

Financing Techniques of Public Private Partnership Projects

29th - 30th November 2006, Corinthia Aquincum Hotel, Budapest

Training Workshop

Meet Your Workshop Leaders

György Gáldi

Head of Large Corporate & Structured Finance
Directorate, K&H Bank

Béla Kilyénfalvi

Head of Structured Finance
ING Hungary

DI Thomas Höfner, MAS

CFO
M5 Concession Company (AKA Rt.)

Arne Speer

CEO
M6 Concession Company
M6 Duna Autópálya Zrt.

Workshop Highlights

Learn the essentials of:

- PPP structures in the context of project finance schemes
- public sector comparator calculations
- the tender process
- financial modeling for PPP
- a typical framework for financing
- functions and characteristics of the concessionaire as specialpurpose vehicle
- how to select the arranger
- payment mechanism

through first hand case studies of:

- Hungarian M1/M15 project, the *first toll motorway in CEE*
- the concession structure of the M5 Motorway and how it was *refinanced and restructured* into a real PPP project after 10 years
- the *shortest time* during which a motorway project procurement (M6) was managed and completed
- how to effectively use advisers to proceed towards successful close of PPPs.

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About the Workshop Leaders



Arne Speer, Chairman of the Board of Directors and Technical Director, M6 Duna Autópálya Koncessziós Zrt.

Arne Speer currently is the Chairman of the Board of Directors of the "M6 Duna Rt – Concession Company" in Hungary, which is responsible for the construction of first 60km of the M6 highway. He joined this intensive project from the first hour on behalf of the Bilfinger Berger BOT, Wiesbaden. He has been involved in the whole development phase with the Ministry of Economy and Transport including the negotiations of all contracts representing the areas of construction and operation until reaching commercial and financial close. Prior to this Arne Speer was also involved in the Norwegian E39 project, the Strelasund-Crossing, the Maliakos-Kleidi and Thessaloniki Port project in Greece as a Bilfinger Berger BOT project manager. He gained his first experience in a concession company during his involvement in the construction phase of the PPP project "Herrentunnel – the river Trave crossing in Lübeck, Germany".



DI Thomas Höfner, MAS, CFO, M5 Concession Company (AKA Rt.)

Thomas Höfner's track record covers more than 10 years professional experience gained in technical, contractual and financial fields of major infrastructure projects. Between 1995 and 2001, he was involved in urban infrastructure projects. Since joining the Bauholding Strabag group in 2001 (currently with A-Way), he has been focusing on development and implementation of international PPP schemes, inter alia he held various responsibilities in the A2 Toll Motorway project in Poland (Commercial Project Manager between 2001 and 2003). In his capacity as member of the negotiating team and CFO of AKA, he participated in structuring all recent transformations and developments of the M5 Motorway project in Hungary occurring at unprecedented pace since 2004: reorganization on shareholder level, cancellation of tolls and introduction of availability fee system, project restructuring, refinancing, financing and implementation of Phase 2 and Phase 3 of the M5 Motorway.



György Gáldi, Head of Large Corporate & Structured Finance Directorate, K&H Bank

György Gáldi joined the Structured & Project Finance Department of K&H Bank in 1993. Having held different responsibilities in the same department he was promoted to Senior Executive Director in 2005. Prior to this he was EU Expert of the International Department in the Transport Ministry. Between 1987-92 he was Assistant Professor at the Department of Transport Operations, Budapest University of Technology.



Béla Kilyénfalvi, Head of Structured Finance, ING Hungary

Béla Kilyénfalvi joined the Structured Products Department in ING Bank Rt. in 1997, where he is currently Head of Department. Previously he worked at CIB Bank Rt. as project finance manager for 3 years. Mr. Kilyénfalvi has been involved in a number of PPP Projects as financial advisor. He was a financial advisor to AKA on refinancing of the M5 motorway project, financial advisor to the State on the State Motorway Management Company (SMMC) bond issue project, financial advisor to the State on Phase II-III of the M5 motorway project and financial advisor to the State on Phase I of the M6 motorway project.

Workshop Background

Since the beginning of the 90's public sector bodies in Central and Eastern Europe (CEE) were facing increasingly indebted balance sheets and budgetary constraints which heavily hindered investments and modernization of the provision of services to the public. In the search for alternative financing options, governments and municipalities started to look at the possibilities of involving private sector capital in the implementation and procurement of projects. Thus Public-Private Partnerships (PPPs) have made their way forward into this dynamically developing region of Europe. The wider acceptance and usage of PPPs by the public sector in the last decade in CEE has certainly created new opportunities not just for the public but for the private sector as well. But PPPs are complex in structure and procurement and involved parties often have a lack of experience. Besides the knowledge of applicable legislation, special attention has to be paid to regional specifics and local particularities stemming from the culture, habits and needs of the various nations. These projects require a clear understanding of the connected issues and lessons learned might be applied well in new initiatives.

Who Should Attend:

The program will be beneficial to Chief Financial Officers and Financial Managers from the following institutions:

- Government department
- Municipal departments
- Commercial Banks
- Investment Banks
- Concession Companies
- Legal Companies
- Consulting Companies
- Construction Companies
- Risk advisors
- Companies interested in PPP
- Projects
- and many more...

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Day 1 - 29th November 2006

9:00 Opening from the Chair

Managing Director, **EPPPC**

9:10 Session I: Financial Preparation and the Tender Process of PPP Projects

Béla Kilyénfalvi, Head of Structured Finance, **ING Hungary**

György Gáldi, Head of Large Corporate & Structured Finance Directorate, **K&H Bank**

INTERACTIVE SESSION

Project Preparation

- Identification of the project
- Preliminary PSC
- Financing structure
- Technical specifications
- Planning
- Permits, legislation, administrative issues

Tender – pre-qualification phase

- Identification of the project
- Tender documentation
- Setting the consortium
- Preliminary financial structure of the bid

10:30 Morning Coffee

10:45 Tender – bid phase

- Risk allocation matrix
- Fee formula
- Draft service contract
- Financial structure of the bid
- Modelling
- Financing – selection of the arrangers
- Review of the draft service contract
- Preparation of bids
- Update of the preliminary PSC
- Evaluation of bids

12:15 Lunch

13:00 Session II: Documentation and Closing of the Tender

Documentation phase

- Risk allocation matrix
- Service contract
- Financing agreement
- Other documents

Closing

- Final PSC
- Necessary approvals (e.g. Parliament)
- Due diligence
- Model audit
- Syndication (info memo)
- Hedging
- Conditions precedents

15:30 Discussion

16:00 Closing Remarks from the Chair

DAY 2 - 30th November 2006

9:00 Session I: PPP Transactions from the Investor's Perspective – a hands-on approach

Thomas Höfner, MAS, CFO, **M5 Concession Company (AKA Rt.)**

PPP Structures in the context of project finance schemes

- Typical project setup – the framework for financing
- Project parties and their specific roles – the key drivers
- Lifecycle – closing, implementation, operation
- Focus on the Concessionaire as Special Purpose Vehicle (SPV)

Function – interface between public and private sector

- Characteristics of SPVs – contractual limitations in day-to-day business
- Financial sustainability – how to balance risks profiles in the light of financing
- Performance objectives – successful completion, operation and loan repayment

10:30 Morning Coffee

PPPs in practice – Case study M5 Motorway

- Brief overview – a decade of AKA
- Transition period 2004/2005 – how a unique challenge became infrastructure deal of the year
- Transformation from real toll to availability payment system
- Multitasking – operational phase, funding and construction of new phases concurrently
- Organization – team play with a view to create win-win – scenarios

12:15 Lunch

13:00 Session II: M6 Duna Rt – Challenge of ten months development phase and an extremely short construction phase

Arne Speer, CEO, **M6 Concession Company (M6 Duna Autópálya Zrt)**

Different parties in PPP projects and their interests

- Overview of M6 Project
- Benefits of all stakeholders
- Main challenges for all participants

Public and Private - Which kind of payment agreed and what kind of risks taken ?

- Payment mechanism
- Contractual structure
- Risk allocation between the parties of public and private
- More detailed financing information

Outlook: Future PPP projects

- Lessons learnt
- Further PPP in Hungary?

15:30 Discussion

16:00 Closing Remarks from the Chair

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