

Credit Opinion: OeBB-Infrastruktur Bau AG

ÖBB-Infrastruktur Bau AG

Austria

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Aaa
Senior Unsecured -Dom Curr	Aaa

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Key Indicators

ÖBB-Infrastruktur Bau AG

	2006	2005
operating margin	28.5%	30.2%
EBIT / Interest Expense	1.0x	1.1x
Debt / EBITDA	6.6x	6.0x
FCF / Debt	-20.1%	-20.9%
Debt / Book Capitalization	48.6%	42.9%
RCF / Net Debt	4.9%	4.8%

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

Opinion

Company Profile

OeBB Bau is the legal successor of Österreichische Bundesbahnen, based on §29 of the Austrian Federal Railways Act, which was amended and enforced in December 2003 in order to comply with EU regulations which are aimed at liberalising the European rail transport market. In response to these regulations, the Austrian government replaced the rail activities, which were previously integrated in the 100% state-owned company "Österreichische Bundesbahnen", with the new structure set up in 2004, comprising: (i) separate passenger and rail freight operators (OeBB-Personenverkehr AG and Rail Cargo Austria AG), (ii) a service entity (OeBB-Dienstleistungs GmbH) and (iii) the following two entities charged with maintenance and management of the Infrastructure:

OeBB-Infrastruktur Betrieb AG ("OeBB Betrieb") as the manager of the infrastructure network responsible for operational planning as well as the network allocation to the various rail operators.

The rated entity OeBB-Infrastruktur Bau AG ("OeBB Bau") accounts for about 75% of the total group's assets and is responsible for (i) the planning and construction of infrastructure projects such as high-speed lines and other projects, (ii) maintenance investments and (iii) ownership of the rail infrastructure; it also receives fees from OeBB Betrieb for usage of the infrastructure. OeBB Bau also has incorporated several other separate railway entities which had not been within the Österreichische Bundesbahnen-Group. In addition, since 2007, OeBB Bau is also responsible for the operational maintenance of the network. OeBB Bau also owns and operates several hydro-power plants providing about one-third of the network's energy requirement as well as some non-core real estate assets in addition to the stations.

Rating Rationale

In accordance with Moody's Government Related Issuer Rating Methodology, the Aaa ratings of OeBB-Infrastruktur Bau AG foremost reflect the high support from the Republic of Austria.

Baseline Credit Assessment (BCA) of 9 (on a scale of 1 to 21, where 1 represents the lowest level of credit risk), which equates to a Baa2 rating;

The Aaa domestic currency rating of the Republic of Austria ;

High dependence;

High support.

The expectation of high support is based on: (i) 100% state ownership; (ii) the legal keep-well obligation; (iii) the provision that the government is entitled to guarantee any indebtedness incurred for the financing of infrastructure investments - most of the existing debt carries a state guarantee; (iv) the fact that OeBB received an injection of EUR 65 million from the Ministry of Traffic, Infrastructure and Technology during 2007 and the federal budget for 2008 includes an additional amount of EUR 134 million; (v) OeBB's intention to issue debt under the EMTN programme only, if this carries a state guarantee; (vi) the close scrutiny and control that OeBB Bau AG is subjected to by the government; and (vii) the strategic importance of a functioning, well-invested rail infrastructure for the economy of Austria.

The high dependence, on the one hand, reflects the geographic focus of OeBB Bau's activities on Austria, closely reflecting domestic economic activity. On the other hand, however, Austria is also a key transit country and this strong integration of the infrastructure into the international economy and trade-flow partially reduces the otherwise close integration and dependence of OeBB Bau AG on the Republic of Austria.

OeBB Bau's Baseline Credit Assessment of 9 positively reflects (i) the company's low business risk profile as Austria's monopolistic infrastructure owner and (ii) the stable revenue stream resulting from track access charges, energy sales, rent income and other services. At the same time, the Baseline Credit Assessment is weakened by the expected deterioration of the company's financial risk profile. Budgeted high capital expenditure combined with a considerably lower expected internal funding ability will lead to an increase of the company's indebtedness, while increased borrowing costs will weaken the company's profitability and cash generation.

Liquidity

The intrinsic liquidity of OeBB Bau AG is fairly weak, as the internal cash generation and capital grants only cover a fraction of the necessary and committed annual capital expenditure of the company. However, OeBB Bau has access to state guaranteed funding, and the state has an additional legal requirement to ensure the liquidity and solvency of the company. Including these considerations, Moody's therefore sees the liquidity of OeBB Bau AG as strong.

Rating Outlook

The stable rating outlook for OeBB Bau AG reflects the stable rating outlook from the support provider, the Austrian government.

What Could Change the Rating - Down

Any rating changes on the sovereign rating, as well as a change in expected support, could put downward pressure on the credit rating. Given the monopolistic role as an infrastructure owner and OeBB Bau AG's strategic importance to the Austrian economy, we do not regard this scenario as likely over the foreseeable future.

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