brought to the table at little extra-cost
 - ✓ Increased certainty regarding construction costs and schedule,
 - ✓ Increased efficiency during the operating period

Strong public sector involvement was key to success !



Dexia Crédit Local, sole lead manager and bookrunner for a € 212 million Wrapped Floating Rate Note Issue

M6 Duna Refinancing

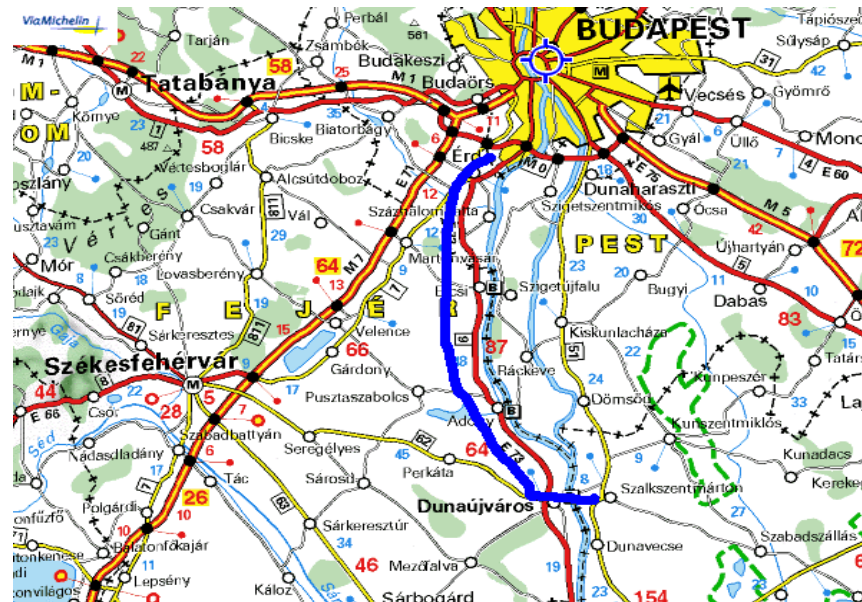


€ 212 million Wrapped Floating Rate Note Issue
€ 200 million EIB Loan

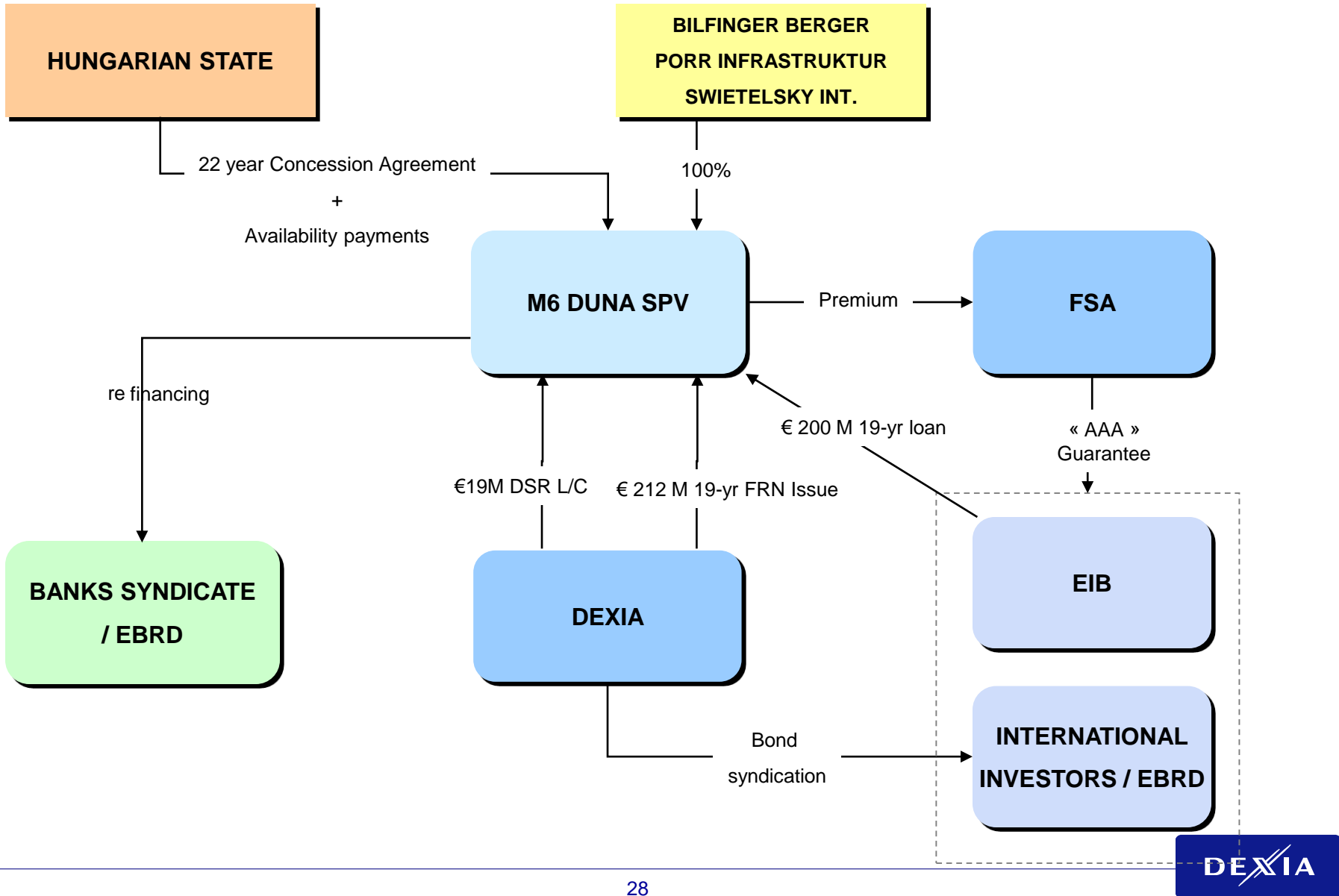
Refinancing of M6 Duna existing bank debt, the project company in charge of design, build, operation, maintenance and finance of a 58.6Km motorway in Republic of Hungary

Lead Manager & Bookrunner
March 2006

- Sponsors: Bilfinger Berger BOT, Porr Infrastruktur and Swietelsky International,
- Design, build, operation, maintenance and finance of a 58.6-Km stretch of new motorway in Hungary.
- A 22-year concession agreement, signed in 2004,
- Monthly availability payments from the Minister of Economy and Transport.

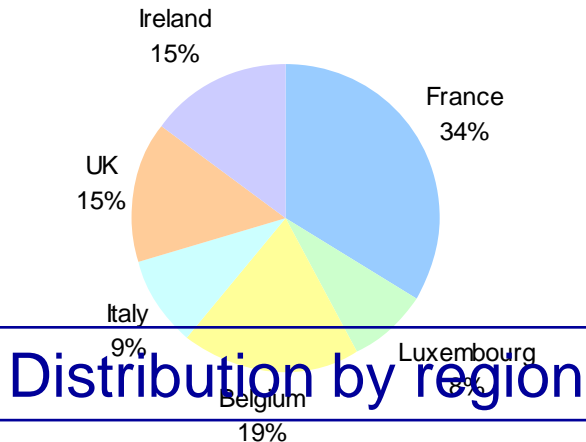
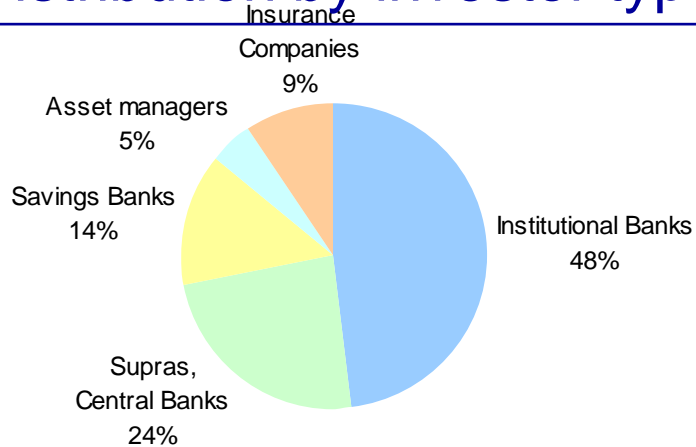


M6 Motorway refinancing





Distribution by investor type



Distribution by region

Investor Demand

Market appetite had never been tested before on a similar transaction

Despite this: **3 times oversubscription**

Enthusiastic institutional investors demand:

- top rating provided by the monoline structure combined with
- rarity of a Hungarian and CEE credit
- right yield for maturity (27 bps – 9.5 yr WAL)

A large spectrum of bank portfolios, insurance companies and asset managers, spread over 6 different countries.



M6 Duna Refinancing



€ 212 million Wrapped Floating
Rate Note Issue
€ 200 million EIB Loan

Refinancing of M6 Duna existing bank
debt, the project company in charge of
design, build, operation, maintenance
and finance of a 58.6Km motorway in
Republic of Hungary

Lead Manager & Bookrunner
March 2006

Lessons Learnt

- High level of appetite for CEE Paper
- No premium for these countries : substantially same structure and pricing as what would be observed in Western Europe
- Wrapped bond structure highly competitive for a refinancing of this type :
 - ✓ no need for a drawing period
 - ✓ high visibility on future cash flows: fits with monoline appetite

- **First wrapped infrastructure bond issue ever done in Central Europe**
- Yielded significant capital gains for both M6 shareholders and the Hungarian State.
- Clear demonstration of **Dexia's unique ability** to offer a combination of bond arranging, underwriting, placement and credit enhancement capabilities, all available within the same group.

Golden Ears Bridge Project



Dexia Crédit Local was one of the two Mandated Lead Arrangers for an approx. C\$1 billion wrapped bank loan financing – sponsor was Bilfinger Berger

Golden Crossing General Partnership



C\$963 million Wrapped Senior Facilities

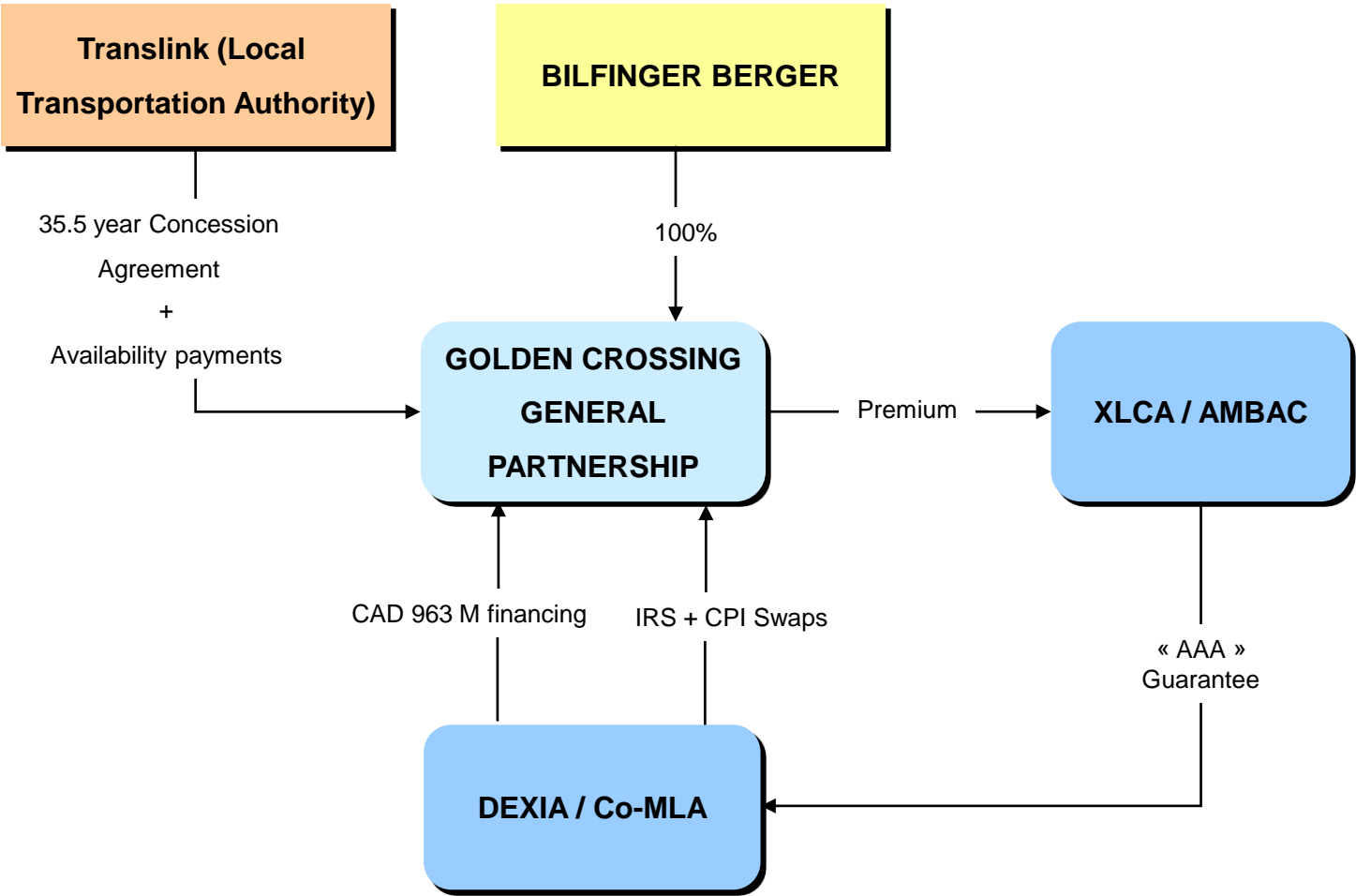
Financing a PPP project for construction, operation and maintenance of a new Bridge on the Fraser River in Vancouver, Canada

Mandated Lead Arranger
March 2006

- The Project will connect various suburban areas across the Fraser River in the Greater Vancouver area,
 - ✓ six-lane bridge with approach structures
 - ✓ 720 meters long with a central span of 480 meters.
 - ✓ Will reduce travel times between 20 and 30 minutes
 - ✓ Opening of the bridge is scheduled on June 2009.



Golden Ears Bridge Project





Financing Structure

- Highly innovative structure: wrapped bank debt
 - ✓ All-in cost cheaper than straight bank debt
 - ✓ Pricing certainty at bid stage
 - ✓ Long tenor (34.5 years)
 - ✓ No negative carry issue, flexibility on timing of drawings
 - ✓ Limited number of sophisticated counterparties

- CPI swaps implemented despite relatively illiquid market



Golden Crossing General Partnership



C\$963 million Wrapped Senior Facilities

Financing a PPP project for construction, operation and maintenance of a new Bridge on the Fraser River in Vancouver, Canada

Mandated Lead Arranger
March 2006

Lessons Learnt

- Relatively conservative project structure allowed :
 - ✓ Innovative structure to be put in place
 - ✓ Very competitive terms
 - ✓ Swift execution (closing in less than 3 months)
- ⇒ Good Value for Money for public sector

- Wrapped structure had never been used in North America for a PPP
Involvement of global players ⇒ increasingly global market

Largest private financing ever raised for a green-field PPP project in Canada to date



Dexia was one of the Mandated Lead Arrangers for this US\$4.1 billion financing

Indiana Toll Road Acquisition



US\$ 3,285 million Acquisition,
US\$ 665 million Capex,
US\$ 150 million liquidity line
Facilities

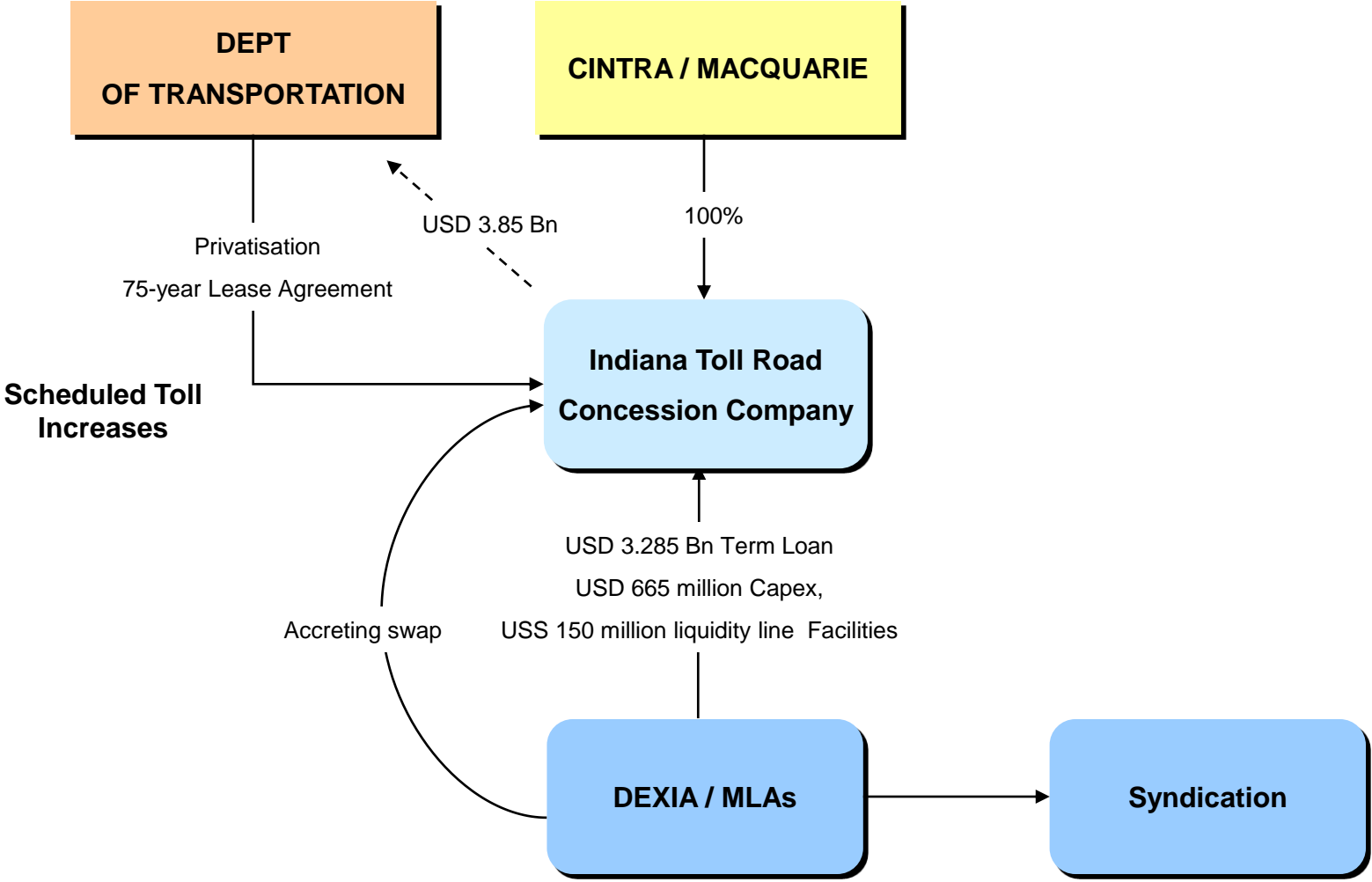
Acquisition of Indiana Toll Road and
Financing of capital expenditures

Mandated Lead Arranger
June 2006

- A 157-mile (250-km), 4-lane toll road
- Running from west to east along the northern border of Indiana connecting Chicago with the region of New York.
- Privatised end of 2005 and awarded to a Cintra / Macquarie consortium for US\$3.85 billion.
- 75-year concession, with significant pre-agreed toll increases
- Obligations to perform capital improvements (e.g. as electronic tolling system) and to expand certain sections by the end of 2010.



Indiana Toll Road





Financing Structure

- Mini-perm to be refinanced (most likely with capital market take-out)
 - 9-yr maturity / cash sweep mechanism
 - Ancillary facilities
 - Debt:equity 85:15
- Syndicated bank market
- MLAs provided accreting swaps (20-yr term) – key piece of the puzzle





Indiana Toll Road Acquisition



US\$ 3,285 million Acquisition,
US\$ 665 million Capex,
US\$ 150 million liquidity line
Facilities

Acquisition of Indiana Toll Road and
Financing of capital expenditures

Mandated Lead Arranger
June 2006

Lessons Learnt

- Significant appetite of banking market for brownfield concessions
 - High debt amount
 - Yet successful syndication

- “Deep-future concessions” can bring significant value to the table

- Current market conditions are favourable to securitization of certain public assets :
 - ✓ Allows to generate significant new resources
 - ✓ Proceeds to be used by the State of Indiana to improve the State road network

Largest Infrastructure Privatisation ever done in the US in recent years

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Project & Sectorial Finance



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