

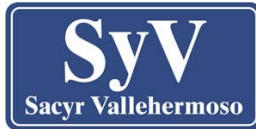


Utilizing Agencies and PPP's for a More Responsible, Effective, and Efficient Public Spending

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Gonzalo Ferre Moltó

**Chief Executive Officer
Itínere Infraestructuras S.A.
Grupo Sacyr Vallehermoso**



ITÍNERE is the infrastructure management division
of **Grupo Sacyr Vallehermoso**.

The group is publicly traded on the Spanish
stock exchange, and was the company with
the highest revaluation on the IBEX 35
in 2005



ITÍNERE and **Grupo Sacyr Vallehermoso** participate in PPP's in the following markets, among others:

- **Highways** - 30 Concessions with over 3,500 Km in Spain, Chile, Portugal, Brazil, Costa Rica, and Bulgaria
- **Urban Railways** - Over 19 Km
- **Water Treatment** - Serving close to 2.9 million residents in Spain, Portugal, Brazil, and Algiers
- **Hospitals** - 3 Concessions with over 1,180 beds
- **Airports**
- **Waste Management** - Operations in Spain, Portugal and China
- **Energy** - Generating over 200 MW

Spain has 6 of the top 10 leading companies in the concession and infrastructure management industry



PPP's from the point of view of the private sector

- Traditionally, public administrations have relied on the private sector to provide services to their citizens
- Public administrations have always been one of the most valuable clients of the private sector, consuming the goods and services it produces

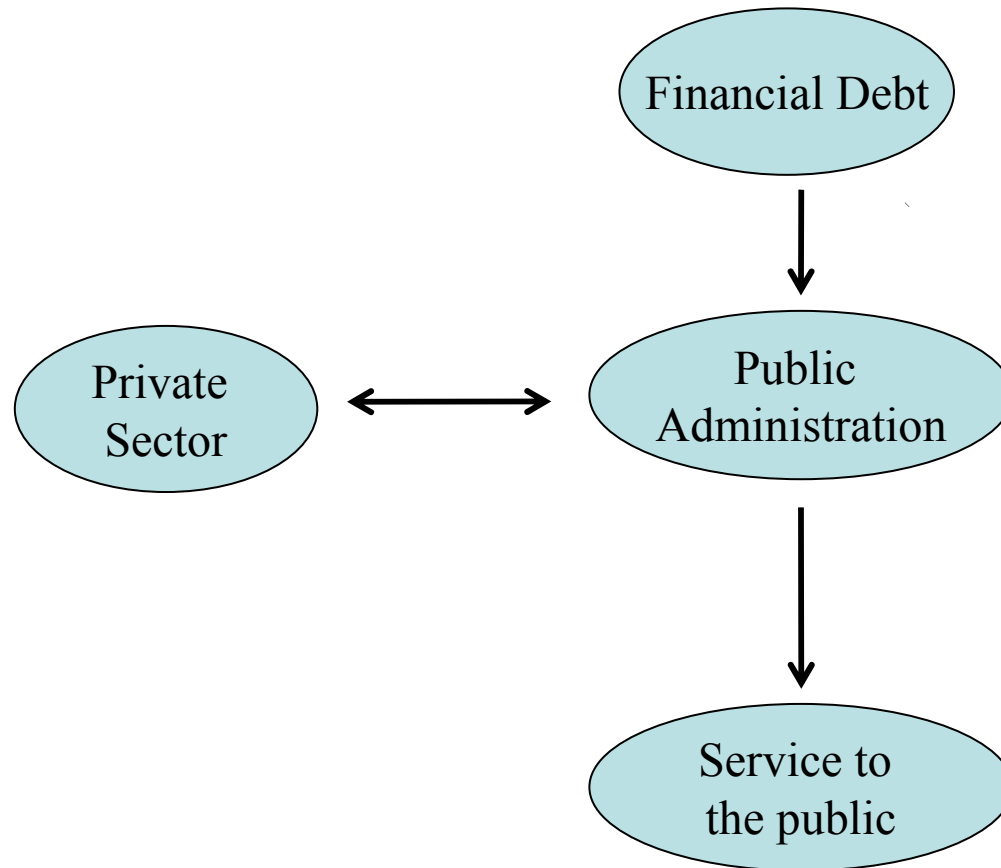


Some of the most important changes made by PPP's

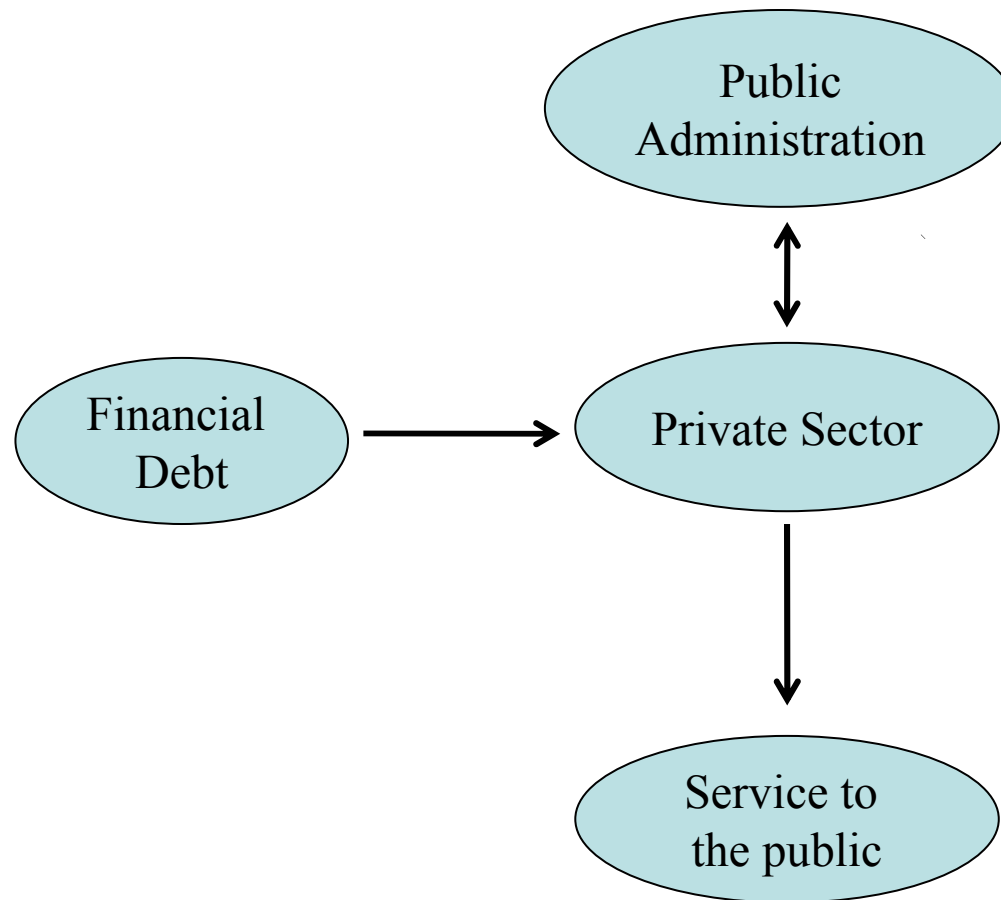
1. Management of public services are no longer controlled by public administrations, but co-managed by the private sector
2. Financial liabilities are transferred to the private sector in order to reduce the public deficit



Without PPP's



With PPP's



Requirements for Collaboration

- Adequately shared risks between public and private sectors
- Legal security
- Economic security



Requirements for Collaboration

Adequately shared risks between public and private sectors

Public Sector

- Geological risks
- Risk of differences in local currency and currency of the financial debt
- Financial risk in changes of laws or in the contracts

Private Sector

- Financial risks
- Management risks
- Income risks



Requirements for Collaboration

Legal Security

- Adequate and specific legislation for PPP's
- Impartial mechanisms for quick resolutions of discrepancies
- Clear and fair terms for contracting

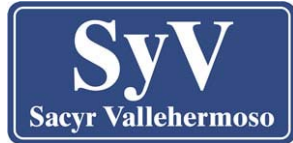


Requirements for Collaboration

Economic Security

- Update toll rates with inflation
- Allocation of dividends
- Responsibility of the public administration to re-stabilize the concession if necessary





Cost Comparison Between Public and Private Sectors

Public Sector

+

Construction
Costs

-

Costs of
Financing

+

Operational
Costs

-

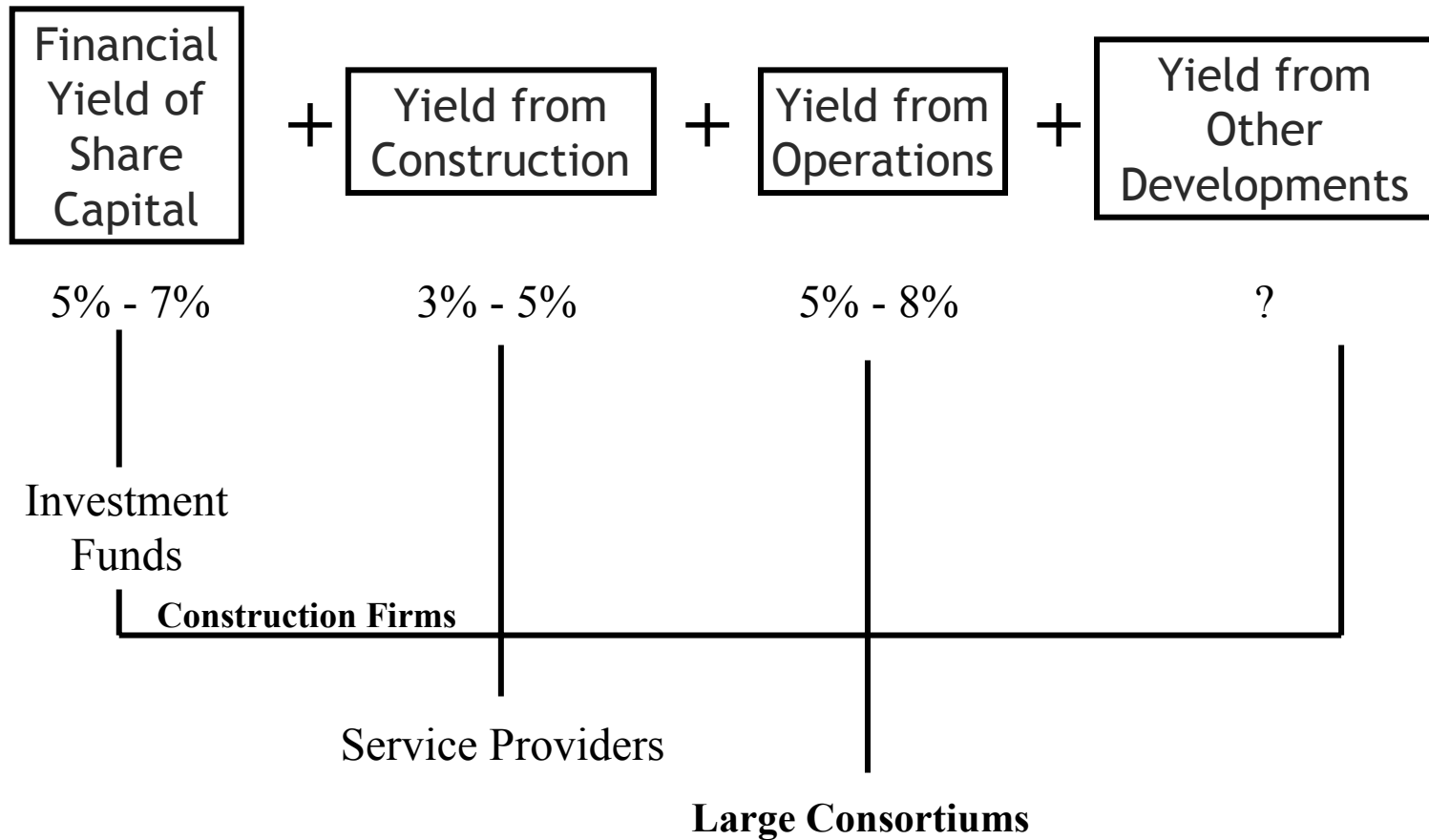
Private Sector

+

-



Valuation of Large Groups



Risks

■ International Accounting Standards (IAS)

- Financial Asset Model (Shadow Toll)
- Intangible Model (Traditional Toll)

