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
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.