

News Release

Michelle Wolf
Ernst & Young Global PR
+44 20 7980 0043
michelle.wolf@uk.ey.com

Andrew Neilly
Gallen Neilly & Associates
925-930-9848
Andrew@gallen.com

Private investment needed to meet European infrastructure needs

NEW YORK, 17 APRIL 2008 – Bridging the gap released today by Ernst & Young examines the existing environment and future opportunities for private investment in infrastructure in Europe including emerging markets in eastern and central Europe. Despite a global tightening of credit, in Europe most financings of core infrastructure, such as toll roads, airports or railroads, are expected to close as planned in 2008. The issue will be the cost of capital, as infrastructure is seen as a conservative investment class.

“Across Europe, one of the key issues for governments will be the promotion of more open cross-border competition in order to attract foreign investment in an increasingly competitive environment,” says James Neal, Head of Ernst & Young’s Infrastructure Advisory group.

The countries studied in this report are currently at varying stages of maturity as it pertains to attracting and utilizing private investment capital for infrastructure, commonly called public private partnerships (PPPs). For example, since creating the legal frameworks for PPPs in 2004, France reported 35 agreements have been reached, including privatizing three toll road companies for €12 billion. However, as of 2006, Germany has seen slower growth with a modest €1.4 billion of private investment in infrastructure.

Even as governments struggle to build the infrastructure needed to support growing economies, in some countries new development is drawing political opposition due to

environmental, economic or social issues such as pollution, displacement of homes or businesses. In addition, with global warming a growing concern many countries are struggling with how to protect valuable infrastructure from flood, fire and other catastrophes likely to occur over the next 50-100 years.

In spite of current challenges, the report found that governments across the European Union (EU) are largely welcoming privately invested capital, while also increasing their own capital commitments to infrastructure projects. Like the US and most other industrialized countries around the world, Western Europe has failed to keep up with the demand for new infrastructure. The EU's own trans-European infrastructure plan calls for massive development of transportation and other infrastructure at a cost in excess of €550 billion by 2020 with more than 90% of costs expected to be covered by EU member states and private investors.

According to the report, private investors are likely to increasingly turn their attention to emerging markets in central and eastern Europe. In 2008 and 2009 look for investors to focus more of their attention on the emerging infrastructure investment markets in Turkey, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Since 2003, Hungary, Poland and the Czech Republic have approved PPP legislation.

“Governments in the increasingly modernizing economies of the emerging European markets are starting to compete for increased amounts of foreign investment,” according to Neal. “We expect traditional infrastructure investment hotspots such as the UK to remain attractive, but investors are also reaching out to emerging markets in an effort to maximize returns on their infrastructure investment capital.”

-ends-

About Bridging the gap, Investing in European Infrastructure

Bridging the gap, Investing in European infrastructure 2008 expands upon *Investing in Global infrastructure 2007* with a detailed look at infrastructure in the western European nations of France, Germany, Greece, Italy, the Netherlands and Spain, as well as increasing opportunities in their eastern and central European neighbors: the Czech Republic, Hungary and Turkey. For a full copy of the report visit: www.ey.com/realestate.

About Ernst & Young's Global Real Estate Center

Today's real estate industry must adopt new approaches to address regulatory requirements and financial risks, whilst meeting the challenges of expanding globally and achieving sustainable growth. Ernst & Young's Global Real Estate Center brings together a worldwide team of professionals to help you achieve your potential — a team with deep technical experience in providing assurance, tax, transaction and advisory services. The Center works to anticipate market trends, identify the implications and develop points of view on relevant industry issues. Ultimately it enables us to help you meet your goals and compete more effectively. It's how Ernst & Young makes a difference.

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 130,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

This news release has been issued by EYGM Limited, a member of the global Ernst & Young organization that also does not provide any services to clients.