

SERVICES

FERROVIAL SERVICES IS AN INTERNATIONAL BENCHMARK IN THE DESIGN AND PROVISION OF SERVICES THAT IMPROVE THE EFFICIENCY, FUNCTIONALITY AND SUSTAINABILITY OF INFRASTRUCTURES AND CITIES.

BACKGROUND

The operating environment in which Ferrovial Services carries out its activities shows its particularities according to the geographical area in which it works.

The **United Kingdom** reduced its rate of growth in 2017, even though the labor market has recorded close to full employment. In this context, the ability of Public Administrations to increase their spending levels remains limited, so the pressure is maintained on margins and the limited number of opportunities available in the market.

In the case of **Australia and New Zealand**, their favorable economic situation continues to drive the growth of the market of services related to infrastructures, whose attractiveness explains the recent strengthening of the sector. Australia has announced plans to boost investment in transport infrastructure, government/defense and renewable energy. The prospects of the oil, gas and mining sectors are positive because of the upward trend in the prices of natural resources.

Spain has confirmed its macroeconomic improvement, although the continuation of fiscal consolidation policies and political uncertainty have led to lower bidding activity in the public sector. Ferrovial Services Spain has continued to strengthen its profitable development through programs for the continuous improvement of its operations, optimizing processes and integrating technology. With regard to growth, the company expects to capture the greatest dynamism of new customer profiles such as the industrial sector (for example, high added value logistics services) and the offer of services to citizens (for example, shared vehicles).

Activities in **other countries** in which Ferrovial Services operates through the International business unit (United States, Canada, Poland, Chile and Qatar) have performed well. This is the case of the United States and Canada, markets in which Ferrovial Services entered with the acquisition of Broadpectrum and where a new organization was consolidated

VALUE CREATION

The aspect that sets Ferrovial Services apart is based on a design of innovative financially attractive solutions, as well as operational excellence in its provision. This is achieved through collaboration with clients, the integral vision of the life cycle of infrastructures, the intelligent application of technology and the transfer of knowledge developed in its geographical areas and sectors of activity. This value proposal fits The aspect that sets Ferrovial Services apart is based on a design of innovative financially

REVENUES (M€)

7,069

73%
INTERNATIONAL

ORDER BOOK (M€)

20,918

75%
INTERNATIONAL

OPERATING CASH FLOW (M€)

396

40% OF THE TOTAL
EX-PROJECTS
BEFORE TAXES

attractive solutions, as well as operational excellence in its provision. This is achieved through collaboration with clients, the integral vision of the life cycle of infrastructures, the intelligent application of technology and the transfer of knowledge developed in its geographical areas and sectors of activity. This value proposal fits in perfectly with the growing demand for more efficient and sustainable infrastructures and cities.

Ferrovial Services bases its strategy on the following pillars:

- **Continuous improvement of profitability and cash generation** to provide attractive returns to shareholders and support the financing of capital intensive businesses. The main levers to achieve this objective are the restructuring of or exit from unprofitable contracts, operational excellence and focusing on the most attractive tenders in terms of profitability and risk.

Thus, in 2017 the first phase of the "Fit 4 the Future" cost reduction program in Amey was completed, including the reduction of the workforce of more than 850 people and the rationalization of the contract portfolio, leaving contracts as in the case of Liverpool City Council or Affinity Water, with the purpose of reaching the target margins.

Also Broadpectrum, which in October 2017 finished the contracts in the immigration centers according to the plans announced at the time of their acquisition,



OPTIMIZATION OF WASTE COLLECTION ROUTES

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In 2017, Ferrovial Services intensified the integration of new technologies in its operations to optimize its economic, environmental and social contribution for the benefit of clients, employees and society in general. A good example is the application of data analytics to urban services, put into practice in the collection service of recyclable materials in Granada, in collaboration with the City Council and Cisco. Using an infrastructure based on the Internet of Things (IoT), with sensors installed in more than 400 containers, an analytical platform optimizes the cost and environmental footprint of the fleet through the dynamic design of routes based on variables such as container filling or weather conditions.

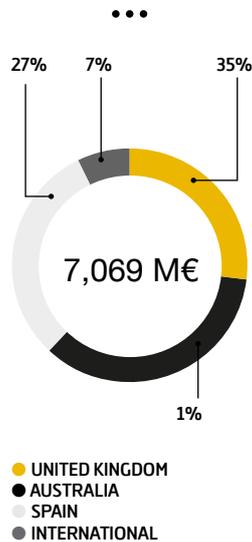


VIDEO: FERROVIAL SERVICES
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has optimized its cost structure including a reduction in personnel, has undertaken the restructuring of contracts with low profitability and is positioning itself to take advantage of opportunities in its priority markets: transport, administration / defense, urban infrastructures and natural resources.

- **Concentration in current geographical areas** to achieve and consolidate leadership positions in services and sectors of activity with greater opportunities for differentiation. The markets in which Ferrovial Services currently operates are an optimal platform to offer state-of-the-art solutions while acquiring new capabilities. A good example of growth in a strategic country, capitalizing on differential capabilities such as local knowledge and experience in managing the life cycle of assets is the OSARs West contract for 20 years maintenance of the road network in the western area of Melbourne, Australia, resulting from the collaboration between Cintra and Ferrovial Services, which includes a significant portfolio of services for Broadspectrum and for Amey.
- **Innovation**, through which the company pursues the development of service models that improve the efficiency and quality of life of citizens. With the aim of implementing its business model in line with a new global scale after the acquisition of Broadspectrum, Ferrovial Services has created a new Innovation and Change Division, responsible for the innovation strategy, the coordination of the activities of Competence Centers and the identification and management of transversal initiatives for operational improvement and capability transfer.

REVENUES BY BUSINESS UNIT



An example of an innovation program initiated in 2017 is the development in Oxfordshire, United Kingdom, of a prototype of autonomous vehicle with sensors designed to support activities in the urban environment such as asset inspections, waste collection or road maintenance.

- **Replicate best practices** to offer the best offer of services to the client. To move forward with this objective, Ferrovial Services has identified its differential capabilities, has enabled the geographical mobility of more than 100 internal managers and experts and has promoted the development of the company's five Competence Centers (Asset management, Cities, Energy and Facility Management, Environment and Natural Resources). This contribution of skills is especially relevant in new geographical areas such as North America, where resources and specialized knowledge in road maintenance have been transferred.
- **Zero operating accidents** to ensure the safety and well-being of employees and the communities in which it carries out its activities. To do so, programs of awareness and exchange of best practices have been implemented and new technologies applied in operations. For example, in 2017 workers at Amey environmental services in Wolverhampton participated in a program to measure physiological parameters with devices integrated into smart vests. The conclusions made it possible to identify actions to reduce stress and make the development of work healthier.



LAUNCH OF THE ZITY CAR SHARING SERVICE (MADRID)

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The transformation of urban mobility opens up opportunities for Ferrovial Services to promote new business models, technologically focused and interactive with citizens, which improve the efficiency and sustainability of cities. Ferrovial Services is developing these new capabilities through practical experimental methodologies, knowledge of other Ferrovial divisions and alliances with external agents with complementary capabilities. A good example of Ferrovial Services' commitment to urban mobility is Zity, a car-sharing service that operates in Madrid in collaboration with Renault. Zity was launched in December 2017 with an initial fleet of 500 electric vehicles fully recharged with renewable energy and zero emissions.