PROJECT FINANCING

LAIKI GROUP
AGENDA

- Defining Project Financing
- Typical Project Stages
- Setting up a Basic Project Finance Structure
- Raising Capital
- Key Debt Parameters
- Bank Internal Procedures - Timeline
- Minimising Delays
PROJECT FINANCE

- Financing of long term infrastructure and/or industrial projects using debt and equity
- Debt is typically repaid using cashflow generated from the operations of the project.
- Limited recourse to project sponsors
- Debt is typically secured by project’s assets, including revenue producing contracts
  - First priority on project cashflows is given to the Lender
  - Consent of the Lender is required to disburse any surplus cashflows to project sponsors
- Higher risk projects may require the surety/guarantees of the project sponsors.
TYPICAL PROJECT STAGES

Establishing partnership with Lender
BASIC PROJECT
FINANCE STRUCTURE

PARENT HOLDING COMPANY

UKRAINIAN SUBSIDIARY
- PROJECT 1: SPV 1
- PROJECT 2: SPV 2

POLISH SUBSIDIARY
- PROJECT 1: SPV 1
- PROJECT 2: SPV 2

RUSSIAN SUBSIDIARY
- PROJECT 1: SPV 1
- PROJECT 2: SPV 2

BANK
RAISING CAPITAL

- There are Three Financing Options:
  - **Option A:** Debt:Equity – 60%:40%
  - **Option B:** Debt:Equity – 80%*:20%
  - **Option C:** Debt:Equity – 60%:X+X=40%
RAISING CAPITAL

OPTION A:
Debt:Equity – 60%:40%

BORROWER

EQUITY
40%

PROJECT SPONSORS

PROJECT 1: SPV 1

DEBT
60%

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RAISING CAPITAL

OPTION B:
Debt:Equity – 80%*:40%

BORROWER

EQUITY

20%

PROJECT SPONSORS

PROJECT 1: SPV 1

FULLY SECURED BY OTHER TANGIBLE SECURITY

DEBT

60%

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DEBT

20%

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RAISING CAPITAL

OPTION C:
Debt:Equity – 60%: X+X = 40%

BENEFICIAL OWNERS OF PROJECT

EQUITY
40%

PROJECT 1: SPV 1

DEBT
60%

BORROWER

MARFIN INVESTMENT GROUP

X%

MARFIN LAIKI BANK

X%

X%
**KEY DEBT PARAMETERS**

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LOAN AMOUNT/ TYPE

- **60%** of the market value of the Project/Property is the **maximum** debt which may be granted*
- Amounts vary from €10m to €200m
- Short/Medium/Long Term Loans
- Loans granted are typically used to finance:
  - Land acquisition
  - Preliminary expenses
  - Construction
  - VAT (given that it is recoverable)

*Indirect contribution is acceptable – Financing Option B
REPAYMENT

- Flexible Repayments Terms
  - Grace Period Offered During Construction
  - Repayment Schedule Matched to the Project Cash Flow Streams
  - Early Repayment Option
SECURITY/COLLATERAL

- **Typical Security/Collateral Includes:**
  - Mortgage Charge on Land and Construction Works:
    - Preferably freehold land
    - Leasehold is acceptable; Terms & conditions differ
  - Commercial Insurance Policy on Mortgaged Property
  - Pledge of Shares of the Borrowing Company
  - Pledge over the Dividends of the Pledged Shares
  - Corporate Guarantees of Parent/Holding Company
  - Personal Guarantees of Ultimate Beneficial Owners
  - Assignment of all Project Proceeds

- **Security Agent:**
  - Internal/External Legal Advisors acceptable to both parties
PRICING

During Construction Period:
- 3/6/12-month LIBOR/EURIBOR + X%

During Project Operation:
- 3/6/12-month LIBOR/EURIBOR + X% -1%

Typical Upfront Fees:
- Arrangement Fee – Once off calculated on Loan Amount
- Documentation Fees
- Legal Fees

Other Possible Fees:
- Commitment Fees – X% p.a. calculated on the daily/monthly/quarterly aggregate un-drawn amount of the Loan
- Administration Fees
- Prepayment Fees

AVERAGE FEES ARE ONLY INDICATIVE. FEES DEPEND ON PROJECT STRUCTURE AND RISKS INVOLVED.
CONDITIONS PRECEDENT

Typically include but are not limited to:

- Property valuation report prepared by professional valuer acceptable to the Bank – **Market Value Coverage ≥ 167%**

- Satisfactory due diligence on the Borrower, Corporate Guarantors, Properties offered as Security, etc*

- **Independent Official Confirmation**, verifying:
  - Existence of construction permits from local authorities
  - Existence of permits for the commencement of construction works

- Approval of Loan Facility and Security by the Borrower’s Board of Directors or General Assembly

* See Distributed Handouts
CONDITIONS PRECEDENT

✓ Approval of Security by the Corporate Guarantors’ and Security Providers’ Board of Directors or General Assembly

✓ Registration of all Security/Collateral with the appropriate Authorities as per Ukrainian Legislation

✓ Legal opinions, satisfactory to the Lender, in respect to the Loan Documentation, the Security

✓ Establishment of a “Construction Account” with Marine Transport Bank where loan proceeds (drawdowns) will be deposited
FINANCIAL COVENANTS

- Market Value Coverage $\geq 167\%$ at all times
- Debt Service Ratio $\geq X$
- EBITDA Multiple $\geq X$
  - Defined as Enterprise Value to EBITDA
  - Applicable for companies actively involved in the development of projects
- Minimum current ratio of 1.1

ABOVE COVENANTS ARE ONLY INDICATIVE. THEY SHALL DEPEND ON THE PROJECT STRUCTURE AND RISKS INVOLVED.
DRAWDOWN

- The Loan may be drawn in several tranches usually at **pre-agreed minimum amounts** (E.g. € 100,000)

- For each drawdown, the Bank requires a certification report prepared by a **Quantity Surveyor or Valuer** acceptable by the Bank on the construction work executed.

- For large projects, the Bank retains the right to appoint its own Project Manager.

- At any point in time, the aggregate drawn down amount shall not exceed **60%** of the Gross Development Value.
**BANK INTERNAL PROCEDURES-TIMELINE**

- **Bank internal procedures include:**

<table>
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<tr>
<th>Time Frame</th>
<th>Description</th>
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<tr>
<td>2-10 days</td>
<td>Preliminary evaluation of application (business plan, cashflows, etc)</td>
</tr>
<tr>
<td>2-10 days</td>
<td>Issue/negotiate Indicative Term Sheet</td>
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<tr>
<td>&lt;20 days</td>
<td>Bank’s Loan Committee Approval</td>
</tr>
<tr>
<td>30-60 days</td>
<td>Facility &amp; Security Documentation; Execution of Conditions Precedent</td>
</tr>
<tr>
<td>1 day</td>
<td>Drawdown of Loan Funds &amp; Wire Transfer to Customer’s MTB A/c</td>
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MINIMISING DELAYS

Ensure that the following documentation is provided to the Bank along with your loan application:

- **Corporate Structure**
  (including ultimate beneficial owners, all subsidiaries and SPVs)

- **Recent Audited Financial Statements of the Borrower**
  & Group Holding/Su-holding Company
  - prepared in accordance with International Financial Reporting Standards (IFRS)

- **Project Information:**
  - Business Plan - Feasibility Study - Viability Study - Marketing Plan
  - Cashflow projections including assumptions
  - Background on Architects, Contractors, Project Management Team, Marketing Team
  - Copy of Sale and Purchase Agreement, Construction, Lease & other relevant/related Agreements
    (such as pre-lease agreements, etc)
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