

USD 392m Credit Facility for Patnow 2

(Arranged and Negotiated by Alex Neuber in 2000/2001, as CFO of Elektrim S.A.)

Alex Neuber, CFO
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Summary Terms of Credit Facility

Commercial Terms

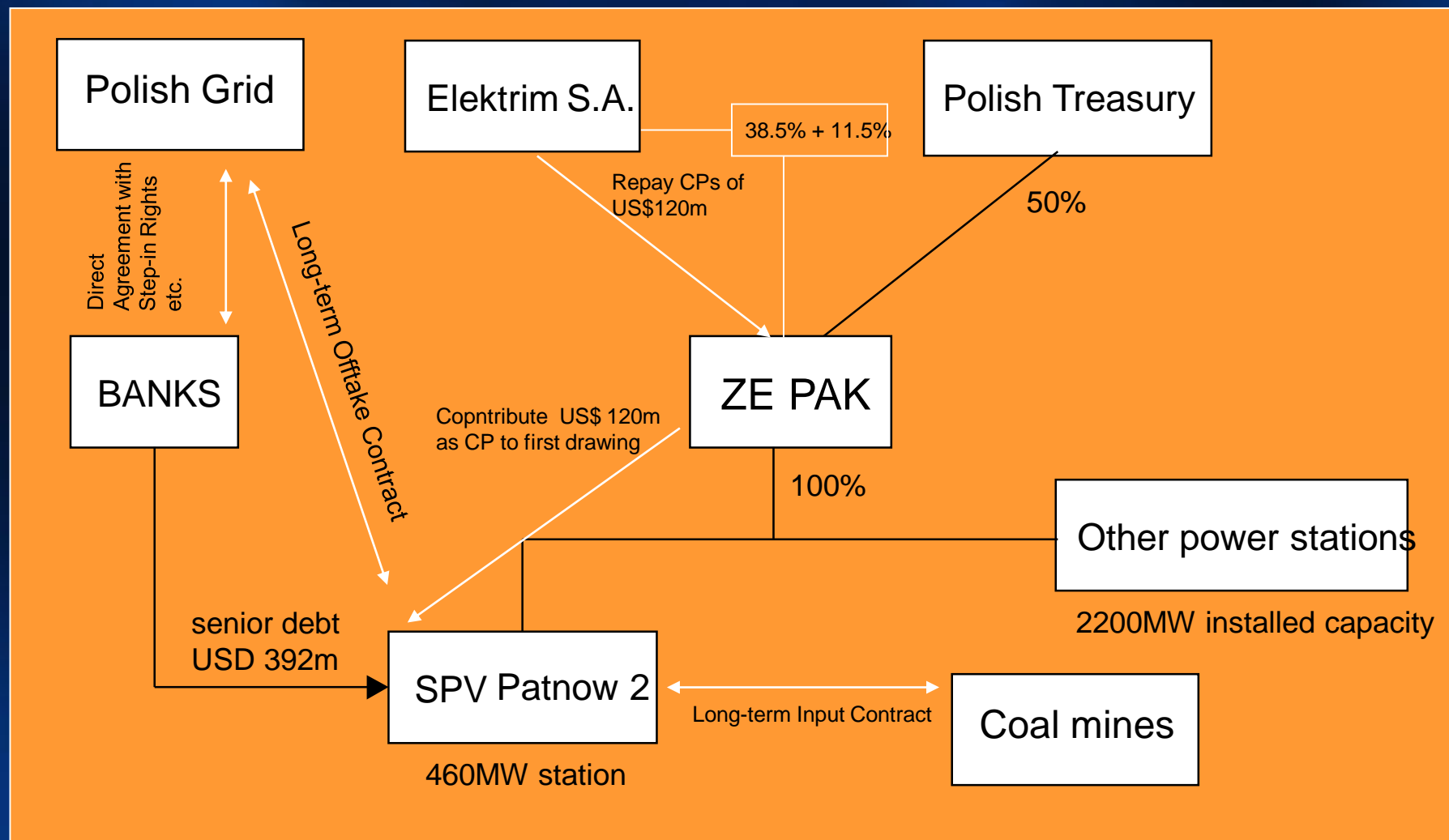
Elektrim

- **Loan amount:** USD 356m plus USD 36m cost-overrun facility = USD 392m
- **Loan tenor:** 14 years, with four years grace period
- **Borrower:** 100% Subsidiary of ZE PAK, SPV for Patnow 2
- **Guarantor:** ZE PAK, but only until additional agreement between Arrangers and PSE has been negotiated and signed, thereafter no guarantee
- **Arrangers:** Citibank (25%), WestLB (25%), and EBRD (50%)
- **Arrangement Fee:** 125 bps
- **Margin:** years 1-4 140 bps, years 5-8 150 bps, years 9-14 170 bps
- **Loan proceeds:** To cover 75% of capital costs and interest during construction for new Patnow 2 460 MW coal-fired power plant, remainder by equity to be injected by Elektrim via PAK (25% of total costs)
- **Underwriting:** 100% by Arrangers (s.t. Clear Market and Market Flex, see below)

Patnow 2 Financing Structure

Standard IPP Project Financing Structure with PAK as Sponsor

Elektrim



Patnow 2 Financing Structure

Key Parameters of Transaction

Elektrim

- Patnow 2 is a standard IPP financing with long-term offtake from the national grid (15 year take-or-pay at USD 3.75/MWh) and long-term lignite supply contract, as well as usual adjacent contractual network
- Financing is structured around SPV, which holds all contracts and is owned 100% by PAK, Poland's 2nd largest existing power generator, in which Elektrim is controlling strategic investor with a 38.5% stake (plus options on 11.5% employee-owned shares), with Elektrim holding the majority of the Supervisory Board; SPV will benefit from a full-recourse guarantee by PAK until certain conditions are met
- EPC contractor is Elektrim Megadex, a 100% subsidiary of Elektrim, with key subsupplies coming from two Alstom/Rafako contracts, and 27% LD package; the banks' technical advisor, Stone & Webster, have confirmed E. Megadex references
- Key CPs to first drawdown are:
 - Payment of USD 120m equity from PAK into SPV (currently warehoused at Elektrim through CP programme)
 - Signing of satisfactory direct agreement between the banks and the National Grid (PSE)
 - Satisfactory execution of all peripheral contracts and provision of LD package

Historical Constraints



- PAK's and Elektrim's and EMSA's (acting as financial advisor to ZE PAK on Patnow 2) negotiating leverage on this Credit Facility was limited by several timing and contractual obligations that are inherent in ZE PAK's privatisation agreement and in ZE PAK's power-offtake contract with PSE
- Constraints from the **March 1999 Privatisation Agreement**:
 - Elektrim is obliged to finance all of the modernisation of ZE PAK (incl. Patnow 2), at a total cost estimated at up to USD 1 billion, by 2009; if Elektrim cannot raise third-party financing, it will have to use its own funds to finance that modernisation
 - If Elektrim fails to complete the Patnow 2 460 MW facility by March 2005, it is liable to pay contractual damages to the State Treasury of PLN 1.127 billion (approx. USD 270m at current f/x rates)
- Constraints from the **September 2000 Power Offtake Agreement (PPA)**:
 - Financial Close was to be achieved by 30 June 2001 under the PPA, giving the negotiating team a very tight deadline; in late June, PAK/EMSA/Elektirm managed to negotiate an extension of that deadline until 31 December 2001; further changes to the Power Offtake Agreement, in the opinion of DG Tyszko, Prezes Adamczyk and Prezes Butzke, should only be negotiated after Financial Close
 - However, Technical Completion needs to occur by September 2004, giving PAK only 2-3 months from today to start the project if it is to be on time; failure to complete the plant by September 2004 would lead to the invalidation of the PPA, which would severely undermine the value of ZE PAK

