

Alba Line 5 Expansion, Bahrain

Billion-dollar beauty



Some US\$1.7 billion of debt closed for the Aluminium Bahrain (Alba) Line 5 Expansion project in April, making it what participants in the deal believe to be the biggest Middle Eastern financing of the year.

The deal certainly proved to be one of the most innovative deals of the year too.

The challenge was to raise US\$1.7 billion of long-term non-recourse debt during a period of intense political instability in the region – the financing closed two days before coalition troops entered Baghdad.

By setting up competing tranches of financing, and competing providers within each tranche, Alba was able to obtain underwritten commitments from a broad range of financial institutions, tap five different liquidity pools of international, regional and local sources, and push the envelope in terms of obtaining favourable pricing, tenors and terms and conditions, claims Terry Newendorp, chairman of the project's financial advisor, Taylor DeJongh.

Financial sources for the project came from a US\$500 million commercial bank tranche, a US\$450 million export credit agency tranche, a US\$250 million Islamic finance facility, a US\$300 million metal-linked bank facility, and a US\$200 million bond issue.

The financing ended up being



Newendorp: Innovation and success at difficult time

concluded with 100% debt financing.

The key to Alba's success was to take an independent view as to the optimum sources of finance, without over-committing to one group of banks or one type of facility. Instead, by tapping the appropriate amounts from different parts of the market, Alba received much more favourable terms than originally expected by much of the market.

In the end, the financing was a win-win for Alba and its lenders, says Newendorp: "Alba achieved an integrated, multisourced financing that displayed many innovative features during a period when virtually all new lending was suspended due to the Iraq conflict, while lenders supported a strong successful company that is an industry leader and a consistently reliable and successful borrower."

The project involves the

DEAL INFORMATION

Borrower:

Aluminium Bahrain (Alba)

Sponsors:

Bahrain government (77%), Sabic (20%), Breton Investments (3%)

Total project cost (US\$/local currency):

US\$1.7bn

Total debt (US\$/local currency):

US\$1.7bn

Financial advisor:

Taylor-DeJongh

Legal advisers:

Norton Rose (sponsors), Baker & McKenzie (lenders)

Consultants:

Mott McDonald (power), Metals Bulletin (market), Aon (insurance)

ECA facility:

US\$450mn; 15 years

Date closed:

Expected December 31, 2003

ERG:

US\$300mn

Coface:

US\$150mn

Commercial facility:

US\$500mn; 10 years

Date closed:

April 2003

Lead arrangers:

Bank of Bahrain and Kuwait, Bank of Tokyo-Mitsubishi, Gulf International Bank (agent), Mizuho Corporate Bank, National Bank of Abu Dhabi, National Bank of Bahrain, Qatar National Bank, Sumitomo Mitsui Banking Corp Europe (global agent), HSBC, Saudi British Bank

Arrangers:

Ahli United (Bahrain), National Bank of Dubai, Barclays Bank

Margin:

80bp over Libor, years 1-3; 90bp years, years 4-5; 105bp, years 7-10

Islamic facility:

US\$250mn; 12 years

Date closed:

April 7, 2003

Joint arrangers:

ABC Islamic Bank (agent), Bank of Bahrain and Kuwait, Dubai Islamic Bank, Gulf International Bank, HSBC Bank Middle East, Islamic International Arab Bank, Riyad Bank

Metals facility:

US\$300mn; 10 years

Date closed:

April 7, 2003

Mandated lead arrangers:

Gulf International Bank (agent),

Goldman Sachs

Lead arrangers:

Banque Saudi Fransi, Riyad Bank, ANZ

Arrangers:

Arab Bank, Arab National Bank,

Emirates Bank, Standard Chartered,

Union National Bank

Lead manager:

National Bank of Kuwait

Managers:

First Gulf Bank, Saudi National

Commercial Bank

Bond issue:

US\$200mn; 10 years

Date closed:

April 7, 2003

Managers:

Bank of Bahrain and Kuwait, SICO, GIC,

National Bank of Bahrain

Date closed: May 2003

construction of a fifth aluminium potline, a new 640MW power station and associated facilities to raise the

production of Alba to about 820,000 tonnes per year, making Alba the second largest single sight smelter in the world.

