



Renaissance
Group

Business Opportunities for Private Sector Participation in the Transport Sector under CAREC

CAREC Business Development Forum
July 2010
Urumqi, People's Republic of China





Macquarie Renaissance JV has been formed to provide leading infrastructure financing and advisory expertise across the CIS



Renaissance
Capital

- Global infrastructure advisory expertise
- Infrastructure Manager of the Year 2009¹ managing US\$90bn of infrastructure assets globally
- Advised on 448 transactions totalling approx. US\$111bn in 2009 globally²
- Equity capital raising of more than US\$173bn globally, since 2004³
- Debt raising of more than US\$213bn globally, since 2005³

Leading and
advising on
infrastructure
transactions
in the CIS

- CIS investment banking powerhouse with offices in Russia, Ukraine and Kazakhstan
- Pre-eminent provider of advisory services
- Government relations
- Expertise in CIS execution
- No.1 Research Team for Russia in 2003-2010 and No.1 in Emerging EMEA in 2009 and 2010 – Institutional Investor
- US\$38bn of M&A transactions value since 2000

1. Financial News Awards 2. As at FY end, 31 Mar'10 3. Includes M&A, PPP, refinancing and ECM transactions. Converted from EUR at 1.49 EUR/US\$



Scope of Opportunity

CAREC countries: Afghanistan, Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Uzbekistan

Total population (est): ~1.5bn, 93% living in China

GDP (est): over 4.5 trillion

CAREC multilateral partners: Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), The World Bank

Where do the opportunities lie

Airport development/redevelopment opportunities:

- Soviet era airfields / infrastructure requires significant capex

Roads / bridges / tunnels :

- Unfunded for decades; major budget shortfalls; major new projects and refurbishment required

Rail:

- Containerisation rates at global lows in many of these countries; poor logistics chains, onerous customs regimes

Ports including new ports, existing, port related infrastructure:

- Massive demand for grain silos, container ports, improved handling facilities



Leading the way - examples

> **China:** Public works infrastructure program: ~\$450b



> **Kazakhstan:** Concession legislation, PPP pipeline, preferred tenderer appointed on 300 km road project (Almaty Khorgos)



> **International Financial Institutions**



> **Private sector participants:** Impregilo, IL&FS, Salini and Todini





> IFI support

- > Remains critical in most CAREC countries

> Non IFI financing

- > Reliance on IFIs and State banks not sustainable – need to attract non IFI international lenders

> Solutions to currency exposure

- > Underdeveloped or non existent.
- > Governments need to play a role here in developing financial markets

> Adequate legal and regulatory frameworks

- > Positive move occurring towards implementing concession / PPP legislation
- > Need to retain flexibility to deal with inevitable changes required

> Third party international expertise

- > Attraction of professional advisors is key

> Realistic bankable projects

- > Projects must be of size and scale that is attractive and realistic. Over ambitious multi billion dollar projects are unlikely to be bankable, as are uneconomic projects

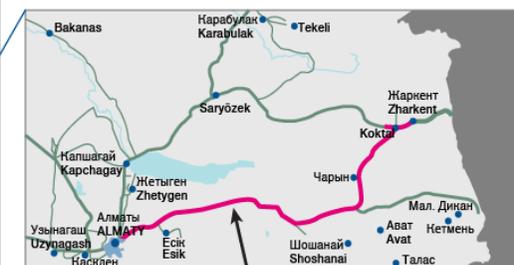
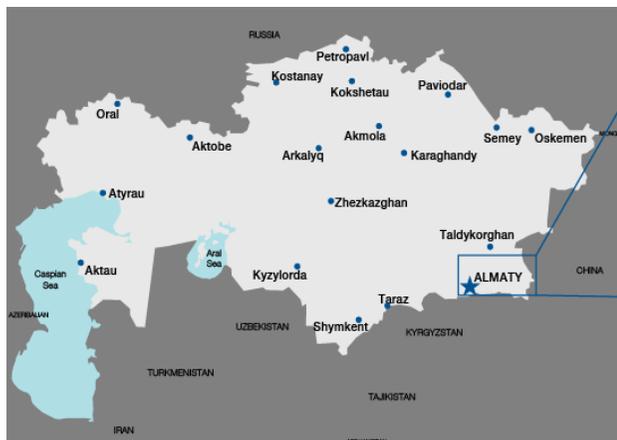


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Case Study: Almaty Khorgos - Kazakhstan

300km Road Concession

- > Ministry of Transportation and Communications (Government of Kazakhstan))
- > Preferred Bidder: Impregilo, IL&FS, Salini and Todini.
- > Exclusive financial advisor: **Macquarie Renaissance**
- > Revenue structure availability payments and toll revenues
- > A vital communication and transport link



ALMATY-KHORGOS ROAD



Subway network

- 9th subway line in Seoul
- Total debt, equity and subsidy of c. £600m
- First non-recourse subway PPI project closed in Korea
- Reduced revenue guarantee structure
- Sound project framework
 - Strong location between major business and residential districts
 - Major civil construction work (tunneling, etc) being undertaken by Seoul City
 - Established consumer acceptance of subway fares
- Fixed price EPC and O&M contract



Macquarie's Roles

- > Financial Adviser
 - > Co-Sponsor
 - > Debt co-arranger
 - > Subordinated loan
-



A\$4.1 billion Water Desalination Project

To provide a third of Melbourne's annual water requirement (4m popn)

Largest infrastructure financing completed during the crisis

- >\$769m of third party equity (7 investors)
- >\$1,925m in senior debt (12 banks)
- >\$1,746m in State supported syndication financing
- >\$30m mezzanine from 2 investors
- >\$250m in State bridge financing to fund underground power transmission line

Innovative financing structure involving contingent State support to provide certainty and allow financing volume



Macquarie's Roles

Key Deliverables

Sponsor, Financial Adviser, Debt and Equity Arranger

- Full committed financing at Contract Close
- Responsible for State and Project Documentation
- Managed due diligence process
- Macquarie committed \$100m

Equity Participant

Debt Financier

- Macquarie provided \$100m commitment to the 7 year commercial debt tranche



Our key contacts are provided below



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Damian is CEO of Macquarie Renaissance. Damian joined Macquarie Group Limited in 2001 and specialises in infrastructure financing and PPPs.

He has over 12 years experience specialising in infrastructure financing including numerous airport, ports, toll roads, social infrastructure PPPs and other infrastructure transactions. These have included both greenfield and brownfield developments, acquisitions, strategic stakes, bridge financings, public market takeovers, debt financing and refinancing through both the syndicated bank debt and debt capital markets, equity capital raisings both listed and unlisted, and hybrid securities



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Joaquin works as a Vice-President for Macquarie Renaissance, currently based in Moscow and has developed his career in the infrastructure financing field

His experience advising the public sector on PPP/ PFI includes the government of Latvia on PPP transport projects prioritisation, the government of the Czech Republic on private funding sources for PPPs, the Bulgarian Government on the assessment of the Trakia highway PPP, the government of Honduras on the concession of Puerto Cortes or the government of Quito on its water utility privatisation , among others

Joaquin has an MBA from Instituto de Empresa (IE) in Madrid and prior to joining Renaissance he worked for PricewaterhouseCoopers in Latin America, Eastern Europe and Spain



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Prior to joining Renaissance Capital, Angelo worked for ten years at Citigroup, where he was a director in the Capital Markets team.

Angelo started his career in the telecom team where he was involved in several landmark equity and M&A transactions

Angelo left the telecom team to join the Capital Markets team where he acted as team leader on several transactions such as Severstal GDR listing on the LSE, Blinkx IPO on the AIM market, NBG Rights issue on the Athens Stock Exchange, Investcorp GDR listing on the LSE, Landi Renzo IPO on the Milan Stock Exchange and the Monte dei Paschi di Siena rights issue



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