

Services

Innovative and sustainable solutions

Ferrovial Servicios contributes to sustainable development on the geographical areas where it operates by designing and providing solutions that are efficient, both economically and environmentally, for the comprehensive maintenance of infrastructures and, the implementation of the circular economy model.

As announced in February 2019, Ferrovial has decided to sell its Services business with the aim of concentrating on developing its infrastructures business. The process of divesting in Services is in progress, and within this framework an agreement was reached in December for the sale of Broadpectrum (Services business in Australia and New Zealand) to a company controlled by Ventia Services Group for an enterprise value of 327 million euros. Also, in July 2019 Ferrovial Servicios ceased its operations in Poland on the sale of its 51% share in the FBSerwis company to its local partner Budimex, a subsidiary of Ferrovial Agroman. The rest of the Services business (including Spain, United Kingdom and International markets) remains under the classification of discontinued activity and classified as maintained for sale.

BACKGROUND

Ferrovial Servicios undertakes its activity in nine countries, with its main markets being the United Kingdom, Spain and North America.

In the **United Kingdom**, the difficult market conditions prevailing in recent years continue, with very tight margins and severe financial difficulties for some companies within the sector, pending further clarity in public entity budgets following the recent elections. In 2019, Amey signed an agreement with Birmingham City Council for early termination of the contract for maintenance and management of the road network for a payment of 215 million pounds (of which 160 were paid in 2019). Also, with the arrival of Amanda Fisher as the new CEO, the company is undertaking an in-depth review of its activities to concentrate on railways, consultancy and “facility management”. In order to achieve higher operational efficiency, in addition to optimizing the structure of the support functions, the company is considering selling, on the one hand, the waste and treatment energy business and, on the other, divesting the services business to electricity and water companies.

In **Spain**, political and macroeconomic uncertainty has given rise to a slow down in new public contracts and a search for efficiency by the private sector. Ferrovial Servicios has grown profitably as a result of the combination of effective sales with investment in management systems and applied innovation.

Meanwhile, the favourable macroeconomic and industrial situation in **North America** has enabled the company to expand in the toll roads maintenance and crude oil infrastructures sectors.

VALUE CREATION

Ferrovial Servicios' sales showed an organic growth of 4.3% in 2019. This growth was the result of good positioning in all markets where it operates (especially in their Spanish and international business), as well on its distinguishing skills that enable it to compete successfully in highly demanding and complex projects.

Occupational safety

The occupational safety of its 71,852 employees is a priority for Ferrovial Servicios. The accident frequency index was 15.09% lower in 2019 as a result of implementing strategies and programs adapted to the circumstances prevalent in each country. Here are a few examples:

- Zero Code (United Kingdom): a code that highlights what should constitute key behaviour in a job position to guarantee safety.
- Safe for Life (Australia and New Zealand): a strategic health and safety model to be applied in all working environments.
- +Vial (Spain): a programme focussing on improved safety in road maintenance activities.

Sustainable growth

Ferrovial Servicios centers its activity on providing sustainable services for cities, infrastructures and facilities:

In Spain, in the **environmental services** activity, the company has started up a new recycling plant with a capacity for processing 50,000 tons yearly of PET plastic waste that is transformed into raw materials for industry. In the United Kingdom, the North Yorkshire and Milton Keynes energy recovery plants, that are both currently fully operative, are part of the facilities operated by the company with an installed capacity of 66 MW, equivalent to the energy consumed by 80,000 homes.

Another area of sustainable growth is **energy efficiency**, with an order book of over 400 million euros in Spain, that generates annual energy savings equivalent to 2% of the global objective in the National Energy Efficiency Plan. As proof of their know-how in this activity, the company has been awarded new contracts in Spain,

RECYCLING OF 50,000 TONNES OF PLASTICS ANNUALLY

In a social environment that encourages the circular economy and a reduction in the use of plastics, Ferrovial Servicios have opened a plant for recycling PET (polythene terephthalate) plastic flakes from recovered containers. The facility is located in Les Franqueses del Vallès (Spain) and is one of the largest in Europe, with a capacity for processing 50,000 tons a year, equivalent to the yearly generation of this type of plastic waste by 5 million people. The plant makes use of the latest technologies, resulting in minimum energy consumption and the ability to re-use water. The quality of the PET obtained at the plant has been approved for use in food and drink containers by the European Food Safety Authority. This activity contributes to reaching the objectives for the recovery of containers as laid down by the European Commission for the European Strategy for Plastics in a Circular Economy, which aims to recycle 25% of the material used to produce plastic containers by 2025.

ROAD MAINTENANCE IN NORTH AMERICA

Ferrovial Servicios Internacional implemented a transformation program that has led to average sales growth of 18% and an improvement in the RBE of 20% during 2017-19 period. This change has been possible thanks to the incorporation of new professionals who are experts in the sector, the improvement of operations and customer satisfaction levels, and the restructuring of the bidding department. The company currently manages about 23,000 kilometres of roads in eight US states and the province of Ontario (Canada). In 2018 it won contracts in Ottawa, York and Peel Halton in Ontario, as well as several contracts in Florida and other states. In 2019, it was awarded, among others, the first comprehensive maintenance contract, tendered by the Michigan Department of Transportation.

as well as its first contract for public lighting in New Zealand, in the city of Dunedin.

Ferrovial Servicios has also been awarded significant contracts for the **maintenance of infrastructures**, such as an extension to the facility management contracts with the United Kingdom’s Ministry of Defence (886 million euros), the maintenance of infrastructures for Sydney Water in Australia (660 million euros), toll roads maintenance in Ottawa and York in Canada (183 million euros) and the Kwinana British Petroleum refinery in Australia (116 million euros).

Operational efficiency

The company plans to simplify its support structure in a context of business growth, specially in all geographical areas’ were there has been cost reduction programs with positive results. One example are the actions undertaken by Oil & Gas business units in the United States and defence units in Australia. Another example is the implementation of an Energy Control Centre, with savings of 4% in facilities managed in Spain, Portugal, Australia and the United States.

Digitalization

The application of new technologies and data analysis has provided a great opportunity for improving the safety, efficiency and functionality of services, while strengthening collaboration with customers and other interested parties. Ferrovial Servicios has a order book of over 100 innovate projects, including:

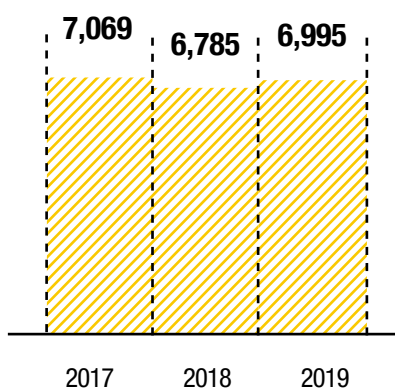
- DUGUD: an application to encourage the separation of organic waste in origin by citizens.
- Kuiko Pro: an intermediary platform between customers and suppliers in the facility management sector.
- XPERIoT: first remotely controlled hub for public lighting compatible with 5G technology.



CLICK
Recycling plant

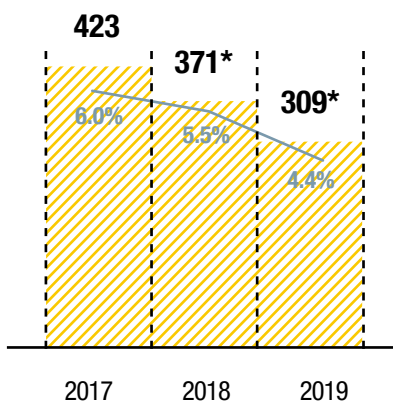
REVENUES

(Ex-Birmingham) (M€)



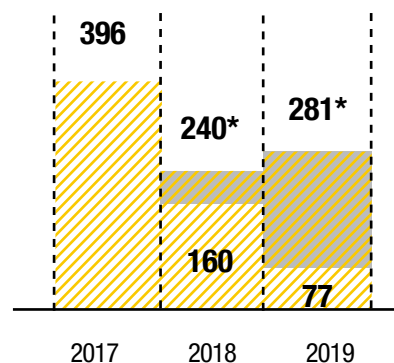
EBITDA

(M€)



OPERATING CASH FLOW

(Before taxes) (M€)



■ EBITDA (M€) ○ EBITDA Margin
* Birmingham is excluded

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