



**Investor Day – April 2010**

## **INVESTMENT STRATEGY**

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**Corporate Development Director**

## abertis: Investment strategy

1. **An overview of the infrastructure market**
2. abertis' strategy
3. A robust methodology for successful investments
4. Value creation
5. Conclusion



	Before	Now
Deal Pipeline	<ul style="list-style-type: none"> <li>• Surge in number of projects</li> <li>• Megadeals</li> </ul>	<ul style="list-style-type: none"> <li>• Confidence is rising but still unclear pipeline</li> <li>• Medium sized deals</li> <li>• Asset rotation and distressed sellers</li> </ul>
PPPs	<ul style="list-style-type: none"> <li>• Technical and financial advantages of PPPs remain</li> <li>• Deficits may encourage privatisations, although stimuli packages may have a short term impact in postponing some projects</li> </ul>	
Investors	<ul style="list-style-type: none"> <li>• Very competitive landscape</li> </ul>	<ul style="list-style-type: none"> <li>• More selective and sophisticated investors (Operators, contractors and financial investors)</li> </ul>
Capital structure	<ul style="list-style-type: none"> <li>• High liquidity and access to credit (debt and equity)</li> <li>• Highly leveraged structures</li> </ul>	<ul style="list-style-type: none"> <li>• More limited liquidity and improving access to credit</li> <li>• Need to access all sources of capital</li> </ul>
Valuations	<ul style="list-style-type: none"> <li>• More aggressive operating assumptions</li> <li>• Optimistic debt refinancing assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Realistic assumptions</li> </ul>

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A long-term investor with a selective, sustainable and defined growth strategy

**Rigorous** investment policy focused on **value creation**

## Sector Focus

- Focus on transport and telecommunications infrastructures
- Stable, visible and predictable cash flow. Inflation linked

## Geographic Focus

- A selective geographic focus to expand our geographic footprint in higher growth economies

## Industrial approach

- Industrial logic and active management involvement (transfer of know-how and share of "best practices")
- Strong commitment to all "stakeholders"

## Leading shareholder

- **abertis** as the leader of a solid and prestigious consortium, with strong local partners
- Strong relationship with leading partners and advisors

## Optimum financing

- Specific optimum financing strategy for each operation (non recourse financing in local currency)

## A long-term investor with a selective geographic focus

### Stability and strong economic growth

- International expansion in political, economic and socially stable countries
- Need for infrastructure and strong forecasted economic growth
- Country Size and expected deal pipeline

### Legal Framework and PPP support

- Clear and supportive regulatory framework
- An independent and strong justice system
- A strong political commitment to PPP by all parties
- Track record of private investment in infrastructure

### Tender Process

- A transparent, rigorous and no bureaucratic tender process
- **abertis'** competitive position vs. local players

### Financing in local currency

- Developed financial markets (Role of "Multilateral Development Banks" to take risk)
- Availability of long term financing in local currency (CCS/NDF)

## abertis, the industrial partner of choice in a Partnership approach

## Majority stake

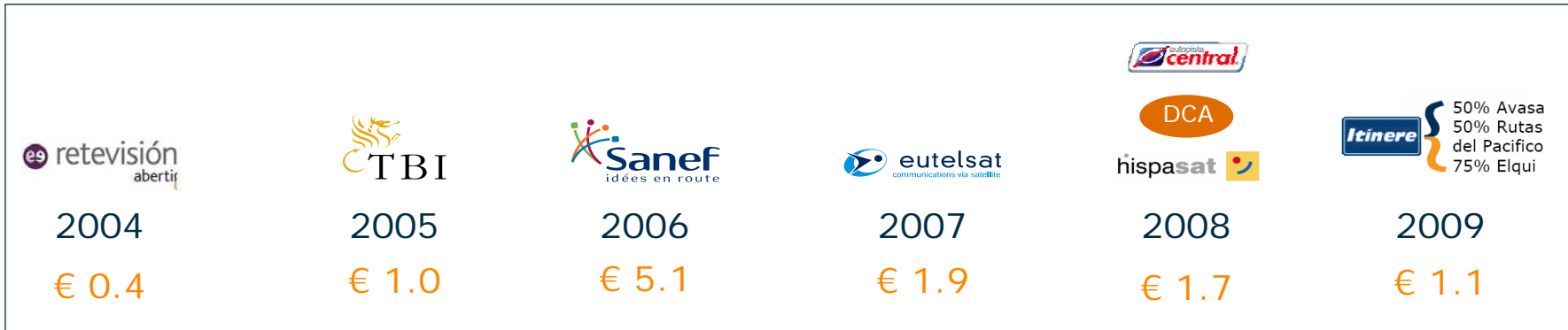
- **abertis** as the main shareholder
  - Majority stake
  - Largest shareholder
  - As large as the largest
- Control (or at least negative control)
- Long term investor: "path to control" if minority stake

## The Industrial partner

- Sole industrial partner
- Backing of local partners [and financial partners]
- Alignment of interest between the different parties

A selective and successful growth strategy since the foundation of abertis

From 2 sectors and 5 countries to 5 sectors and 18 countries

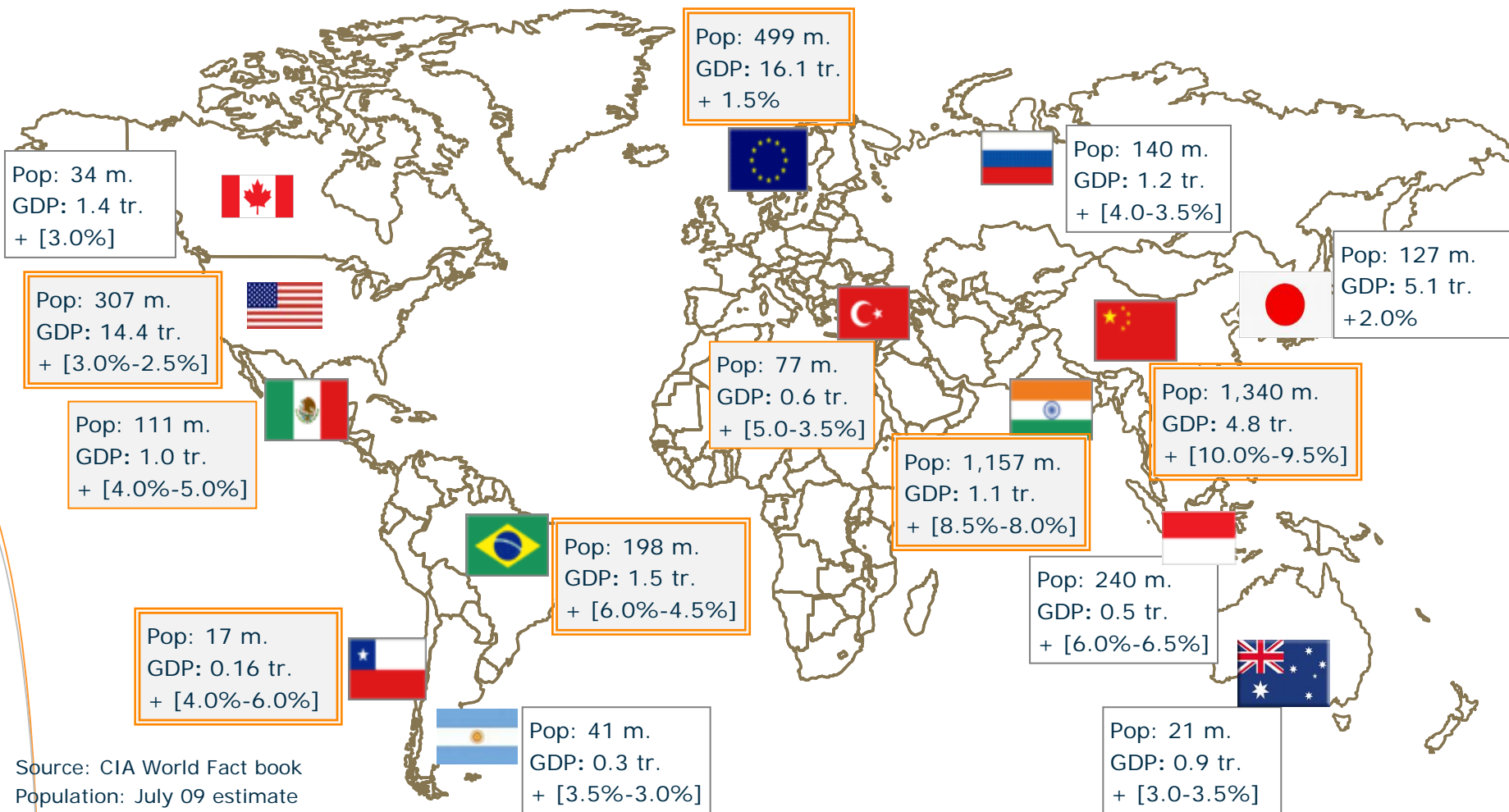


Investment as a percentage of Firm Value, on a pro-rata basis. In Billion euros

Highlights:	1999	2004	2009	
Workforce	1,970	5,668	12,484	x 6
Revenues	0.5	1.5	3.9	x 8
Assets	3.2	7.1	24.6	x 8

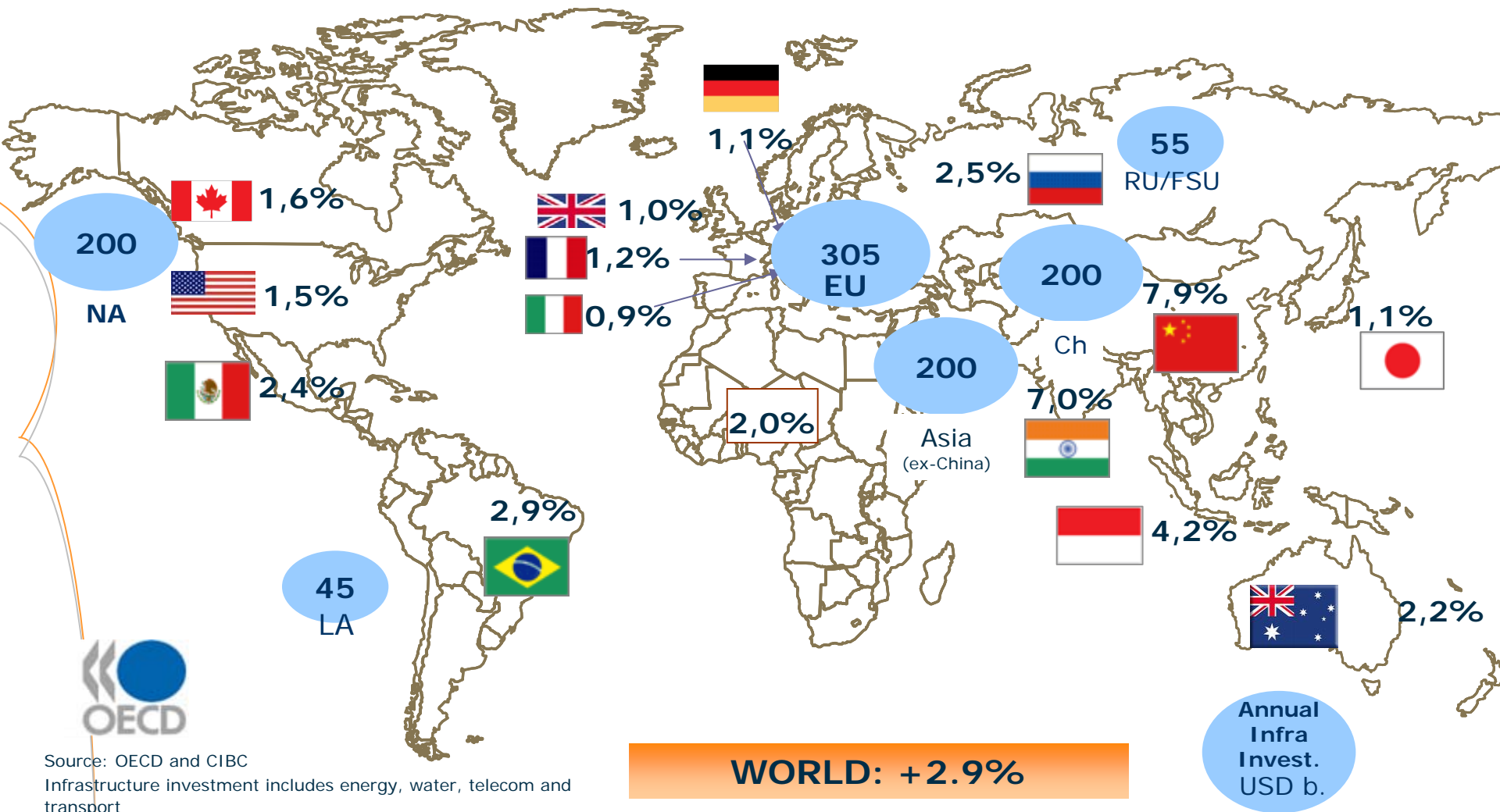
€ billion



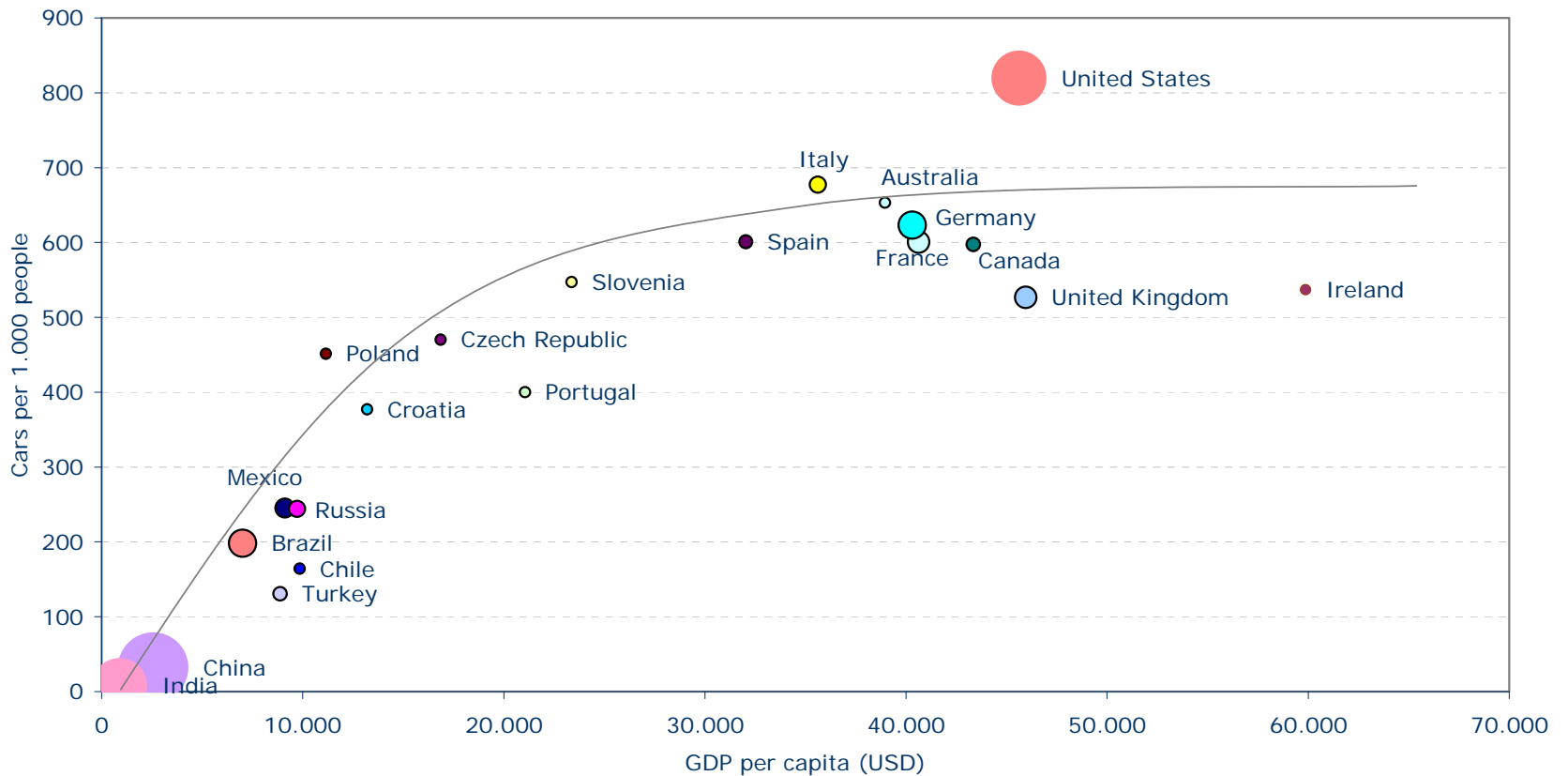


Source: CIA World Fact book  
 Population: July 09 estimate  
 GDP: in USD, 09 Estimate with Official Exchange Rates

Km Travelled Growth to 2030 CAGR and infrastructure investment



A key "threshold" of accelerating vehicle ownership occurs around USD 5,000 per capita GDP



## Acquiring a global footprint

### Geographic Focus

- Monitoring opportunities in
  - Europe (France, Turkey...)
  - US (prioritizing key States)
  - Latin America (Brazil, Chile and Mexico)
  - Asia (China and India, certain Provinces or States)



### Acquiring a global footprint

- With the objective of diversifying geographically
  - Consolidating our leading position in countries such as France or Chile
  - Entering into higher-growth economies

**Focus on opportunities that provide the best risk-adjusted returns****Toll Roads**

- Focus on brownfields with real tolls and selective greenfields with limited construction risk (low amount and low complexity)
- Strong focus on Electronic Toll Collection tenders in Europe to become a leading player in this field (DSRC and satellite technologies): France, Poland, Hungary, Slovenia...

**Telecom infrastructure**

- Very selective on terrestrial opportunities through **abertis telecom**
- Eutelsat and Hispasat as potential platforms for growth

**Airports**

- Short term focus on maximizing value of existing airports and expanding capacity (London Luton)
- Uncertain "pipeline" for inorganic growth

**Car Parks**

- Focus on consolidating recently acquired assets (successful expansion in Chile and Italy)
- Very selective on inorganic deals to reinforce leading position in the countries where **saba** is already present

**Logistics**

- Short term focus on maximizing value and consolidating existing assets

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## A world-class M&A team (analysis and execution)

### Deal Origination & pre-deal

- Identifying targets that will benefit from our strengths and competitive advantages
- First mover advantage and lobbying to influence the tender
- Ability to take advantage of “proprietary” deals to avoid auctions
- Leveraging on our shareholders global presence to identify new opportunities

### Due Diligence

- High quality internal team with unparalleled understanding of infrastructure and M&A (>10 y. average tenure at **abertis**), supported by external advisors
- Understanding the culture and capabilities of **abertis**
- Site visit and management due diligence
- Business unit management to support Corporate M&A team

### Valuation

- Internal modelling, supported by independent Investment Bank model
- Orthodox methodology to M&A and a realistic and deliverable Business Plan

### Negotiation & Communic.

- Track record in negotiating successful acquisitions
- Ability to get the whole organisation and Board of Directors support

### Integration

- Anticipating and accelerating future integration to capture synergies
- Analysis of existing Management + expatriates

## A thorough and disciplined valuation analysis

### The Cash Flow

- A Realistic Business Plan to be delivered
- Thorough analysis of different assumptions
- SWOT analysis
- Cash Flow profile and robustness

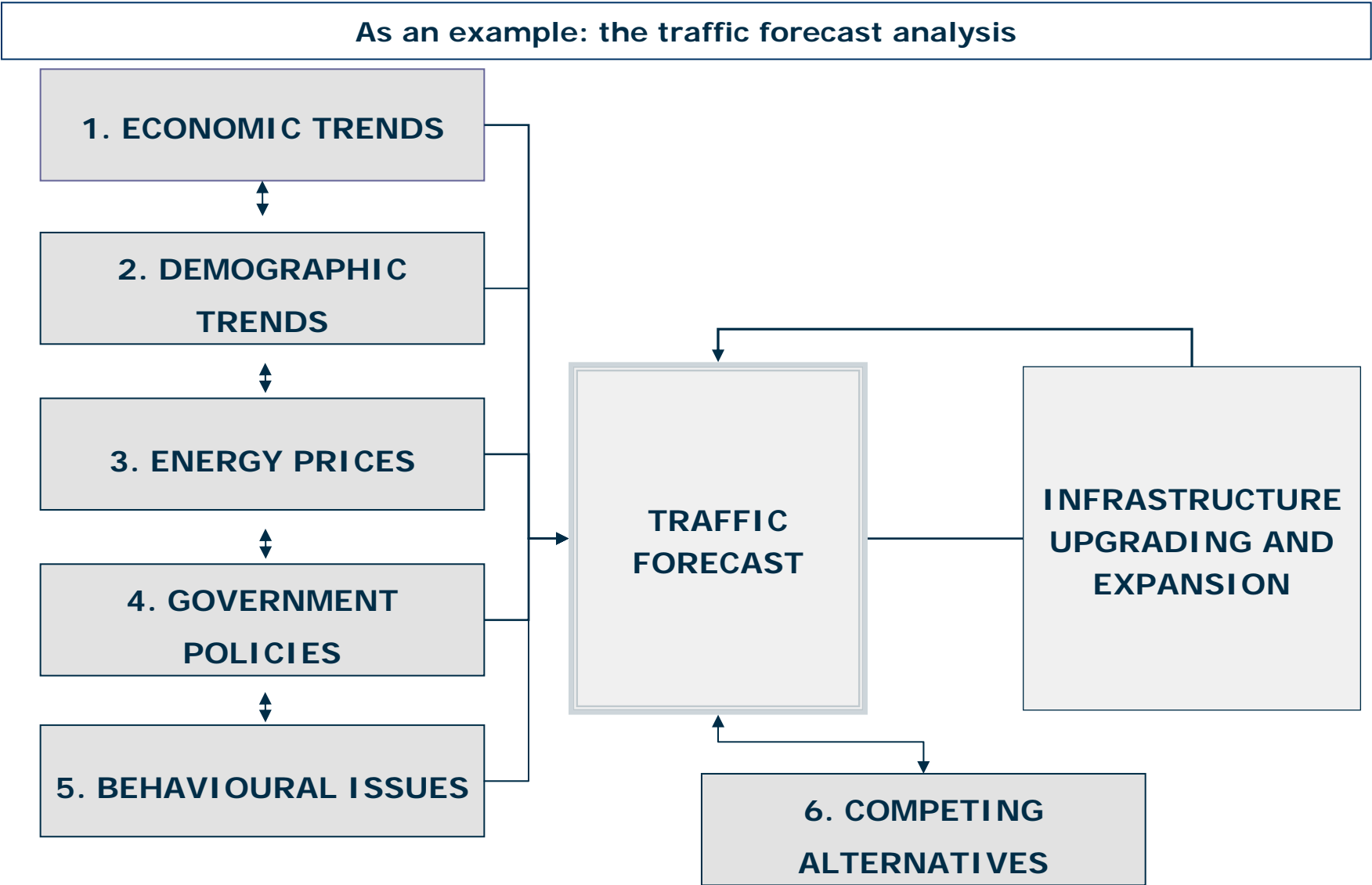
### The Internal Rate of Return

- IRR on Base Case (**Shareholders IRR** and Project IRR)
  - ... but also focus on downside scenarios
- “Bottom-up” approach to determine hurdle rates
- Standard 10%-15% Shareholders IRR range (at **abertis**)
- Dividend Yield

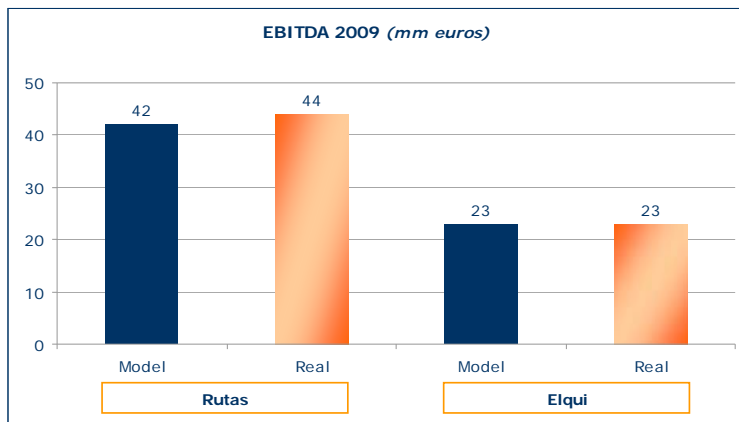
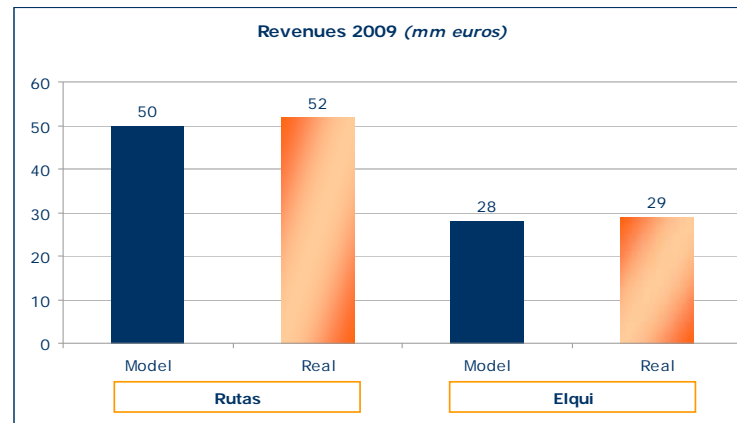
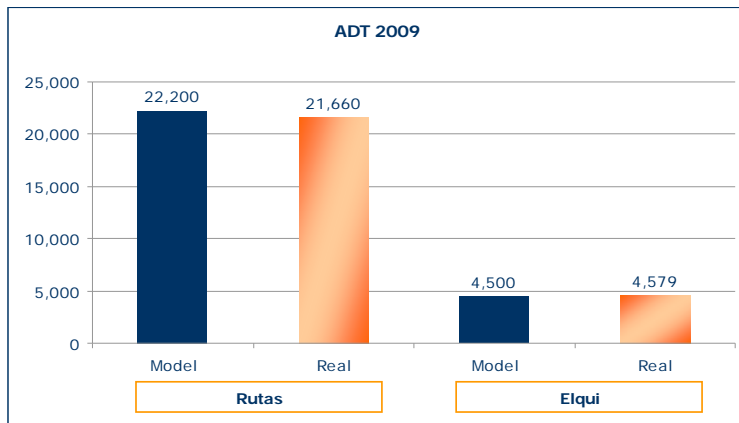
### Valuation & Price

- Sensitivity analysis is key
- Share Purchase Agreement. Representations & Warranties
- Value creation to shareholders as the main driver... to avoid “agency costs”
- Financial impacts of the acquisition closely analysed (dividend policy, earnings per share, cash per share, debt ratios and “rating”, ...)
- Implied Multiple as a reference





## As an example: Chilean assets acquisition



**Shareholders' IRR (nominal in euros)**

Rutas 15,5%

Elqui 13,0%

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The objective is profitability and value creation, not size

## Revenue policies

- While more dependent on GDP and inflation, there is room to apply policies that create value for shareholders (discount policies, electronic toll collection....)
- Strong focus on quality

## Opex & Capex optimisation

- Managing infrastructures during the last 40 years.
- Optimise resources by sharing best practices
- Capex at the right timing and cycle that minimizes future maintenance

## Financing structure

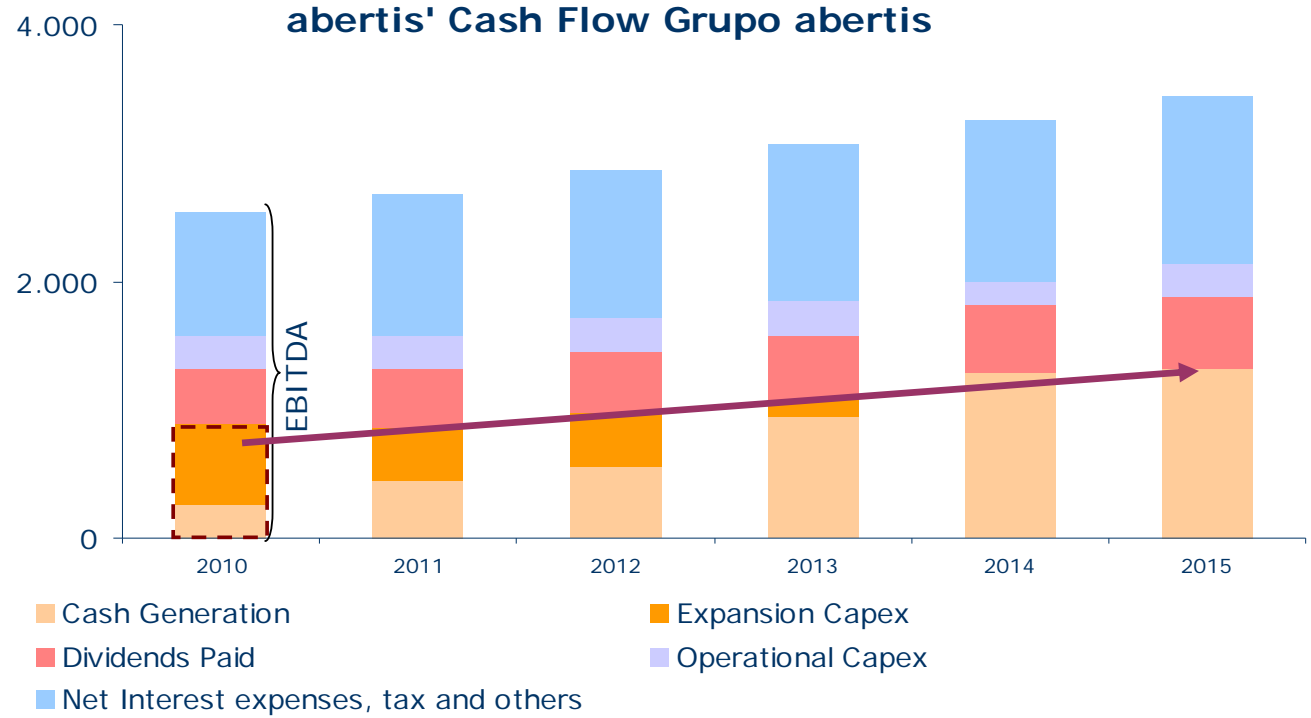
- Strong expertise in project financing globally
- Due Diligence practices and industrial experience.
- Capacity to optimize debt quantum in front of our competitors.
- Privileged Relationship with banks

## Concession agreement

- Focused on dealing with public authorities to reach win-win agreements.
- A deep understanding of the concession agreement framework has led to value creation deals such as AP-7 or "Paquet vert" in France)

## A robust and growing Free Cash Flow Generation

**A High quality EBITDA that underpins a selective and sustainable growth strategy**

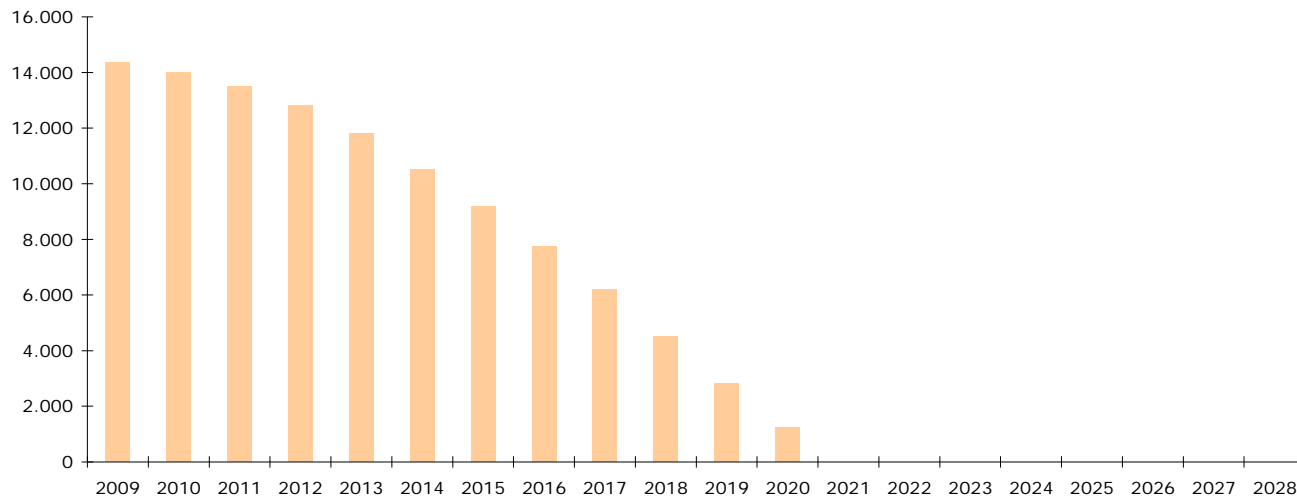


## A robust and growing Free Cash Flow Generation

**Strong capacity  
to deleverage**

**A solid rating  
and a low cost  
of debt**

Net debt, € millions



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**Key strengths in our growth strategy**

**A successful track record in M&A**

**A leading management team**

**A robust and growing Free Cash Flow Generation**

**A Rigorous investment policy focused on value creation**

**A selective geographic focus to expand our geographic footprint in higher growth economies**