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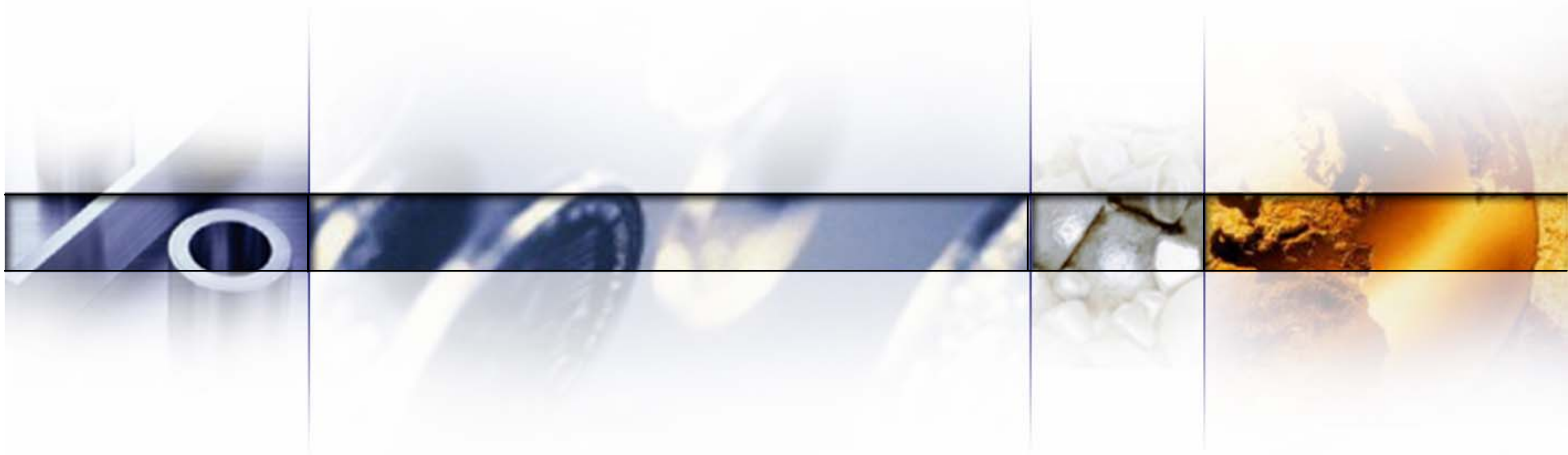
Infrastructure Investment

Introductory Notes – February 2007



A Passion to Perform.

Deutsche Bank

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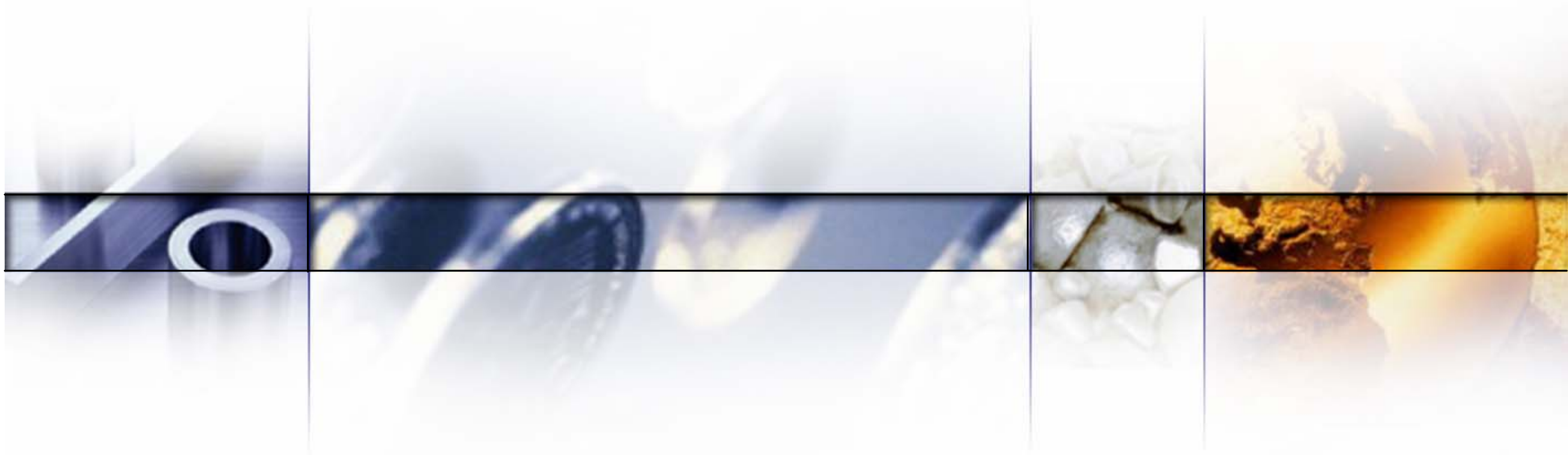
Topics

What is Infrastructure?

Topic 1



What is Infrastructure?

Assets comprising the backbone of countries offering stable returns generally highly correlated with long-term inflation and/or economic growth

Investment Characteristics

- Occupy protected market positions, e.g. essential services, natural monopolies & concessions
- Deliver stable, relatively secure cash-flows over the long term
- Capital intensive assets (with financing representing major component of cost structure)
- Predominantly financial characteristics from investment perspective
- Typically demonstrate an inflation and/or GDP linkage

Public Services		**Transport**			
Utilities	Social	Roads	Rail	Airports	Ports
Transmission Networks Distribution Networks Water and Sewerage Networks District Heating Selected Contracted Facilities Telcoms broadcast and transmission (in certain circumstances)	Health Education Other Services – PFI/PPP	Toll roads Tunnels Bridges	Track Stations Rolling Stock Dedicated Rail Services	Airports Ancillary facilities (eg. Car Parks)	Container and Bulk Terminals Passenger Terminals

Infrastructure investment philosophy distinguishable from PE

Long term outlook tailored to characteristics of asset class and asset-liability matching sought by institutional investors

	Infrastructure	**Private Equity**
Management	▪ Regulated thus limited scope for management improvements	▪ Change management to achieve increased efficiency or consolidated market position
Investment Horizon	▪ 20+ year DCF ▪ Dividend discount model ▪ No exit	▪ 5+ year DCF ▪ Exit assumed via trade sale/IPO
Financing	▪ Long term, investment grade ▪ Distributions permitted ▪ Frequently linked to inflation	▪ Short-term, bank debt ▪ Mezzanine ▪ Amortisation often via cash sweep
Taxation	▪ Optimise post tax distributions ▪ Significant asset base provides scope for asset-based finance	▪ Interest shield from debt ▪ Sheltered capital gain
Returns	• Low to mid-teens through distribution growth • Inflation link	• 20%+

Investment features of Infrastructure

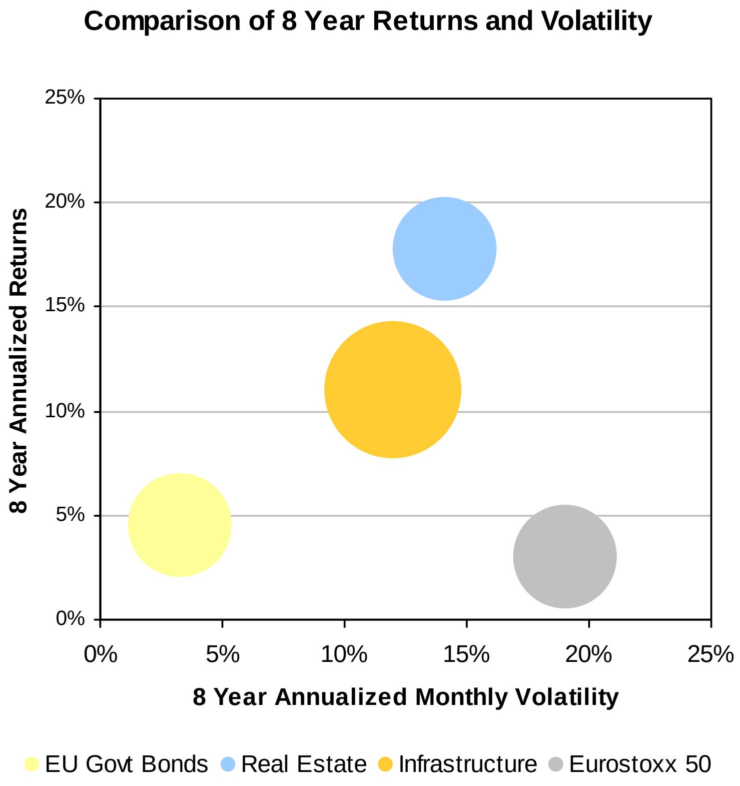
Investment Features:

- Capital security
- Comparatively low volatility of returns
- Low correlation with other asset classes
- GDP and/or inflation linkage
- Cash yielding

Who should be allocating money to infrastructure?

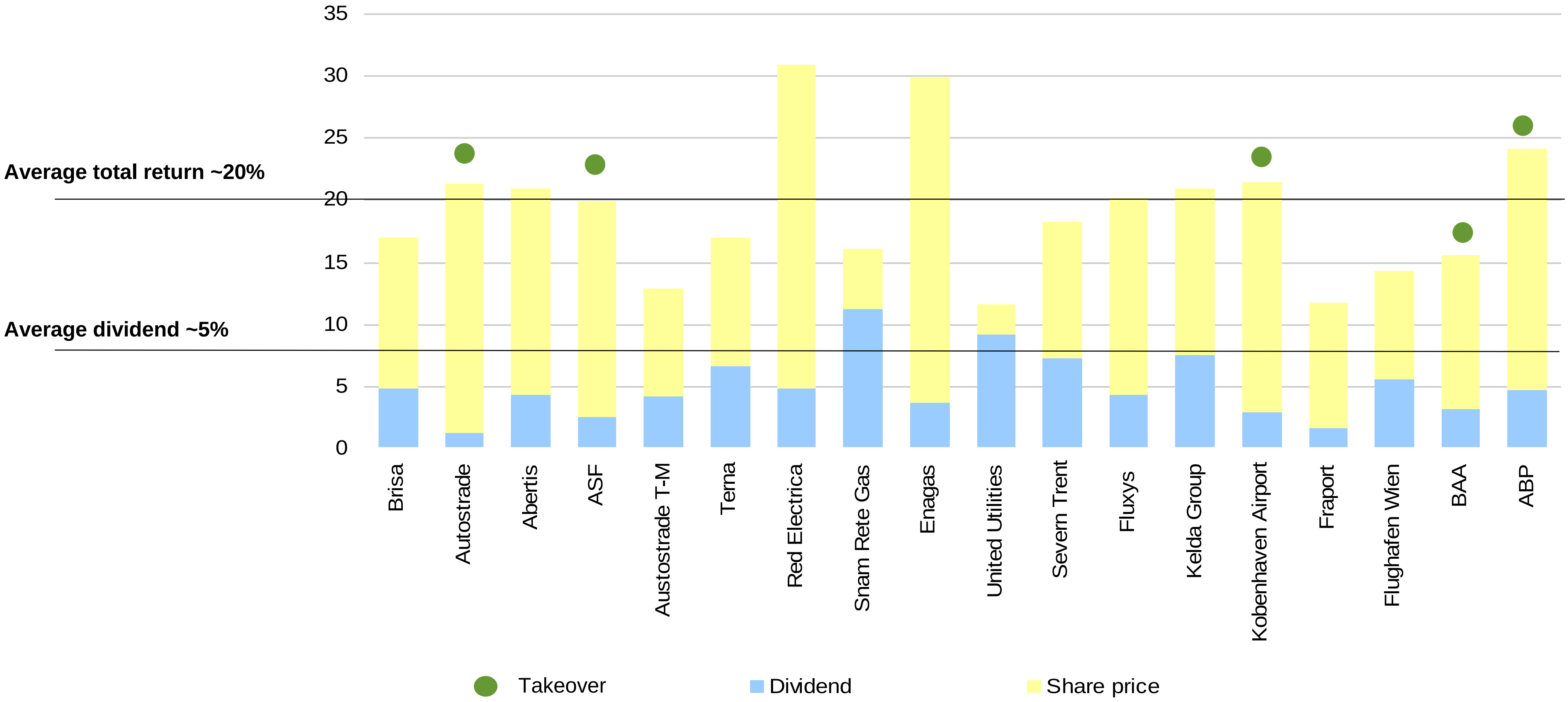
- Asset-liability matching
- Portfolio diversity
- Uncorrelated returns

Indicative Risk-Return Comparison



Returns relatively consistent across stocks …

Returns from Selected European Infrastructure Stocks



Average total return ~20%

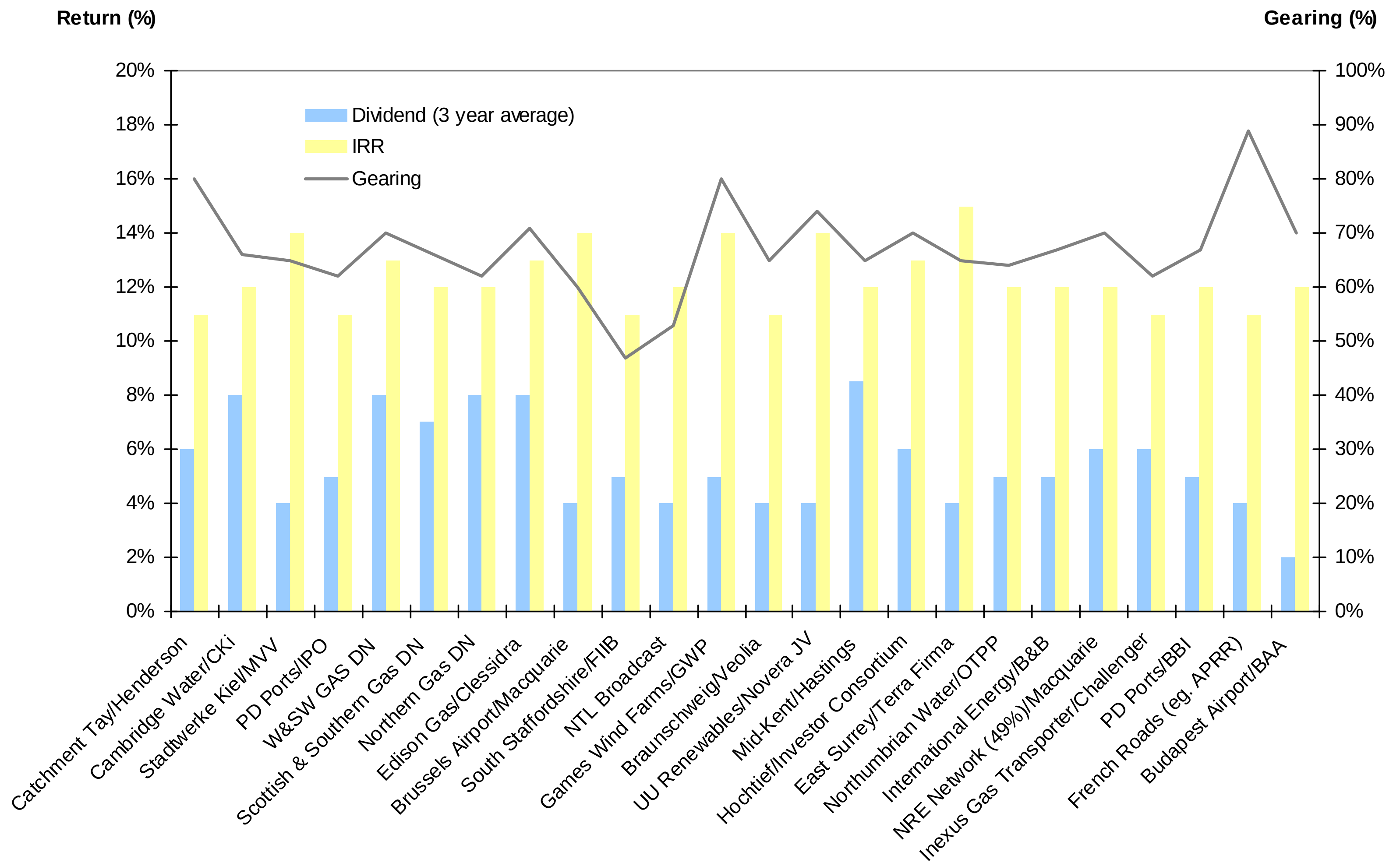
Average dividend ~5%

Note: Figures sourced from Bloomberg Total Return Analysis. Proxy for dividends is total return less simple price appreciation.
Where companies (eg. Fraport, Terna, Snam, ASF) have only been listed within the last 5 years, returns shown are since listing.
Where companies have been subject of takeover, returns are only shown to point of delisting

Returns on private market transactions (assuming long term hold)

Infrastructure assets being bid in the IRR range 10-15% - average IRR ~13%, average dividend yield ~5% and leverage of ~65%

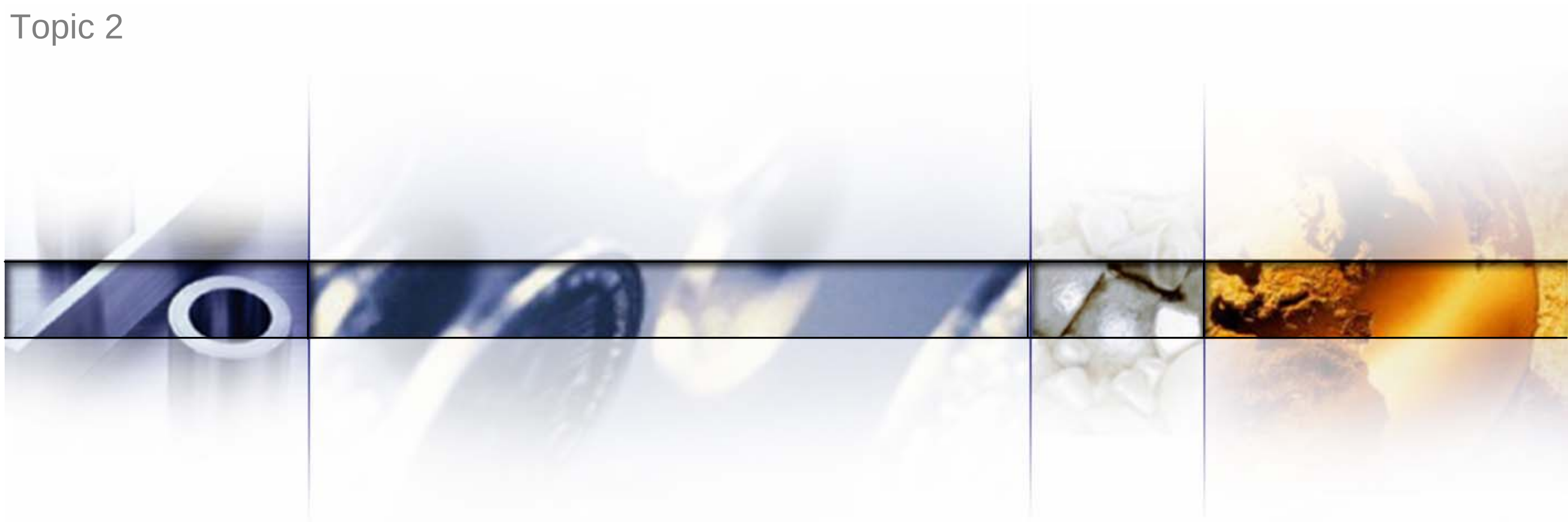
Estimated Bidding Parameters on Recent European Private Transactions



Note: Figures are DB estimates

Features of Specific Infrastructure Asset Classes

Topic 2



Regulated network assets – investment case considerations

Regulatory outcomes and financing are the key drivers of value

Business Plan:

- Regulatory regime
- Price control outcomes
  - Allowed returns (including taxation)
  - Allowed opex and depreciation
  - Allowed capex
- Technical assessment
  - Comparative benchmarking
  - Qualitative performance
  - Network condition
  - Capex programme requirements and deliverability
- Out/under-performance assumptions
  - Opex
  - Capex
- Unregulated businesses
- Legacy issues
  - Employee entitlements
  - Environment

Governance:

- Shareholder and board structure and responsibilities
- Regulatory requirements
- Senior executive nomination, remuneration and responsibilities

Financing Plan:

- Dividend policy
- Debt
  - Leverage
  - Facilities, eg. bullet, maturity, working capital/liquidity
  - Covenant package
  - Bank versus capital markets
  - Risk management strategy, eg. interest rate, maturity and liquidity
  - Refinancing assumptions
- Taxation

Transport assets - investment case considerations

Transportation assets exhibit greater complexity – traffic, tariffs and financing are key drivers

Business Plan:

- Concession terms
- Traffic
  - Movements
  - Competition
  - Customer Type
- Revenue and pricing
- Regulation
- Opex
  - Labour
  - Other (eg. maintenance, utilities, services)
- Capex programme

Governance:

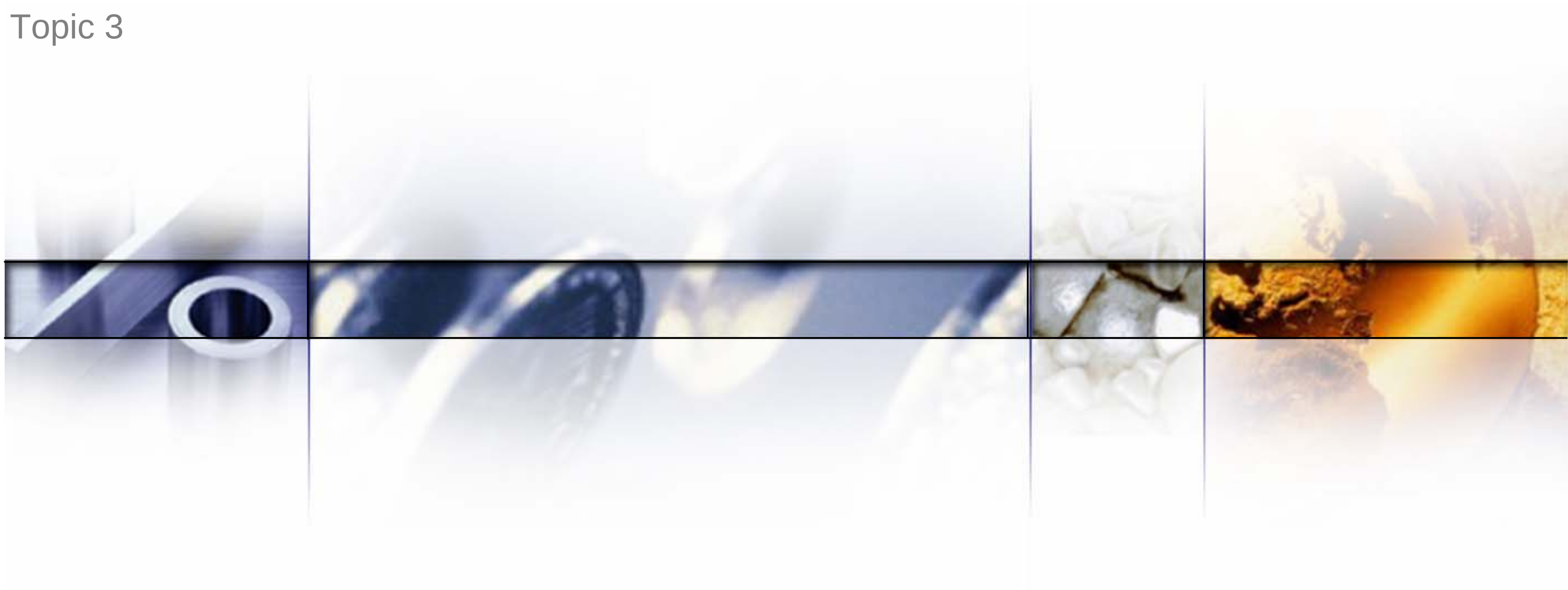
- Shareholder:
  - Structure, incl. ongoing government participation
  - Rights and responsibilities
- Board structure and responsibilities
- Management
  - Strategic committees
  - Senior executive nomination and remuneration
  - Industry partner arrangements

Financing Plan:

- Dividend policy
- Debt
  - Leverage, incl. credit quality
  - Facility structure, eg. amortising/bullet, maturity, working capital, sub-debt
  - Covenant package
  - Bank versus capital markets
  - Risk management strategy, eg. interest rate, maturity and liquidity
  - Refinancing assumptions
- Taxation

Evolution of the Infrastructure Investment Market

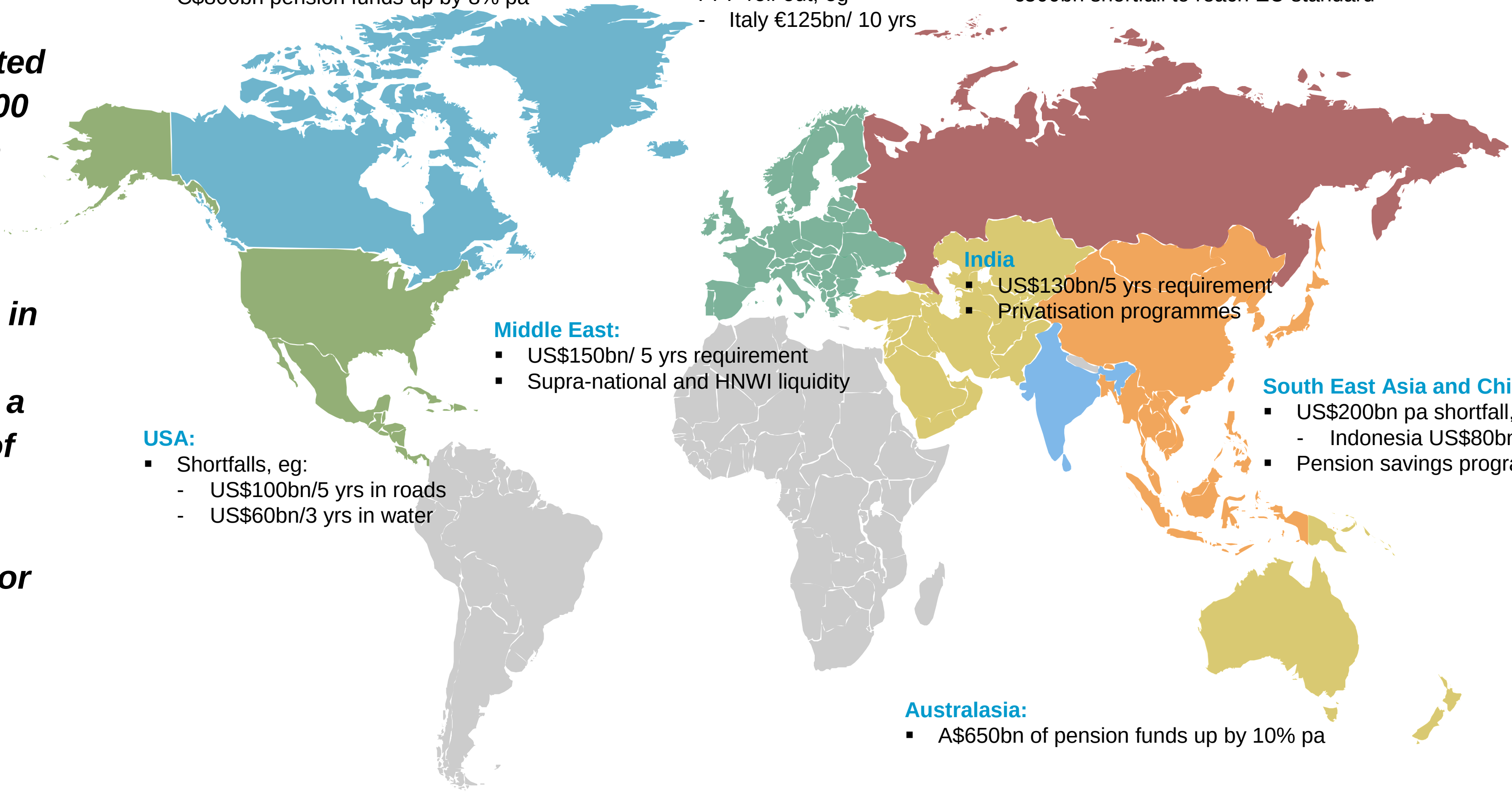
Topic 3



Infrastructure demands in context of budgetary constraints and growing retirement savings driving opportunity for private capital

Infrastructure demand expected to exceed €1,000 billion over the next 5 years …

Transportation in the US is expected to be a major source of medium term investment opportunities for investors



Canada:
- C$125bn shortfall
- C$800bn pension funds up by 8% pa

Western Europe:
- PPP roll-out, eg
  - Italy €125bn/ 10 yrs

Eastern Europe:
- €500bn shortfall to reach EU standard

India
- US$130bn/5 yrs requirement
- Privatisation programmes

Middle East:
- US$150bn/ 5 yrs requirement
- Supra-national and HNWI liquidity

South East Asia and China
- US$200bn pa shortfall, eg
  - Indonesia US$80bn/5 yrs
- Pension savings programmes

USA:
- Shortfalls, eg:
  - US$100bn/5 yrs in roads
  - US$60bn/3 yrs in water

Australasia:
- A$650bn of pension funds up by 10% pa

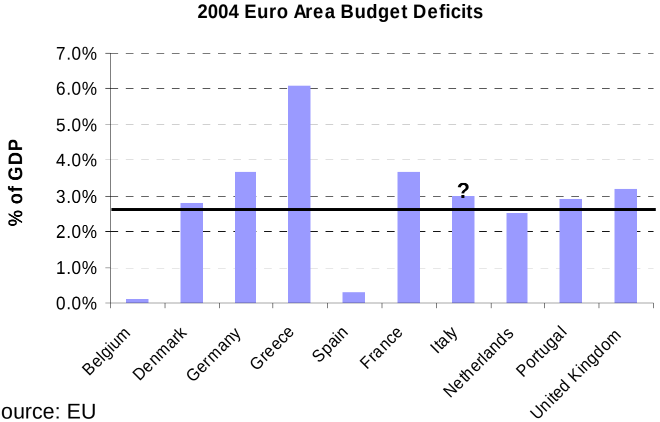
Note: Sources include World Bank, NCAER, Deutsche Bank, Canada Council of PPP, various government bodies

Example: Western Europe

Microeconomic reform (esp. related to EU), government budgetary constraints and infrastructure stock ageing/ shortages

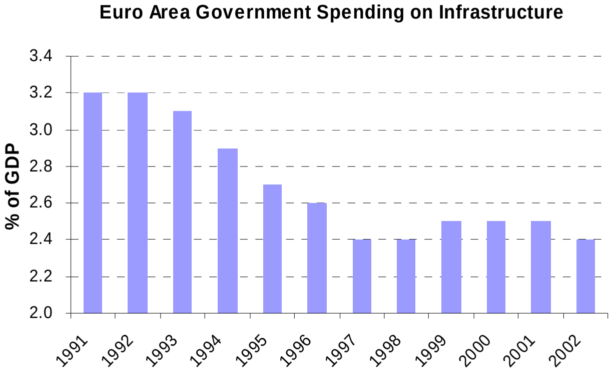
Over €200 billion of Western European infrastructure assets have been identified which could come to markets in the next 3 years

1. Chronic public sector deficit problems in many EU countries …



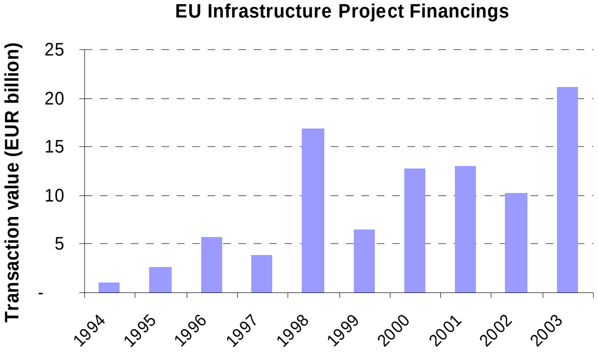
Source: EU

2. … have led to a decline in infrastructure funding and infrastructure stock …



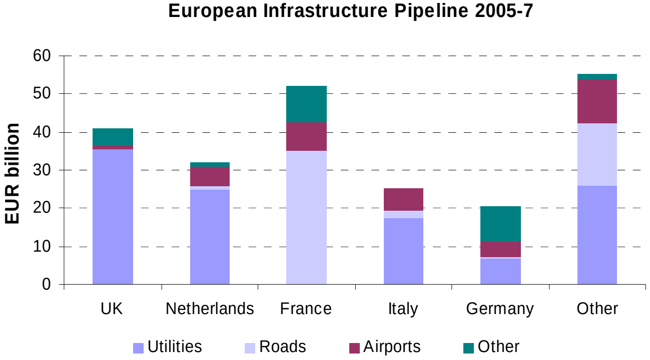
Source: EU

3. … with an increasing trend toward privatisation and build own operate models for development of private infrastructure …



Source: Projectware

4. … expected to accelerate with over €200bn of assets will come to private investment market in Europe over the next 3 years ...



Source: DB analysis

Sample deal flow over last 12 months

Over €1,000 billion of transactions …

endesa

P&O

BRISTOL WATER

Sanef
idées en route

autostrade||spa

ESP E.S. PIPELINES

Transelec

PRIORY

SIMON Group plc

Sutton and East Surrey Water

FLYPOCAHONTAS
TAKE THE OPEN ROAD

suez

ABP
Associated British Ports

BUDAPEST Airport

eircom

eDF

INDIANA TOLL ROAD

BAA

Autoroutes du Sud de la France

RWE Obragas

Gaz de Strasbourg

AÉROPORTS DE PARIS

PD PORTS plc

autoroutes PARIS RHIN RHONE

Gaz de France

europistas

GAZ DE BORDEAUX

Trans-Texas CORRIDOR

Fraport

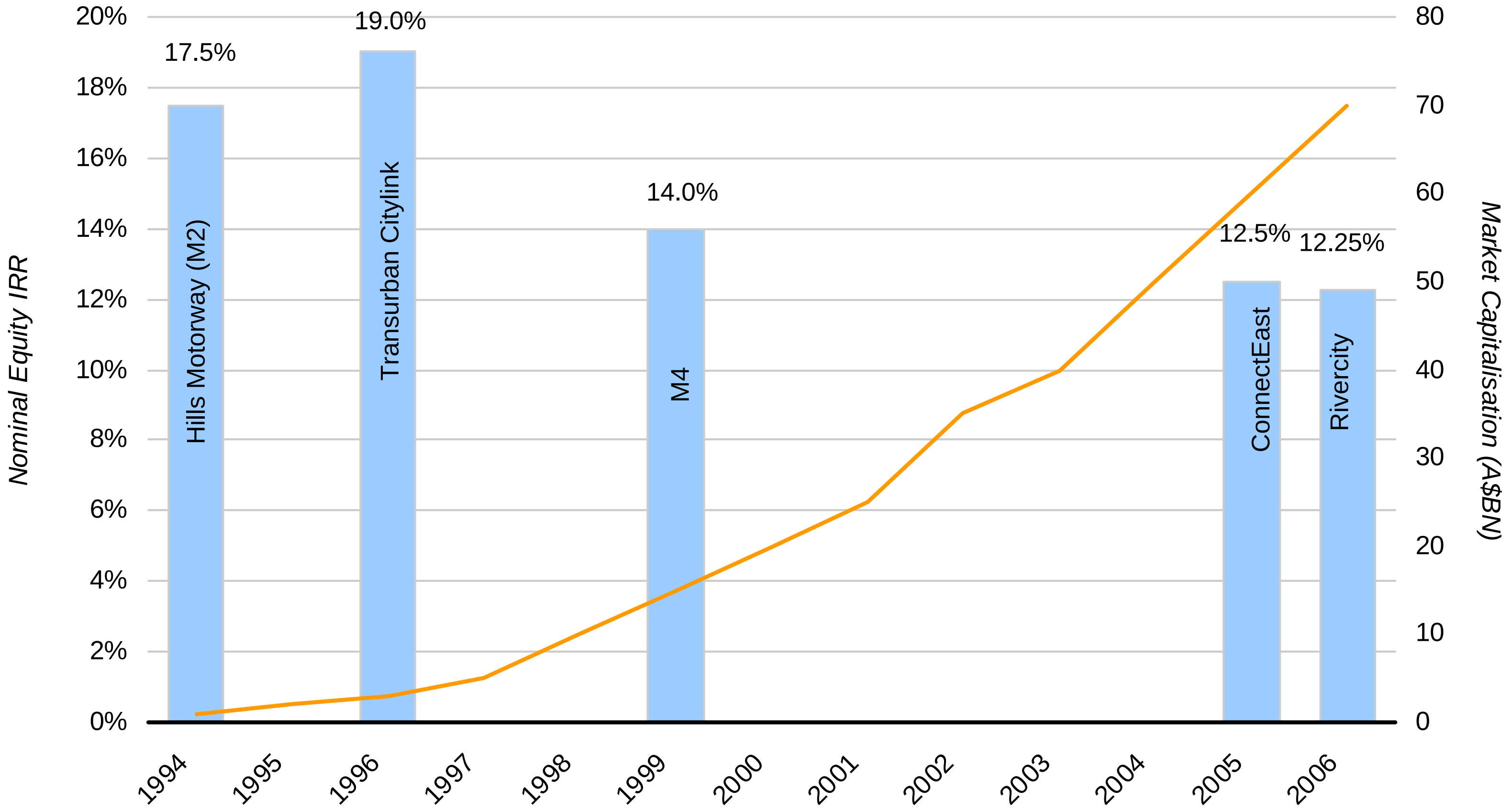
267
Dulles Greenway

INEXUS

Australian example shows possible impact of increasing market maturity

Increasing flows of capital to asset class have resulted in yield contraction (in conjunction with benign credit markets) …

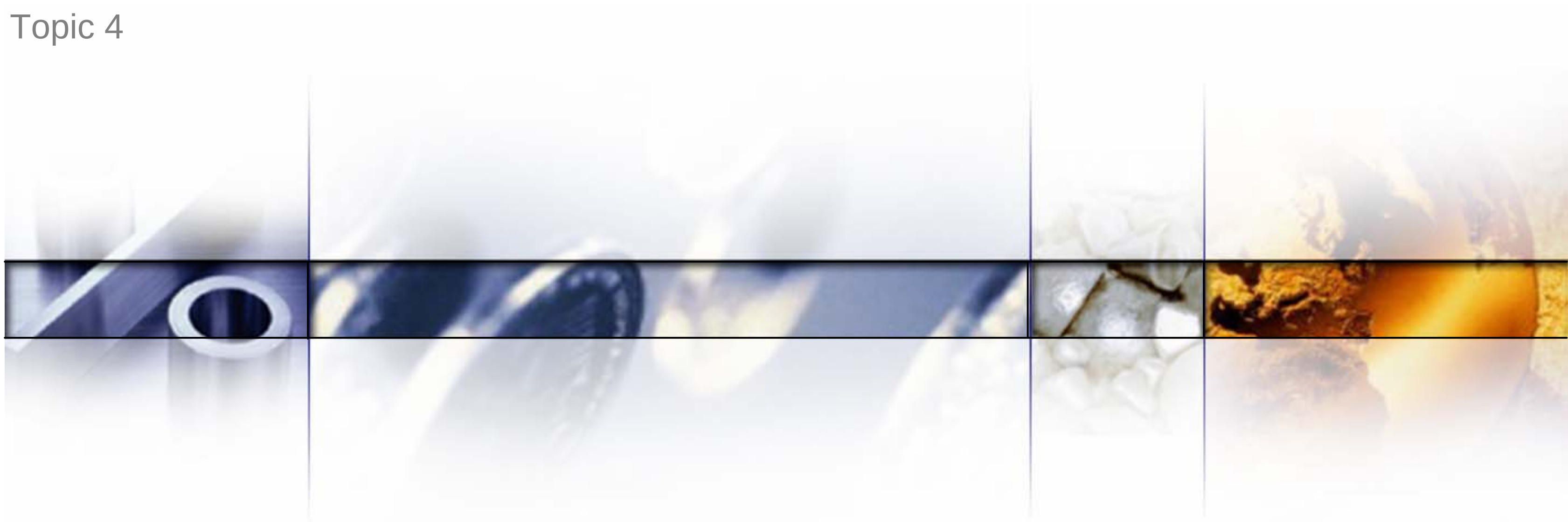
Australia – Infrastructure Market Capitalisation versus Road Equity Returns



Note: Figures sourced from prospectuses and Bloomberg.
Nominal AUD interest rates 6 – 7% throughout period

Deutsche Bank and Infrastructure Investment

Topic 4



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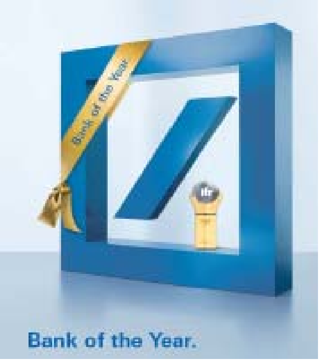
Deutsche Bank AG and Infrastructure



> "In almost every market in which it is present, Deutsche Bank truly excelled in 2005. In 2003, when it was also named Bank of the Year, Deutsche Bank transformed itself into a global bulge-bracket player in corporate and investment banking, making significant headway in the US, whilst defending its dominant position in euro capital markets. Now in 2005, it is one of the world's foremost house bond, securitisation and leveraged finance houses, has a first-rate ECM franchise, and is a global leader in flow and structured products across credit, equity, FX and rates derivatives."
> *IFR Awards 2005*

Deutsche Bank AG

Market capitalisation:	€50 bn
2005 Revenue:	€25.6 bn
2005 PBT:	€6.4 bn
Funds under management:	€866 bn
Employees:	63,500

- Other activities, eg. Corporate Investments

Corporate and Investment Bank ("CIB")

- 2005 Revenue: €15.9 bn
- 2005 PBT: €4.8 bn

Private Client and Asset Management ("PCAM")

- 2005 Revenue: €8.6 bn
- 2005 PBT: €1.8 bn

Global Markets ("GM")

- 2005 Revenue: €10.6 bn
- Activities
  - Debt markets
  - Equities
  - Commodities
  - Foreign exchange
  - Derivatives

Global Banking

- 2005 Revenue: €5.3 bn
- Activities:
  - Corporate lending and leveraged finance
  - M&A
  - Transaction banking

Private and Business Clients

- 2005 Revenue: €4.7 bn
- Activities:
  - Retail and business bank

Deutsche Asset Management

- 2005 Revenue: €3.9 bn
- Activities:
  - Retail clients (DWS)
  - Institutional clients
  - RREEF

Private Wealth Management

- High net worth individuals

Structured Capital Markets - Infrastructure

- Strategically located within CIB to access network and deal-flow

Structured Capital Markets - Infrastructure

Asset based financing expertise with particular specialty in principal investments in infrastructure assets

- ~50 executives globally with asset and structured financing specialisation
- Located in London, Frankfurt, New York, Singapore and Sydney
- Comprises infrastructure specialists with principal investment expertise, including ex-Macquarie executives in senior positions
- Sample of recent principal investment expertise at DB:
  - Acquired 100% of Sutton & East Surrey Water
  - Acquired 390MW contracted Enfield Power Station and on-sale to E.On (post contractual restructuring)
  - Acquired 37% of Grup Maritim TCB
  - Arranging of acquisition of interest in gas pipeline and sale to institutional investor
  - Participated in bids either as principal or equity financier for range of interests, including Budapest Airport (with Fraport) and Brussels Airport (with Ferrovial)

Suite of associated investment vehicles and relationships

Regional focus and asset/investor specific focus

- The Infrastructure Limited Partnership (“TIP”)
  - Geography: Europe
  - Size: €2.5 billion
  - Description: Partnership between Deutsche Bank and large institutional investors
  - Sponsor: Deutsche Bank

- The Infrastructure and Growth Capital Fund
  - Geography: MENASA
  - Size: USD2.0 billion (first close USD0.5 billion completed in January 2007)
  - Description: Limited Partnership
  - Sponsors: Abraaj Capital, Deutsche Bank and Ithmaar Bank

- Lion Global Infrastructure Fund
  - Geography: Global
  - Size: up to €750MM (first close scheduled for Q1 2007)
  - Description: Guernsey corporate (with potential IPO)
  - Sponsors: Lion Capital and Deutsche Bank

Other

- Local partnerships in specific markets, such as PPP and Eastern Europe
- Asset specific investment vehicles, eg Grup Maritim TCB

Sample of Recent Deutsche Bank Group Transactions

Access to Deutsche Bank CIB network with public services and transportation infrastructure experience throughout Europe

Northumbrian Water Accelerated IPO (UK)
NORTHUMBRIAN WATER GROUP
£2.2bn
Advice, Equity and Debt Finance
2003 ★

SEEBOARD Acquisition (UK)
LONDON ENERGY
£1.4bn
Advice
2002

GCHQ (UK)
GCHQ
£400m
Finance
2002 ★

Railtrack Restructuring (UK)
Network Rail
£23bn
Advice
2002 ★

Brisa Equity Raising (Por)
BRISA AUTO-ESTRADAS DE PORTUGAL S.A.
€183m
Equity Finance
2002

CVC's Acquisition of Iberdrola Transmission (Sp)
IBERDROLA
€800m
Advice, Finan
2003 ★

Sale of BP's 25.5% of Ruhrgas (Ge)
ruhrgas
Private
Advice
2001

New Romford Hospital (UK)
Catalyst
£240m
Finance
2004

ARZ M12 (Croatia)
€500m
Advice, Finance
2002

France Telecom Recapitalisation (Fr)
france telecom
€20bn
Equity and Debt Finance
2003 ★

United Utilities and CKI Acquisition of Northern Gas (UK)
United Utilities
£1.4bn
Advice
2004

Italenergia Financing (It)
ITALENERGIA
€1.3bn
Finance
2002

London Underground PPP (UK)
METRONET
£3bn
Advice, Finance
2003 ★

Warnow River Crossing (Ge)
BOUYGUES
€224m
Finance
2000

NTL Refinancing (UK)
ntl:
£4bn
Advice, Finance
2004

★ = Award Winning Transaction

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