



# ACS

ACTIVIDADES DE CONSTRUCCIÓN Y SERVICIOS



Acquisition of 22%  
stake in

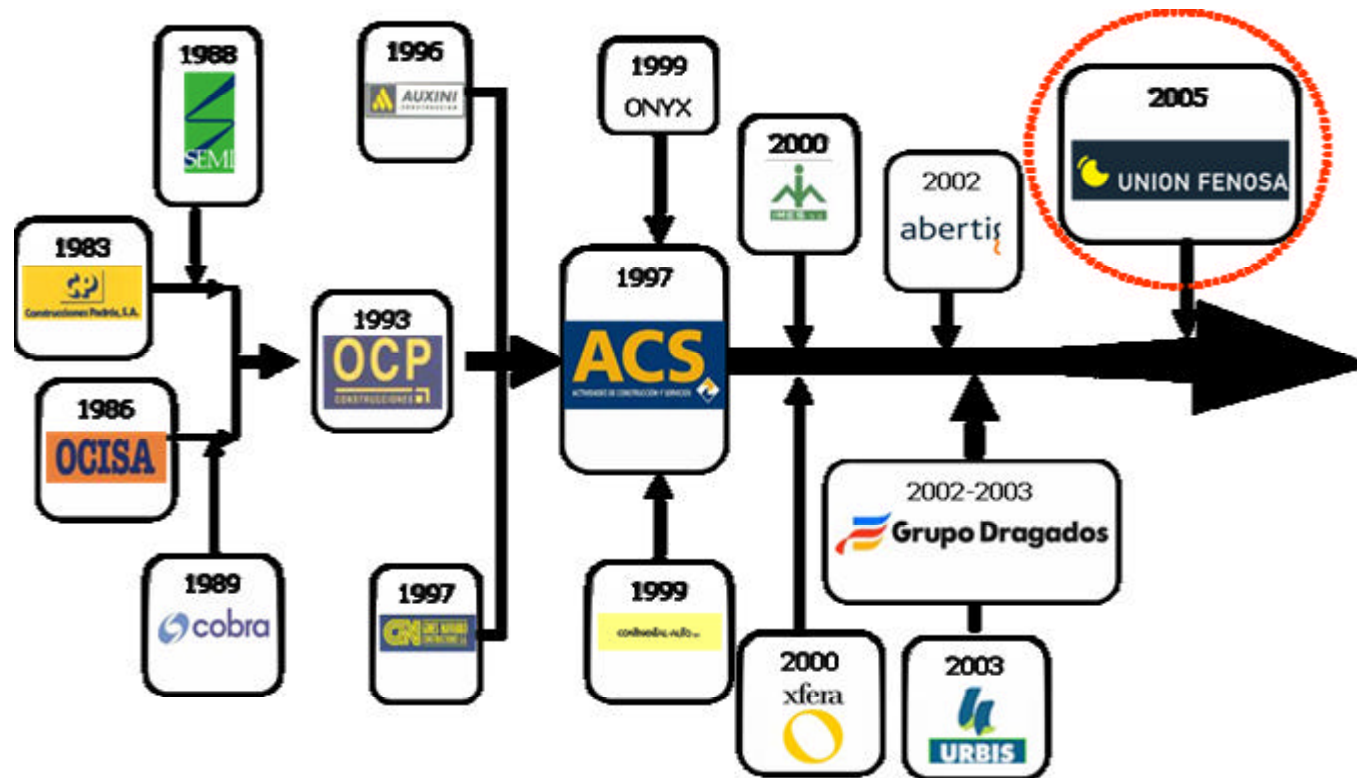


UNION FENOSA

*September 26<sup>th</sup> 2005*

# Preliminary Statements

- ❑ Value creation constitutes the sole objective to this investment.
- ❑ Unrivalled track record in value creation both for Grupo ACS and its business partners.



- ❑ Entrepreneurial values investing in an attractive industry at optimal timing.

- ❑ **The Transaction**
- ❑ Grupo ACS strategic positioning
- ❑ Transaction Rationale
- ❑ Financial Analysis

# The Transaction

Grupo ACS is acquiring from SCH a 22,073% stake in Unión Fenosa at **33€ per share**.

- ❑ This **strategic investment** allows the Group to become the **reference shareholder of the utility company**.
- ❑ **Energy is a growing global industry** in which we have been **involved in the last 60 years**.
- ❑ It implies an investment of **€ 2.219 mn to be financed exclusively through a net debt increase** (mostly non recourse).
- ❑ **Swift movement** driven by the opportunity to acquire an asset **that fits well into our strategic vision**.

# The Transaction: *Strategic investment*

- Grupo ACS is a **leading European construction and services group**, which participates in the **development of key industries for the world economy**:

Infrastructures

Telecomms

Energy

Real Estate

- This investment **strengthens our presence in the energy business**, specifically in the generation and distribution of gas and electricity.
- The **expertise and know-how of Grupo ACS** in the energy sector will:
  - ✓ Promote the **coordinated international expansion** of both groups.
  - ✓ Support **efficiency improvement** programs to be developed in Unión Fenosa.
  - ✓ Take **advantage of the new Spanish regulatory framework** to be deployed in the coming months.
  - ✓ Reinforce the **industrial point of view** of Unión Fenosa with a **long term horizon**.

## The Transaction: *Opportunity*

- ❑ Grupo ACS has always considered the **energy industry** as a core activity **of its strategic development model**.
- ❑ A significant stake of **Union Fenosa** becomes available for sale.
- ❑ Unión Fenosa, because of its **size, market position and sound financial situation**, is a **unique opportunity** to enter into the energy generation and distribution sector.
- ❑ **Attractive cross synergies** between Grupo ACS and Union Fenosa **in the domestic and international businesses**.
- ❑ **Optimal timing** of the transaction supports even more our **value generation prospects**.
  - ✓ Debt reduction
  - ✓ Telecomm divestiture
  - ✓ Latam markets recovery
  - ✓ Increasing profitability and margins
  - ✓ Gas business boost
- ❑ **Grupo ACS has taken advantage of this opportunity** to buy the SCH stake becoming the reference shareholder.

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- ❑ **Grupo ACS strategic positioning**
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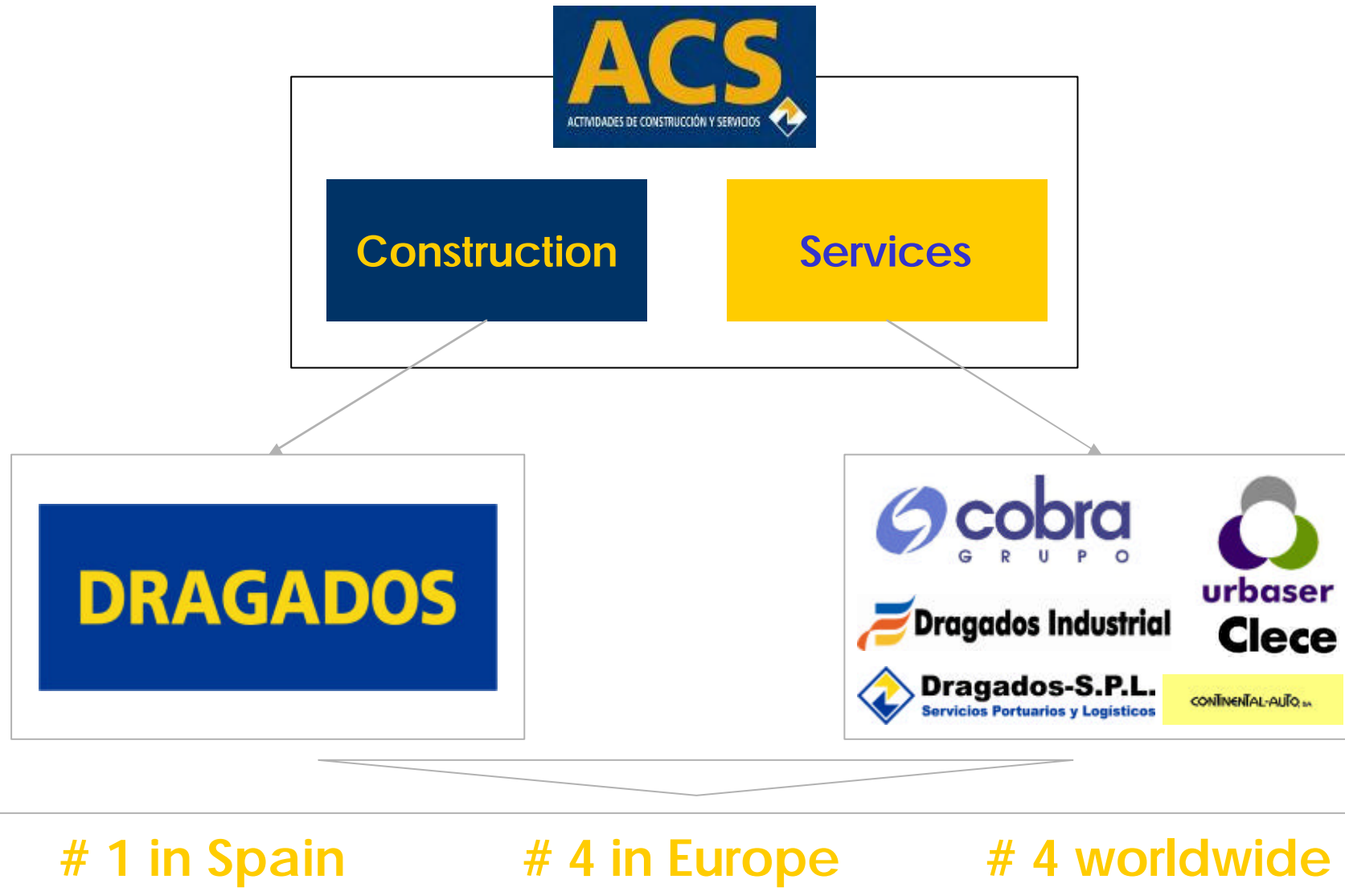
# Grupo ACS strategic positioning: *our activities*

Grupo ACS is a **leading European construction and services group**,

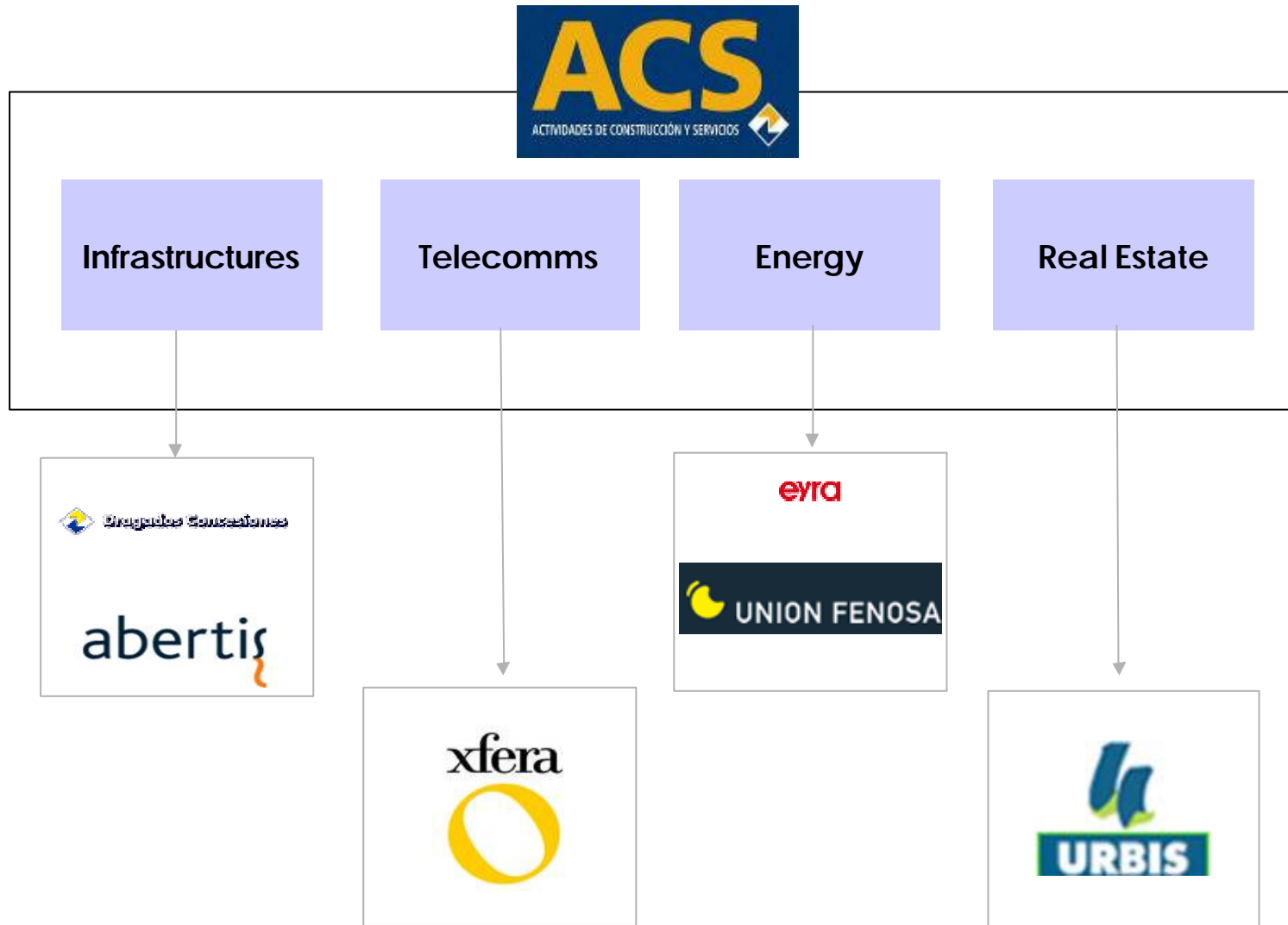


which **actively** participates in the **development of key industries**

# Grupo ACS strategic positioning: *our companies*



# Grupo ACS strategic positioning: *our presence*



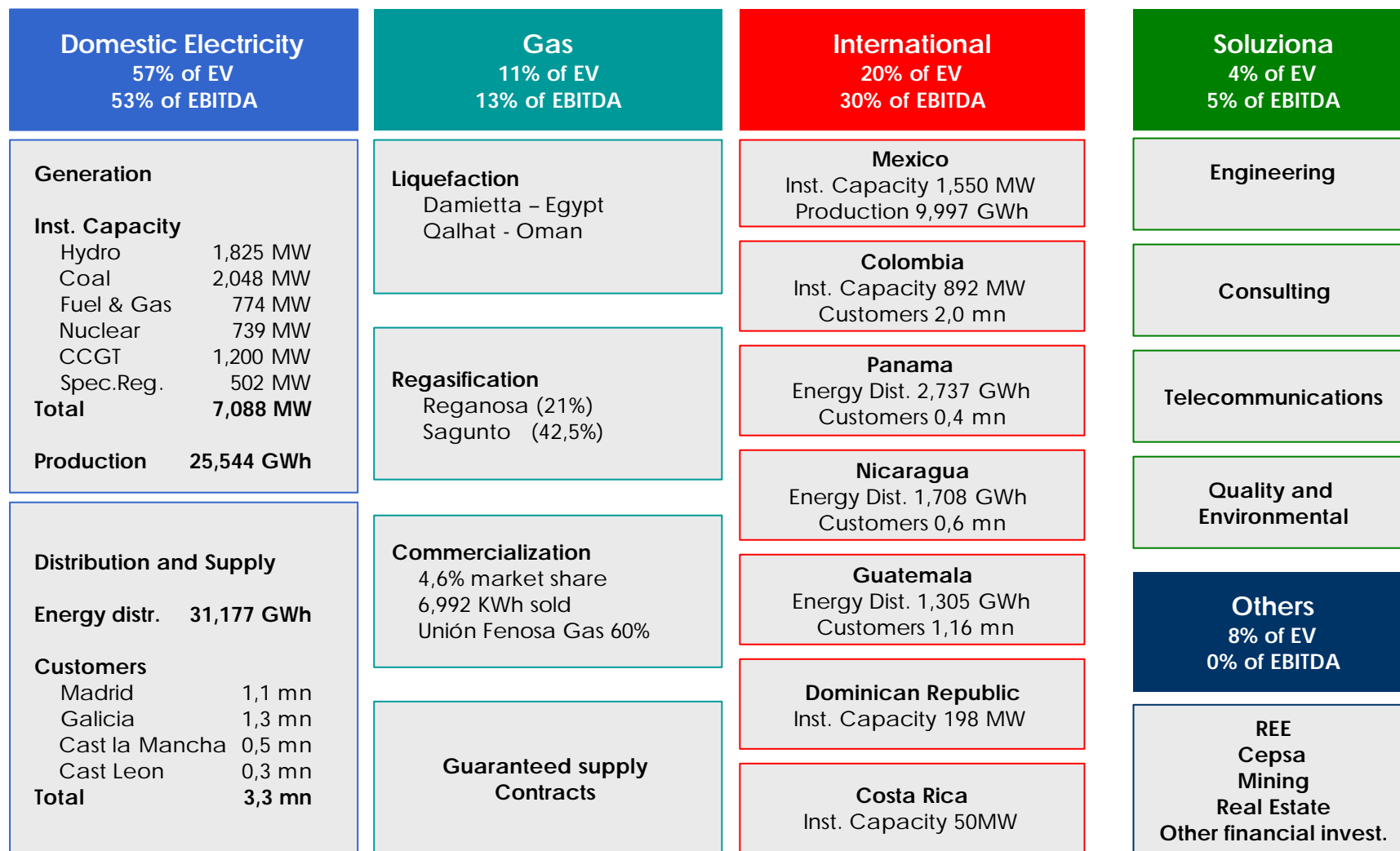
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# Transaction rationale: *Market opportunity*

- ❑ Spain is the **4th electricity market** and one of the **most attractive in Europe**
  - ✓ 63GW<sup>1</sup> of installed capacity as at December 2004 and 256TWh produced in 2004
  - ✓ Robust growth in demand during last years, well above main European markets, and outstanding prospects
    - 6.5% between June 2004 and June 2005
    - 3,5% growth forecast
- ❑ Spain is the **fastest growing gas market in Europe** fostered by **increasing retail demand and CCGTs projects**
  - ✓ Market size 2005e of 32 bcm
  - ✓ 17% in 2005 vs 4% European average
  - ✓ 9% growth forecast

# Transaction rationale: *Unión Fenosa* description



# Transaction rationale: *Unión Fenosa – Electricity businesses*

## ❑ Domestic Electricity Generation

- ✓ Generation assets in Spain comprise 7,088 MW of total installed capacity
- ✓ 25,544 GWh produced
- ✓ Plans to increase generation capacity by 2,400 MW of CCGT

## ❑ Domestic Electricity Distribution

- ✓ 31,177 GWh distributed
- ✓ 3.3 million customers mainly in Madrid and Galicia

## ❑ International Activities

- ✓ 2,544 MW of installed capacity in Mexico, Costa Rica, Guatemala and Colombia
- ✓ 2,8 million customers in Panama, Guatemala and Nicaragua

# Transaction rationale: *Unión Fenosa – Gas businesses*

## Unión Fenosa Gas

- o 50:50 joint venture with Eni, established in July 2003
- o It is targeting a 13% share of the Spanish gas market by 2007

### □ International Gas Infrastructures

- ✓ Liquefaction plant in Damietta (Segas, Egypt) – 7,56 bcm p.a.
- ✓ Liquefaction plant in Qalhat (Qalhat LNG, Oman) – 4,4 bcm p.a.

### □ Domestic Gas Infrastructures

- ✓ 21% in Reganosa with a capacity of 322,500 Nm<sup>3</sup>/h
- ✓ 42,5% in Sagunto with a capacity of 750,000 Nm<sup>3</sup>/h

### □ Commercial activity

- ✓ Total gas sales of 12.769 million GWh in with a 4,9% market share in the Spanish Gas deregulated market
- ✓ Gas Directo: Joint venture with Cepsa 60:40

# Transaction rationale: *Unión Fenosa – other businesses*

## □ Soluziona

- ✓ Integral technological solutions company specialized in the following activities:
  - Engineering: energy, civil, technological consulting and operation and maintenance
  - Telecommunications: IP architectures, networks, security and technical services
  - Consulting: Human resources, systems, technological
  - Quality and Environmental: industrial, construction, telecomm...

## □ Others

- ✓ Financial stakes in REE, Cepsa
- ✓ Other non core assets in mining, real estate
- ✓ Other financial investments

# Transaction Rationale: *Investment Case (1)*

- ❑ **Only vertically integrated Spanish utility** with presence in the full gas chain
  - ✓ Access to gas reserves at competitive prices enabling cheaper production and higher margins in gas commercialization.
  - ✓ Higher penetration capacity in gas that should drive in increasing market share.
- ❑ **Strong market positioning: third electricity group in Spain** with a market share of 13% in the generation and 17% in distribution
  - ✓ Attractive generation mix: strong investment plan in CCGT.
  - ✓ High quality distribution assets: presence in the regions with high growth perspectives and economic potential.

## Transaction Rationale: *Investment Case (2)*

### ❑ **Optimal timing:**

- ✓ Debt reduction plan completed
- ✓ Asset rationalisation plan advanced: sale of Auna, sale of international non performing assets
- ✓ Investment plan on its final stage: up to 3,600 MW of CCGT to come into operation by 2007
- ✓ Recovering of the Latin American markets
- ✓ Recent events in the Spanish market to favour Unión Fenosa

### ❑ **Quality international assets** with attractive growth prospects

### ❑ **Stable and recurring cash flows** which will be enhanced after heavy investment period

## Transaction Rationale: *Investment Case (3)*

- ❑ The **strong interaction between both companies** will generate **significant value**:
  - ✓ Significant **increase of international presence** of both companies to meet fast growing global energy demand.
  - ✓ **Cost savings for Unión Fenosa** as a result of the relationship with ACS.
  - ✓ **Growth of Grupo ACS industrial services sales** coming from the new opportunities generated by Unión Fenosa.

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  - ✓ Analysis of comparable transactions
  - ✓ Profitability analysis
  - ✓ Balance sheet impact

# Financial Analysis: *Transaction Terms*



Implicit Multiples

P/E<sub>05</sub> = 21,6x

P/E<sub>06</sub> = 19,6x

EV/EBITDA 05e = 10,3x

EV/ EBITDA 06e = 9,4x

Source: Analyst research, 1H/05 Unión Fenosa Financial statements

# Financial Analysis: *Accretion/Dilution analysis*

- Accretive EPS transaction from the first year.

Net Income <sup>1</sup>	EPS impact <u>pre</u> ACS Synergies	EPS impact <u>post</u> ACS Synergies
2006e	7,7%	10,4%
2007e	8,7%	11,4%

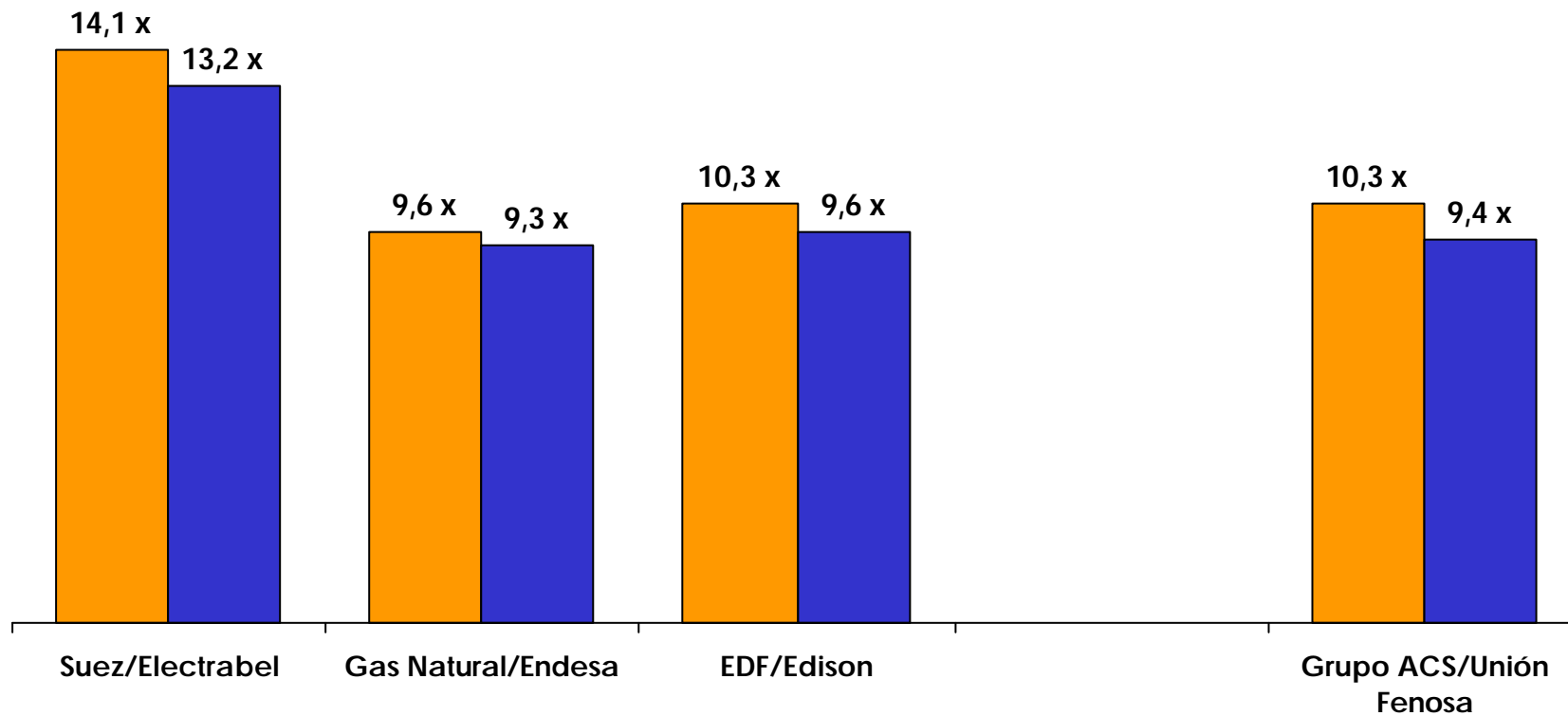
- Positive net cash flow from the first year
  - ✓ Expected dividends higher than net financial expenses.

*1 Net income according to analysts consensus*

## Financial Analysis: *Profitability Analysis*

Investment IRR (Base Case)	12,3%
ACS new WACC	7,2%
Value Creation per ACS share	€ 3,2

# Financial Analysis: *Analysis of comparable multiples*



EV/EBITDA 2005e

EV/EBITDA 2006e

# Financial Analysis: *Balance Sheet Impact*

€ million	ACS pre UF 30.06.05	ACS Post UF 30.06.05 PF
Net Equity <sup>1</sup>	2.352	2.352
Total Assets	4.641	6.860
Company Net Debt	1.064	1.619
Non Recourse Debt	550	2.214
Total Net Debt <sup>1</sup>	1.614	3.833
Company Net Debt Gearing	0,5x	0,7x
Total Net Debt Gearing	0,7x	1,6x
Company Net Debt / 2006e EBITDA <sup>2</sup>	1,0x	1,5x

<sup>1</sup> : Proforma of the treasury stock movements from 1.07.2005

<sup>2</sup> : Brokers estimates

The background of the slide is a collage of six images related to industrial and energy sectors. Top-left: Aerial view of a power plant with a large cooling tower. Top-center: A single wind turbine against a blue sky. Top-right: A close-up of industrial machinery with blue and yellow components. Middle-left: Aerial view of a large industrial facility with a prominent white cylindrical tank. Middle-center: A construction site for a large, flat-roofed structure. Middle-right: A close-up of a high-voltage electrical transmission tower. Bottom-left: Aerial view of a large industrial complex with multiple buildings and pipes. Bottom-center: A close-up of industrial machinery, possibly a pump or motor. Bottom-right: A close-up of a high-voltage electrical transmission tower.

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