



Dexia Project Finance

Conventional financing from the European perspective



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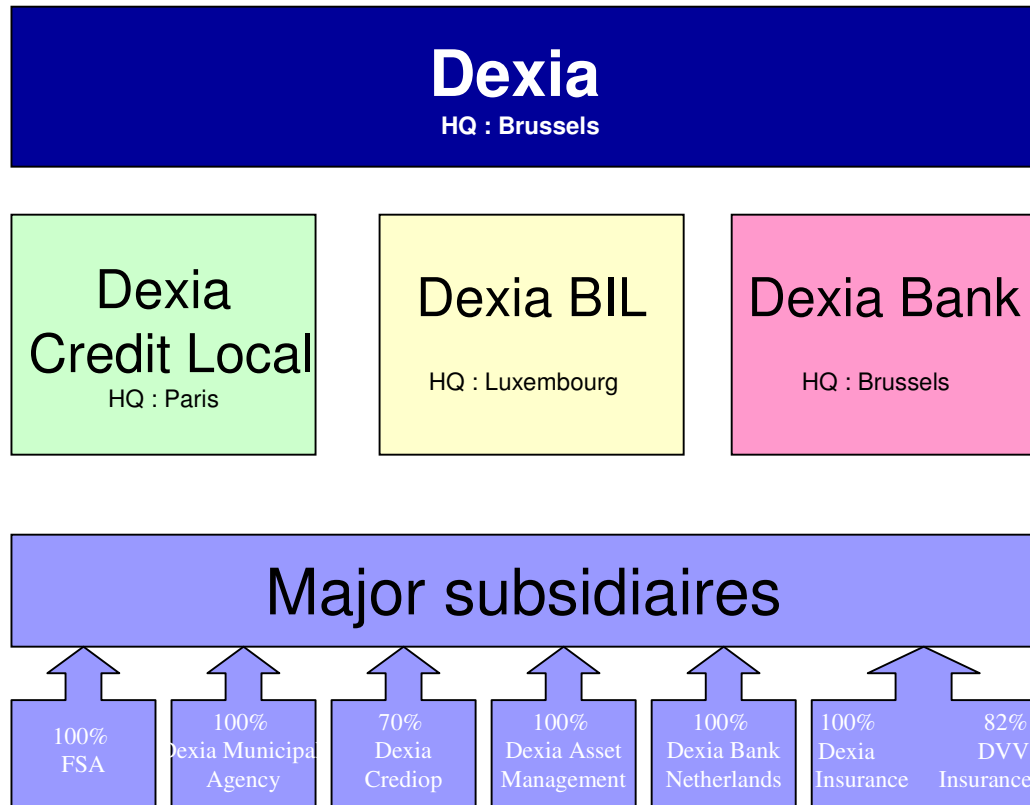
International Wind Energy Market Place



Dexia Group

A European Bank with a global reach

- The Dexia holding coordinates the Group and monitors operational entities through Dexia Bank, Dexia Credit Local and Dexia BIL.
- Dexia is present in more than 25 countries with over 25 000 employees.
- Dexia has three main business lines :
 - Public and Project Finance
 - Asset Management
 - Retail banking and insurance in Belgium



Dexia Group

Our main subsidiaries and affiliates round the world

Structured Finance

Paris

London

Rome

Madrid

Lisbon

New York

Singapore



Others

Sweden

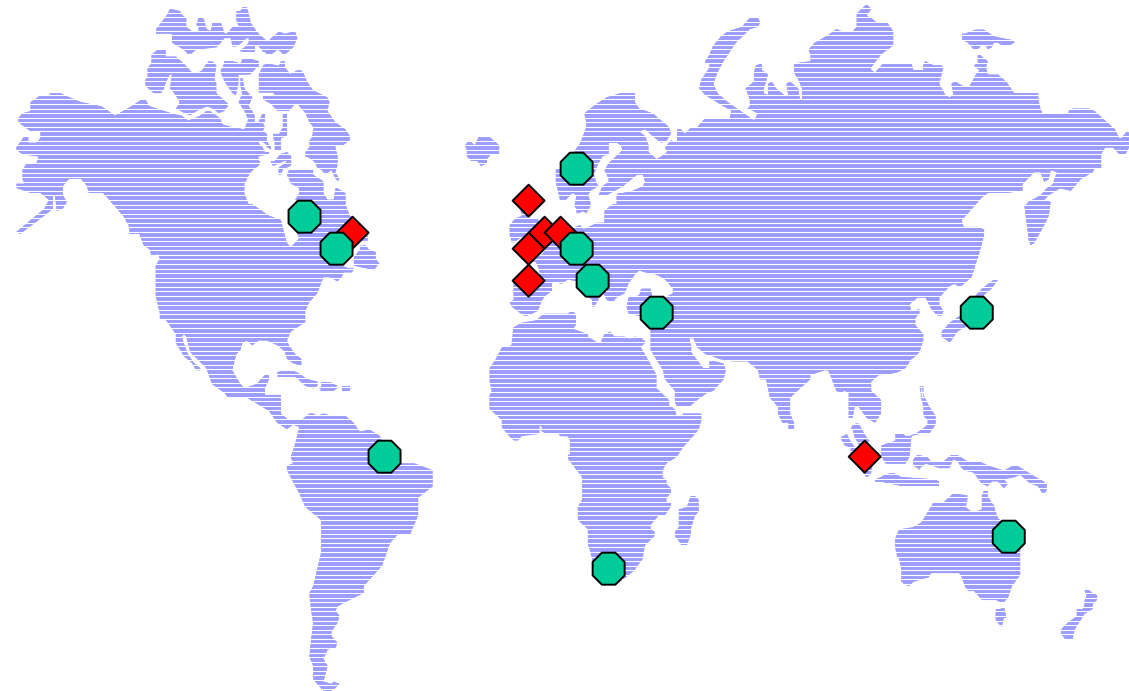
Slovakia

Austria

Israel

USA

South America



Dexia Credit Local
Dexia Public Finance Bank
Dexia Crediop
Dexia Sabadell Banco Local
Dexia Crédit Local New York Agency
Dexia Crédit Local Singapore

Dexia Public Finance Norden
Prva Komunalna Banka
Kommunalkredit Austria
Otzar Hashilton Hamekomi OSM
Financial Security Assurance
Astris Finance
Global Structural Finance

Dexia Group

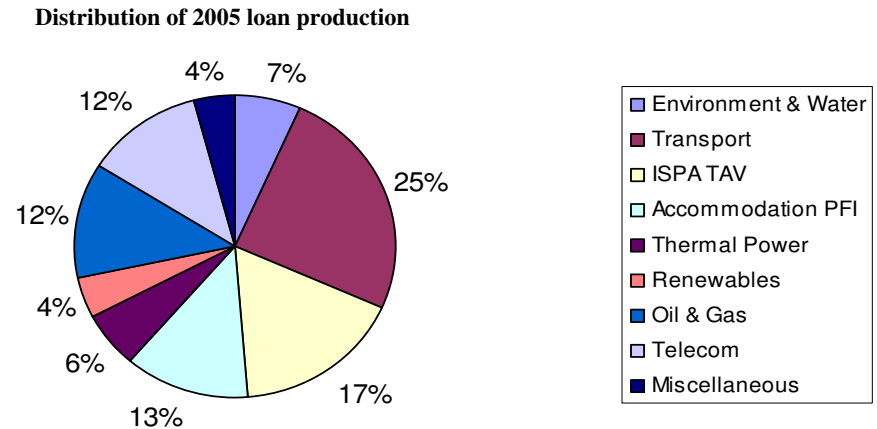
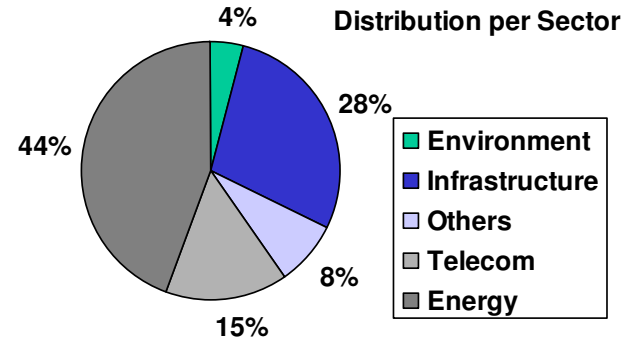
A top credit standing in the banking sector with a large array of structured finance activities

- Dexia is in the top third of the Euronext 100 index and is present on three European bourses (Paris, Brussels, Luxembourg).
- Dexia is the world leader in the market of Public and Project Finance with a total market share of 17% in Europe and of 25% in the United States.
- Rating: **AA (S&P)**
Aa2 (Moody's)
AA+ (Fitch)
- The Structured Finance department provides:
 - project finance
 - credit enhancement of bond issues (FSA)
 - asset based finance (including tax and synthetic leases)
 - equity investments (directly or via specialised funds)
 - acquisition finance
 - export credits
 - and related financial advisory
- Project Finance activities focuses on five areas :
 - **Energy (including Renewables)**
 - Transportation
 - Environment
 - Telecommunication
 - PFI-Style Accommodation
- Dexia has a significant underwriting and long term lending capacity thanks to its specific public finance profile.

Dexia Credit Local

Global Project Finance Portfolio

- Relatively diverse portfolio
- The Energy sector is the leading Project Finance Activity with approximately 45% of the portfolio.
- **Renewable energy** is a key area of growth and diversification for which specific development strategies approved & encouraged by our management.



Expertise in Energy

Merchant plants

- ◆ Dexia is one of the leading institutions worldwide with a genuine experience of financing “real” merchant plants and with an understanding of merchant risk developed through more than 20 projects in the US, Singapore and Europe (UK).

Renewables and Environment-related projects

- ◆ Windfarm financing - Experience in **11 different countries and 23 MLA roles** in the past four years in the sector.

- ◆ Waste-to-energy plants (e.g. Advisor to five projects in Italy; lead arranger of various projects in France).

- ◆ **Dexia-Fondelec Energy Efficiency and Emissions Reduction Fund**, a EUR 100 M private equity fund set up with the EBRD to finance energy efficiency projects and monetise Carbon Credits.

Equity investment

- ◆ Dexia is the anchor investor in the **Impax New Energy** Investors fund, a EUR 100 M private equity fund which invests equity or subordinated debt in renewable projects.

- ◆ Dexia is an important investor in the **European Carbon Fund** which is mandated to procure CERs through JI and CDM projects.

Dexia Project Finance - Energy

Recent References in Wind Energy Finance

<p><u>SIF Portugal</u> Wind Farm portfolio</p> <p>Portugal</p> <p>EUR 243 M Mandated Lead Arranger</p> <p>2005</p>	<p><u>Kaheawa</u> Wind Farm</p> <p>USA</p> <p>USD 57 M Arranger and Agent</p> <p>2005</p>	<p><u>Olivento</u> Wind Farm portfolio</p> <p>Spain</p> <p>EUR 196 M Mandated Lead Arranger</p> <p>2004</p>	<p><u>Brazos</u> Wind farm</p> <p>USA</p> <p>USD 90 M Mandated Lead Arranger</p> <p>2004</p>	<p><u>Andretta Bisaccia</u> Wind farm</p> <p>Italy</p> <p>EUR 82 M Mandated Lead Arranger</p> <p>2004</p>
<p><u>Buffalo Mountain</u> Wind Farm</p> <p>USA</p> <p>USD 46 M Mandated Lead Arranger</p> <p>2004</p>	<p><u>Zephir</u> Wind Farm portfolio</p> <p>UK</p> <p>GBP 300 M Co-Arranger</p> <p>2004</p>	<p><u>Cabezo San Roque</u> Wind Farm</p> <p>Spain</p> <p>EUR 21 M Mandated Lead Arranger</p> <p>2004</p>	<p><u>Invernergy</u> Wind Farms</p> <p>USA</p> <p>USD 410 M Mandated Lead Arranger</p> <p>2005</p>	<p><u>Buffalo Gap</u> Wind Farms</p> <p>USA</p> <p>USD 118 M Mandated Lead Arranger</p> <p>2005</p>

**Dexia has been nominated as Renewables Bank of the Year for the past 3 years
By the Infrastructure Journal**

April 20, 2006

European Perspective

The Global Wind Energy Sector

Country	Installed Capacity (MW)	Newly installed capacity (MW)										Installed Capacity (MW)	CAGR
		1998	1999	Share	2000	Share	2001	Share	2002	Share	2003		
Denmark	1,285	325	8.3%	603	13.4%	115	1.7%	530	7.3%	218	2.6%	3,083	15.7%
Germany	2,861	1,568	40.0%	1,665	37.0%	2,627	38.5%	3,247	44.9%	2,674	32.1%	16,649	34.1%
Greece	55	103	2.6%	116	2.6%	84	1.2%	104	1.4%	76	0.9%	587	48.4%
Italy	197	80	2.0%	147	3.3%	276	4.0%	106	1.5%	116	1.4%	1,261	36.3%
Netherlands	362	54	1.4%	40	0.9%	52	0.8%	219	3.0%	233	2.8%	1,081	20.0%
Spain	544	932	23.8%	1,024	22.8%	1,050	15.4%	1,493	20.7%	1,377	16.5%	8,263	57.4%
UK	321	24	0.6%	63	1.4%	107	1.6%	55	0.8%	195	2.3%	889	18.5%
China	243	25	0.6%	84	1.9%	54	0.8%	67	0.9%	98	1.2%	769	21.2%
India	604	477	12.2%	165	3.7%	236	3.5%	220	3.0%	423	5.1%	3,000	30.6%
US	2,398	43	1.1%	169	3.8%	1,635	24.0%	429	5.9%	1,687	20.2%	6,750	18.8%
Rest of World	676	290	7.4%	421	9.4%	588	8.6%	757	10.5%	1,246	14.9%	5,580	42.2%
Total	9,546	3,921		4,497		6,824		7,227		8,343		47,912	30.8%

Source: BTM Consult ApS - March 2005

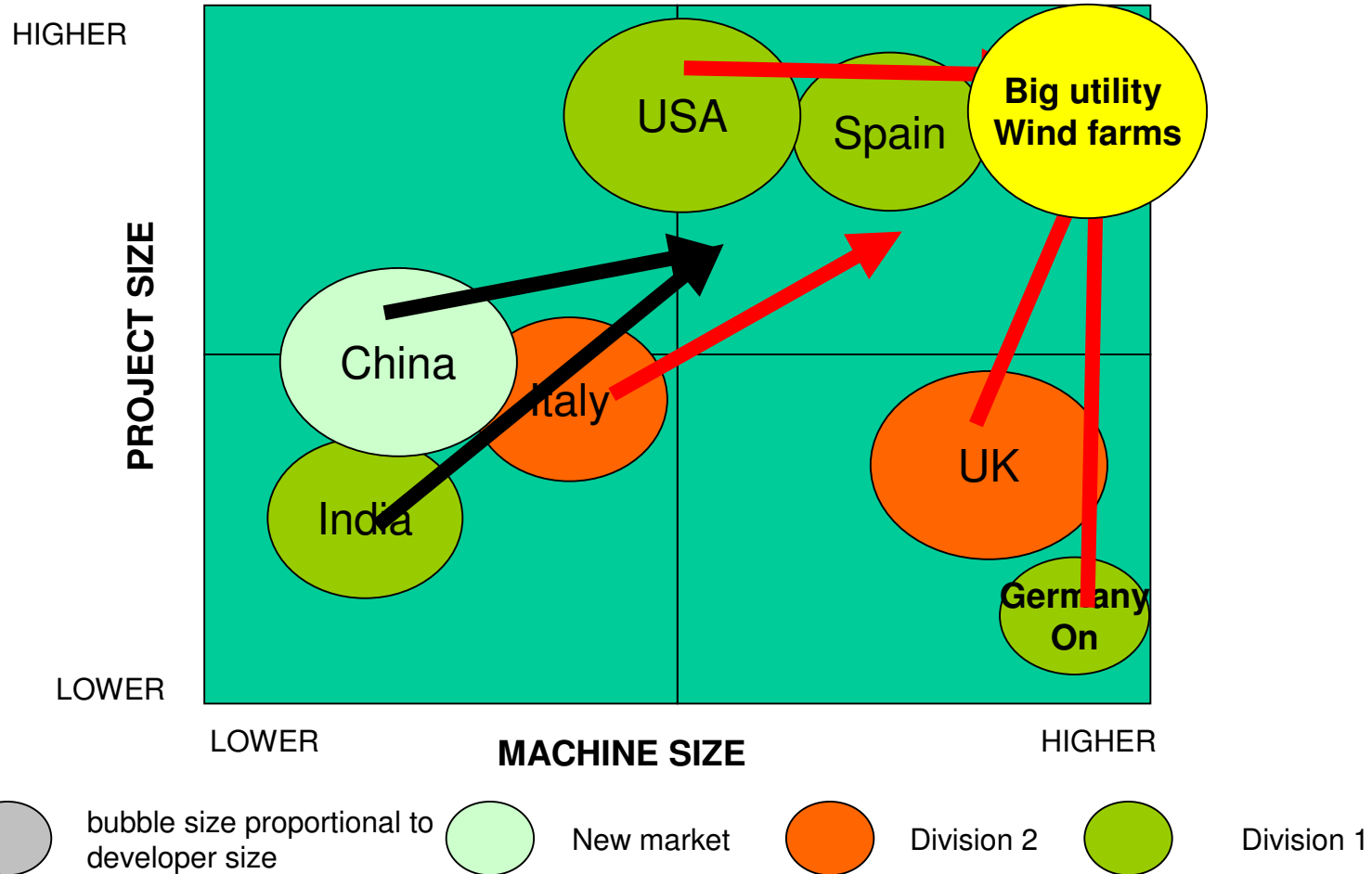
Country	Installed Capacity (MW)	Newly installed capacity (MW)										Installed Capacity (MW)	CAGR
		2004	2005	Share	2006	Share	2007	Share	2008	Share	2009		
Denmark	3,083	25	0.6%	25	0.6%	250	3.7%	300	4.2%	150	1.8%	3,833	3.7%
Germany	16,649	1,700	43.4%	1,800	40.0%	1,750	25.6%	1,900	26.3%	2,400	28.8%	26,199	7.8%
Greece	587	150	3.8%	150	3.3%	150	2.2%	200	2.8%	200	2.4%	1,437	16.1%
Italy	1,261	250	6.4%	300	6.7%	450	6.6%	450	6.2%	500	6.0%	3,211	16.9%
Netherlands	1,081	160	4.1%	160	3.6%	200	2.9%	150	2.1%	200	2.4%	1,951	10.3%
Spain	8,263	1,800	45.9%	1,500	33.4%	1,700	24.9%	2,200	30.4%	2,000	24.0%	17,463	13.3%
UK	889	400	10.2%	750	16.7%	1,250	18.3%	1,500	20.8%	1,600	19.2%	6,389	38.9%
China	769	250	6.4%	400	8.9%	500	7.3%	600	8.3%	600	7.2%	3,119	26.3%
India	3,000	900	23.0%	1,000	22.2%	1,000	14.7%	1,200	16.6%	1,200	14.4%	8,300	18.5%
US	6,750	2,300	58.7%	3,000	66.7%	2,000	29.3%	2,050	28.4%	2,750	33.0%	18,850	18.7%
Rest of World	5,580	2,360	60.2%	3,380	75.2%	4,010	58.8%	5,055	69.9%	6,005	72.0%	26,390	29.6%
Total	47,912	10,295		12,465		13,260		15,605		17,605		117,142	16.1%

Source: BTM Consult ApS - March 2005

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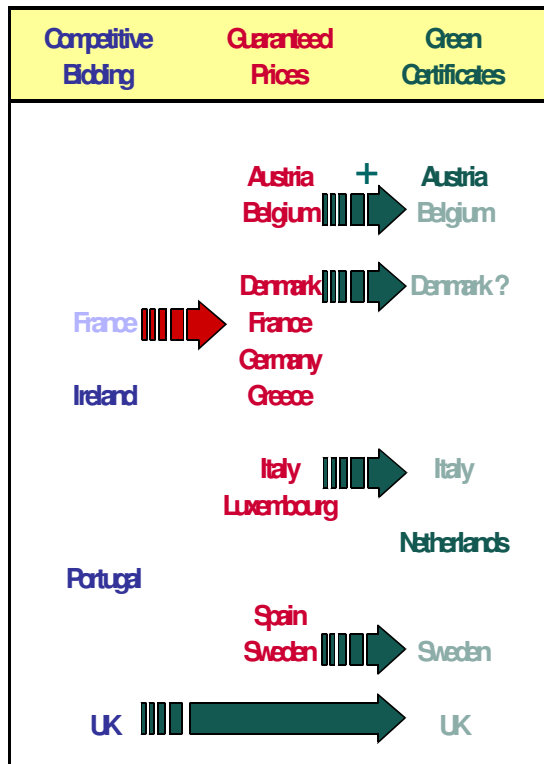
European Perspective

The Global Wind Energy Sector



European Perspective

Regulatory aspects



There are three main models of regulatory support for renewable energies

- ◆ Public authorities set minimum prices for “green” energy, thus guaranteeing revenue levels for investors through PPAs and tariff setting
Used in Germany, Spain, Portugal, France
- ◆ Public authorities set a minimum (and usually increasing) level of energy which is to come from renewable sources, with penalties for producers not reaching them. This creates a market for “green certificates” which provides additional revenues for renewable projects.
Used in Italy, Netherlands, UK, Australia
- ◆ Renewable projects benefit from targeted fiscal incentives (tax credits, subsidies) that provide revenue in addition to energy sales
Used in the USA, some local European subsidies available

European Perspective

Typical project finance contractual structure

Main project documents usually include:

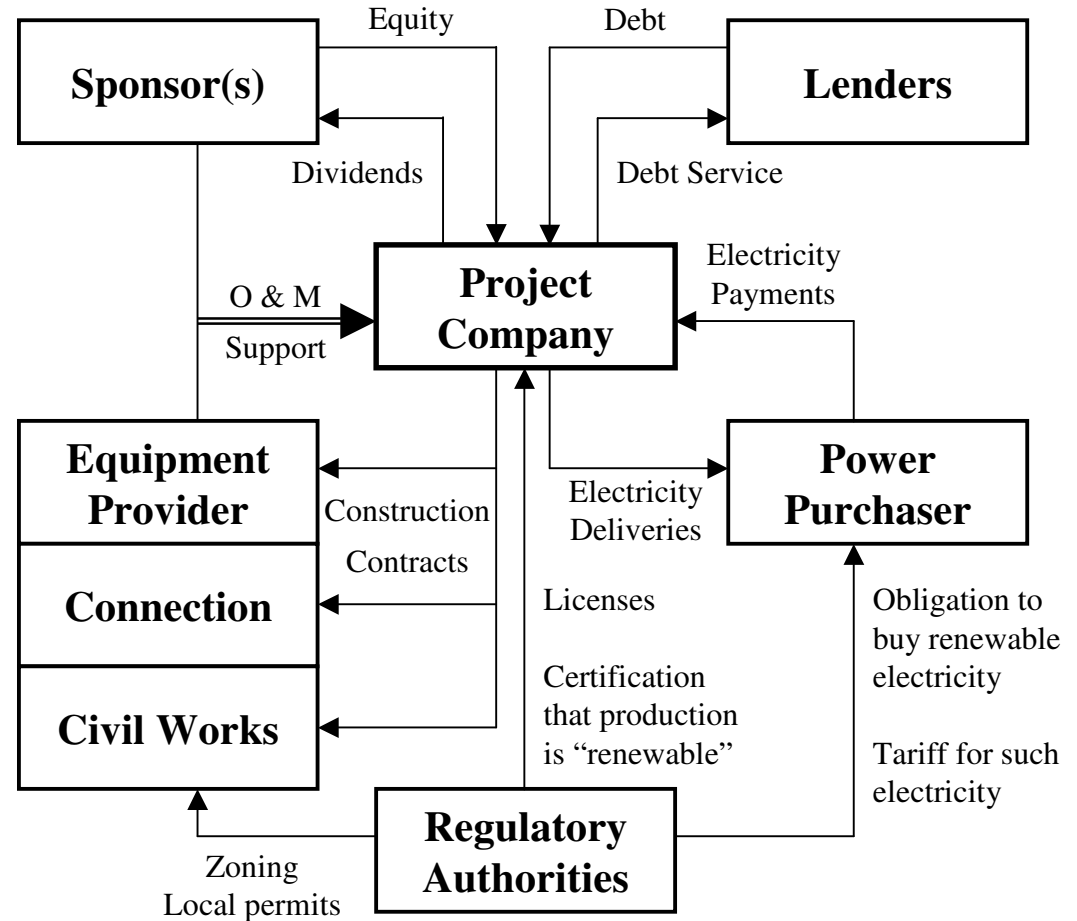
Construction contracts

Operations & maintenance

Electricity purchase

Financing agreements

Licenses, permits, etc.



Funding Sources: Debt

Type

Full recourse (Corporate guarantees/cash collateral)

- Balance sheet & share price/valuation implications
- Maturity restrictions (8 to 10 yrs on investment grade)
- Relevant for an industry in infancy
- Bonds or commercial bank debt – both possible

Limited recourse

- Off balance sheet – rating & share price neutral
- Longer maturities possible (currently max = 20years)
- Ring fencing of asset
- Optimal use of proven regulatory framework and stable cash flow profile
- Structural flexibility: bonds or bank debt, long term/mini-perm, credit enhancements possible

Limited recourse debt

NPV of discounted cash flows which will need to be sensitized based on following parameters:

- Contracted or merchant revenues (importance of PPA)
- PPA counter party
- Debt service cover ratios : LLCR and DSCR
- Wind yields: P90, P75 & P50
- P90/P50 differentials (the wind consultant & on site observations)
- Turbine availability parameters (supplier/brand & technical consultant): post 15 years – importance of re-powering to maintain availability
- Valuation of ‘green’ revenues (external expertise)
- Wind swaps are gaining liquidity: effect on cover ratios & gearing

Sizing metrics

Funding Sources: Junior funding

Equity/Shareholder advances

- Equity & shareholder advances usually provided upfront or pro-rata senior debt drawdowns
- Bridging facilities available with corporate support (LCs, gtees)
- Usually junior funding covers development costs
- Equity providers: developers, suppliers and private financial & institutional investors

Mezzanine

- Senior to equity/shareholder advances and junior to senior debt !!
- Costlier than senior debt, but cheaper than equity !!
- Allows optimisation of financing costs/senior lenders will staple junior funding in gearing calculations
- Exit prerogatives for mezzanine provider and implications for legal documentation e.g. inter-creditor agreements, stand-still etc.

Financing market trends

Current trends in Europe

- Debt capital markets are very liquid today & interest rates are low
- Initial wind farm financing was mostly on-balance sheet: mature portfolios now being refinanced/acquired
- Portfolio financings are preferred route – potential to fund offshore & ‘portfolio effect’ on P90 wind yields
- Market for wind financing is now mature: bond financing being put together, rating agencies comfort and involvement of monoline insurers
- Traditional bank debt stretching maturities and taking some merchant risk (green certificates & wholesale prices)
- Different class of sophisticated investors and creditors coming to fore e.g. funds/ monoline insurers / wind derivatives / bonds
- Technology & country mix appearing in portfolio financings

Funding Mix

The Golden Rules

- Use cheaper money first
- Senior debt is cheaper than mezzanine which is cheaper than shareholder funding
- Cheap funding comes with headaches: LAWYERS & COVENANTS
- Discount deeply merchant revenues: they are bankable but not 100% of them
- Utilize third party expert to comfort banks
- Maximise regulatory potential

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