abertis

Investor’s Day 2007

INVESTMENT POLICY

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Barcelona
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Dow Jones Sustainability Indexes
Member 2007/08

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Investment strategy and policies

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As a long-term investor, **abertis** has implemented a selective and sustainable acquisitions policy without shareholder contribution, in line with the Group's strategy:

1.- Focus on transport and telecommunications infrastructures

2.- Global operator, with a selective geographic focus

3.- Acquisitions with industrial logic

4.- **abertis** as leader of a solid and prestigious consortium

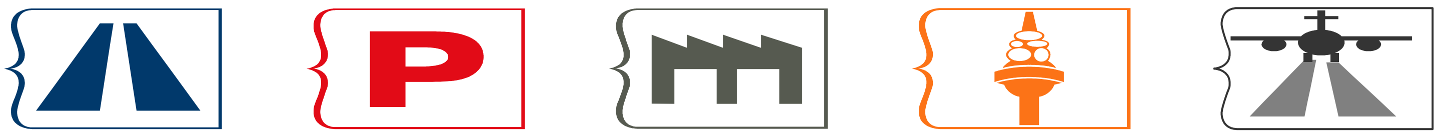
5.- Rigorous investment policy focused on value creation

6.- Specific optimum financing strategy for each operation

7.- Strong commitment to all “stakeholders”

1.- Focus on transport and telecommunications infrastructures

- Current presence in 5 sectors



1967 1994 1997 2000 2004

- Other infrastructures (energy, water, social infrastructure…) do not form part of the **abertis** investment strategy
- Focus on true infrastructures opportunities ("not only with their financial characteristics")
- Significant management expertise/track record shared between businesses

2.- Selective geographic focus

- Selective geographic investment focus in countries that meet the following characteristics
  - Politically, economically and socially stable
  - With a developed legal framework that protects the private investor
  - With an efficient and agile legal system
  - With developed and liquid financial markets
  - With transparent, rigorous and non-bureaucratic privatisation or bidding processes
  - Focus on Europe, North America and South America and Asia selectively

3.- Industrial logic

- Selective investment strategy with industrial logic
- Prioritisation in strategic operations where **abertis** provides a differential value, leveraging on existing capabilities:
  - Increase in income
  - Improvement in operating efficiency
  - Leading technological capability
  - Financial optimisation
  - Experience in concessions/PPPs

- Add capabilities and skills in 2 directions (transfer of know-how and exchange of "Best practices")
- Prioritisation in operations with no major construction risk (do builders have a competitive advantage?)

4.- abertis as industrial leader of a consortium

- **abertis** as leader of a solid and prestigious long-term consortium
  - Only industrial partner
  - Majority or minority interest as major shareholder, which makes it possible to exercise significant influence over the running of the company
  - Active management involvement
  - Partners with similar values and business cultures
  - Local partners that provide a differential factor
  - Integration and support in local management as a growth platform

5.- Focus on value creation

- Rigorous investment policy focused on profitability and value creation for the shareholder
  - Carrying out exhaustive due diligence process
  - Internal Rate of Return (IRR) and Net Present Value (NPV) as basic financial decision-making criteria: “value accretive”
  - Determination of target IRR for each project
  - The impact on the following will also be analysed:
    - Income statement (EPS accretion/dilution) and cash-flow generation
    - Dividend policy (sustainability)
    - Debt and rating

5.- Focus on value creation (II)

- Determination of specific minimum IRR:
  - By sector
  - By project type
  - By country
- Breakdown of specific risk based on bottom-up analysis.
- Approximate range for motorways (without considering country risk), from 10%-12%.
- Sensitivity analysis for critical variables


Foto © Josep Loaso

6.- Financing adapted to each operation

- Flexible, optimum financing strategy for each operation
  - Without turning to the shareholder in consortium operations
  - Long-term financing
  - Balancing different factors:
    - volume of debt (maximise leverage?)
    - margins and commissions
    - covenants
    - “dividend yield” requirements
    - etc.
  - Use of different financial instruments, as well as financial derivatives (interest rates, currency, inflation …)

7.- Commitment to all “stakeholders”

- Cooperation with public administrations, i.e. "partners" over the long-term of the project
- Service efficiency and quality
- Growth strategy guided by ethical criteria and respect for the environment
- Investment policy based on values of dialogue and collaboration, trust in people, proactivity and responsibility
- Contribution to disseminating cultural values through diverse initiatives, with special attention to historic heritage

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Other considerations

- Every project is different, as a result of which specific approaches and strategies adapted to each project will be required

- Promotion of continuous innovation and learning skills

- Need to assume realistic but challenging assumptions

Other considerations

- **T.A. Luherman** (MIT's Sloan School of Management)

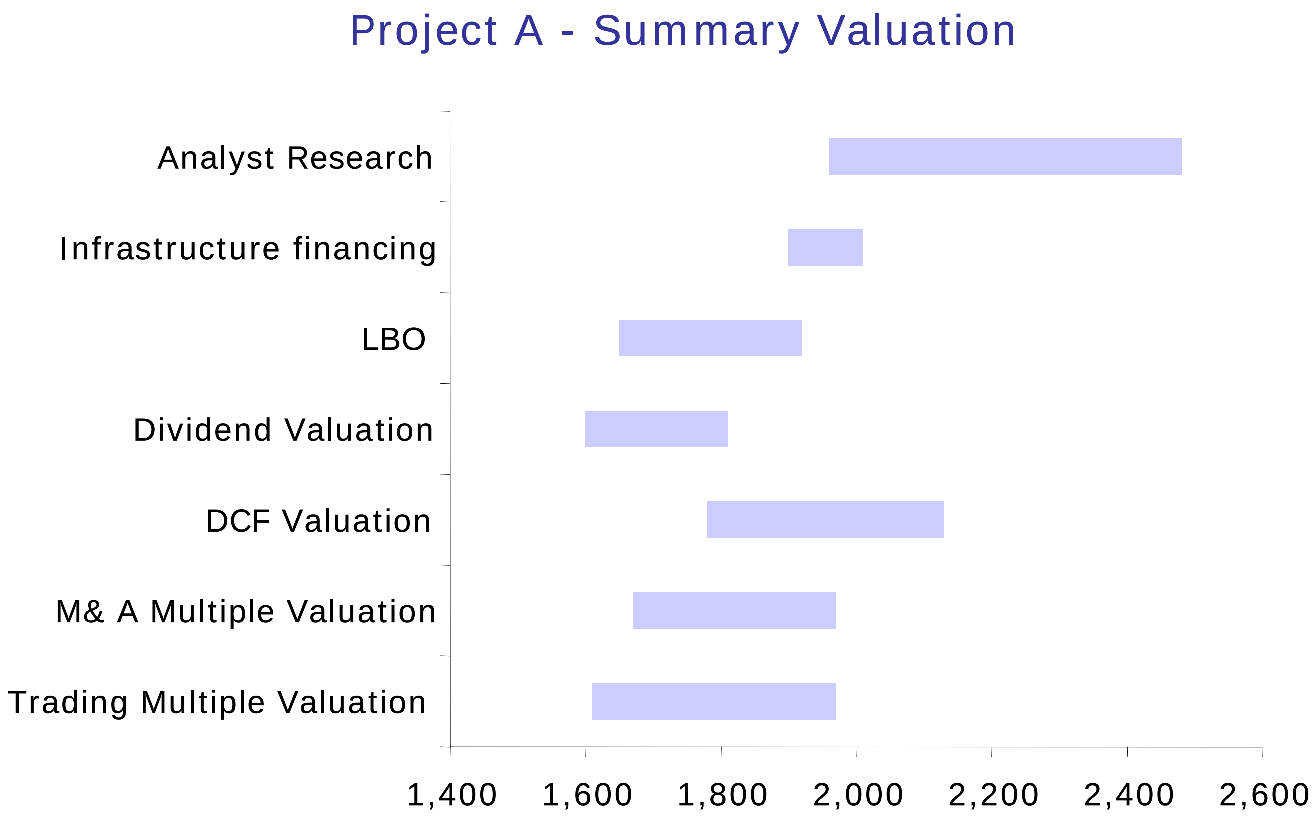
"The power of valuation analyses is enhanced more by a deep understanding of the business than by general experience with valuation".

- **Warren Buffett**

"Valuing a business is part art and part science"

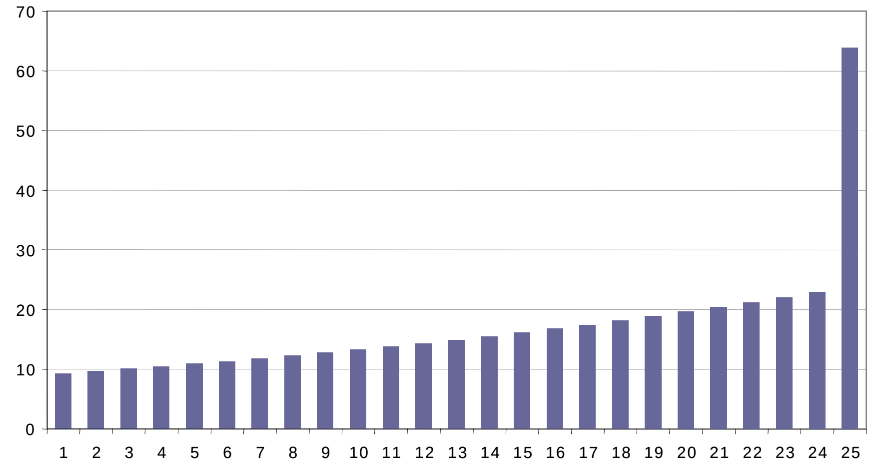
Other considerations

- Are there really that many different valuation methodologies?

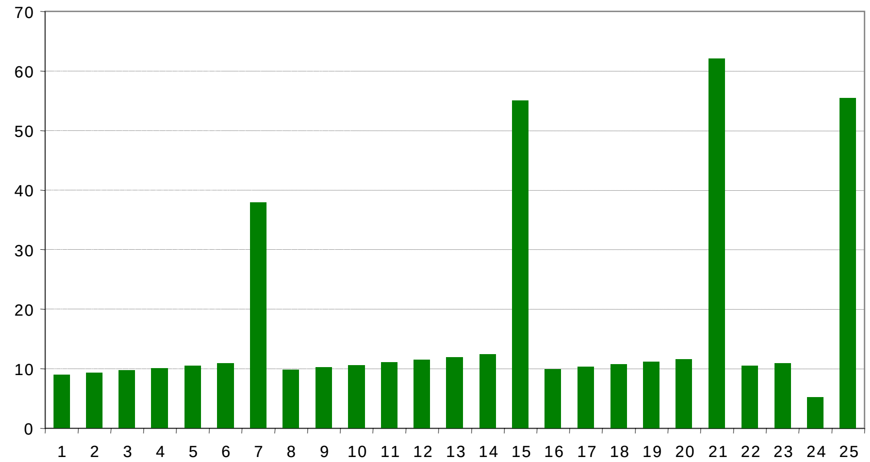


Which project is more attractive?

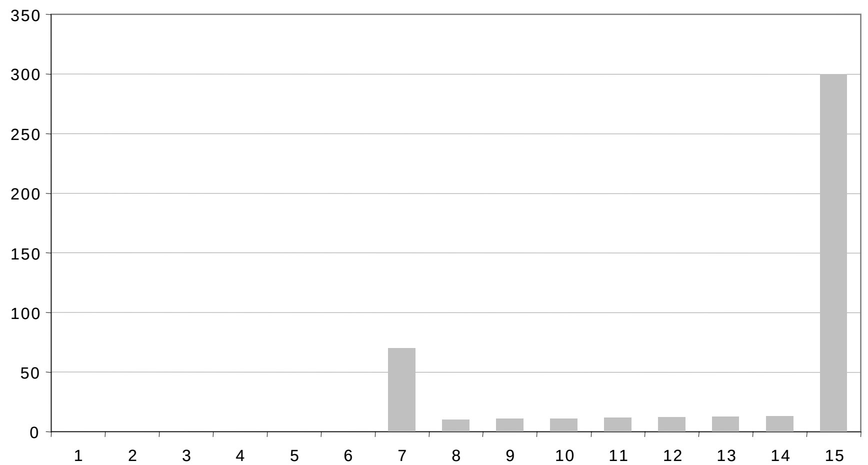
Project A - IRR 12%



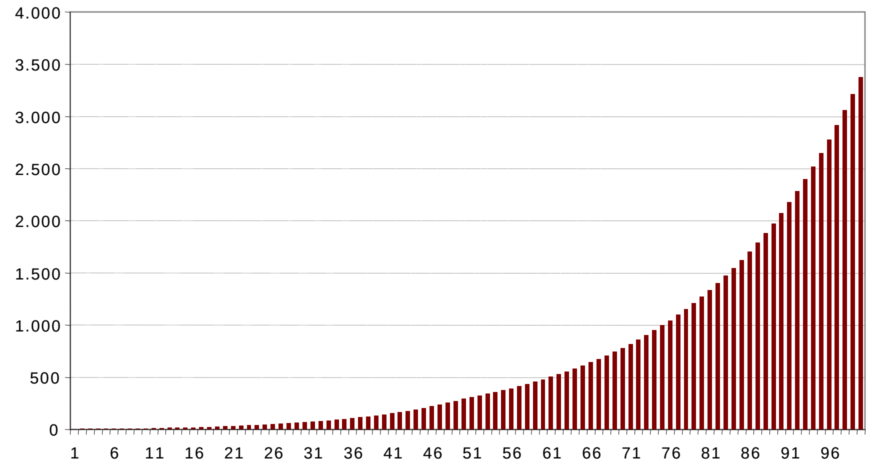
Project B - IRR 13%



Project C - IRR 13%



Project D - IRR 14%



Aswath Damodaran - "Twelve Myths in Valuation"

Myth 1. Valuation is a science that yields precise answers...

Reality 1: Valuations are always biased...

Truth 1.1	Truth 1.2
All valuations are biased. The only questions are how much and in which direction	The direction and magnitude of the bias in your valuation is directly proportional to who pays you and how much you are paid

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Conclusion

- Existence of an experienced team,
- which is highly motivated,
- committed to the **abertis** strategy and
- focused on producing new investments that add value to the Group

“An Infrastructure ‘Toro’ ”

“The Big Boy is fashionable again”. “Infrastructure Dinosaur”

“abertis… U Can Touch This!” … “A Safe Haven”

“Aiming for the Champions League”

“Good Fundamentals… and value adding acquisitions…”

“… una máquina de generar caja”

“The road to success is never easy”

“Diversification: active non-organic strategy execution”

“Good acquisitions track record… which may attract a premium rating going forward”

“An attractive infrastructure player… and a promising telecom infrastructure business”

“Unique exposure to telecom infrastructure”

“Telecom Business: the hidden pearl”

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Questions & Answers

Coffee Break

The presentation will resume at approximately

11:00 BST / 12:00 CEST