



# Presentation to Analysts

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London, 22<sup>nd</sup> June 2005

# Agenda

## Introduction

**Íñigo Meirás**

Ferrovial Servicios  
Chief Executive

## Ferrovial Servicios in the UK

**Santiago Olivares**

Ferrovial Servicios  
Business Development Director

## Amey: Strategic Overview

**Mel Ewell**

Amey CEO

## Tube Lines

**Terry Morgan**

Tube Lines CEO

## Financial Overview

**José Leo**

Amey Group Finance Director

# Introduction

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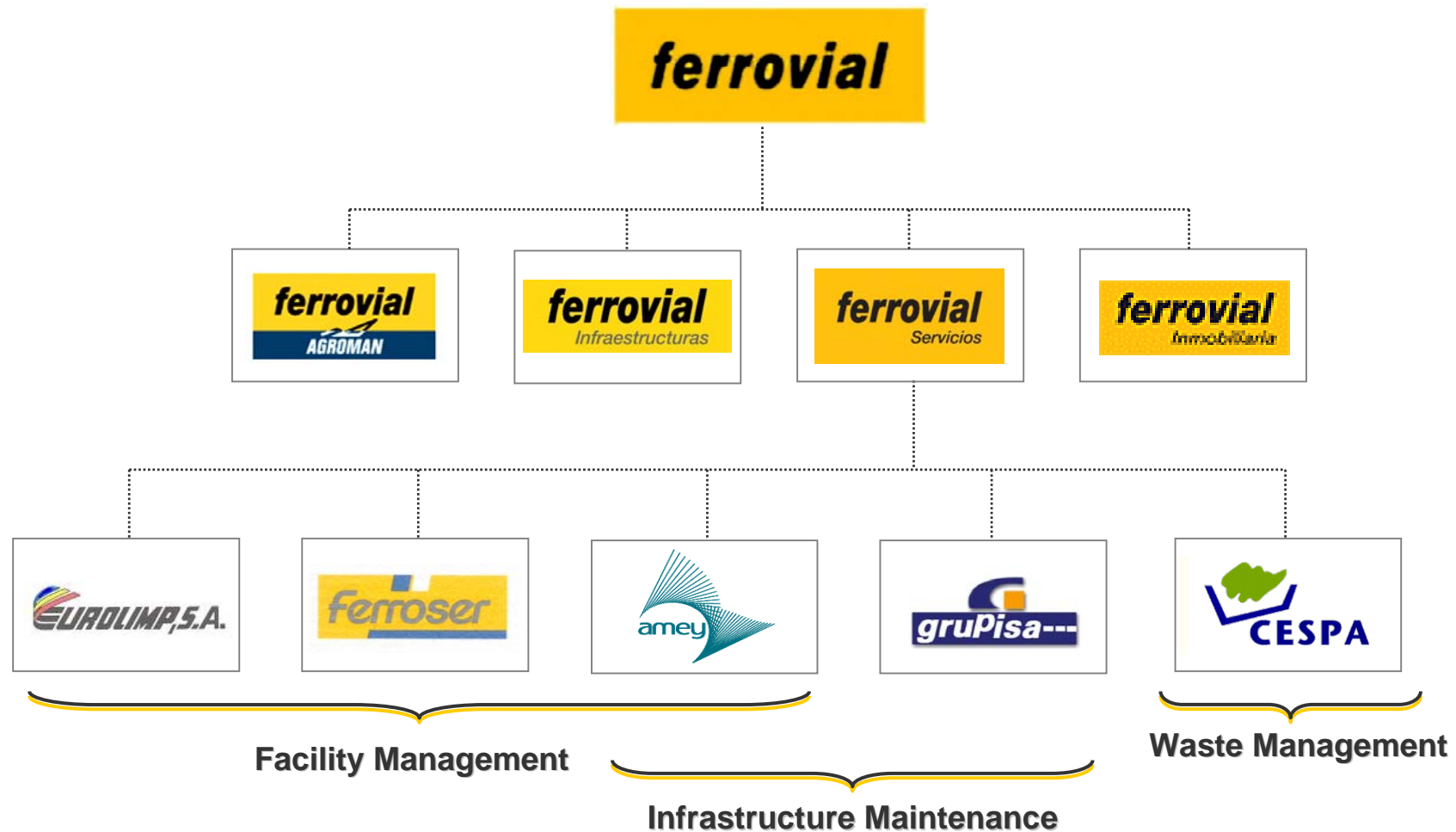
Íñigo Meirás  
Chief Executive

**ferrovial**  
Servicios

[www.ferrovial.es](http://www.ferrovial.es)

**ferrovial**

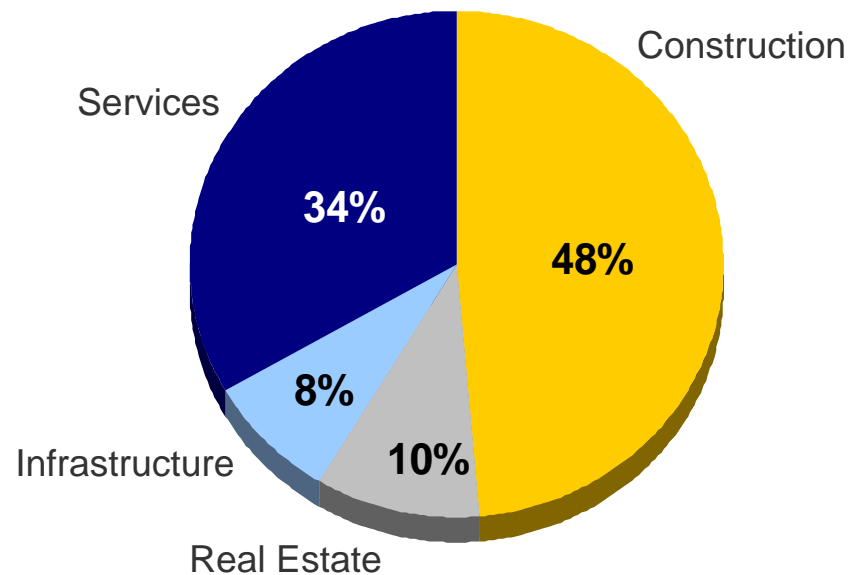
# Ferrovial Structure



# Ferrovial: 2004 Results

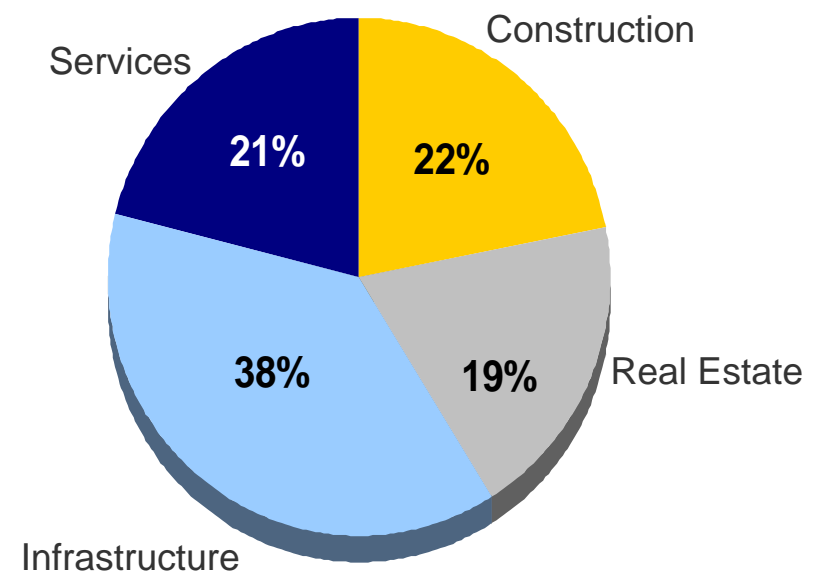
€million

## NET SALES



**Total : 7,268**

## EBIT

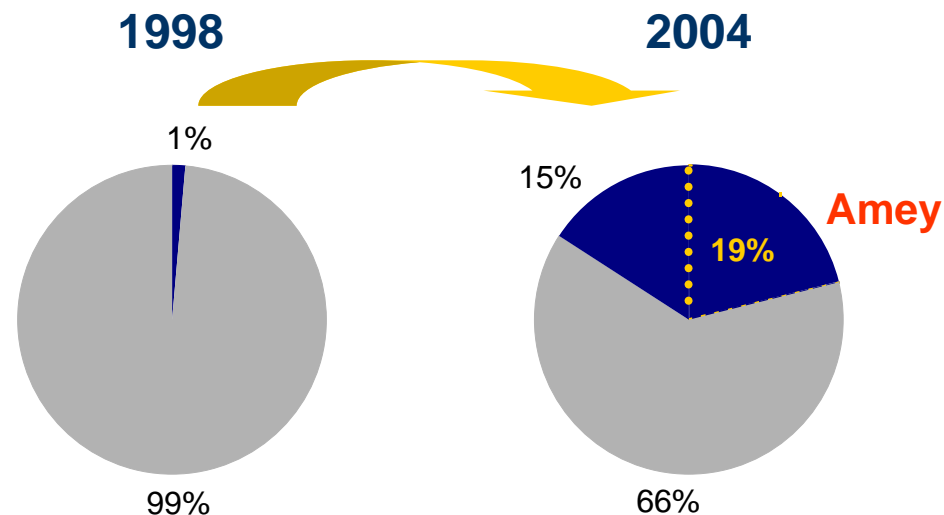
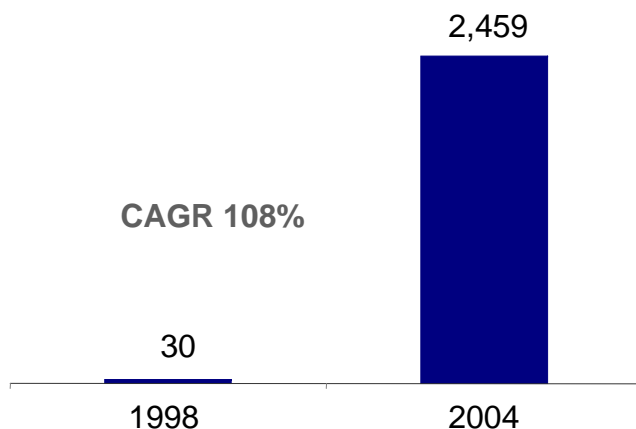


**Total : 766**

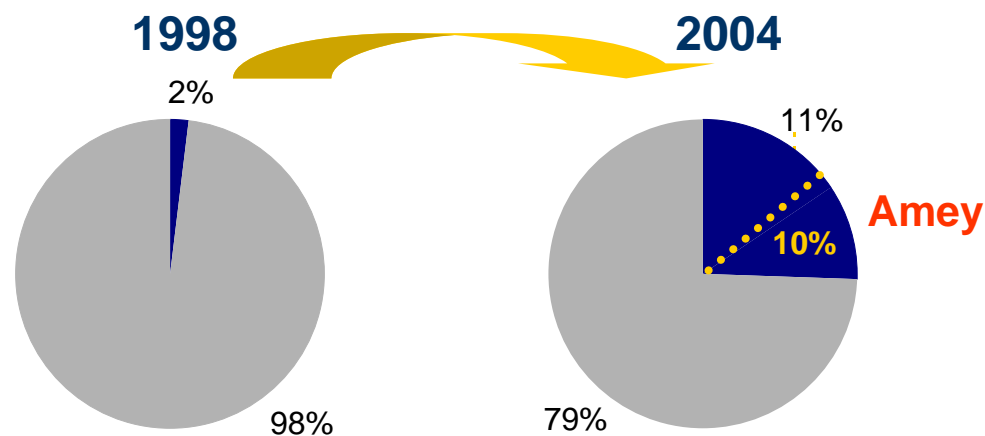
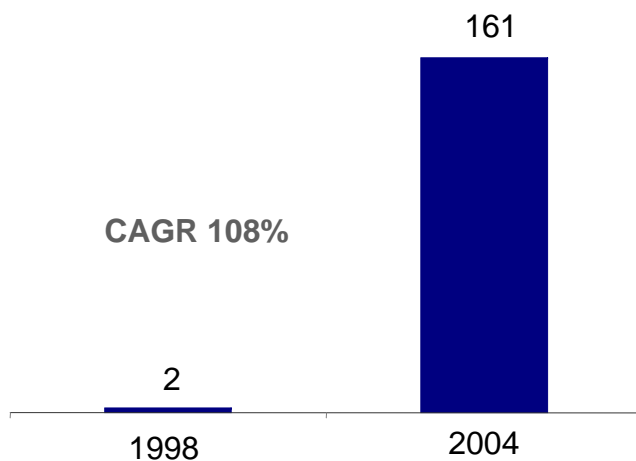
# Change in Ferrovial Profile

€million

## Net Sales Ferrovial Servicios



## EBIT Ferrovial Servicios

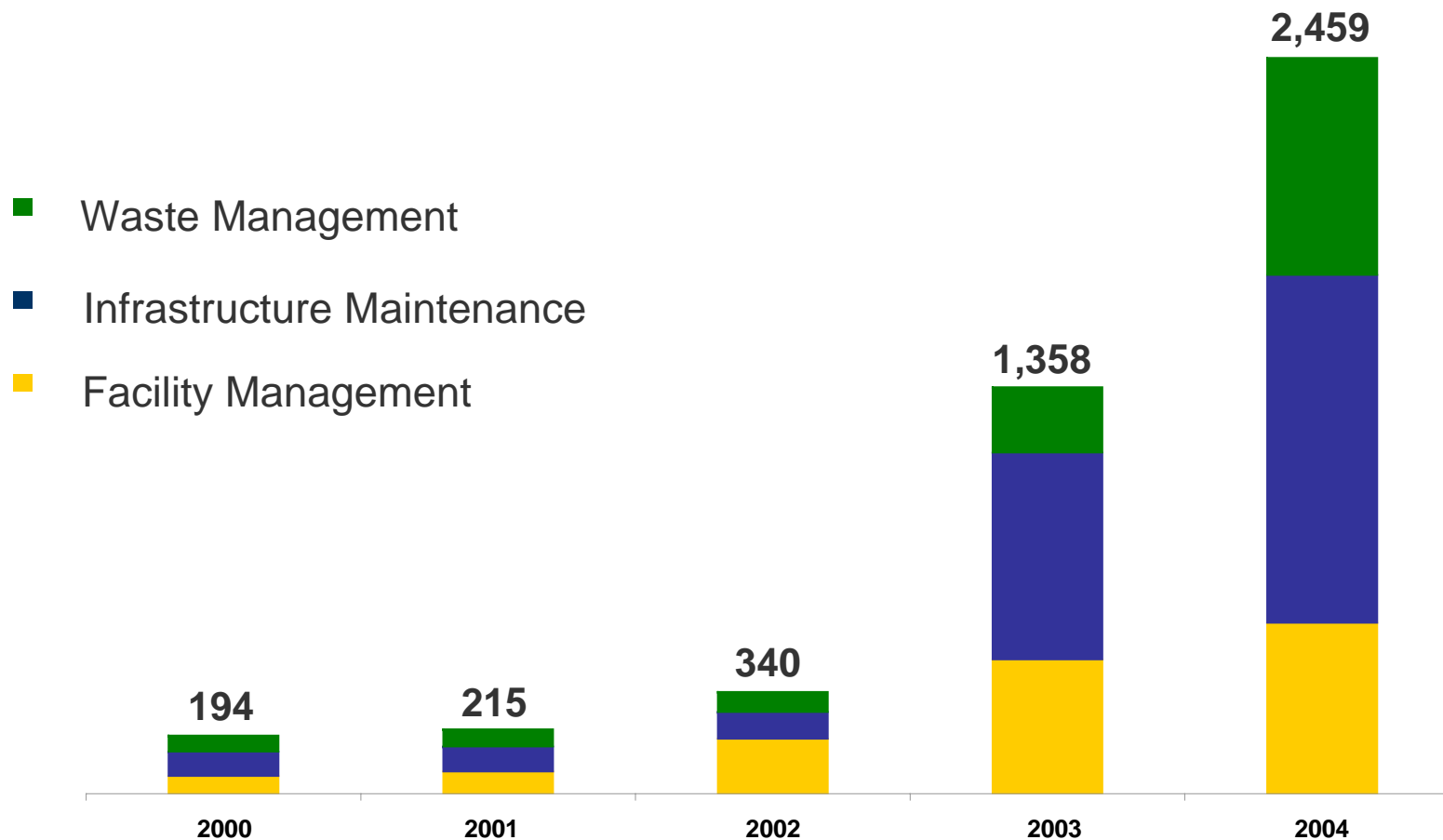


■ Ferrovial ■ Ferrovial Servicios

**ferrovial**

# Ferrovial Servicios: Growth Track Record

€million



## Acquisitions

GRUPISA

EUROLIMP

NOVIPAV

AMEY  
CESPA

## Ferrovial Servicios:

€million

### Net Sales by Activity and Geography 2004

	Spain + Portugal	UK	Total
➤ Facility Management	231	343	574
➤ Infrastructure Maintenance	120	1,039	1,159
➤ Waste Management	726	-	726
➤ Total	1,077	1,382	2,459



# Ferrovial Servicios in the UK

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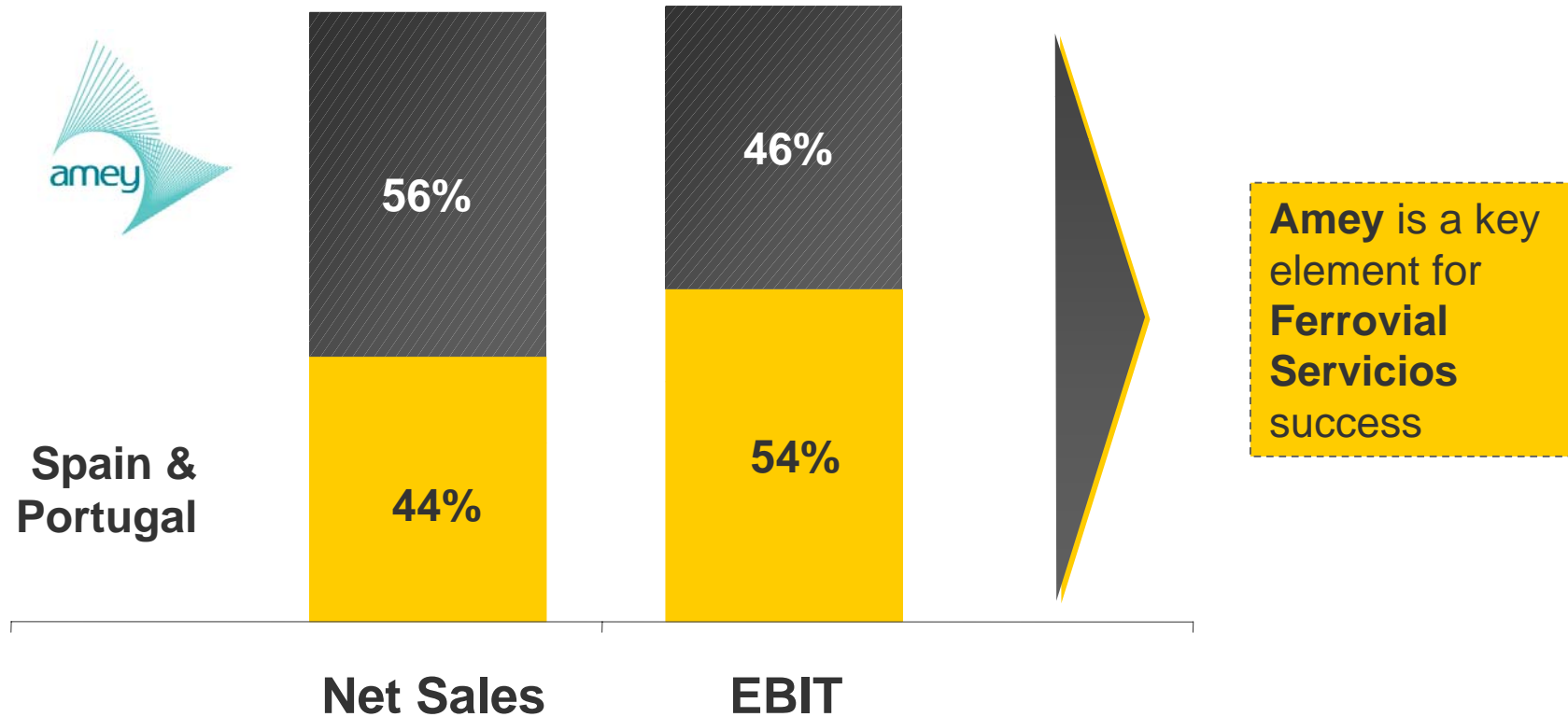
**Santiago Olivares**  
**Business Development Director**

**ferrovial**  
Servicios

[www.ferrovial.es](http://www.ferrovial.es)

**ferrovial**

## Amey within Ferrovial Servicios 2004



## Acquisition in the UK: Strategic Rational

- ✓ Services is a key element in Ferrovial strategy
- ✓ UK the most advanced outsourcing market
- ✓ Large market with growth potential (services concessions)

# Pre-acquisition Analysis

- ✓ Extensive due diligence
- ✓ Good understanding of Amey's main issues
- ✓ Strong operational units
- ✓ High caliber management team

## Why Amey

- ✓ Leading company in UK services sector
- ✓ Strategic business areas for Ferrovial
- ✓ Expertise in PFIs
- ✓ Stake in Tube Lines
- ✓ Potential for improvement

## Amey Acquisition: 2 Years Later (2005)

- ✓ Focused on key business
- ✓ Debt refinancing completed
- ✓ Streamline corporate overhead
- ✓ Control systems implemented
- ✓ Selective bidding strategy in place

## Amey Acquisition: Focused on Key Business

£ million

- Closed all remaining construction risks
- Terminated non-performing contracts/deals  
(*Eliminated potential liabilities > £25M*)
- Strengthened business development organization
- Increased Amey's participation and reinforced management team within Tube Lines

# Amey Acquisition: Streamline Corporate Overhead

£ million

- Adjusted central overhead organization  
(Headcount from 950 to 500)
- Property rationalization  
(£3M projected savings)
- Introduced new cost control process and tools  
(P&L, cash flow and balance sheet by contract)
- IT optimization  
(> £10M savings)



# Amey Acquisition: Selective Bidding Strategy

£ million

- Concentrating efforts in closing on-going deals
- Targeting large long term contracts in our core activities
- Bidding costs optimization  
(External cost £40M 2002 vs. £8M in 2005)
- New business generated  
(£1,500M order book since 2003)

# Amey: Strategic Overview

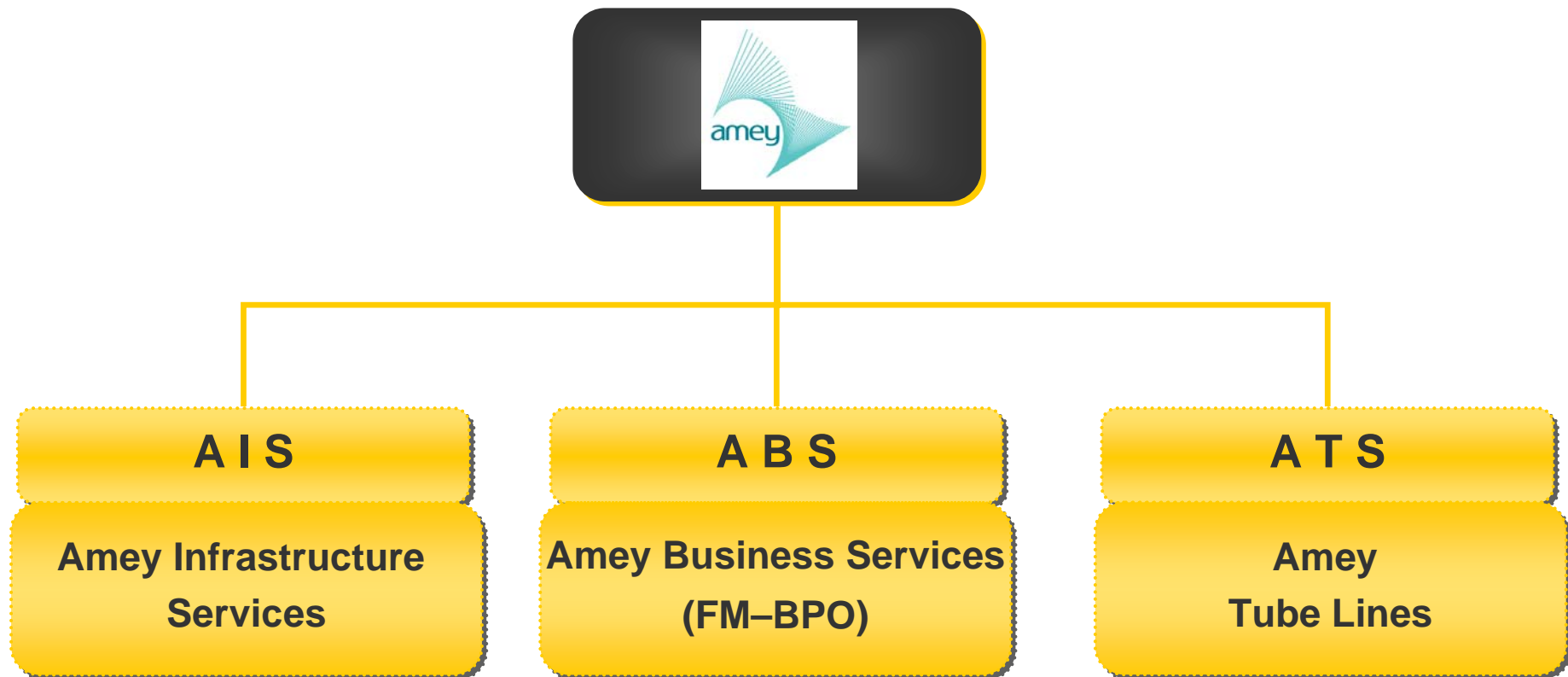
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Mel Ewell  
Chief Executive Officer



[www.amey.co.uk](http://www.amey.co.uk)

# Amey: Business Areas



## Amey: General Description

£ million

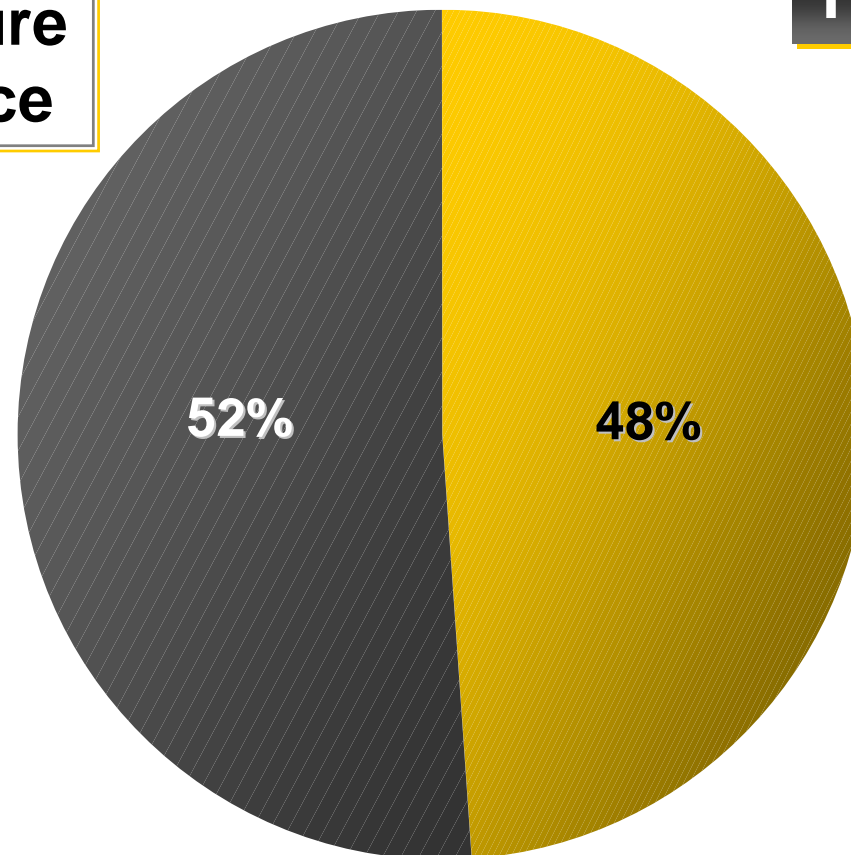
	Net Sales 2004	%
➔ AIS	452	48%
➔ ABS	233	25%
➔ Tube Lines	254	27%
➔ <b>Total</b>	<b>939</b>	<b>100%</b>

## Amey: Orderbook by Activity\* - June 2005

£ million

**Infrastructure  
Maintenance**

**Total : £ 2,916 M**



**FM-BPO**

*\* Excluding 66% Tube Lines orderbook (approx. £11,860 M)*

# Amey 2000-2005

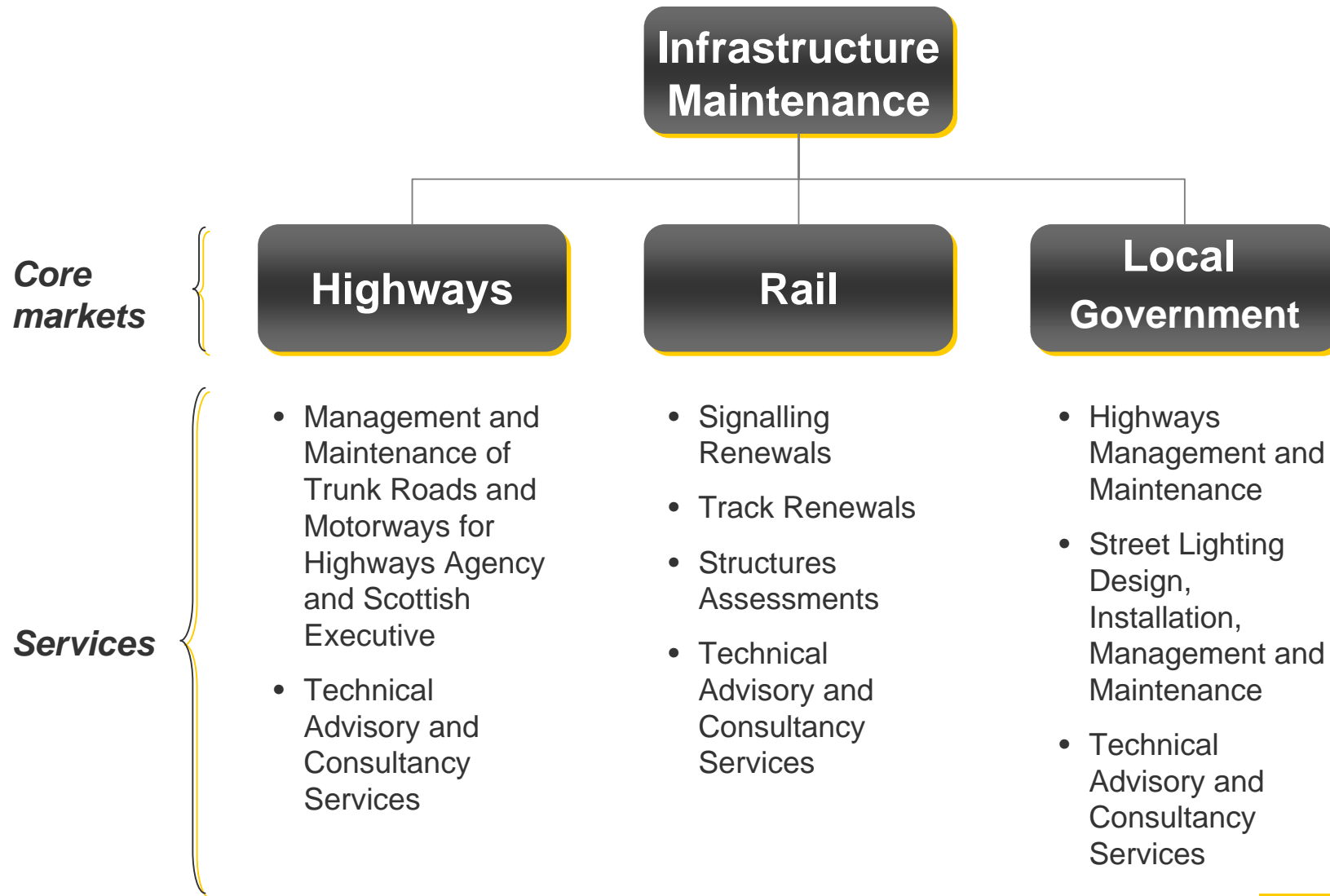
£ million



# Amey: Strategy Plan

- ⇒ Market definition: UK
- ⇒ Growth strategy:
  - Areas related to current activities
  - No construction and property price risk
  - Selectively explore opportunities in related industries
  - Long term / stable revenue streams
  - Cash generation from year one
- ⇒ PFI selective bidding and cost control

# Infrastructure Maintenance: 3 Core Markets





# Infrastructure Maintenance: Positioning

£ million

## Highways

## Rail

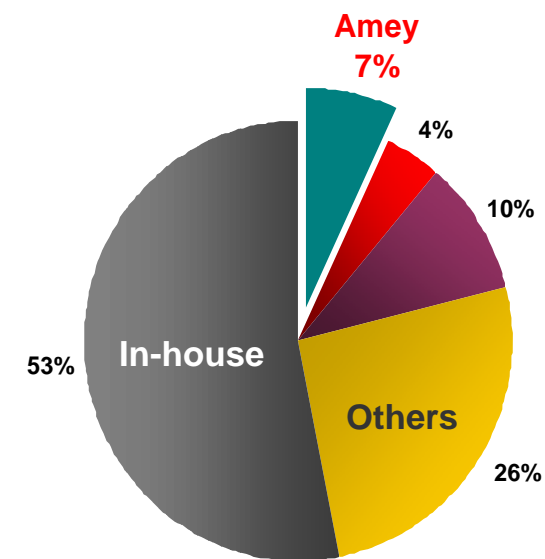
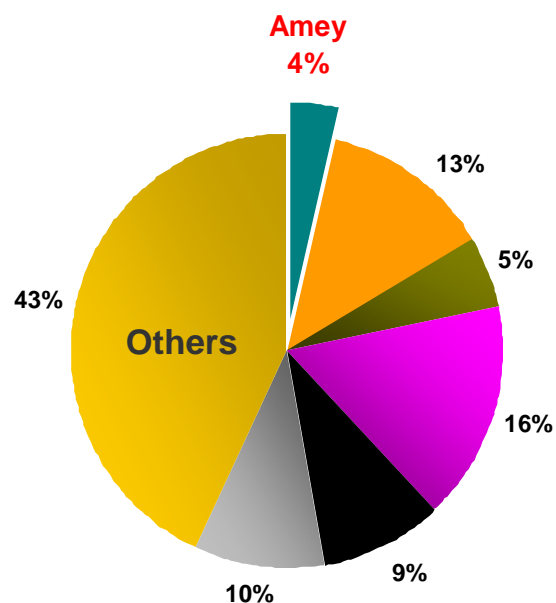
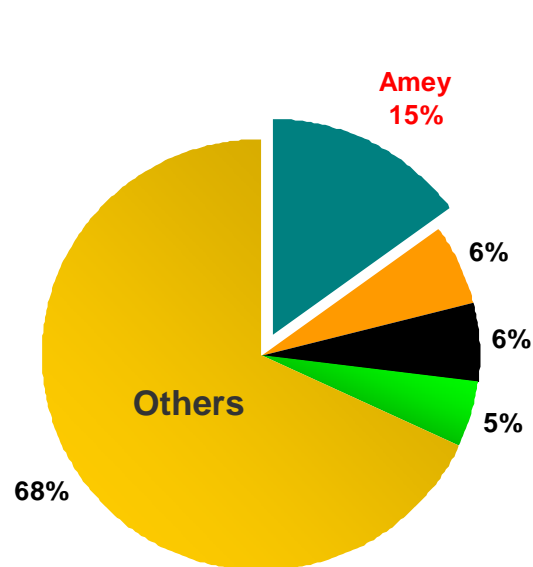
## Local Government

Market size  
/per year  
(2004)

£1,010M

£2,764M (\*)

£1,750M



Market position

1<sup>st</sup>

6<sup>th</sup>

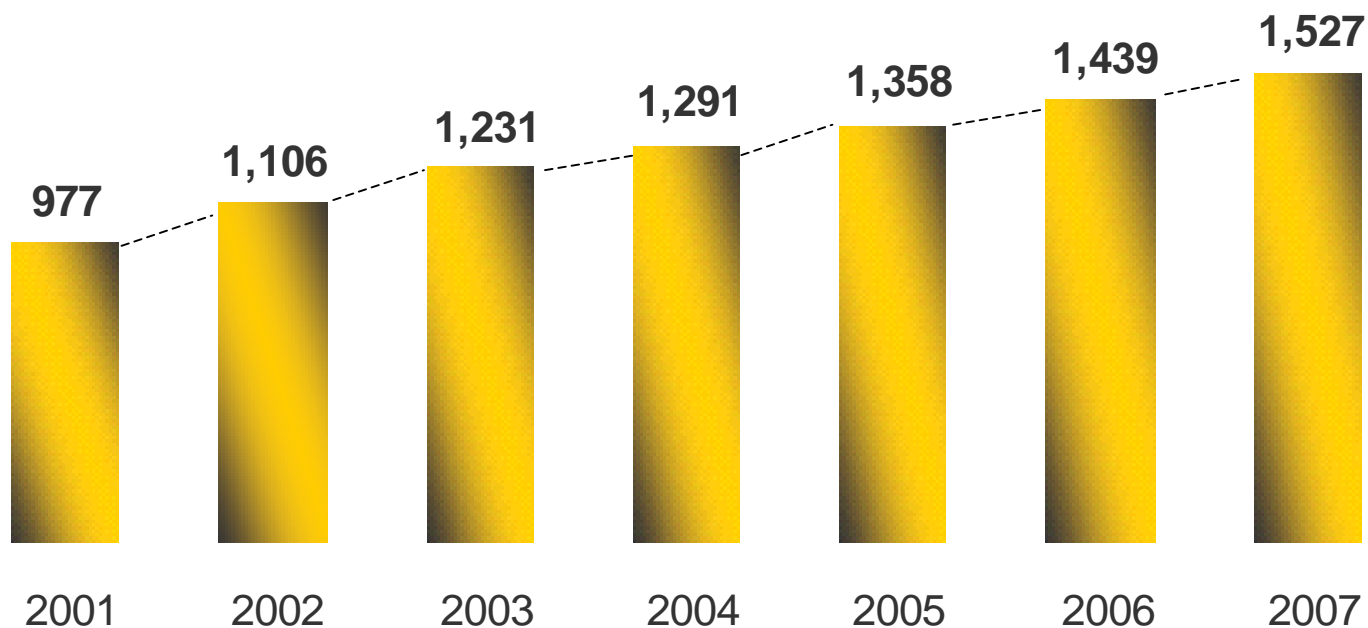
2<sup>nd</sup>

\* Excluding NR in-house

# Infrastructure Maintenance: Growth Trends

£ million

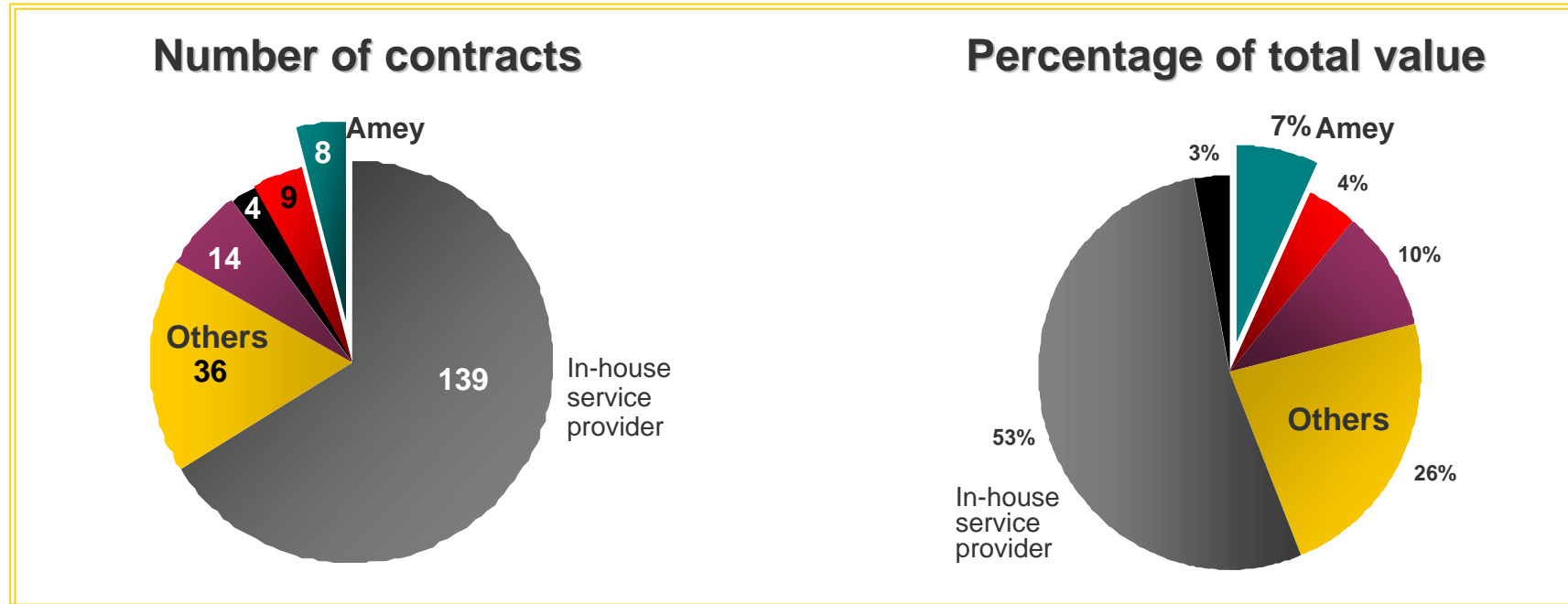
Available Local Government and Highways Markets\*



\* Excludes in-sourced activities

# Infrastructure Maintenance:

## Local Government current situation



- ⇒ Big market with clear outsourcing potential
- ⇒ Amey is positioned as one of the main players

# Rail: Market Trends

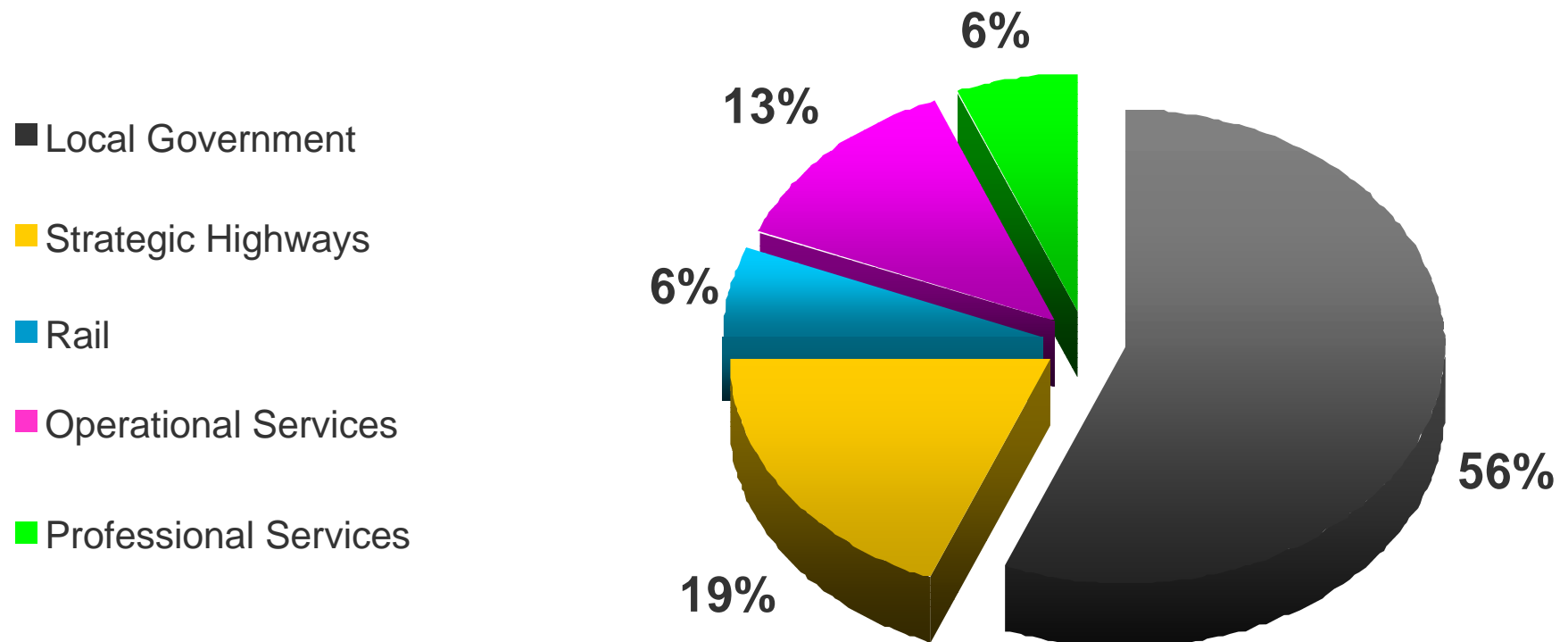
- ❖ Network Rail decision to take maintenance contracts in-house
- ❖ Highly utilized infrastructure in poor conditions (absolute and relative to the rest of the EU)
- ❖ Recurring underinvestment in last decade and
- ❖ Network Rail will require private sector participation



- ❖ Investment MUST happen
- ❖ External pressure on authorities will increase
- ❖ Companies with the right capabilities will take advantage

# Infrastructure Maintenance: Orderbook June 2005

£ million



**Total: £1,516M**

**ferrovial**

# Infrastructure Maintenance: Main Contracts Awarded

2003-2005

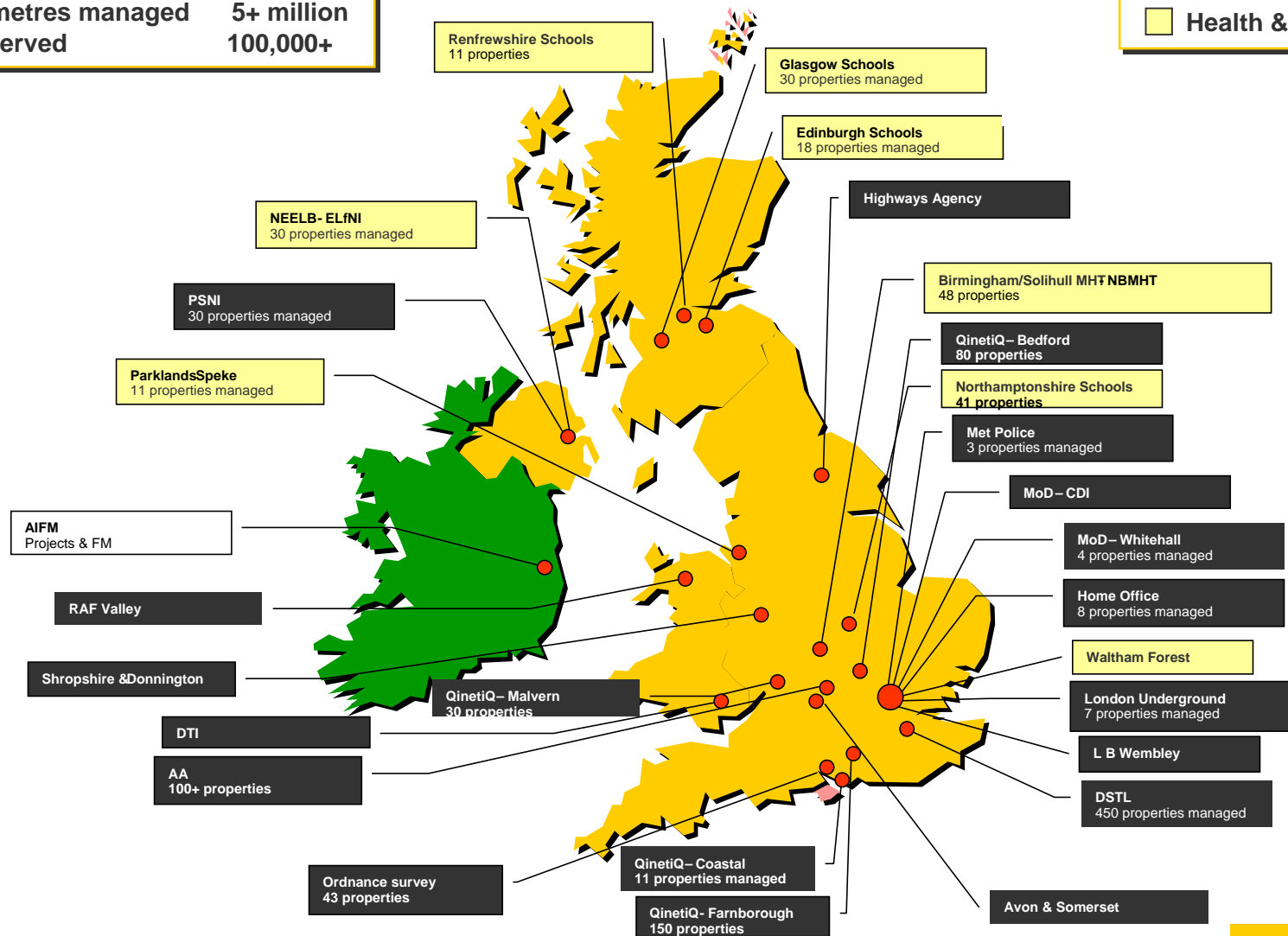
£ million

	£ million	Term
■ C Vehicles	300	2005-2020
■ Cumbria	252	2005-2012
■ Bedfordshire	115	2005-2011
■ Manchester	78	2004-2029
■ Scada	61	2005-2018
■ Wakefield	51	2004-2029
■ Walsall	44	2002-2028

# FM-BPO: Operational Information

Major properties managed 1200+  
Square metres managed 5+ million  
People served 100,000+

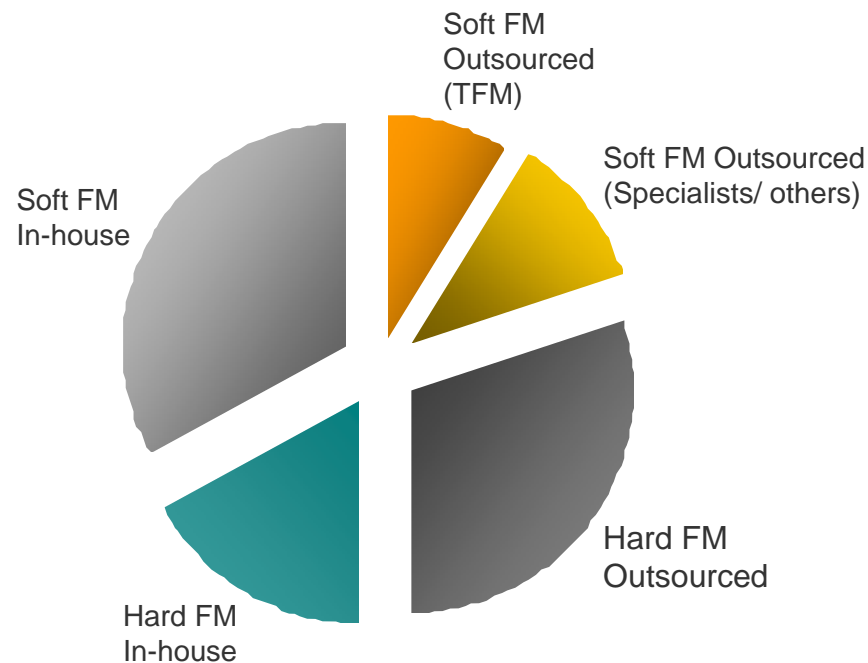
■ Accomodation offices  
■ Health & Education



# FM: Market Definition

£ million

Total 2002 estimates = £ 60 – 85 Bn



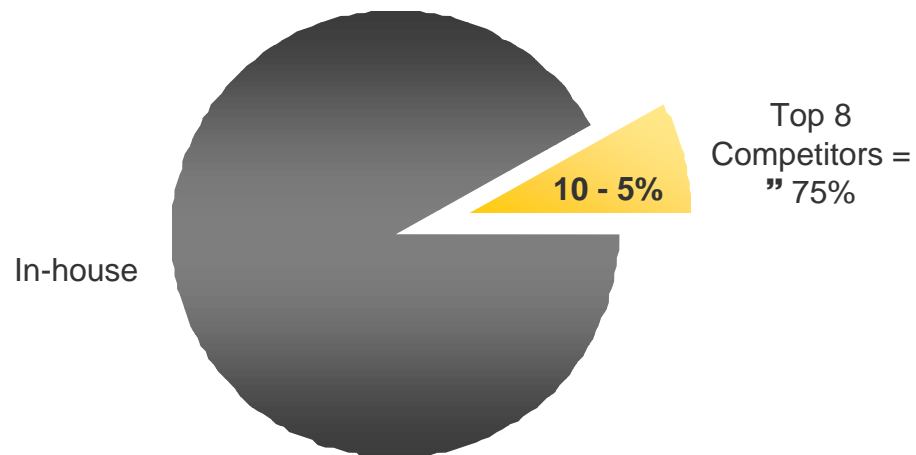
- Current ABS market around £25 Bn
- High outsourcing potential as half of the market is still in-house and additional growth potential due to consolidation of services
- Market currently served by TFM companies
- Value propositions of TFM and specialists becoming more similar



# BPO: Market Definition - Total

£ million

Total 2003 estimates = £ 60 – 65 Bn



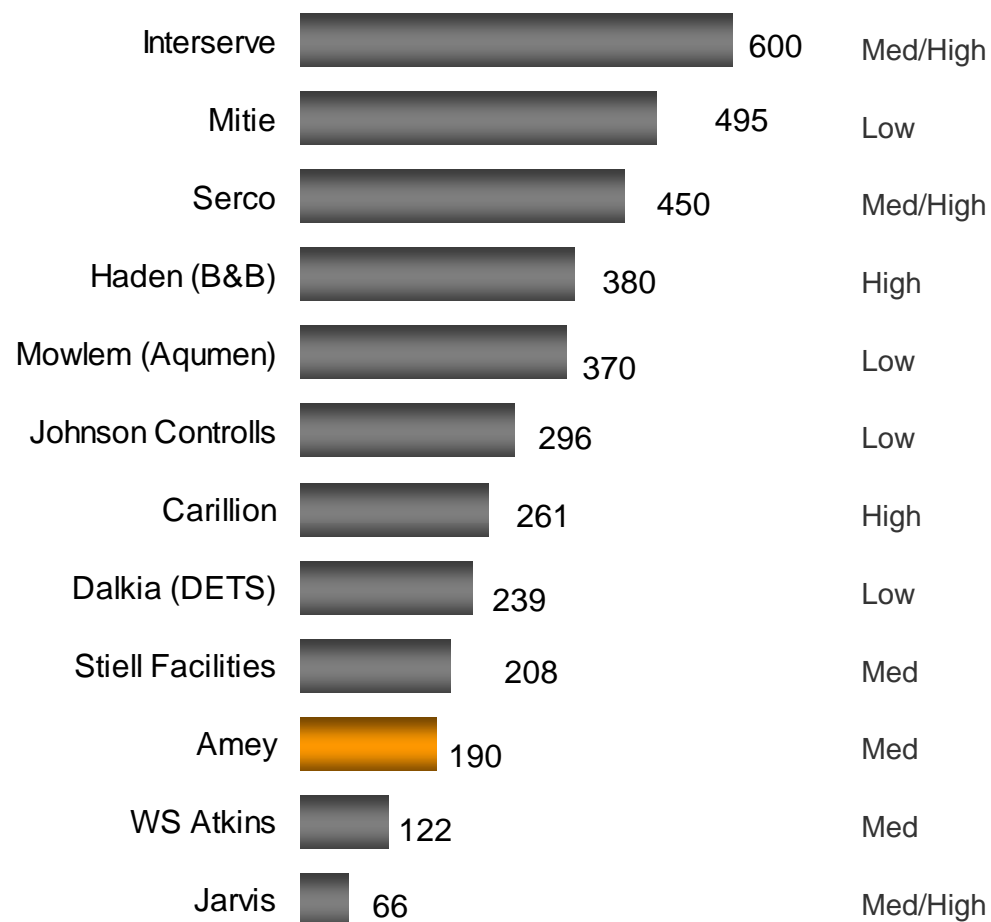
- Current market outsourced around £ 5 Bn
- High concentration in very few players
- Still low levels of outsourcing of “core services”
- Size of the opportunity depends on the evolution of outsourcing trends

# FM: Competitors Map - Total Providers

£ million

## Turnover 2003

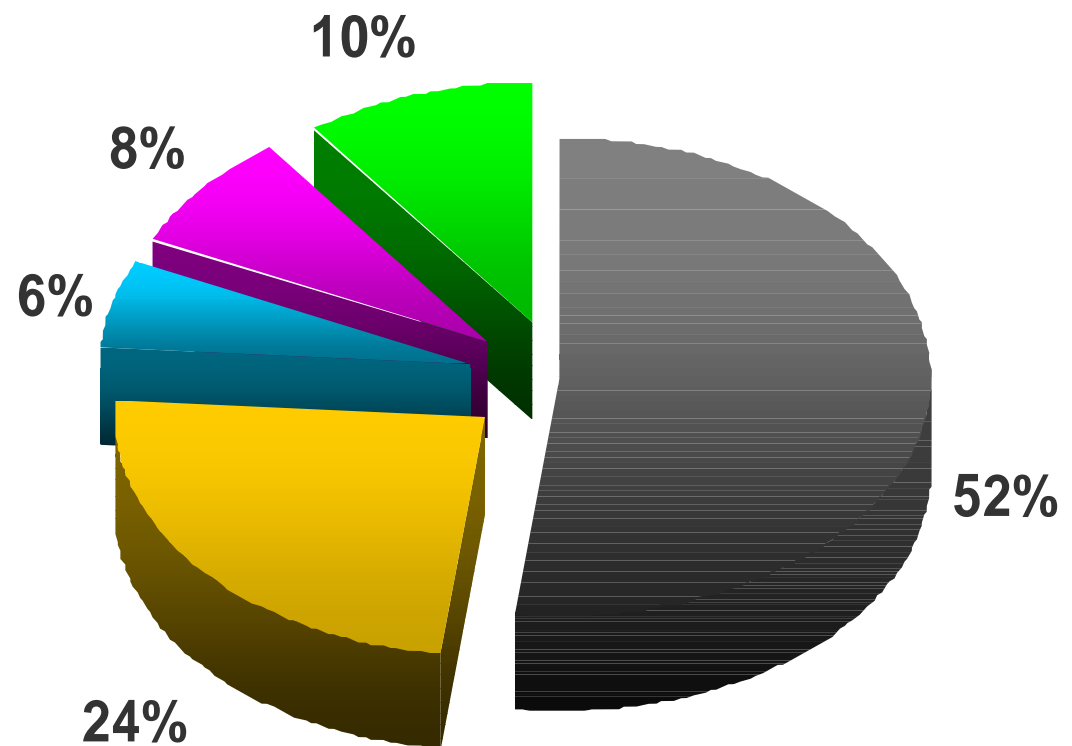
## PFI presence



# FM-BPO: Orderbook June 2005

£ million

- Education
- Central Government
- Local Authorities
- Health
- Private



**Total : £1,400M**

## FM-BPO: Main Contracts Awarded 2003-2005

£ million

	£ million	Term
■ Northampton	240	2005-2030
■ Renfrewshire	130	2006-2031
■ QinetiQ	194	2005-2010
■ Met Police	26	2004-2009

# Tube Lines

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Terry Morgan  
Chief Executive Officer



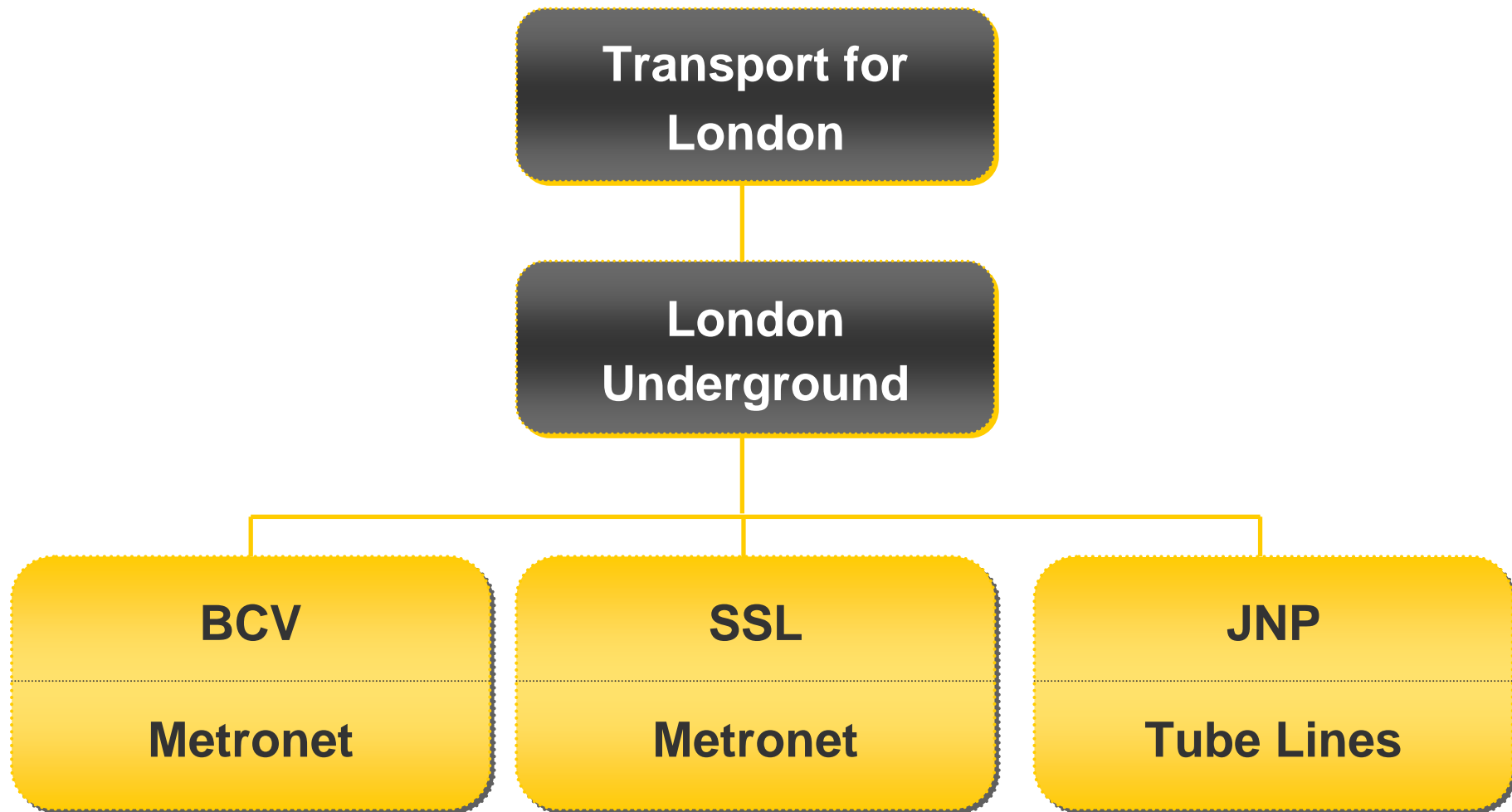
**Tube Lines**

[www.tubelines.com](http://www.tubelines.com)

## Tube Lines: General Description

- ✓ 30-year project to maintain, renovate and improve the infrastructure (trains, signals, tracks and stations) on the Jubilee, Northern and Piccadilly Lines of London Underground.
- ✓ Consortium Amey-Bechtel (67/33)
- ✓ Financial close : 31-12-2002
- ✓ Scope:
  - First 7.5 years .....➤ £ 4.6 Bn (opex: 1.6 Bn)
  - 30 years .....➤ £15.3 Bn (opex: 6.1 Bn)

## Tube Lines: General Description



# Tube Lines: Responsibilities

## Transport for London

- Ownership and funding of London Underground

## London Underground Ltd.

- Day to day system operation
- Passenger volume / fare risk
- Overall safety

## Tube Lines

- Infrastructure safety and availability
- Maintenance, renewal and upgrade of assets
- Achievement of specified performance benchmarks

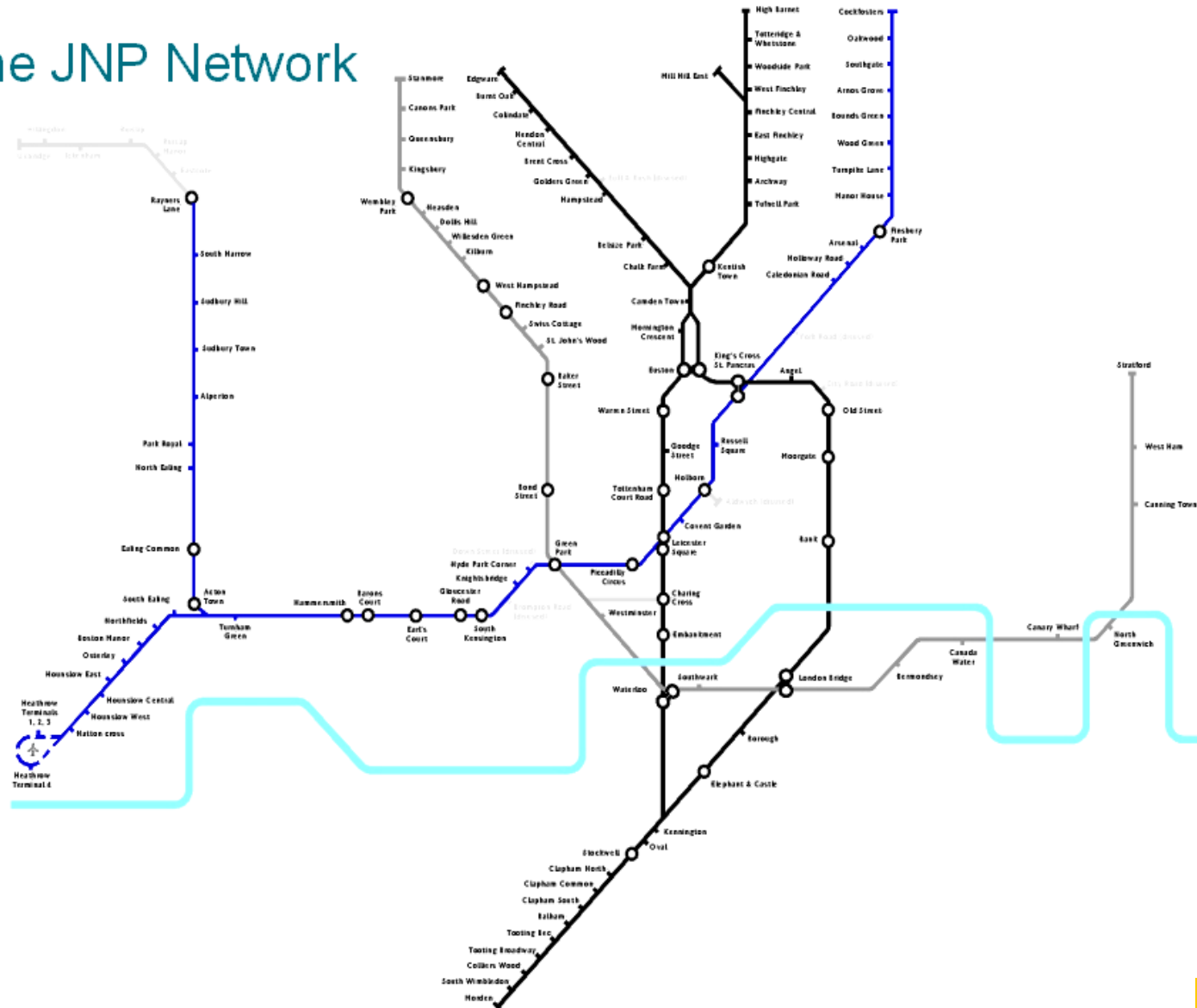
## Amey & Bechtel

- Secondment agreement to manage operations, projects and budgets



# Tube Lines: Network

## The JNP Network

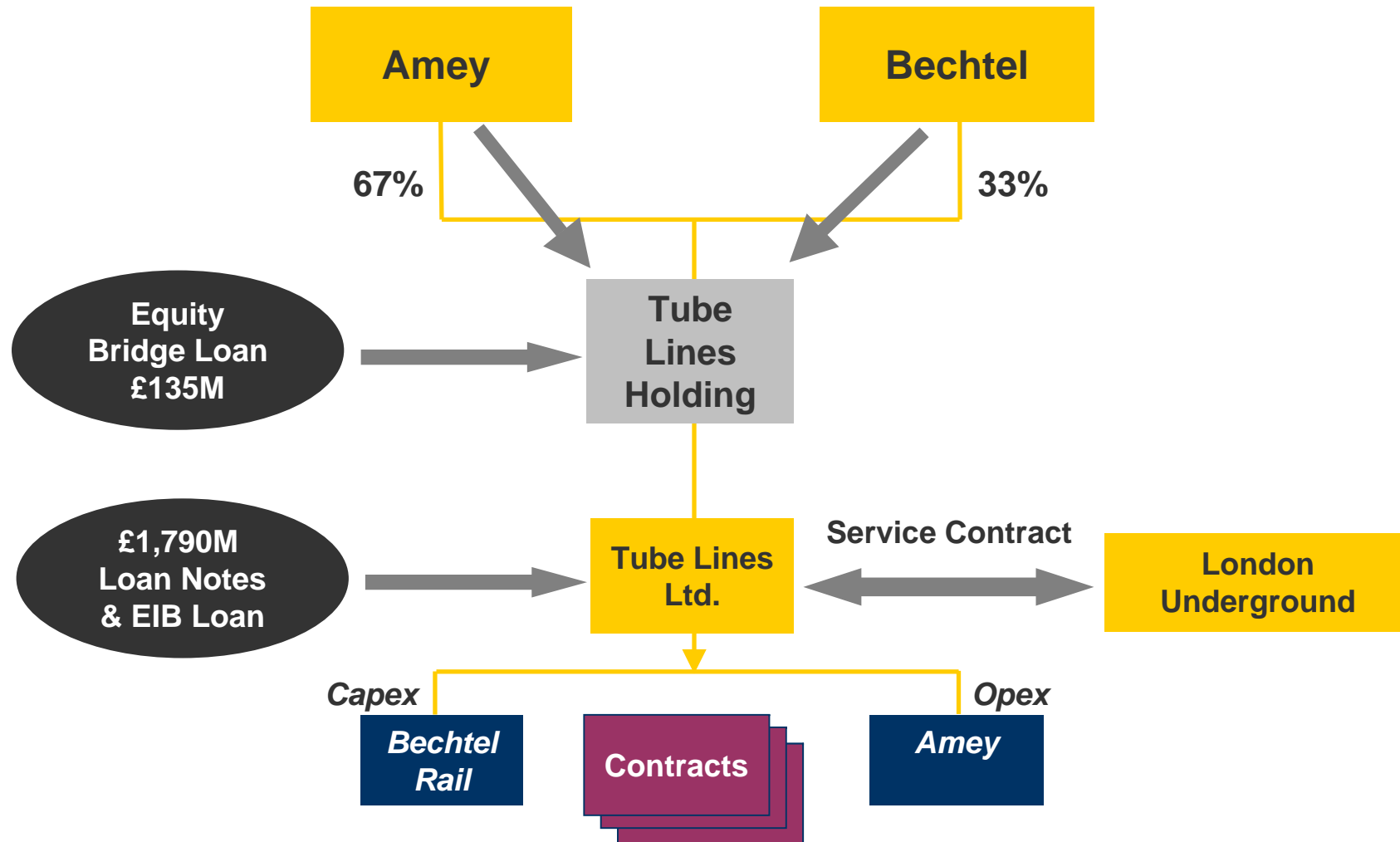


Jubilee  
Northern  
Piccadilly

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# Tube Lines: Structure of the Project

£ million



## Tube Lines: Scope of the Project

	Jubilee	Northern	Picadilly	Total
N° of Stations	24	40	36	100
Kms Tracks	105	120	110	335
N° of Trains	59	106	86	251
Age	1979-2000	1890-1941	1906-1986	

# Tube Lines: Investment Plan

£ million

## ■ Signal System

### 1st Period

Jubilee (2008)  
Northern (2010)

### Remaining

Piccadilly (2013)

## ■ Track replacement (kms)

**70**

**186**

## ■ Station refurbishment

**30**

**3**

## ■ Station reconditioning

**67**

**297**

## ■ Rolling stock

Jubilee:  
• **59** new 7th car  
& new trains

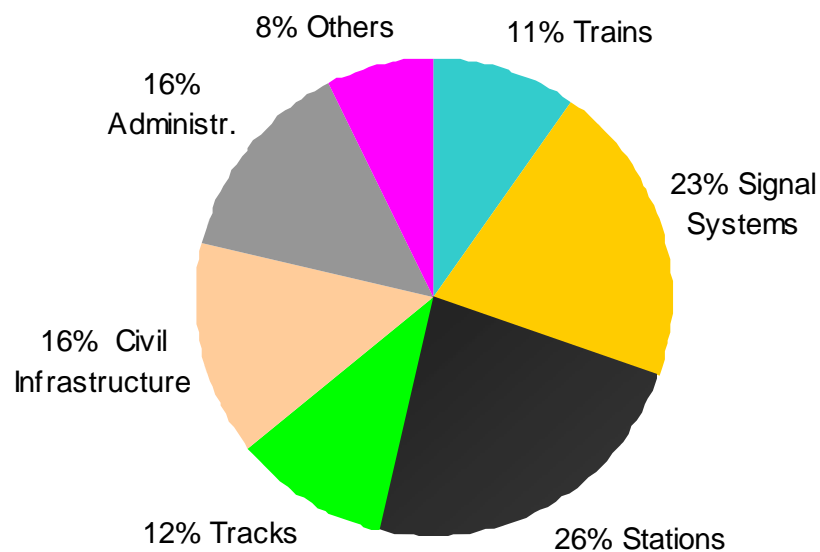
Piccadilly: **92** new  
Northern: **106**  
reconditioning  
Jubilee: **55**  
reconditioning

- Capex in initial period: £2.2 Bn
- Opex in initial period: £1.6 Bn

# Tube Lines: Investment Plan

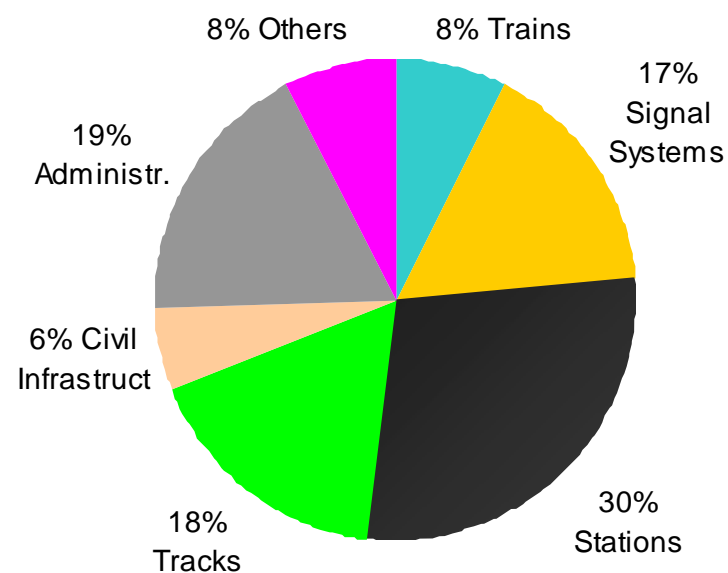
£ million

## 1st Period (7.5 years)



**Total: £2,221M**

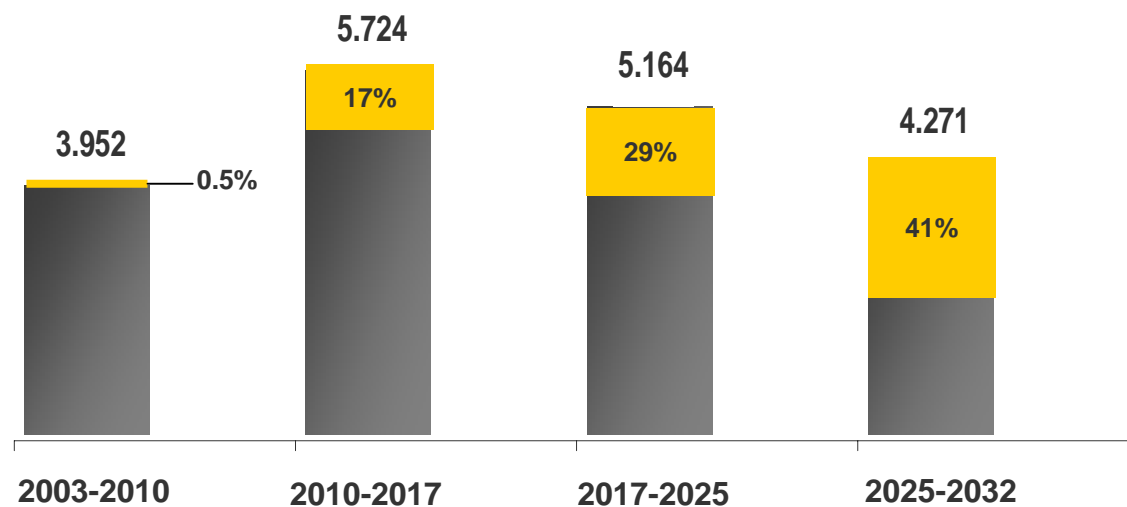
## 30 years



**Total: £5,585M**

# Tube Lines: Payment Mechanism

£ million



Period



Based on Performance



Base fee

- Capability
- Availability
- Ambience
- Service Points

# Tube Lines: Capability

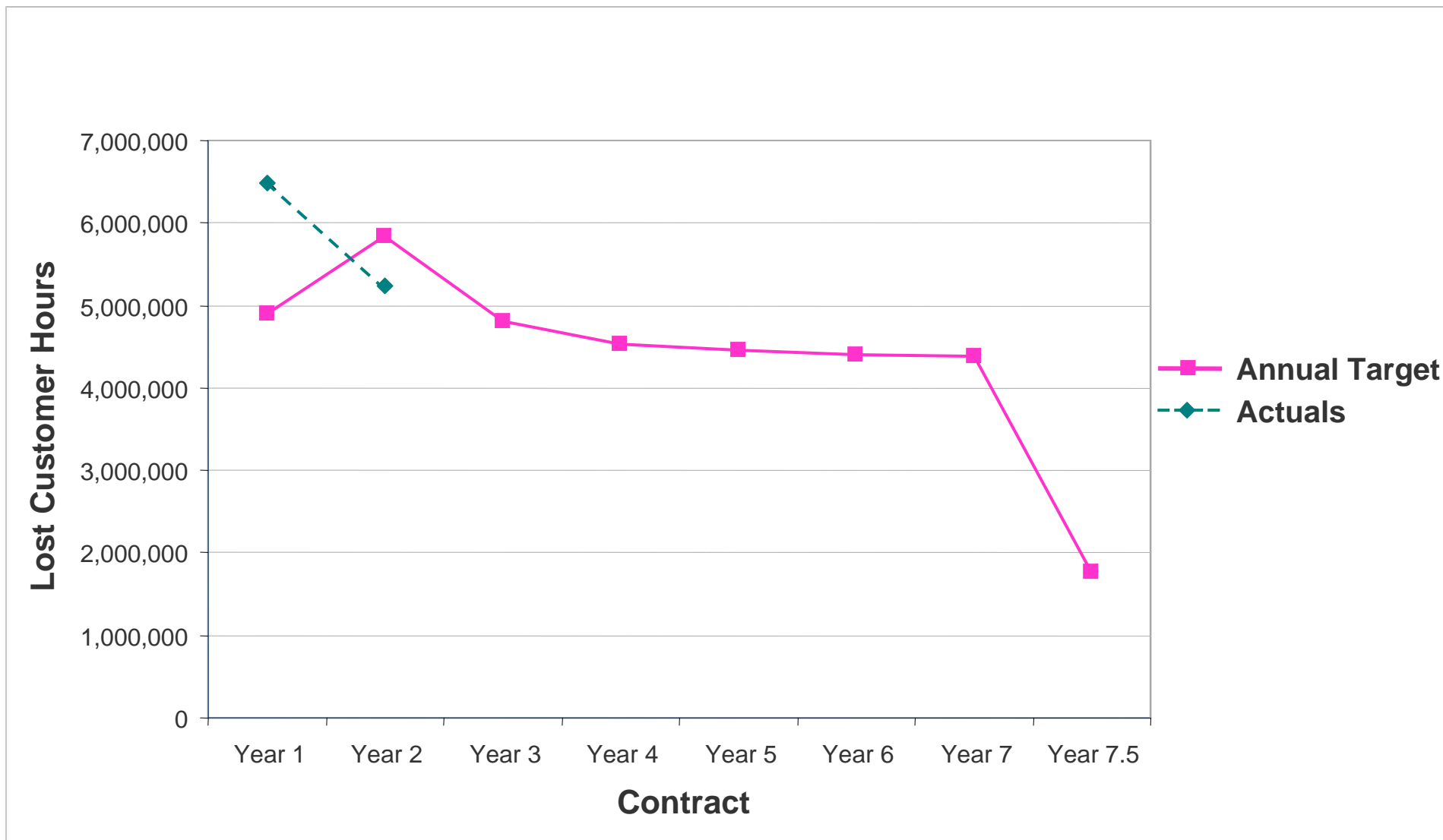
£ million

Line	JTC Before (Minutes)	JTC After (Minutes)	% Improvement	Latest Implementation Date (before abatements are levied)	TLL Planned Delivery Dates (i.e. Start of revenue stream)
JUBILEE	17.75	13.91	21.63%	31-Dec-09	30-Mar-2009
NORTHERN	18.11	14.89	17.78%	07-Jan-12	30-Mar-2011
PICCADILLY	22.09	17.82	19.33%	11-Oct-14	30-Mar-2014

## Capability Revenues

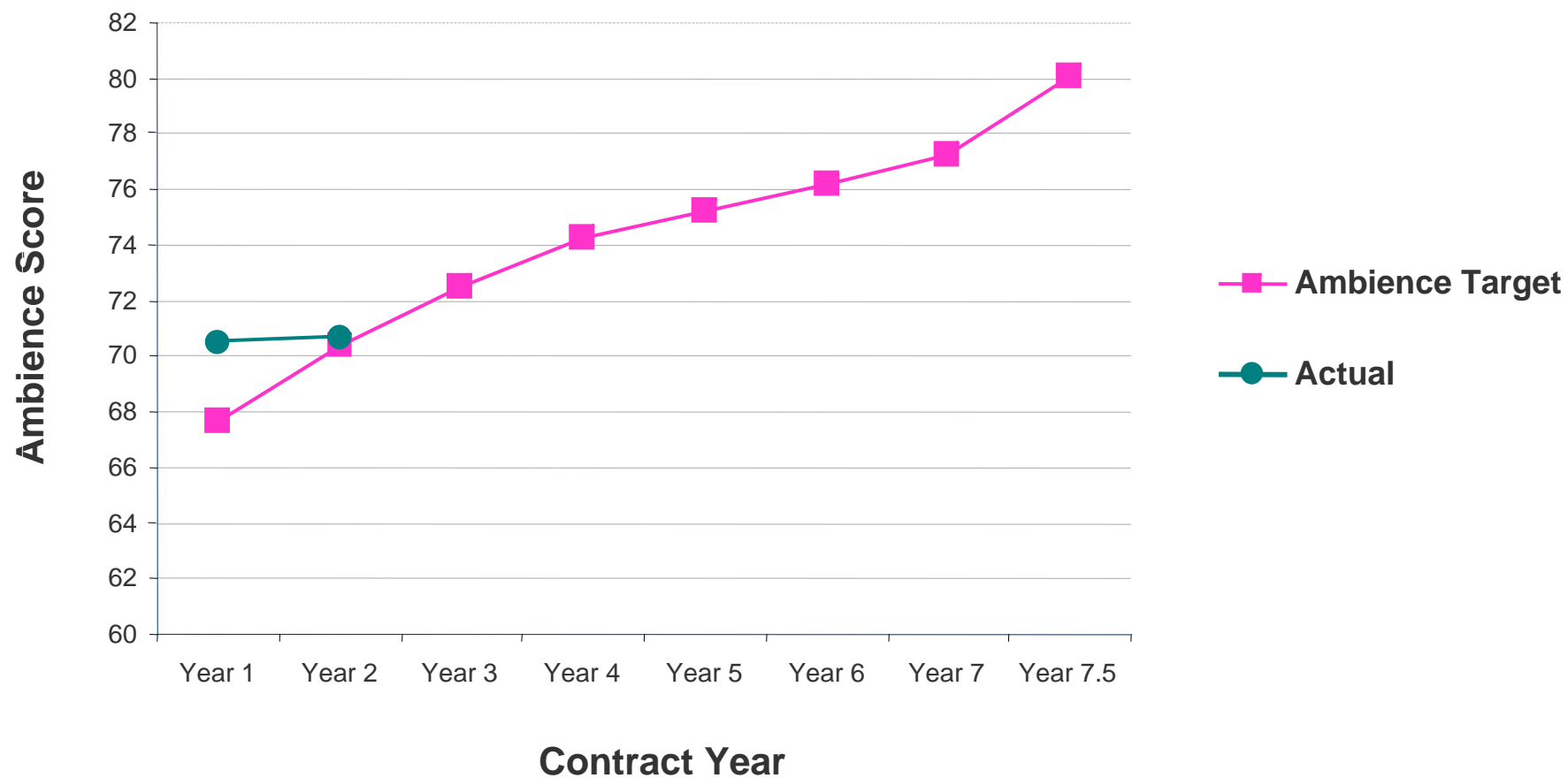
Review Period	1	2	3	4
Capability Revenue £m	34	914	1,367	1,590

# Tube Lines: Availability Programme and Target

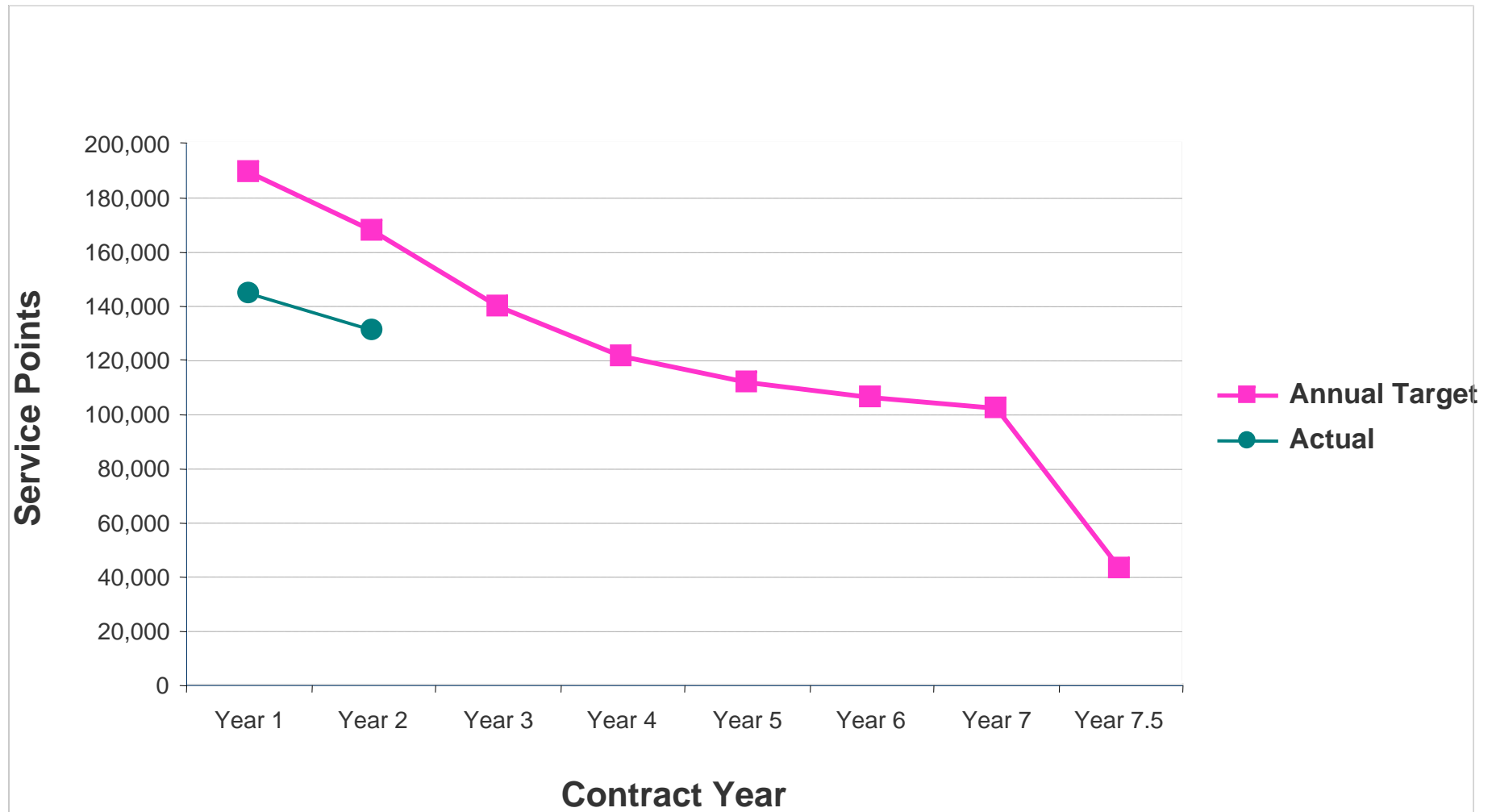




# Tube Lines: Ambience



# Tube Lines: Service Points



# Tube Lines: 7.5 Year Periodic Review Mechanism

## Objective

LUL to reassess its service requirement and its funding to cope with:

- Changing demand and consumer preferences
- Changing cost for LUL and the Infraco
- Funding levels from Government

## Always within

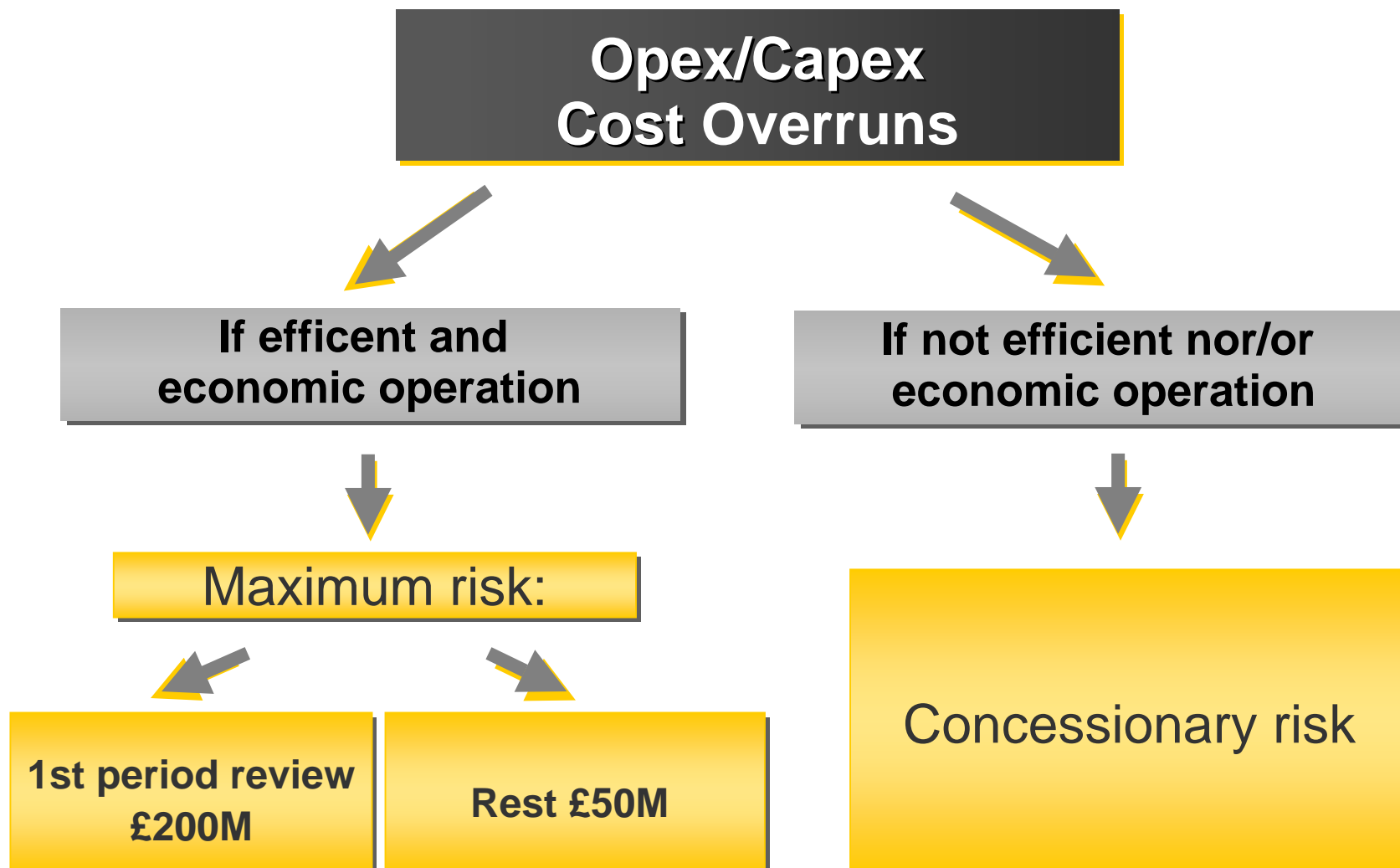
- The original objectives and framework of the service contract
- Technically achievable
- Financially achievable

## Arbiter

- Only called upon to resolve differences between LU & TLL on price or financing
- Appointed by the Secretary of State
- Must determine what is the economic and efficient price of the notional Infraco using good industry practice

# Tube Lines: Overruns

£ million



# Tube Lines: Progress to date

£ million

## Project Investment

- Tripled the annual amount of capital investment to c£0.4b in the JNP lines
- Completed or working on 50 stations out of 100 total
- Line upgrade contract is 3 months ahead of plan and 9 months ahead of contract milestone date
- We have already completed 34 kms of track work out of the 7.5 year programme of 196 kms
- Already £160m of additional work has been secured

## Operational Performance

- Reduction in the number of Availability performance incidents year on year, down from start of contract by 35% overall
- Ambience performance has been constantly ahead of the contract benchmark
- Cost performance has been under the amount bid
- Innovation and technology are driving productivity and performance improvements

# Tube Lines: Challenges going forward

## Project Investment

- Integrate the additional 7<sup>th</sup> Car into the Jubilee fleet and return the fleet to service during a short period in December 2005
- Deliver the remaining tranches of the station programme in line with the current financial projections
- Ensure that management attention remains focused on the Jubilee and Northern Upgrade Programme which remains critical to securing capability revenue

## Operational Performance

- Introducing tactical investment to improve the reliability of the railway to ensure that we achieve our performance obligations
- Drive efficiencies and changes to work practices both in the field and against currently Mandated Standards
- Improve our understanding of whole life asset management

# Financial Overview

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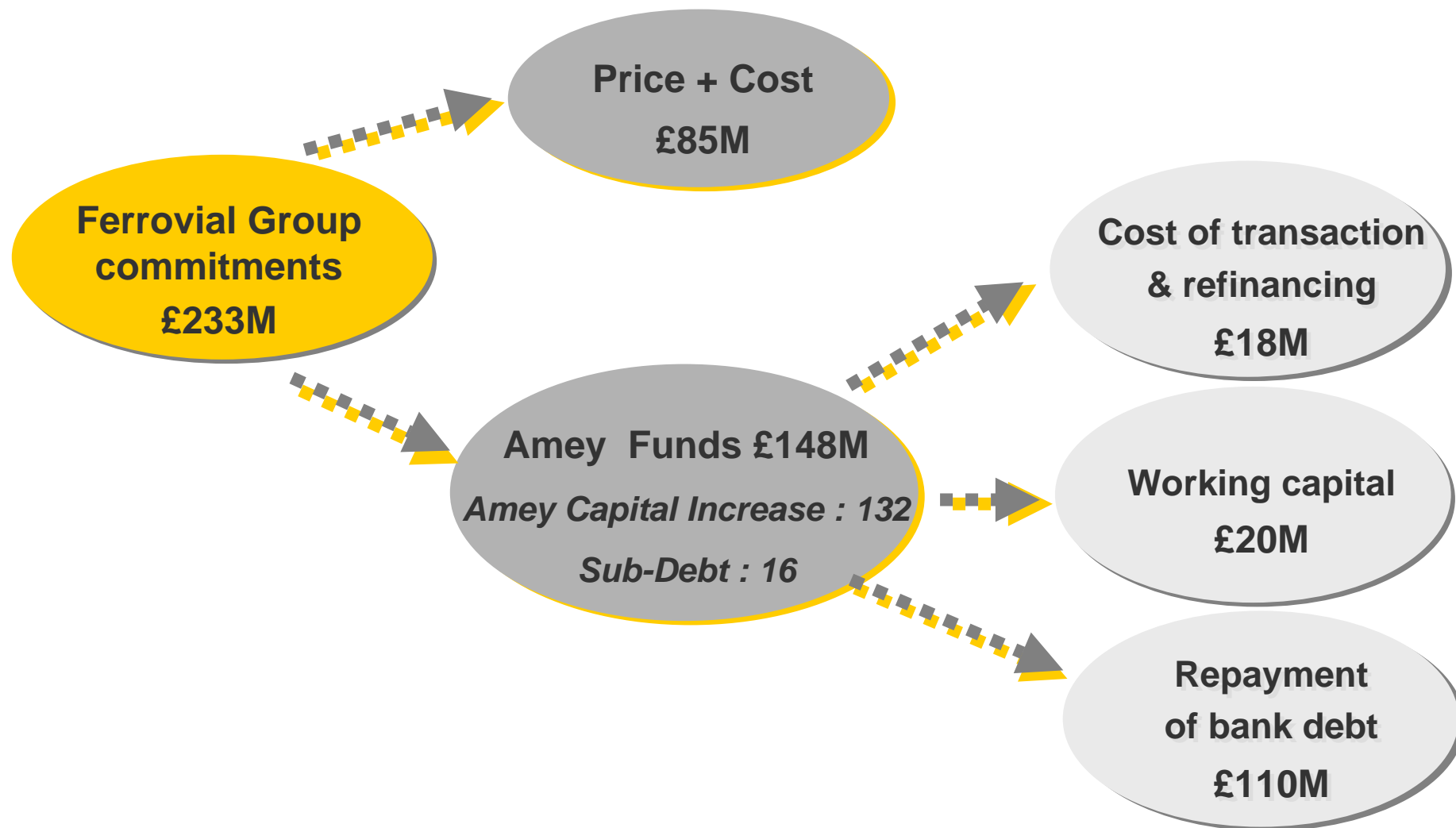
José Leo  
Amey Group Finance Director



[www.amey.co.uk](http://www.amey.co.uk)

# Investment in Amey

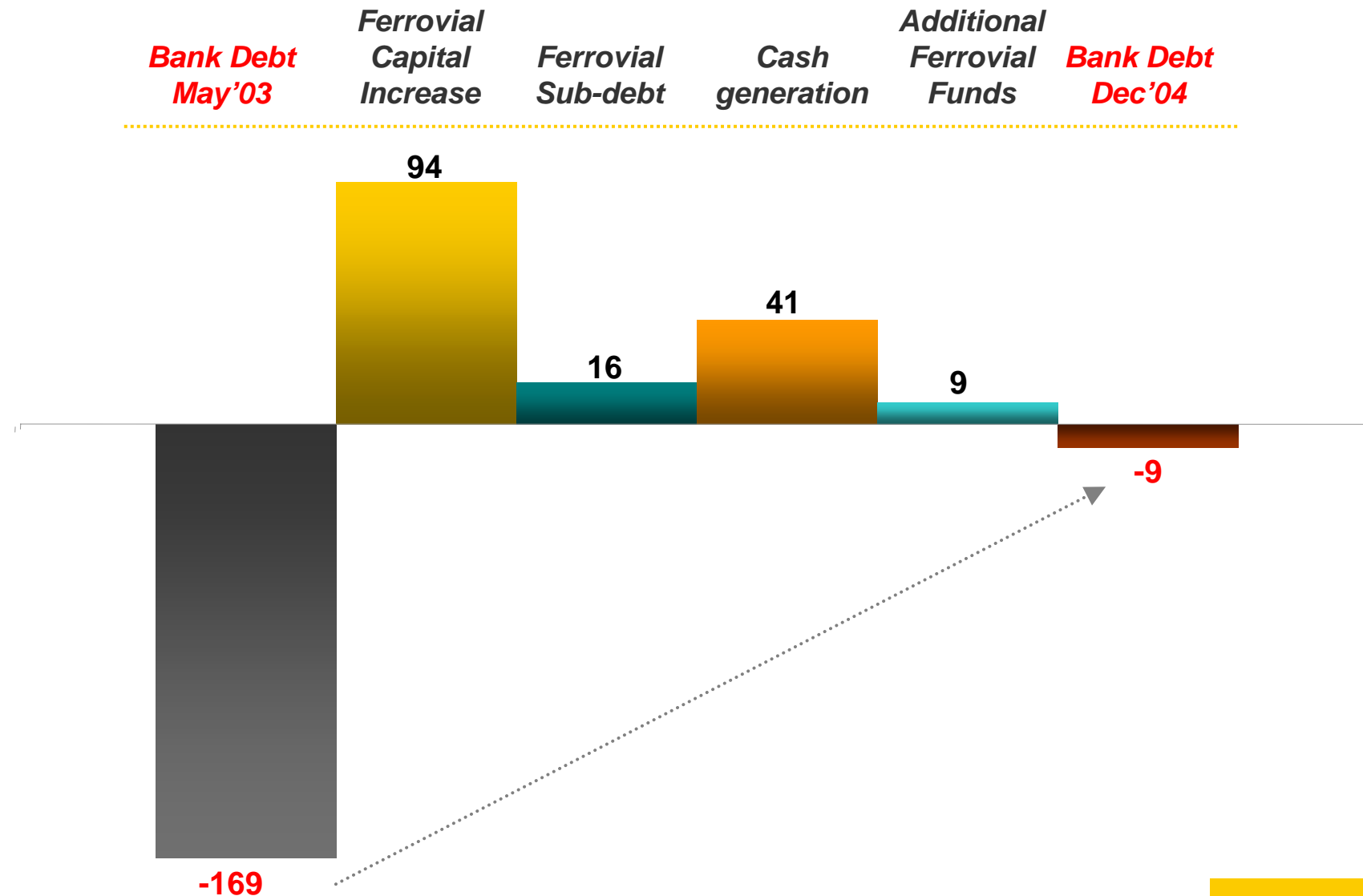
£ million





# Investment in Amey: Net Debt Evolution

£ million



# Amey Consolidated P&L Account 2004

£ million

	2004	2003	%
Net sales	939	1.005	-7%
EBITDA	68 7%	29 3%	135%
EBIT	51 5%	7 1%	629%
PBT	40 4%	-16 -2%	350%
Exceptional items post tax		-225	-
Net result	28 3%	-248 -25%	111%

# Amey: Break Down by Business 2004

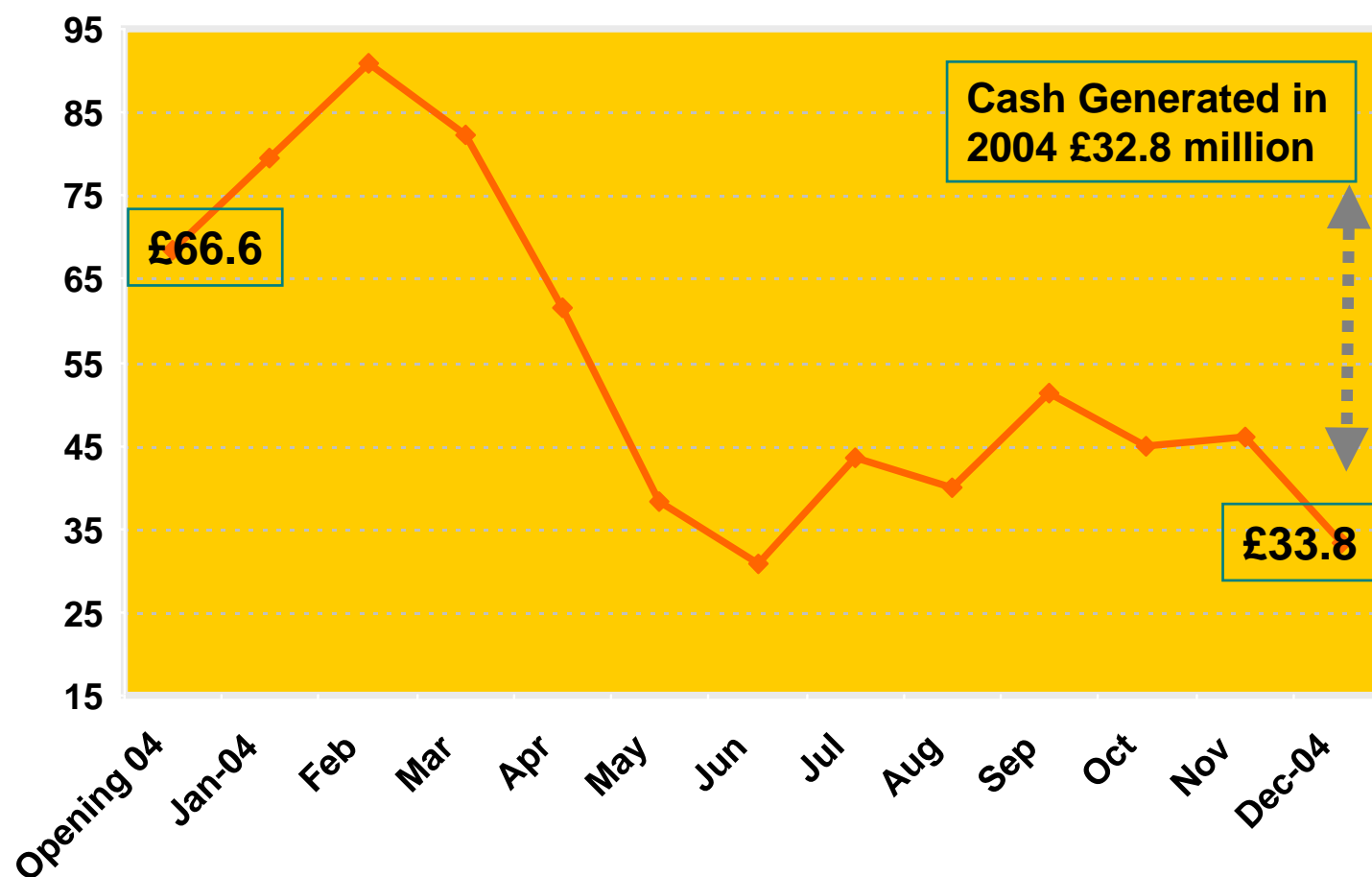
£ million

	Net Sales	EBITDA*	%
Amey ex Tube Lines	685	71	10%
Tube Lines	254	35	14%
Total	939	106	11%

\* Excluding central overheads £38M in 2004 (£47M in 2003)

# Amey: 2004 Cash Generation & Net Debt Evolution

£ million



# Amey Consolidated P&L Account 2005

£ million

	2005 1 <sup>st</sup> Q	% (of turnover)
Net Turnover	258	
EBITDA	26	10%
PBT	12	5%
Net Result	9	3%

## Wrap up

**Very good track record in acquisitions – integration  
(add value)**

**Good platform to bid and manage complex projects  
(PFI / PPP)**

**Leading position in our markets**

**PROFITABLE GROWTH**