

RESOURCES FINANCE IN LATIN AMERICA – OPTIONS AND PARTICULARITIES

Energy Conference – Lateinamerika Verein e. V.

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October 2008

AGENDA

- UNICREDIT GROUP AT A GLANCE
 - STATE OF THE CREDIT AND LOAN MARKETS
 - TAILOR-MADE RESOURCES FINANCE SOLUTIONS
 - PROJECT FINANCE CASE STUDY:
BLACK GOLD, BRAZIL
 - APPENDIX
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UniCredit Group is "the first truly European bank"

At a glance

- Strong local roots in **22*** European countries
- More than **40 mn** customers
- Approx. **170,000**** employees
- About **9,700**** branches
- **EUR 258 bn** assets under management
- **EUR 26 bn** operating income
- **A+/Aa2/A+** long-term ratings (S&P, Moody's, Fitch Ratings)

* As of September 2008

** Including all employees and branches of subsidiaries consolidated proportionately

Source: Annual Report 2007; Investor Relations UniCredit Group



Leading position in core markets

	Market share*	Ranking
Austria	18%	# 1
Emerging Europe	8%	# 1
Italy	17%	# 2
Germany	4%	# 3



*Market shares in terms of loans

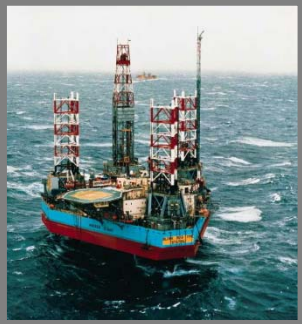
Source: UniCredit Research Network (market shares: Italy as of Nov 07, Germany and Austria as of Dec 07, Emerging Europe as of Sep 07; ranking based on total loans as of Dec 06)

Global set-up in Structured Commodity Finance

Our experience

- More than 40 professionals all over the world
- Transaction teams bring together Munich based sector specialists and regional expertise
- Currently 103 ongoing projects worldwide
- The current loan portfolio volume amounts to EUR 2.6 bn

Sector focused team structure



Oil & Gas

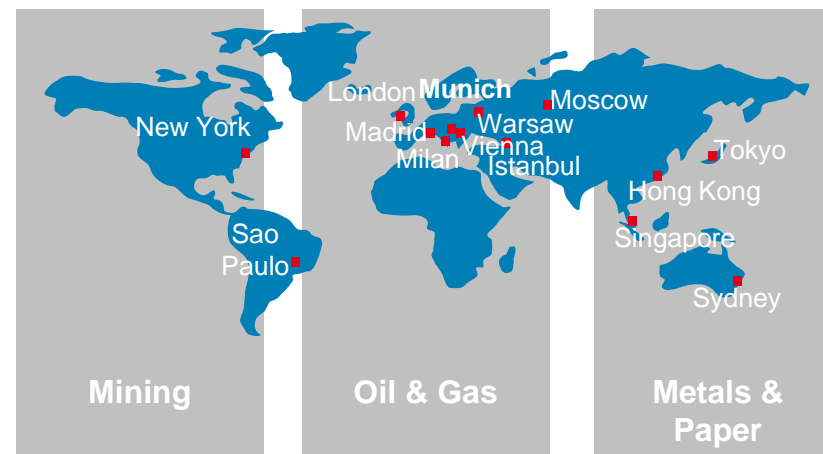
Upstream:
Development & Production


Midstream:
Pipelines, LNG-Chain

Downstream:
Petrochemicals,
Refineries, Gas-to-Liquids


Engineering capacity

Our strategy of worldwide presence






Mining



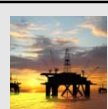
Power & Environment



Metals



Transportation & PPP



Oil & Gas

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The subprime crisis and its consequences

Market overview

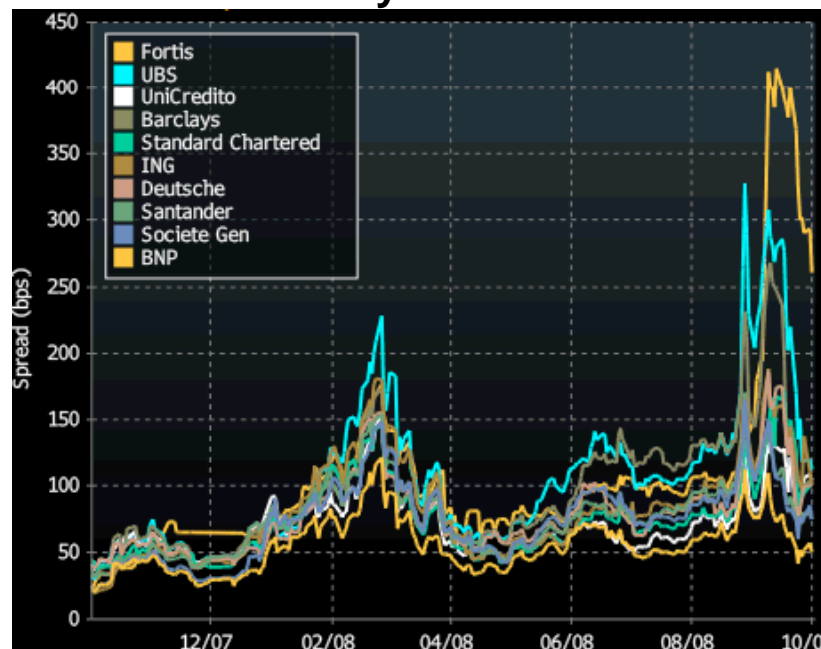
The beginning of the crisis

- Risks in the US subprime market had been assessed completely wrong which became fully transparent by mid 2007
- Repricing of these risks triggered substantial portfolio adjustments as these risks were sold onwards with substantial leverage as part of complex financial structures

Adjustments in the credit markets

- Credit markets had been at the peak of a bull market with historically tight spreads, very high levels of liquidity and loosening covenant standards ("covenant lite")
- The repricing of the subprime risks led to an adjustment in the overall assessment of risks and a shift in the terms and conditions of financing available
- Financing structures moved back to substantially more conservative pre crisis structures: less leverage, stricter covenants, repricing

5 Year CDS History



Source: Bloomberg as of 22 October 2008

2008 the financial crisis deepened further

Market overview

The confidence crisis until the Bear Stearns bail out

- Financial institutions had to lower earnings forecasts and disclose further adjustments in values for a number of asset classes
- Lack of trust among financial institutions and break down of Bear Stearns as one major investment bank. US government support for JP Morgan take over
- As a result financial markets recovered with significant new issue volumes

After the summer break the crisis entered a new stage

- Lehman filing for Chapter 11 on 15th September revealed the true extent of the crisis
- Inter-bank liquidity dried up
- As a result governments around the globe have now stepped in with significant amounts to increase banks' capital and allow them to offload illiquid assets

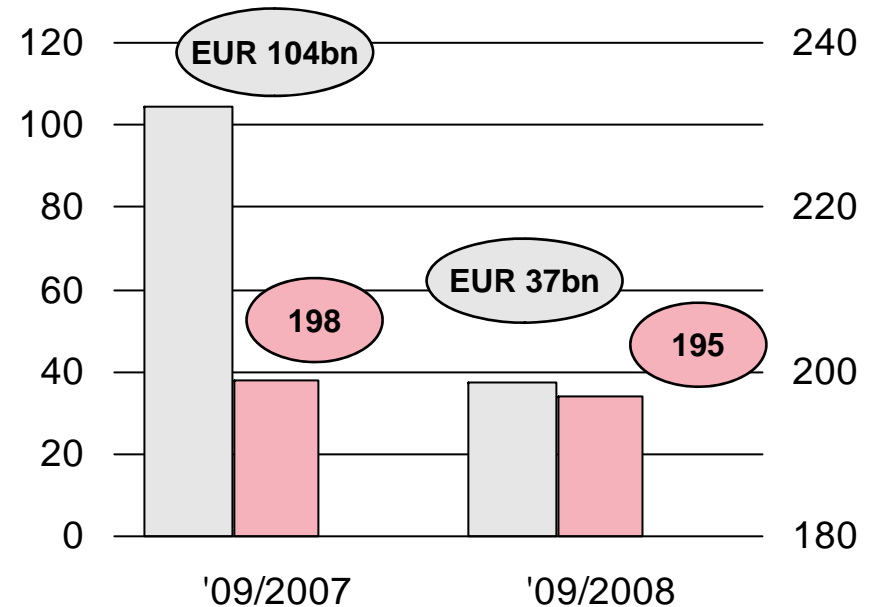
Outlook

- Positive: International relief package
 - Negative: Rapidly deteriorating global macro economic data
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Impact on the syndicated loan market

- Significant deterioration in the last few weeks/months due to recent events
- Financial turmoil puts enormous pressure on lenders' balance sheets (with resulting capital constraints)
- Liquidity by banks has dried up substantially (inter-bank market) and cost of funds and CDS of financial institutions have increased significantly
- Banks becoming very selective on capital allocation and focusing on their core relationships
- Substantial increase in pricing and/or reduction in facility amounts as well as reduction of tenors
- Very few underwritings – mostly club deals, also for commodity-based producers

Latin American loan market

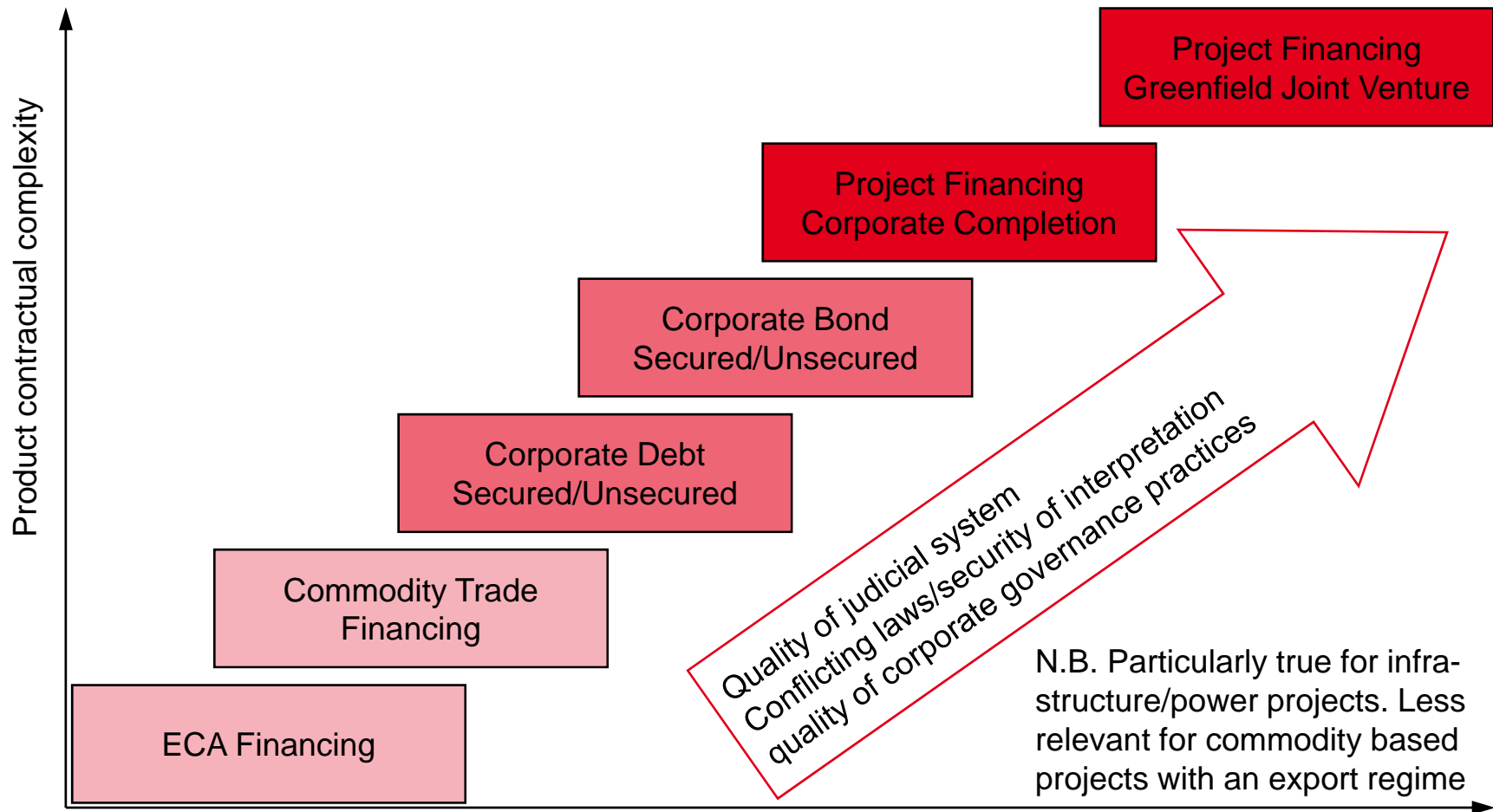


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Resources Finance – Defining the alternatives

Emerging Markets



Tailor-made solutions for emerging markets borrower

Main characteristics of a Project Financing

- **Project company (special purpose vehicle):**
Separate legal entity as borrower
- **Recourse options for the banks:**
After completion, banks have typically no recourse to sponsors
- **Relevance of cash-flow:**
Sponsor's financial standing only relevant until completion
- **Financing structure:**
The financing structure (debt capacity, tenor/repayment) is based on the expected project cash flows
- **Risk distribution:**
Project risks are structured in a way to adequately allocate them among parties involved

Prerequisites for a project financing arrangement

Requirements

- **Project sponsor standing:**
Good track record and experience (as well as a good credit standing)
- **Minimum equity injection:**
Minimum equity contribution normally 30%
- **Completion guarantee:**
A completion guarantee issued by the project sponsor. EPC contracts preferred
- **Feasibility study:**
A bankable feasibility study and/or a satisfactory report by an independent technical advisor
- **Debt volume:**
Relatively high transaction costs (legal/ technical due diligence)?
minimum financing volume of USD 50 mn
- **Environmental standards:**
Project constructed and operated in line with World Bank standards (Equator Principles)
- **Legal and political environment:**
Satisfactory quality of the judicial system, regulatory and political environment is vital
- **Proven technology:**
Lenders reluctant to finance new technologies on non-recourse basis

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Project Finance – Case study

Black Gold Project – Key insights

Pre-project situation:

- Petrobras/Brazil with ambitious offshore deepwater exploration and production program
- Petrobras as the oil company with most deepwater experience worldwide
- Requirement for dozens of deepwater drilling rigs, such as semi-submersible platforms or drillships
- Tightening global rig supply and sharply increasing charter dayrates
- Petrobras' preference to work with reliable local drilling contractors, such as Schahin
- Schahin with over 10 years of above average performance under Petrobras drilling contracts
- Schahin wins 2 out of 7 contracts during the course of a mixed local/international tender



Project Finance – Case study

Black Gold Project – Key insights

The Project

- Schahin and Petrobras sign charter contracts for 5 and 7 years, respectively
- The platforms will have to work in water depths of up to 2,000 m and 2,400 m, respectively – a so far unprecedented depth
- Schahin enters into EPC contracts for both platform with Chinese shipyard Yantai Raffles
- Schahin places orders for the so-called owner-furnished-equipment ("OFE") with reputable suppliers from around the globe
- Within 30 to 36 months the platforms need to arrive in Brazil and start operating for Petrobras
- Total project cost of around USD 1 bn



Project Finance – Case study

Black Gold Project – Key insights

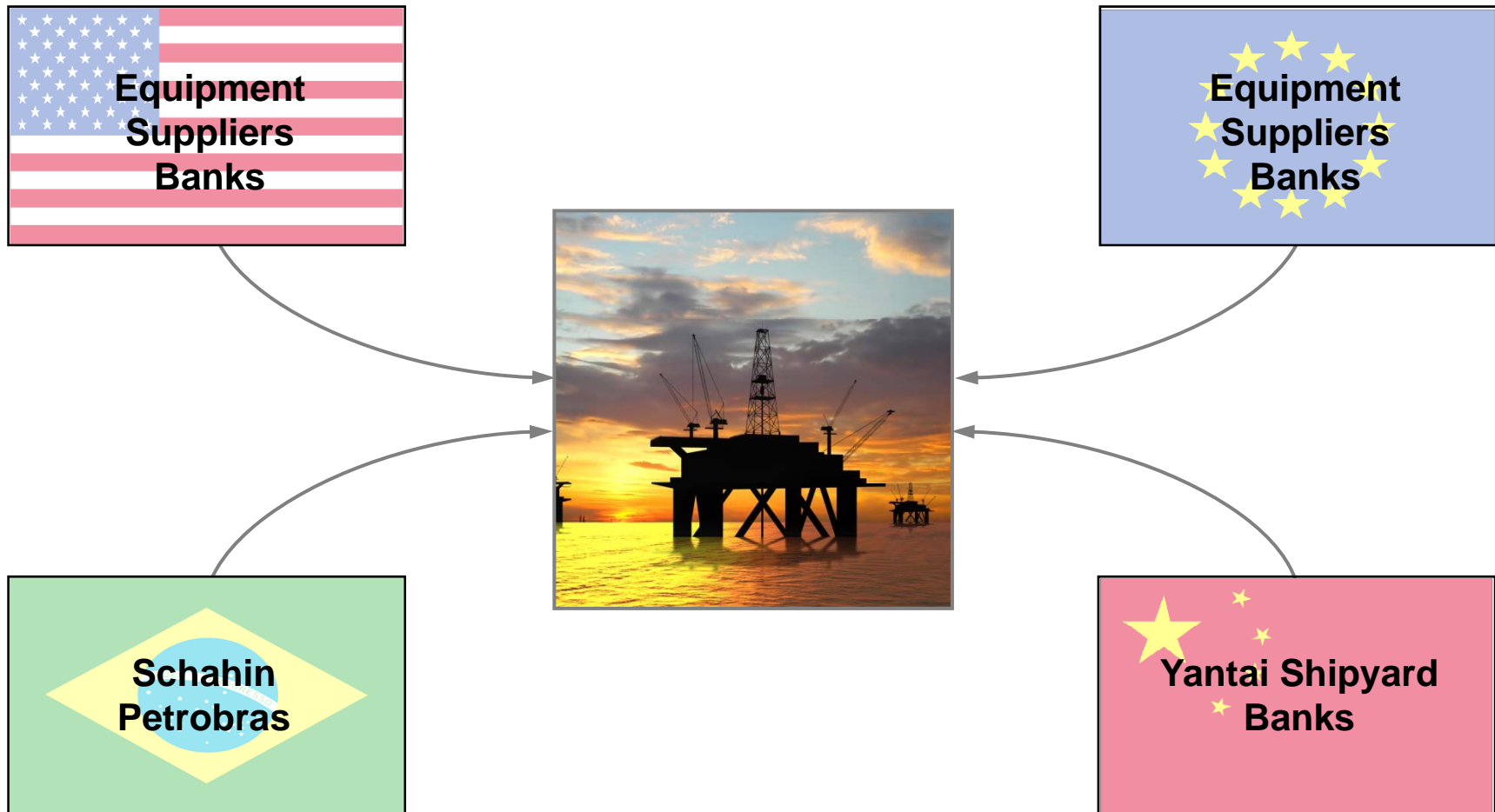
The Project Financing

- Project financing as the only viable strategy due to size and nature of the project
- Schahin selects a group of 4 lead arranger banks, among them UniCredit
- A USD 800 mn senior loan package being structured by the 4 lead banks
- Significant technical due diligence conducted by independent technical advisor
- The complex project risk matrix requires a sophisticated financing structure with multi-layer security package
- A USD 100 mn mezzanine tranche provided by a third party investor was structured into the project, thus reducing further Schahin's investment needs and freeing up capital for future growth

Project Finance – Case study

Black Gold Project – Key insights

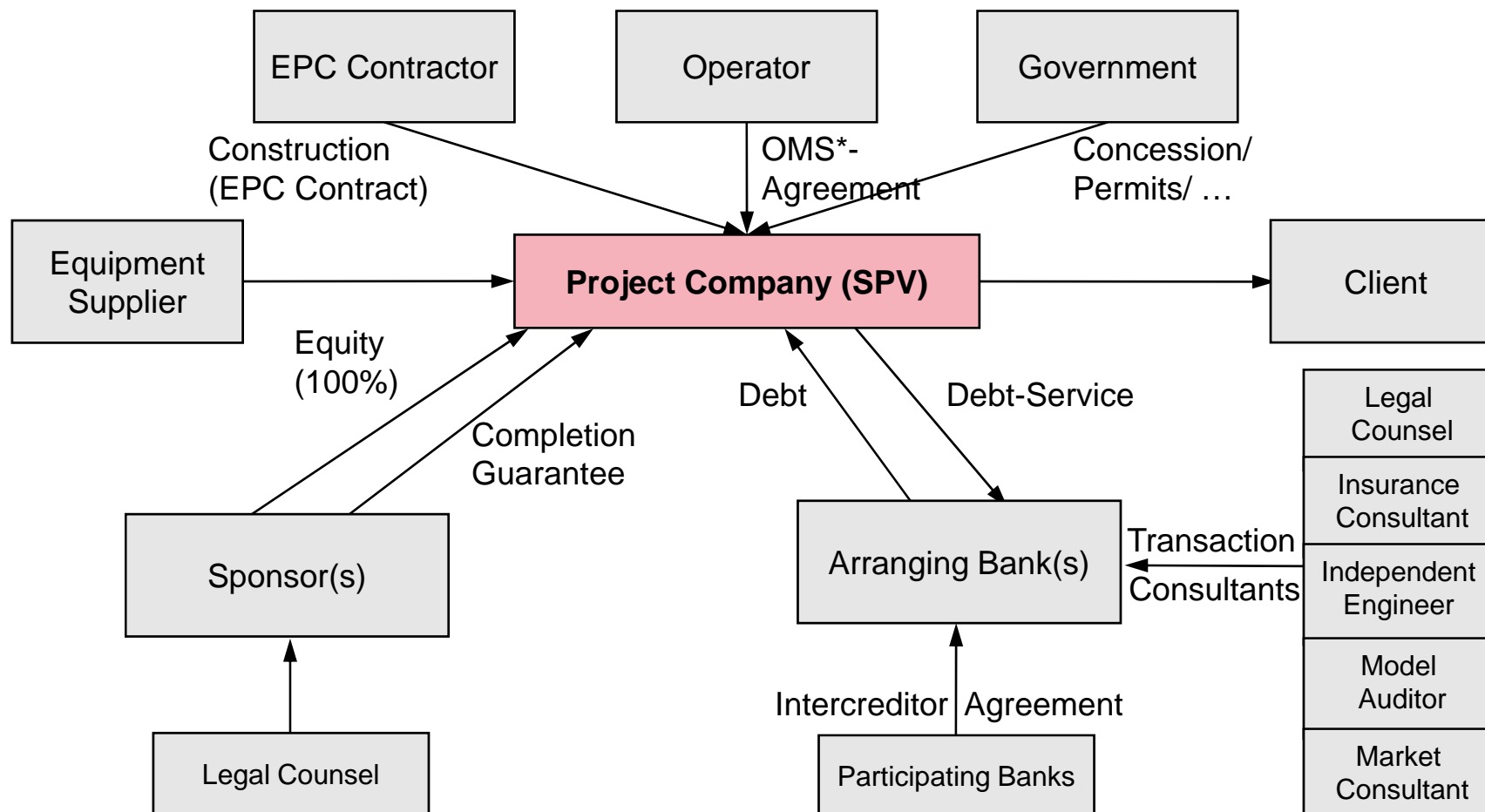
Project Participants



Project Finance – Case study

Black Gold Project – Key insights

Typical Project Finance Structure



* Operation, Management & Service

Project Finance – Case study

Black Gold Project – Key insights

Achievement/Outlook

- With the help of the USD 800 mn limited recourse debt package Schahin successfully launches the Black Gold project, which represents a quantum leap in its corporate development
 - UniCredit contributed to the overall success as co-documentation agent, insurance agent and lead syndication agent. The debt facility was successfully placed to a group of 15 banks with a healthy oversubscription
 - Benefits for Schahin: flexible/competitive funding; minimize equity contribution; retain full operational ownership over the project; take advantage of potential future upside
 - Petrobras has recently held another tender round for 12 deepwater drilling units to be delivered until 2012, while another 28 units are envisaged to be built locally in Brazil until 2017
 - Currently UniCredit is once again mandated for the arranging of yet another two deep-water drillships for Schahin based on a similar scheme
 - This will turn Schahin into a sizeable local contractor of growing importance for Petrobras, who appreciates the support of local Brazilian service contractors
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