

# Gebze – İzmir Motorway Project

*May 2016*



# Project Characteristics

- Over 400 kilometres of motorway – Connecting İstanbul, Bursa and İzmir
- Suspension Bridge – 4th longest in the world - İzmit Bay Suspension Bridge
- Tunnel – longest motorway tunnel in Turkey - Samanlı Tunnel
- Steel Viaduct – One of the most challenging viaduct construction projects in the world – Southern Approach Viaduct – 33.000 tons of steel, 1.400 metres
- BOT for 22 years, 4 months starting from March, 2013
- Debt Assumption by Turkish Treasury
- Minimum Traffic Revenue Guarantee by General Directorate of Highways
- One of the largest infrastructure projects in Turkey to have achieved financial close to date

# Main Project Stakeholders

- Government - General Directorate of Highways, Undersecretariat of Treasury
- Lenders – Akbank, Finansbank, Ziraat Bankası, Garanti Bankası, Halk Bankası, İş Bankası, Vakıflar Bankası, Yapı ve Kredi Bankası, Deutsche Bank, Saudi National Commercial Bank, Bank of China and Siemens Bank



# Main Project Stakeholders, contd.

- Sponsors – Nurol, Özaltın, Makyol, Astaldi and Göçay
- Main Contractors – Sponsors and IHI / Itochu Consortium as Bridge Contractor
- Lead Reinsurers – Swiss Re for construction, Munich Re for operation



**ÖZALTIN**



**ASTALDI**



# Project Phases



**Phase I** *(H1 2016)*

**Phase II A**  
*(Q1 2017)*

**Phase II B**  
*(H1 2019)*

# Sources / Uses - Expenditure

- CAPEX – 7.3 billion USD
  - Phase I – 2.8 billion USD
  - Phase II A – 0.6 billion USD
  - Phase II B – 3.9 billion USD
- PROVIDED FROM THE FOLLOWING SOURCES:
  - Equity – 1.4 billion USD
  - Debt – 5.0 billion USD
  - Revenue generated from Phase I and II A – 0.9 billion USD

# History of Financial Close

- 2013 – 2.8 billion USD Financing for Phase I
  - 1.4 billion USD Debt
  - 1.4 billion USD Equity
- 2014 – 0.6 billion USD Financing for Phase II A
  - 100% Debt
- 2015 – Secured Financing for TOTAL PROJECT (Phases I, II A, II B)
  - Refinancing of existing 2.0 billion USD Debt
  - Additional 3.0 billion USD Debt: TOTAL DEBT = 5.0 billion USD
  - No additional equity obligation apart from original 1.4 billion USD.
  - Grace period to 2019, maturity to 2030.

# Pricing, Revenue Guarantee

- Pricing is in TL, however derived from:
  - 35 USD for bridge, 0.05 USD per km. for motorway (in 2008 USD)
  - Central Bank FX rate on Jan. 02 used for that calendar year
  - Price adjusted yearly to US CPI
- Revenue Guarantee
  - Project divided into 4 sections.
  - When a section is completed, relevant guarantee for that section begins.
  - Total yearly guarantee amount in 2008 USD ~ 680 mUSD
  - If actual revenue exceeds guarantee, no payment
  - If actual revenue is less than guarantee, difference is paid by April of the next year



# Debt Assumption – Turkish Treasury

- If default occurs, Turkish Treasury assumes 100% of loan
- Allows Lenders to price loan as if it were a quasi government bond with additional risk pricing for construction of Project
- Increases attractiveness of debt instrument to international Lenders
- Allows for longer maturities and lower margins.

# Debt Facility

- Limited Recourse Project Finance
  - Currently 12 Lenders – 8 Turkish, 4 International
  - Each Turkish Lender holds 1/9 of Loan, International Lenders together hold the remaining 1/9
- Grace Period to 2019
- Debt repayment period – 2019 to 2030
- Hedging:
  - Interest Rates – 50% of outstanding loan covered thru Interest Rate Swaps
  - FX Rate – 80% of finance payment for the relevant period covered thru FX Swaps set on Jan. 02 of each calendar year

# Where are we – May 2016

- Secured external funding for 6.4 billion USD – for construction of overall project:
  - Over 400 km of motorway,
  - İzmit Bay Suspension Bridge,
  - Southern Approach Viaduct and
  - Samanlı Tunnel.
- Spent 3.8 billion USD – **96% complete for Phase I, 75% for Phase IIA and 55% for overall project.** *(as of end of April 2016)*
- EXTERNAL FINANCING NEEDS FOR OVERALL PROJECT COVERED 100%.
- On track to complete Phase I construction by H1-2016, Phase IIA construction by Q1-2017 and Phase IIB construction by H1-2019.

# Where are we – May 2016

## *Suspension Bridge*

- 95% Complete
- Deck Erection Completed on April 21
- Open to traffic June 2016

# *Suspension Bridge, contd.*



# *Suspension Bridge, contd.*



# Where are we – May 2016

## *Samanlı Tunnel*



- 100% Complete

# Where are we – May 2016

## Phase I Motorway

- 100% Complete
- 40 km opened to traffic on April 21, 2016!



# Where are we – May 2016

## *Phase IIA Motorway*

- 75% Complete

# Where are we – May 2016

## *Southern Approach Viaduct*



- 100% complete

# Where are we – May 2016

## *Phase IIB Motorway*



- 19% complete
- 20 km. İzmir section planned to be opened to traffic in Q1 2017

# Lot of work done, more to do– Targets to achieve in 2016

- Revenue, Revenue, Revenue!
  - Open to traffic Suspension Bridge in June 2016, thereby triggering Section 01 Revenue Guarantee
- Continue construction activities for Phase II A and Phase II B
- Complete construction of Phase II A and 20 km section of Phase II B.
- Be on track to complete overall construction by 2019.

Thank you for your attention.