

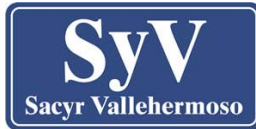


# Utilizing Agencies and PPP's for a More Responsible, Effective, and Efficient Public Spending

**Madrid, Spain  
July 5 - 7, 2006**

**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

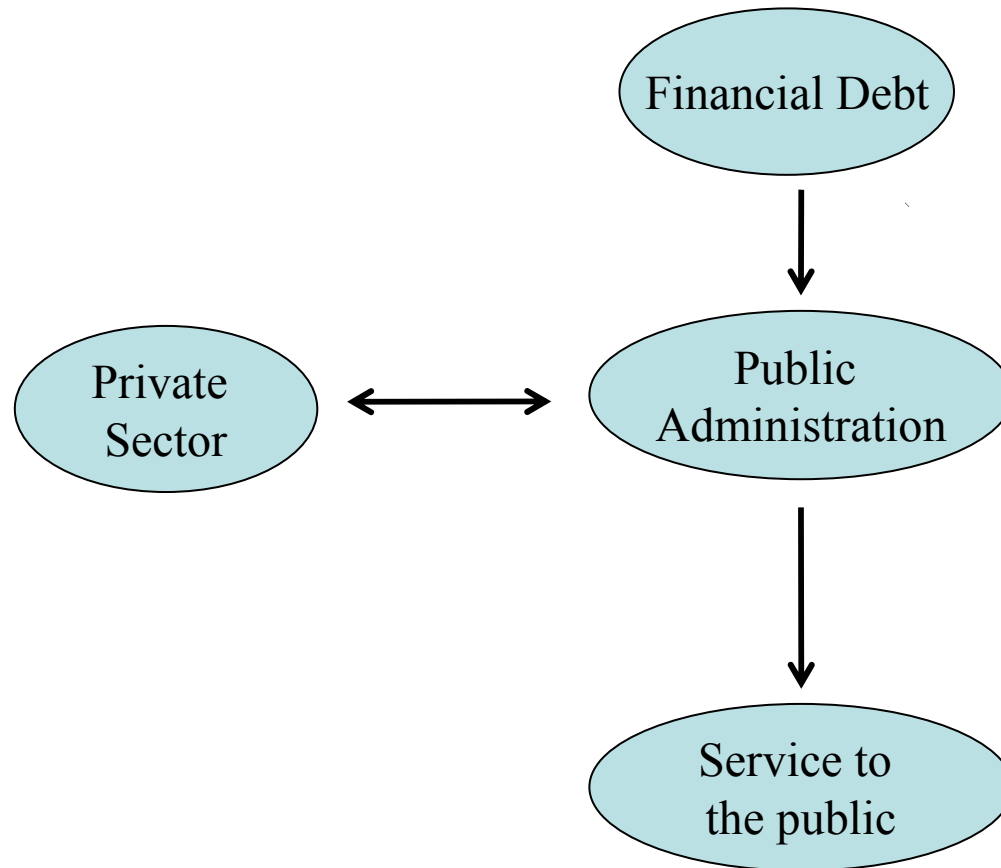


## Some of the most important changes made by PPP's

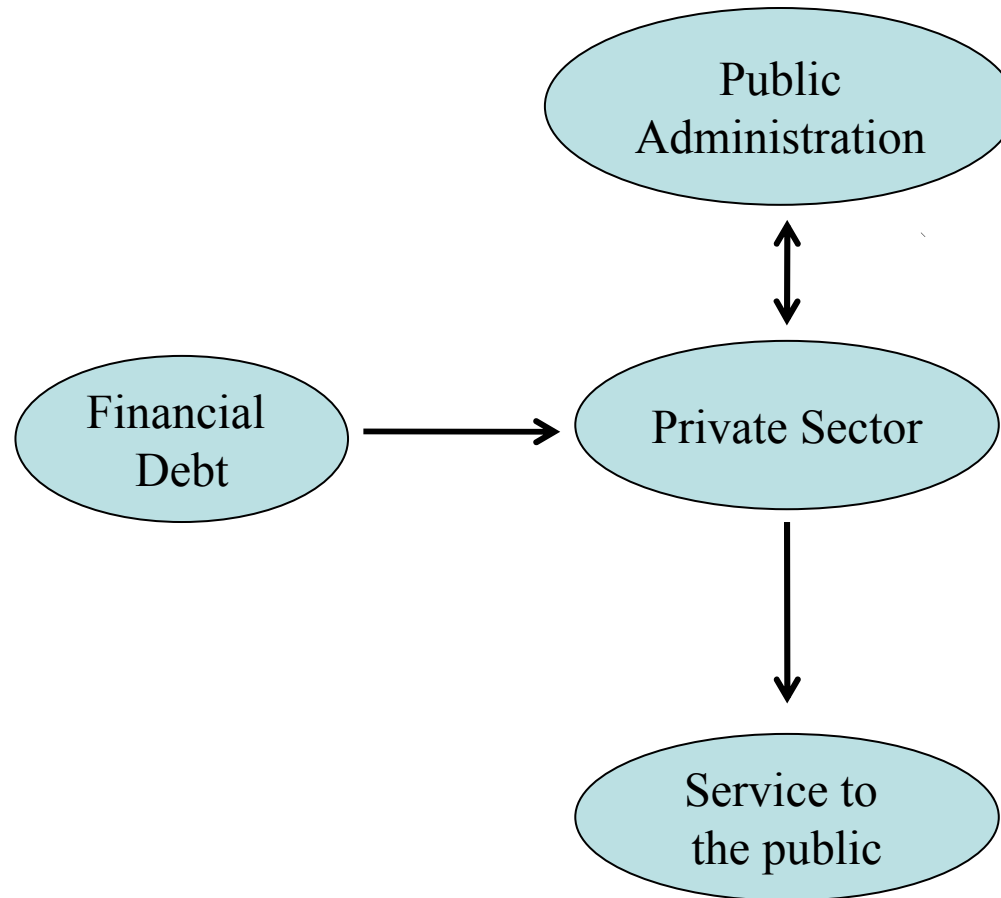
1. Management of public services are no longer controlled by public administrations, but co-managed by the private sector
2. Financial liabilities are transferred to the private sector in order to reduce the public deficit



## 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

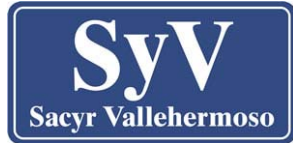


# Requirements for Collaboration

## 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

-

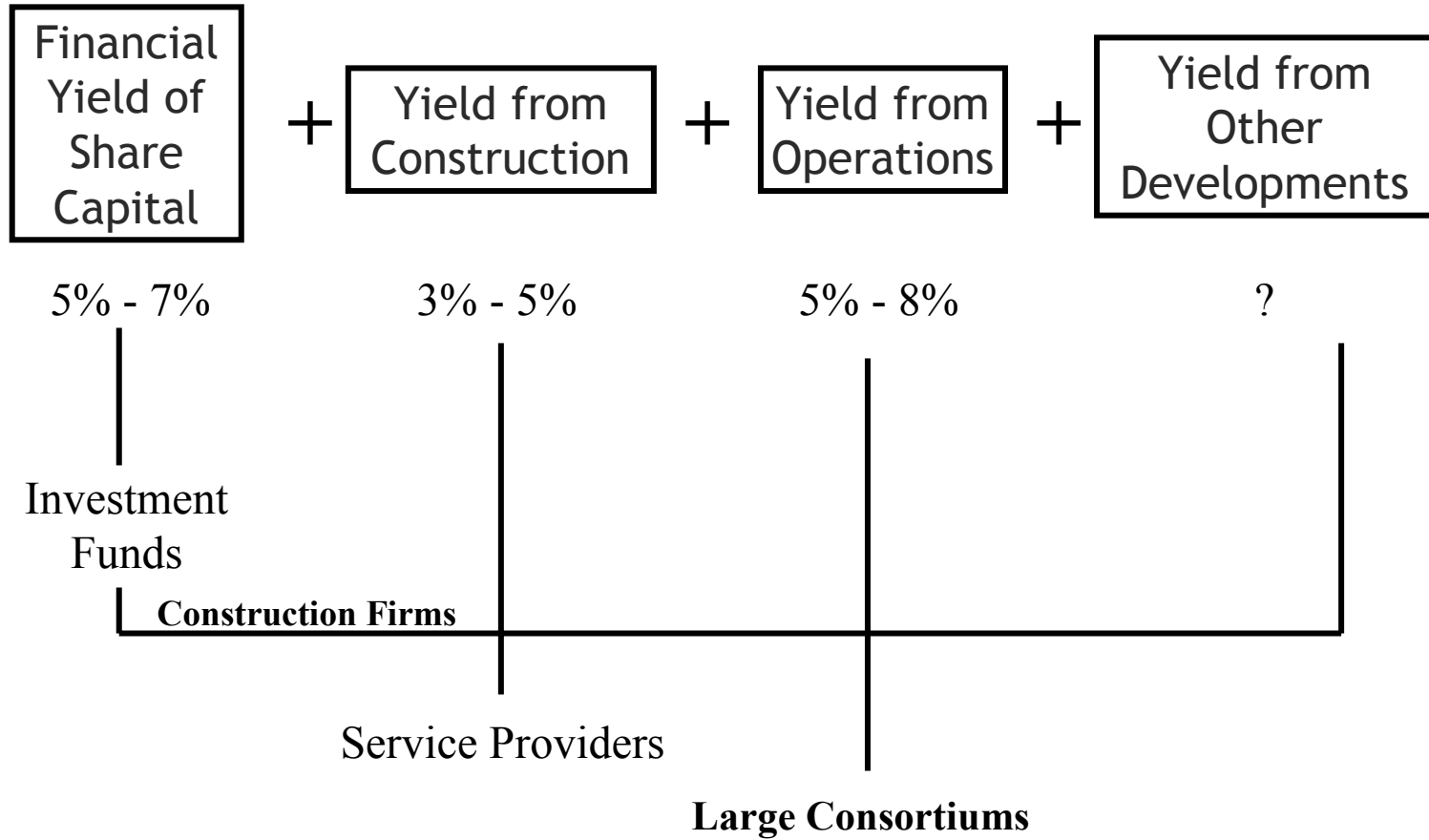
Private Sector

+

-



# Valuation of Large Groups



# Risks

## ■ International Accounting Standards (IAS)

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

