



**Garter Properties Inc.**

**US\$ 300,000,000**

**SENIOR SECURED SYNDICATED  
CREDIT FACILITY**

**Guaranteed by**

**Coelba - Companhia de Eletricidade do Estado da Bahia**

**Arrangers:**



**May 2001**



- I. Objective**
- II. Introduction**
- III. Brazilian Power Industry**
- IV. Company Overview**
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- VI. Rationing**
- VII. Transaction Structure and Refinancing Strategy**
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# I. Objective

## I. Objective

- ✓ **Refinance existing credit facility of US\$ 250MM;**
- ✓ **US\$ 50MM to finance part of Coelba's Capital Expenditures in 2001.**

## II. Introduction

- ✓ **Coelba is the largest electricity distribution company in the northern region of Brazil;**
- ✓ **Coelba serves 414 municipalities, corresponding to 99% of the territory of the state of Bahia;**
- ✓ **2.8 million customers and 9,765 GWh sold in 2000;**
- ✓ **Revenue concentration of 49% residential and 22% commercial allows for one of the highest commercialization margin in Brazil, 70.5%;**

- ✓ In 2000, Coelba had net revenues of R\$ 1.5 billion, net income of R\$ 149 million and EBITDA of R\$ 548 million;
- ✓ Main shareholders are:
  - ⇒ Iberdrola (AA- / A1) - 42.7% (\*)
  - ⇒ Mutual Funds managed by Banco do Brasil - 30.7% (\*)
  - ⇒ Previ (Banco do Brasil's Pension Fund) - 19.0% (\*)
  - ⇒ Banco do Brasil - Banco de Investimentos - 6.2% (\*)

(\*) Directly and Indirectly

## III. Brazilian Power Industry

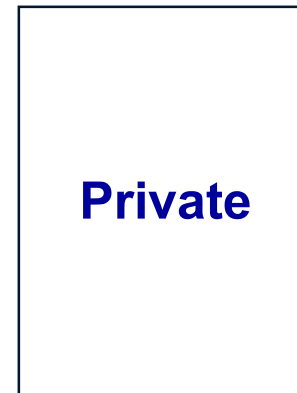


## Utilities Privatization in Brazil

### The Electric Utility Industry - New Model Architecture



#### Execution



#### Regulation



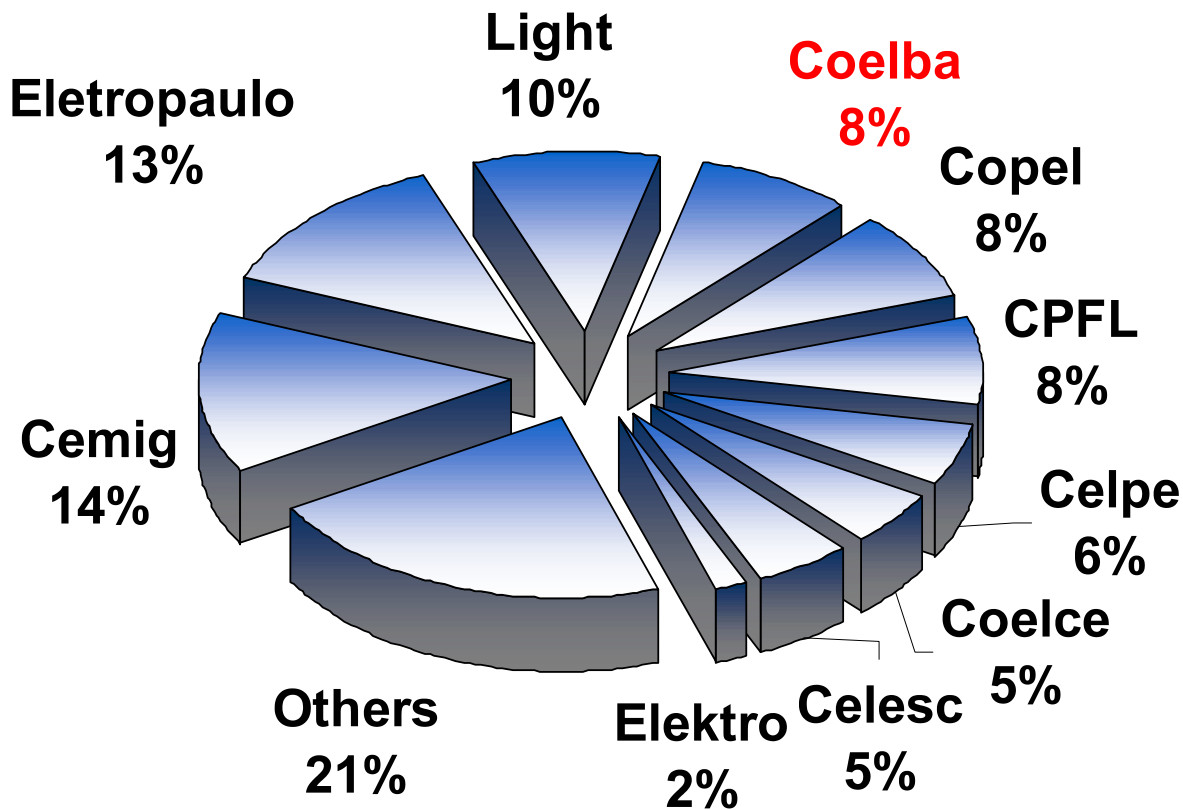
### Utilities Privatization in Brazil

#### Market Rules:

- ✓ **Competition in generation and trading;**
- ✓ **Free access to transmission and distribution grids;**
- ✓ **Creation of the Energy Wholesale Market (MAE);**
- ✓ **Creation of the National Grid Operator (ONS);**

## Energy Sector Breakdown - Main Companies

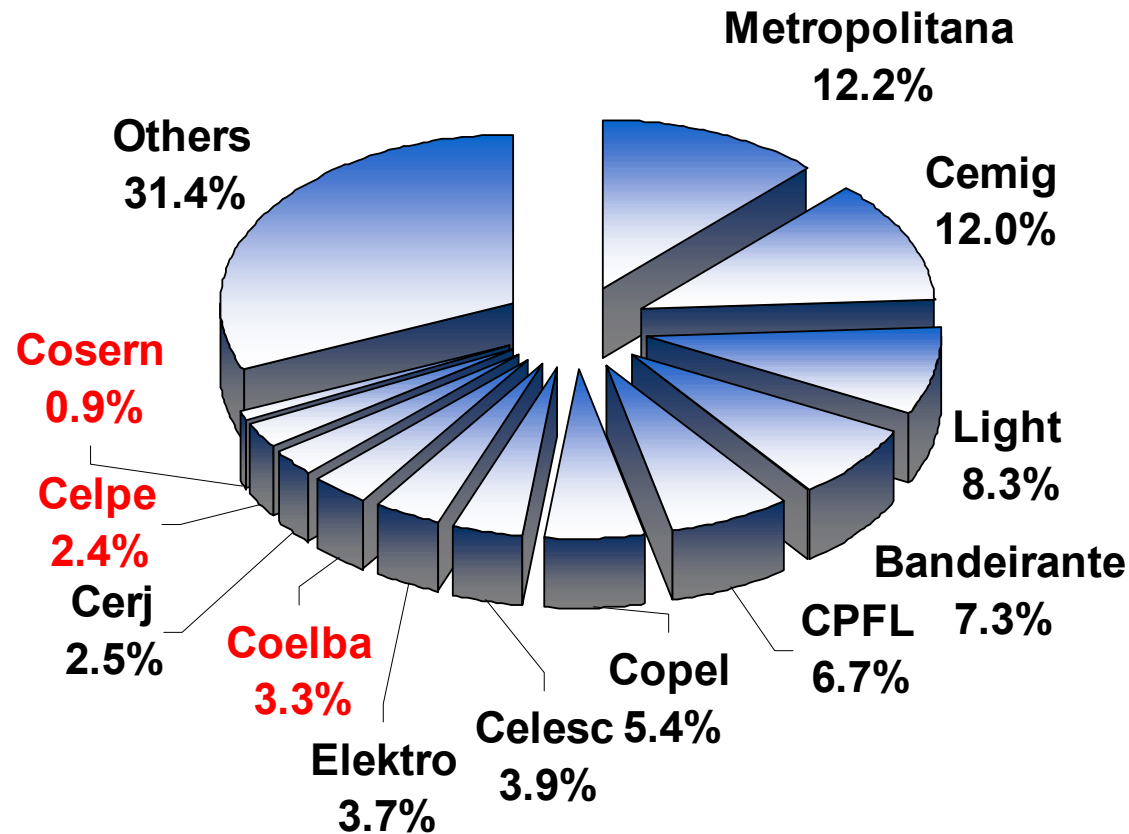
### Number of Consumers



Source: ANEEL - 1999

## Energy Sector Breakdown - Main Companies

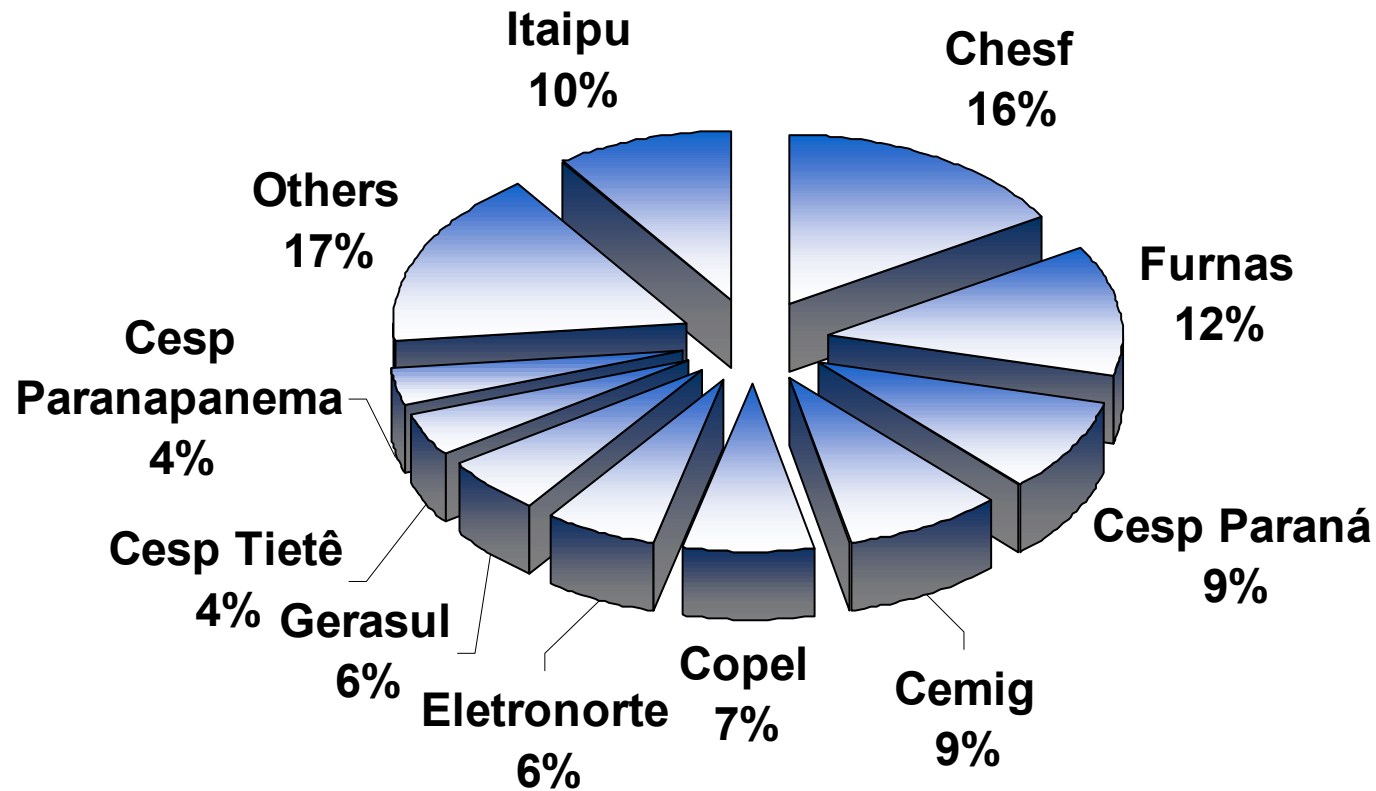
### Distribution (MW)



Source: ANEEL - 1999

## Energy Sector Breakdown - Main Companies

### Generation (MW)



Source: ANEEL - 1999

## IV. Company Overview

## IV. Company Overview

### Brief History - Coelba



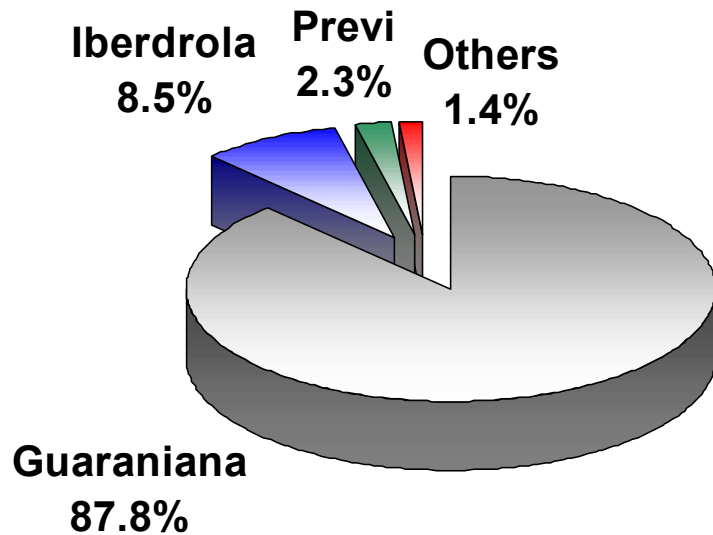
Coelba headquarters in Salvador - BA - Brazil

- ✓ 1960 - Foundation
- ✓ 1994 - Publicly Traded
- ✓ 1997 - Privatized
- ✓ 1997 - Acquired control of Cosern
- ✓ 1998 - Established Tracol
- ✓ 1998 - Participates in the construction and exploration of Itapebi
- ✓ 2000 - Established Nordeste
- ✓ 2000 - Incorporated Nordeste

# IV. Company Overview

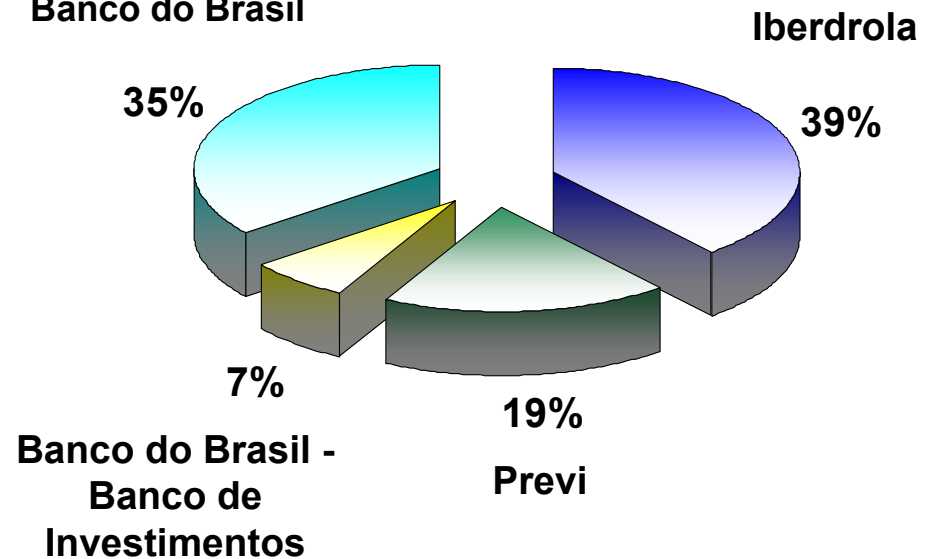
## Shareholders Breakdown (Total Capital)

### Coelba



### Guaraniiana

Mutual Funds managed by Banco do Brasil



Iberdrola	42.7% (*)
Mutual Funds managed by Banco do Brasil	30.7% (*)
Previ	19.0% (*)
Banco do Brasil - Banco de Investimentos	6.2% (*)

(\*) Directly and Indirectly

Source: Coelba as of December 31, 2000



## IV. Company Overview

### Main Shareholders



**IBERDROLA**

(Operator of Coelba)

- ✓ Iberdrola is one of Europe's leading electricity Companies;
- ✓ Iberdrola serves over 8 million customers in Spain and almost 5 million in Latin America;
- ✓ Rated “AA-” and “A1”;
- ✓ Total revenues of US\$ 6,408MM and EBITDA of US\$ 1,769MM in 2000.

## IV. Company Overview

### Main Shareholders



- ✓ **Founded in 1808, it is the largest bank in Brazil with US\$ 70 billion in total assets;**
- ✓ **Operates in almost 30 countries;**
- ✓ **Controlled by the Brazilian Federal Government.**

## IV. Company Overview

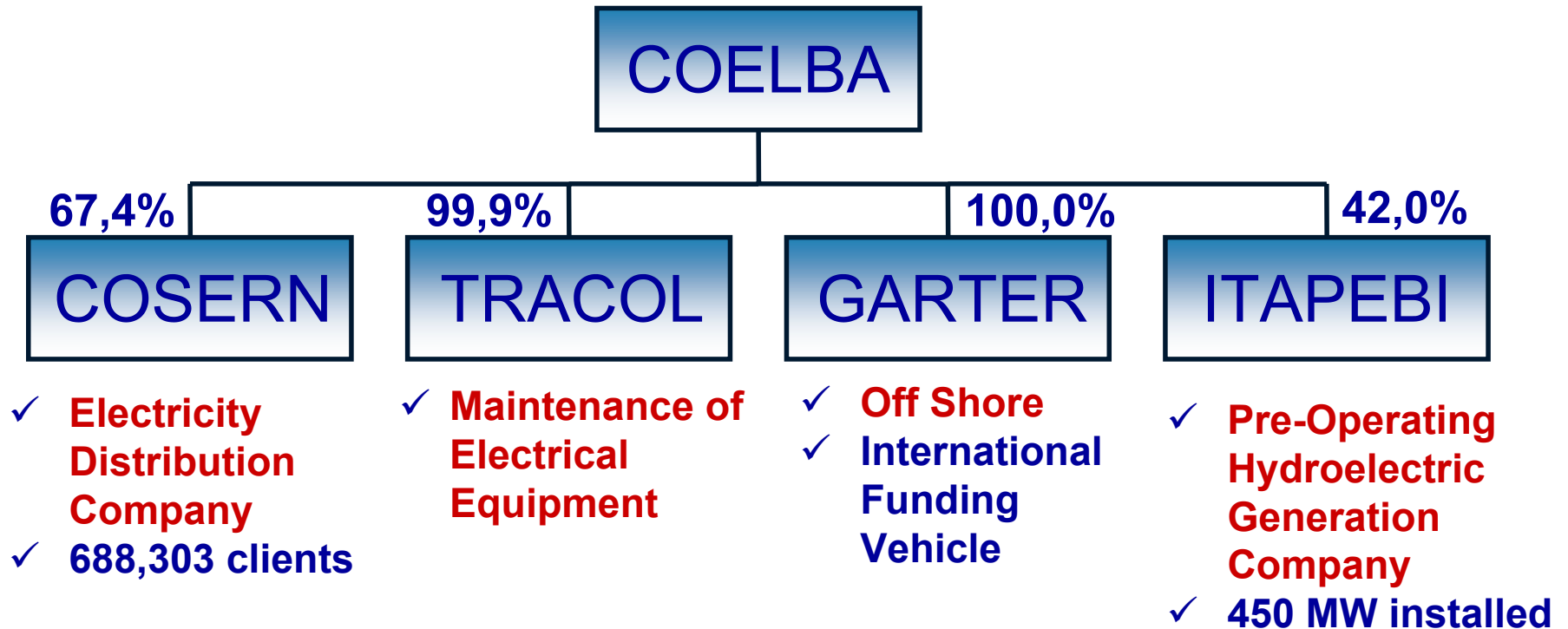
### Main Shareholders



- ✓ Banco do Brasil's Pension Fund;
- ✓ Founded in 1904;
- ✓ The largest Pension Fund in Brazil with US\$ 18.6 billion of assets under management.

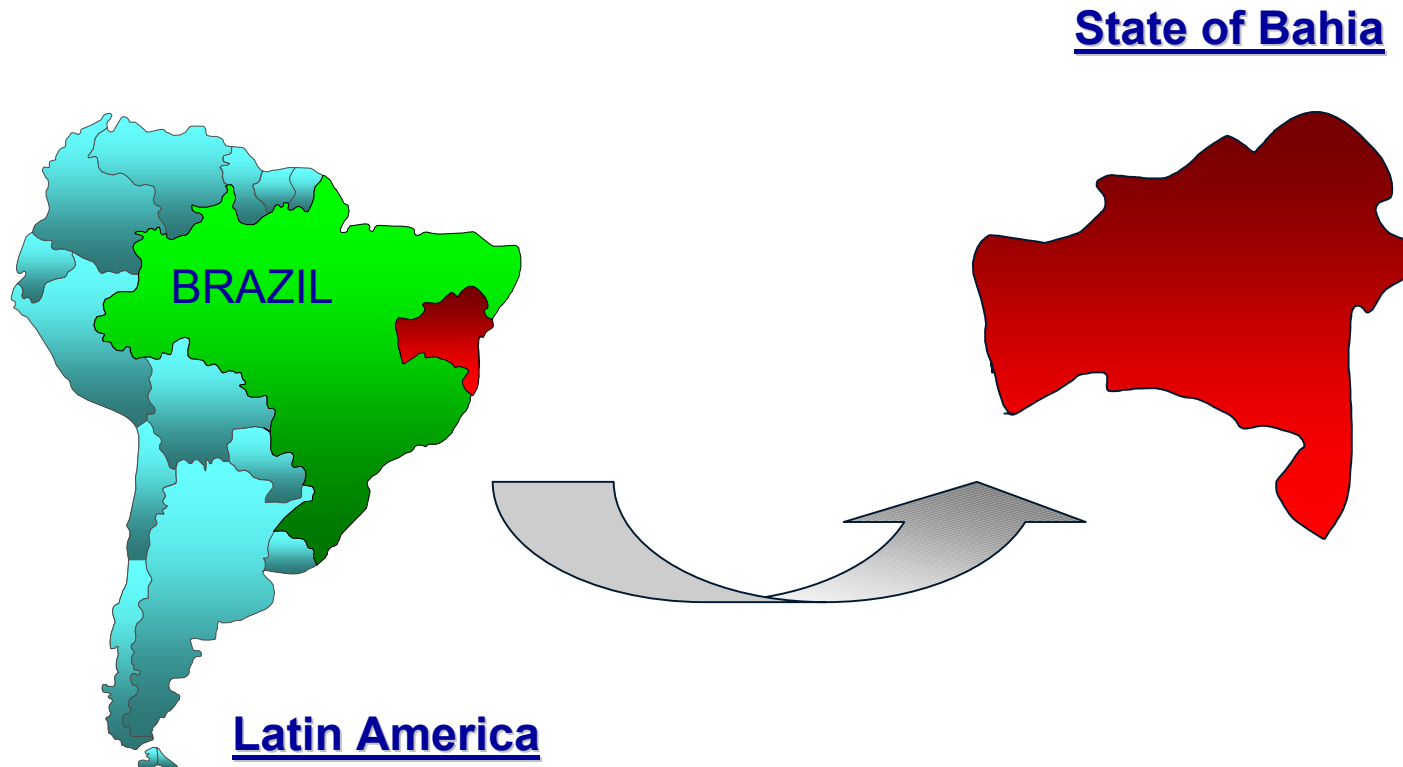
## IV. Company Overview

### Coelba's Main Subsidiaries



Source: Coelba as of December 31, 2000

## Concession Area



### Concession Area

#### State of Bahia



- Area: approx. 557,177 Km<sup>2</sup>
- Energy Sold : 9,765 GWh
- Municipalities: 414 out of 416
- Clients: 2.8 million
- Inhabitants: 13.2 million
- Salvador represents 45% of sales

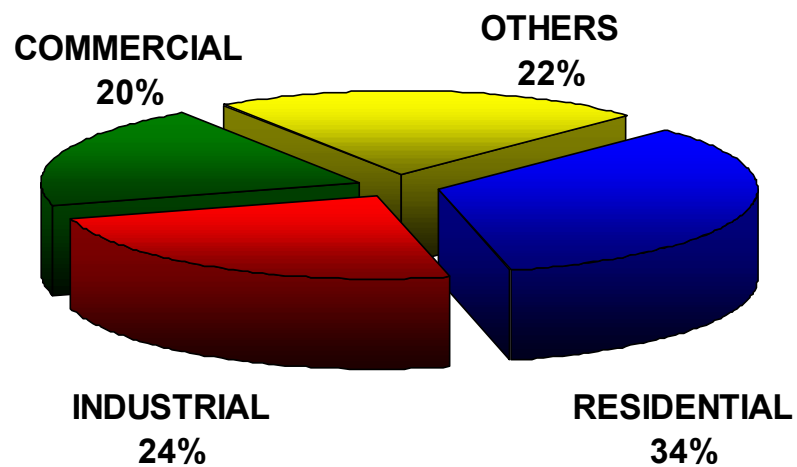
**“CHESF is the main energy supplier, corresponding to 99.5% of Coelba’s total physical purchases”**

*Source: Coelba as of December 31, 2000*

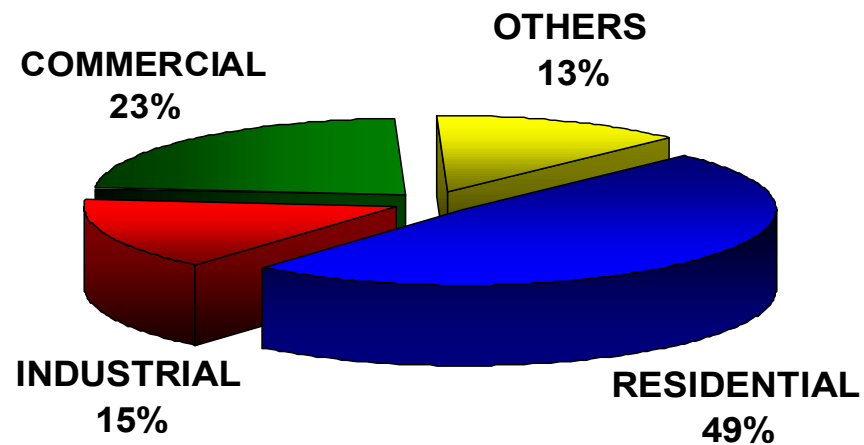
## IV. Company Overview

### Market

#### Physical Volume (MWh)



#### Revenues (R\$ MM)

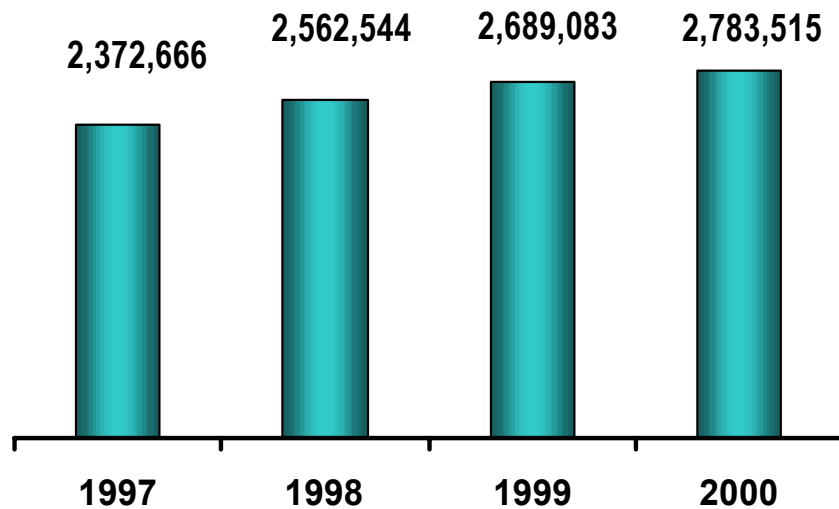


Source: Coelba as of December 31, 2000

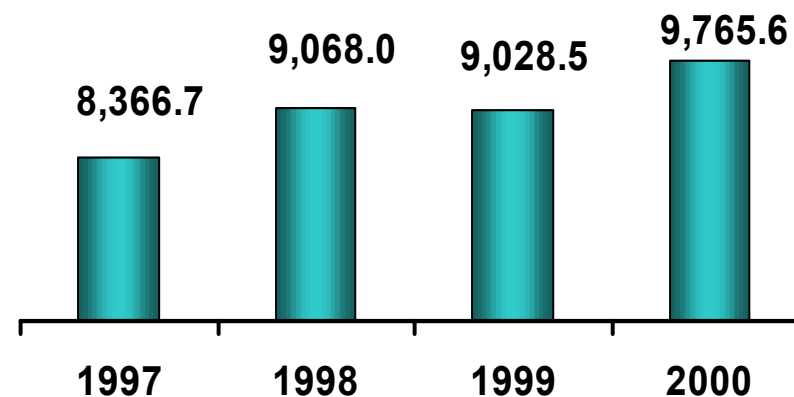
## IV. Company Overview

### Market

Number of Customers



Sales Evolution (GWh)



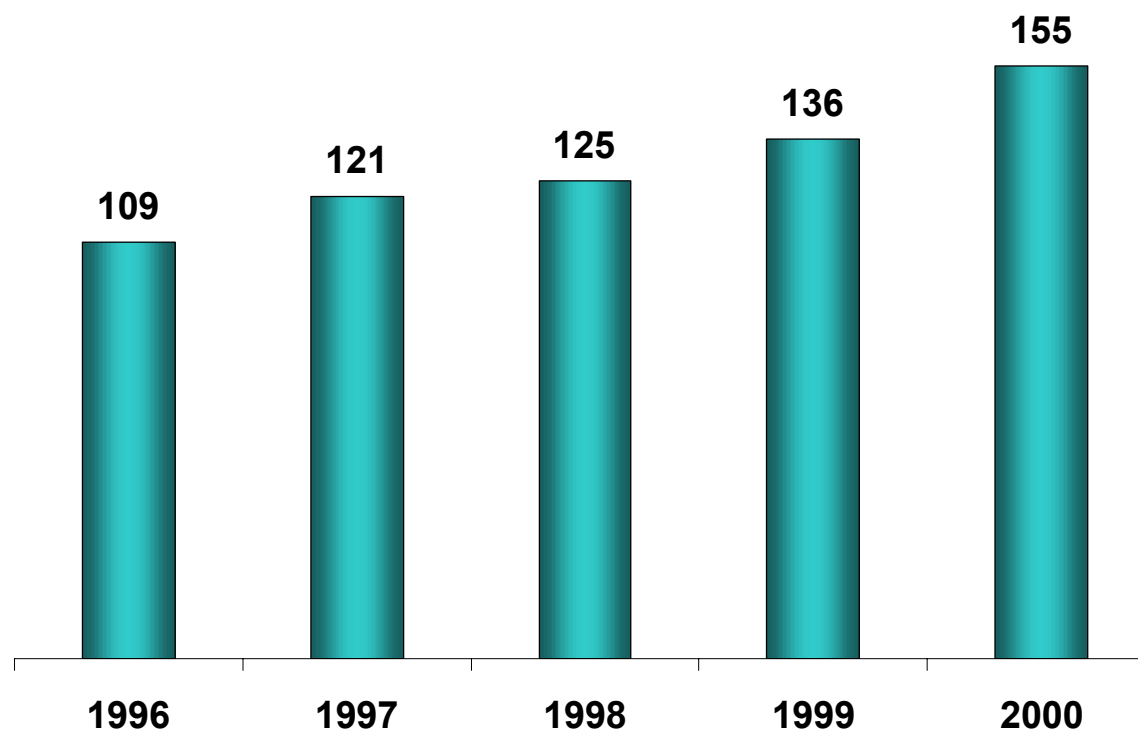
Source: Coelba as of December 31, 2000



## IV. Company Overview

### Market

#### Average Tariff Evolution (R\$/MWh)

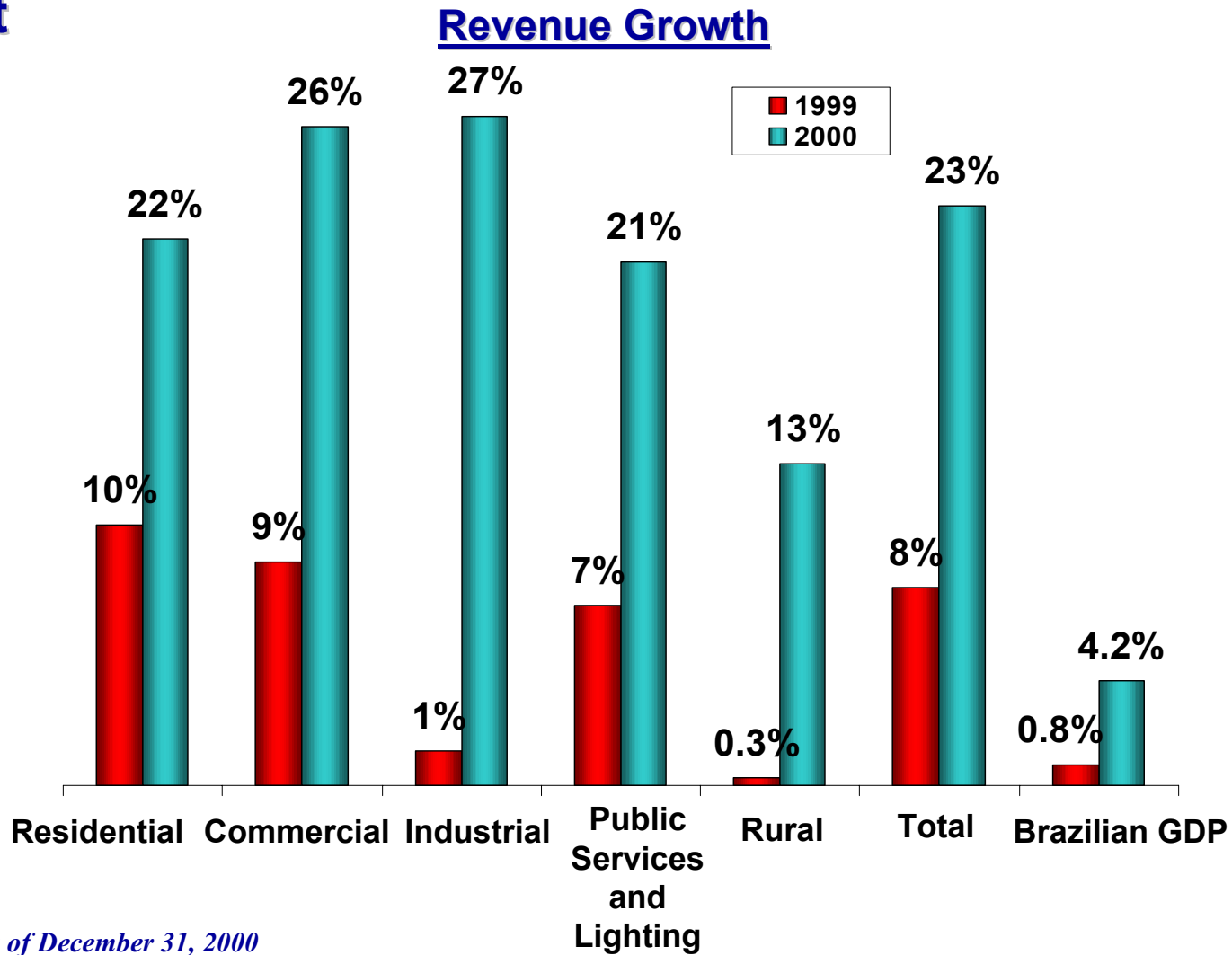


**Last tariff adjustment on April 2001 of 14.84%**

*Source: Coelba as of December 31, 2000*

# IV. Company Overview

## Market

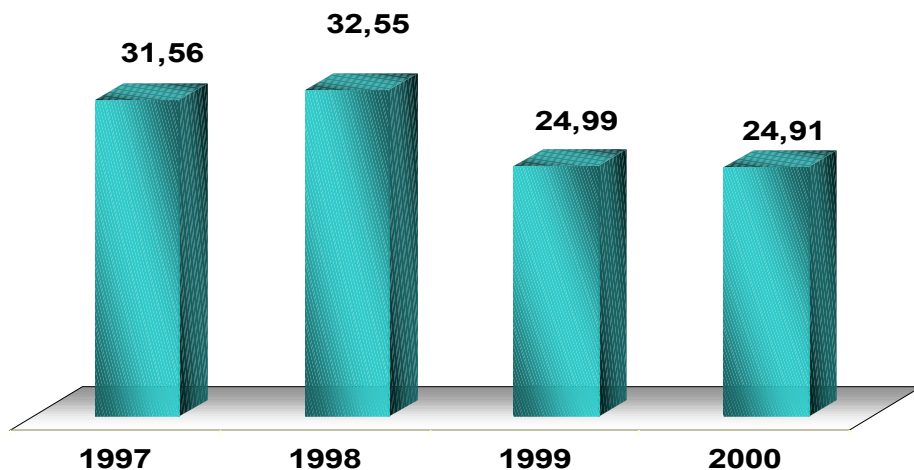


Source: Coelba as of December 31, 2000

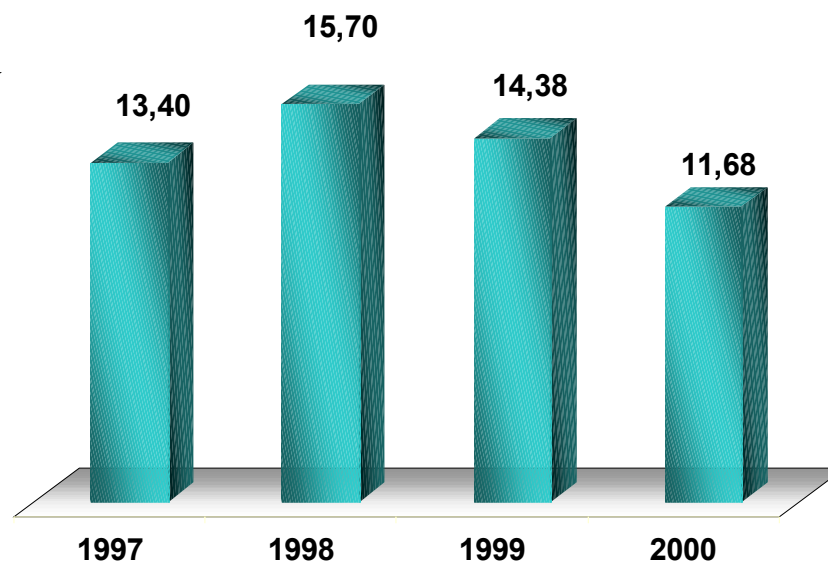
# IV. Company Overview

## Performance

### DEC and FEC Evolution



### DEC (Hour/Customer/Year)



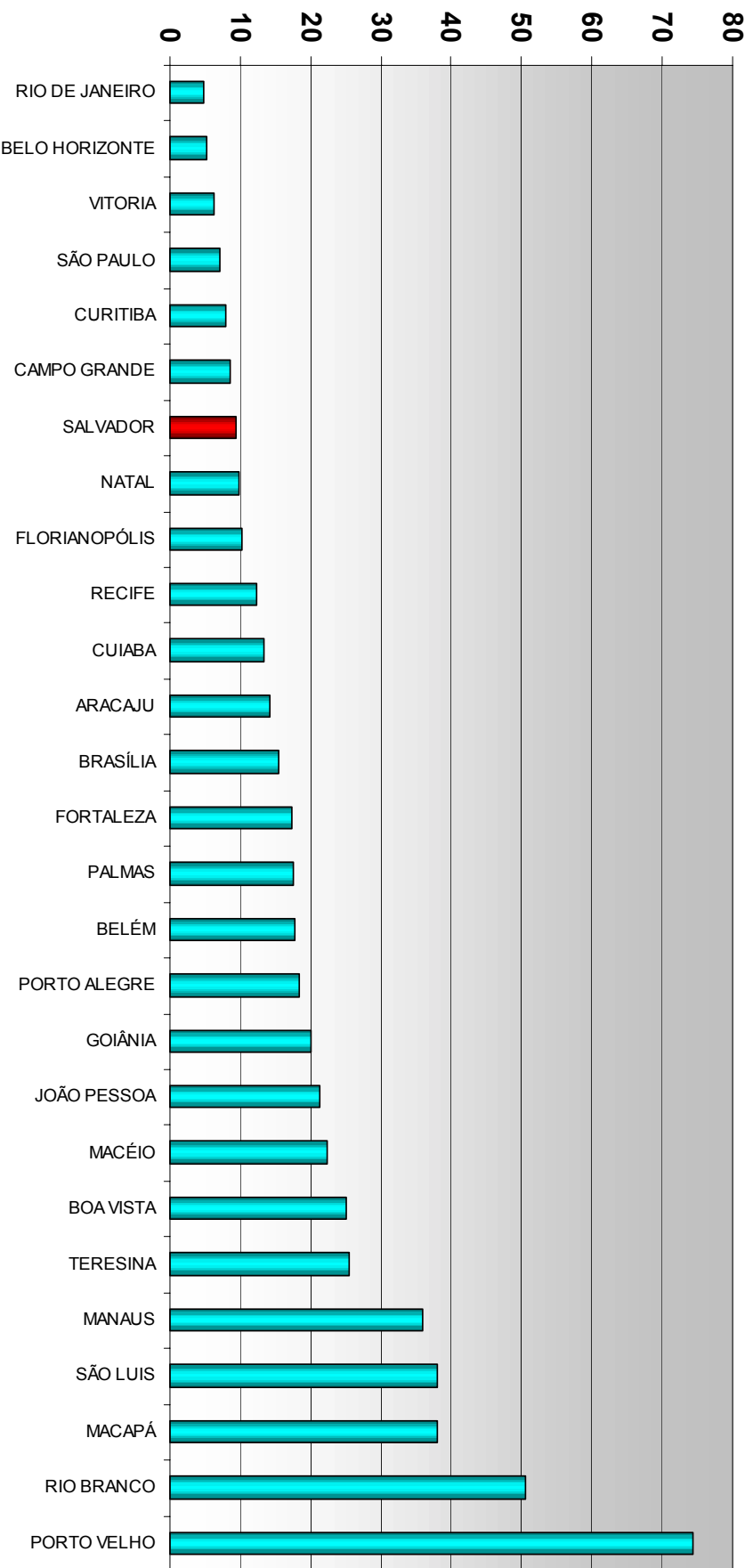
### FEC (Interruption/Customer/Year)

Source: Coelba as of December 31, 2000

## IV. Company Overview

### Performance

#### DEC per Cities in 2000

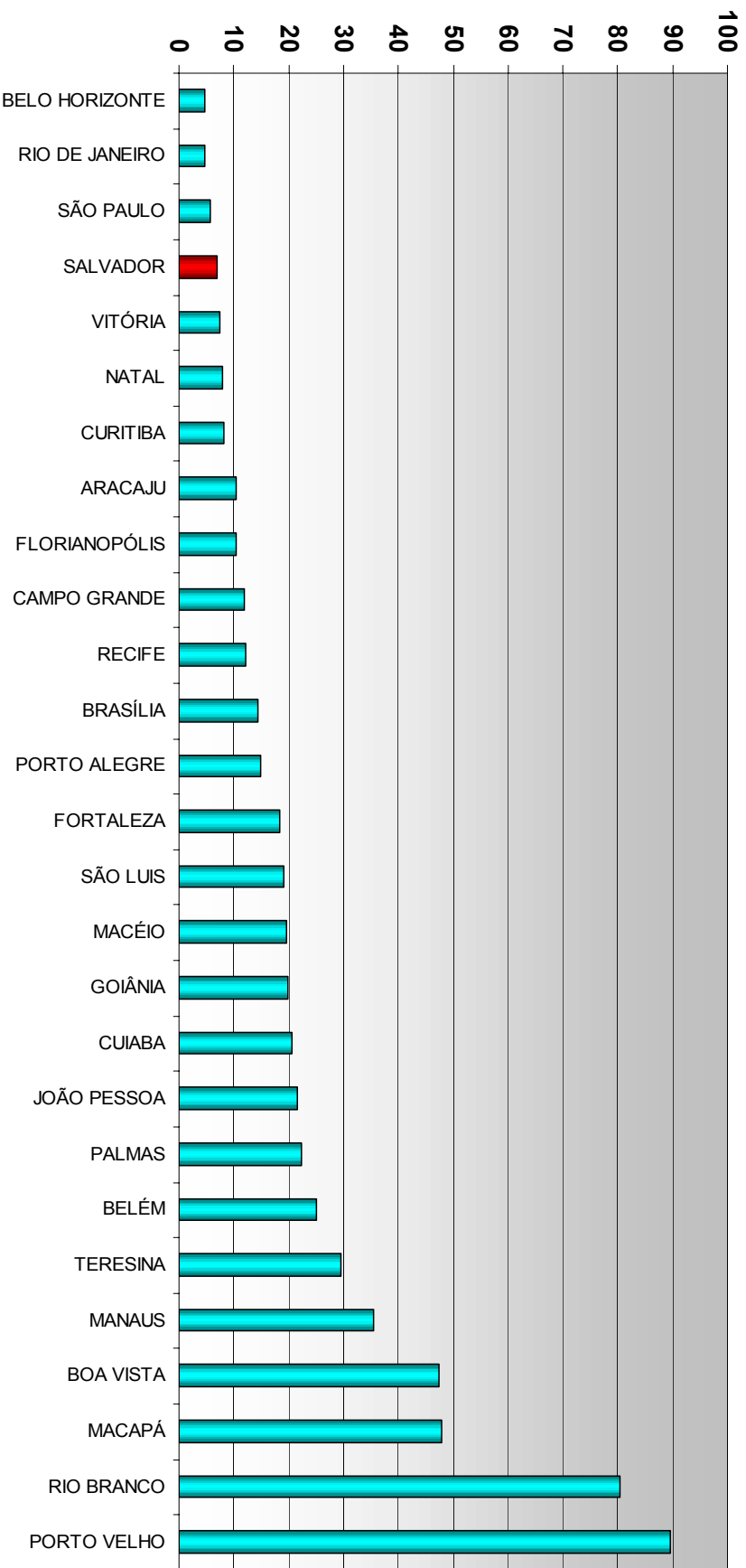


Source: ANEEL

## IV. Company Overview

### Performance

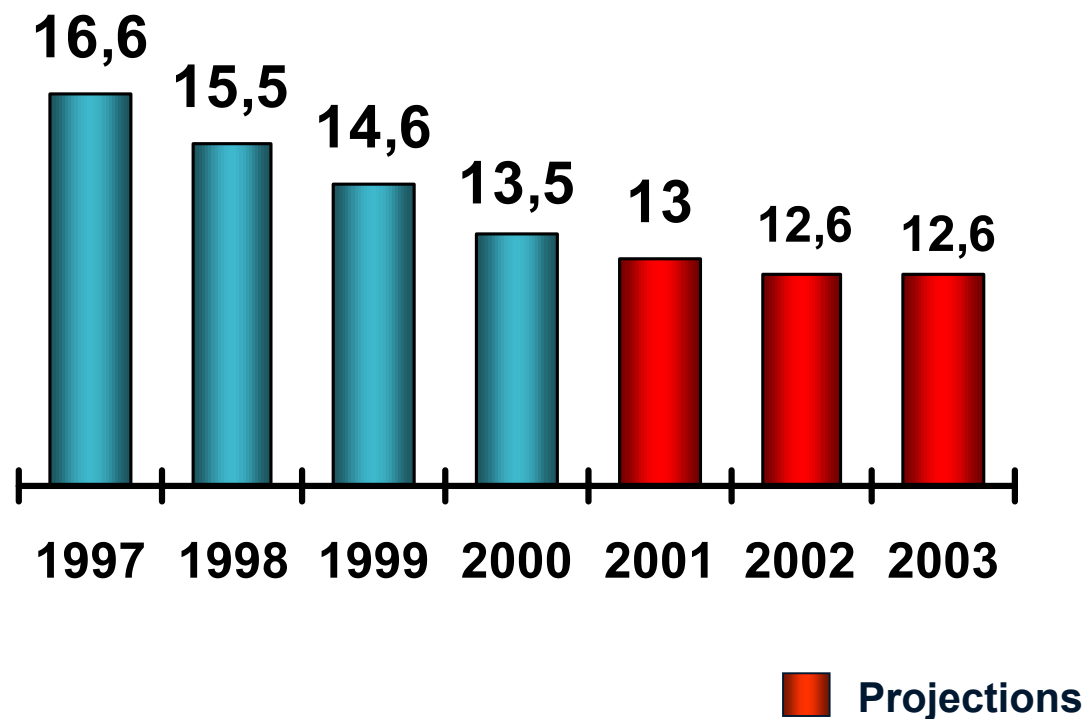
#### FEC per Cities in 2000



Source: ANEEL

### Performance

#### Annual Energy Losses (% MWh)

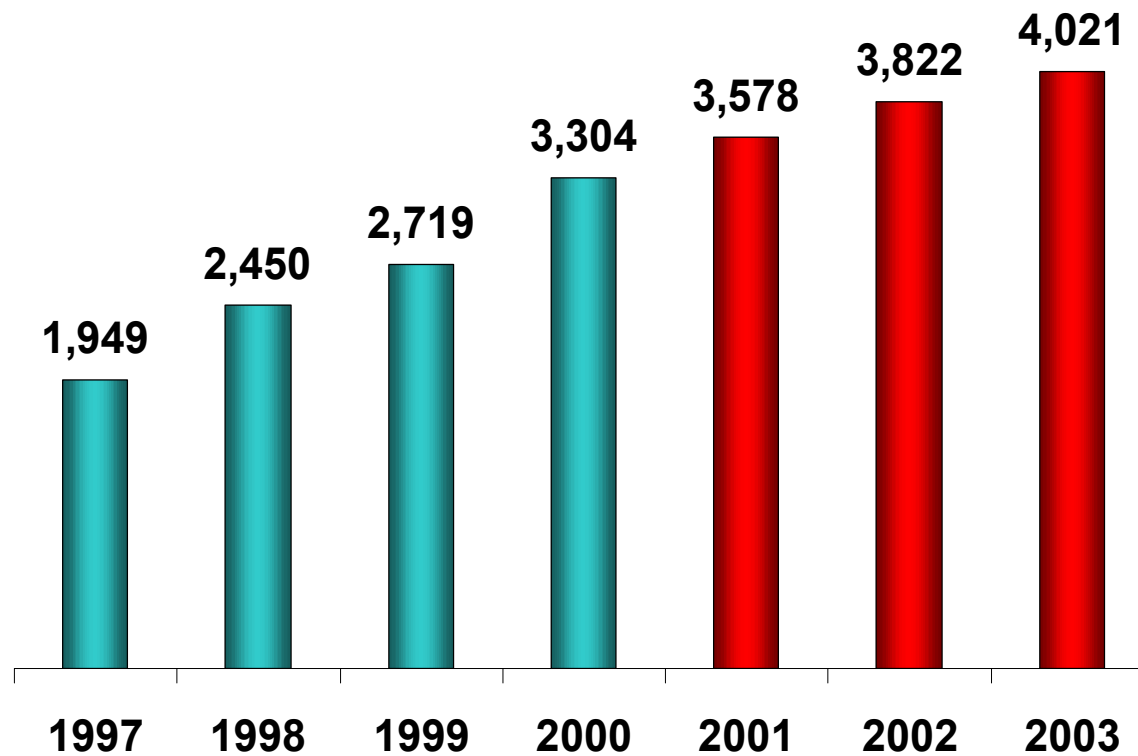


Source: Coelba as of December 31, 2000

## IV. Company Overview

### Performance - Productivity of Workforce

(MWh/Employee)



**CAGR<sub>97-00</sub> = 19%**

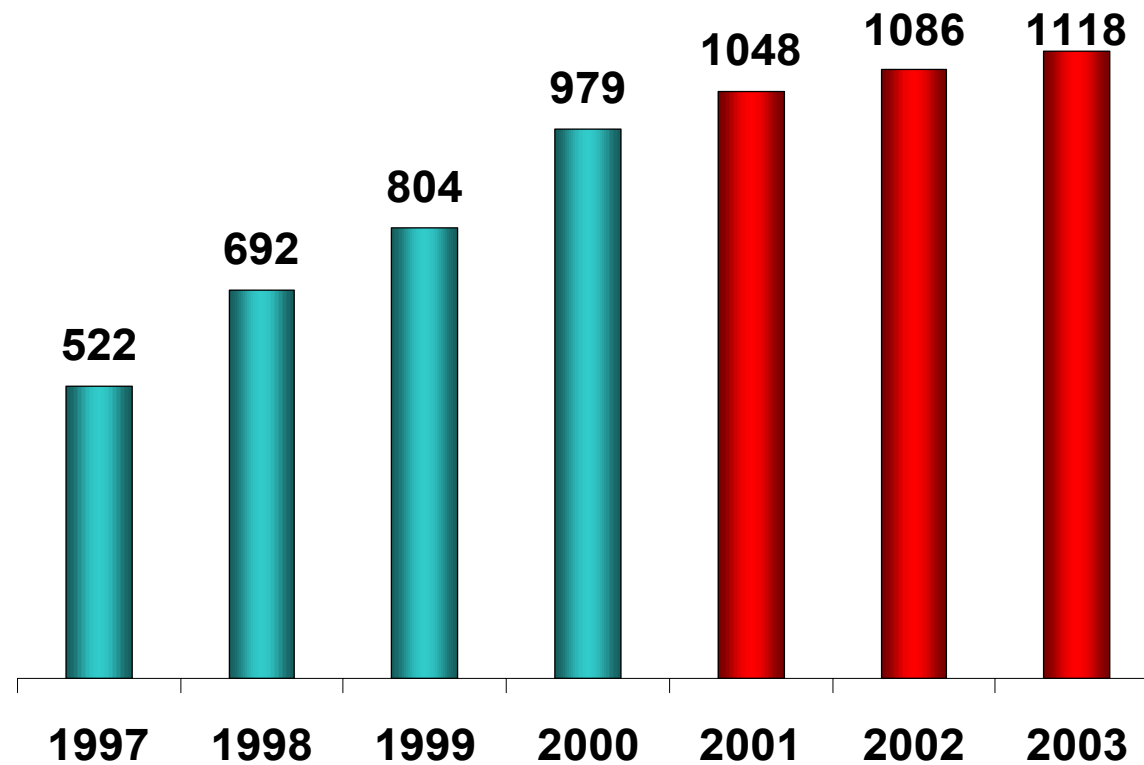
 Projections

Source: Coelba as of December 31, 2000

## IV. Company Overview

### Performance - Productivity of Workforce

(Customers/Employee)



**CAGR<sub>97-00</sub> = 23%**

 Projections

Source: Coelba as of December 31, 2000



## V. Financial Highlights

## V. Financial Highlights

### Historical Financial - Coelba Consolidated

(R\$ in Thousands)	<u>FYE 1999</u>	<u>FYE 2000</u>
<b>Operating Data</b>		
Net Sales	1,221,531	1,533,897
EBITDA	375,176	547,977
% EBITDA Margin	30.71%	35.72%
Interest Expenses	111,702	136,215
Net Income	(82,261)	149,643

*Source: Coelba*

## V. Financial Highlights

### Historical Financial - Coelba Consolidated

(R\$ in Thousands)	<u>FYE 1999</u>	<u>FYE 2000</u>
<b>Balance Sheet</b>		
Total Assets	2,886,338	3,931,774
Total Debt	1,031,519	1,342,659
Total Shareholders' equity	1,082,703	1,493,752
Capital Expenditures	463,818	592,624

Source: Coelba

## V. Financial Highlights

### Historical Financial - Coelba Consolidated

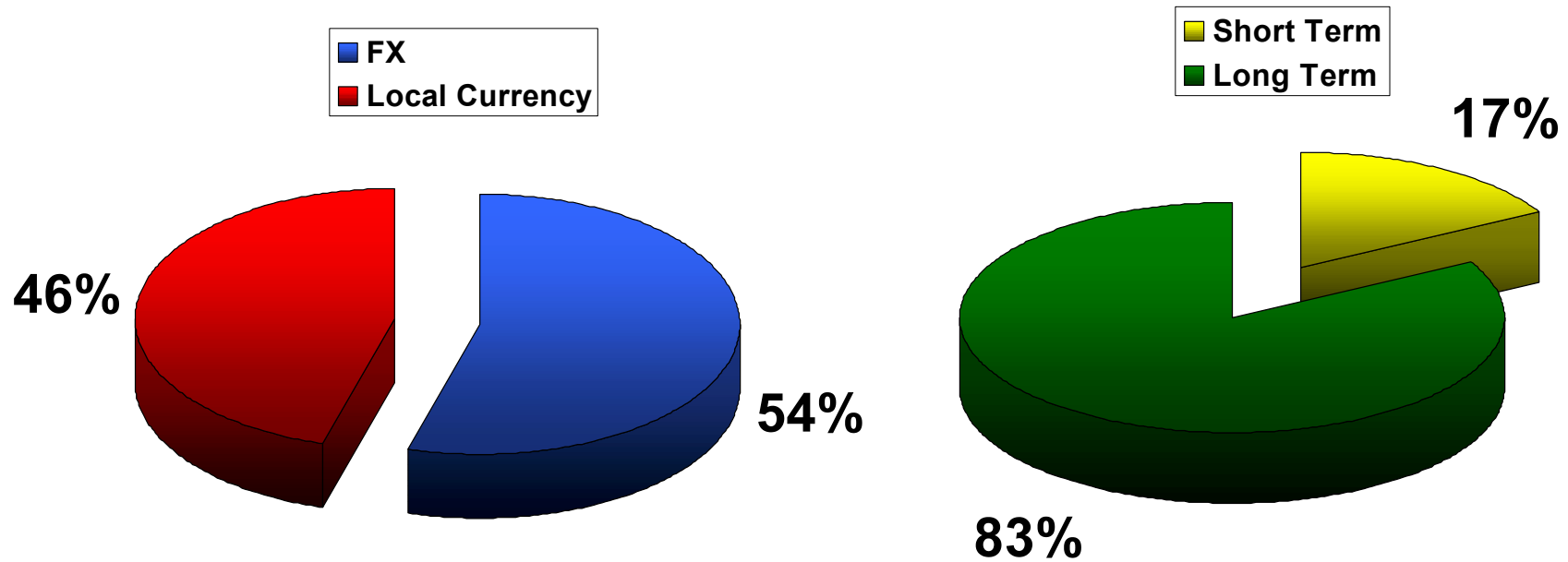
(R\$ in Thousands)

	<u>FYE 1999</u>	<u>FYE 2000</u>
<b>Ratios</b>		
EBITDA/Interest	3.35x	4.02x
Total Debt/EBITDA	2.74x	2.45x
Total Debt/Capitalization*	48.80%	47.30%

(\*) Capitalization = Total Debt + Total Shareholders' Equity

Source: Coelba

## Debt Profile



**Coelba has 50% of its FX exposure hedged**

Source: Coelba as of December 31, 2000 - Consolidated

## V. Financial Highlights

### Projected Financial Results

(R\$ in Thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Operating Data</b>					
<b>Net Sales</b>	1,347,214	1,572,970	1,733,682	1,963,267	2,293,421
<b>Gross Margin</b>	58.8%	58.8%	49.2%	44.4%	41.9%
<b>EBITDA</b>	456,916	561,673	458,662	449,908	506,417
<b>% EBITDA Margin</b>	33.9%	35.7%	26.5%	22.9%	22.1%
<b>Interest Expenses</b>	136,899	131,132	131,929	136,865	150,618
<b>Net Income</b>	206,486	300,392	247,435	232,881	269,270

Source: Coelba - Non-Consolidated

## V. Financial Highlights

### Projected Financial Results

(R\$ in Thousands)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Balance Sheet</b>					
<b>Total Assets</b>	3,603,025	3,968,370	4,261,804	4,567,128	4,868,900
<b>Total Debt</b>	1,224,947	1,312,128	1,308,761	1,312,669	1,320,028
<b>Total Shareholders' equity</b>	1,549,799	1,678,394	1,768,266	1,779,910	1,793,373
<b>Capital Expenditures</b>	349,887	394,215	427,448	442,498	443,568
<b>Dividends</b>	113,029	123,120	124,350	125,363	126,316

Source: Coelba - Non-Consolidated

## V. Financial Highlights

### Projected Financial Results

(R\$ in Thousands)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Ratios</b>					
<b>EBITDA/Interest</b>	3.34x	4.28x	3.48x	3.29x	3.36x
<b>Total Debt/EBITDA</b>	2.68x	2.34x	2.85x	2.92x	2.61x
<b>Total Debt/Capitalization(*)</b>	47.1%	47.0%	45.7%	45.9%	46.1%

(\*) Capitalization = Total Debt + Total Shareholders' Equity

*Source: Coelba - Non-Consolidated*



## V. Financial Highlights

### CAPEX Program

The main investments are on:

- Network Expansion
- Distribution Network Improvement
- Rural Expansion Program
- Basic Network

*Source: Coelba*

## V. Financial Highlights

### CAPEX Program - Projections

	<u>2001</u>	<u>2002</u>	<u>2003</u>
(In R\$ 000)			
<b>Coelba Direct Investments</b>	177,800	173,000	170,500
Maintenance	124,460	129,750	136,400
Discretionary	53,340	43,250	34,100
<b>Special Programs (*)</b>	<u>172,087</u>	<u>221,215</u>	<u>256,948</u>
<b>Total Capital Expenditures</b>	<b><u>349,887</u></b>	<b><u>394,215</u></b>	<b><u>427,448</u></b>

(\*) Funded by third parties

Source: Coelba - (Non - Consolidated)

## VI. Rationing

## VI. Rationing

### Industry Outlook

- ✓ Uncertainty still exists as important details of the rationing are pending from government decisions yet to be made. Therefore Coelba has no defined scenario for rationing;
- ✓ It is now very likely that rationing will start on June 1st, and last some time during 2001;

## VI. Rationing

### Industry Outlook

- ✓ Length of rationing is hard to predict as it depends on:
  - Return to average rainfall levels;
  - Evolution of demand in the face of economic slowdown;
  - Availability of new generation facilities presently in construction;

### Coelba's Specific Situation

- ✓ Will be selling surplus electricity to the MAE;
- ✓ Has a PPA with a new 450MW hydro plant (Itapebi), due to enter into operation in 2003;
- ✓ Enjoys a sound credit position, especially relative to some industry peers;
- ✓ Its service area is less dependent on customers that are energy-intensive industries;

Therefore, Coelba is in a position of relative comfort.

## VI. Rationing

### Coelba 2001 Economic Sensitivity (R\$ MM)

(In millions of R\$ - Non-Consolidated)

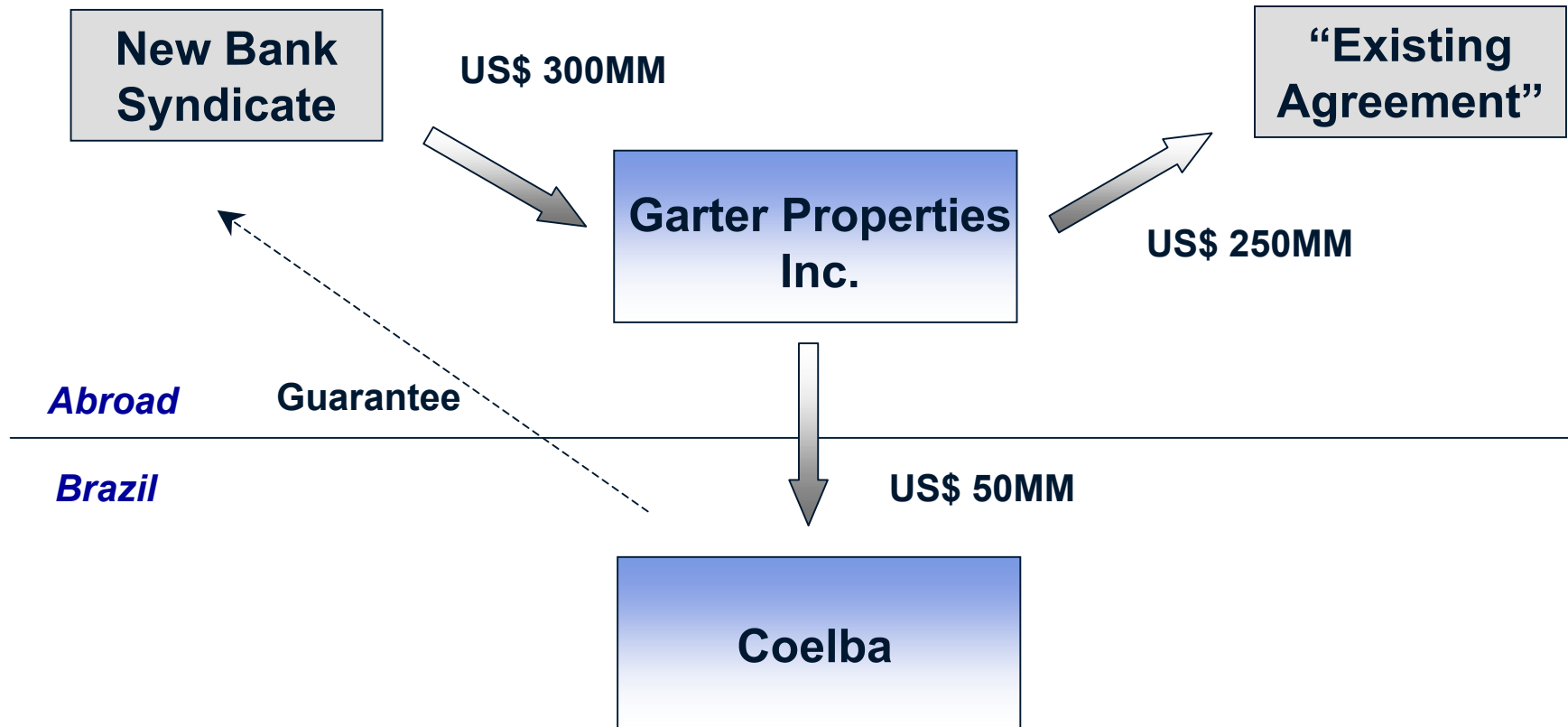
	<u>No rationing</u>	<u>20% rationing</u>
<u>Net Sales</u>	1,347	1,229
<u>EBITDA</u>	457	386
<u>EBITDA Margin</u>	33.9%	31.4%

## **VII. Transaction Structure and Refinancing Strategy**



# VII. Transaction Structure and Strategy

## Transaction Structure



### Refinancing Strategy

- ✓ **Reduce funding cost through the refinancing the US\$ 250 million credit facility;**
- ✓ **Avoid the “election year” refinancing risk;**

## VIII. Summary of Terms and Conditions

## VIII. Summary of Terms and Conditions

<b><u>Borrower:</u></b>	<b>Garter Properties Inc.</b>
<b><u>Guarantor:</u></b>	<b>Coelba - Companhia de Eletricidade do Estado da Bahia</b>
<b><u>Size:</u></b>	<b>US\$ 300MM</b>
<b><u>Tenor:</u></b>	<b>3 years - Bullet</b>
<b><u>Interest Rate:</u></b>	<b>Libor* + 2.250% p.a. 1<sup>st</sup> year Libor* + 2.625% p.a. 2<sup>nd</sup> year Libor* + 3.000% p.a. 3<sup>rd</sup> year</b>

(\*) Quarterly

## VIII. Summary of Terms and Conditions

### Financial

#### Covenants (measured quarterly):

**Total Debt/EBITDA**

**EBITDA/Interest Expense**

**Total Senior Debt/Capitalization**

#### Collateral:

**Shares of Garter Properties Inc.**

**Pledge of US\$ 300MM FRN issued by  
Coelba**

## VIII. Summary of Terms and Conditions

### Invitations

<u><b>Title</b></u>	<u><b>Fee(*)</b></u>	<u><b>Amount</b></u>
<b>Co-Arranger</b>	<b>0.75%</b>	<b>US\$ 25MM</b>
<b>Lead-Manager</b>	<b>0.50%</b>	<b>US\$ 15MM</b>
<b>Manager</b>	<b>0.375%</b>	<b>US\$ 10MM</b>



*(\*) To be paid on final allocation*

## VIII. Summary of Terms and Conditions

### Transaction Timetable

May 2001						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June 2001						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

 Major US Holiday  
 Major Brazilian Holiday

#### Date

**May 24**

**May 30**

**June 11**

**June 13**

**June 15**

**June 19**

#### Activity

**Bank Meeting in São Paulo**

**Bank Meeting in New York**

**Commitments Due**

**Signing and Closing**

**Libor Setting and Confirmation of Funding**

**Disbursement**

## **IX. Investment Considerations**



## IX. Investment Considerations

- ✓ **Concession area with sound economic fundamentals;**
- ✓ **Rationing;**
- ✓ **Strong sponsors;**
- ✓ **Experienced operator;**
- ✓ **Favorable competitive /regulatory environment;**
- ✓ **Conservative Covenants;**
- ✓ **Favorable customer mix;**
- ✓ **Strong financial condition/ratios;**
- ✓ **Adequate hedging policies.**



**Garter Properties Inc.**

**US\$ 300,000,000**

**SENIOR SECURED SYNDICATED  
CREDIT FACILITY**

**Guaranteed by**

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**Arrangers:**



**May 2001**