

# European Airports Deal of the Year 2013: Zagreb

21/02/2014

Zagreb Airport is the first PPP in Croatia since the countrys accession to the European Union in July 2013. The ZAIC-A consortium will build and operate a replacement terminal to serve a forecast increase in both business and tourism travel to the capital.

The centerpiece of the 331 million (\$452 million) project is the construction of a 65,000m2 passenger terminal for Croatias capital city, which will increase the capacity of the existing crowded facility from 2 million to 5 million passengers per year. Design and construction of the terminal will cost 243 million, with 88 million to be spent on maintenance over the 30-year life of the concession.

The sponsors of concession company Međunarodna Zračna Luka Zagreb (MZLZ) are Aéroports de Paris Management (AdP, 20.77%), Bouygues Bâtiments International (20.77%), Marguerite Fund (20.77%), the International Finance Corporation (IFC, 17.58%), TAV Airports (15%), Viadukt (5.11%). Bouygues will carry out construction over three years as lead contractor, with Viadukt as a subcontractor. AdP and TAV will operate and maintain the airport.

The upgrade is designed to make Zagreb a hub for travel to the Balkans, in place of Vienna, which currently fulfills that role. In early 2012 the market was a little shy about this type of transaction, with traffic risk and upfront investment. However support from the IFC, EIB and European Commission was strong, as this is an example of infrastructure investment relaunching the economy, and it motivated investors, says Eric Fleurisson, airport development director at Bouygues Bâtiments International.

In April 2012 Croatias Ministry of Sea, Transport and Infrastructure awarded a 30-year design, build, finance, operate and maintain concession to the ZAIC-A consortium. A portion of the equity was due to come from the state Croatian insurance company Crosig, but it pulled out in July 2013 after it was privatised. The Marguerite Fund was able to step in once Croatia became a part of the EU.

The sponsors reached financial close on 5 December 2013. Deutsche Bank, the sponsors financial adviser, put together the non-recourse package. The senior debt breaks down in to an 80 million term loan from the EIB, a 35 million term loan from the IFC and an 80 million term loan from two commercial banks: Deutsche Bank (50%) and UniCredit Bank Austria (50%).

All of the senior debt has a tenor of 17 years, though with a soft mini-perm feature. There is 75% cash sweep after eight years going up to 100% after ten years. This, combined with pricing step-ups, serves an incentive to refinance. UniCredits local subsidiary Zagrebačka Banka provided a 3.1 million VAT facility with a tenor of 4 years and 5 months.

**Međunarodna Zračna Luka Zagreb**

STATUS
Financial close 5 December 2013
DESCRIPTION
Construction of a new airport terminal in Zagreb, Croatia under a DBFOM concession.
SIZE
331 million
SPONSORS
Aéroports de Paris Management (20.77%), Bouygues Bâtiments International (20.77%), Marguerite Fund (20.77%), IFC (17.58%), TAV Airports (15%), Viadukt (5.11%)
GRANTOR
The Croatian Ministry of Sea, Transport and Infrastructure
LENDERS
EIB, Deutsche Bank, IFC, UniCredit
SPONSORS FINANCIAL ADVISER
Deutsche Bank
SPONSORS' MODELLING ADVISER
PwC
GRANTORS FINANCIAL ADVISOR
Deloitte
SPONSORS LEGAL ADVISERS
Pinsent Masons, Porobija & Porobija
LENDERS LEGAL ADVISERS
Norton Rose Fulbright, Madirazza & Partners
GRANTORS LEGAL ADVISER
Hanzecovic

The total equity contribution from the sponsors is 107 million, including 25 million of undrawn stand-by equity. The total investment came to 331 million, with the remainder met with pre-completion revenues from the existing terminal and shareholder loans during construction. The debt/equity ratio is therefore about 60/40.

Lenders benefit from a reserve account during the ramp-up phase, measures that would reduce leverage if operational performance falls short, and the 25 million in stand-by equity. The Croatian government has given the project company clarity about revenues by offering a flexible tariff regime in line with EU regulations. The government also provides compensation equivalent to all outstanding debt and hedging exposure in the event of termination through sponsor or grantor default.

The engineering, procurement and construction contract is fixed-price lump-sum and date certain. Bouygues has already constructed three new airport terminals in Cyprus and Canada, while Aéroports de Paris and TAV Airports now operate 22 and 13 airports, respectively.

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