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## Transport for London 'AA' Rating Unchanged By Metronet Companies Entering PPP Administration

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LONDON (Standard & Poor's) July 19, 2007--Standard & Poor's Ratings Services said today that the placing of Metronet Rail BCV Ltd. and Metronet Rail SSL Ltd. (the Infracos) into public-private partnership (PPP) administration will not change the credit rating on Transport For London (TfL; AA/Stable/--). The outlook remains stable.

"The work specified in the two PPP contracts undertaken by the Metronet companies is expected to continue with minimal disruption during the PPP administration period," said Standard Poor's credit analyst Robert Robinson. "TfL had previously made contingency plans for administration, and has now agreed an administration funding arrangement to cover the cost of administration as well as the cost of operations, capital expenditure, and debt servicing." Any additional costs associated with this process will be met in the short term from TfL reserves. TfL has about £2 billion of reserves. Discussions with the Department of Transport (DoT) are ongoing as to how these reserves may be replenished at a later date. The amount of rated debt facilities associated with the Metronet PPP contracts is about £2.6 billion.

Moreover, Standard & Poor's expects the DoT to continue to act supportively to TfL, given that their relationship is strong. Despite the administration action, there has been no altering of the existing letters of comfort, which set out the department's supportiveness to TfL in relation to

its PPP obligations.

Following the period of administration, the debt obligations of Metronet Rail BCV Finance PLC and Metronet Rail SSL Finance PLC may transfer to a subsidiary of TfL. At this stage, the related debt may be refinanced and the PPP contracts restructured prior to any possible sale process to a new Infracore entity. We understand that TfL is in discussions with the DoT about the basis on which the comfort the DoT provides on existing senior debt could be applied to any refinanced debt. The rating on TfL strongly relies on the supportive relationship with government. Any evidence of weakening of government support throughout this process could have an adverse effect on TfL's creditworthiness.

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