

OZMine Conference
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Export Finance and Insurance Corporation
Supporting Australian Involvement in Indonesia



Australian Government



Export Finance
& Insurance Corporation

Overcoming financial barriers for exporters

Outline

- About Export Finance and Insurance Corporation (EFIC)
- Forms of support
- Eligibility criteria
- Case studies

Export Finance and Insurance Corporation (EFIC)

EFIC's objective:

- To support the growth of Australian businesses internationally by providing financial solutions

About EFIC

- Australia's export credit agency (ECA)
- Provides financial and insurance solutions for Australian exporters and offshore investors
- Statutory corporation owned by the Government of Australia
- EFIC lends, guarantees and insures (PRI)
- Fills 'market gap' when commercial capacity unavailable/insufficient
- Role complementary to commercial lenders
- Operates on a commercial basis with its own capital base and with independent board
- Over 50 years experience

Benefits of EFIC support

- AAA rating and Australian Government guarantee of EFIC's payment obligations
- Country risk tolerance – wide experience in emerging markets
- Can draw on global network and resources beyond the commercial domain:
 - Australia's network of diplomatic posts & Austrade
 - other export credit agencies
 - multi-lateral agencies and development finance institutions
- Increased diversity of finance and insurance solutions
- Long history of EFIC support for the mining sector

EFIC's finance and insurance solutions

DIRECT LOANS

- Corporate
- Project companies
- Foreign government

GUARANTEES

- Export finance guarantees
- Bonds/guarantees:
 - performance, advance payment and warranty bonds; US surety bonds
 - documentary credit guarantees

INSURANCE

- Political risk insurance
- Export payments insurance
- Bond insurance

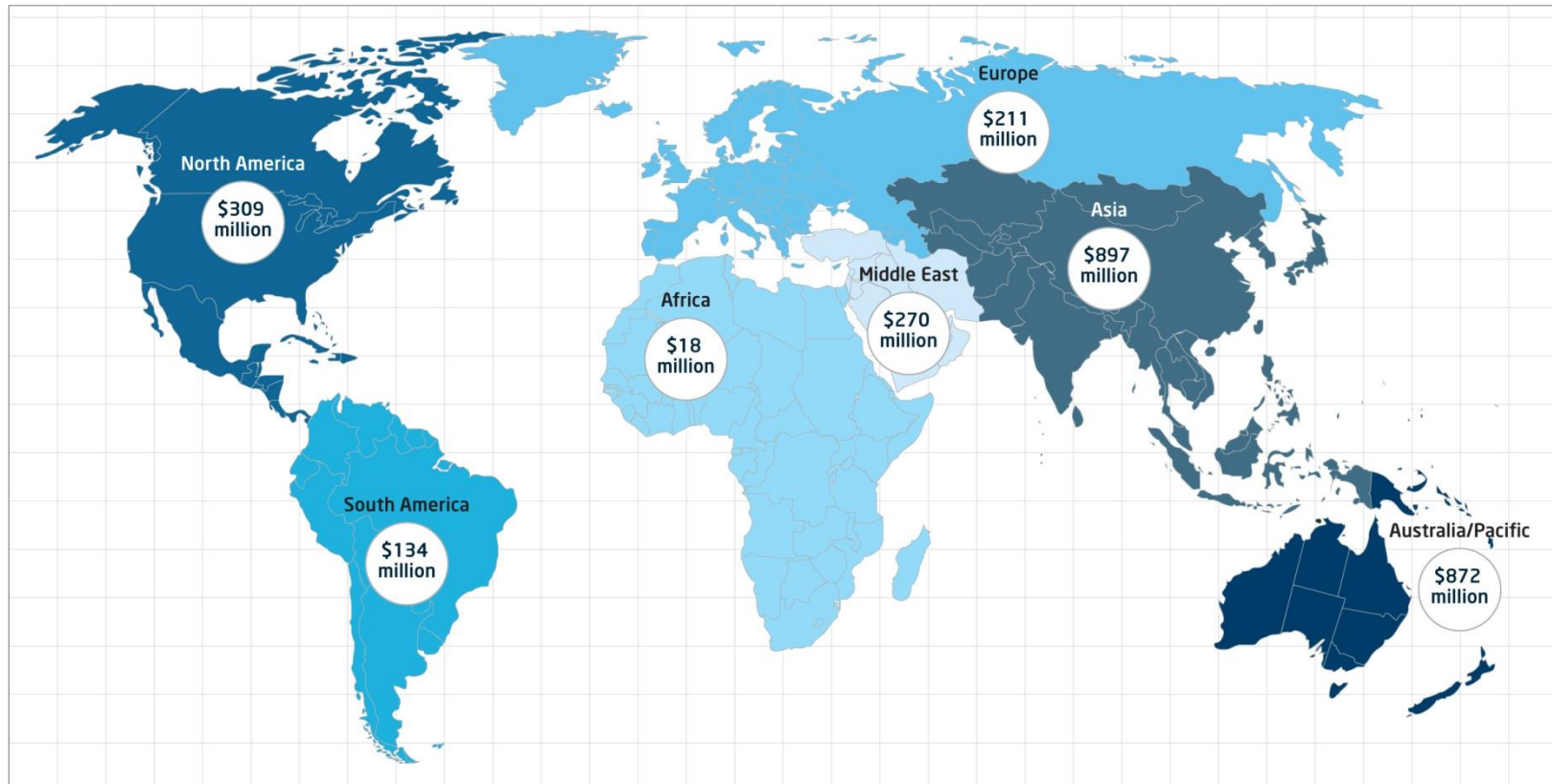
TAILORED SOLUTIONS

EFIC's clients and our solutions

	Exporters	Buyers	Investors	Lenders
Corporate or project loans	✓	✓		
Export finance guarantees*	✓	✓		✓
Performance bonds/guarantees	✓	✓		✓
Political risk insurance	✓		✓	✓

*In favour of financial institutions

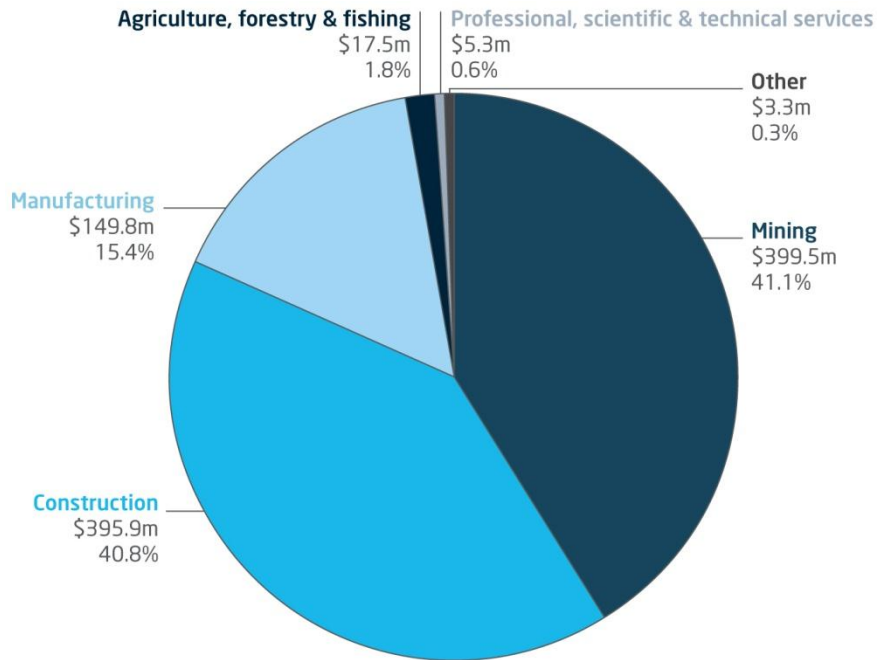
EFIC's exposures at 30 June 2010: A\$2.7 billion across 24 countries*



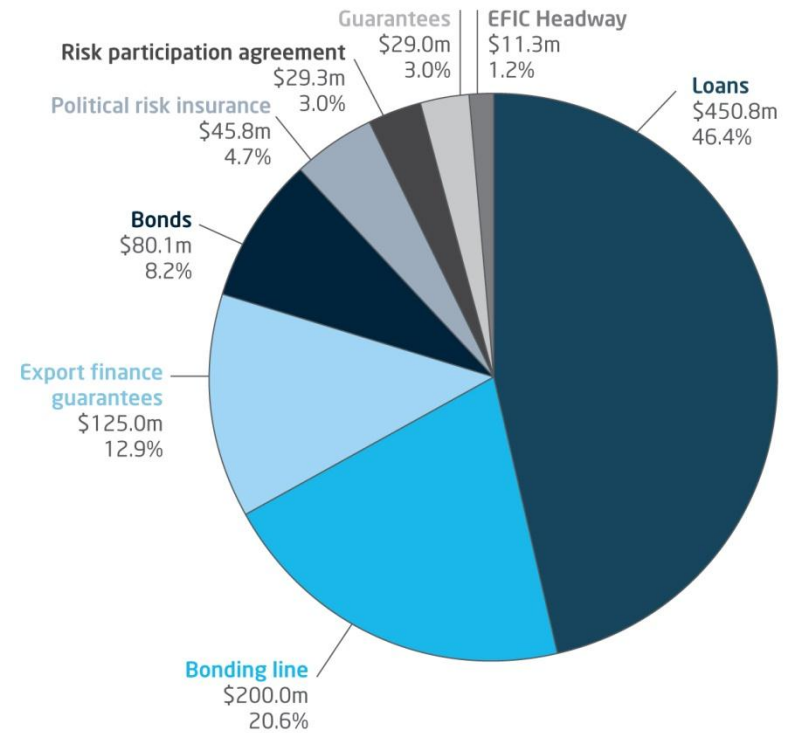
*Maximum exposures for the Commercial Account and National Interest Account. Includes exposures not yet drawn.

Exports supported in FY 2010*

Signings by sector supported



Signings by facility type



*Commercial Account and National Interest Account

EFIC's global network

Asia

Asian Exim Banks Forum

Korean Trade Insurance Corporation
(K-sure)

Nippon Export and Investment Insurance
(NEXI) (Japan)

Europe

Atradius NV (Netherlands)

Compagnie Française d'Assurance
pour le Commerce Extérieur (COFACE) (France)

Euler Hermes Kreditversicherungs AG (Germany)

Exportkreditnämnden (EKN) (Sweden)

Office National du Ducreire (ONDD) (Belgium)

International

Berne Union

Multilateral Investment Guarantee Agency (MIGA)

Various Development Finance Institutions

Australia's network of diplomatic posts

Middle East

The Israel Export Insurance Corporation Ltd (Israel)

North America

Export-Import Bank of the United States
(US Ex-Im Bank)

Liberty Mutual Insurance Company (USA)

NORTHSTAR Trade Finance Inc. (Canada)

Indonesian opportunities

- Investment by Australian mining companies
- Financing of Australian content to Indonesian projects
- Performance bonds/guarantees to Indonesian projects for Australian contractors or suppliers
- Opportunities:
 - New mining projects
 - Expansion of existing mines
 - Engineering companies using Australian content
 - Mining services companies using Australian content



EFIC's solutions



Corporate and project finance loans

- Direct loans to:
 - corporates
 - project companies
- Amount of EFIC's finance is linked to eligible content
- Work with banks, ECAs and multilaterals
- Key benefits:
 - similar terms to commercial lenders, but longer tenor is possible
 - no Political Risk Insurance (PRI) required for EFIC project funding

Export finance guarantees

- Guarantees to lenders of the payment obligations of:
 - project companies
 - corporates
- Amount of EFIC's guarantee is linked to eligible content
- Key benefits:
 - longer tenor possible than that offered by commercial lenders
 - may be denominated in local currency
 - may enable the bank to offer a loan of up to 100% of the contract value
 - may assist the offset of interest withholding tax for the borrower

Performance bonds and guarantees

- Support Australian exporters of goods or services
- Performance, advance payment or warranty
- Conditional or unconditional ('demand') bonds
- Bond issued directly or guarantee provided to a bank issuing a bond
- Security requirements depend on bond type and risk assessment

Political risk insurance (PRI)

Who is insured?	PRI available	What is insured?
Lender to an overseas project/investment	Debt PRI	Financial loss from non-receipt of scheduled loan payments
Provider of hedge facility for debt finance for an overseas project/investment	Hedge PRI	Financial loss due to hedge counterparty's non-payment or non-delivery of an agreed quantity due under the hedge facility
Australian contractor operating overseas	Plant & Equipment PRI	Loss of use or possession, damage or destruction of P&E
Australian company investing overseas	Equity PRI	Loss of investor's equity or shareholder loans

The loss must be due to a political event specified in the PRI policy.

EFIC's eligibility and assessment criteria

- Australian involvement in:
 - export of capital goods or services
 - overseas investment
 - export contracts
- Market gap
 - support is unavailable or insufficient in commercial market
- Project or transaction is commercially viable
- Environment and social responsibility requirements, including Equator Principles



Case studies



Case study – Leighton Holdings Limited, 2009

Customer

Australia's largest construction and contract mining group

Need

Leighton needed to expand its mining fleet and equipment to deliver contracts in Indonesia, but had reached its approved offshore leasing limits with its banks

Solution

EFIC entered a direct loan agreement with ANZ to provide up to US\$150m, 85% of a facility for Leighton's Indonesian subsidiaries to support the leasing of mobile mining fleet and equipment. ANZ funded the remaining 15%



Case study – Orica Limited, 2010

Customer

Manufacturer of commercial explosives for the mining sector

Need

Ammonium nitrate is a key ingredient in mining explosives and Indonesia has a growing mining sector.

Orica needed longer-term finance than the commercial market could provide in order to build a US\$550 million ammonium nitrate plant in Bontang, Indonesia

Solution

EFIC provided a ten-year, A\$50 million direct loan to Orica



Case study – African Underground Mining Services Limited, 2010

Customer

AUMS is a joint venture of two Australian companies, Barmenco Limited and Ausdrill Limited, based in West Africa.

Need


AUMS needed mobile plant and equipment to perform underground mining contracts in Ghana and Mali.

Bank finance for operations in emerging markets was limited

Solution

EFIC provided a four-year, US\$15 million loan to AUMS as part of a US\$30 million loan facility with Caterpillar Financial Australia Limited.

EFIC's support helped AUMS choose Caterpillar as supplier of the equipment, manufactured in Tasmania, instead of a European supplier which also had export credit agency support



Result
AUMS could
continue expanding
in emerging markets

Case study – Equinox Minerals Limited, 2006 and 2007

Customer

A mining company listed in Australia and Canada

Need

Project finance and political risk insurance for the development and operation of the Lumwana mine, Zambia, which will be Africa's largest open-pit copper mine

Solution

EFIC committed US\$43m to a US\$584m finance facility.

EFIC also led a syndicate of private insurers to provide PRI to the commercial lenders and to a bank providing hedge facilities to protect the project revenue against adverse movements in the copper price

Result

Major mining development could proceed



Case study – PNG LNG project, 2009

Customer

A multinational consortium led by ExxonMobil to develop a greenfield integrated liquefied natural gas project in Papua New Guinea. The project will eventually produce around 6.6m tonnes of clean LNG each year.

ASX-listed Oil Search and Santos are major investors

Need

Project finance

Solution

EFIC will loan US\$350m to the project as part of a syndicate of ECAs and commercial lenders.

Due to EFIC's participation, Australian companies will be selected to join a team of contractors and suppliers to construct the project

Result
Support for Australian investment and Australian participation



Case study – WorleyParsons, 2008

Customer

Major Australian engineering services firm involved in large international projects


Need

Emirates Aluminium Company (EMAL) sought project finance to construct an aluminium smelter in the UAE. It wished to include export credit agencies among the lenders.

WorleyParsons was tendering to provide engineering, procurement and construction management services for the smelter

Solution

EFIC supported WorleyParsons' participation in the project with a direct loan of US\$125m to EMAL



Result
Helped Worley Parsons
win the contract and
the project to proceed

Case study – Baulderstone, 2007

Customer

One of Australia's largest building and construction companies

Need

Baulderstone and its German parent company sought insurance cover to construct the US\$104m Phu My Bridge over the Saigon River in Ho Chi Minh City, Vietnam

Solution

EFIC supported the participation of Baulderstone by providing reinsurance for part of the project financing.

The project was financed mainly by a loan from Société Générale to a Vietnamese government body. Germany's export credit agency (ECA) insured this loan, while EFIC reinsured Germany's ECA for \$26m



Result
Supported Australian involvement and helped the project to proceed

Case study – Outotec Pty Ltd, 2010

Customer

Australian subsidiary of Outotec Oyj of Finland and a specialist in water treatment solutions

Need

Outotec was appointed turnkey contractor for Phase 3 of a project in Sri Lanka to establish a drinking water treatment plant, transmission mains and distribution system.

The government of Sri Lanka needed finance for Phase 3

Solution

ANZ made a US\$105 million loan to the government of Sri Lanka. EFIC provided a guarantee to ANZ for the loan



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