



Financing Terminal Acquisition
TOC ASIA 2011

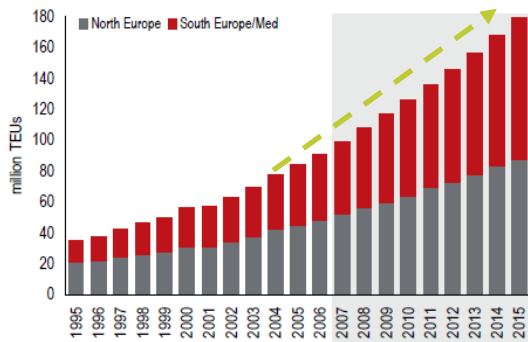
Tianjin-Binhai, March 2011

The logo for HSH NORDBANK, featuring a stylized blue cross symbol above the text "HSH NORDBANK" in a blue, sans-serif font.

The shipping world in 2008...

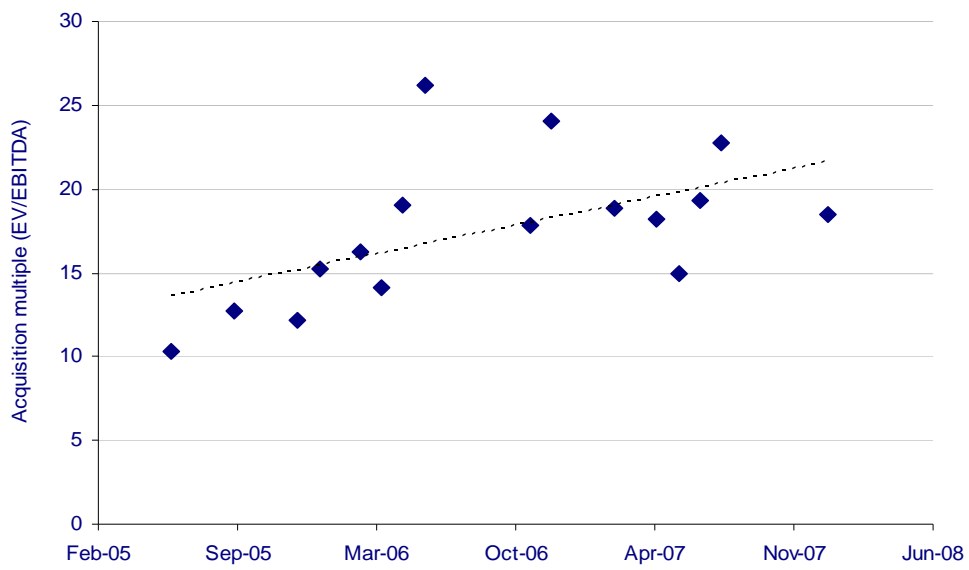


Port infrastructure is increasingly struggling to handle growing freight volumes, causing delays in freight flows.



Size (TEUs)	Fleet (number)	Orders to 2011 (number)	% growth to 2011
10,500 – 15,500	7	151	2050%
7,500 – 10,499	181	184	102%
5,100 – 7499	333	145	44%
4,000 – 5,099	466	318	68%
3,000 – 3,999	313	87	28%
2,000 – 2,999	688	164	24%
1,000 – 1,499	660	203	31%
500 – 999	784	168	21%
100 – 499	328	0	-
TOTAL	4,311	1,557	36%

...reflected in multiples paid for terminal operators



...some more multiples



in USDm					Financials			EV /
Date	Target	Country	Buyer	Country	Stake	EV	EBITDA	EBITDA
Nov-09	Rizhao Port (Group) Co., Ltd.	CH	Shandong Assets Investment Holding Co. Ltd	CH	2.8%	1,392	102	13.7x
Mar-09	Tianjin Port Company Limited	CH	Grand Point Investment Limited	HK	56.8%	3,633	293	12.4x
Jan-08	Forth Ports	UK	Babcock & Brown European Infrastructure Fund	AU	19.6%	2,397	130	18.5x
Aug-07	Carrix Ports	US	Goldman Sachs Infrastructure Partners	US	49.0%	4,490	197	22.8x
Jun-07	Maher Terminals	US	RREEF	US	100.0%	2,113	109	19.3x
May-07	Izmir, Turkey	TR	Global-Hutchison	HK	100.0%	1,275	85	15.0x
May-07	Starboard Montreal Gateway Terminal	CN	Morgan Stanley	US	80.0%	496	27	(1) 18.2x
Mar-07	P&O Ports NA	US	AIG	US	100.0%	1,364	72	18.9x
Nov-06	OOIL Terminals	HK	Ontario Teachers' Pension Plan	CN	100.0%	2,410	100	24.1x
Nov-06	Peel Ports Limited	UK	RREEF	US	49.0%	3,098	174	17.8x
Jun-06	Simon Group plc	UK	Montauban SA	BE	71.7%	224	9	26.2x
May-06	Patrick Corp	AU	Toll Holdings	AU	100.0%	3,040	160	19.0x
Apr-06	Hutchinson Port Holdings	HK	PSA International Pte Ltd.	SG	20.0%	4,388	311	(1) 14.1x
Mar-06	AB Ports	UK	GS, Borealis, GIC Special Invnt	UK	100.0%	5,704	349	16.3x
Jan-06	P&O Ports	UK	DP World	AE	100.0%	8,599	566	15.2x
Dec-05	PD Ports PLC	UK	Babcock & Brown Infrastructure Ltd	AU	100.0%	941	77	(1) 12.2x
Sep-05	Mersin, Turkey	TR	PSA	SG	100.0%	755	59	12.7x
Jun-05	Mersey Docks & Harbour Company	UK	Peel Ports Investments Limited	UK	100.0%	1,812	176	10.3x

(1) estimate

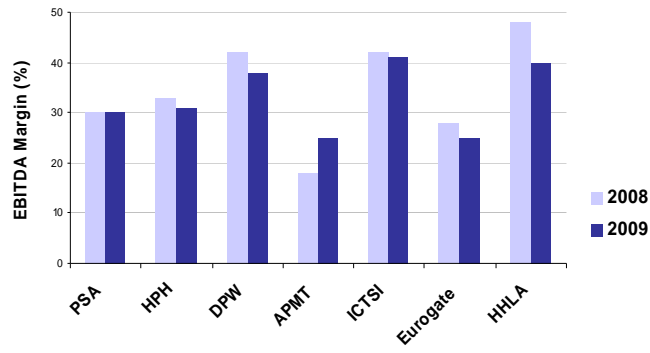
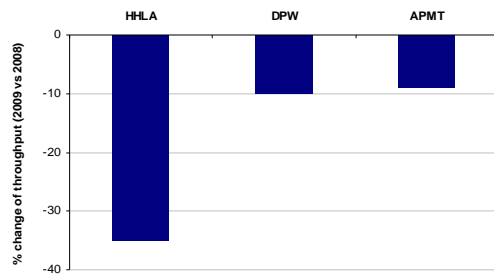
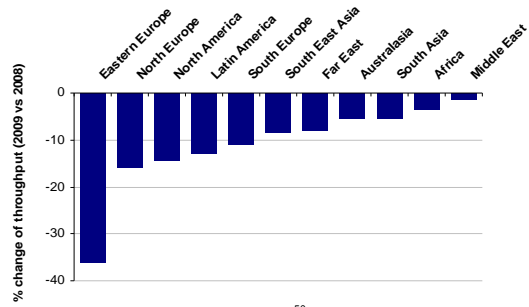
Average	17.0x
Median	17.1x
Min	10.3x
Max	26.2x

...supported by generous debt packages



Transaction (Purpose)	Closing Date	Volume	Terms
Hutchison Port Finance Ltd Hong Kong International Terminals Ltd – HIT (Refinancing + WC purposes)	10/2008	HKD 5.5Bn	HKD 5.5Bn Term Loan, 3ys, HKIBOR + 65bps
DP World Callao SA (30-year BOOT concession for new container terminal at El Callao , Lima)	10/2008	USD 300m	USD 300m Term Loan, 3ys, LIBOR + 125bps
Hutchison Ports Investment Sarl (Refinancing of existing Hutchison Korea Terminals debt + WC purposes)	05/2008	HKD 1.4Bn	HKD 1.4Bn Term Loan, 5ys
COSCO-HIT Terminals (Hong Kong) Ltd (Refinancing + WC purposes)	08/2007	HKD 2.0Bn	HKD 2.0Bn Term Loan, 5ys, HKIBOR + 25bps

How it all turned out in 2009...

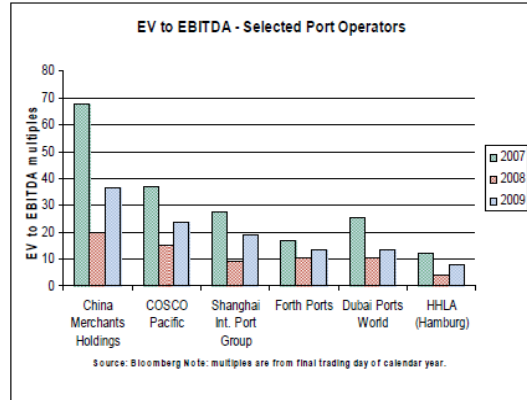
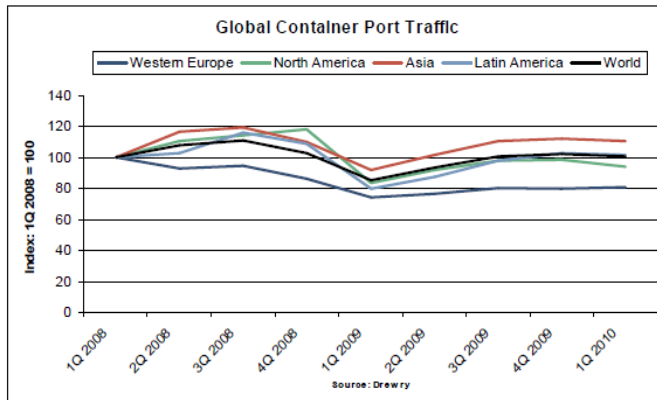


Source: Drewry

... and left its impact on the port world

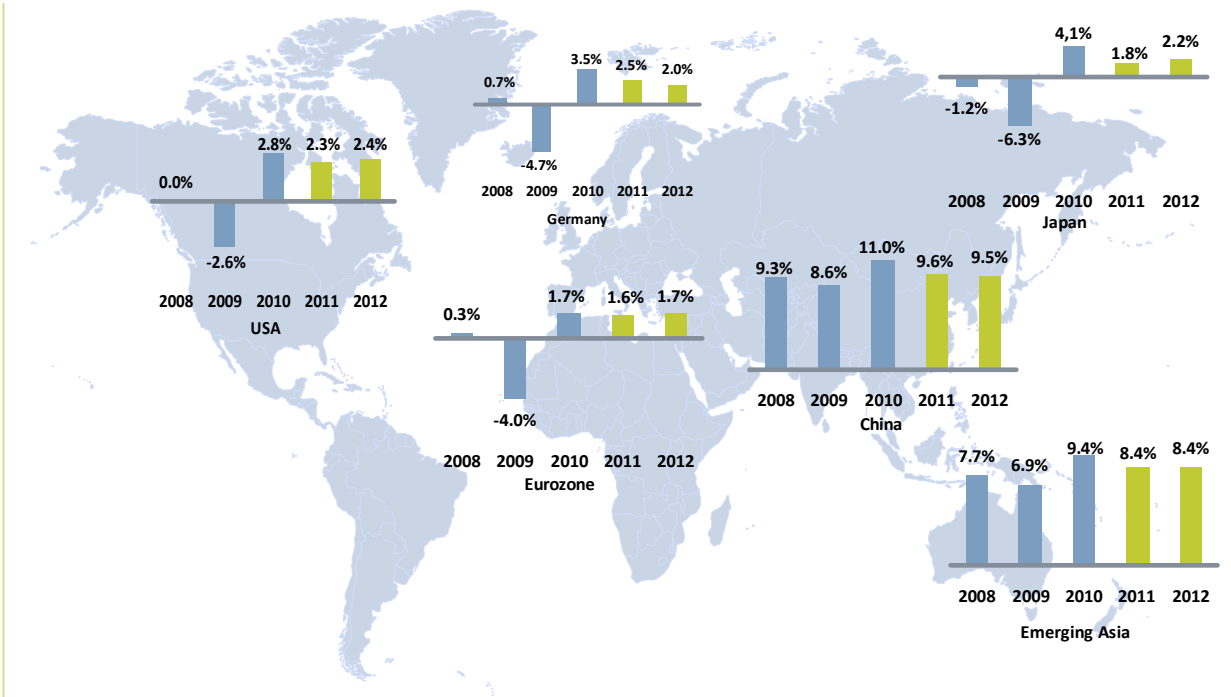


- Global container traffic continues to recover from sharp declines experienced in 2009. Global port traffic has returned to pre-recession levels, led by Asia and Latin America. Global demand grew at 13.6% in 2010
- The global containership fleet will grow by an average annual rate of 8.7% over the next two years compared to expected demand growth of 8% in 2011. It is estimated 1.26 million teu would be added to the fleet in 2011 and 1.33 million teu in 2012.



Source: IFW, AXS Alphaliner, HSH Research

The J-Curve came and world GDP should continue to increase. But the locomotive has changed.



Key features of terminal financing



- Concession company (SPV) – ownership structure
- SPV may not have ownership rights over the assets – remaining concession life critical for acquisition price
- Greenfield investments have long lead time (2-3 year construction) and payback period (~ 10 years)
- Ports are in most cases of national, strategic interest

Banks' view of key risks



Port range

- **Market risks**
 - General economic development in the region
 - Competition amongst port locations along a port range
 - Deviation from trade routes

Port

- **Regulatory risks**
 - Regulatory framework (concession, labour laws)
- **Demand risks**
 - Macro-economic development of catchment area
 - Competition amongst terminals within a port
 - Network of hinterland / feeder links

Terminal

- **Maintenance / construction risks**
- **Financing risks**
 - leverage, WACC, tenor, refinance risk
- **Operational risks**
 - Productivity of terminal equipment
 - Level of fixed costs
 - Service range

Key consideration:

How attractive is the terminal for key decision makers of the supply chain?

Port Financing – the market today



Acquisition multiples

- Lower EBITDA levels and reduced willingness of banks to leverage have left their traces on purchase prices

Availability of Assets

- Sellers reluctant due to lower valuations
- Where are the distressed sellers?

Sponsors' appetite

- Focus on markets of stronger growth or at least predictable demand, more and more in emerging markets
- Brownfield preferred – but in many high demand regions greenfield is a must
- Harsher due diligence, more stress-testing on down-side scenarios
- Higher IRR requirements due to slow recovery and/or higher risk

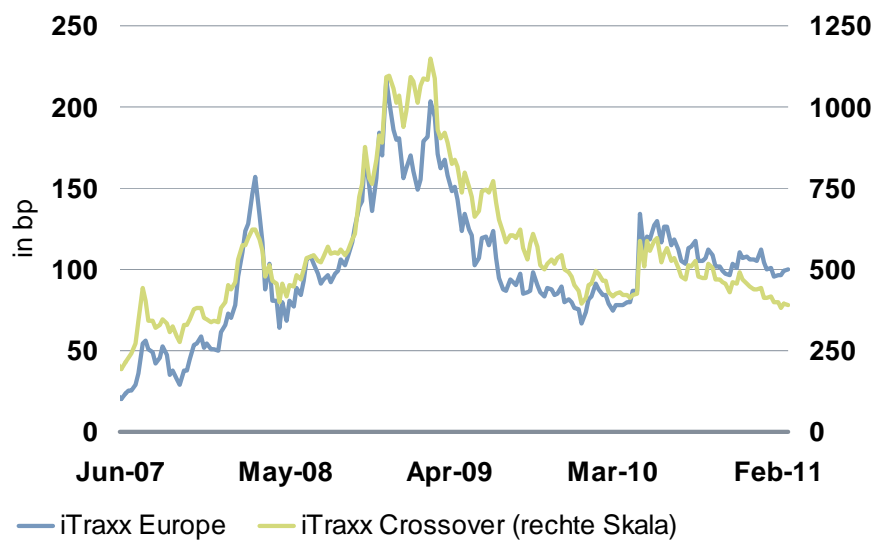
Result – transactions take (much) longer

- Valuation negotiations
- Complex financial arrangements – often requiring multiple sources of funds

Uncertainty plays key role



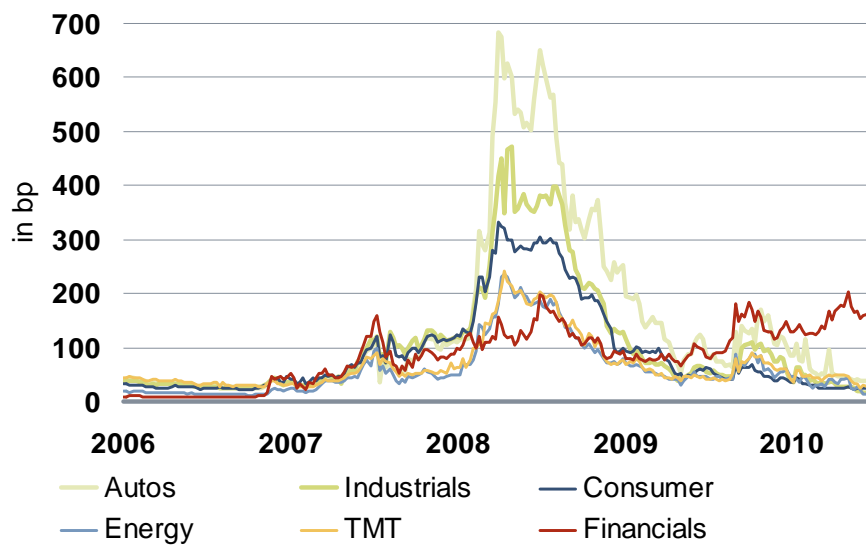
iTraxx Europe and iTraxx Crossover



... With a strong impact on cost of funds



iTraxx Europe Subindices



Port Financing – the market today (cont'd)



The financial crisis and the economic recession have left a lingering impact...

- Inter-bank market
- Refinancing costs/tenors for banks
- Home markets have high priority
- Risk-aversion
- Basel III
- Syndication market
- Club deals
- Ticket sizes

Terms are far away from pre-crisis levels

- Tenors
- Margins
- Upfront fees
- Covenants

Port Financing – the market today (cont'd)



Multilaterals

- Increasing importance
- Key aspects:
 - alignment with multilateral strategy
 - concession contract and legal framework
 - compliance with environmental laws
 - own credit limits (sometimes country allocation)

Bond market

- No wrapped infra bonds yet
- Unwrapped bonds available selectively
- Key names
- Larger transactions

Dragados SPL acquisition



- Financing of Marvalsa as part of JP Morgan IIF's and ABP's acquisition of Noatum (formerly DSPL) from ACS in December 2010. Noatum is the leading Spanish port operator with owning and operating 9 container, bulk and ro-ro facilities throughout Spain
- Marvalsa is the largest container terminal in the Valencia, Spain's largest gateway port
- Marvalsa has a maximum annual capacity of TEU 3 m – draft of 16 m at two quays with 1440 m and 340 m respectively
- Senior secured facilities for **EUR 176 million**
- Credit period: 5 years
- HSH Nordbank, Santander and WestLB acted as **Mandated Lead Arranger and Bookrunner**



Jane's
TRANSPORT
2010 FINANCE
Gala Awards

Port of Brisbane Example



- Australia's Queensland government awarded a 99-year lease of Port of Brisbane to Q Port Holdings Consortium, led by US-based fund manager Global Infrastructure Partners (GIP).
- Deal size: A\$2.1 billion (€1.5 billion; \$2.1 billion) paid upfront. Plus commitment to spend A\$200 million on road access upgrade.
- Equity:
 - Global Infrastructure Partners (GIP) - 27 per cent
 - Queensland Investment Corporation (QIC) - 27 per cent
 - Industry Funds Management - 27 per cent
 - Abu Dhabi Investment Authority (Tawreed Investments) - 19 per cent
- Around A\$1.25 billion of debt from a group of 9 international banks



Source: IJ

Recent Port Debt Deals



Transaction (Purpose)	Closing Date	Volume	Terms
Hongkong In't Terminal Ltd (Hutchinson Port Holdings Trust)	02/2011	USD 3bn	Credit Facility, 120 bps, 3 yrs
Chennai International Terminal Pvt Ltd (Project Financing, 2 nd container terminal in Chennai Port, Sponsor: PSA International)	04/2010	INR 32Bn	Term Loan, 10ys 9 mths
Tianjin Port Development Finance Ltd	01/2010	HK 1.6 bn	Credit Facility, 3 yrs
DP World (Project Financing for Dakar Port)	10/2009	USD 139m	Credit Facility, 7ys

- Selected port deals still find appetite amongst lenders
- There are few benchmarks in the European market

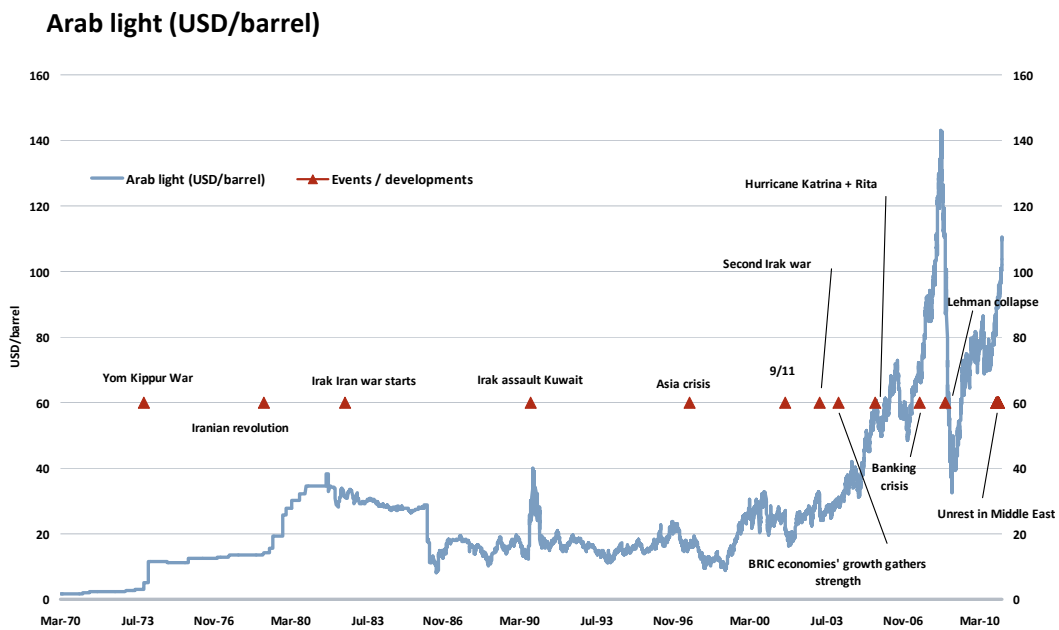
Recent Bond Issuance and CDS Spreads



Borrower	Issue Date	Volume	Tenor	Spread on Issue Date	Currently traded at (03/11, approx.)
Hutchison Whampoa (A3, A-)	09/2009	USD 2.0Bn	6ys	MS+160bps	MS+80
		USD 1.0Bn	10ys	Treasuries+235	Treasuries+110
AP Moller Maersk	10/2009	EUR 750m	5ys	MS+205	MS+90
	11/2010	EUR 500m	7ys	Treasuries+217.5	Treasuries+160
PSA International (AAA)	09/2009	USD 500m	10ys	Treasuries+140	Treasuries+60
	08/2010	USD 500m	10.5ys	Treasuries+100	Treasuries+110

Port Operator (or lowest possible parent company with CDS spreads quoted, 03/2011)	5ys	7ys	10ys
Hutchison Whampoa (A3, A-)	73	90	104
Temasek Holdings Pte Ltd (State of Singapore)	42	46	46
DP World Ltd	290	281	283

The unrest in MENA states is a risk for the world economy

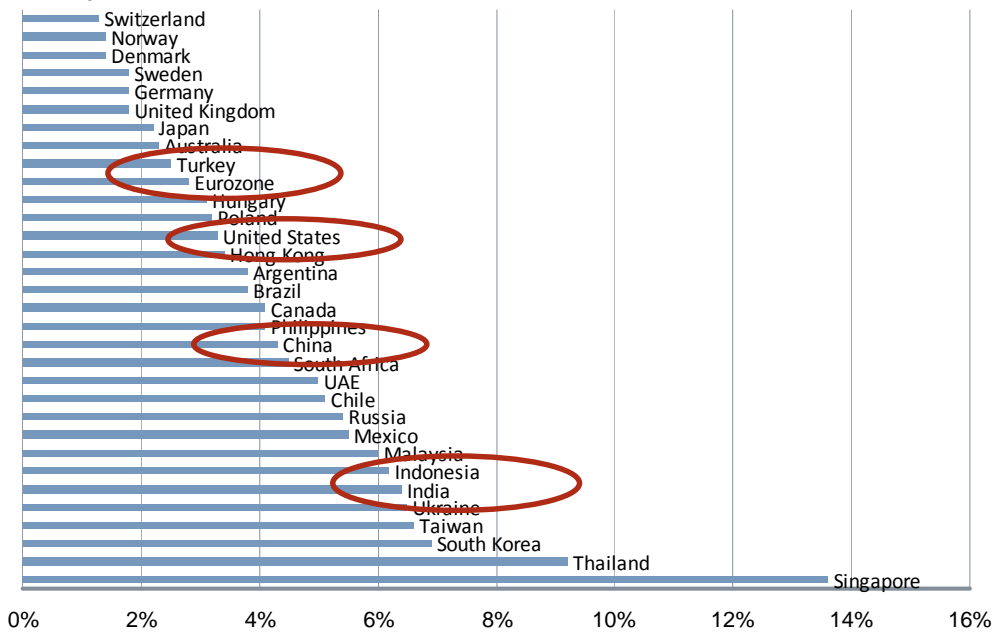


Source: Bloomberg, HSH Nordbank Economics & Research

Oil dependency of key world economies puts threat on consumption and trade ...



Oil imports in % of GDP



Source: EIA

Financing Terminal Acquisition, TOC Asia 2011 | page 20

... but innovation may help



HSH NORDBANK





**THANK YOU
FOR YOUR ATTENTION!**

Ulrich Stark

Head of Infrastructure Finance
Energy & Infrastructure
HSH Nordbank AG, London Branch

155 Moorgate
London EC2M 6UJ
United Kingdom

Phone: + 44 20 7903 7715
Email: ulrich.stark@hsh-nordbank.co.uk

Disclaimer



The market information contained in this presentation are for informational purposes only.

They can not substitute own market research or separate legal-, tax- and financial- advice and information. This presentation does not constitute an offer to buy or sell certain assets. To use this presentation for advertising purposes is strictly prohibited. HSH Nordbank AG points out that the herein published market information are only meant for investors with own economical experience, who are able to evaluate the risks and chances of the herein discussed market / markets and who are themselves able to conduct research through a variety of sources. The statements and data contained in this presentation are based on either thorough research by HSH Nordbank AG or on sources that are considered reliable but cannot be verified. HSH Nordbank AG regards the sources used as reliable but can not assess their reliability with absolute certainty. Single pieces of information could only be assessed regarding their plausibility; an assessment regarding their accuracy has not been made. Furthermore, this presentation contains estimates and predictions based upon numerous assumptions and subjective evaluations made by HSH Nordbank AG as well as outside sources. These information are only meant to provide non-binding perceptions of markets and products as of the time this presentation was issued. HSH Nordbank AG and its respective employees thoroughly conducted work on this presentation but can not guarantee completeness, actuality and accuracy of the provided information and predictions.

This document may only be distributed in compliance with the legal regulations in the respective countries and persons obtaining possession of this document should inform themselves about and comply with the applicable local regulations.

This document does not contain all material information needed for economic decisions and the information and predictions provided can vary from those made by other sources / market participants. HSH Nordbank AG as well as their organizational bodies and employees can not be held responsible for losses resulting from the use of this presentation, its contents or for losses which in any way are connected to this presentation.

HSH Nordbank AG points out that it is not allowed to distribute this presentation or any of its contents to third parties. Damages to HSH Nordbank AG resulting from the unauthorised distribution of this presentation or any of its contents to third parties have to be compensated for by the distributor. The distributor has to keep HSH Nordbank AG free from all claims arising from the unauthorised distribution of this presentation or any of its contents to third parties and all legal cost in connection with those claims. This particularly applies to a distribution of this presentation to persons situated in the USA.