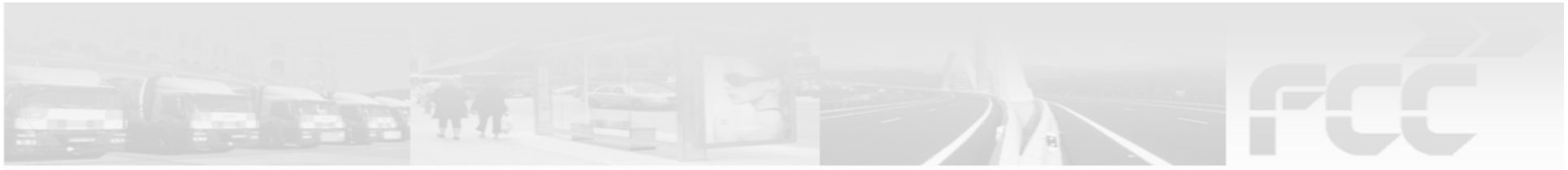




# FCC Services



Investor's Day – 28 October, 2008



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*This document may contain future assertions concerning events that have not yet happened.*

*Any assertion not dealing with concrete facts about concrete activities, but rather with developments that we or our management mean, expect, plan, believe or anticipate will happen in future will be considered a future assertion.*

*Future assertions by the management are based on assumptions and advice drawn from past experience and trends, current conditions, forecast future developments and other relevant factors. In no case will they be regarded as promises of future performance, and current results, developments and business decisions may differ from those anticipated in our future assertions. Future assertions are also subject to both short- and long-term risks and uncertainties.*

*The assessments made herein do not constitute and may not be interpreted as a sales offer or invitation to purchase and do not suppose any commitment whatsoever by FCC as regards its obligation to keep assessments up to date.*

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- 1. The FCC Group's Environment and Position**
- 2. FCC Services: Situation and Objectives**
- 3. Business Areas**
  - **Environment**
  - **Water**
  - **Industrial Waste**
- 4. Financial Projections: Valuation**
- 5. Agenda**

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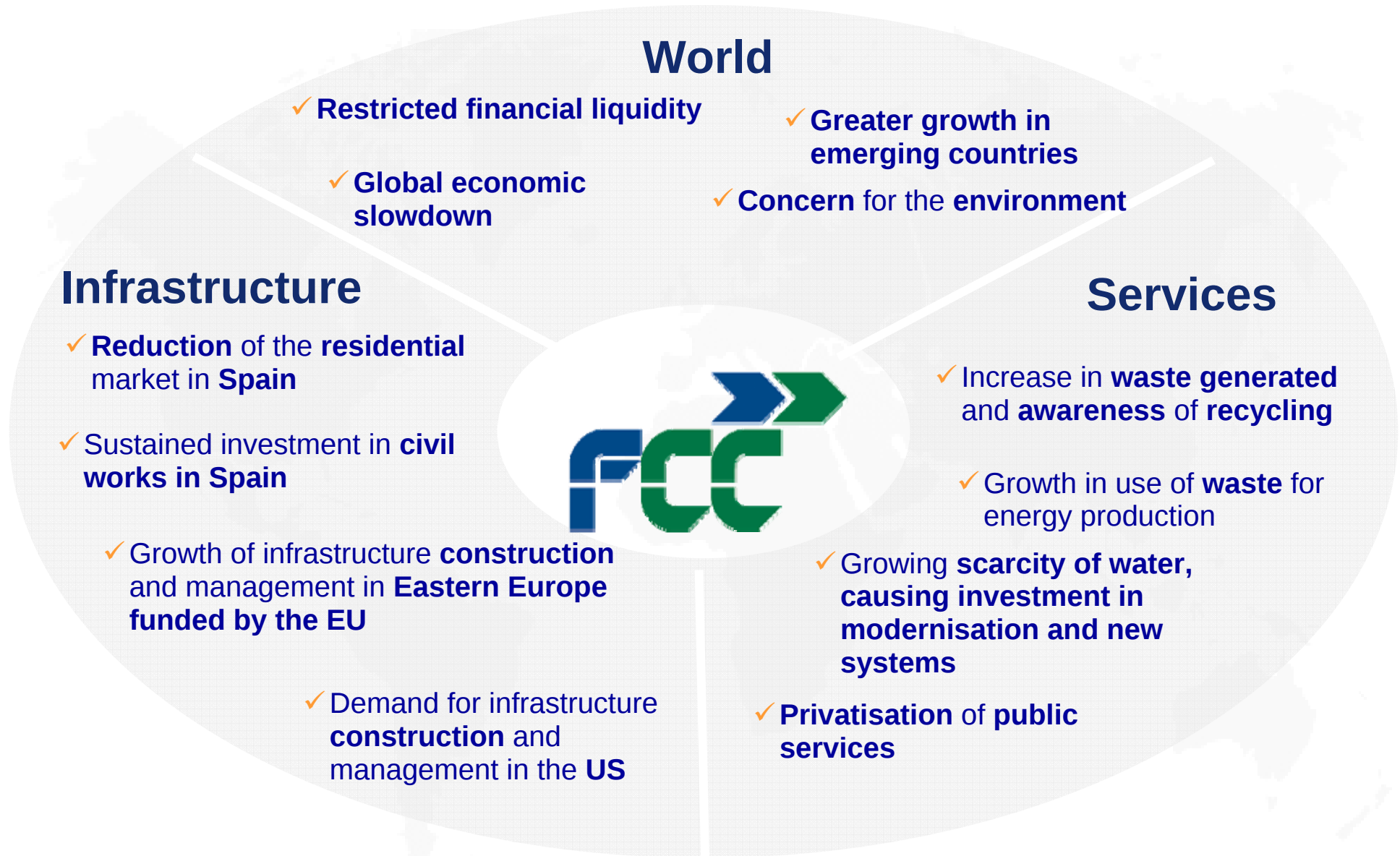
## 1. The FCC Group's Environment and Position

- General Environment
- Current Situation
- Competitive Strengths
- Creation of value: 2008-2010 Strategic Plan
- The FCC Group's Service Area

**Baldomero Falcones**

**Executive Chairman, FCC Group**

# 1. GENERAL ENVIRONMENT – THREATS AND OPPORTUNITIES

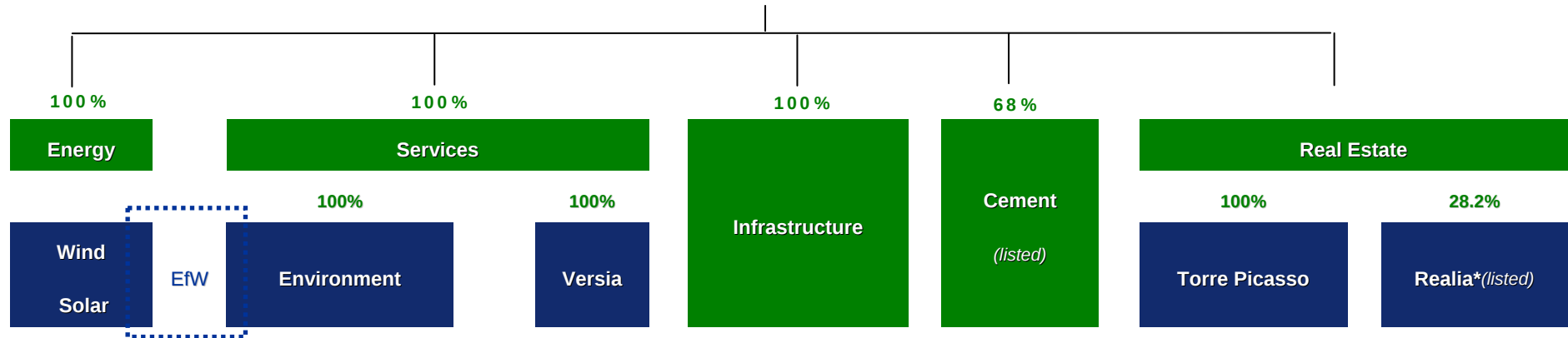


## 1. THE FCC GROUP'S CURRENT SITUATION – Key Figures

**FCC is one of the top European service and infrastructure groups** in terms of revenue, returns and financial capacity

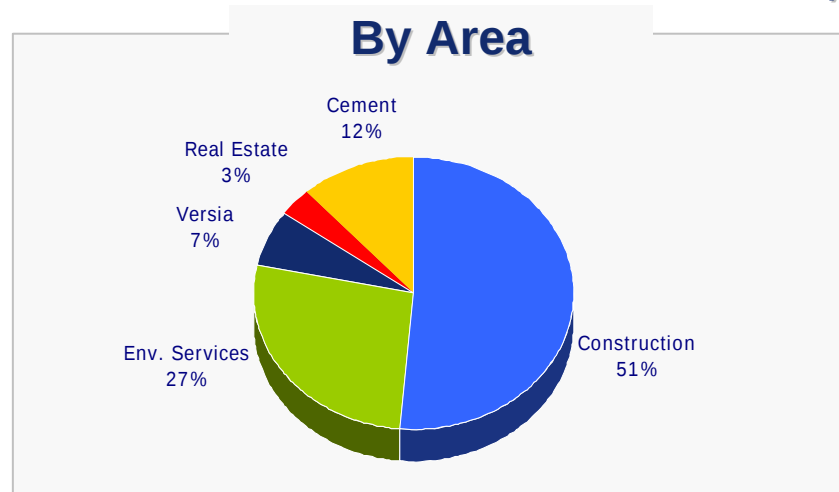
| 2007                    |                 | 1H 2008                                     |                 |
|-------------------------|-----------------|---------------------------------------------|-----------------|
| ☐ Turnover              | €13,881 million | ☐ Total Net Debt                            | €8,983 million  |
| ☐ EBITDA                | €2,042 million  | ☐ Backlog                                   | €35,823 million |
| ☐ EBITDA/Turnover       | 14.7%           | ☐ Stock Market Capitalisation<br>(20/10/08) | €3,948 million  |
| ☐ Net Profit Attributed | €738 million    | ☐ Employees                                 | 98,501 people   |
| ☐ Operating Cash Flow   | €1,261 million  |                                             |                 |
| ☐ Investments           | €1,732 million  |                                             |                 |

# 1. THE FCC GROUP'S CURRENT SITUATION – Map of Activities



\* Carried by the equity method until June 07 and fully consolidated since

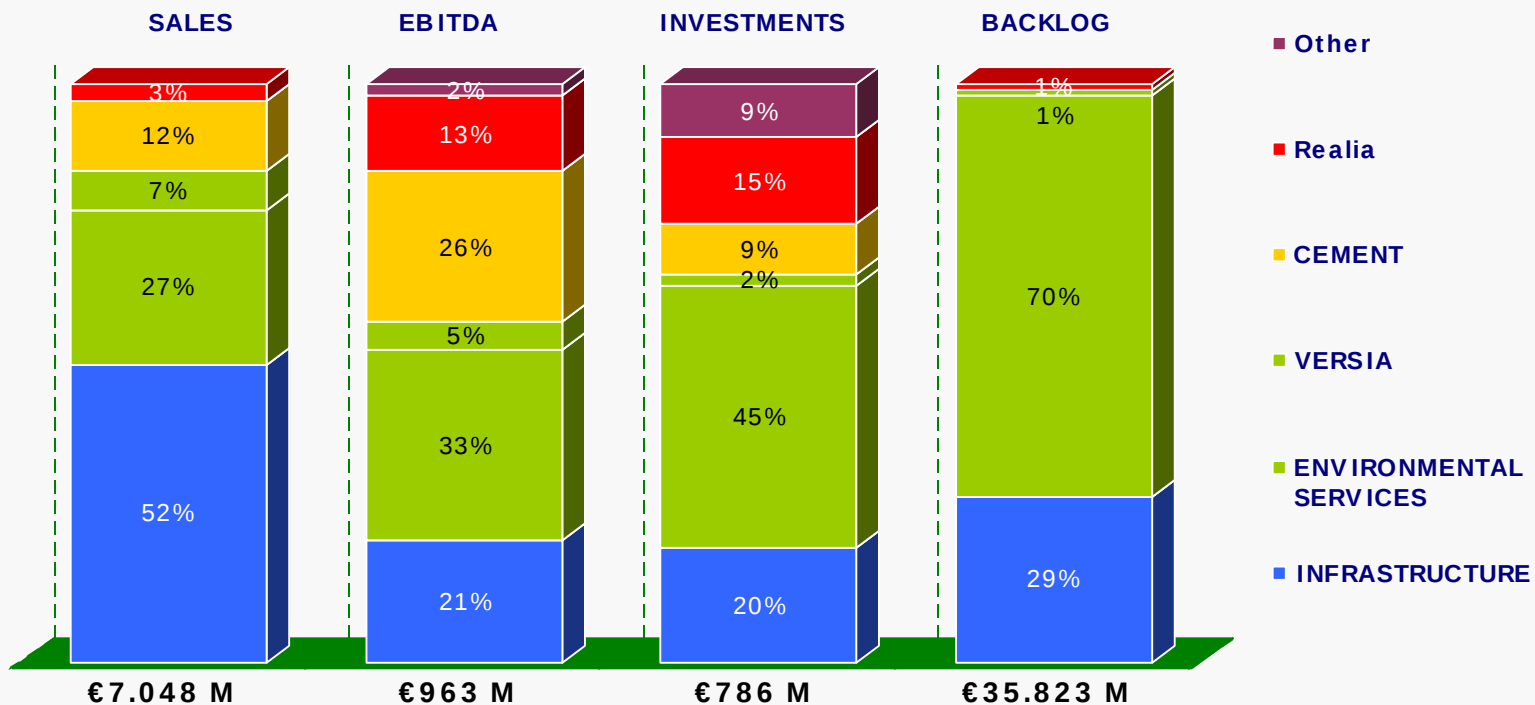
**Sales 1H 2008**  
**€7,048 million**



**Service and infrastructure group with a growing international presence**

# 1. THE FCC GROUP'S CURRENT SITUATION – Business Areas

## KEY FIGURES 1H 2008 (in %)

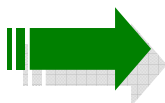


**FCC has got a balanced business presence in Service and Infrastructure activities, with a large amount of backlog revenue**

# 1. COMPETITIVE STRENGTHS

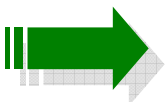
**FCC** has got some big advantages that make it different and attractive for the capital market at this juncture:

## **LEADERSHIP IN ACTIVITIES**



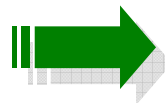
Leader and/or one of the top three operators, depending on the activity and the market.

## **STRATEGIC VISIBILITY**



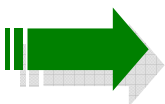
Plan 10 (2008-2010), with demanding, visible objectives consistent with FCC's mission.

## **FINANCIAL STRENGTH**



Capacity to finance growth and ensure the group's total solvency.

## **COMMITMENT TO SHAREHOLDERS**

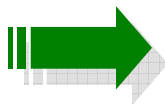


Commitment to 50% payout and increase in the position of the controlling shareholder.

## 1. COMPETITIVE STENGTHS – Leadership in activities



### Leadership in size



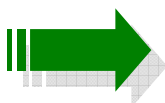
No. 1 in Services in Spain (No. 3 in Europe)  
No. 1 in Cement in Spain  
No. 1 in Construction in Spain and No. 2 in Austria

### Control of Cash Flow



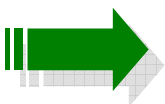
Full cash management in all key areas

### A Big Name in Services



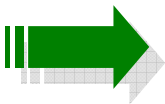
27% of consolidated sales (1H 08)  
33% of the consolidated EBITDA (1H 08)

### Recurring Income



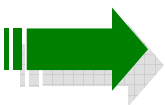
~ 35% in concessions  
Long-term backlog (€35.823M)

### Expansion abroad



~ 40% of sales are international (1H 08)

### High Operating Return



13.7% EBITDA margin (1H 08)

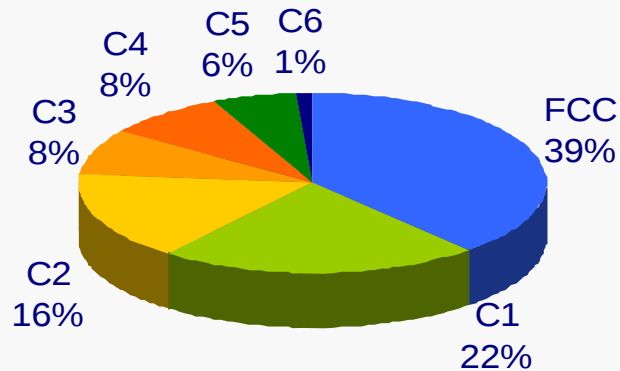
# 1. COMPETITIVE STRENGTHS – Strategic Visibility



**FCC** has consolidated a leading position in each of its key areas of activity, based on the implementation of a clear, visible strategy.

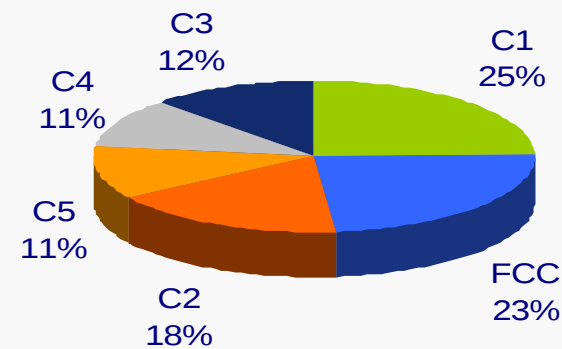
## Domestic Service Sector\*

(Leader of the Spanish market, 3<sup>o</sup> in Europe)



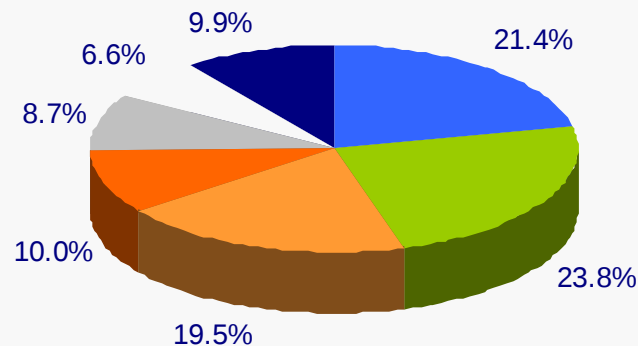
## Domestic Infrastructure Sector\*

(Second-biggest operator in the Spanish market)



## Domestic Cement Sector

(Leader in the Spanish market)



\*Listed companies.

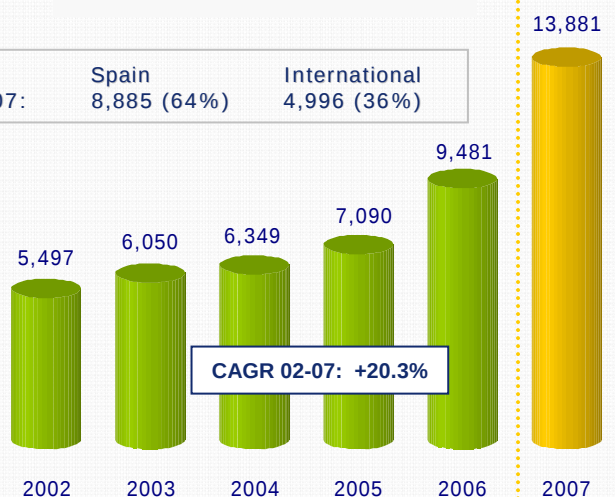
# 1. COMPETITIVE STRENGTHS – Strategic Visibility

## Growth 2002-2007

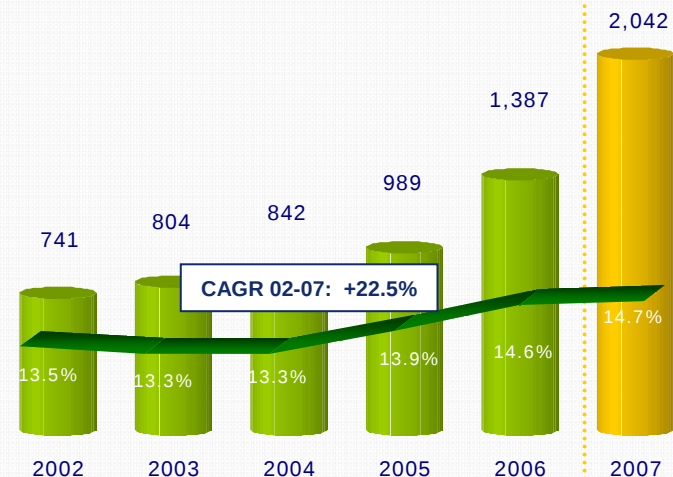


### Revenues

(€M)  
Sales 2007: Spain 8,885 (64%) International 4,996 (36%)



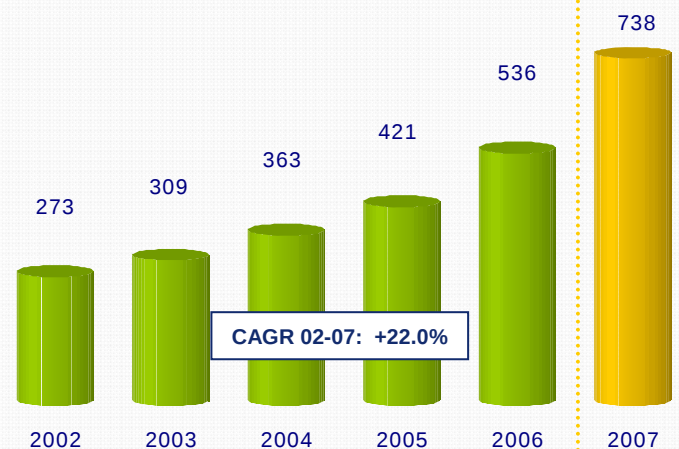
### Ebitda/Margin



### Operating Cash Flow



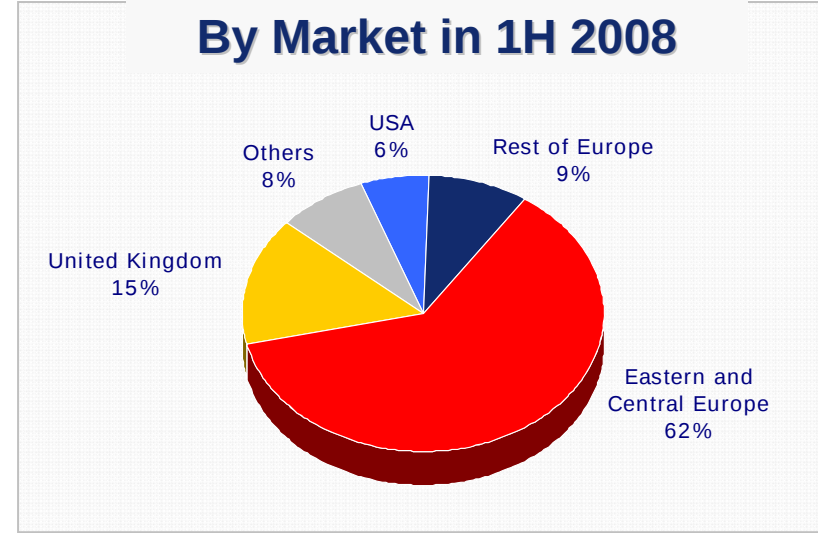
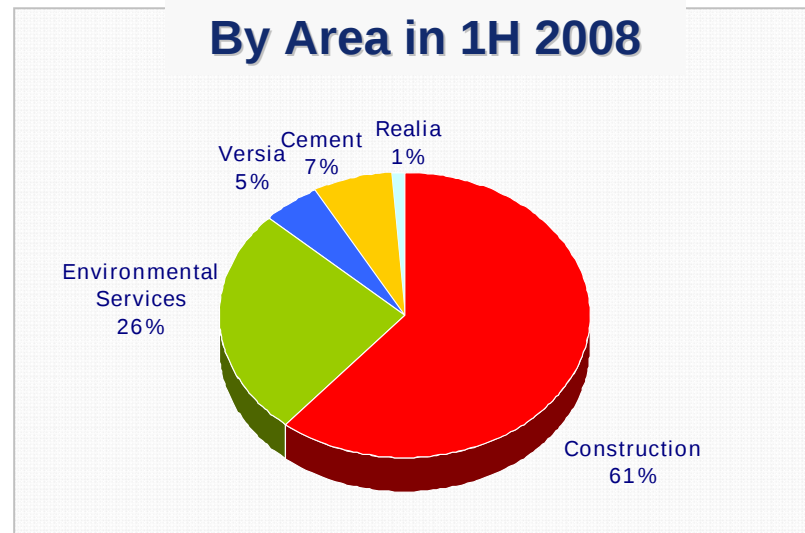
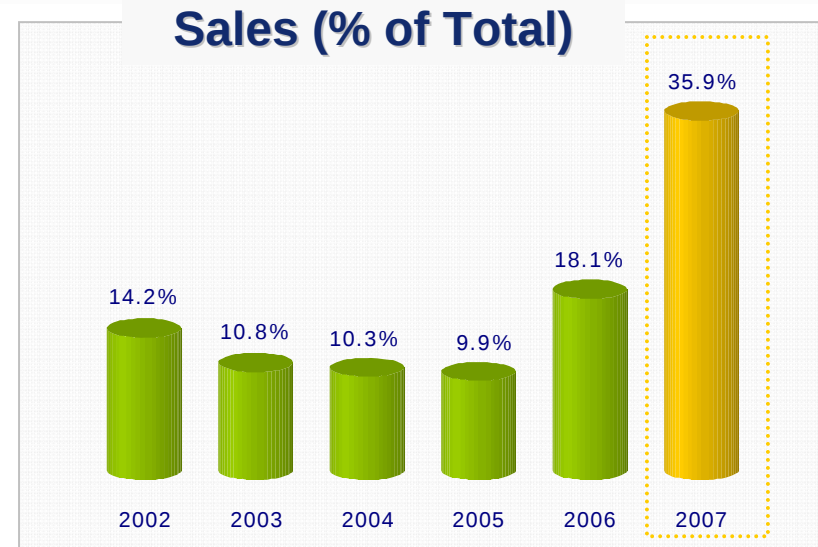
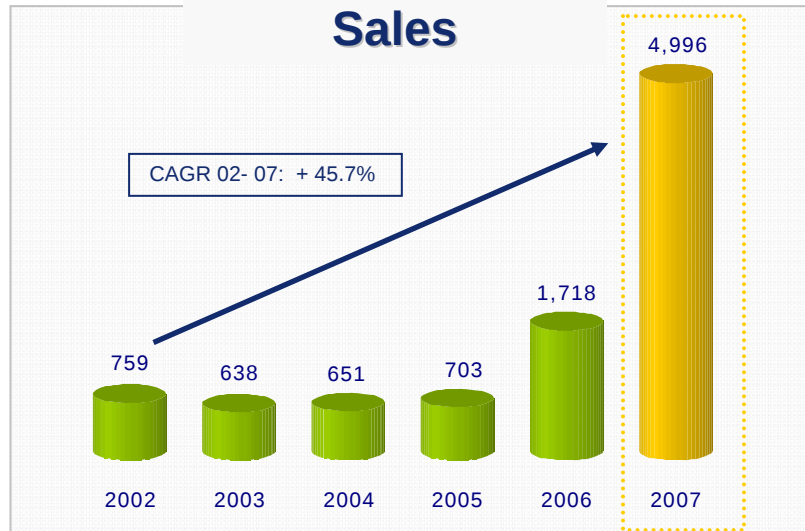
### Net Profit



Sustained revenue and profit growth

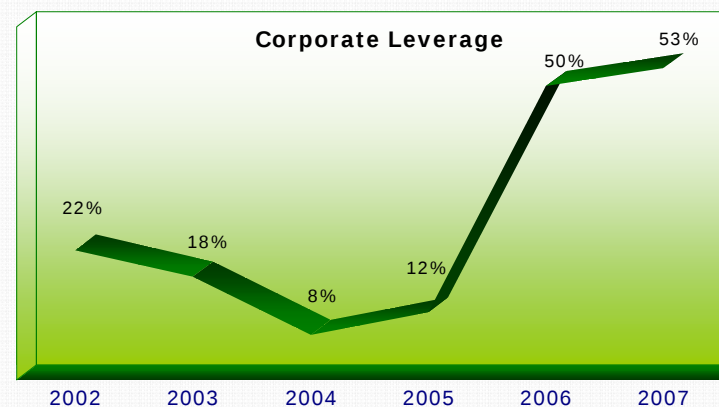
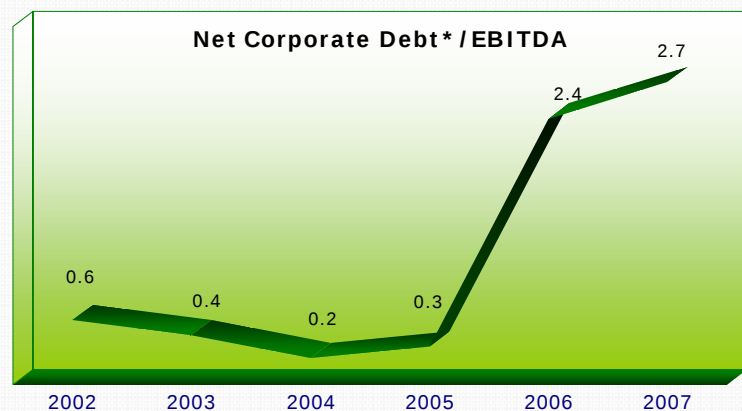
# 1. COMPETITIVE STRENGTHS – Strategic Visibility

## International Position



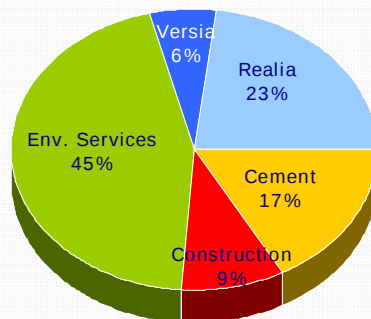
**Growing international contribution, focussed on Europe**

# 1. COMPETITIVE STRENGTHS – Financial Strength

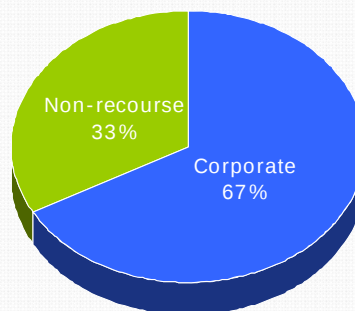


**1H 2008**

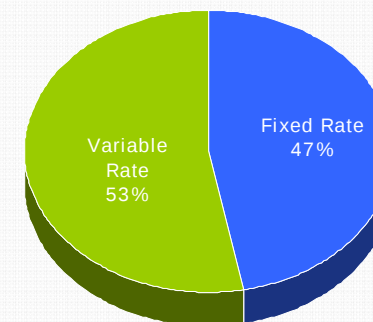
**By Area**



**By Nature**



**By Rate**

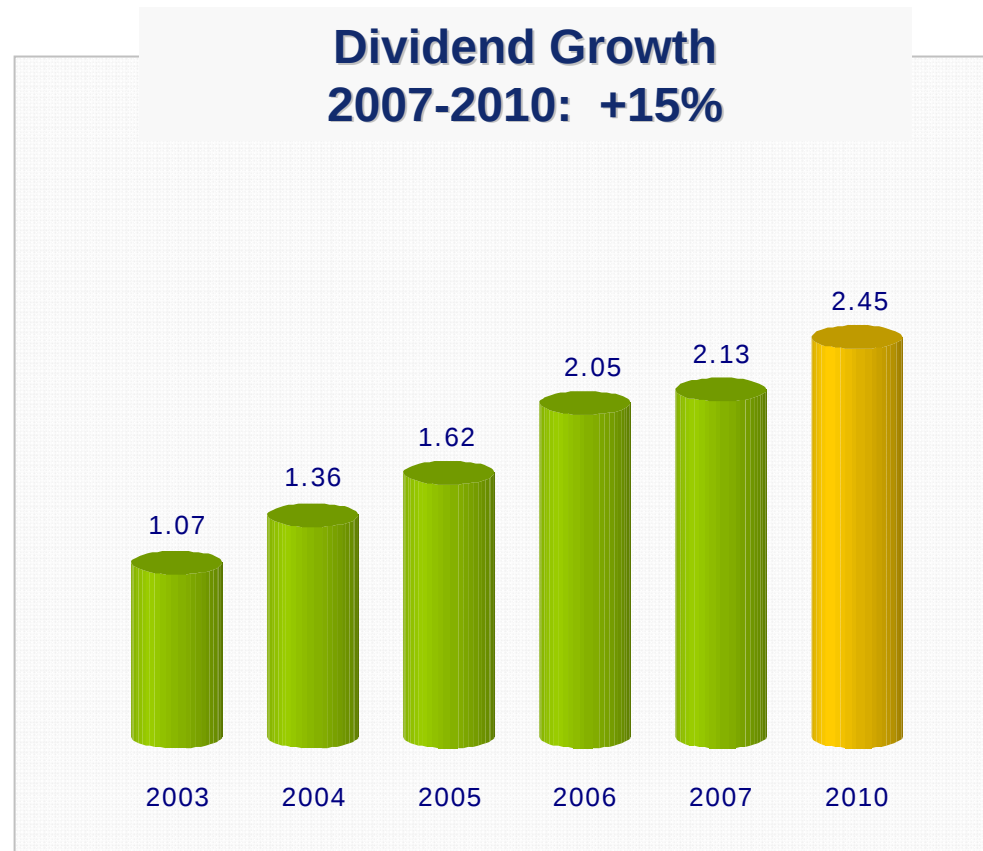


**Net Debt/EBITDA\* (1H 08): 3.2x**

\* Recourse debt

## 1. COMPETITIVE STRENGTHS – Commitment to Shareholders

The value we generate is based on a balanced generation of dividends and an increase in the intrinsic value of invested capital.



FCC's Board has resolved to maintain a 50% pay-out.

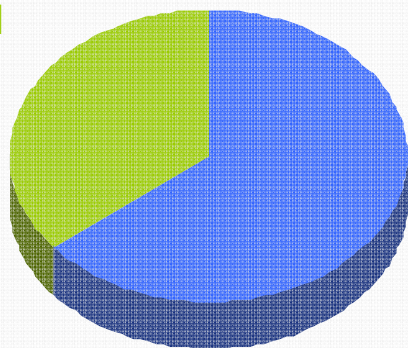
# 1. CREATION OF VALUE – 2008-2010 Strategic Plan

## Investments

The **2008-2010 Strategic Plan** focuses on creating value through consolidating FCC's position, seizing opportunities to expand and optimising profitability.

**Investments by Type  
2008-2010**

**Operations (36%)  
€1,400 M**



**Acquisition and  
Development  
(64%) €2,600 M**

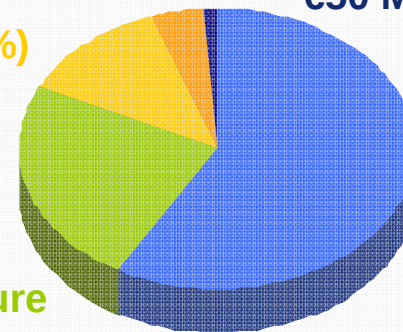
**FCC Group: €4,000 M**

**Investments by Area  
2008-2010**

**Versia (4%)  
€170 M**

**Other (1%)  
€50 M**

**Cement (12%)  
€490 M**



**Infrastructure  
(24%) €970 M**

**Services (58%)  
€2,340 M**

**FCC Group: €4,000 M**

# 1. CREATION OF VALUE – 2008-2010 Strategic Plan

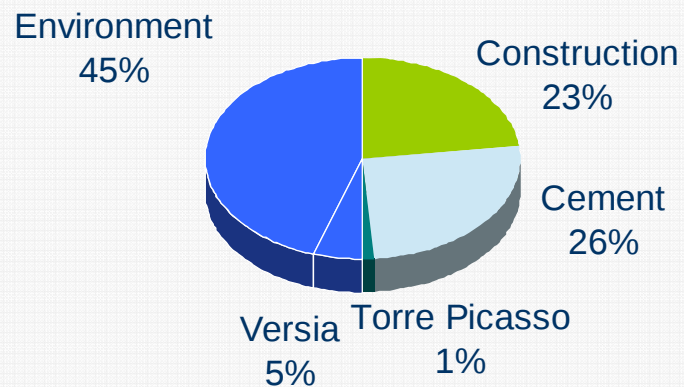
## Expansion in Services and Abroad



In 2010 the **FCC Group** will be a **balanced, international leader in services and infrastructure**.

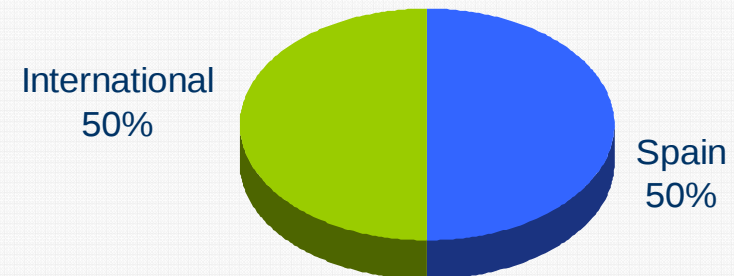
### Balanced

50% of the 2010 EBITDA\* will be produced by Services



### International

50% of the 2010 revenues will be produced by international activity



*In million euro*

\* Realia and GVI are carried by the equity method.

# 1. THE FCC GROUP'S SERVICES AREA – Mission and Positioning

The mission of the FCC Group's Services area is:

- Growth oriented toward **consolidating the group's leading position** in each of its key areas of activity (the environment, water and industrial waste).
  
- **Intensification of the area's internationalisation**, with the objective of making 50% of the area's sales international in 2010, as opposed to 36% in 2007.
  
- **Synergies** with the rest of the group's areas: shared clients and integrated solutions in the use of waste to generate energy:
  - EfW in combination with the new energy area.
  
- So, the Services area is oriented toward:

Being the **key pillar in the group's development** in accordance with Plan 10 (2008-2010), by absorbing close to 60% of the total forecast investments (4,000 million euro).



## 2. FCC Services: Situation and Objectives

- Introduction
- Organisational Structure
- Market Position
- Key figures
- Corporate Initiatives

**Jose Luis de la Torre**

## 2. FCC Services - Introduction



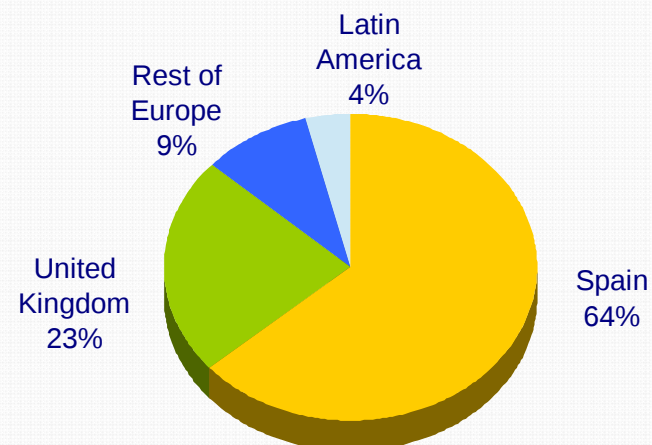
### Main Figures for 2007

- Revenue: **€3,753 M** (27% of the FCC Group's total revenue)
- EBITDA: **€740 M** (36% of the FCC Group's total EBITDA)
- Margin: **19.7%**
- Activities
  - Domestic Environment
  - International Environment
  - Water Management
  - Industrial Waste

### Leadership as a Calling

- Leader in Spain
- Leader in the UK
- Third-biggest European environmental services group

### Geographic Distribution

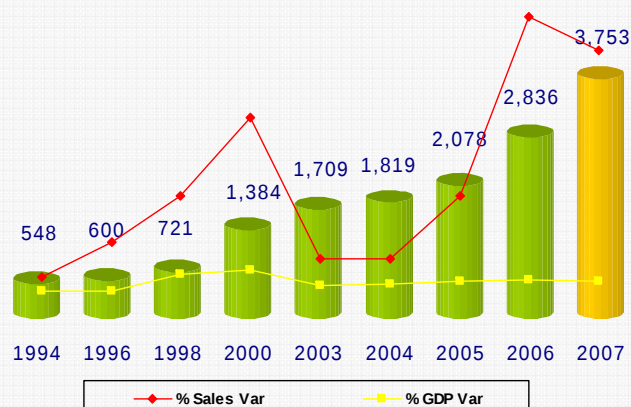


## 2. FCC Services – Introduction



### Sales (€M)

CAGR Sales 94-07: +14.7 %



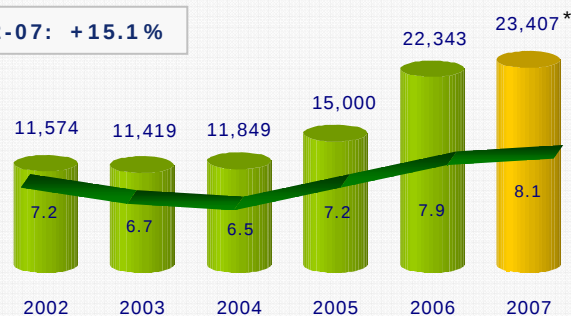
### EBITDA/Margin

CAGR 94-07: +17.8 %



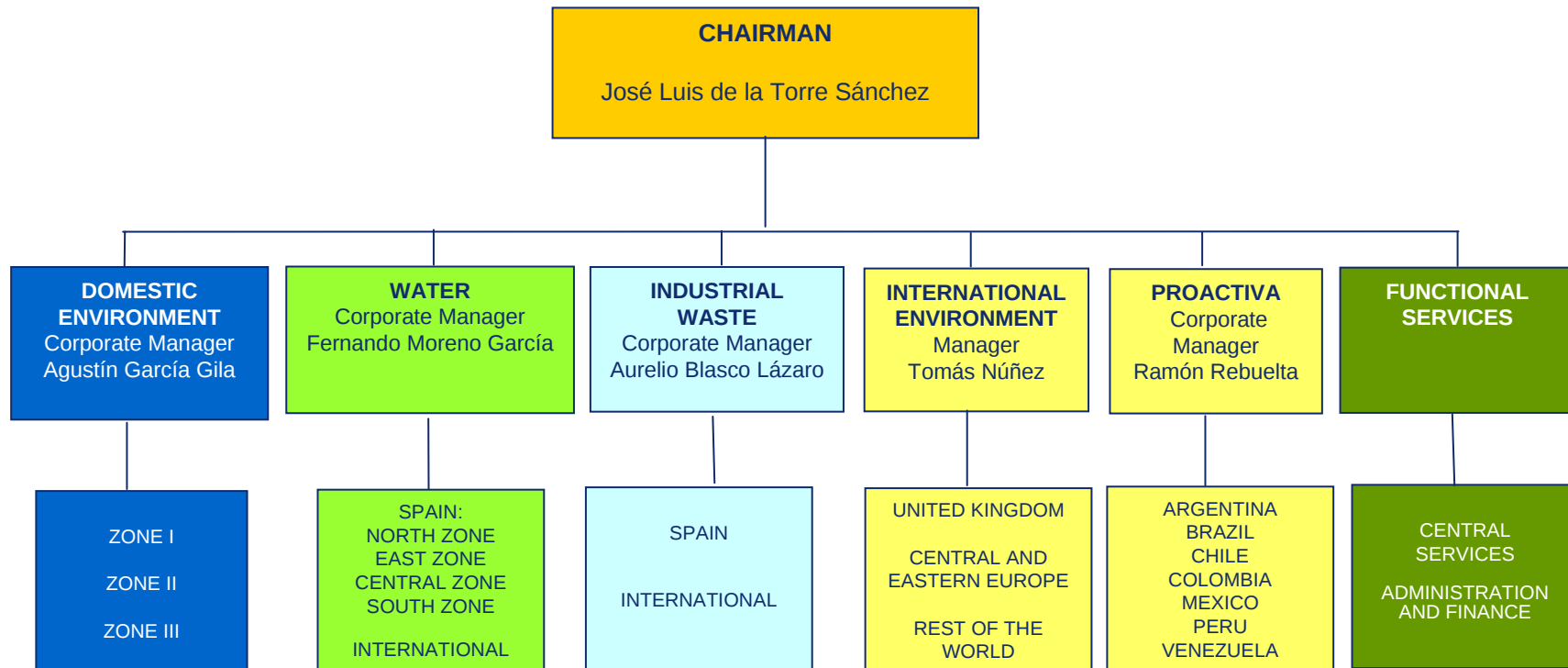
### BACKLOG (€M and Years)

CAGR 02-07: +15.1 %



\*Years of backlog, not counting WRG's activity

## 2. FCC Services – Organisational Structure

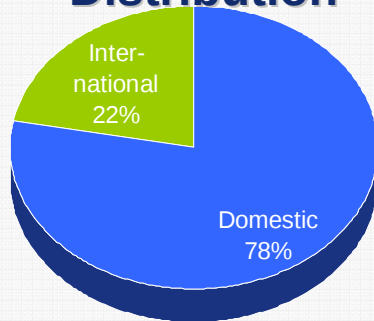


## 2. FCC Services – Organisational Structure

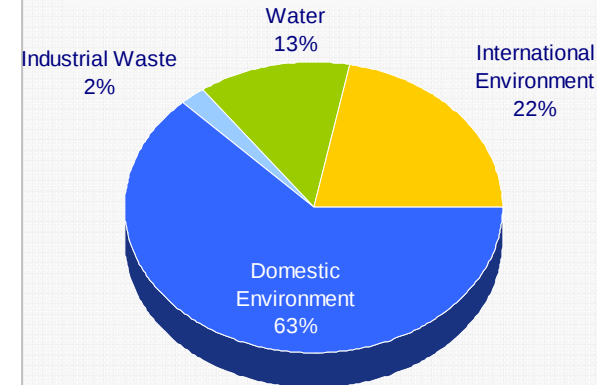


### Workforce Distribution (Dec. 07)

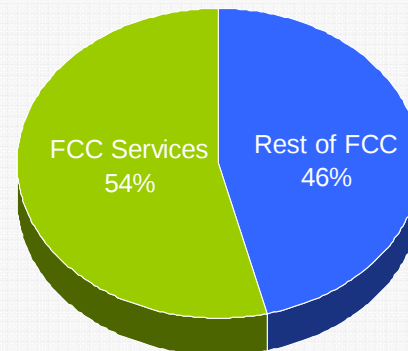
**Geographic Distribution**



**Distribution by Area**



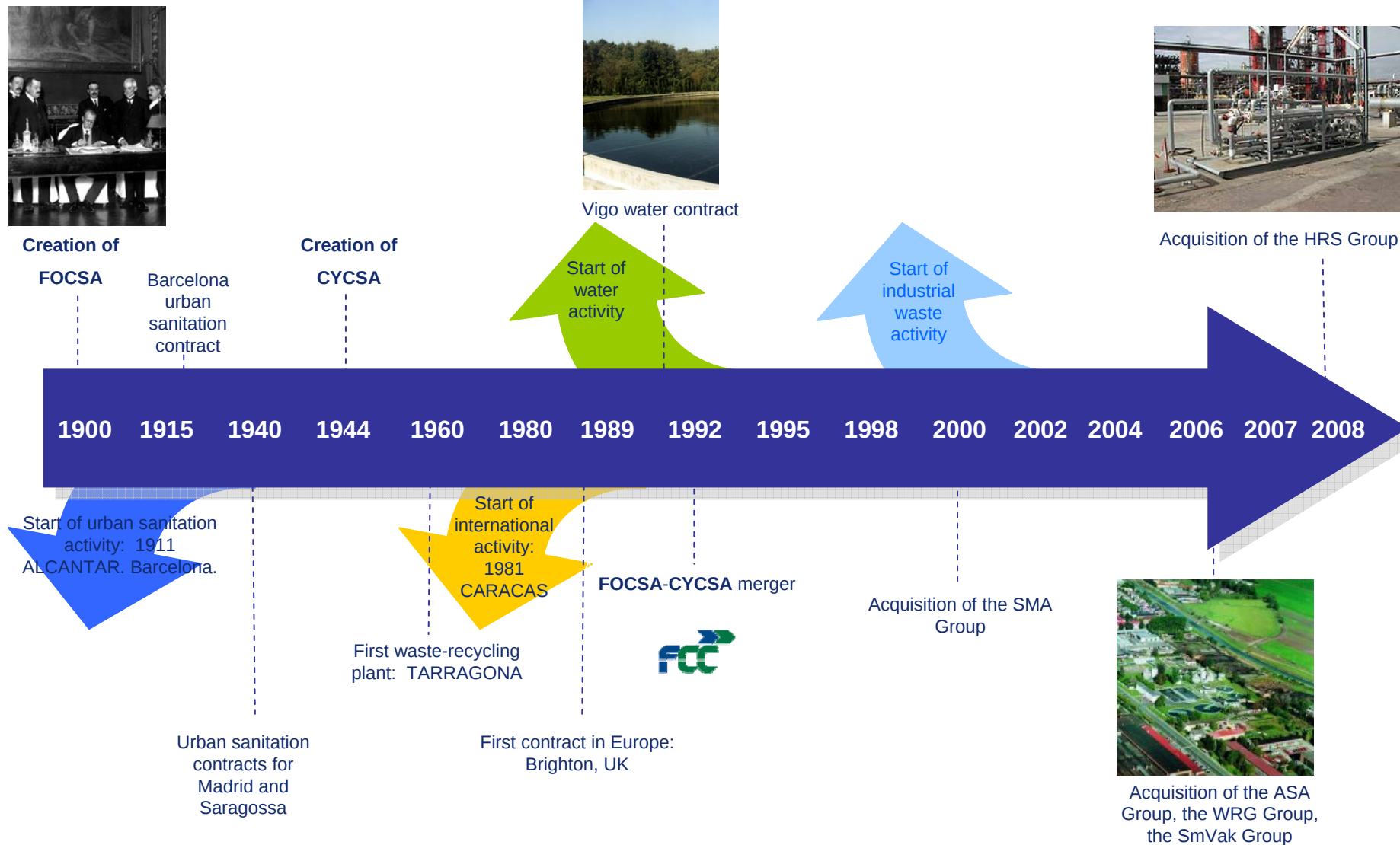
**Distribution as Part of the Total FCC Workforce**



## 2. FCC Services - History



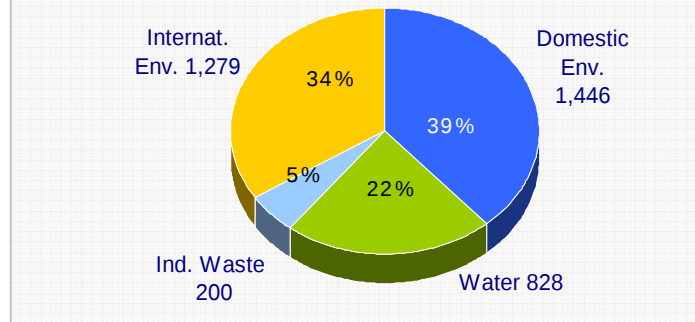
### History of FCC Services' Activities



## 2. FCC Services – Market Position

### Characteristics

#### Revenues by Area



(€M) Spain International\*  
 ➤ Sales in 2007 : 2,387 (64%) 1,366 (36%)

\*Water and industrial waste include part of the international activity

#### Activity/Market

- Long-term government concessions (high backlog volume)
- Public clients (environment and water)
- Private clients (water and waste)
- Conclusion: Lower risk, recurrence and guaranteed profitability

#### FCC's Position

- Leading position in environment, water management and industrial waste in Spain
- Presence and international expansion in:
  - United Kingdom: WRG Group and FOCSA U.K. (waste)
  - Eastern Europe: ASA (waste) and SmVAK (water)
  - Latin America: Proactiva (waste and water)
  - USA: HRS (industrial waste)

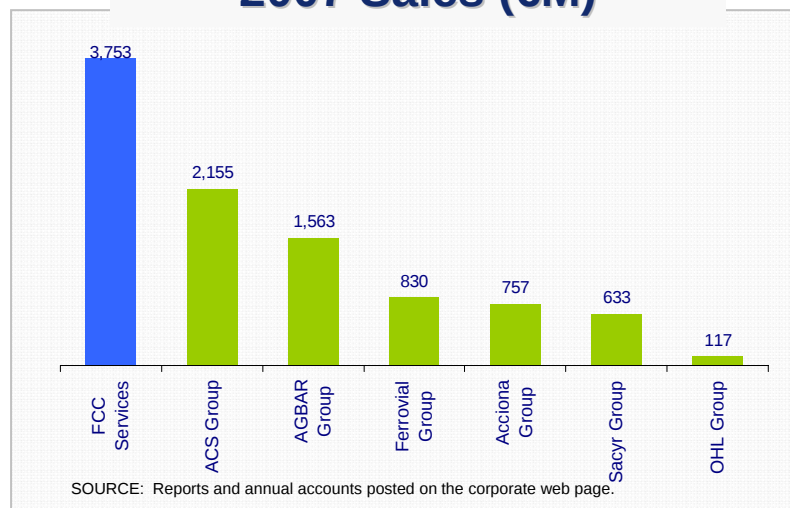
#### Keys

- Population growth
- Greater environmental awareness
- Capital-intensive projects with private financing through PFIs and PPPs
- European Union rules
- Privatisations
- Scarcity of water resources: desalination plants

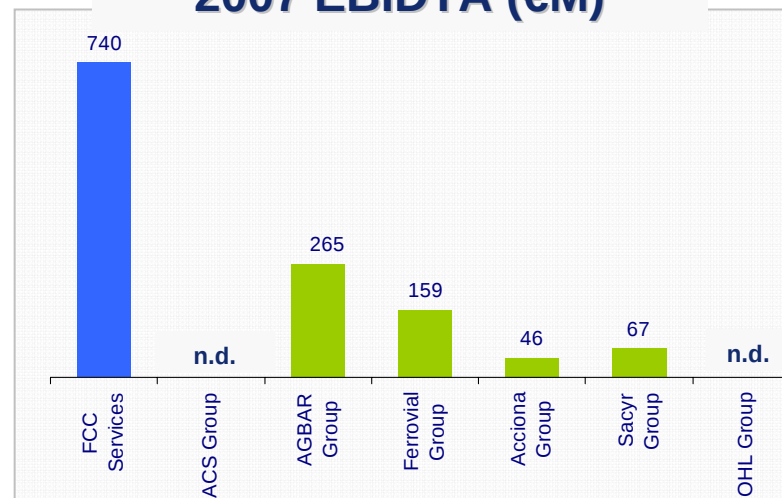
## 2. FCC Services – Market Position

### Domestic

#### Market Position 2007 Sales (€M)



#### Market Position 2007 EBIDTA (€M)



### Note:

**ACS Group:** This includes URBASER (urban services) and CLECE (building management and maintenance).

**AGBAR Group:** Focussed on water activity.

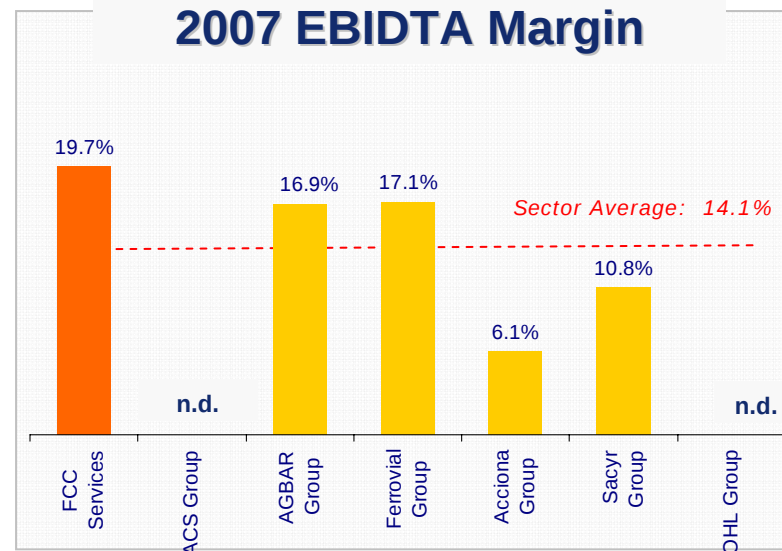
**Ferrovial Group:** Data on CESPA.

**Acciona Group:** Urban and environmental services.

**Sacyr Group:** VALORIZA data includes the activities of environment, water, energy and multiservices.

**OHL Group:** Focussed on water desalination and purification.

#### 2007 EBIDTA Margin



## 2. FCC Services – Market Position

### Strengths

### Competitive Advantages

- FCC Services is the sector's leading and oldest group, far ahead of and more seasoned than the competition
  - Profound knowledge of the market and the client portfolio.
  - Technology developed in-house, tailored specifically to each activity and need.
  - Highly experienced, qualified team of professionals.
- Group synergies:
  - Shared clients and suppliers.
  - Common financial institutions.
  - Use of structures belonging to other areas and/or sectors of the Group.
- Other advantages:
  - Guaranteed backlog revenue (> 6 years).
  - Solid financial structure.

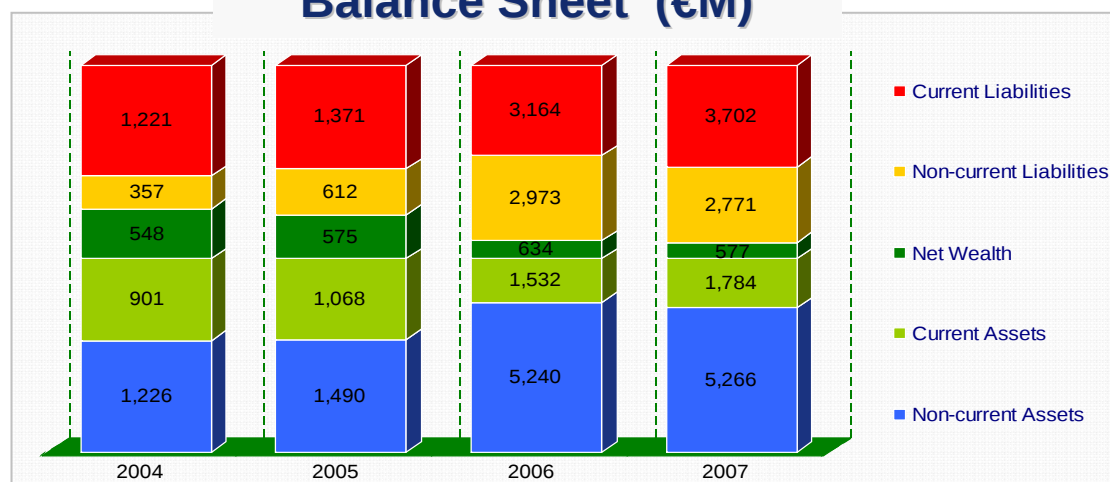
## 2. FCC Services – Key figures



### Summarised Income Statement (€M)

|                 | 2004  | 2005  | 2006  | 2007  | CAGR<br>04-07 |
|-----------------|-------|-------|-------|-------|---------------|
| <b>Turnover</b> | 1,827 | 2,078 | 2,836 | 3,753 | 27.1%         |
| <i>% Var</i>    | 6.9%  | 13.8% | 36.5% | 32.3% |               |
| <b>EBITDA</b>   | 285   | 343   | 501   | 740   | 37.4%         |
| <i>% Margin</i> | 15.7% | 16.5% | 17.7% | 19.7% |               |
| <i>% Var</i>    | 11.8% | 20.4% | 46.1% | 47.7% |               |

### Balance Sheet (€M)

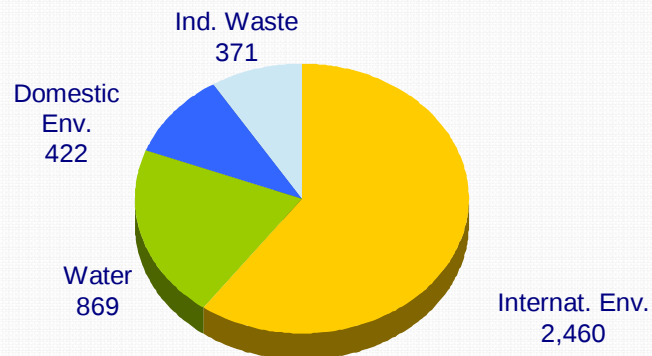


## 2. FCC Services – Key Figures

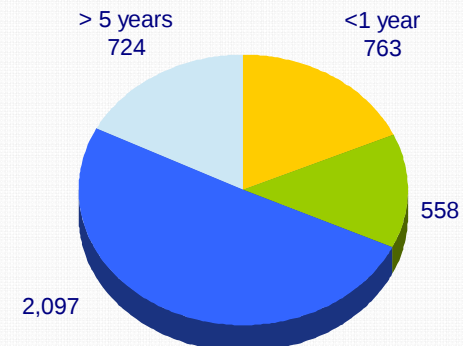
### Net Financial Debt – 1H 08



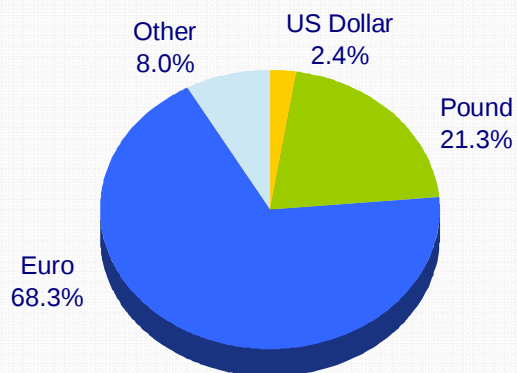
**Area of Activity  
(€M)**



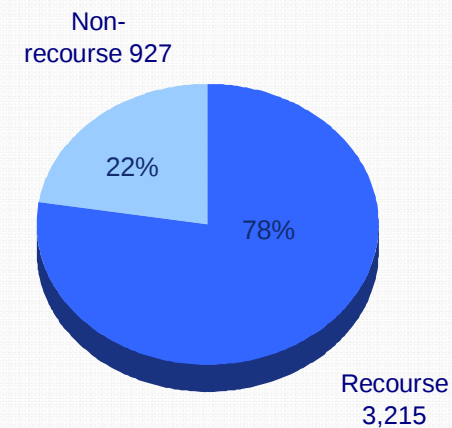
**By Maturity  
(€M)**



**By Currency (%)**



**By Nature**



## 2. FCC Services – Corporate Initiatives



### Services' Strategic Initiatives Under Plan 10

**Consolidate current  
business**

**Seize opportunities  
for growth**

1. Consolidation of Services' market share in Spain
2. Consolidation and integration of the WRG Group (UK) and the HRS Group (USA)
3. Acquisition of waste and water management companies in Central and Eastern Europe
4. Acquisition of urban waste company in the USA
5. Implementation of Services in the UK through PFIs
6. Development of water management in emerging countries
7. Proactiva: Maintain current business share and grow in Mexico, Peru and Colombia

Forecast investments for 2008-2010\* ~ **2,350 million euro**

**2008**

**2009**

**2010**

**772**

**893**

**671**

\*Includes maintenance capex.

# CONTENTS



## 3. FCC Services

- Environment
- Water
- Industrial Waste



# CONTENTS



## 3. FCC Services

- **Environment Division**
  - **Domestic**
  - **International**





## 3. FCC Services

- **Environment Division**

### **Domestic**

- **Description**
- **Organisation**
- **Activities**
- **Keys to Management**
- **Key Figures**
- **Strategy**

**Agustín Garcia Gila**



### 3. Domestic Environment - Description



#### Activities

| AREAS OF ACTIVITY          | Solid Urban Waste Collection                                     | City Cleaning                                                    | Urban Waste (SUW) Treatment                                                        | Green Space Maintenance                                                           | Sewer System Maintenance                                               | Beach Cleaning                                                        |
|----------------------------|------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------|
| NUMBER OF CITIES AND TOWNS | 1,693                                                            | 310                                                              | 2,787                                                                              | 47                                                                                | 72                                                                     | 128                                                                   |
| NUMBER OF INHABITANTS      | 16,846,235                                                       | 11,796,580                                                       | 16,130,437                                                                         | 4,165,339                                                                         | 6,612,964                                                              | 7,463,795                                                             |
| MAJOR CONTRACTS            | MADRID<br>BARCELONA<br>VALENCIA<br>SARAGOSSA<br>MÁLAGA<br>BILBAO | MADRID<br>BARCELONA<br>VALENCIA<br>SARAGOSSA<br>MÁLAGA<br>BILBAO | MALLORCA<br>VALLADOLID<br>E.M. BARCELONA<br>P. GRANADA<br>P. VIZCAYA<br>VALLADOLID | MADRID<br>VALENCIA<br>PALMA MALLORCA<br>SARAGOSSA<br>CARTAGENA<br>LAS PALMAS G.C. | BARCELONA<br>BILBAO<br>SAN SEBASTIÁN<br>SARAGOSSA<br>BURGOS<br>MELILLA | SAN SEBASTIÁN<br>MENORCA<br>VALENCIA<br>VIGO<br>TARRAGONA<br>ALICANTE |
| MARKET POSITION            | 1                                                                | 1                                                                | 2                                                                                  | 2                                                                                 | 1                                                                      | 1                                                                     |

### 3. Domestic Environment - Description

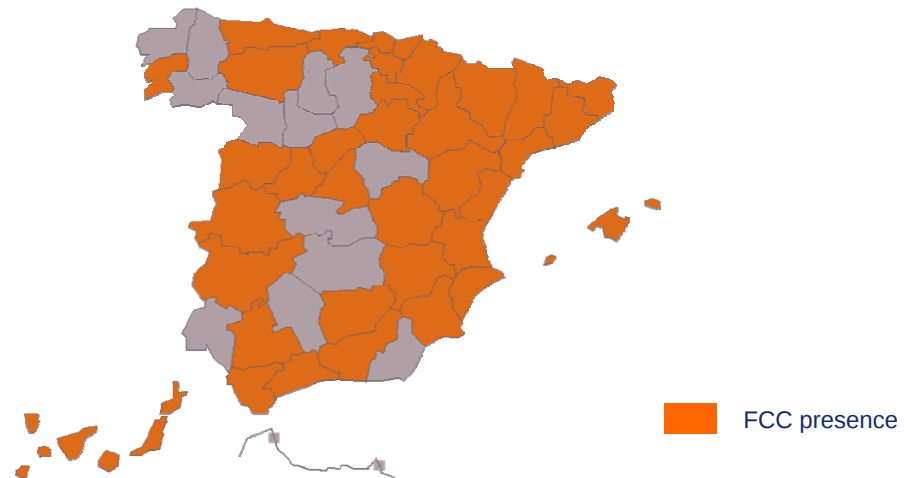


#### Activities

##### Urban Waste Collection.



- 1,693 cities and towns
- 16,846,235 inhabitants
- 7,176,951 tonnes/year
- Leading position. Number 1



### 3. Domestic Environment - Description

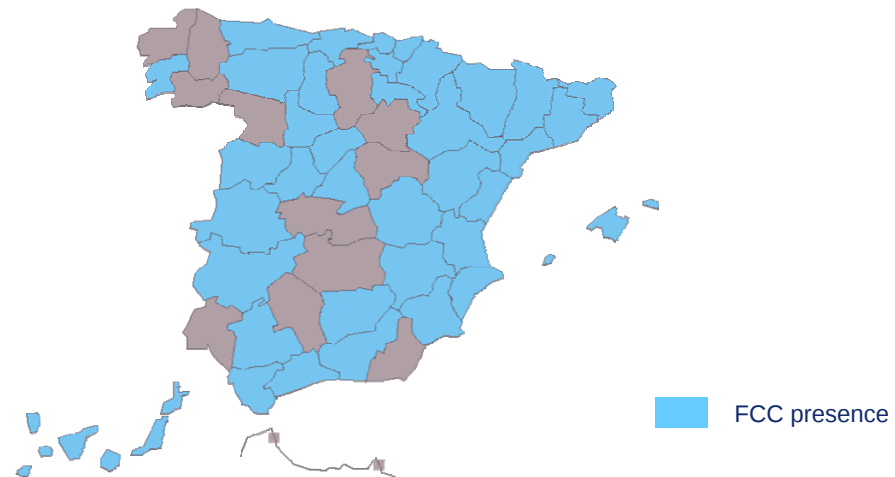


#### Activities

##### City Cleaning.



- 310 cities and towns
- 11,796,257 inhabitants
- Leading position: Number 1



### 3. Domestic Environment - Description

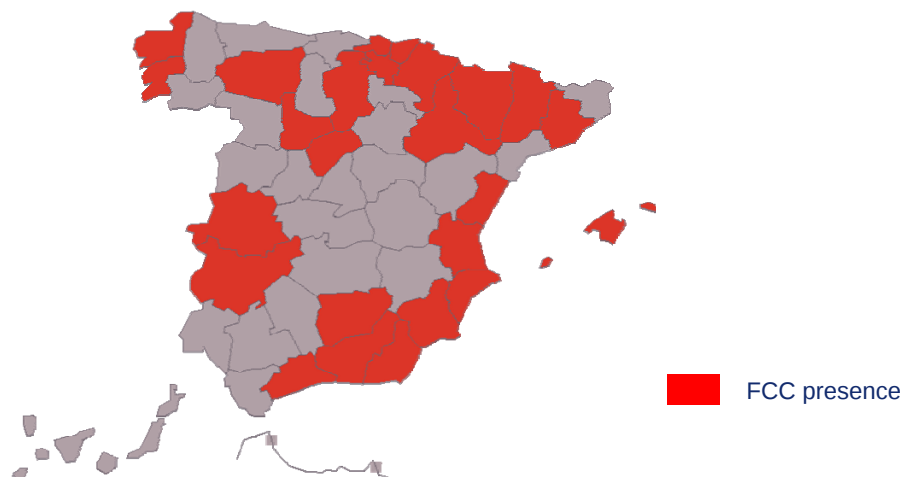


#### Activities

##### Urban Waste Treatment.



- 2,787 cities and towns
- 16,130,437 inhabitants
- 8,800,482 tonnes/year
- Number 2 in the market
- 90 facilities
  - 17 packaging-waste treatment plants
  - 28 biological treatment plants
  - 2 heat treatment plants
  - 43 landfills for rubbish and rubble



### 3. Domestic Environment – Description

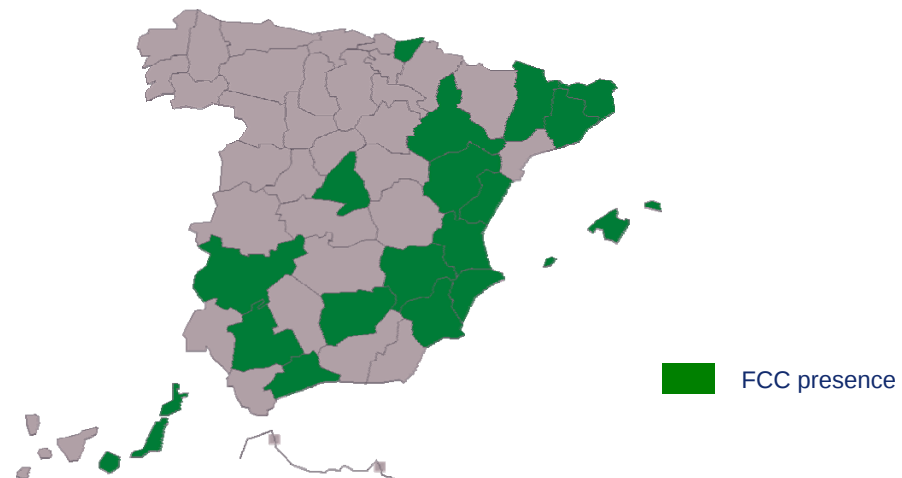


#### Activities

##### Garden and Green Zone Maintenance.



- 47 cities and towns
- 4,165,339 inhabitants
- Number 2 in the market



### 3. Domestic Environment - Description

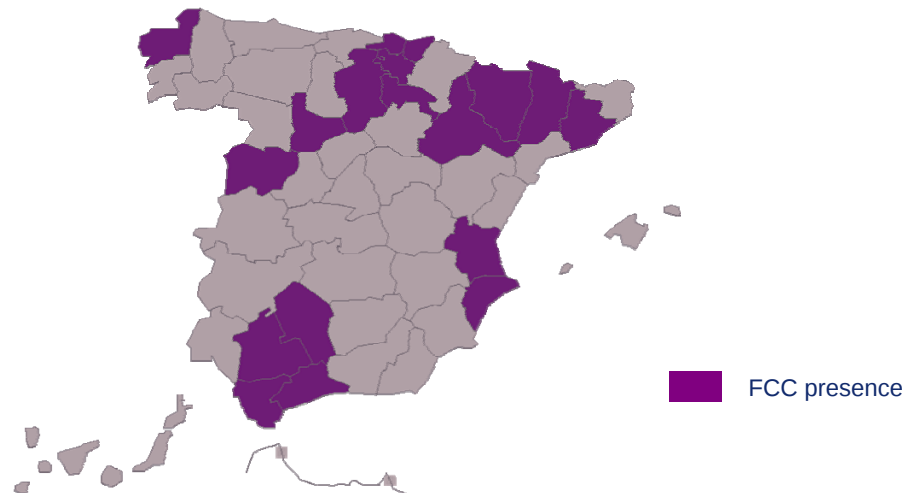


#### Activities

##### Sewer System Cleaning and Maintenance.



- 72 cities and towns
- 6,612,964 inhabitants
- Leading position. Number 1



### 3. Domestic Environment - Description

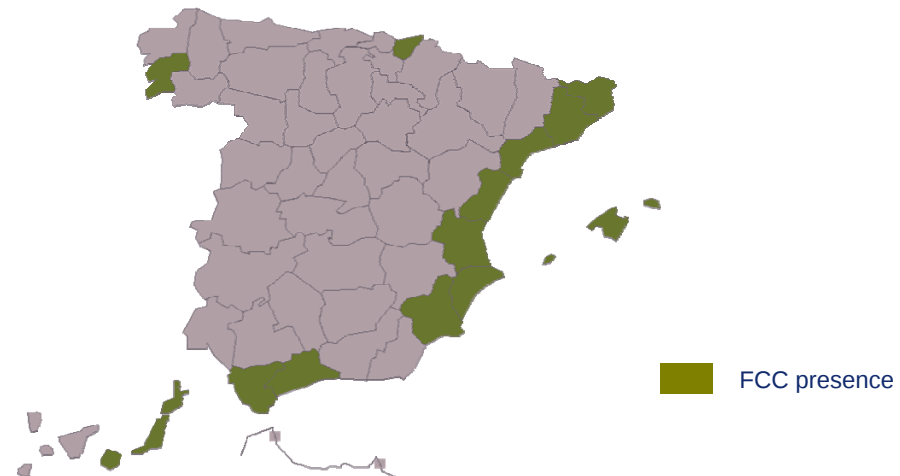


#### Activities

##### Beach Cleaning.



- 128 cities and towns
- 7,463,795 inhabitants
- Leading position. Number 1



### 3. Domestic Environment - Description



#### Activities

##### Building Cleaning.



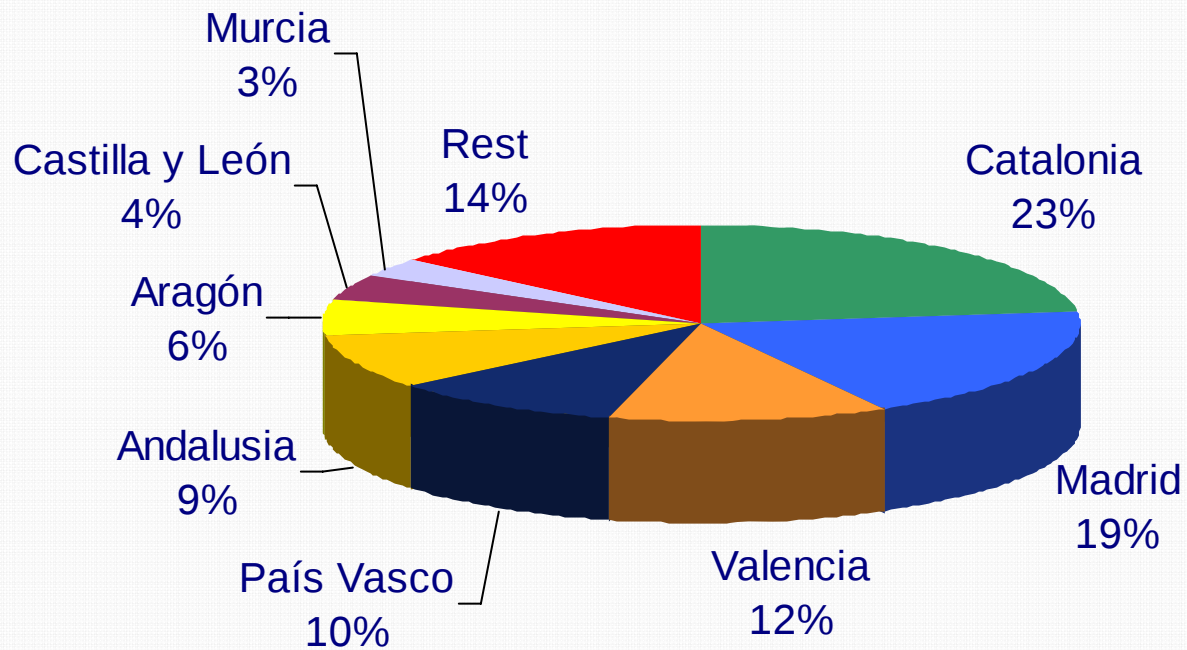
➤ 126 cities and towns



### 3. Domestic Environment - Description



#### Geographic Presence –Regional Distribution (2007)



### 3. Domestic Environment - Description



#### Timeline



#### ➤ Over 100 years dedicated to the environment

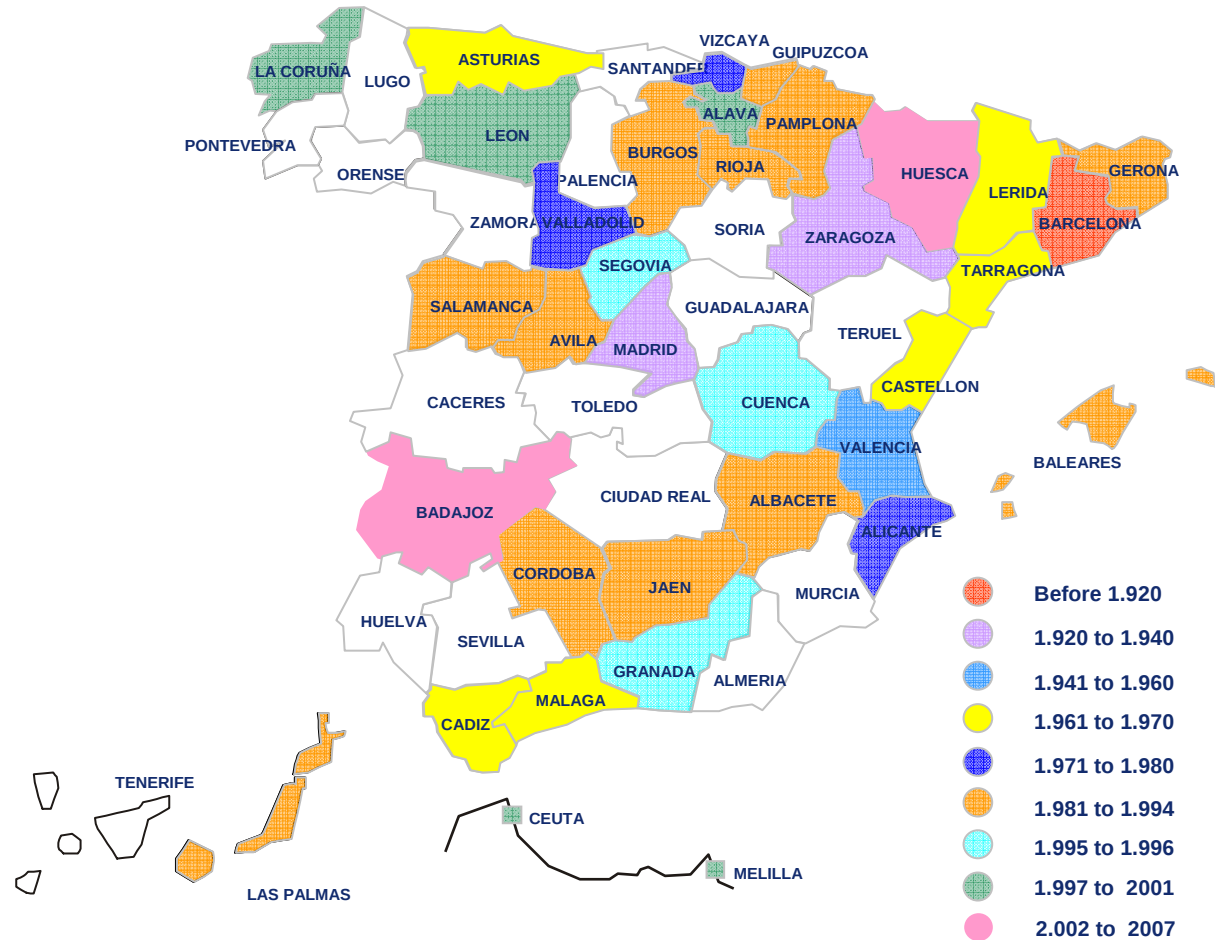
- **1900** - Fomento de Obras y Construcciones, S.A., is created.
- **1902** - Hydraulic construction work begins. Barcelona sewer system.
- **1915** - First city sanitation contract. Barcelona City Council.
- **1928** - The first motor vehicles are used in city sanitation services.
- **1940** - The SUW contracts for Madrid and Saragossa are awarded, and the first incinerator is built in Barcelona.
- **1944** - Construcciones y Contratas, S.A. (CYCSA), is created.
- **1960** - First waste-recycling plant, in Tarragona.
- **1968** - The SUW contract for outer Madrid is renewed.
- **1970** - The Barcelona cleaning and irrigation contract is awarded.
- **1972** - The SUW contract for central Madrid is renewed.
- **1974** - A 25-year SUW contract for Barcelona is awarded.
- **1981** - First contract awarded abroad. Caracas, Venezuela.
- **1989** - First contract awarded in Europe. Brighton, UK.
- **1992** - Merger between CYCSA and FOCSA to form FCC.
- **1995** - The contract for outer Madrid is renewed.
- **1998** - The contract for central Madrid is renewed. Lorries run on natural gas.
- **2000** - Rubbish collection and street cleaning in Barcelona.
- **2002** - The contract for outer Madrid is renewed.
- **2006** - The contract for central Madrid is renewed.

### 3. Domestic Environment - Description



#### Contract Age by Provincial Capitals

|                    |       |
|--------------------|-------|
| BARCELONA          | 1.915 |
| ZARAGOZA           | 1.940 |
| MADRID             | 1.940 |
| VALENCIA           | 1.957 |
| TARRAGONA          | 1.961 |
| MÁLAGA             | 1.967 |
| CASTELLÓN          | 1.967 |
| OVIEDO             | 1.968 |
| LLEIDA             | 1.969 |
| CADIZ              | 1.970 |
| BILBAO             | 1.972 |
| ALICANTE           | 1.974 |
| VALLADOLID         | 1.976 |
| BURGOS             | 1.981 |
| CÓRDOBA            | 1.982 |
| SAN SEBASTIÁN      | 1.982 |
| ALBACETE           | 1.983 |
| SALAMANCA          | 1.983 |
| JAÉN               | 1.985 |
| PAMPLONA           | 1.985 |
| LOGROÑO            | 1.985 |
| ÁVILA              | 1.986 |
| LAS PALMAS DE G.C. | 1.987 |
| GIRONA             | 1.987 |
| PALMA DE MALLORCA  | 1.992 |
| GRANADA            | 1.995 |
| SEGOVIA            | 1.995 |
| CUENCA             | 1.996 |
| CORUÑA (LA)        | 1.997 |
| VITORIA            | 1.997 |
| LEÓN               | 2.000 |
| MELILLA            | 2.001 |
| CEUTA              | 2.001 |
| HUESCA             | 2.003 |
| BADAJOS            | 2.005 |



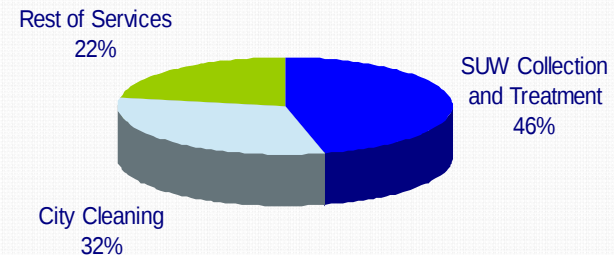
### 3. Domestic Environment – Description

#### Areas of Activity

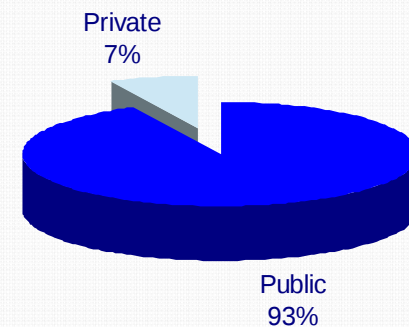
| ACTIVITY                     | %     |
|------------------------------|-------|
| SUW Collection and Treatment | 46.35 |
| City Cleaning                | 32.08 |
| Building Cleaning            | 9.56  |
| Green Space Maintenance      | 5.38  |
| Sewer System Maintenance     | 2.03  |
| Beach Cleaning               | 0.66  |
| Other Services               | 3.94  |

| CLIENT                | %     |
|-----------------------|-------|
| City Councils         | 84.93 |
| Private Clients       | 7.29  |
| Other Public Agencies | 6.44  |
| Regional Governments  | 1.34  |

#### Sales by Activity 2007



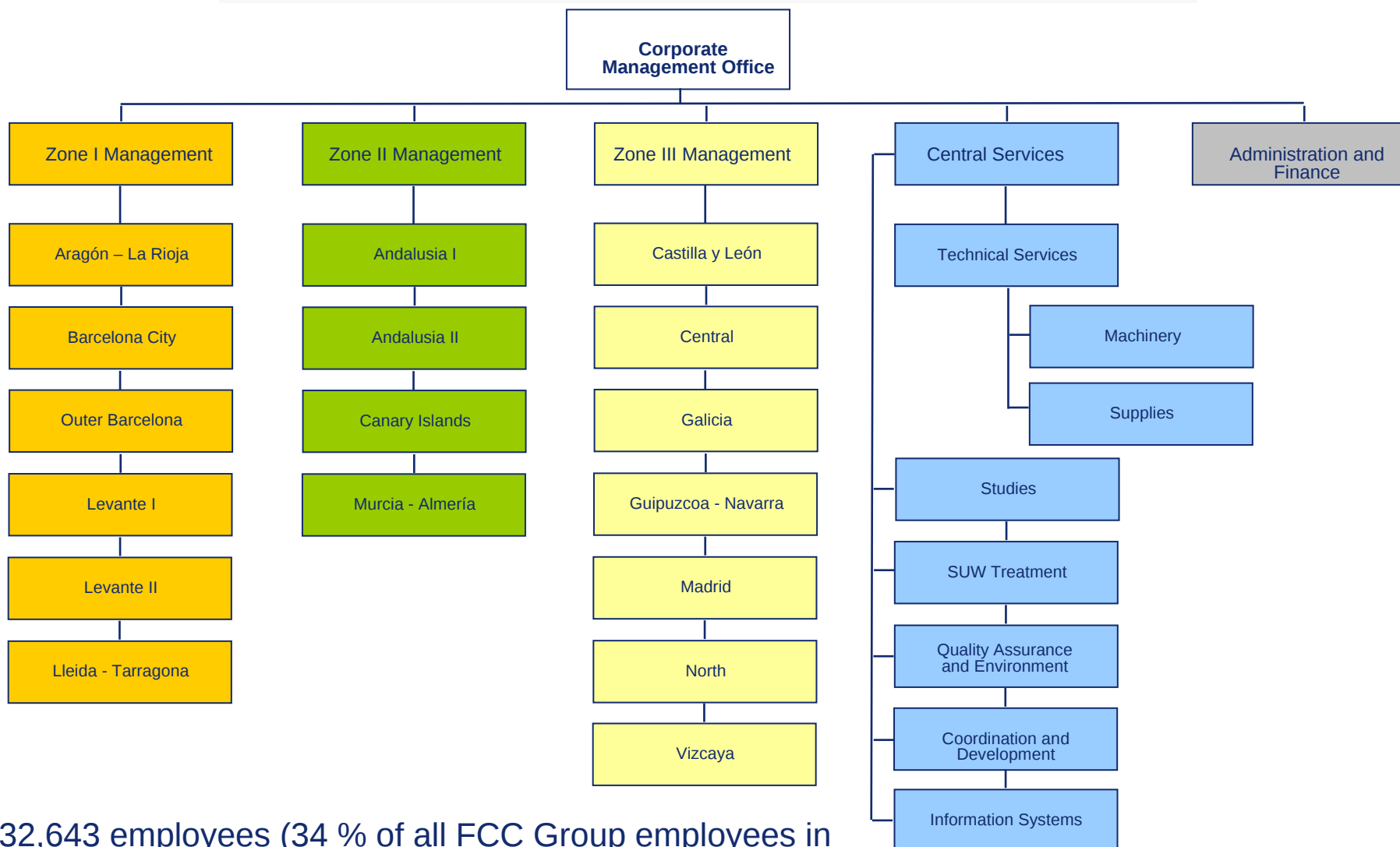
#### Sales by Client Type 2007



### 3. Domestic Environment - Organisation



#### Operational Structure



➤ 32,643 employees (34 % of all FCC Group employees in 2007)

### 3. Domestic Environment – Activities

#### SUW Collection

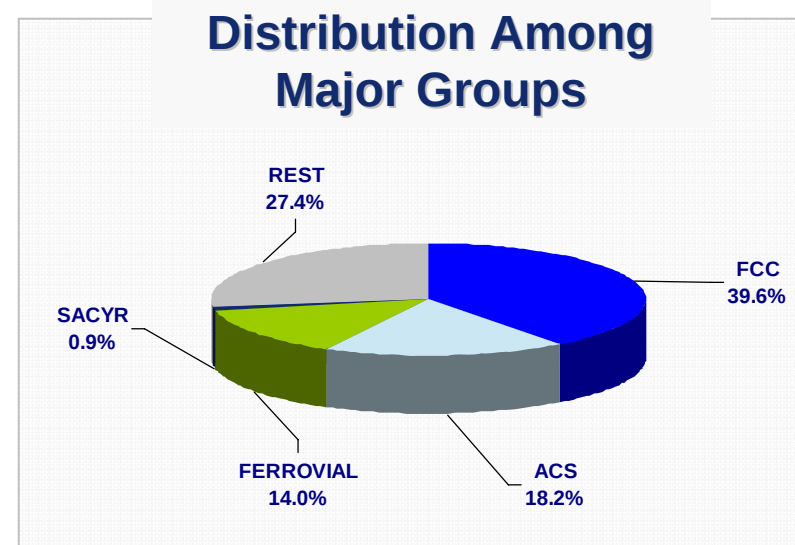
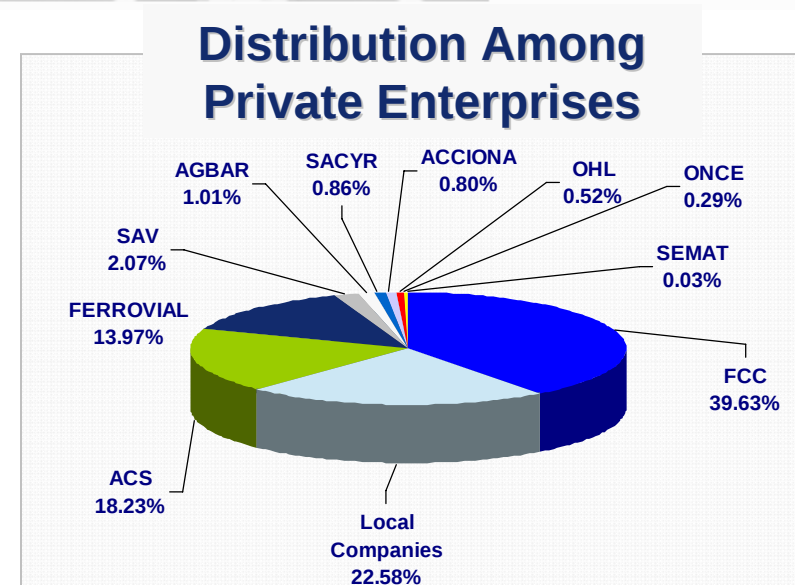
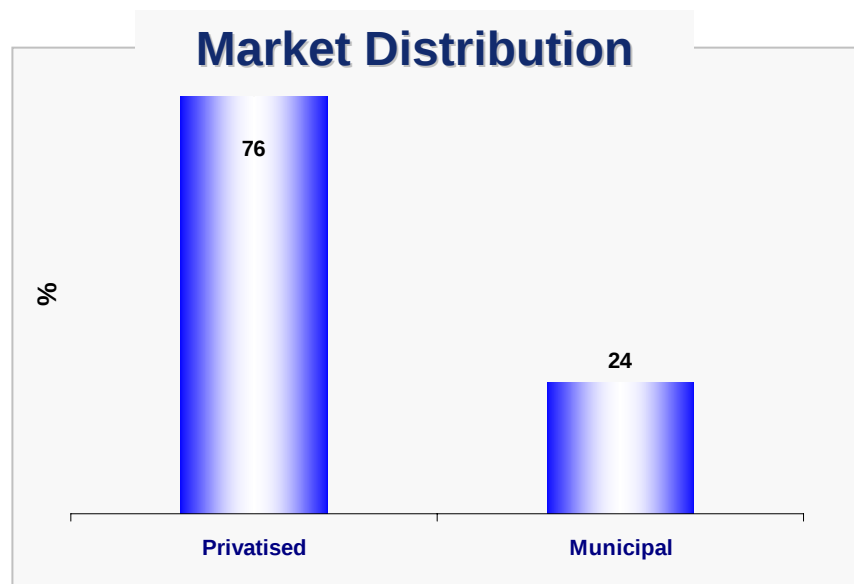
##### ➤ Urban Waste Collection

- Unrecyclable fraction
- Selective
  - Organic waste
  - Packaging waste
  - Glass
  - Paper/cardboard
  - Other waste

##### ➤ Major Contracts:

Madrid – Barcelona – Valencia – Saragossa  
– Málaga – Bilbao

##### ➤ Clear Leading Position



### 3. Domestic Environment – Activities

#### City Cleaning

##### ➤ City Cleaning

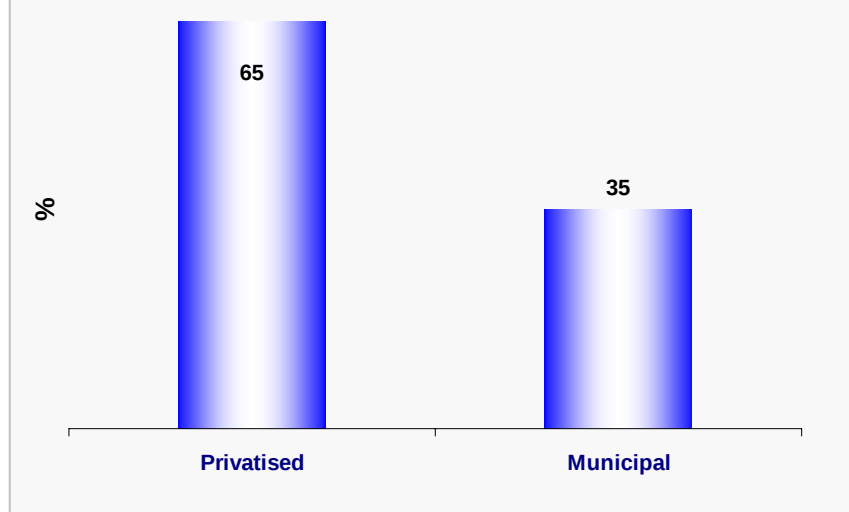
- Sweeping by hand and by machine
- Spraying by hand and by machine
- Empty lots
- Grafitti
- Pavement stains

##### ➤ Major Contracts:

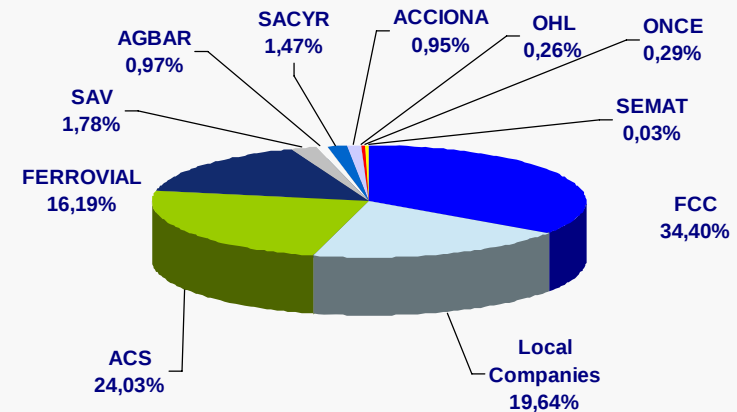
Madrid – Barcelona – Valencia – Zaragoza  
– Málaga – Bilbao

##### ➤ Strong leading position

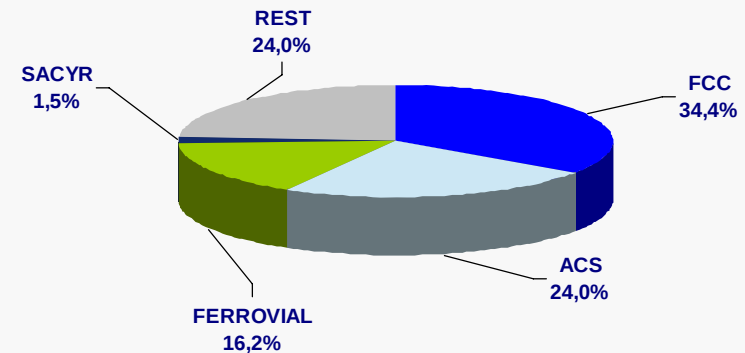
#### Market Distribution



#### Distribution among Private Enterprises



#### Distribution among Major Groups



### 3. Domestic Environment – Activities

#### SUW Treatment

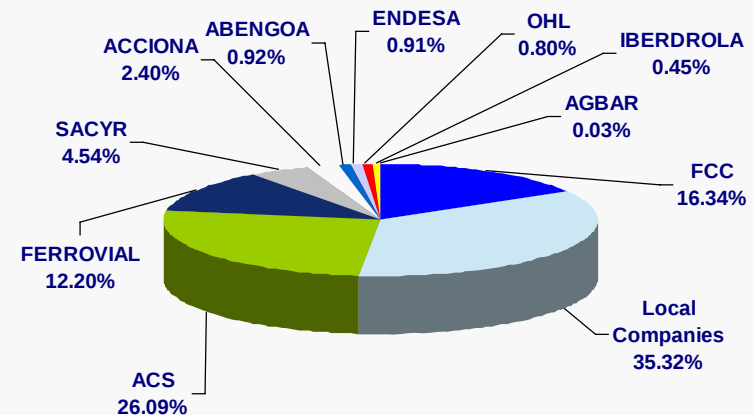
##### ➤ Domestic Waste Treatment and Elimination

- Recycling plants
- Compost plants
- Biomethane plants
- Packaging screening plants
- Thermal plants run on waste
- Controlled landfills
- Rubble recycling and disposal in landfills

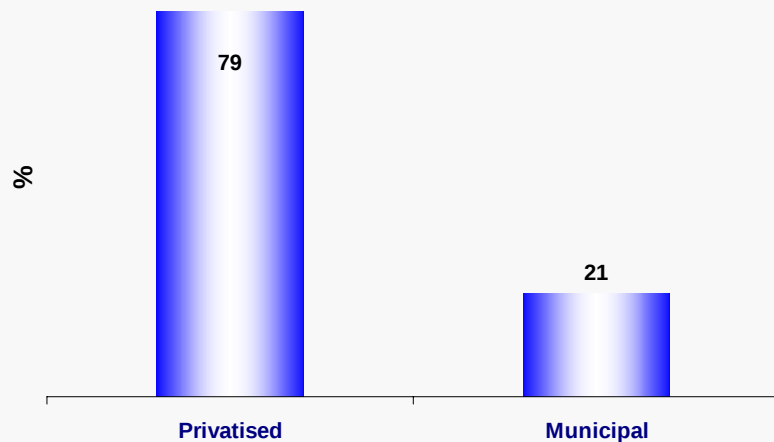
##### ➤ Major Contracts:

Mallorca Island Council (TIRME) - Province of  
Granada – EMSHTR (Barcelona) - Alicante –  
Province of Vizcaya (Zabalgarbi)

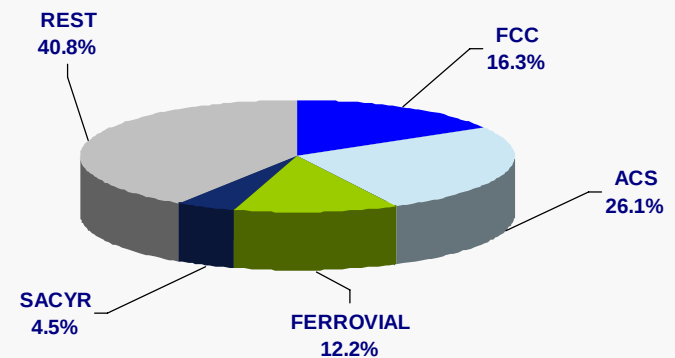
#### Distribution Among Private Enterprises



#### Market Distribution



#### Distribution Among Major Groups



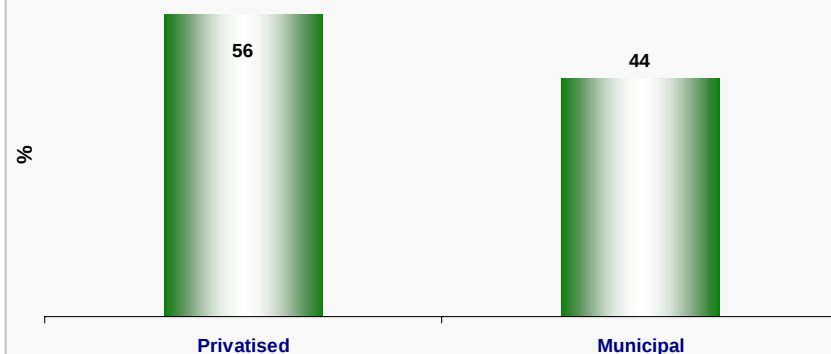
### 3. Domestic Environment – Activities

#### Rest of Activities

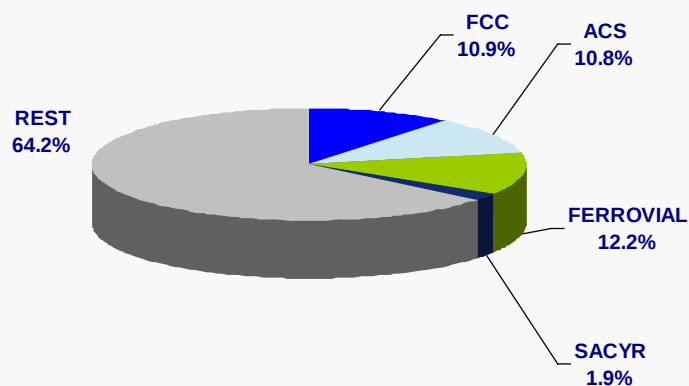


#### Market Distribution

##### Green Space Maintenance

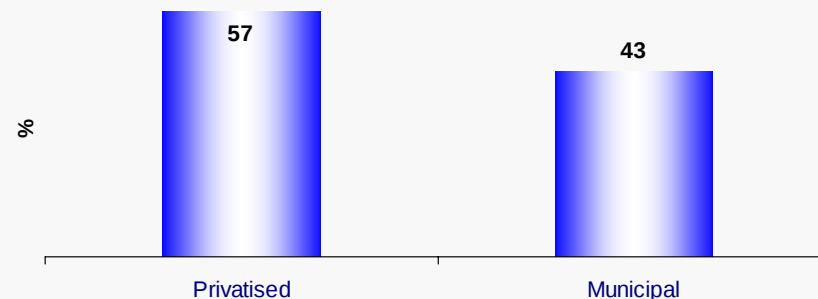


##### Among the Major Groups

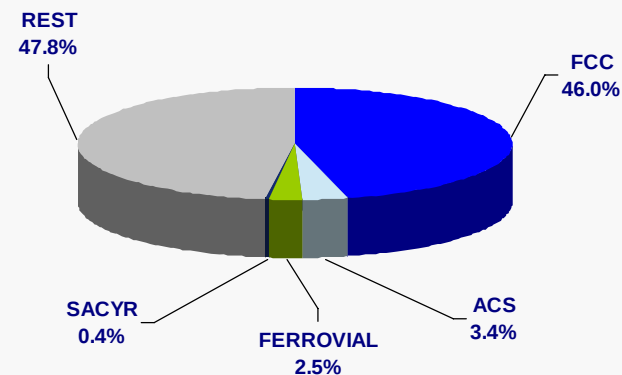


➤ 55.7% are local companies

##### Sewer System Maintenance



##### Among the Major Groups



➤ 28.5% are local companies

### 3. Domestic Environment – Keys to Management

#### Waste Collection and City Cleaning



- **Long-term contracts: 8-10 years**
- **Stable margin**
- **Low risk**
- **Average investment: 90% of the first year's turnover**
- **High barriers to entry:** References, technology, investments, personnel management
- **Average potential growth:** The market is growing due to the demand.

### 3. Domestic Environment – Keys to Management

#### Urban Waste Treatment



- **Very long-term contracts: 10-30 years**
- **Growing margin**
- **Average technological risk**
- **High investment**
- **Very high barriers to entry:** Technology, technical and financial capacity, references
- **High potential growth:** The margin is changing due to regulations and environmental requirements.

### 3. Domestic Environment – Keys to Management

#### Other Services



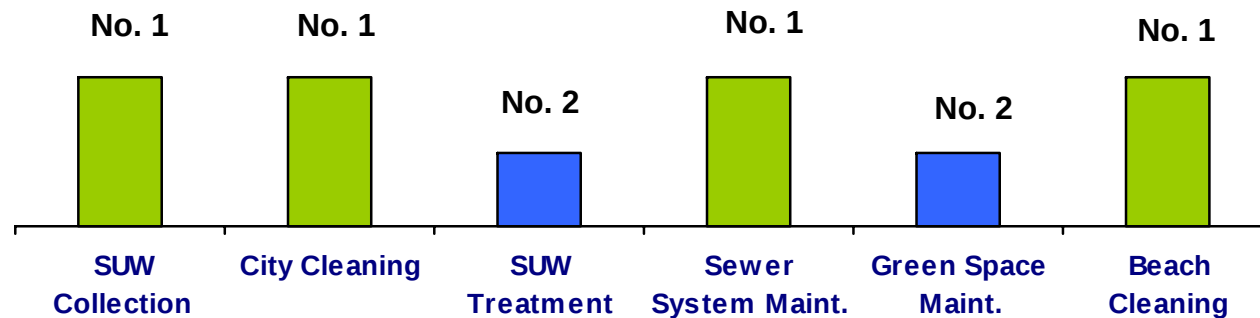
- **Short- and medium-term contracts: 1-4 years**
- **Stable margin**
- **Low risk**
- **Little investment** (Medium-sized investment for sewer system maintenance)
- **Low barriers to entry**
- **Medium-high growth potential**

### 3. Domestic Environment – Keys to Management

#### Leadership



- Position clearly dominating the competition:



- Thorough geographic coverage, with contracts in 3,597 cities and towns
- Full range of environmental services on offer
- Highly specialised professional organisation. We have been a service provider since 1900.
- Proved capacity for organic growth

### 3. Domestic Environment – Keys to Management

#### Competitive Advantages



➤ **In-house technology. Innovation and development.**

We work with machinery manufacturers and official agencies to develop our own technology.

Improved vehicle manoeuvrability and capacity.

- Widespread introduction of rear drive axles.
- Special reduced-width chassis (1.80, 2.00 and 2.30 metres).
- Body divided into compartments for selective waste collection.

➤ **Reduction of exhaust gas and sound emissions.**

- Use of compressed natural gas (CNG) as fuel.
- Motors adapted to use biofuels.
- Manufacturing of collection vehicles that use electricity alone when picking up waste and a hybrid system with energy recovery on delivery hauls (the EU's EUREKA Project).
- Roll-out of light street-cleaning vehicles driven by electricity.

➤ **Use of material rejected from SUW treatment in plasma waste-to-energy set-up.**

➤ **Use of material rejected from SUW treatment for energy in cement plants.**

➤ **Use of rejected material for energy in combined cycle set-up.**



### 3. Domestic Environment – Key figures



#### Summarised Income Statement (€M)

|                 | 2004         | 2005         | 2006         | 2007         | CAGR<br>04-07 |
|-----------------|--------------|--------------|--------------|--------------|---------------|
| <b>Turnover</b> | <b>1,089</b> | <b>1,196</b> | <b>1,326</b> | <b>1,446</b> | <b>10.0%</b>  |
| <i>% Var</i>    | 5.0%         | 9.9%         | 10.8%        | 9.1%         |               |
| <b>EBITDA</b>   | <b>165</b>   | <b>188</b>   | <b>215</b>   | <b>225</b>   | <b>10.9%</b>  |
| <i>% Margin</i> | 15.2%        | 15.7%        | 16.2%        | 15.6%        |               |
| <i>% Var</i>    | 10.2%        | 13.8%        | 14.7%        | 4.6%         |               |

### 3. Domestic Environment – Key figures

#### Historic Development of Activity

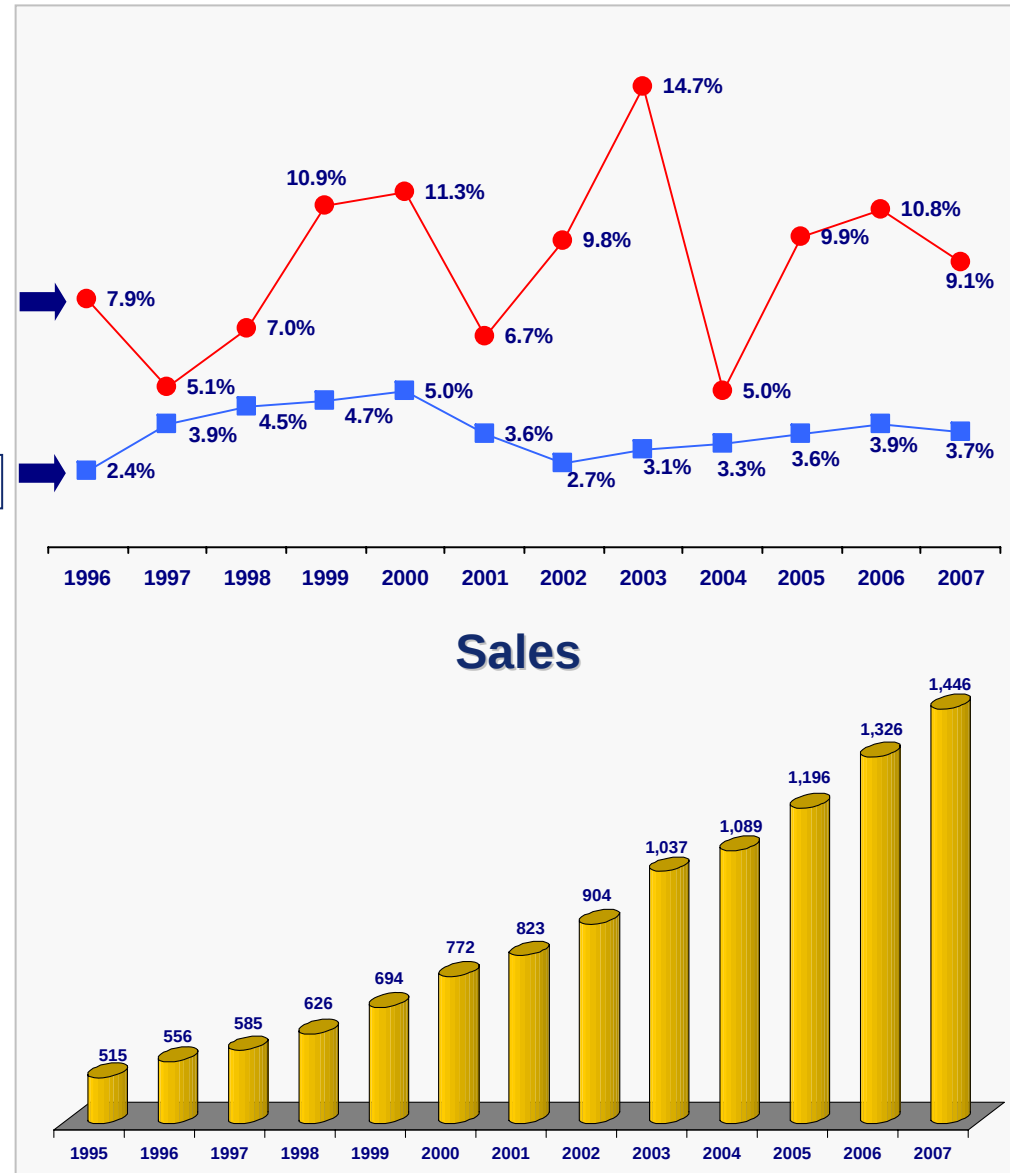


CAA Sales 95-07: +280 1%

CAA GDP 95-07: +44 4%

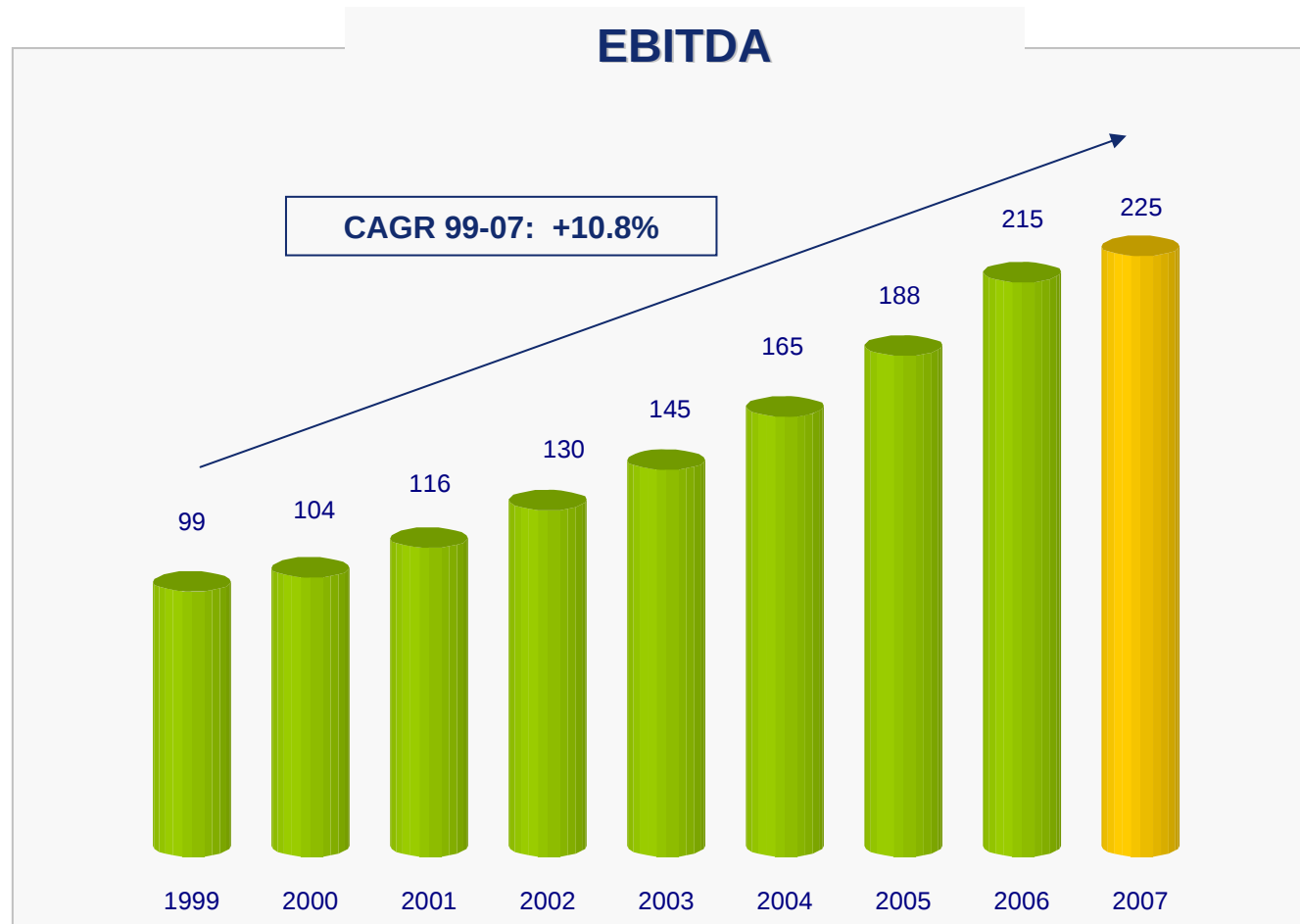
CAGR: 9.0%

CAGR: 3.1%



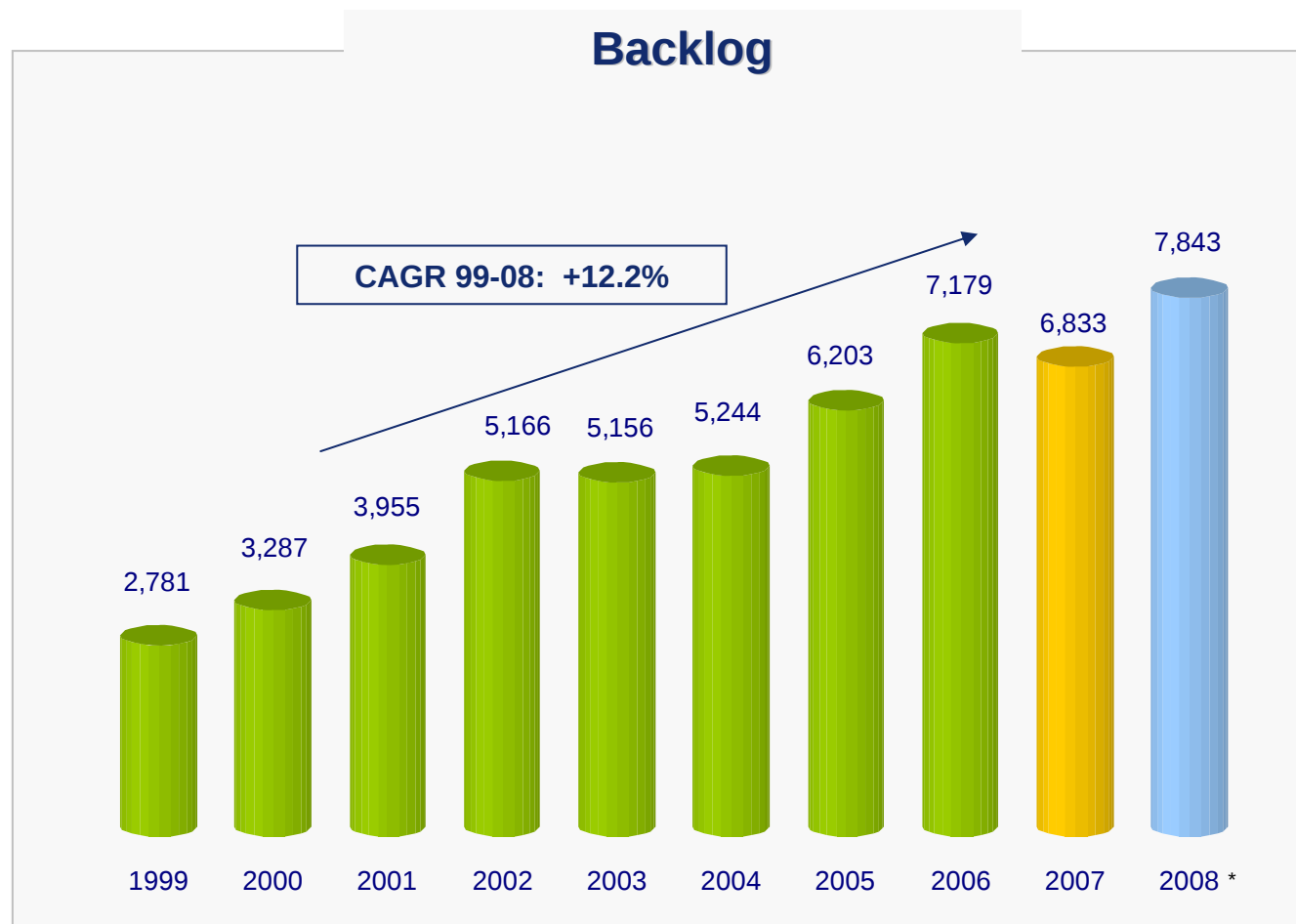
### 3. Domestic Environment – Key figures

#### Historic Development of Activity



### 3. Domestic Environment – Key figures

#### Historic Development of Activity



\*Backlog as of 31 August 2008

### 3. Domestic Environment – Strategy

#### Keys to Growth – SUW and Cleaning



➤ **Growth in urban waste collection and city-cleaning services due to:**

- **SUW Collection:**

- Growth niche in the local enterprise market (27% of the privatised market)
- 24% of the market has yet to be privatised

- **City Cleaning:**

- Growth niche in the local enterprise market (20% of the privatised market)
- 35% of the market has yet to be privatised

➤ **Public authorities' demands with regard to sustainability are getting bigger and bigger, so strong technological developments and higher investments are needed.**

### 3. Domestic Environment – Strategy

#### Keys to Growth – SUW Treatment and Other Services

##### SUW Treatment

- **Strong growth in SUW treatment service due to:**
  - Application of European Union directives
  - Encouragement of recycling
  - Use of treatment systems featuring higher tech and therefore greater added value
  - New waste-from-energy business
  - Growth niche in the local enterprise market (35% of the privatised market). Heavy investment will be required.
  - 21% of the market has yet to be privatised

##### Other Services

- **Growth supported by:**
  - Green space maintenance: 44% municipal
  - Sewer system maintenance: 43% municipal
- **Growth due to expansion from already-contracted services**

### 3. Domestic Environment – Strategy

#### Development in 2008

- **2008, a historical landmark year in contract volume:**
  - 1,771 million euro in contracts (31-08-2008)
  - 43% new contracts (64 contract awards)
  - 51% contracts renewed and extended (250 contract awards)
  - 6% expansions of services (174 contract awards)
- **Big tenders won:**
  - SUW collection and city cleaning in Saragossa for a 12-year period.
  - Construction and operation of the environmental waste management complex for a group of cities and towns in the eastern part of the Community of Madrid. The contract is for 25 years.
- **The contracts in the tenders on waste collection and city cleaning for Barcelona and Pozuelo de Alarcón, Madrid, are pending award.**

# CONTENTS



## 3. FCC Services

- Domestic Environment
- International Environment
- Water
- Industrial Waste

# CONTENTS



## 3. FCC Services

- International Environment Division



## 3. FCC Services

- **International Environment Division**

- **Description**
- **Organisation**
- **Activities**
- **Keys to Management**
- **Key Figures**
- **Strategy**



**Tomás Nuñez**

### 3. International Environment - Description



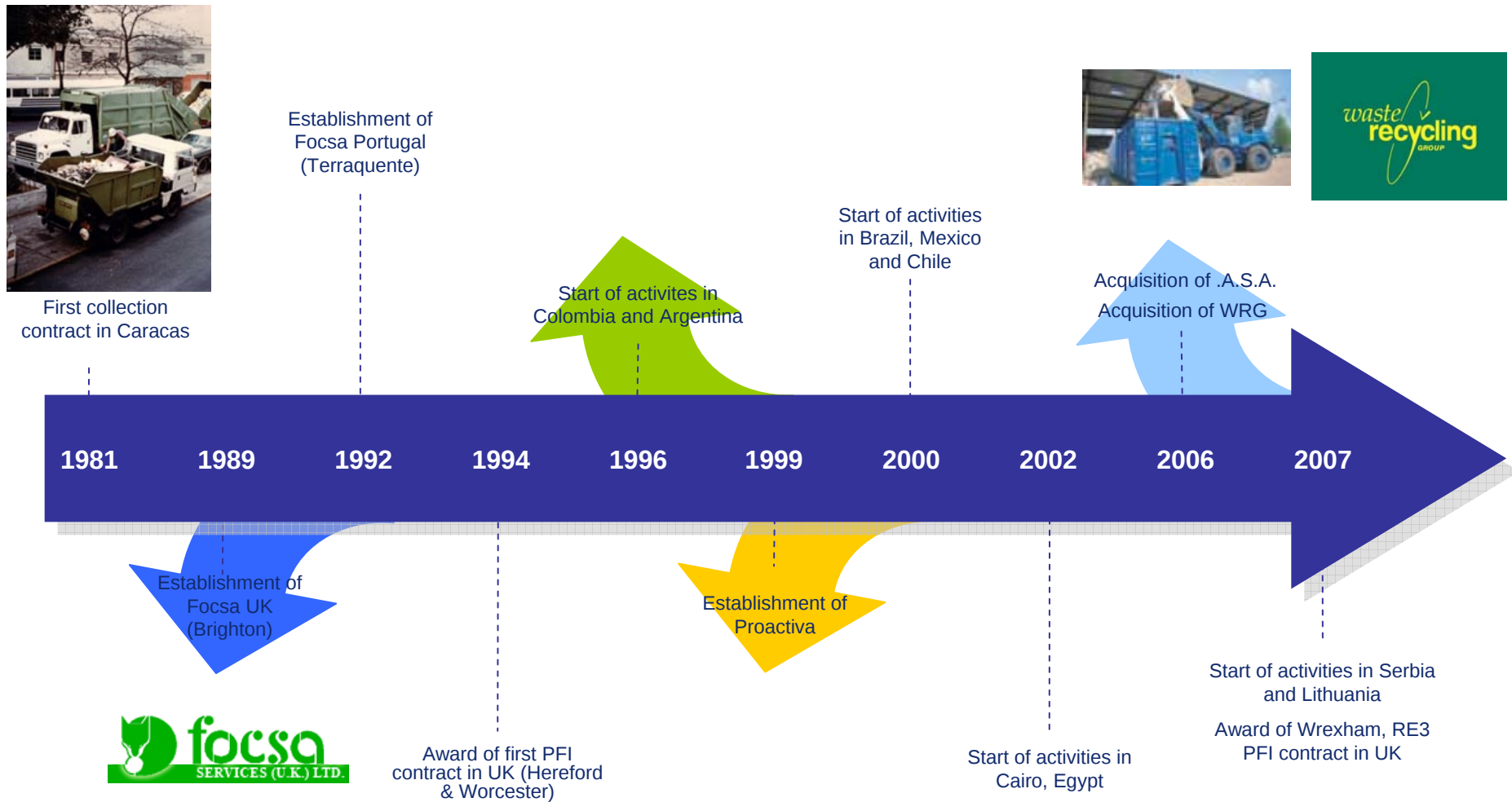
#### Activities

| COUNTRIES             | United Kingdom                                                                                                                                           | Portugal                                                                                                     | Central and Eastern Europe                                                                                                                               | Africa                                                                                                                                  | Latin America                                                                                                                           |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| MAJOR COMPANIES       | WRG, Focsa UK                                                                                                                                            | Focsa Servicios                                                                                              | A.S.A. Group                                                                                                                                             | EES                                                                                                                                     | Proactiva                                                                                                                               |
| ACTIVITIES            | <ul style="list-style-type: none"> <li>• SUW collection</li> <li>• Street cleaning</li> <li>• Landfills</li> <li>• Treatment and incineration</li> </ul> | <ul style="list-style-type: none"> <li>• SUW collection</li> <li>• Landfills</li> <li>• Treatment</li> </ul> | <ul style="list-style-type: none"> <li>• SUW collection</li> <li>• Street cleaning</li> <li>• Landfills</li> <li>• Treatment and incineration</li> </ul> | <ul style="list-style-type: none"> <li>• SUW collection</li> <li>• Street cleaning</li> <li>• Landfills</li> <li>• Treatment</li> </ul> | <ul style="list-style-type: none"> <li>• SUW collection</li> <li>• Street cleaning</li> <li>• Landfills</li> <li>• Treatment</li> </ul> |
| SIGNIFICANT CONTRACTS | <ul style="list-style-type: none"> <li>• Hereford &amp; Worcester</li> <li>• Wrexham, RE3</li> <li>• Allington</li> </ul>                                | <ul style="list-style-type: none"> <li>• Vilareal</li> <li>• Mirandela</li> </ul>                            | <ul style="list-style-type: none"> <li>• Zisterdorf, Austria</li> <li>• Dablice, Czech Republic</li> </ul>                                               | <ul style="list-style-type: none"> <li>• Cairo (7 districts)</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>• Libertador, Caracas</li> <li>• Doña Juana, Bogotá</li> <li>• Buenos Aires</li> </ul>           |
| SALES IN 2007 (In %)  | 68.8%                                                                                                                                                    | 0.4%                                                                                                         | 22.0%                                                                                                                                                    | 0.7%                                                                                                                                    | 8.1%                                                                                                                                    |

### 3. International Environment - Description



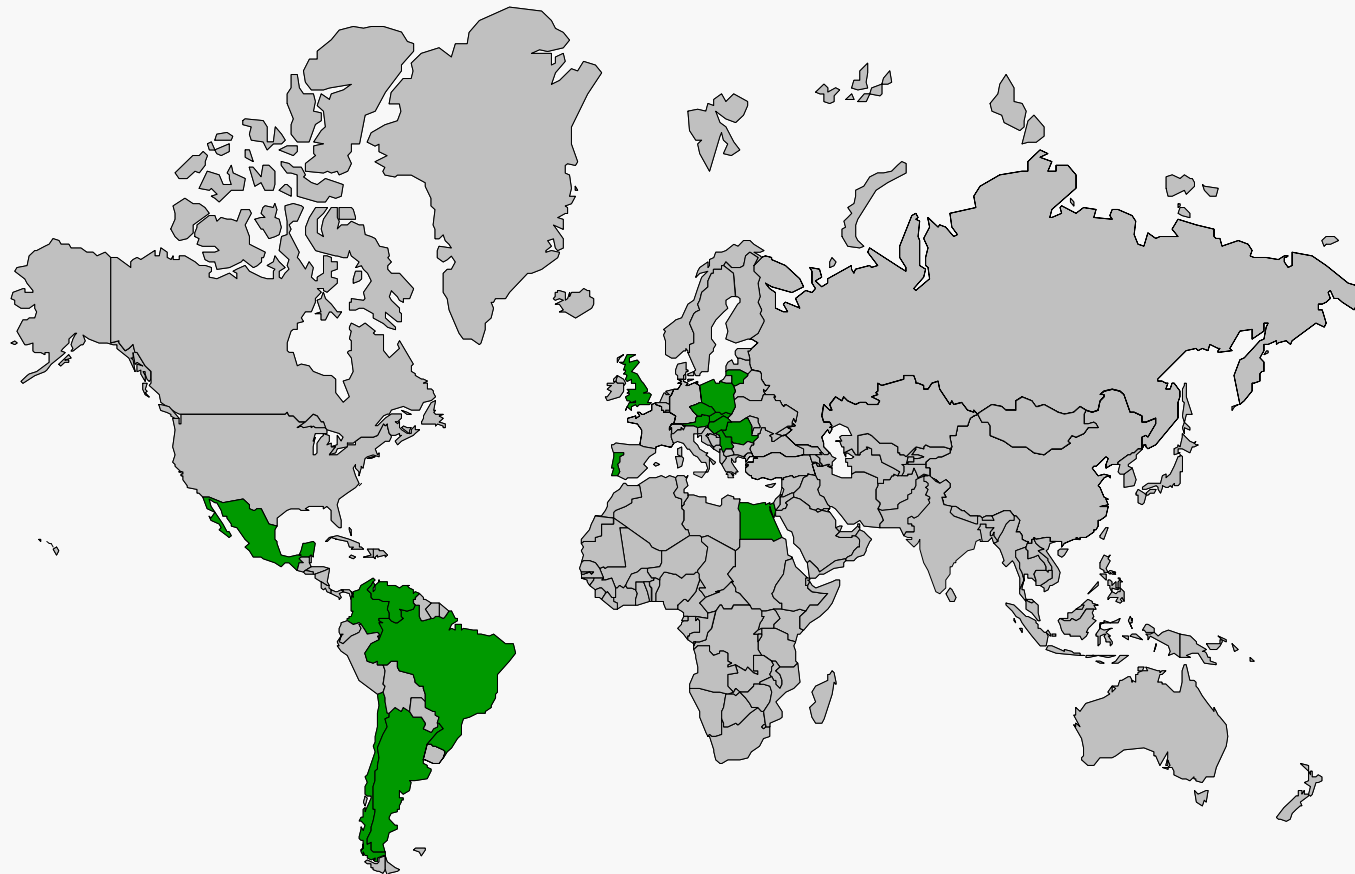
#### History of International Environment



### 3. International Environment - Description



#### Geographic Presence



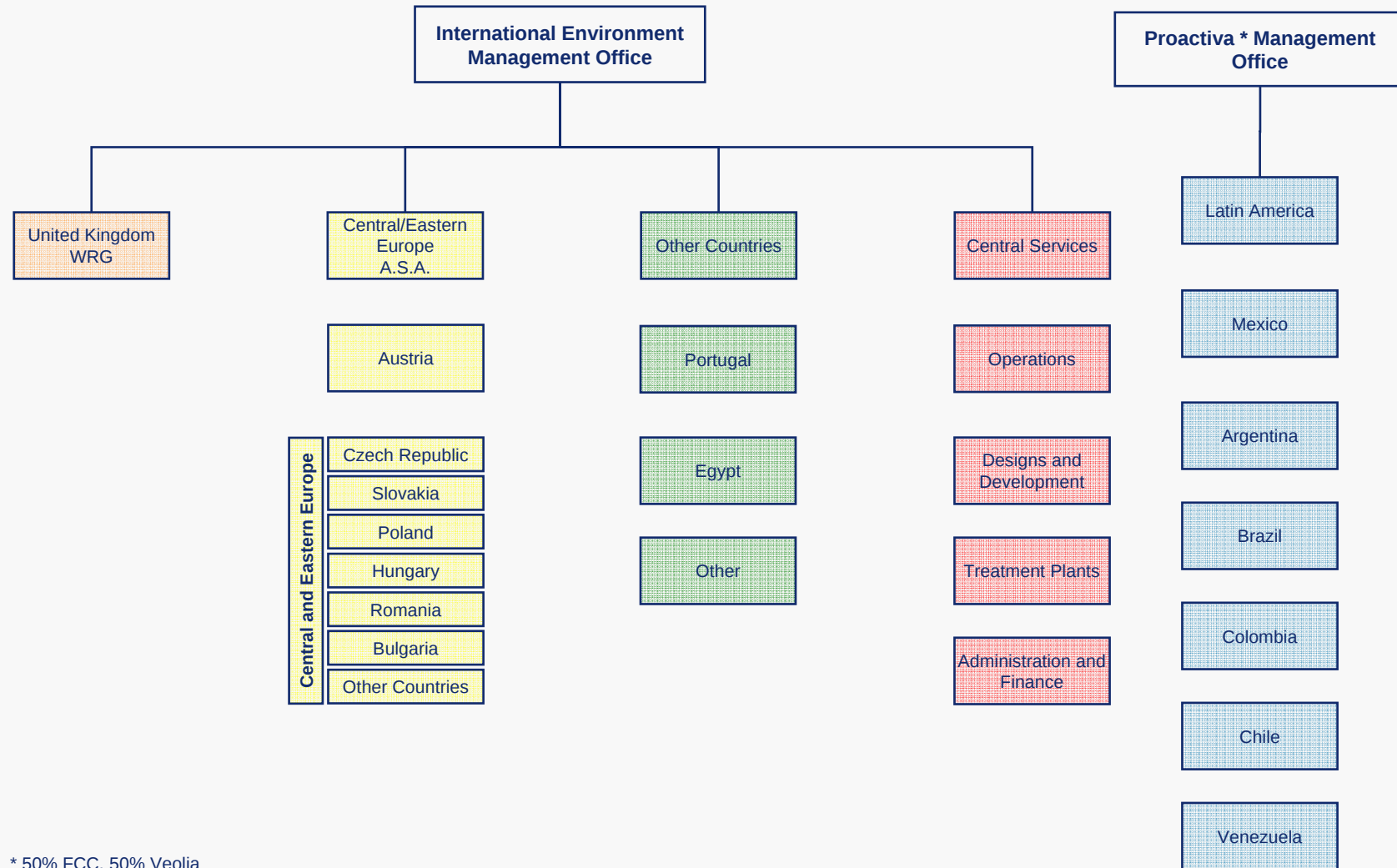
FCC is present in:

Portugal  
Austria  
United Kingdom  
Czech Republic  
Slovakia  
Hungary  
Lithuania  
Poland  
Romania  
Serbia  
Egypt  
Mexico  
Argentina  
Brazil  
Colombia  
Chile  
Venezuela

### 3. International Environment – Organisation



#### Operational Structure

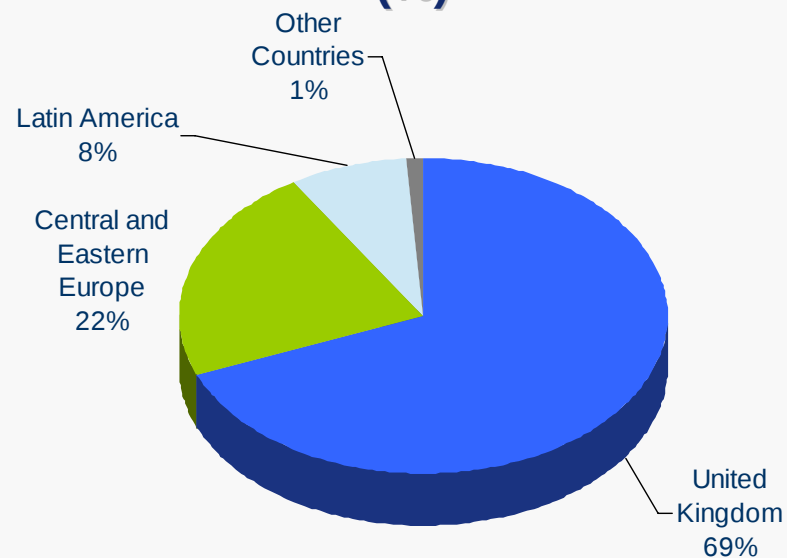


\* 50% FCC, 50% Veolia

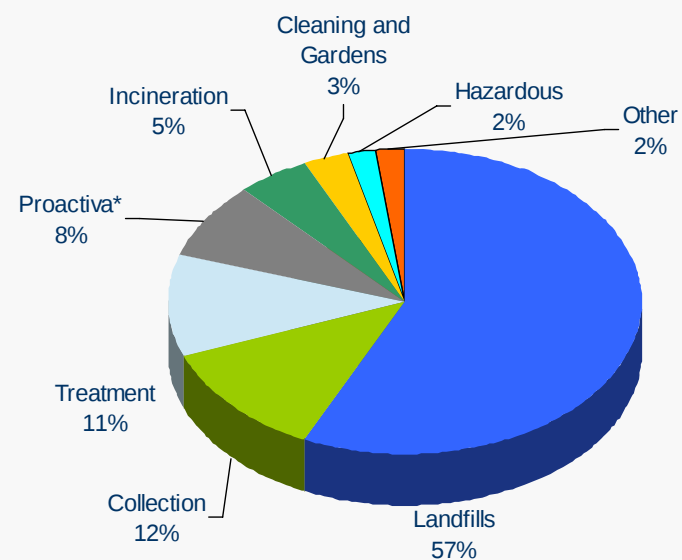
### 3. International Environment – Activities



**Sales by Geographic Zone in 2007 (%)**



**Sales by Activity (%)**



➤ Europe (United Kingdom and other EU zone countries) accounts for the vast majority of this activity.

\* Proactiva includes waste management only (consolidated).

### 3. International Environment - Activities

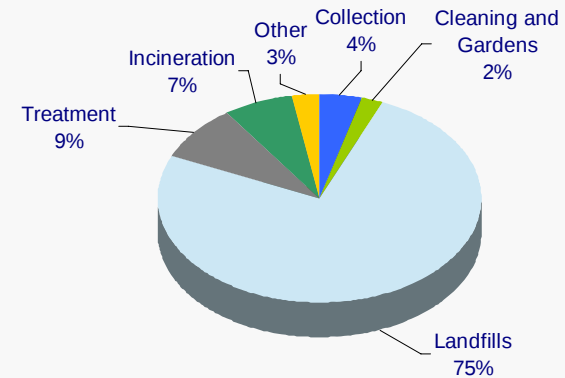
#### United Kingdom

- WRG is the biggest landfill operator in the United Kingdom. It holds a 38% share of the available capacity.
- Treatment and elimination of over 11.5 million tonnes of SUW per year.
- Operation of two incinerator plants.
- Good position for future growth through PFIs and collection, treatment and elimination contracts with municipal authorities and tertiary (industrial and commercial) clients.

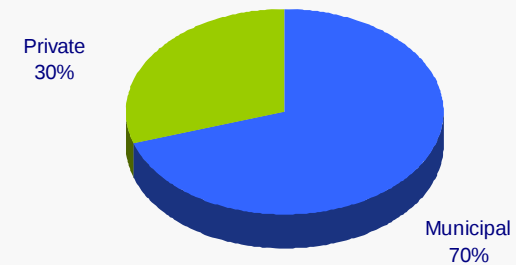


Allington Incinerator

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment - Activities

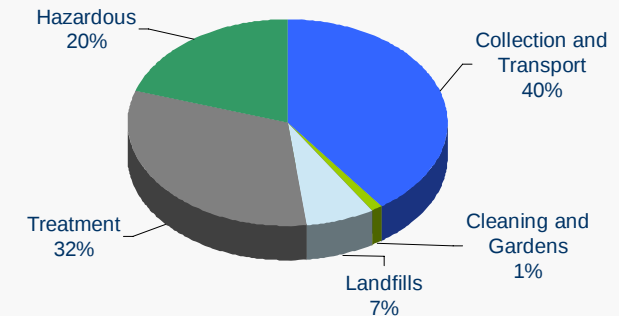
#### Central and Eastern Europe - Austria

- A.S.A. is one of the three biggest waste management companies in Austria.
- Over 12,000 commercial and industrial clients.
- Construction is under way on an incinerator plant 60 kilometres north of Vienna, in Zisterdorf.

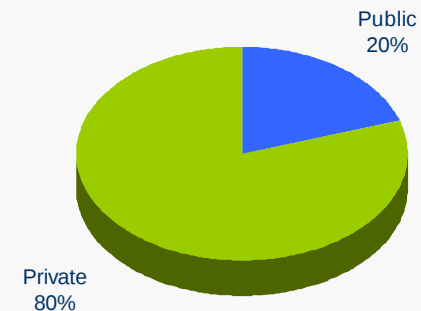


Zisterdorf Incinerator

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment – Activities

#### Central and Eastern Europe – Czech Republic

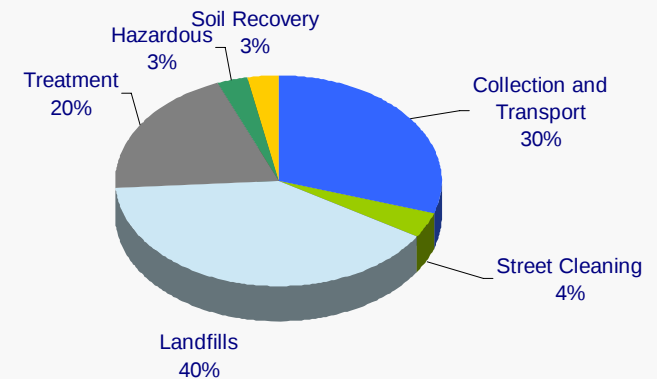


- Leading company in the waste management sector.
- Over 17,500 commercial and industrial clients.
- Municipal waste collection for more than 1,300,000 inhabitants.
- Operation of eight landfills all over the country.

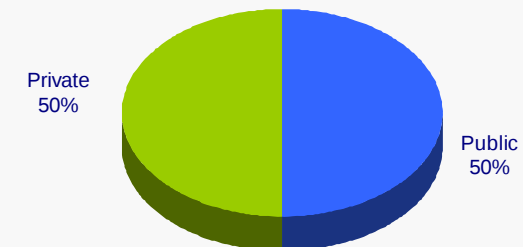


Dablice Landfill

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment - Activities

#### Central and Eastern Europe – Slovakia

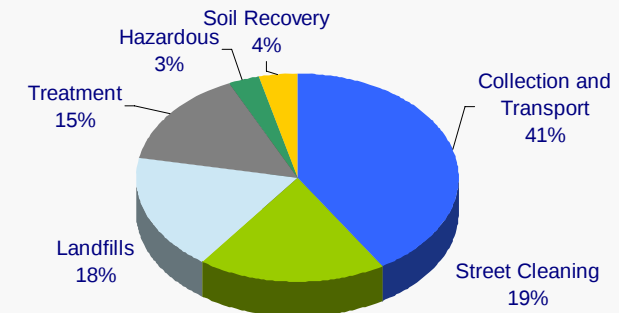


- Leading company in the waste management sector.
- Over 3,200 commercial and industrial clients.
- Municipal waste collection for over 550,000 inhabitants.

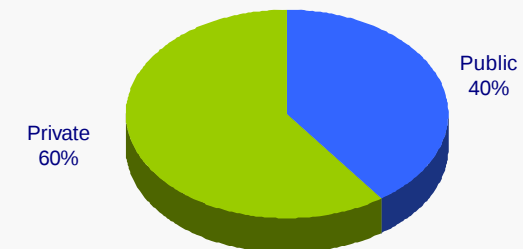


Snowplows in Bratislava

#### Distribution by Activity



#### Distribution by Client Type



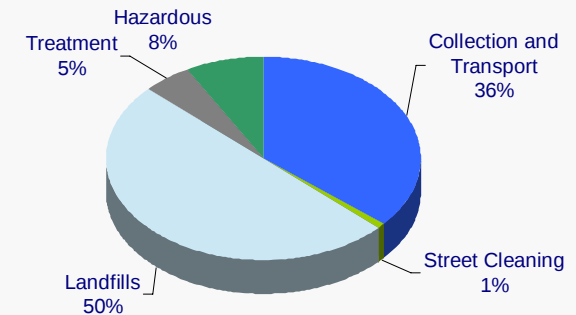
### 3. International Environment - Activities

#### Central and Eastern Europe – Hungary



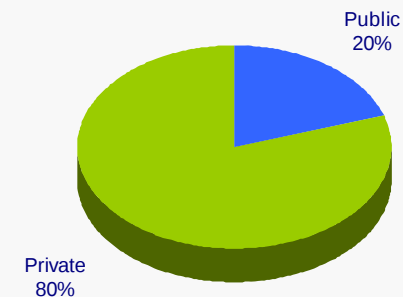
- Leading company in the waste management sector in the Budapest area.
- Over 3,900 commercial and industrial clients.
- Municipal services for over 500,000 inhabitants.
- Well positioned for future privatisations of municipal services.

#### Distribution by Activity



Gyal Controlled Landfill

#### Distribution by Client Type



### 3. International Environment - Activities

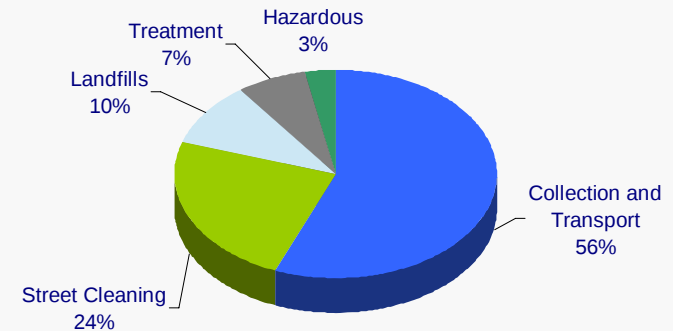
#### Central and Eastern Europe – Poland

- Waste management in southern Poland in the counties of Silesia and Galicia.
- Well positioned for future privatisations of municipal services.

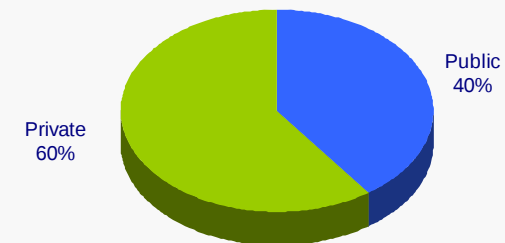


Side-loading waste collection vehicle

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment - Activities

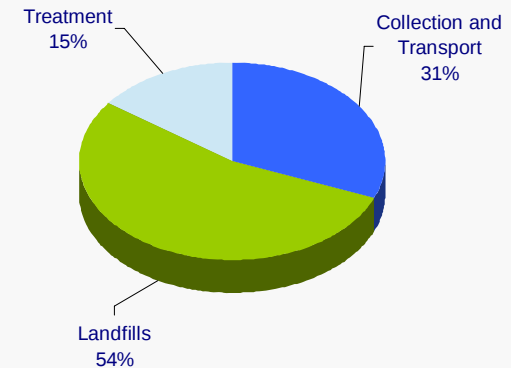
#### Central and Eastern Europe – Romania

- Waste management in eastern Romania (Arad, Timisoara and Cluj-Napoca).
- Operation of the Arad landfill.
- Great potential for organic development and growth through acquisitions.

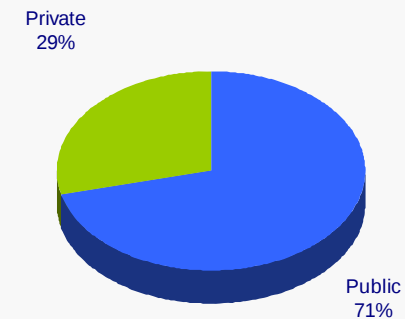


Container-loading vehicle  
for bulky waste

#### Distribution by Activity



#### Distribution by Client Type



### **3. International Environment - Activities**

#### **Central and Eastern Europe – Other Countries**



##### **Serbia**

- Collection services starting in Kikinda and Lapovo.
- Design, financing, construction and operation of controlled landfills.

##### **Lithuania**

- Municipal, commercial and industrial collection services starting in Vilnius.

##### **Other Countries**

- Work to start services in other countries, including Bulgaria, Macedonia, Ukraine and Croatia.

### 3. International Environment – Activities

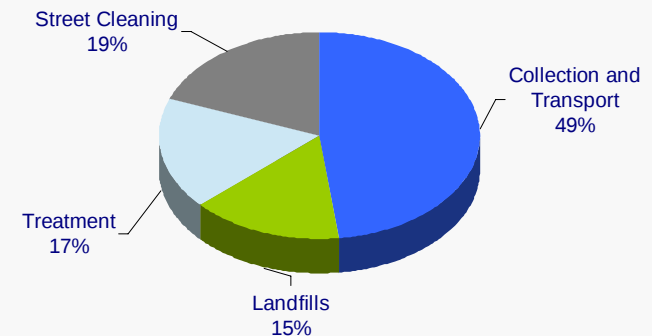
#### Other Countries – Portugal

- Services currently being rendered in northern Portugal.
- Growth potential based on future privatisations of municipal services.

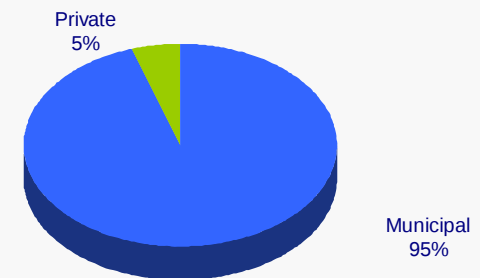


Transfer station in Torre de Moncorvo.  
Portugal

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment - Activities

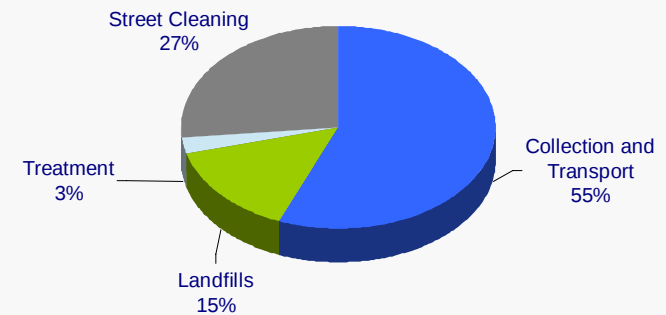
#### Other Countries – Egypt

- Waste management in seven Cairo districts, serving a population of three million inhabitants.
- All municipal waste collection, street cleaning, treatment and elimination at a controlled landfill.

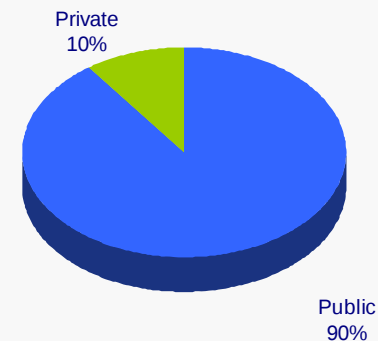


SUW compactor/collector vehicle, Cairo

#### Distribution by Activity



#### Distribution by Client Type



### 3. International Environment - Activities

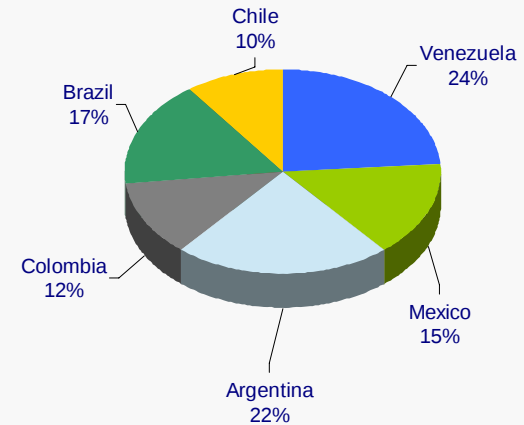
#### Latin America – Proactiva

- SUW collection and transport.
- Street cleaning.
- Operation of controlled landfills.
- Industrial waste collection and treatment.
- Water supply and treatment.

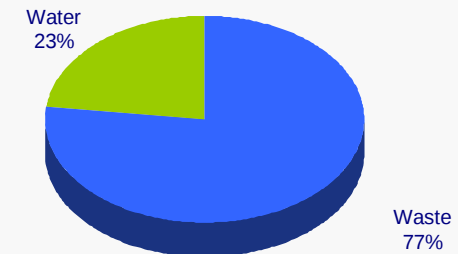


SUW Collection Vehicles in Caracas,  
Venezuela

#### Distribution by Country



#### Distribution by Activity



### 3. International Environment – Keys to Management



#### ➤ **Contract Length:**

- PFI: 25-30 years
- SUW treatment/elimination: 3-15 years
- Municipal collection/cleaning: 5-10 years
- Commercial/industrial: 0-3 years

#### ➤ **Profitability/Margins:**

- PFI Contracts, treatment and elimination: high margins.
- Municipal and commercial collection contracts, cleaning contracts and other: tight margins.

#### ➤ **Level of Operating Risk:**

- Low, due to the great diversity of clients.
- Low impact from the cost of raw materials.

#### ➤ **Barriers to Entry:**

- Permits and licences.
- High costs of tenders and heavy investments for PFIs.
- Specialised technical equipment.
- Shortness of landfills, entry by purchase alone.
- Mature municipal contract market in the UK and Austria.
- Protectionism for local companies in some eastern countries.

#### ➤ **Required Investment:**

- WRG PFI Projects: Heavy investment of 50 to 250 million pounds.
- Treatment plants: 5 to 50 million pounds.
- Collection/cleaning contracts: 0,5 to 10 million pounds.

#### ➤ **Potential Growth:**

- United Kingdom: big opportunities with PFI contracts.
- Central and Eastern Europe: need for infrastructure and introduction of new services in order to meet European rules.

### 3. International Environment - Keys to Management

#### United Kingdom



##### Competitive Advantages

- Controlling position.
  - Biggest landfill operator in the country (38% of the available capacity).
  - Doing business in most of the geographic areas of the United Kingdom.
  - Bank of well-located land for future SUW treatment plants as required to cover regional and local authorities' needs.
  - Services rendered cover all the technologies and the entire value chain of waste management.

##### Economies of Scope

- Full-service waste management for cities and towns and for private clients.
- Sale of interlacing products.

##### Economies of Scale

- Less-polluting technologies in vehicle fleet management (natural gas, hybrid systems, electricity).
- Automatic compacting plants to improve transport efficiency.
- Modular lixivate treatment plants.

### **3. International Environment – Keys to Management**

#### **Central and Eastern Europe**



#### **Competitive Advantages**

- Controlling position:
  - Position far ahead of the competition in Austria, the Czech Republic and Slovakia.
  - Good know-how about the introduction of European directives in Austria and the Czech Republic, which facilitates our strategy for expanding into Eastern Europe.
  - Readiness to provide the entire range of environmental services.

#### **Economies of Scope**

- Sale of interlacing products to municipal and commercial clients.

#### **Economies of Scale**

- Unified international management for exporting and sales of recycled products in all the countries where we do business.
- Centralised management of machinery and vehicle acquisitions.

### 3. International Environment – Key figures



#### Summarised Income Statement (€M)

|                 | 2003      | 2004      | 2005*      | 2006**     | 2007         | CAGR<br>03-07 |
|-----------------|-----------|-----------|------------|------------|--------------|---------------|
| <b>Turnover</b> | <b>77</b> | <b>79</b> | <b>199</b> | <b>635</b> | <b>1,279</b> | <b>102%</b>   |
| <i>% Var</i>    |           | 2.6%      | 151.9%     | 219.1%     | 101.4%       |               |
| <b>EBITDA</b>   | <b>5</b>  | <b>9</b>  | <b>36</b>  | <b>129</b> | <b>312</b>   | <b>181%</b>   |
| <i>% Margin</i> | 6.9%      | 11.8%     | 17.9%      | 20.3%      | 24.4%        |               |
| <i>% Var</i>    |           | 80.0%     | 300.0%     | 258.3%     | 141.9%       |               |

\* 2005 to 2007 include waste management by Proactiva (consolidated).

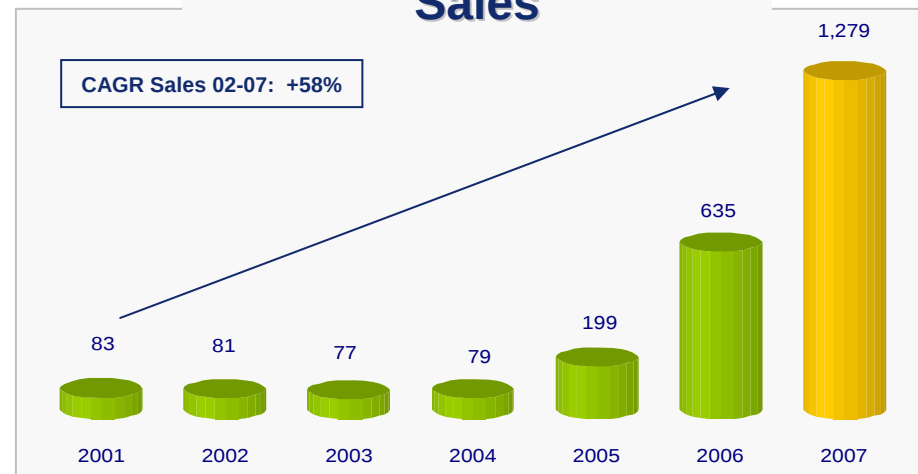
\*\* Acquisition of the .A.S.A. Group, March 2006; and acquisition of the WRG Group, September 2006.

### 3. International Environment – Key figures

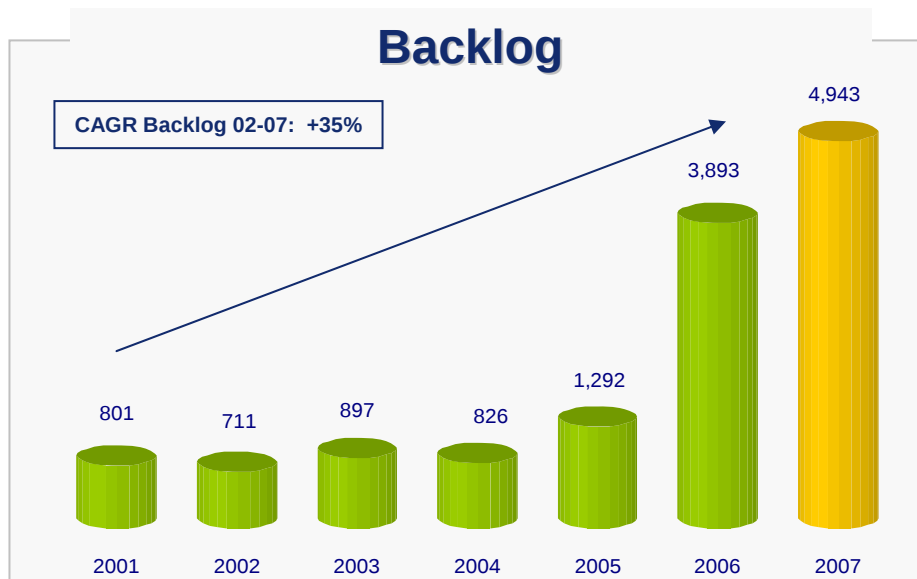
#### Historic Development of Activity



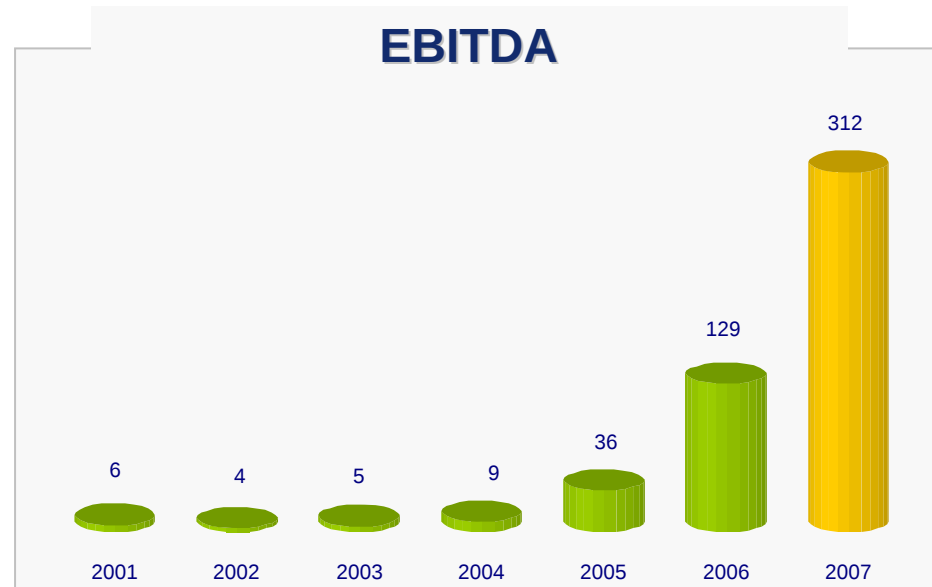
#### Sales



#### Backlog



#### EBITDA



### 3. International Environment - Strategy

#### United Kingdom

##### ➤ Foreseeable Market Development

- Great opportunities for PFI project contracts in the next four years. Over 40 bids.
- Major development of treatment plants (recycling, composting and RDF) by cities and towns in order to reach the short- and medium-term landfill avoidance objectives set by European waste management directives.
- Development of new activities: recovery of contaminated soil, air turbines for power generation, etc.

##### ➤ Development Strategy

- Maximisation of the value of waste (scarce resource).
- Development of treatment plants so cities and towns can meet European rules, using the bank of land available to WRG.
- Platform for introducing other FCC Group services.
- Privatisation of new services for cities and towns as well as private clients.

### 3. International Environment - Strategy

#### Central and Eastern Europe



##### ➤ **Foreseeable Market Development**

- Great opportunities for development in new EU countries that have big shortfalls in all kinds of infrastructure and services, where great amounts of Union aid is expected to be received.
- Need to improve and increase waste management services and treatment plants as a consequence of the gradual implementation of European directives.
- Over 40% of the European waste management market is public, and new services are expected to be privatised. Poland and Romania show great growth potential.

##### ➤ **Development Strategy**

- Development platform for expansion to other countries on the basis of the experience acquired here.
- Introduction of new FCC Group services in the countries where we are established.
- Privatisation of new services for cities and towns as well as commercial and industrial clients.
- Development of treatment plants in order to comply with the objectives of European legislation.

# CONTENTS



## 3. FCC Services

- Domestic Environment
- International Environment
- Water
- Industrial Waste

# CONTENTS



## 3. FCC Services

- **Water Division**
  - **Domestic**
  - **International**



## 3. FCC Services

- **Water Division**
  - **Description**
  - **Organisation**
  - **Activities**
  - **Keys to Management**
  - **Key Figures**
  - **Strategy**



**Fernando Moreno**

### 3. Water – Description



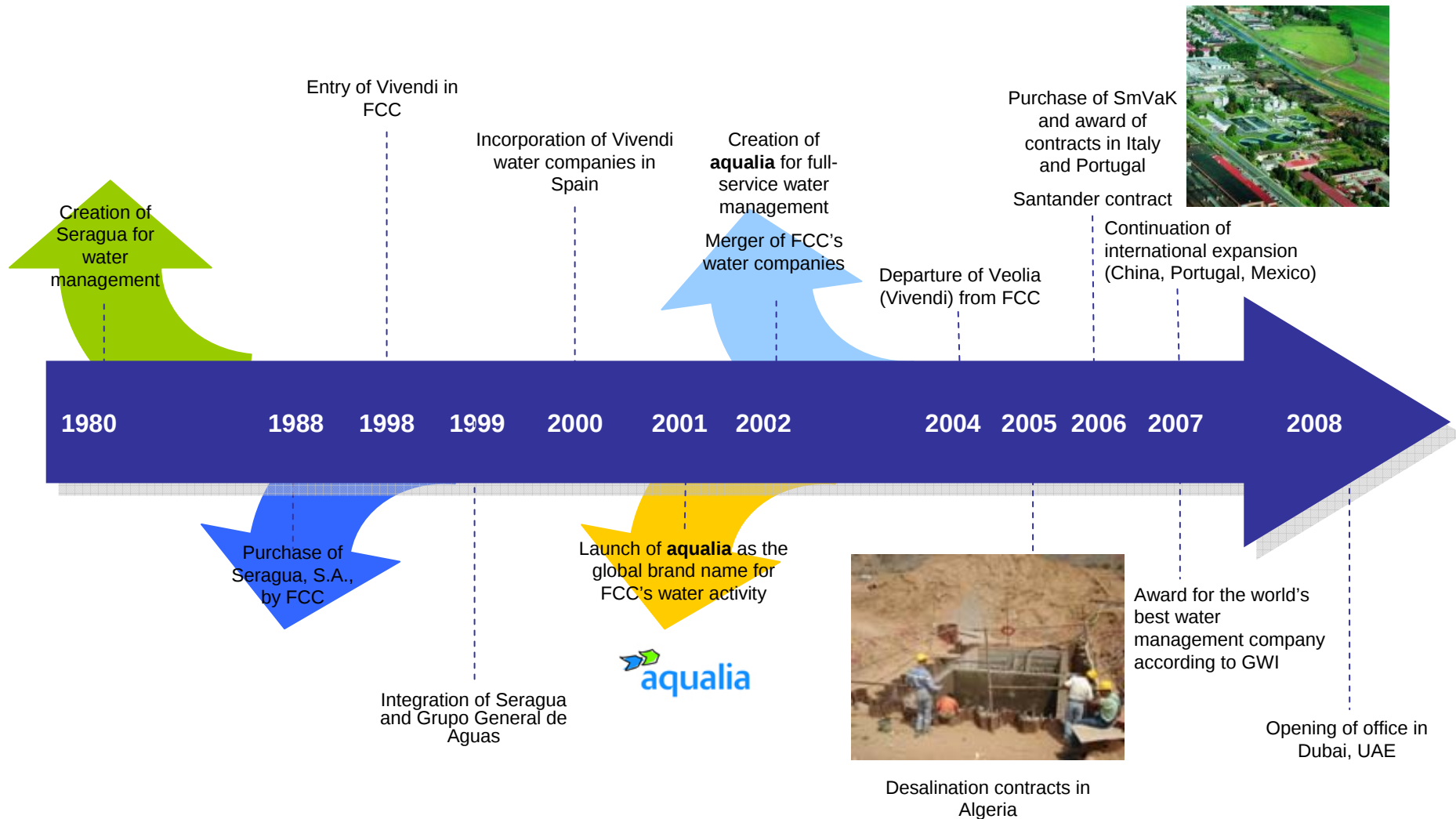
| AREAS OF ACTIVITY    | Public water service management                                               | Infrastructure<br>(Design and construction of treatment plants) | Industrial water                                                     |
|----------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------|
| MAJOR COMPANIES      | aqualia gestión integral del agua, s.a.<br>•SmVaK<br>•Caltaqua<br>•Proactiva* | aqualia infraestructuras, s.a.                                  | aqualia industrial (brand name)<br>•Hidrotec, Nilo, Graver, Chemipur |
| CLIENTS              | Local and regional governments<br>26,000,000 inhabitants served               | State and regional governments                                  | Private domestic and international companies                         |
| SALES IN 2007 (in %) | 86.1%                                                                         | 11.5%                                                           | 2.4%                                                                 |

\* The revenues are shown in International Environment.

### 3. Water – Description



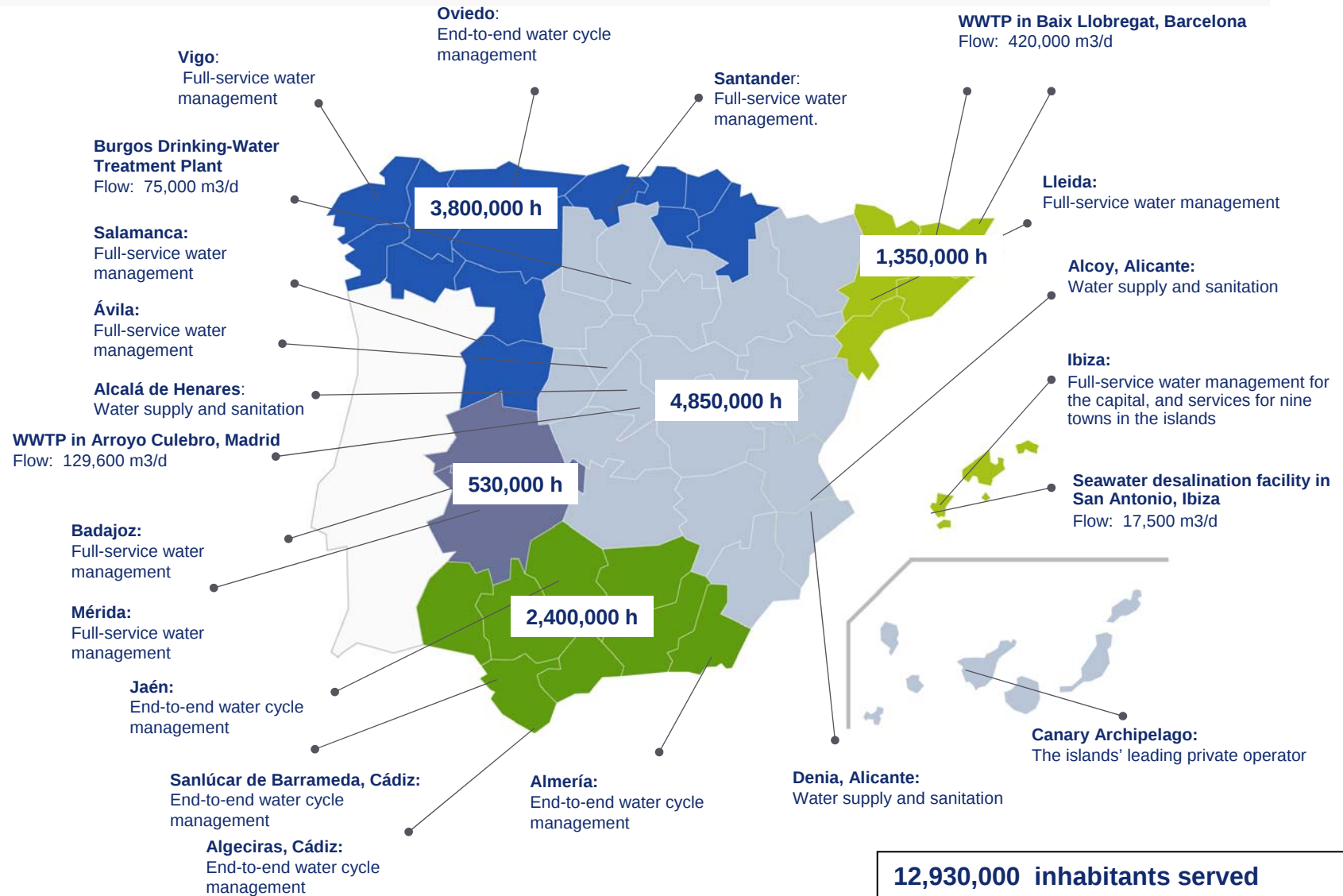
#### History of the Water Division



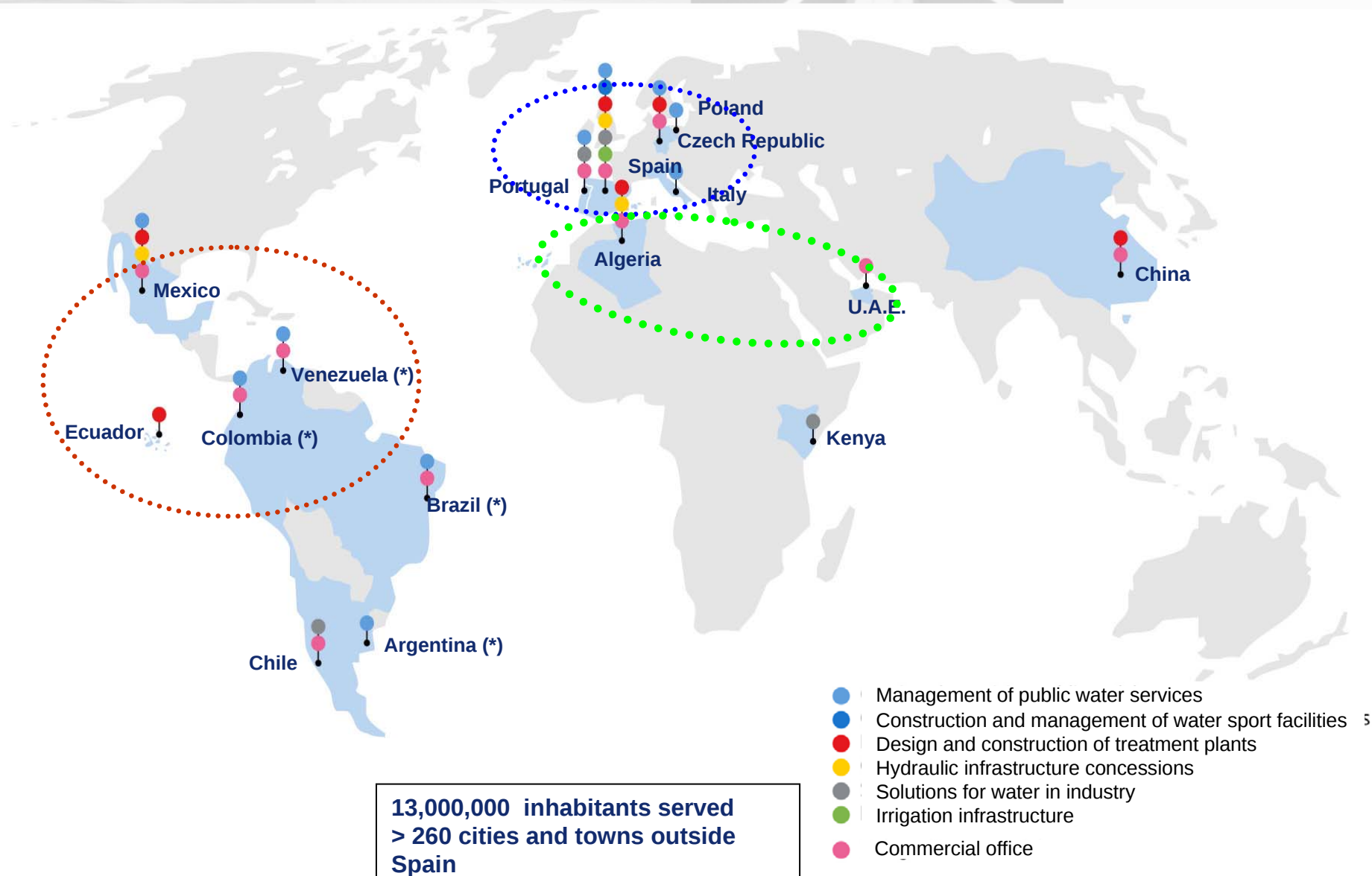
### 3. Water – Description



#### Geographic Presence



### 3. Water – Description

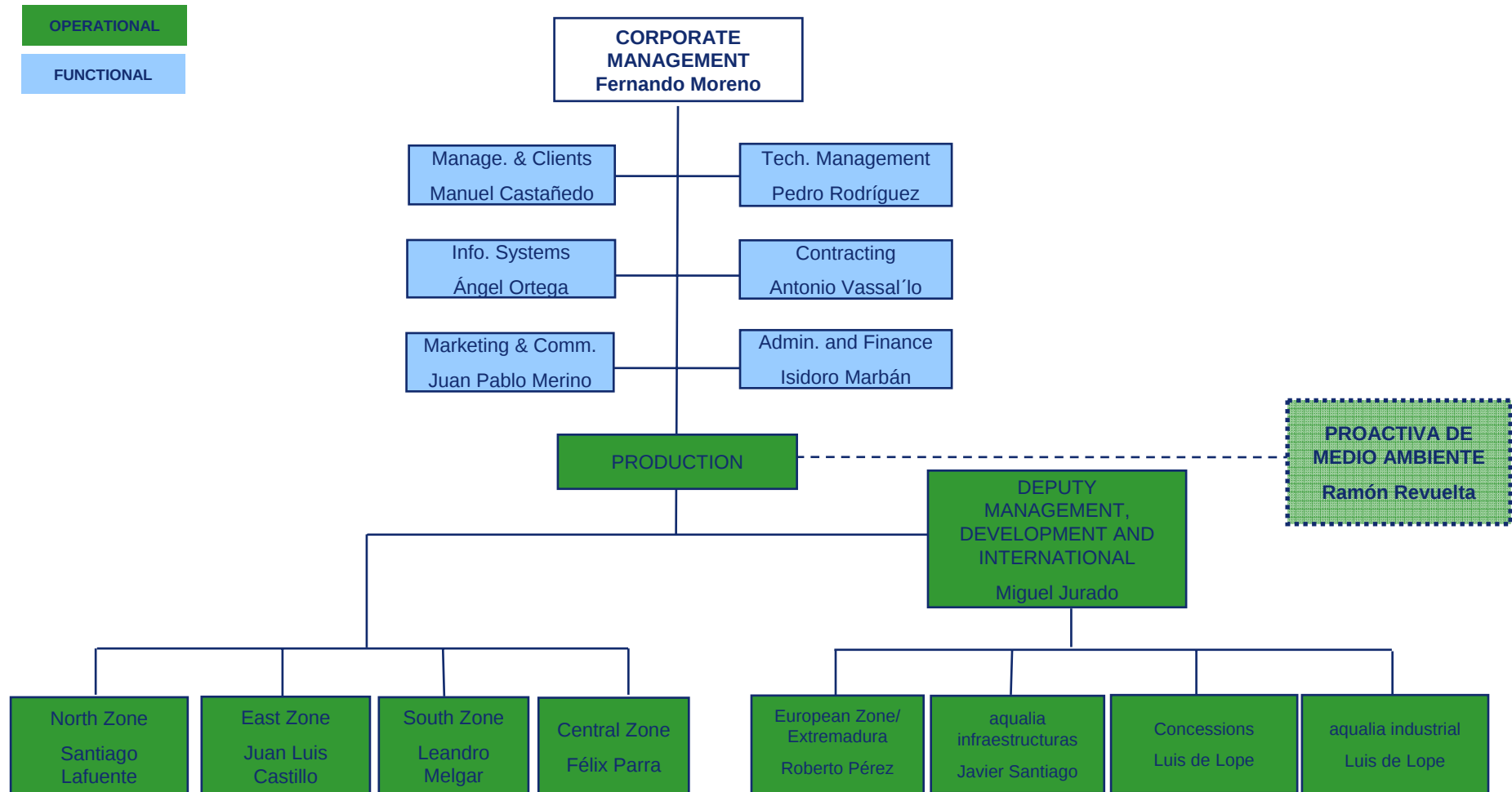


(\*) Proactiva de Medioambiente (50% FCC, 50% Veolia)

### 3. Water – Organisation



#### Operational Structure



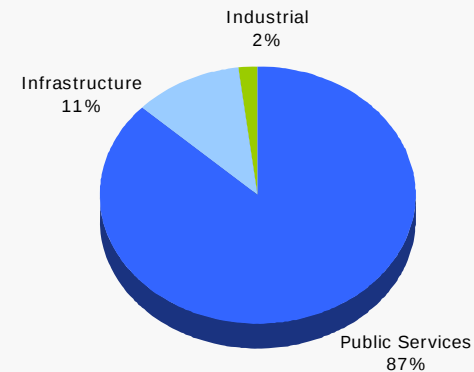
### 3. Water – Activities



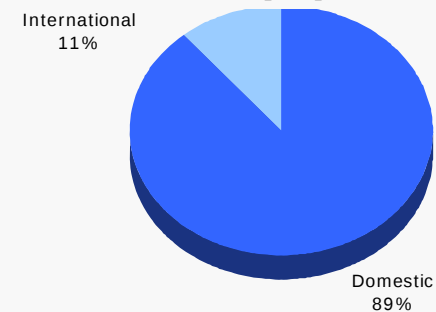
The only Spanish company that can provide the solutions for all water needs.



#### Sales by Activity in 2007 (%)



#### Sales by Geographic Zone in 2007 (%)



### 3. Water – Activities

#### Public Water Services (I)

##### Activity Description

- **End-to-end water cycle management** for cities and towns, associations of municipalities and publicly owned companies.
  - Water harnessing, treatment for drinking, distribution, sanitation and purification.
  - Water analysis and control in accredited laboratories.
  - Full-service client management with customer service and communication policies.
- **Development of infrastructure master plans**, with infrastructure financing, maintenance and operation.
- **Other market niches:**
  - Dam and reservoir maintenance and upkeep.
  - Construction, financing and management of water sport facilities.
  - Water management for agriculture (irrigation communities).

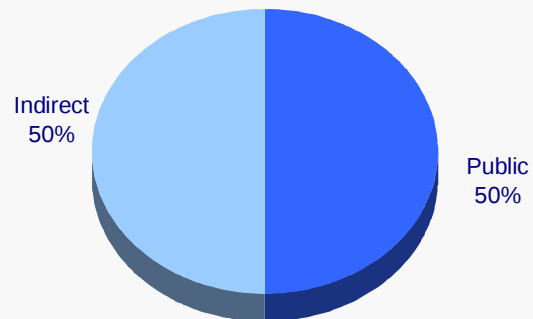
##### Countries Where FCC Does Business

- Spain, Portugal, Italy, the Czech Republic, Poland, Algeria, Mexico, Venezuela(\*), Colombia(\*), Brazil(\*) and Argentina(\*).

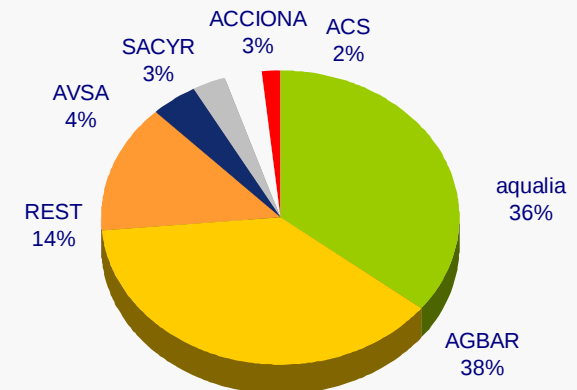
### 3. Water – Activities

#### Public Water Services (II)

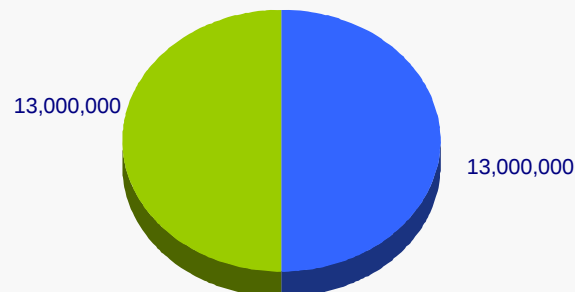
**Spanish Market by Management Type (%)**



**Spanish Market – Indirect Management, by Company (%)**



**Clients Served:  
26,000,000**



- The national market's leader
- The fifth-biggest water management company in the world by population served

### 3. Water – Activities

#### Hydraulic Infrastructure

##### Activity Description

- **aqualia infraestructuras** designs and builds all kinds of water treatment facilities, for drinking-water treatment, purification of urban wastewater, water re-use and desalination.
  - The engineering area designs and develops the water treatment plants each situation requires.
  - Ongoing investment in R+D+i enables FCC to offer innovative solutions.

##### Countries Where FCC Does Business

- Spain, the Czech Republic, Algeria, China, Ecuador and Mexico.

##### The Sector's Pacesetter:

- Due to FCC's structure, engineering capacity, capacity for technological development, proven experience and excellent service quality, backed up by over 140 projects done.

### 3. Water – Activities

#### Water Use in Industry

##### Activity Description

- **aqualia industrial** designs, develops and executes turnkey projects and facilities for industry.
  - Solutions for process water (refineries and petrochemical plants, thermal power stations, nuclear power plants, paper mills).
  - Purification of industrial water effluents (agro-food, pharmaceuticals, cosmetics and process water clients).
  - Operation and maintenance of industrial facilities (after-sales service).
  - Equipment and technology (FCC's own patents).

##### Countries Where FCC Does Business

- Spain, Portugal, Kenya and Chile.

##### Specialist in the Industrial Water Treatment Market

- A comprehensive offer of solutions, services and equipment, with an extensive technical and commercial network in Spain. Synergies with the **aqualia** brand.

### 3. Water – Keys to Management

- Recurring public service revenues that are immune to economic cycles
  - **Sustained 22% growth** over the last ten years.
  - The gross operating **profit grew by 27%** in 2007.
  - **EBITDA** margin on sales, **19%**.
- Long-term water management contracts (25-30 years)
  - **Backlog:** Historic maximum of €10,970 M (2007).
  - Over thirteen times the annual turnover.
- Contracts regulated by **economic/financial equilibrium**.
- Very low water price.
- Price charged to the end user
  - Low default rate.
- **Barriers to entry** on the market, which strengthen **aqualia's** position:
  - **High** staff and technological **specialisation**.
  - **Financial muscle**. Need for a heavy initial investment.

### 3. Water – Keys to Management

#### Competitive Advantages

- Market position.
  - Guarantee of expert management for public water services (>800 cities and towns).
- Commercial synergies of the **aqualia** brand.
  - Stemming from an in-depth knowledge of the client (local governments in >1,800 cities and towns; central government, leader in construction). The only Spanish company that can provide solutions to all water management needs.
- Technological innovation in all areas of activity.
- Better PPP solutions, because design, construction, operation and financing come integrated into a single package.
- Greater ease penetrating Spanish-speaking markets than French, English or German operators.
- The pacesetter brand in the water services sector.
- Innovative methods of management:
  - Service Quality Pledge. Voluntary commitments.
  - Personalised customer service offices and a call centre of aqualia's own (aqualia contact).
  - Virtual office (the aqualiaOnline web portal).
  - Fluid, ongoing communication with the end client.
- International acknowledgement for aqualia: Roland Berger, Frost & Sullivan and Global Water Intelligence (GWI).

### 3. Water – Key figures



#### Summarised Income Statement (€M)

|                 | 2005       | 2006       | 2007       | CAGR 05- 07 |
|-----------------|------------|------------|------------|-------------|
| <b>Turnover</b> | <b>570</b> | <b>712</b> | <b>828</b> | <b>21%</b>  |
| <i>% Var</i>    | <i>24%</i> | <i>25%</i> | <i>16%</i> |             |
| <b>EBITDA</b>   | <b>99</b>  | <b>126</b> | <b>160</b> | <b>27%</b>  |
| <i>% Margin</i> | <i>17%</i> | <i>18%</i> | <i>19%</i> |             |
| <i>% Var</i>    | <i>18%</i> | <i>27%</i> | <i>27%</i> |             |

### 3. Water – Key figures

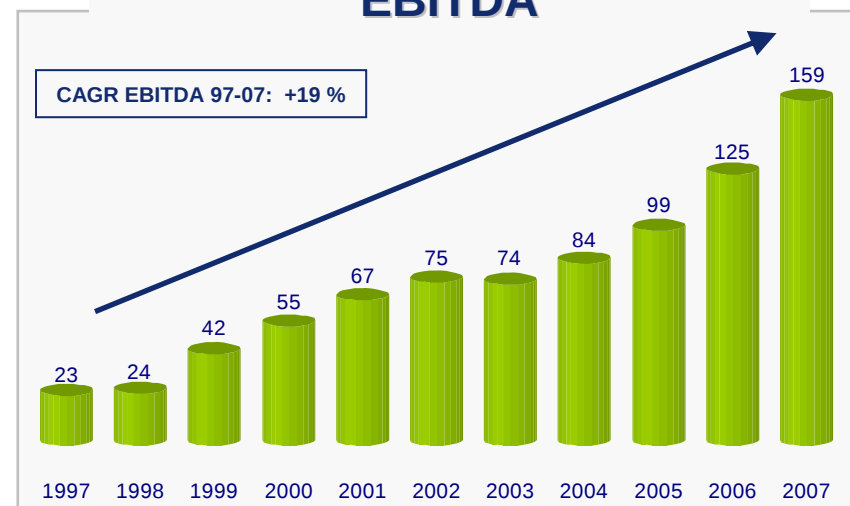
#### Historic Development, 1997-2007



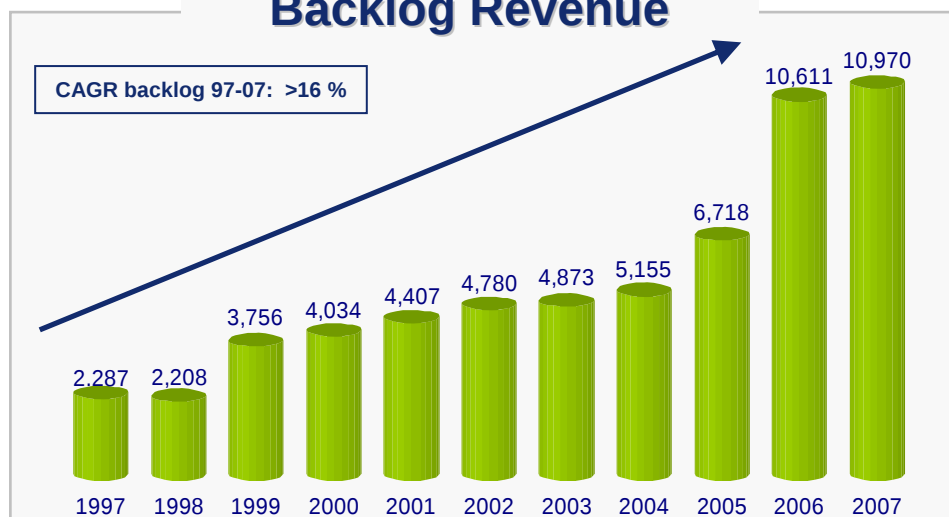
##### Sales



##### EBITDA



##### Backlog Revenue



➤ aqualia's backlog revenue accounts for 33% of the FCC Group's total

### 3. Water – Strategy

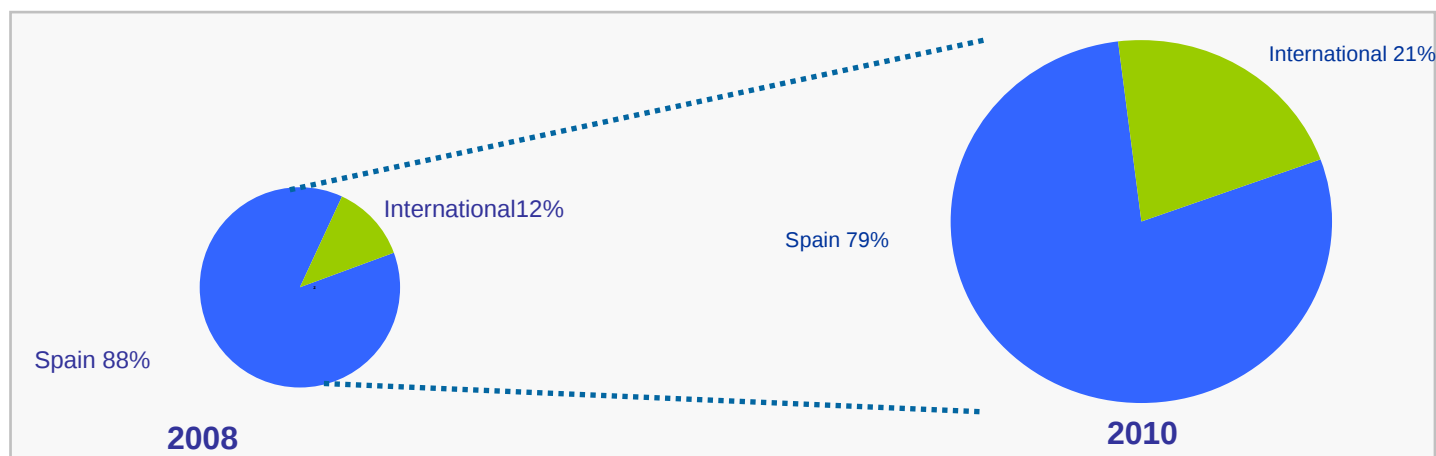


#### Reaching the leading position in the international water market.

(Leading brands, Veolia, Suez and **aqualia**)

How will we do it?

- By reaching a sales volume of over €1,060 M in these three years.
- By situating the gross operating profit at around €200 M.
- By increasing **aqualia's** activity in the international market.



### 3. Water – Strategy

#### Target Markets

- Public water service management.
  - Spain
  - Europe: Portugal, Italy, countries of Central and Eastern Europe
  
- Infrastructure and treatment plants.
  
- Public Private Partnership (PPP) projects.
  - Spain
  - Latin America: Mexico and Peru.
    - ✓ Boosting the development of Proactiva as a water manager.
  - Northern Africa: Algeria, Morocco, Tunisia and Egypt.
  - The Middle East: Saudi Arabia and the United Arab Emirates.

### **3. Water – Strategy**

#### **Domestic Market**

**Growth throughout Spain, expanding from the over 800 cities and towns where aqualia is present**

- Renewal of already-existing contracts.
- New water-cycle management tenders (in significant cities).
- Public private partnership (PPP) plant construction projects.
- National Water Purification Plan. Budget of €19,000 M.

#### **Development of new activities:**

- Water sport facilities.
- Dam and reservoir maintenance and upkeep.
- Irrigation communities.
- The Canal de Isabel II company.

#### **Technical and economic demands stemming from the Water Framework Directive (WFD)**

- Opportunities in desalination plants, purification plants and re-use programmes.

#### **Improved efficiency.**

### 3. Water – Strategy

#### International Market

##### “Oilspill” Initiatives:

###### ➤ From the Czech Republic

- Eastern Europe: Romania, Bulgaria, Baltic countries, Russia and Ukraine.
- Central Europe: Slovakia, Hungary, Poland.

###### ➤ From the United Arab Emirates

- The Middle East.

###### ➤ From Algeria

- Northern Africa.

###### ➤ From Mexico

- Peru and Brazil.

Solutions that can be exported to emerging countries that are now coming to grips with problems similar to those that Spain faced 30 years ago:

###### ➤ Central and Eastern Europe, Latin America, the Mediterranean.

The strength and recognition value of the **aqualia** brand name in the sector facilitates fast, solid international expansion (GWI Award).

### 3. Water – Strategy

#### Development Opportunities

- New contracts for the indirect management of municipal water services. In Spain 50% of the water market is still publicly managed.
- City financing.
- Master plans for infrastructure.
- Development of market niches.
- Over €40,000 M in anticipated investments in Saudi Arabia.
- Portugal, Italy and new countries in the expanding EU.
- €4,000 M in contracts in Mexico and Peru.

### 3. Water – Strategy

#### Short-term Market Development

➤ **Spain:**

- Desalination: Seawater desalination facilities in Adeje (Canary Islands), Ibiza and San Antonio (Balearic Islands).
- Purification: Aragón's special plan.
- Public service management: Guadalajara.

➤ **Morocco:** Management of the Marrakech public water service.

➤ **Tunisia:**

- Desalination: Seawater desalination facility in Jerba.
- Purification: El Allef WWTP and El Attar II WWTP.

➤ **Egypt:** Purification. WWTP in Cairo.

➤ **Namibia:** Desalination: Seawater desalination facility in Trekkopje.

➤ **Dubai:** Purification: Four tertiary treatment plants with ultrafiltration and osmosis (Burj Dubai Building).

➤ **Mexico:** El Ahogado and Agua Prieta purification plants and Ensenada desalination plant.

➤ **Peru:** Taboada WWTP and La Chira WWTP.

### 3. Water – Conclusions

- The **aqualia** brand name holds a vanguard position and specialises in water management for the domestic and international market. It is a pacesetter for the entire sector.
- Stable generation of cash flow with very low default indices. The end client is billed directly.
- Great stability. The business backlog is over 13 times larger than the annual turnover, so it should facilitate access to financing sources.
- Highly specialised, committed staff. Cohesion through the **aqualia** brand name.
- Ongoing endeavour to improve efficiency in production processes and cost optimisation.
- Strategy defined to consolidate:
  - The leadership position on the domestic market.
  - Ambitious but prudent internationalisation.

# CONTENTS



## 3. FCC Services

- Domestic Environment
- International Environment
- Water
- Industrial Waste



## 3. FCC Services

- **Industrial Waste Division**
  - **Description**
  - **Organisation**
  - **Activities**
  - **Keys to Management**
  - **Key Figures**
  - **Strategy**

**Aurelio Blasco**

### 3. Industrial Waste – Description



#### Activities

|                         | DOMESTIC                                                                                                            | INTERNATIONAL                                                                                                                                              |
|-------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AREAS OF ACTIVITY       | Waste Management                                                                                                    |                                                                                                                                                            |
| MAJOR COMPANIES         | <ul style="list-style-type: none"> <li>• FCC Ámbito</li> <li>• Ekonor</li> <li>• Marepa</li> <li>• Trisa</li> </ul> | <ul style="list-style-type: none"> <li>• Hydrocarbon Recovery Services *</li> <li>• International Petroleum Corporation *</li> <li>• Ecodeal **</li> </ul> |
| NUMBER OF CLIENTS       | +14,000                                                                                                             | +30,000                                                                                                                                                    |
| MAJOR CONTRACTS         | Iberdrola<br>Endesa<br>Arcelor Mittal<br>Aernora<br>Gamesa<br>Holmen Paper<br>Smurfit Kappa                         | US Navy<br>Wal-Mart<br>Shell-Motiva<br>Chevron<br>Exxon-Mobil<br>Halliburton                                                                               |
| SALES IN 2007<br>(In %) | 100 %                                                                                                               | -                                                                                                                                                          |

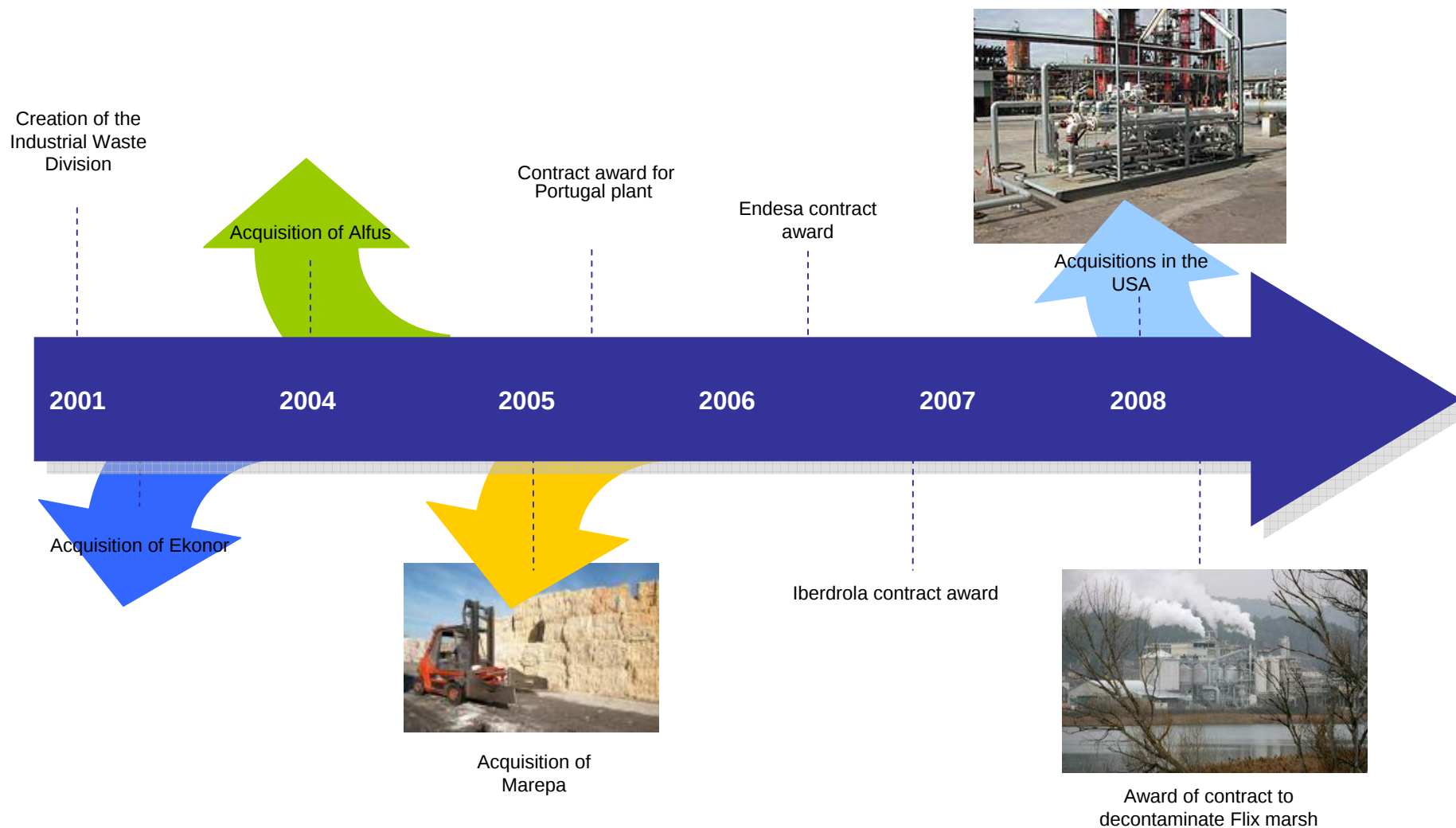
\* HRS and IPC acquired in February 2008.

\*\* Ecodeal is going into business in November 2008.

### 3. Industrial Waste – Description



#### History of Industrial Waste Activity



### 3. Industrial Waste – Description



#### Facilities

| Spain                                            |    |
|--------------------------------------------------|----|
| Treatment plants:                                | 14 |
| Landfills:                                       | 10 |
| Transfer centres:                                | 14 |
| Recycling plants (glass, paper, etc.):           | 19 |
| Other plants (refrigerators, tires, PCBs, etc.): | 8  |
| Industrial clean-ups:                            | 3  |

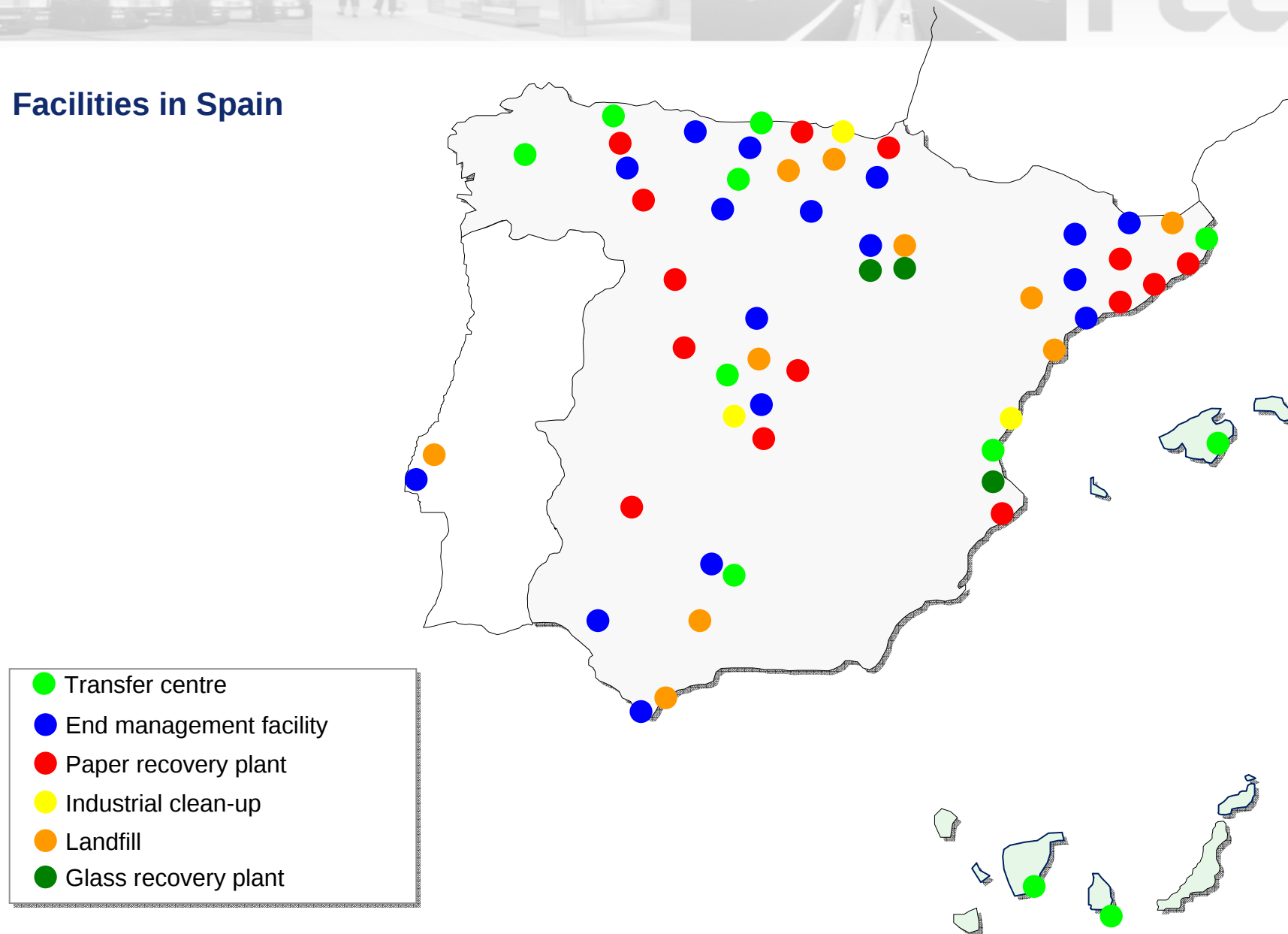
| Portugal           |   |
|--------------------|---|
| Integrated centre: | 1 |
| Landfill:          | 1 |

| United States     |    |
|-------------------|----|
| Treatment plants: | 14 |
| Transfer centres: | 24 |

### 3. Industrial Waste – Description



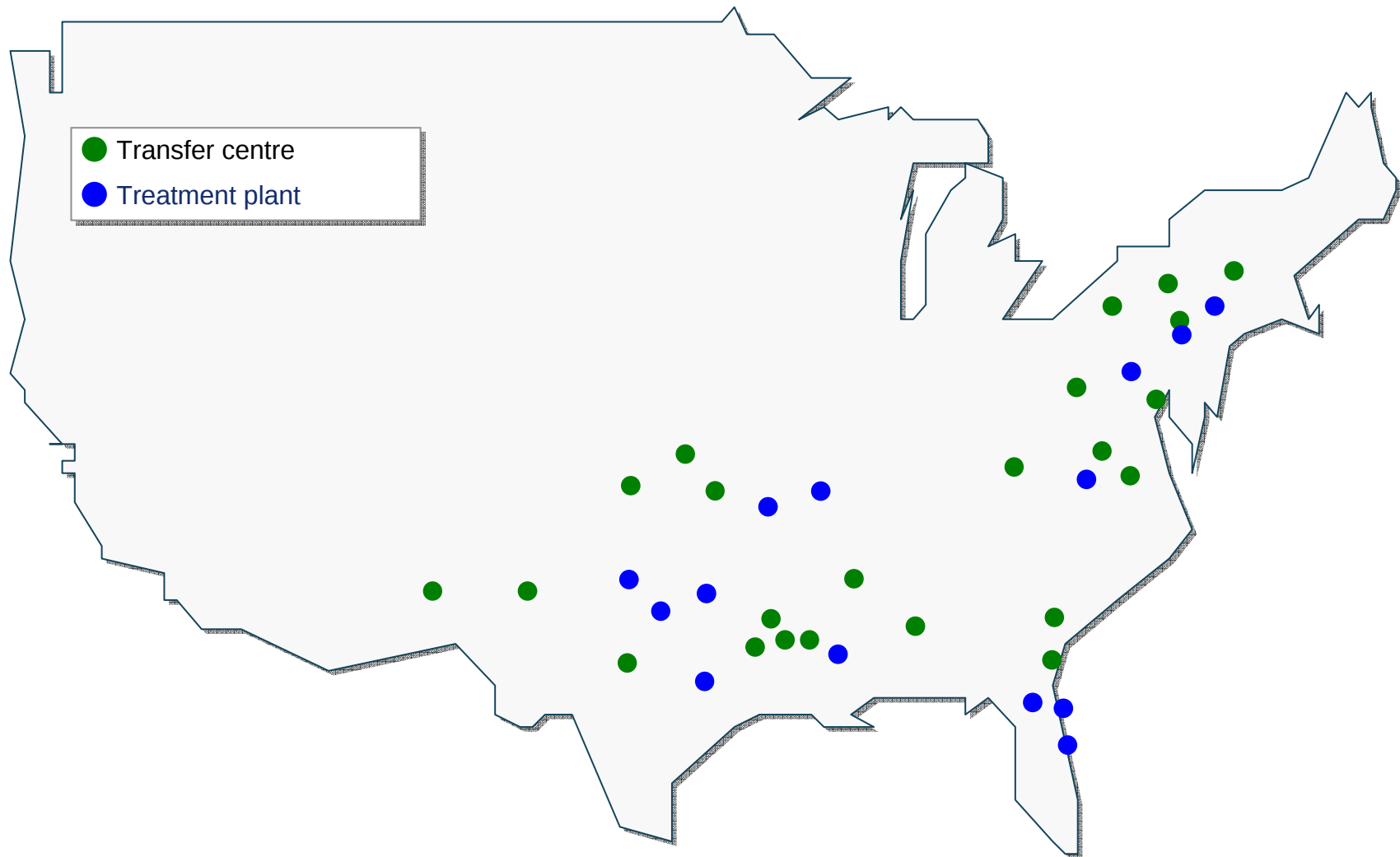
#### Facilities in Spain



### 3. Industrial Waste – Description



#### Facilities in the US

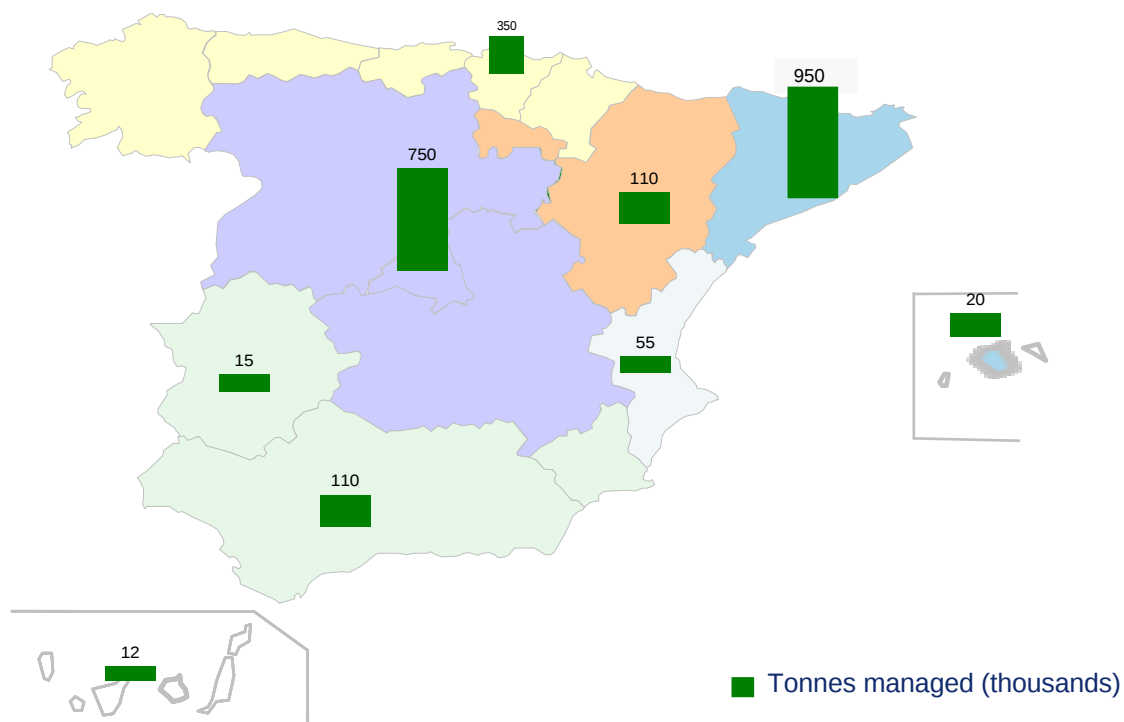


### 3. Industrial Waste – Description



#### Geographic Presence (2007)

#### Volume of Waste Managed (thousands of tonnes)

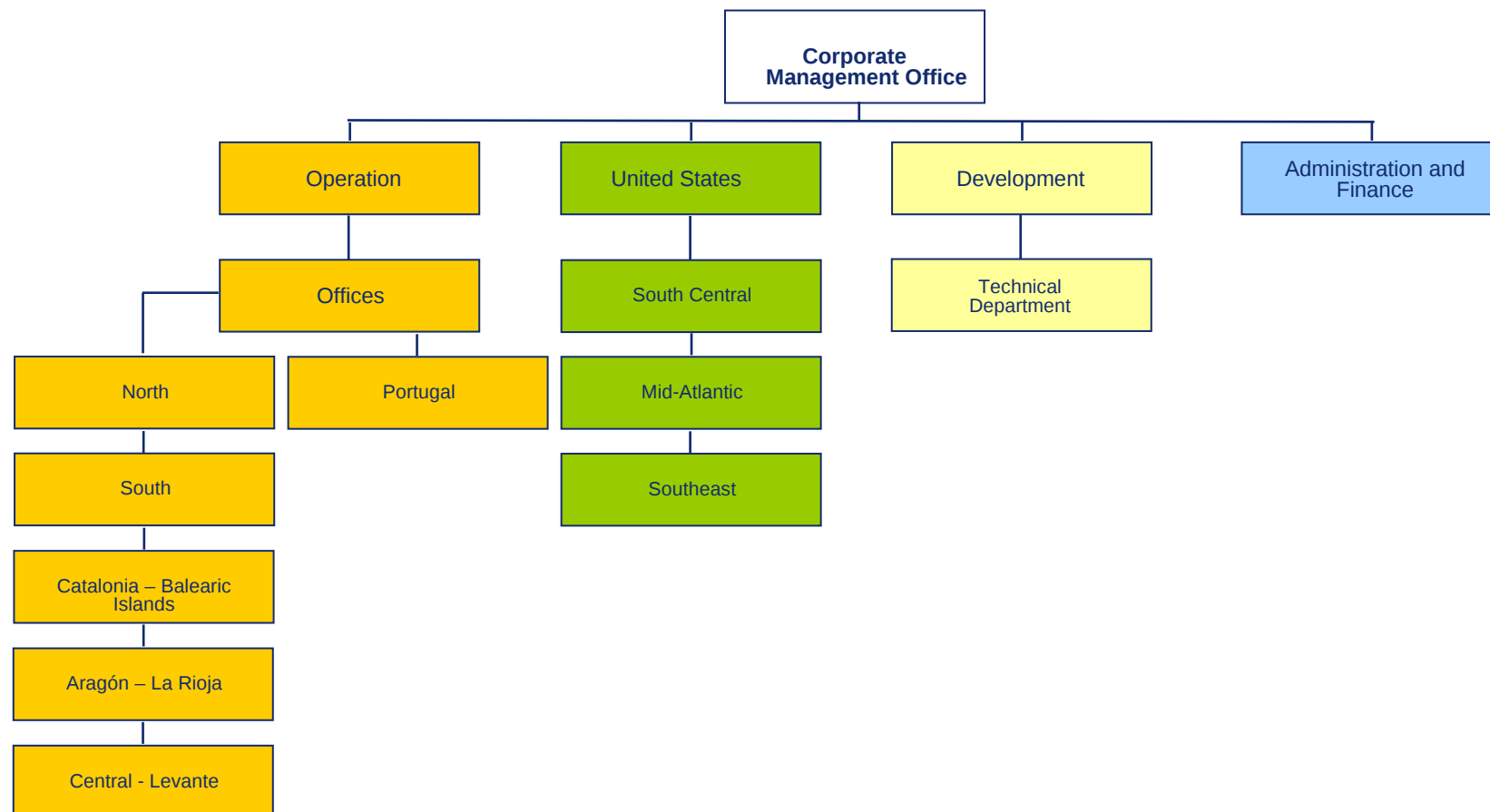


➤ Total number of tonnes treated: 2,370,000

### 3. Industrial Waste – Organisation



#### Operational Structure



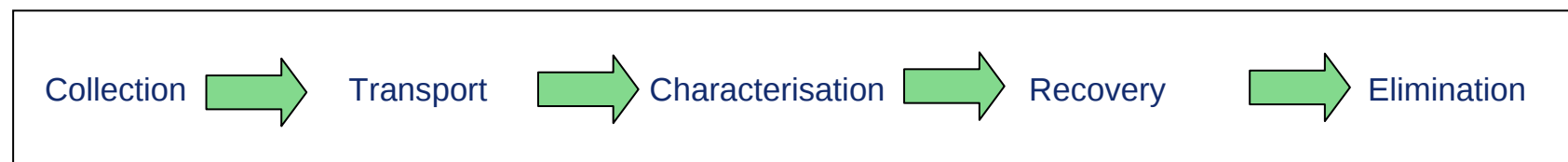
### 3. Industrial Waste – Activities

#### Domestic



#### Description of Activities

➤ **Full-service waste management:**



➤ **Soil decontamination**

Research and risk analysis

Final certification

➤ **Industrial clean-ups**

➤ **Outside action**

Leaks and spillage

Dumping and accidents

➤ **Indisputable leader in:**

Highly qualified staff

Turnover

Number of tonnes treated and facilities in operation

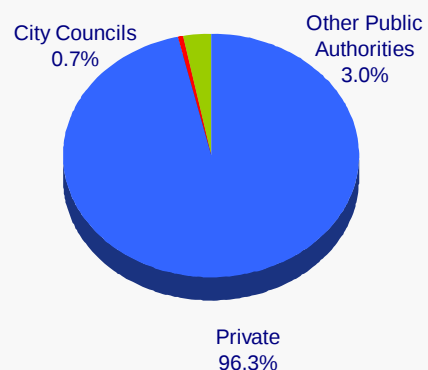
In-house plant design

### 3. Industrial Waste – Activities

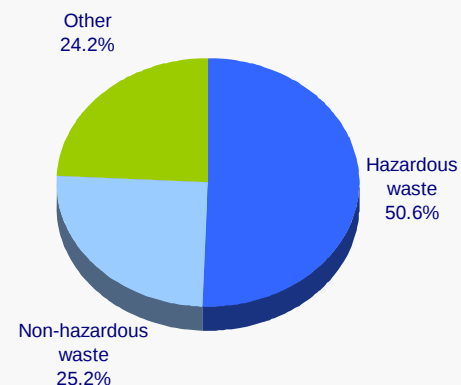
#### Domestic



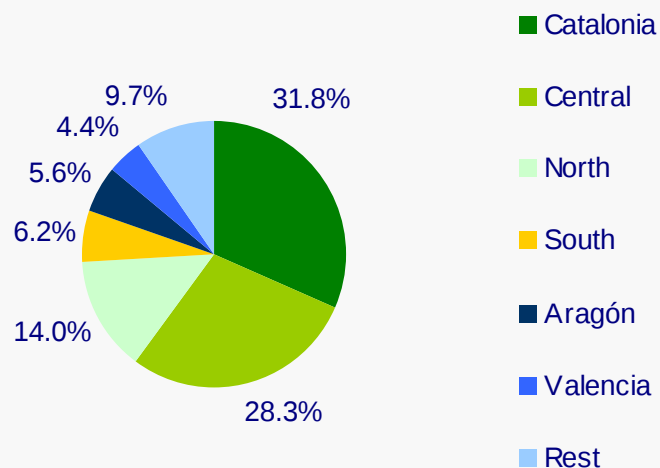
#### Sales by Client Type in 2007 (%)



#### Sales by Activity in 2007 (%)



#### Sales in Spain in 2007



### 3. Industrial Waste – Activities

#### International



#### Description of Activities

##### ➤ United States

- Treatment used oils
- Treatment of hydrocarbon-bearing water
- Industrial clean-ups
- Treatment of used filters and use in energy generation
- Recycling of solvents and antifreeze

##### ➤ Portugal – Full-service hazardous waste treatment centre -

- Physical and chemical treatment
- Treatment to render waste inert
- Biological treatment
- Contaminated soil
- Safety landfills

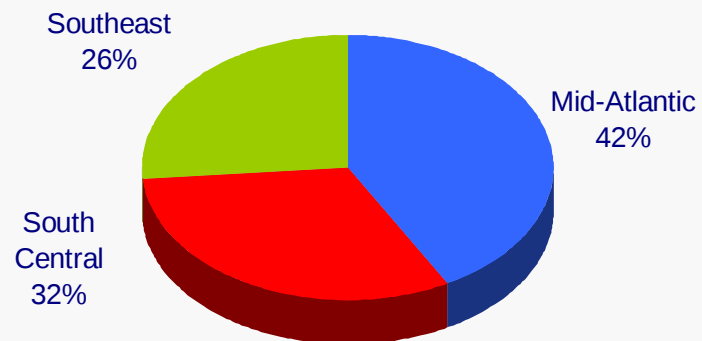
##### ➤ Leadership

- Number-one company in the US in hydrocarbon-bearing waste in the central portion of the country and the east coast
- First licence awarded for the construction of the first full-service waste management centre in Portugal.

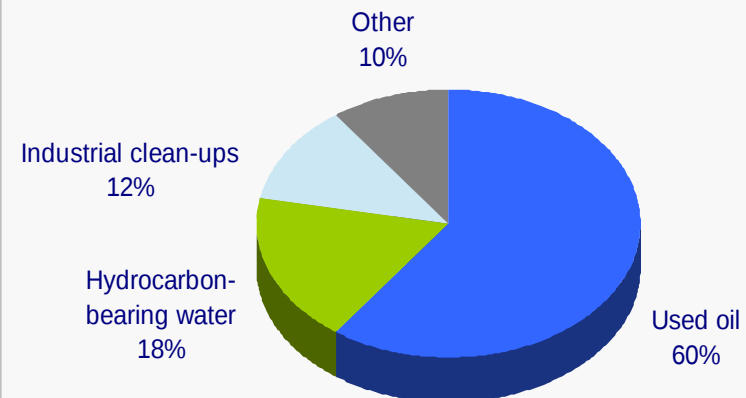
### 3. Industrial Waste – Activities International - HRS



**Share by US Zone (%)**



**Distribution by Activity in  
the US, 1H 08**



➤ All 100% of our clients are private

### 3. Industrial Waste – Keys to Management

#### Domestic

##### ➤ Contract Length

Private clients: 0-2 years

Governments: 25 years

##### ➤ Margin Development

Margins are stable, tending to get bigger in final management

##### ➤ Level of Operating Risk

Low, because:

- Raw materials costs are irrelevant
- Large number of clients: +14,000

##### ➤ Required Investment

Landfills: €6-11 M

Hazardous waste plants: €4-9 M

Non-hazardous plants: €0.5-3 M

Low investments in packaging and containers

##### ➤ Barriers to Entry

Permits

Administrative licenses

Cities and towns available

Qualified personnel

##### ➤ Potential Growth

Due to compliance with European directives

Management of new types of waste (foundry slag, scrap metal, tires, oils, etc.)

Full-service management

### 3. Industrial Waste – Keys to Management

#### International – USA



#### ➤ **Contract Length:**

Private clients: 0-3 years

#### ➤ **Margin Development**

Stable

#### ➤ **Level of Operating Risk**

Low, due to the large number of clients: +30,000

#### ➤ **Required Investment**

Transfer plants: \$0.5-1 M

Treatment plants: \$3-6 M

Small investments in packaging and containers

#### ➤ **Barriers to Entry**

Permits and administrative licenses

Logistics

Storage capacity (need to accumulate large volumes in order to negotiate good selling prices)

#### ➤ **Potential Growth**

Platform for copying the Spanish model of management

Re-refining

Geographic expansion

### 3. Industrial Waste – Key figures



#### Summary Income Statement (€M)

|                 | 2005         | 2006         | 2007         | CAGR<br>05-07 |
|-----------------|--------------|--------------|--------------|---------------|
| <b>Turnover</b> | <b>111.9</b> | <b>163.2</b> | <b>200.0</b> | <b>33.7%</b>  |
| <i>% Var</i>    | 4.8%         | 45.9%        | 22.5%        |               |
| <b>EBITDA</b>   | <b>20.8</b>  | <b>31.7</b>  | <b>43.0</b>  | <b>43.8%</b>  |
| <i>% Margin</i> | 18.6%        | 19.5%        | 21.5%        |               |
| <i>% Var</i>    | 15.5%        | 52.4%        | 35.6%        |               |

### 3. Industrial Waste – Key figures

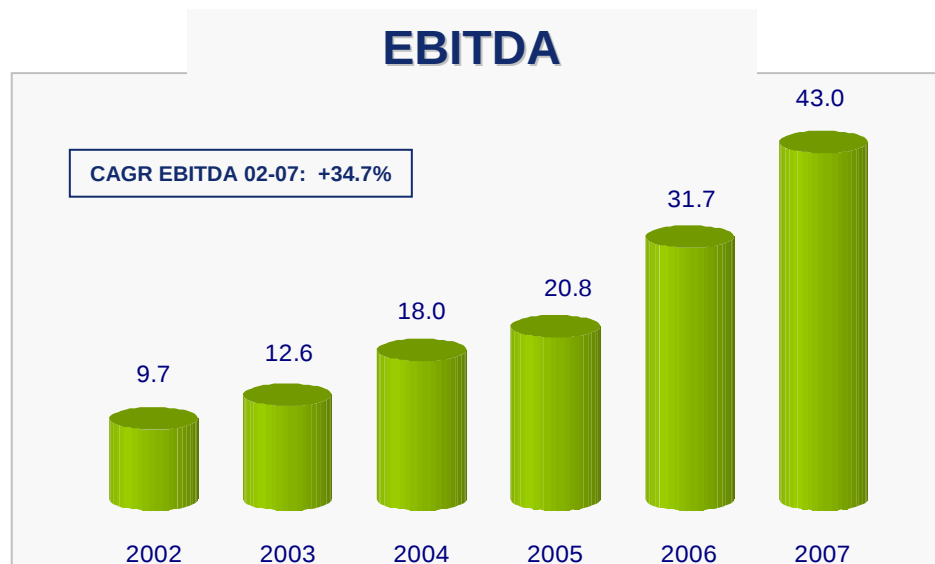
#### Historical Development



#### Sales



#### EBITDA



#### EBITDA Margin



### 3. Industrial Waste – Strategy

#### Competitive Advantages

##### ➤ **Controlling Position**

- Spain
  - ✓ Largest number of treatment plants in Spain
  - ✓ Largest market share in hazardous waste
  - ✓ Business in every autonomous community
- International
  - ✓ Biggest manager of hydrocarbon-bearing waste in the central area and east coast of the USA, with 38 plants in 24 states

##### ➤ **Economies of Scope/Network**

- Sales of interlacing products
- Full-service management of waste, client by client
- Only operator in Spain that has got facilities and does business in every autonomous community
- Main full-service treatment centre in Portugal

##### ➤ **Economies of Scale**

- End manager of all its own hazardous waste
- Present throughout the value chain
- FCC's own modular plant design, which can be replicated in new facilities

##### ➤ **Comprehensive Offer**

- Authorised as a manager for the full list of waste
- Multi-product offer in Spain and Portugal

### 3. Industrial Waste – Strategy

#### Bid Structure

➤ **Distribution of Bids by Monetary Size**

| Value in Euro/Bid | % of Total Number of Bids |
|-------------------|---------------------------|
| Over 100,000      | 1%                        |
| 25,000 to 100,000 | 39%                       |
| Less than 25,000  | 60%                       |

➤ **Number of bids made each year: 30,000**

➤ **Ratio of successful bids/bids made: 35%**

### 3. Industrial Waste – Strategy

#### Development Opportunities



#### ➤ **Strengths Over the Competition**

- “Comprehensiveness” of service: hazardous waste, non-hazardous waste, innocuous waste, industrial clean-ups, etc.
- Scarcity of landfills and difficulty of setting up new landfills
- Full geographic coverage in Spain and Portugal and in the central and eastern United States

#### ➤ **Potential Market Development**

- **Spain and Portugal**
  - ✓ Application of new directives
  - ✓ Recycling of new products
  - ✓ Harbour services (marpol)
  - ✓ Increase in recycling of raw materials (paper, glass, plastic, tires, etc.)
- **United States**
  - ✓ Cross sales to clients
  - ✓ Expansion of geographic coverage
  - ✓ Re-refining

# CONTENTS



## 4. Financial Projections: Valuation





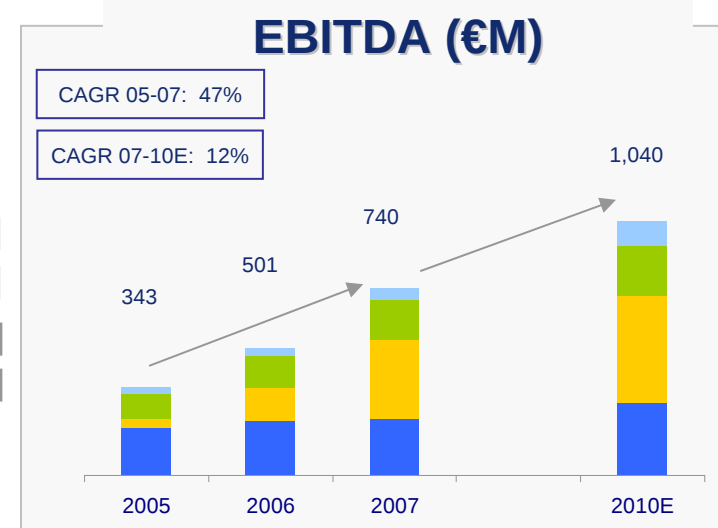
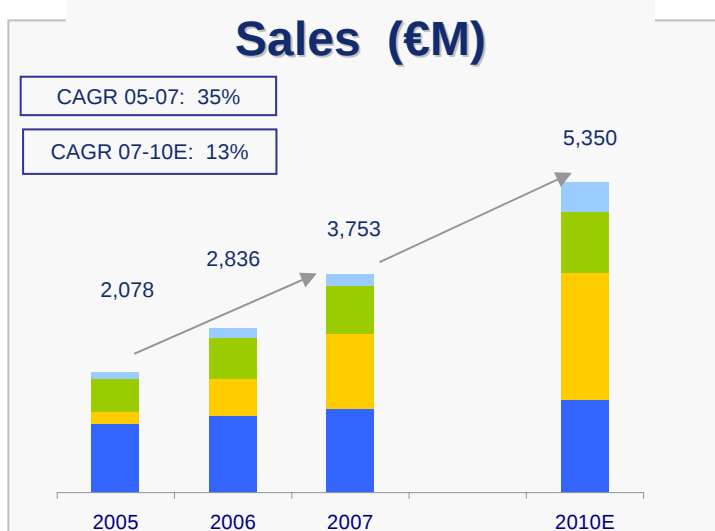
## 4. Financial Projections - Valuation

- Financial Estimates
- Valuation Hypotheses
- Valuation by area
  - Domestic Environment
  - International Environment
  - Water
  - Industrial Waste
- Summary

**Victor Pastor**

## 4. Financial Projections – Estimates

### Development of Operations



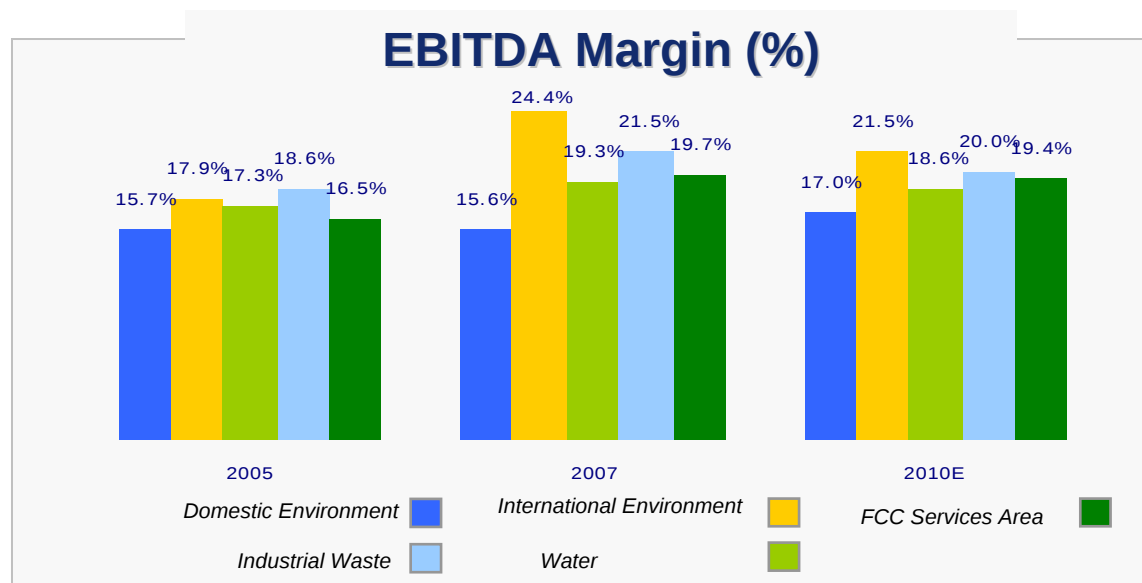
Domestic Environment

Industrial Waste

International Environment

Water

- Sales 05-07 (CAGR): 35% vs. 08-10E (CAGR): 13%
- Ebitda 08-10E (CAGR): 12%
- Ebitda margin close to 20%



## 4. Financial Projections – Estimates

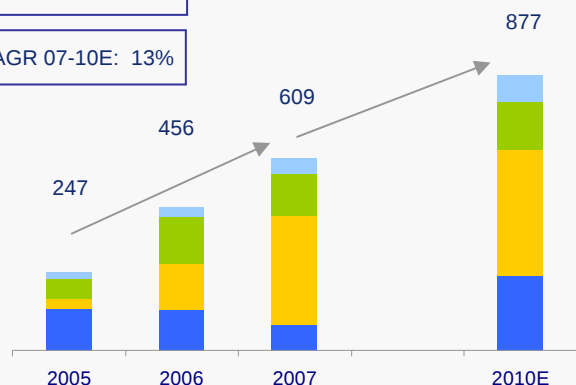
### Cash Flow and Financing



#### Operating Cash Flow (€M)

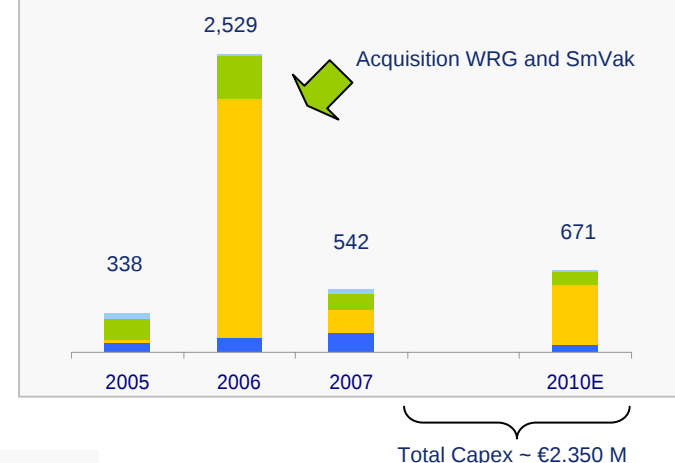
CAGR 05-07: 57%

CAGR 07-10E: 13%



Domestic Environment  
Industrial Waste  
International Environment  
Waste

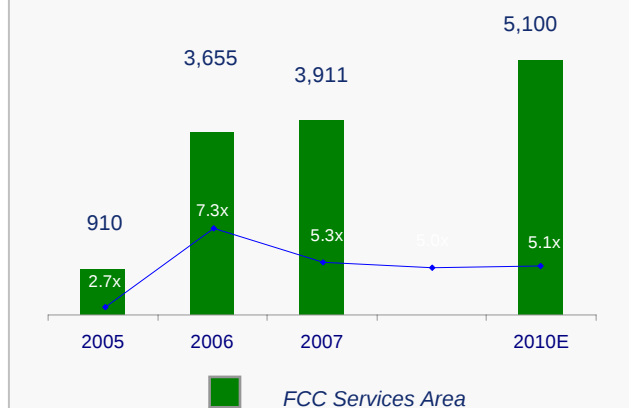
#### CAPEX (€M)



➤ The operating cash flow is developing in line with EBITDA generation

➤ Debt/EBITDA will decline in 08-10E (including investments anticipated in Plan 10)

#### Net Financial Debt (€M)



## 4. Financial Projections – Estimates

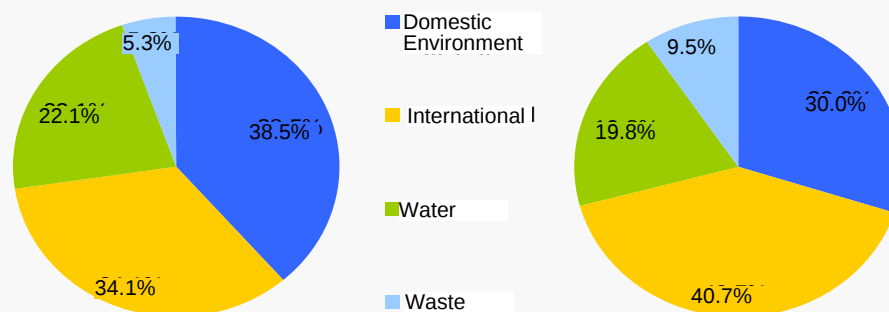
### Sales by Area 07-10

- In 07-10E international sales are going up (from 36% to 48%) due to their higher organic potential and acquisitions abroad

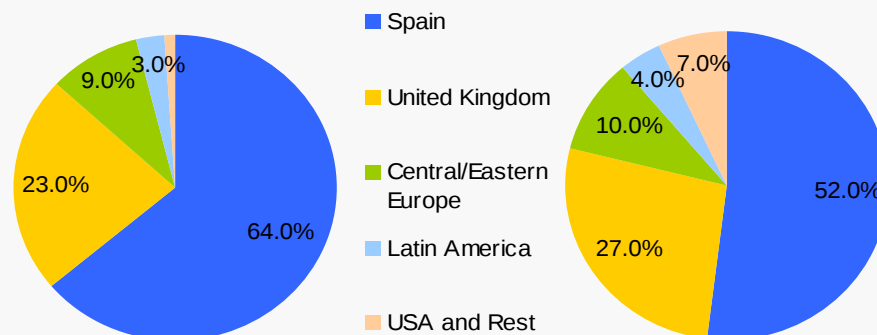
#### Sales by Activity (07-10E)

Sales in 2007 (€M): 3,753

Sales in 2010E (€M): 5,350



#### Sales by Geographic Zone (07-10E)



## 4. Financial Projections – Estimates

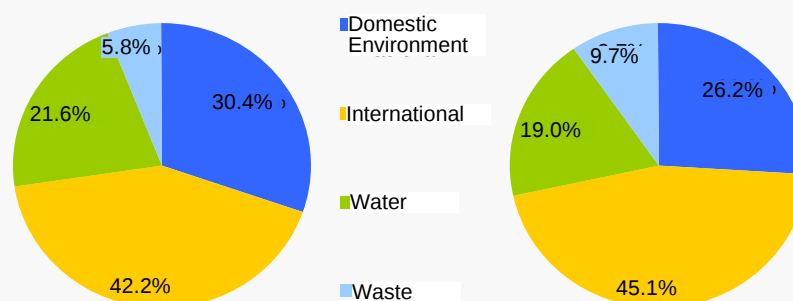
### EBITDA Development by Area, 07-10

- In 2010 domestic business's EBITDA share will come down to 49%, with a sharp increase in industrial waste (up from 5.8% in 2007 to 9.7% in 2010).

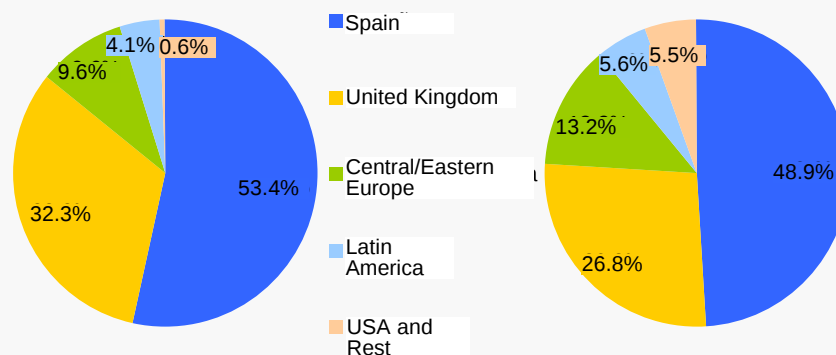
#### EBITDA by Activity (07-10E)

EBITDA 2007 (€M): 740

EBITDA 2010E (€M): 1,040



#### EBITDA by Zone (07-10E)



## 4. Financial Projections – Valuation Hypotheses

### Method

#### Assessment Method

- Net current value of the free cash flow discount for each of the years in the projection (October 2008-2020).
- Calculation of the residual value from the last year in the projection, found as perpetual revenue over a standardised cash flow.
- Intrinsic value of the business: Current value of the free cash flows generated each fiscal year, plus the residual value. The value for the shareholder is found by deducting the division's current net financial debt.

#### Calculation of the Free Cash Flow

+ Operating profit (EBIT) - Taxes (applicable to the EBIT)  
**= NOPLAT** (Net Operating Profit Less Adjusted Taxes)  
 + Depreciations  
 + Profit/losses of associated companies  
 - Investments in fixed assets  
 +/- Variation in working capital  
**= Free cash flow**

#### Finding of the WACC Discount Rate

**WACC =**

**Weighted Average Cost of Capital**

$$C_{\text{Equity}} \times \underbrace{\left( \frac{\text{Equity}}{\text{Debt} + \text{Equity}} \right)}_{\text{Equity Cost}} + C_{\text{debt}} \times \underbrace{\left( \frac{\text{Debt}}{\text{Equity} + \text{Debt}} \right) (1-t)}_{\text{Cost of Debt}}$$

**Equity Cost**

$$C_{\text{Equity}} = R_F + (\beta \times R_P) + R_V$$

$R_P$  = Risk premium of the equity market.

$R_V$  = Additional country risk

## 4. Financial Projections – Valuation Hypotheses

### Operational Hypotheses



#### Main Hypotheses

Domestic Environment

International Environment

Water

Industrial Waste

Average

- **BACKLOG:** Only contracts in progress and awarded are taken into consideration, without long-term growth. As of 30 June, the backlog was 25,015 million euro.
- **SALES VARIATION:** Nominal annual increase, the combination of:
  - Domestic Environment and Water: Real trend GDP plus the estimated inflation for each country where activity goes on.
  - International and Waste: Real GDP plus the estimated inflation for each country + 1% differential.
- **EBITDA MARGIN:** Stable, in line with the levels reached in 2007.
- **INVESTMENTS:** In the long term, we consider only the investments necessary to maintain the business's competitive capacity (maintenance capex). We have considered investments in expansion through new assets or acquisitions (growth capex: 1,200 million euro) in the 08-10E period, in accordance with the terms of Plan 10.
- **EXCHANGE RATE:** We do not consider any future variations in the exchange rate for activities outside the euro zone.

Note: The forecasts for the 08-10 period are those included in Plan 10 and presented in May last.

## 4. Financial Projections –Valuation Hypotheses

### Financial Hypotheses

|                                                            | Domestic Environment              | International Environment                                                                            | Water                                                        | Industrial Waste                                       | Average |
|------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------|---------|
| <b>Risk-free Rate (<math>R_F</math>)</b>                   | 10-year bond Spain<br>- 4.47% -   | UK (4.33%),<br>Western Europe (4.5%),<br>Eastern Europe (7.2%),<br>Latin America (6.7%)<br>- 5.02% - | Spain (4.47%)<br>and Czech Rep. (5.14%)<br>- 4.63% -         | Average Spain<br>and USA (10-year bond)<br>- 4.26% -   | 4.69%   |
| <b>Market and Country Premium (<math>R_p + R_v</math>)</b> | Spain<br>- 4.25% -                | Western Europe (4.25%),<br>Eastern Europe (5.75%),<br>Latin America (7.25%)<br>- 4.77% -             | Spain (4.25%)<br>Eastern Europe (5.75%)<br>- 4.63% -         | 4.25%                                                  | 4.55%   |
| <b>Cost of Debt</b>                                        | 10-year swap + 150bp<br>- 6.02% - | Average 10-year swap<br>of each country + 150bp<br>- 6.90% -                                         | Average 10-year swap<br>of each country + 150bp<br>- 6.09% - | Average 10-year swap<br>Spain/USA + 150bp<br>- 5.98% - | 6.40%   |
| <b>Unlevered Beta*</b>                                     | 0.80                              | 0.80                                                                                                 | 0.66                                                         | 0.80                                                   | 0.77    |
| <b>Leverage</b>                                            | 50%                               |                                                                                                      |                                                              |                                                        |         |
| <b>Levered Beta*</b>                                       | 1.36                              | 1.39                                                                                                 | 1.13                                                         | 1.32                                                   | 1.32    |
| <b>WACC</b>                                                | 7.20%                             | 8.33%                                                                                                | 7.03%                                                        | 7.00%                                                  | 7.60%   |
| <b>Residual G</b>                                          | 1.5%                              | 2.0%                                                                                                 | 1.5%                                                         | 2.0%                                                   | 1.7%    |

\* In the calculation of unlevered beta, information was obtained on comparable companies in each area of activity. In addition, the unlevered beta thus yielded includes a 20% risk premium due to the market's current volatility.

## 4. Financial Projections –Valuation of Environment

### Domestic Environment

- **Backlog:** The backlog as of June 2008 was 7,886 million euro.
- **Sales growth:** Estimated according to the trend in the inflation-adjusted Spanish GDP:
  - Estimated GDP for 2008-2020: 2.5%.
  - Estimated inflation for 2008-2020: 2.7%.
- **EBITDA margin:** The EBITDA margin is estimated to improve over previous years, from 15.6% in 2007 to 17% in 2020, as a consequence of the absorption of the activity's fixed costs.
- **Investments:** No investments in growth are anticipated, just the investments needed to replace assets. Most of the investments for the 2008-2010 period will be made in 2008.
- **Working capital:** This includes an increase in capital needs during 2008 and 2009 due to the increase in the average collection period. Normalisation is expected as of 2010.

| Domestic Env. DCF (€M)             | 2007  | 2020E | V.R.  | WACC Sensitivity/g as percentage of EV |                              |       |       |          |
|------------------------------------|-------|-------|-------|----------------------------------------|------------------------------|-------|-------|----------|
| Sales                              | 1,446 | 2,682 |       | WACC                                   | g-terminal growth            |       |       |          |
| EBITDA                             | 225   | 456   |       |                                        |                              | 1.0%  | 1.5%  | 2.0%     |
| % Margin                           | 15.6% | 17.0% |       |                                        | 6.77%                        | 2,476 | 2,613 | 2,778    |
| EBIT                               | 165   | 306   |       |                                        | 7.13%                        | 2,321 | 2,438 | 2,577    |
| (-) Taxes                          | (50)  | (95)  |       |                                        | 7.20%                        | 2,293 | 2,405 | 2,541    |
| NOPLAT                             | 115   | 211   |       |                                        | 7.26%                        | 2,266 | 2.376 | 2,506    |
|                                    |       |       |       | 7.63%                                  | 2,130                        | 2,224 | 2,334 |          |
| + Depreciations                    | 77    | 151   |       |                                        | WACC                         |       |       | 7.20%    |
| + P/L Assoc. Companies             | 2     | 5     |       |                                        | Growth of residual value (g) |       |       | 1.5%     |
| (-) CAPEX/OPEX                     | (158) | (151) |       |                                        | Enterprise Value – EV (€M)   |       |       | €2,405 M |
| +/(-) Variation in Working Capital | (108) | (42)  |       |                                        |                              |       |       |          |
| FREE CASH FLOW                     | (71)  | 174   | 3,109 |                                        |                              |       |       |          |

*In calculating the WACC sensitivity, we have considered the following: Unlevered beta of 0.7 to 0.9 and leverage of 45% to 55%.*

## 4. Financial Projections – Valuation of Environment

### International Environment

- **Backlog:** The backlog as of June 2008 came to 5,405 million euro (WRG not included).
- **Sales growth:** Organic growth estimated in line with the inflation-adjusted average GDP for the UK, Latin America, Eastern Europe and other European countries + 1% (nominal sales: +9.5%). In 2008-2010 part of the growth is spurred by estimated acquisitions (Plan 10).
  - Estimated GDP for 2008-2020: 2% for the UK and western Europe, 4% for eastern Europe and 5% for Latin America.
  - Estimated inflation for 2008-2020: 2.5% for the UK and western Europe, 3.5% for eastern Europe and 5% for Latin America.
- **EBITDA margin:** The margin is estimated to fall in 2008 and 2009 and to start recovering in 2010.
- **Investments:** Investments in growth in 2008-2010. As of 2010 only investments in asset replacement are considered.
- **Taxes:** The €27.0 M tax shield due to BINS has not been considered.

| International DCF (€M)             | 2007  | 2020E | V.R.  | WACC Sensitivity/g as percentage of EV                                                                                                                                                                                                                                                                                                                                                                                                                                         |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|--|--|--|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Sales                              | 1,279 | 4,492 |       | <div><div>g-terminal growth</div><div><div>WACC</div><table><tr><td></td><td>1.5%</td><td>2.0%</td><td>2.5%</td></tr><tr><td>7.87%</td><td>2,693</td><td>2,864</td><td>3,067</td></tr><tr><td>8.28%</td><td>2,467</td><td>2,611</td><td>2,780</td></tr><tr><td>8.33%</td><td>2,440</td><td>2,580</td><td>2,746</td></tr><tr><td>8.38%</td><td>2,413</td><td>2,551</td><td>2,712</td></tr><tr><td>8.80%</td><td>2,214</td><td>2,331</td><td>2,467</td></tr></table></div></div> |  |          |  |  |  | 1.5% | 2.0% | 2.5% | 7.87% | 2,693 | 2,864 | 3,067 | 8.28% | 2,467 | 2,611 | 2,780 | 8.33% | 2,440 | 2,580 | 2,746 | 8.38% | 2,413 | 2,551 | 2,712 | 8.80% | 2,214 | 2,331 | 2,467 |
|                                    | 1.5%  | 2.0%  | 2.5%  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 7.87%                              | 2,693 | 2,864 | 3,067 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 8.28%                              | 2,467 | 2,611 | 2,780 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 8.33%                              | 2,440 | 2,580 | 2,746 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 8.38%                              | 2,413 | 2,551 | 2,712 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 8.80%                              | 2,214 | 2,331 | 2,467 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| EBITDA                             | 312   | 966   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| % Margin                           | 24.4% | 21.5% |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| EBIT                               | 104   | 477   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| (-) Taxes                          | 0     | (130) |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| NOPLAT                             | 104   | 347   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| + Depreciations                    | 187   | 489   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| + P/L Assoc. Companies             | 2     | 4     |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| (-) CAPEX/OPEX                     | 31    | (538) |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| +/(-) Variation in Working Capital | (15)  | (2)   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |  |          |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| FREE CASH FLOW                     | 309   | 300   | 4,836 | WACC                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  | 8.33%    |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|                                    |       |       |       | Growth of residual value (g)                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  | 2.0%     |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|                                    |       |       |       | Enterprise Value – EV (€ M)                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  | €2,580 M |  |  |  |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |

*In calculating the WACC sensitivity, we have considered the following: Unlevered beta of 0.7 to 0.9 and leverage of 45% to 55%.*

## 4. Financial Projections – Valuation of Water



- **Backlog:** The backlog as of June 2008 came to 11,227 million euro.
- **Sales growth:** Organic growth estimated according to the estimated GDP for Spain and eastern Europe (6.6% CAGR). In 2008-2010 part of the growth is spurred by the acquisitions estimated in Plan 10.
  - Estimated GDP for 2008-2020 : 2.5% for Spain and 4% for eastern Europe.
  - Estimated inflation for 2008-2020: 2.7% for Spain and 3.5% for eastern Europe.
- **EBITDA margin:** The average margin is estimated to decline due to entry in new businesses as of 2009.
- **Investments:** Investments in growth in 2008-2010 estimated in Plan 10. As of 2010, all investments will be for asset replacement only.
- **Working capital:** Limited growth in terms of needs for capital is estimated for 2008 and 2009, with recovery in 2010.

| Water DCF (€M)                     | 2007  | 2020E | V.R.  | WACC Sensitivity/g as percentage of EV |  |          |  |
|------------------------------------|-------|-------|-------|----------------------------------------|--|----------|--|
| Sales                              | 828   | 1,840 |       | g-terminal growth                      |  |          |  |
| EBITDA                             | 160   | 340   |       |                                        |  |          |  |
| % Margin                           | 19.3% | 18.5% |       |                                        |  |          |  |
| EBIT                               | 95    | 219   |       |                                        |  |          |  |
| (-) Taxes                          | (23)  | (62)  |       |                                        |  |          |  |
| NOPLAT                             | 72    | 156   |       |                                        |  |          |  |
| + Depreciations                    | 60    | 123   |       |                                        |  |          |  |
| + P/L Assoc. Companies             | 0     | 5     |       |                                        |  |          |  |
| (-) CAPEX/OPEX                     | (153) | (129) |       |                                        |  |          |  |
| +/(-) Variation in Working Capital | (4)   | (5)   |       |                                        |  |          |  |
| FREE CASH FLOW                     | (25)  | 150   | 2,749 |                                        |  |          |  |
|                                    |       |       |       |                                        |  |          |  |
|                                    |       |       |       | WACC                                   |  | 7.03%    |  |
|                                    |       |       |       | Growth of residual value (g)           |  | 1.5%     |  |
|                                    |       |       |       | Enterprise Value – EV (€ M)            |  | €1,870 M |  |

In calculating the WACC sensitivity, we have considered the following: Unlevered beta of 0.56 to 0.76 and leverage of 45% to 55%.

## 4. Financial Projections – Valuation of Industrial Waste



- **Sales growth:** Organic growth estimated according to the growth of the average estimated GDP for Spain and the USA (12.8% CAGR). In 2008-2010 part of the growth is spurred by the acquisitions estimated under Plan 10, including the purchase of HRS in the first quarter of 2008.
  - Estimated GDP for 2008-2020 : 2.5% for Spain and 2.5% for the USA.
  - Estimated inflation for 2008-2020: 2.7% for Spain and 2.5% for the USA.
- **EBITDA margin:** The average margin is estimated to decline in 2008 due to entry in new businesses.
- **Investments:** These only include investments in growth in 2008-2010. As of 2010, investments are for asset replacement, in line with the organic growth of the business.

| Industrial Waste DCF (€M)           | 2007  | 2020E | V.R. | WACC Sensitivity/g as percentage of EV                                                                                                                                                                                                                                                                                                                                                                                                           |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
|-------------------------------------|-------|-------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|--|--|------|------|------|-------|-----|-----|-----|-------|-----|-----|-----|-------|-----|-----|-----|-------|-----|-----|-----|-------|-----|-----|-----|
| Sales                               | 200   | 923   |      | <div><div>g-terminal growth</div><div><div>WACC</div><table><tr><td></td><td>1.5%</td><td>2.0%</td><td>2.5%</td></tr><tr><td>6.58%</td><td>561</td><td>611</td><td>674</td></tr><tr><td>6.93%</td><td>511</td><td>553</td><td>605</td></tr><tr><td>6.99%</td><td>504</td><td>545</td><td>595</td></tr><tr><td>7.04%</td><td>497</td><td>537</td><td>586</td></tr><tr><td>7.40%</td><td>454</td><td>487</td><td>528</td></tr></table></div></div> |  |        |  |  | 1.5% | 2.0% | 2.5% | 6.58% | 561 | 611 | 674 | 6.93% | 511 | 553 | 605 | 6.99% | 504 | 545 | 595 | 7.04% | 497 | 537 | 586 | 7.40% | 454 | 487 | 528 |
|                                     | 1.5%  | 2.0%  | 2.5% |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| 6.58%                               | 561   | 611   | 674  |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| 6.93%                               | 511   | 553   | 605  |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| 6.99%                               | 504   | 545   | 595  |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| 7.04%                               | 497   | 537   | 586  |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| 7.40%                               | 454   | 487   | 528  |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| EBITDA                              | 43    | 185   |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| % Margin                            | 21.5% | 20.0% |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| EBIT                                | 22    | 89    |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| (-) Taxes                           | (3)   | (28)  |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| NOPLAT                              | 18    | 61    |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| + Depreciations                     | 19    | 96    |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| + P/L Assoc. Companies              | 0     | 1     |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| (-) CAPEX/OPEX                      | (47)  | (105) |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| + /(-) Variation in Working Capital | 8     | (5)   |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                  |  |        |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
| FREE CASH FLOW                      | (1)   | 48    | 979  | WACC                                                                                                                                                                                                                                                                                                                                                                                                                                             |  | 7.00%  |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
|                                     |       |       |      | Growth of residual value (g)                                                                                                                                                                                                                                                                                                                                                                                                                     |  | 2.0%   |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |
|                                     |       |       |      | Enterprise Value – EV (€ M)                                                                                                                                                                                                                                                                                                                                                                                                                      |  | €545 M |  |  |      |      |      |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |       |     |     |     |

In calculating the WACC sensitivity, we have considered the following: Unlevered beta of 0.7 to 0.9 and leverage of 45% to 55%.

## 4. Financial Projections – Summary

### Valuation of FCC Services

This valuation of the Services division of FCC is based on the following basic premises:

- **Recurrent, predictable business:** The size of the contracted backlog (25,000 million euro) and the fact that the services provided are basic public services ensure that business will be steady. FCC's seniority strengthens our solidity for the future and a growing backlog.
- **Capacity for expansion:** The activity's organic growth can be expected to continue at above the rate of growth of the GDP.
- **Profitable business:** The profitability of FCC Services is higher than the sector average.

| FCC Services Area DCF (€M)         | 2007       | 2010E      | 2020E      | V.R.          |
|------------------------------------|------------|------------|------------|---------------|
| Sales                              | 3,753      | 5,350      | 9,937      |               |
| EBITDA                             | 740        | 1,040      | 1,947      |               |
| % Margin                           | 19.7%      | 19.4%      | 19.6%      |               |
| EBIT                               | 385        | 592        | 1,091      |               |
| (-) Taxes                          | (76)       | (173)      | (316)      |               |
| <b>NOPLAT</b>                      | <b>309</b> | <b>419</b> | <b>775</b> |               |
| + Depreciations                    | 344        | 451        | 858        |               |
| + P/L Assoc. Companies             | 4          | 8          | 15         |               |
| (-) CAPEX/OPEX                     | (326)      | (671)      | (923)      |               |
| +/(-) Variation in Working Capital | (119)      | 7          | (53)       |               |
| <b>FREE CASH FLOW</b>              | <b>212</b> | <b>214</b> | <b>672</b> | <b>11,673</b> |

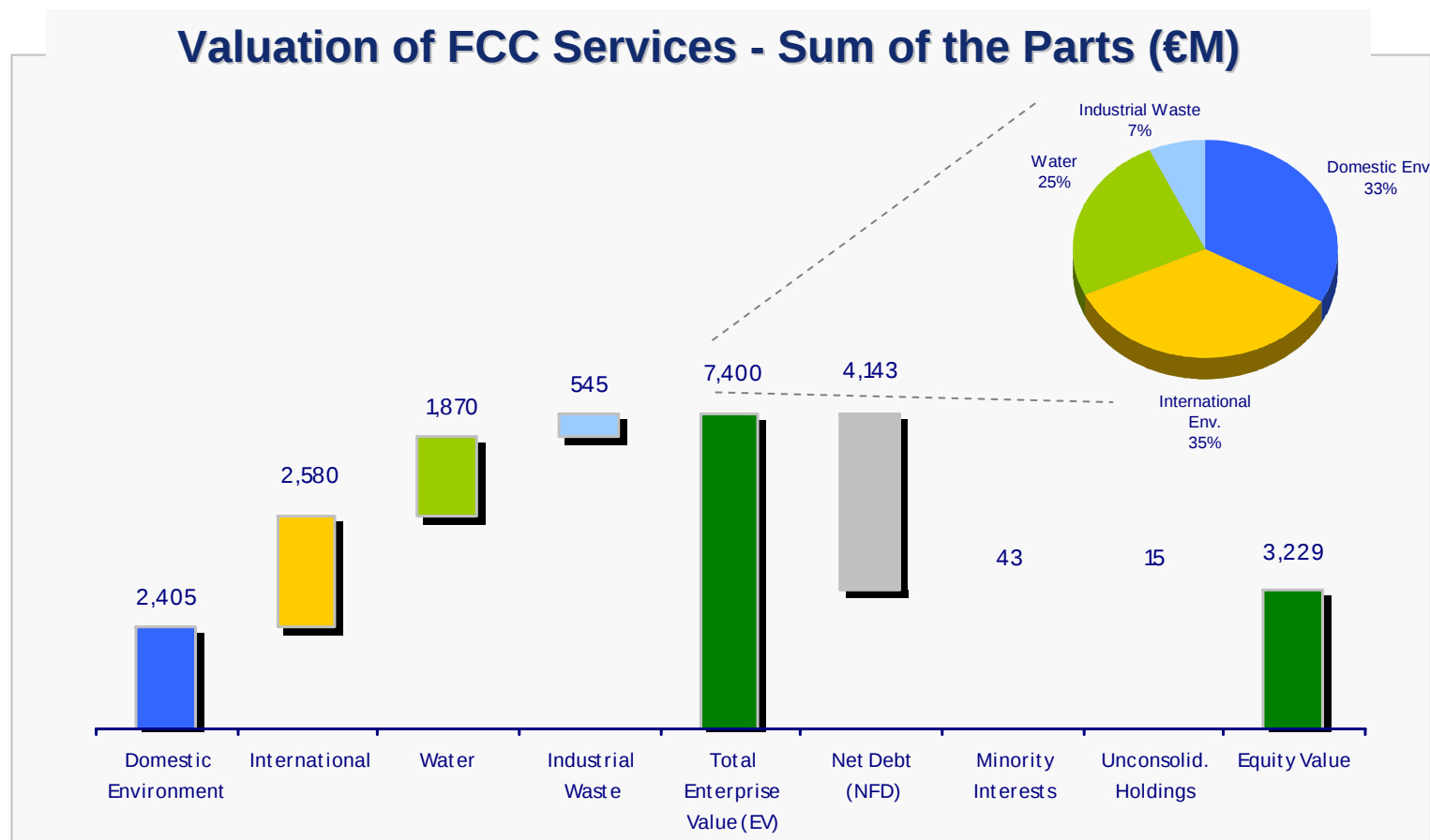
\*Data according to figures presented on 30 June 2008 on the FCC Services Area.

| WACC Sensitivity/g as percentage of EV |       |                   |       |              |
|----------------------------------------|-------|-------------------|-------|--------------|
|                                        |       | g-terminal growth |       |              |
|                                        |       | 1.2%              | 1.7%  | 2.2%         |
| WACC                                   | 7.15% | 7,669             | 8,151 | 8,736        |
|                                        | 7.53% | 7,088             | 7,494 | 7,977        |
|                                        | 7.60% | 7,004             | 7,400 | 7,870        |
|                                        | 7.65% | 6,927             | 7,314 | 7,772        |
|                                        | 8.04% | 6,411             | 6,745 | 7,129        |
| <b>FCC Services Equity Value:</b>      |       |                   |       |              |
| + EV value as sum of parts             |       |                   |       | 7,400        |
| (-) Current net financial debt*        |       |                   |       | (4,143)      |
| (-) Current minority shareholders*     |       |                   |       | (43)         |
| + Book value unconsolidated holdings*  |       |                   |       | 15           |
| <b>Equity Value (€M)</b>               |       |                   |       | <b>3,229</b> |

## 4. Financial Projections – Summary

### FCC Services (Sum of the Parts)

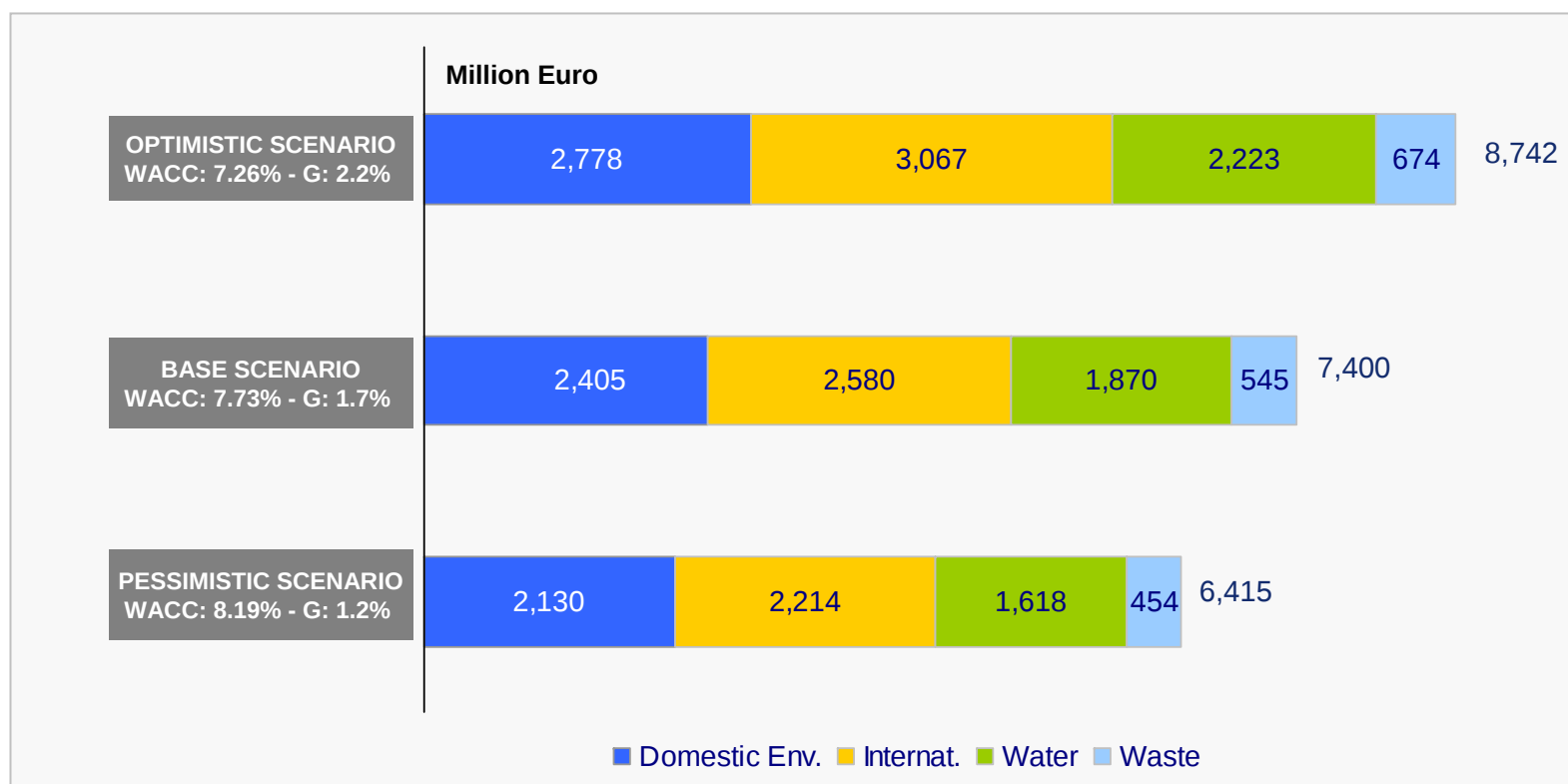
- The enterprise value of FCC Services comes to 7,400 million euro. Discounting the net financial debt as of 30 June 2008 and adjusting the value of minority shareholders and shares not consolidated at cost yields an **equity value of 3,229 million euro, the equivalent of 82% of FCC's market capitalisation.**
- **EV by activity:** 35% is International, 33% is Domestic Environment, 25% is Water and 7% is Industrial Waste.



## 4. Financial Projections – Summary

### Valuation Scenarios

- A change in the base growth looked at in the long term (G:  $\pm 0.5\%$ ) and the cost of capital ( $\pm 0.5\%$ ) would make for a variation of around  $-15\%/+18\%$  in the value of the Services division.



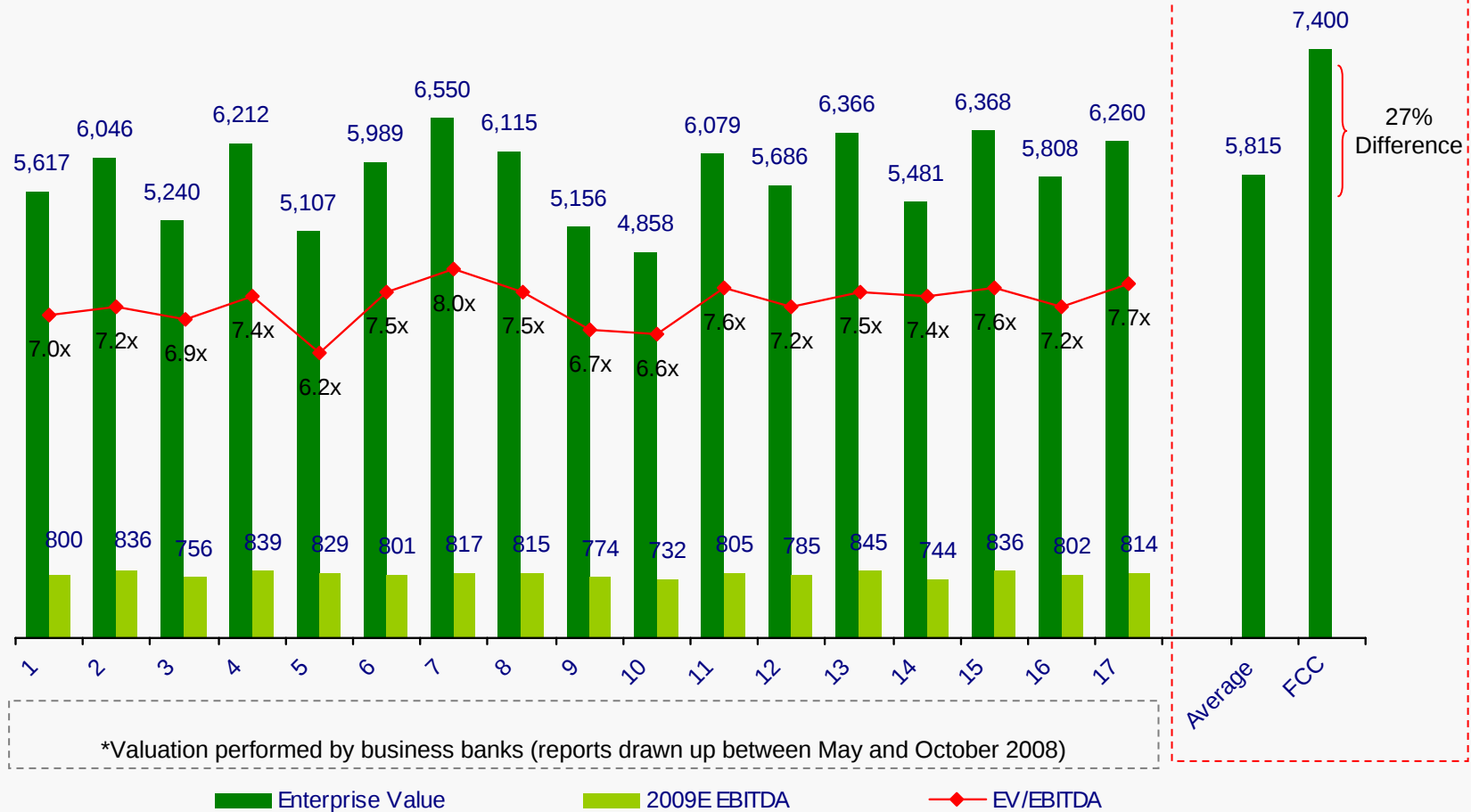
- If the base scenario hypotheses do not include a premium of 20% in the activity's beta (up to 1.32x) to reflect the current situation of the stock market, the enterprise value (EV) would be 8,260 million euro, 12% higher than the assessment in the centre (equivalent to €6.7/share).

## 4. Financial Projections – Summary

### Valuation vs. Stock Market Price



#### FCC Services Valuation: Intrinsic Value vs. Market Multiples (EV/09 Ebitda\*)



➤ The average price the market assigns the Services area is 27% lower than the area's intrinsic value

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## 5. Agenda



## 5. INVESTOR'S DAY AGENDA, FCC SERVICES



| Time           | Contents                                 | Speaker               |
|----------------|------------------------------------------|-----------------------|
| 9:00 to 9:15   | Reception – Torre Picasso                |                       |
| 9:15 to 9:30   | The FCC Group's Environment and Position | Baldomero Falcones    |
| 9:30 to 9:45   | FCC Services: Situation and Objectives   | José Luis de la Torre |
| 9:45 to 10:30  | Domestic Environment Area                | Agustín García Gila   |
| 10:30 to 11:15 | International Environment Area           | Tomás Núñez           |
| 11:15 to 11:45 | Coffee                                   |                       |
| 11:45 to 12:30 | Water Area                               | Fernando Moreno       |
| 12:30 to 13:15 | Industrial Waste Area                    | Aurelio Blasco        |
| 13:15 to 14:00 | Financial Projections: Valuation         | Víctor Pastor         |
| 14:00 to 15:45 | Lunch at Torre Picasso                   |                       |
| 15:45 to 16:15 | Trip                                     |                       |
| 16:15 to 18:00 | Tour of La Resina SUW Park               | Alfonso Garcia        |
| 18:00 to 18:30 | Return trip to Torre Picasso             |                       |



# FCC Services



Investor's Day – 28 October, 2008