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## €775,000,000 Ostregion PPP Road Package 1 Austrian PPP Road Project Securitization

After more than a decade of successful Private Financing Initiative activity throughout the UK, governments on the European continent are increasingly turning to public-private partnerships (PPPs) to undertake major infrastructure initiatives. Commercial close was achieved in December 2006 by the Austrian government which successfully procured its first road PPP: Package 1 of the A5 Ostregion Programme. Package 1 comprises the design, construction, financing, operation and maintenance of a 51km section of motorway on the northern side of Vienna. Strategically important to Europe as a whole, the road is part of the EU-TEN (European Union Trans-European Network) project. In addition to forming an integral part of the Vienna ring road, Package 1 will result in the only motorway to connect Vienna and East Austria to the Czech Republic and beyond.

Following a competitive bidding process, ASFINAG, the Austrian government-agency responsible for roads in Austria, awarded a 32-year concession to the Bonaventura consortium for the construction, operation and maintenance of Package 1. The consortium is composed of Hochtief, Alpine Mayreder and Egis. Each company is financially strong and has significant experience in the construction, operation and maintenance of major roadways. Essentiality of the road - Vienna is considered the western gateway city to Eastern Europe - was an important strength of the credit. In addition, although the motorway will be a toll road, the project will not be solely reliant on traffic and toll payments. It will also benefit from availability payments and shadow toll payments, coupled with a minimum traffic guarantee, from ASFINAG.

Drawing on its extensive experience in PPPs worldwide (including several PFI road projects in the UK and the Golden Ears Bridge in Canada), Ambac assisted the consortium and lead arranger Deutsche Bank in structuring and securing an innovative, cost-effective financing for this ambitious project. Senior financing for the project represents €425 million of secured floating rate bonds due 2039 and a €350 million European Investment Bank loan facility due 2038, both enhanced by a triple-A guarantee from Ambac.

Of particular note, this complex financing includes a flexible drawdown profile for the senior bonds enabling long-term funds to be accessed at a more attractive cost of funds than in previous PPP transactions. In addition, Ambac offered other products, providing excellent economic terms for the sponsors and the transaction as a whole.

Financial close for this landmark transaction was successfully accomplished in January 2007. Thanks to the Ambac guarantee, the senior bonds and the EIB facility achieved the highest rating possible, contributing to the successful launch of the largest wrapped PPP transaction in continental Europe to-date.

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