



# FCC Plan 10

May 21, 2008

*Analyst Presentation*



## DISCLAIMER

*“This report may contain “forward-looking statements” that is, statements related to future, not past, events. All statements, other than statements of fact, that address activities, events or developments that we or our management intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. Forward-looking statements are based on management’s assumptions and assessments in light of past experience and trends, current conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near- and long-term.”*

# AGENDA



1. **Context**
2. **FCC Group current situation**
3. **Vision and strategic objectives for 2010**
4. **Strategic priorities**
5. **Corporate initiatives**
6. **Value creation: Financial data**
7. **Summary**

# 1. CONTEXT



## Global

- ✓ **Economic slow down** in developed economies
- ✓ **Growth of emerging economies**
- ✓ **EU enlargement**
- ✓ **Liquidity crunch**
- ✓ **Concern for the environment**

## Infrastructure

- ✓ **Stagnation** in the Spanish construction market
- ✓ **Civil works construction increase** in Spain
- ✓ **Contraction of the Spanish residential market**
- ✓ Increase in **construction** and infrastructure management in **Eastern Europe**
- ✓ Increase in **construction** and infrastructure management in **United States**

## Services

- ✓ Increase in both **waste generation** and awareness of **recycling effort**
- ✓ Growth of **waste reuse**
- ✓ **Water shortage** increase
- ✓ Modernization of **water supply** and **sanitation systems**
- ✓ **Privatization of public services**



## 2. FCC GROUP CURRENT SITUATION



**FCC is a leading service and infrastructure company** in terms of net sales, profitability and healthy financial position

**2007\***

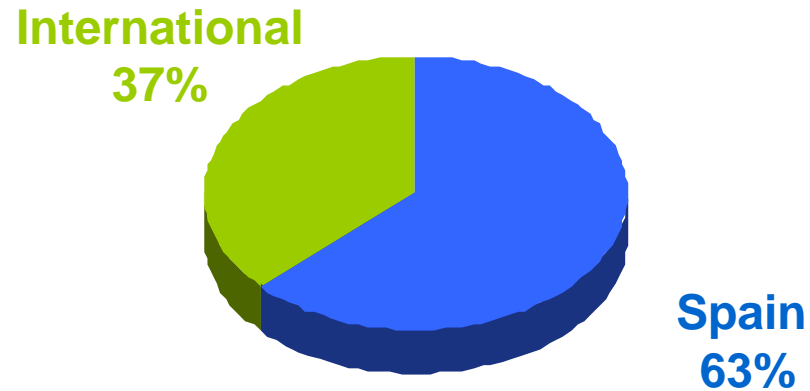
□ Net Sales	<b>13,500 M €</b>	□ Total Net Debt	<b>6,000 M €</b>
□ EBITDA	<b>1,830 M €</b>	□ Corporate Net Debt/EBITDA	<b>2.5</b>
□ EBITDA / Net Sales	<b>13.6%</b>	□ Backlog	<b>33,150 M €</b>
□ Net income attributed to parent	<b>740 M €</b>	□ Capitalization ( <i>May 19, 08</i> )	<b>6,246 M €</b>
□ Operating Cash Flow	<b>1,150 M €</b>	□ Employees	<b>96,140</b>
□ Investments	<b>1,470 M €</b>		

## 2. FCC GROUP CURRENT SITUATION

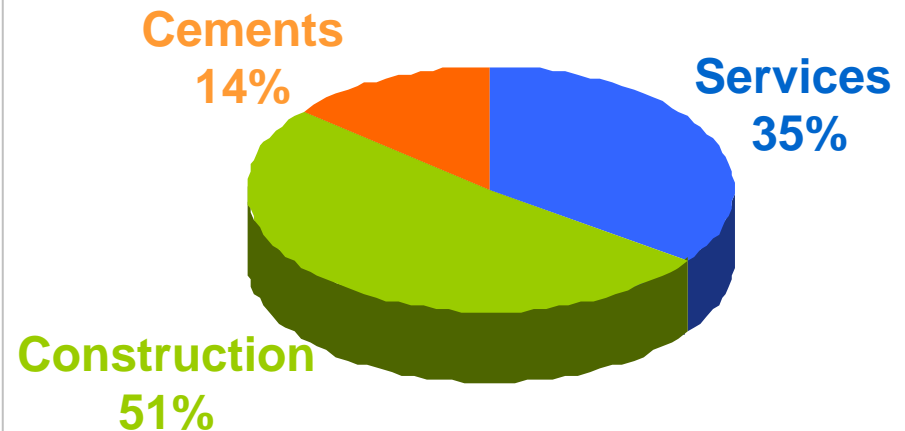


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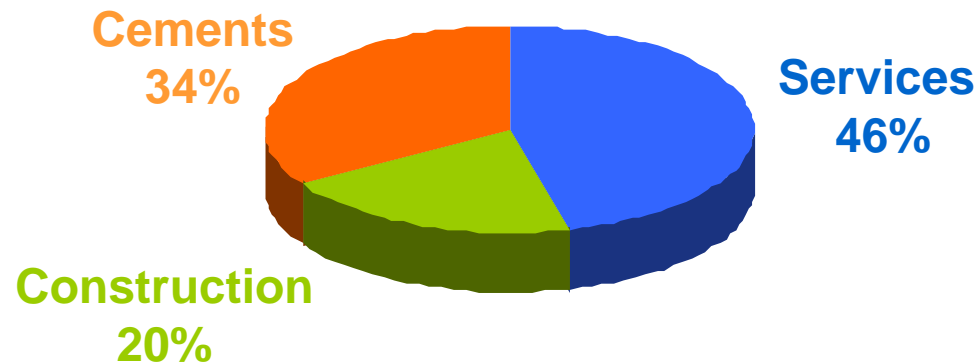
**Market distribution 2007\***  
(Net Sales)



**Business area distribution 2007\***  
(Net Sales)



**Business area distribution 2007\***  
(EBITDA)





## 2. FCC GROUP CURRENT SITUATION



### Services



### 2007 Summary

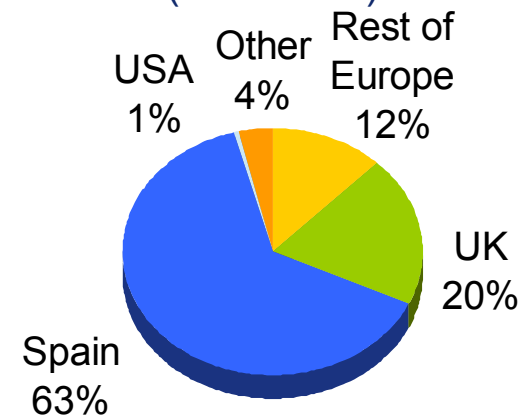
- Net Sales: 4,714 M €
- EBITDA: 836 M € (Margin: 17.7%)
- Industrial waste, Urban waste, Water, Versia

### Leadership

- ✓ Leader in Spain
- ✓ Leader in UK
- ✓ 3rd in Europe

### Geographical distribution

(Net Sales)



## 2. FCC GROUP CURRENT SITUATION



### Infrastructure



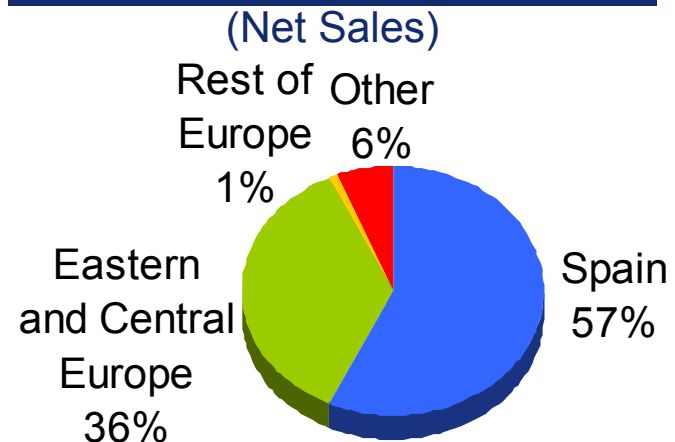
### 2007 Summary

- Net Sales: **6,957 M €**
- EBITDA: **358 M €** (Margin: 5.1%)
- Construction and Global Vía

### Leadership

- ✓ 2nd in Spain (leader in railway concessions)
- ✓ 2nd in Austria
- ✓ 3rd in Eastern Europe
- ✓ 5th worldwide in number of concessions

### Geographical distribution





## 2. FCC GROUP CURRENT SITUATION



### Cement



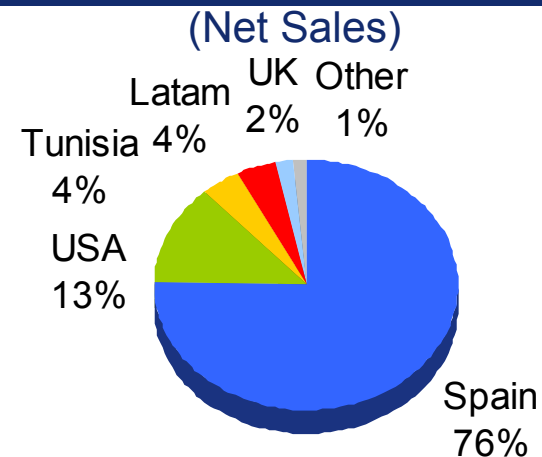
### 2007 Summary

- Net Sales: **1,889 M €**
- EBITDA: **621 M €** (Margin: 32.9%)
- 67.8% of Cementos Portland Valderrivas

### Leadership

- ✓ Leader in Spain
- ✓ Present in the following countries:
  - Spain
  - USA
  - Tunisia
  - Latin America
  - UK
  - Other

### Geographical distribution



## 2. FCC GROUP CURRENT SITUATION



### Real Estate



### 2007 Summary

#### Realia (27.8%)

- Net Sales: **752 M €**
- EBITDA: **366 M €**

#### Torre Picasso (100%)

- Net Sales: **25 M €**
- EBITDA: **21 M €**

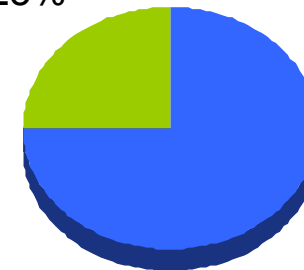
### Leadership

- ✓ Leader in commercial and property sectors

### Geographical distribution\*

(Gross Asset Value)

Europe  
25%



Spain  
75%

\* Realia

### 3. VISION AND STRATEGIC OBJECTIVES FOR 2010



In 2010 **FCC** will be a **leading diversified and international Group** focused on **services and infrastructure** sectors

Strategic plan's objectives are **shareholder value creation**, better professional development opportunities for our employees and contribution to the sustainable development of the society

#### 1° **Consolidate current businesses**

- Maintain market shares
- Consolidate international acquisitions
- Profitability and Free Cash Flow

*Investments*

1,390 M €

#### 2° **Leverage growth opportunities**

- Services, Water, Concessions
- Strategic geographies: Central and Eastern Europe, USA, UK and emerging countries
- Energy diversification: Waste to Energy and generation of new opportunities

2,580 M €

#### 3° **Increase in organizational efficiency**

- Organization and process reengineering
- Talent management
- Cost optimization

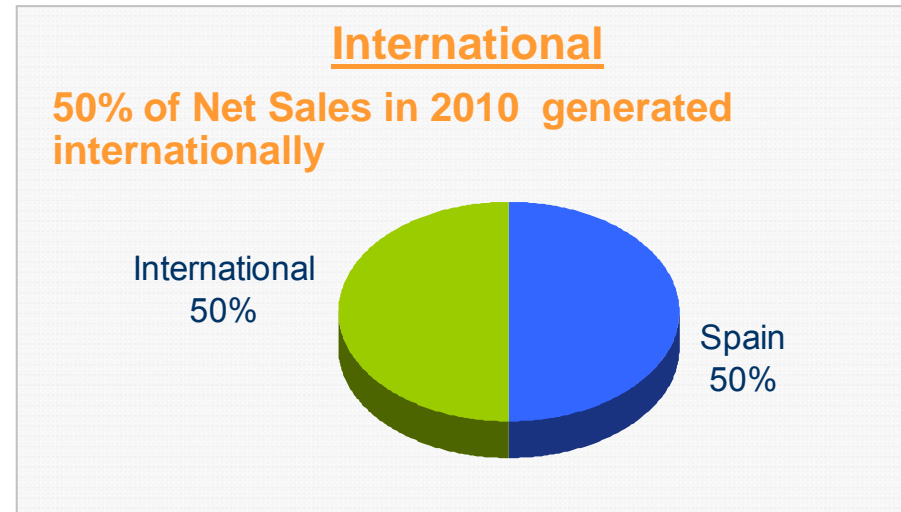
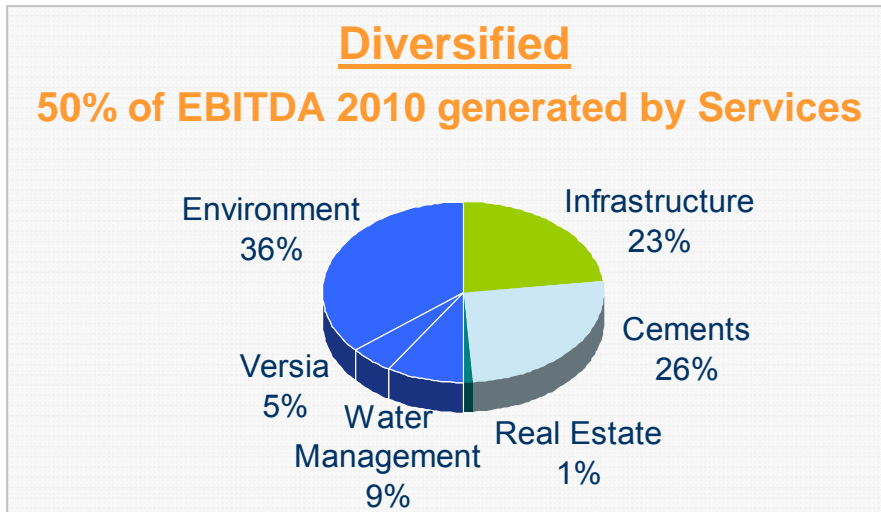
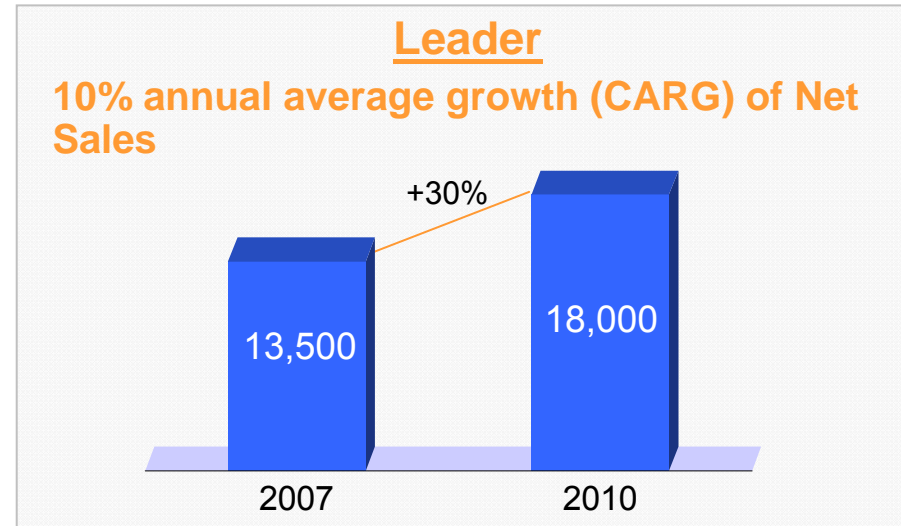
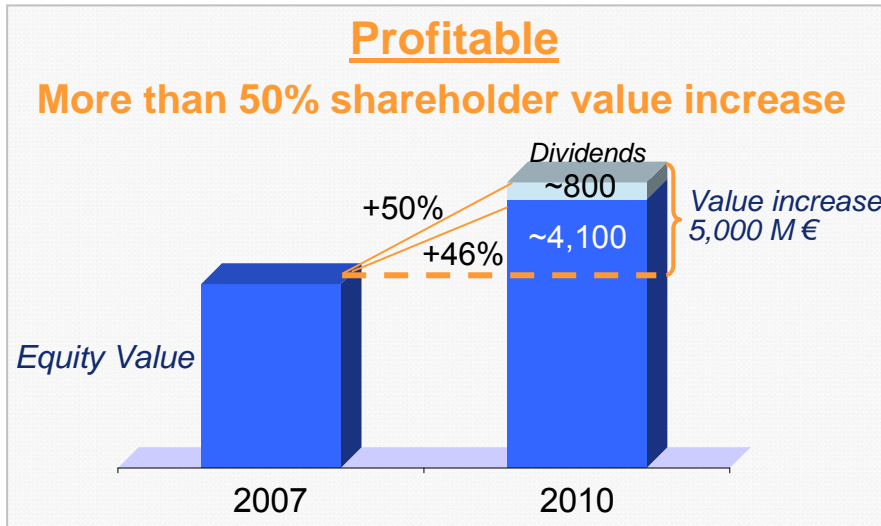
50 M €

**4,020 M €**

### 3. VISION AND STRATEGIC OBJECTIVES FOR 2010



In 2010 FCC will be a **leading diversified and international Group** focused on **services and infrastructure sectors**





# 4. STRATEGIC PRIORITIES



## 10 strategic initiatives of Plan 10

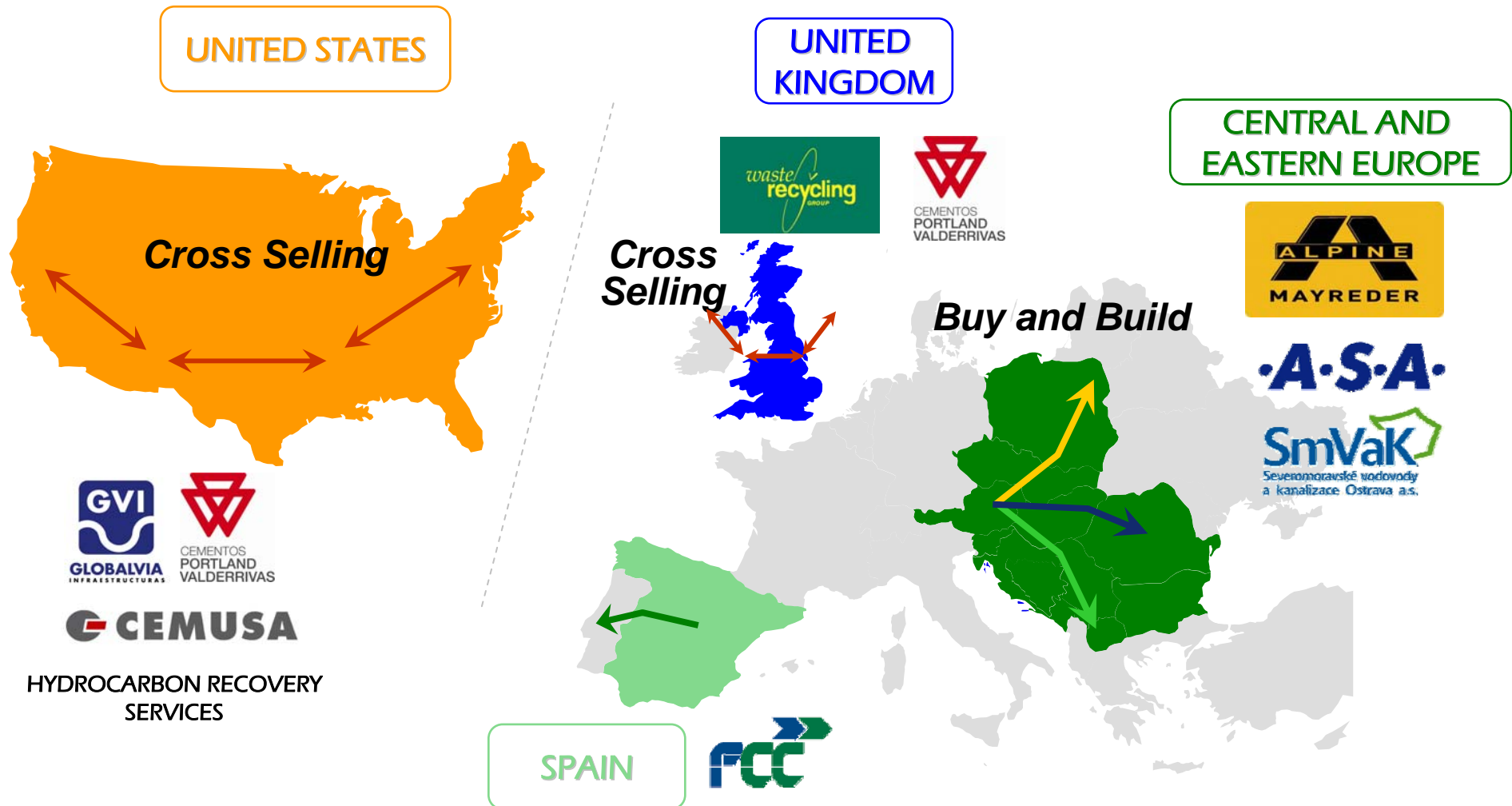
		Attributable investment				
		Services	Infrastr.	Cement	Realia	GVI
Consolidate existing businesses	1. Consolidate market share and cash flow in Services, Infrastructure, Cement and Real Estate in Spanish markets	✓	✓	✓	✓	✓
	2. Consolidate and integrate WRG and HRS	✓				
	3. Consolidate and integrate Alpine		✓			
Leverage growth opportunities	4. Acquisition of waste and water management companies in Eastern and Central Europe	✓				
	5. Acquisition of industrial and urban waste management companies in USA	✓				
	6. Development of Services business in UK through PFIs	✓				
	7. Acquisition of infrastructure companies in USA		✓			
	8. Development of concessions in USA, Mexico and Europe					✓
9. Development of Energy business						
Increase efficiency	10. Efficiency, process reengineering and talent management program	50 M €				
	Investments in 2008-2010: 4,020 millions of Euros	2,510	970	490	390	1,700



# 4. STRATEGIC PRIORITIES



## Leverage growth opportunities – STRATEGIC GEOGRAPHICAL AREAS



## 4. STRATEGIC PRIORITIES

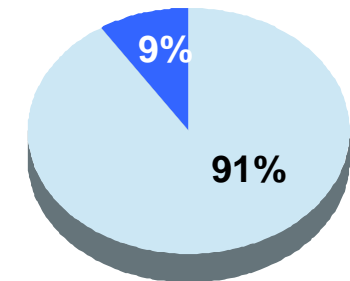


**FCC Servicios** will focus on the **consolidation of existing businesses** in Spain and United Kingdom and on the **development of markets** in Eastern and Central Europe and USA

### Strategic priorities

- **Consolidation of market share and cash flow** generation in **Spain**
- Consolidation and integration of **WRG** (Waste Recycling Group) and **HRS** (Hydrocarbon Recovery Services)
- Development of services in **United Kingdom** through **PFIs**
- Development of **water management** through PPP in **Eastern and Central Europe and in emerging countries**
- Acquisitions of **waste and water management companies** in Eastern and Central Europe (buy and build)
- Acquisition of industrial and urban waste service companies in **USA**

**Investments  
2008-2010  
(2,340 M €)**



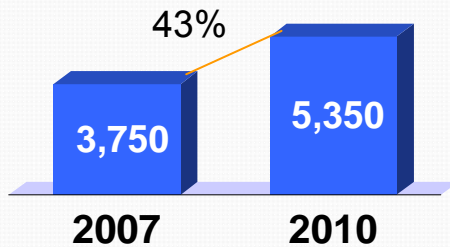
■ Operating  
■ Acquisition and development

## 4. STRATEGIC PRIORITIES

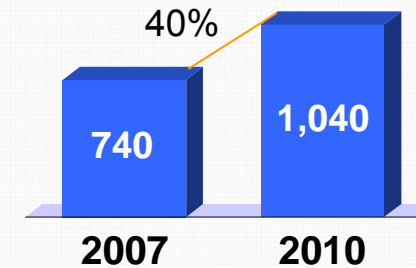


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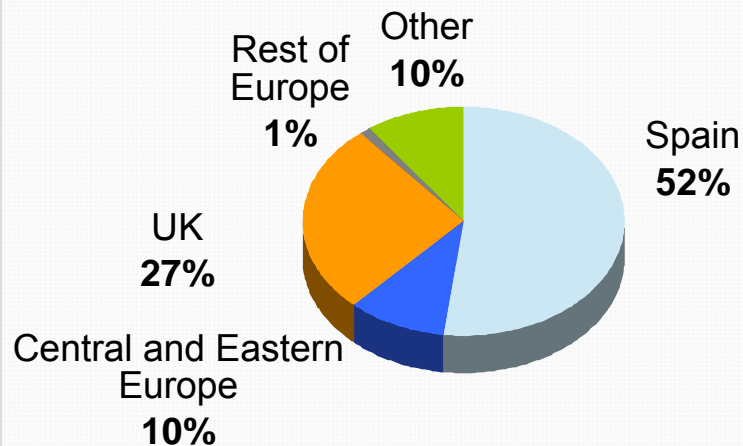
**Increase Net Sales by 43 %**



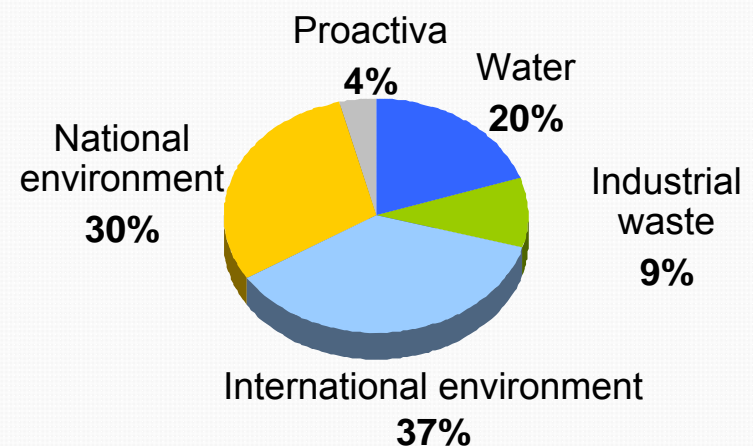
**Increase EBITDA by 40%**



**Increase level of internationalization**  
Net Sales 2010



**Services diversification**  
Net Sales 2010



## 4. STRATEGIC PRIORITIES

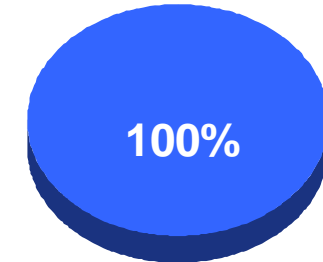


**Versia** will focus on the profitability of existing businesses and revision of its business portfolio

### Strategic priorities

- **Consolidation of market share and cash flow** generation in Spain
  - Consolidation of **Conservation and Systems** activities
  - Efficiency improvement of **Handling** business
- **Exploiting synergy potential** with other FCC's business areas:
  - **Cemusa**
- Strategic review of business portfolio. **ITV vehicle inspection and Parking**

**Investments  
2008-2010  
(170 M €)**



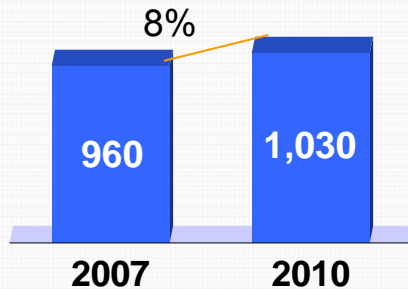
■ Operating  
■ Acquisition and development

## 4. STRATEGIC PRIORITIES

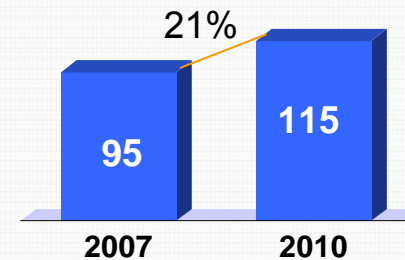


Versia will focus on the profitability of existing businesses and revision of its business portfolio

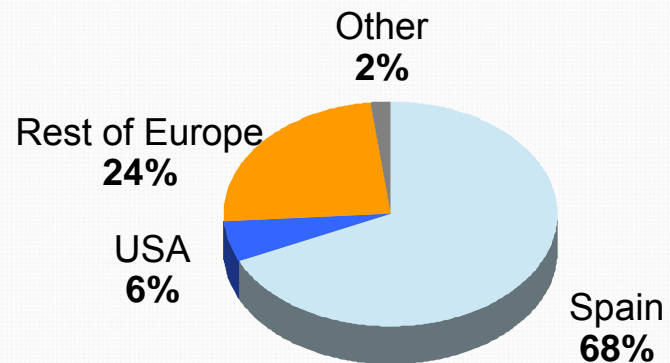
### Net Sales increase by 8%



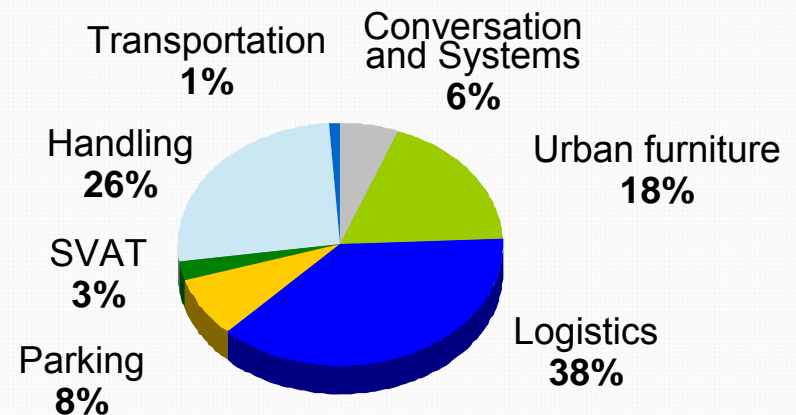
### EBITDA increase post divestitures by 51%



### Increase level of internationalization Net Sales 2010



### Services diversification Net Sales 2010





## 4. STRATEGIC PRIORITIES

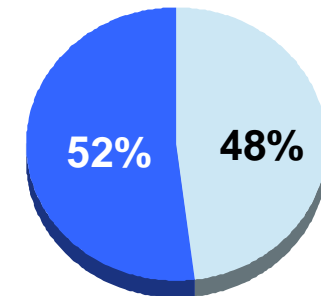


**FCC Construcción** will focus on the **consolidation of existing businesses** in Spain and Central Europe and on the **development of Eastern European and US markets**

### Strategic priorities

- **Consolidation of market share and cash flow** generation in Spain
- Consolidation and integration of **Alpine**
- Acquisition of infrastructure companies in **USA**
- Expansion to **Mexico and Central America**
- Analysis of **Portuguese** market
- Development of Greenfield concessions in **Eastern and Central Europe**
- Development of **emerging markets**
- Fostering **Ibervía** and **Integralia** businesses in Spain
- Fostering **Espelsa**

**Investments  
2008-2010  
(970 M €)**



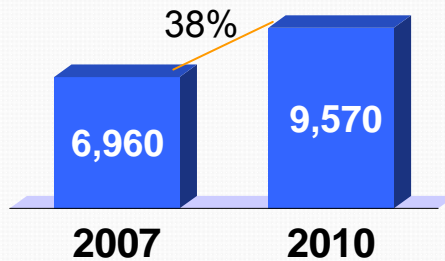
■ Operating  
■ Acquisition and development

## 4. STRATEGIC PRIORITIES

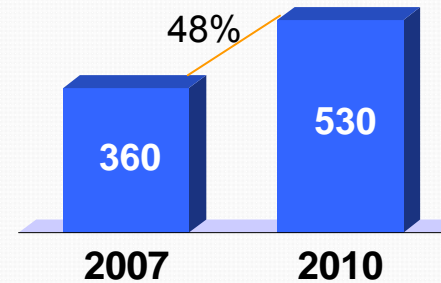


**FCC Construcción** will focus on **the consolidation of existing businesses** in Spain and Central Europe and on **the development of Eastern European and US markets**

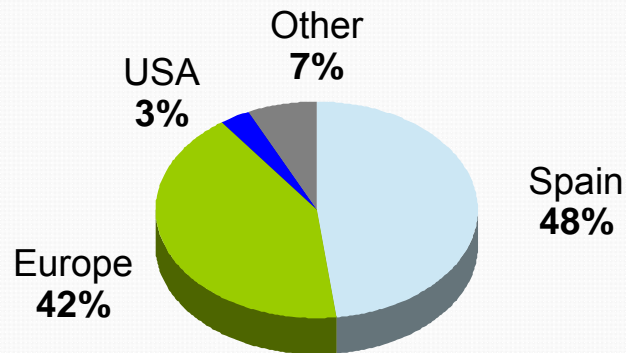
**Increase Net Sales by 38%**



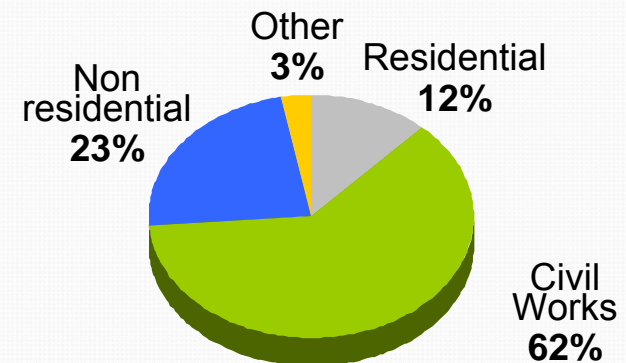
**Increase EBITDA by 48%**



**Increase level of internationalization**  
Net Sales 2010



**Market diversification**  
Net Sales 2010



## 4. STRATEGIC PRIORITIES

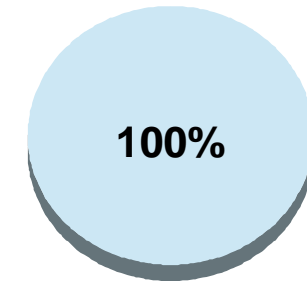


**Global Vía\*** has an ambitious **growth plan** in the concession market centered mostly on Europe and America

### Strategic priorities\*\*

- Creation of Global Vía as a **separate business unit** spun-off from Construcción
- **Transfer of 36 concessions** from FCC and Caja Madrid to Global Vía
- **Consolidation** of 30 existing concessions in Spain
- Growth in road, railway and port infrastructure in **Spain and Portugal**
- Acquisition of concession operating company in **USA**
- Development of Greenfield concessions in **North America**
- Preferential retention of the concessions in which Global Vía has a majority

**Investments  
2008-2010  
(3,400 M €)**



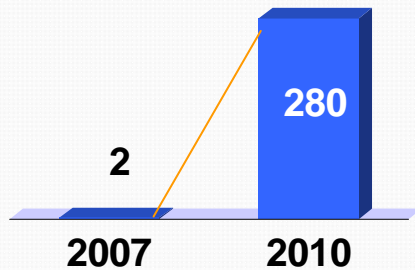
■ Operating  
■ Acquisition and development

## 4. STRATEGIC PRIORITIES

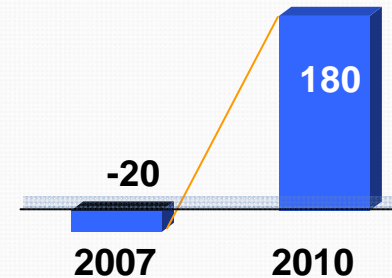


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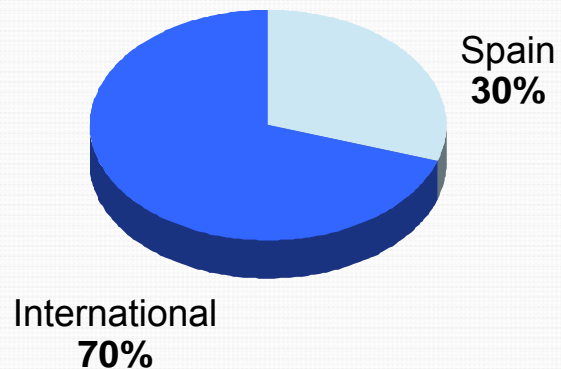
### Increase Net Sales



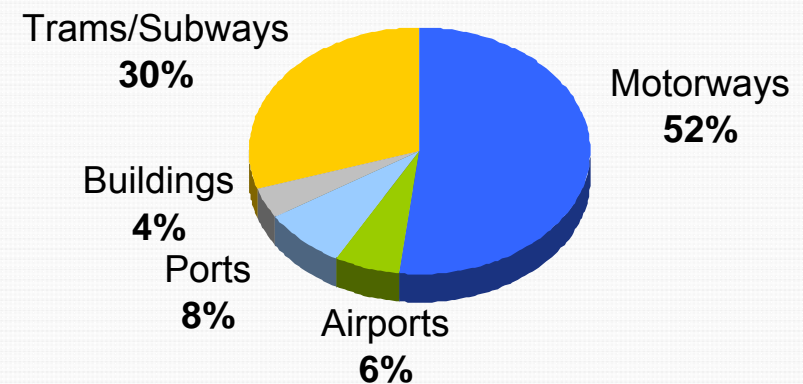
### Increase EBITDA



### Increase level of internationalization Net Sales 2010



### Concession diversification Net Sales 2010



## 4. STRATEGIC PRIORITIES

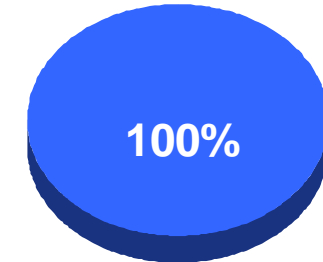


**Cementos** will focus on the **consolidation of existing businesses** and on Cash Flow generation for the Group

### Strategic priorities

- **Consolidation of market share** and cash flow generation
- **Overhead cost optimization**
- **Operating improvement** plan focused on:
  - Improvement in electricity costs
  - Fostering of high added value products
  - Improvement in USA plants' productivity
- Extraction of value from **waste**
- Strengthening of **export**
- Leveraging **synergies with FCC**

**Investments**  
**2008-2010**  
**(490 M €)**



 Operating  
 Acquisition and development

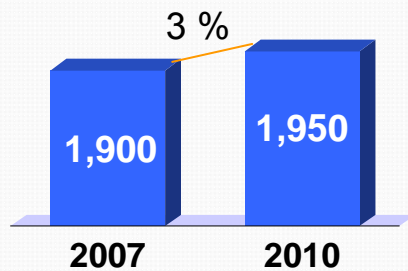


## 4. STRATEGIC PRIORITIES

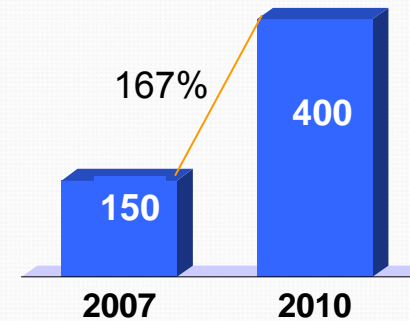


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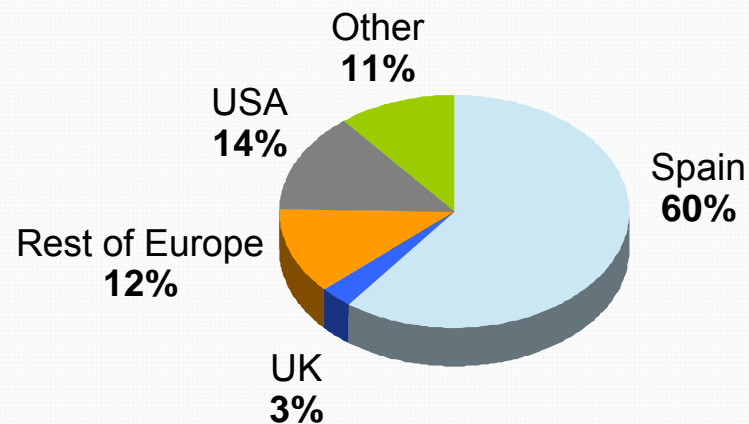
### Increase Net Sales by 3 %



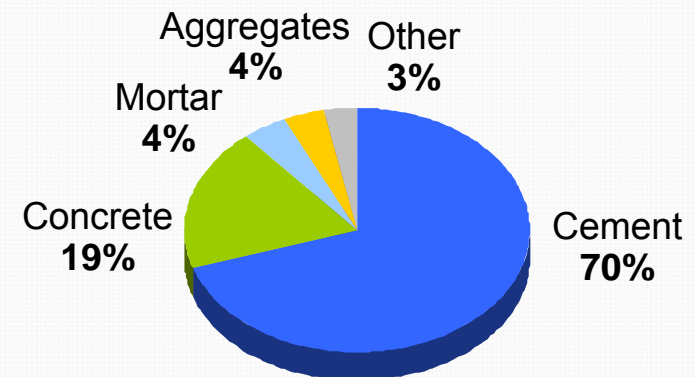
### Increase free Cash Flow by 167%



### Increase level of internationalization Net Sales 2010



### Product diversification Net Sales 2010



## 4. STRATEGIC PRIORITIES

REALIA

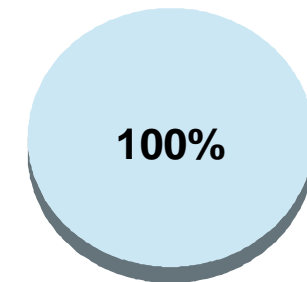
FCC

**Realia\*** will refocus its efforts on **property management**, increasing the proportion of the property business to 65-70% of the value of total assets, together with continuing **international growth**

### Strategic priorities

- Investments in **property business** with the objective to reach 65-70% of the total asset value
- Management of property and land portfolio. **Divestitures:** 1.030 millions of Euros
- **Land management** with the focus on the areas of expected high demand: Madrid, Barcelona, Valencia and Sevilla
- Consolidation of investments in **Poland and Rumania**
- Launch of **government sponsored homes** and **free market homes promotions** at an affordable price.  
Development of commercial actions to reduce apartment inventory

**Investments  
2008-2010  
(1,400 M €)**



■ Operating  
■ Acquisition and development

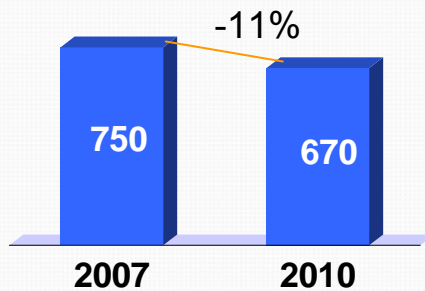
## 4. STRATEGIC PRIORITIES

REALIA

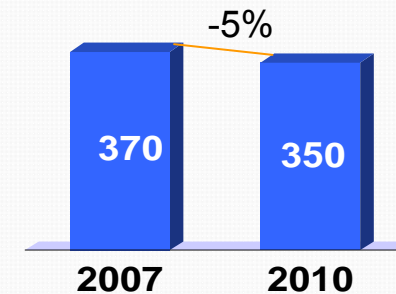


Realia\* will refocus its efforts on **property management**, increasing the proportion of the property business to 65-70% of the value of total assets, together with continuing **international growth**

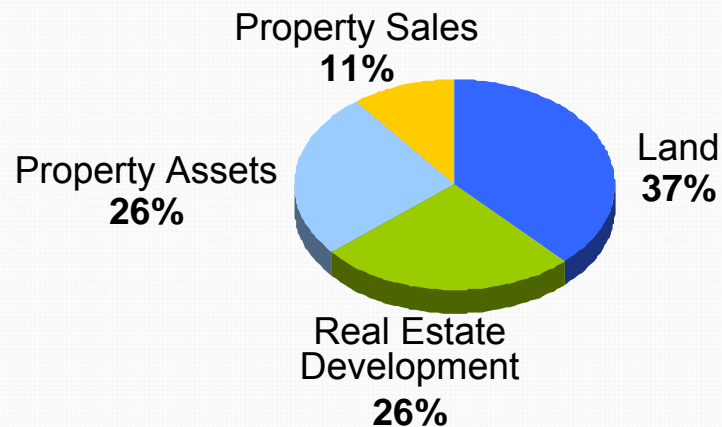
### Net Sales



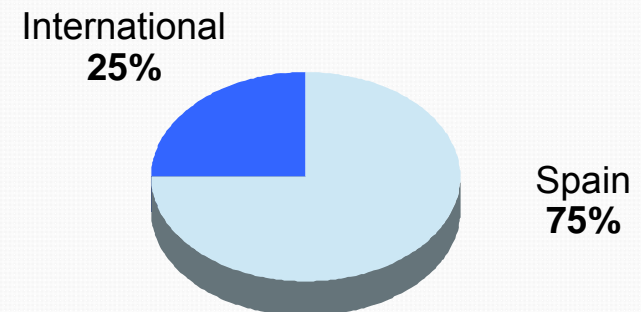
### EBITDA



### Product diversification Net Sales 2010



### Increase level of internationalization EBITDA 2010



## 4. STRATEGIC PRIORITIES



### Leverage growth opportunities - ENERGY

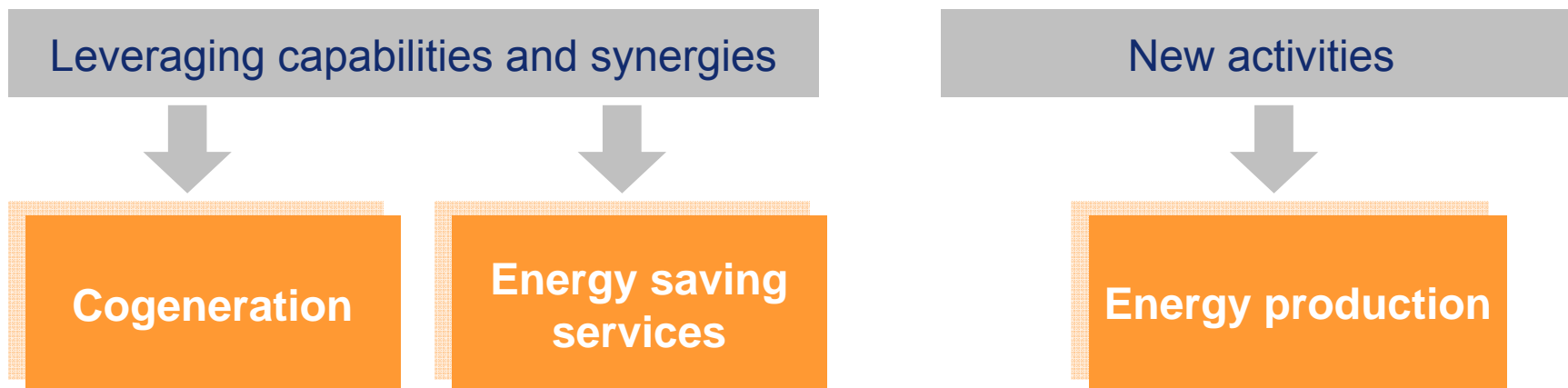
Commitment to **Energy efficiency** and **Environmental sustainability**

- **Increase in energy demand**
- **Need to reduce greenhouse effect emissions**
- **Increase in waste generation**
- **Sector reorganization**



- **FCC's capabilities:** Services, Urban solid waste, Water, Cements, Infrastructure

Secure competitive positioning in **energy sector** and FCC's **strategic geographies**



# 4. STRATEGIC PRIORITIES



## Increase organizational efficiency – COST OPTIMIZATION

- Process reengineering
- Talent management
- Cost optimization



- Efficiency, productivity and quality
- Free Cash Flow generation
- Agile and dynamic company

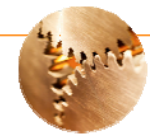


### General cost reduction

- **Initiatives:**
  - Consumption optimization
  - Joint Group's management
  - Pooling of purchasing volumes
- **Categories:** Travel, Communication, Energy etc.

**100 M € EBITDA increase**  
**730 M € Equity Value increase**

### Process reengineering



- Process reengineering
- Shared services
- Integra Project





## 4. STRATEGIC PRIORITIES



### Increase organizational efficiency – TALENT MANAGEMENT

#### 1. Attract and retain talent, motivate

- Director development plan
- Rotational and training plan

#### 2. Participate in the development and successes of the Strategic plan

- Internal communication plan
- Management by results and incentive structure aligned to the Strategic plan
- Communication channels open to improvement proposals

#### 3. Internationalization of the executive team

#### 4. Increase productivity and reduce / contain costs

- Headcount planning and productivity follow-up

#### 5. Improve the labor risk prevention

## 4. STRATEGIC PRIORITIES



### Increase organizational efficiency – MANAGEMENT FOR RESULTS

- **Management by results** is being introduced
- **3 to 5 Strategic plan objectives** will be set annually
- **Objectives and their evaluation** will be approved yearly
- If the **threshold of 90%** is achieved for set objectives an **economic incentive** will be attributed

# 5. CORPORATE INITIATIVES



## Corporate social responsibility and corporate governance

### CSR's integrated management

(Common Group's policies)

### Corporate Governance

(Ethics codex, IAGC, corporate governance policies)

### Dialog with stakeholders

(Expectations and answers)

### Responsible communication

(Annual reports, web, intranet, Newsletter FCC)

### Sustainable development

(Fight against global warming and eco-efficiency)

### Social reputation

(Forum participation, reputation risks management)



### Commitment

(Master plan, objectives and balanced scorecard)

### Internal social dimension

(Talent attraction and retention, labor and health safety, work/life balance, diversity, integration of disadvantaged communities)

### Corporate citizenship

(Principles for social action, corporate volunteering, sponsorship, patronage)

## 6. VALUE CREATION: FINANCIAL DATA



The **Strategic Plan** is focused on value creation: consolidation of our current situation, leveraging of growth opportunities and profitability optimization

	2007		2010
<b>Net Sales</b>	13,500 M €	+ 30% Increase + 10% CAGR	18,000 M €
<b>EBITDA</b>	1,830 M €	+ 30% Increase + 10% CAGR	2,400 M €
<b>Corporate Debt/ EBITDA</b>	2,5		< 3.0
<b>Free Cash Flow</b>	190 M €	+ 287% Increase + 57% CAGR	735 M €
Investments in 2008 – 2010 <b>4,000 M €</b>			

## 6. VALUE CREATION: FINANCIAL DATA



The **Strategic Plan** is focused on value creation: consolidation of our current situation, leveraging of growth opportunities and profitability optimization

	2007		2010
<b>Shareholder Value</b>		+ 50% Increase ~ Increase in value of app. 5,000 M €	Dividends (08-10) ~ 800 M € Equity Value increase ~ 4,100 M €
<b>ROCE</b>	6.5%	Improvement of ROCE by 100 bps	7.5%
<b>Dividends FCC SA</b>	260 M €	+ 15% Increase + 4% CAGR	300 M €
<b>Net Ordinary Profit</b>	465 M €	+ 29% Increase + 9% CAGR	600 M €

Investments in 2008 – 2010 **4,000 M €**



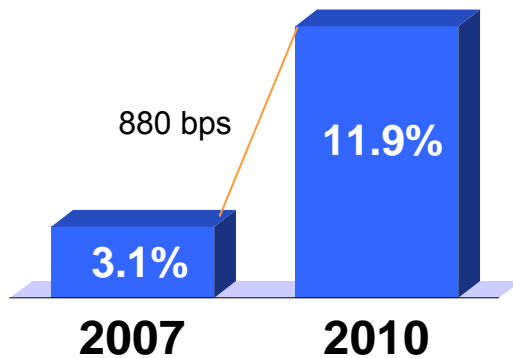
## 6. VALUE CREATION: FINANCIAL DATA



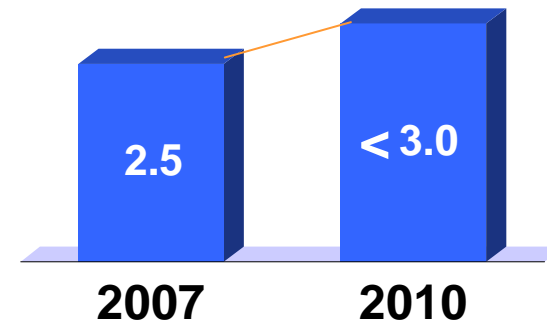
### Financial strategy

- Financial capacity and solvency
- Financial discipline
- Transparency
- Internationalization of funding sources
- Investor relations

**Free Cash Flow/  
Equity Value 2008-2010**  
Increase in FCF Yield by 880 bps



**Corporate Net Debt/  
EBITDA 2008-2010**



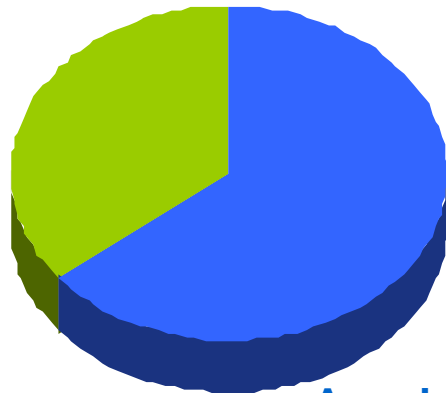
## 6. VALUE CREATION: FINANCIAL DATA



### Financial strategy

Type of investments  
2008-2010

Operating (36%)  
1,400 M €



Acquisitions and  
development (64%)  
2,600 M €

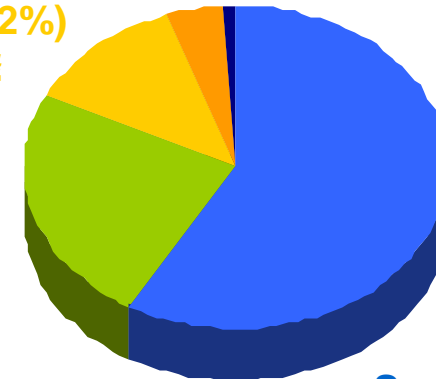
FCC Group: 4,000 M €

Investments by Area  
2008-2010

Versia (4%)  
170 M €

Other (1%)  
50 M €

Cements (12%)  
490 M €



Infrastructure (24%)  
970 M €

Services (58%)  
2,340 M €

FCC Group: 4,000 M €

# 6. VALUE CREATION: FINANCIAL DATA

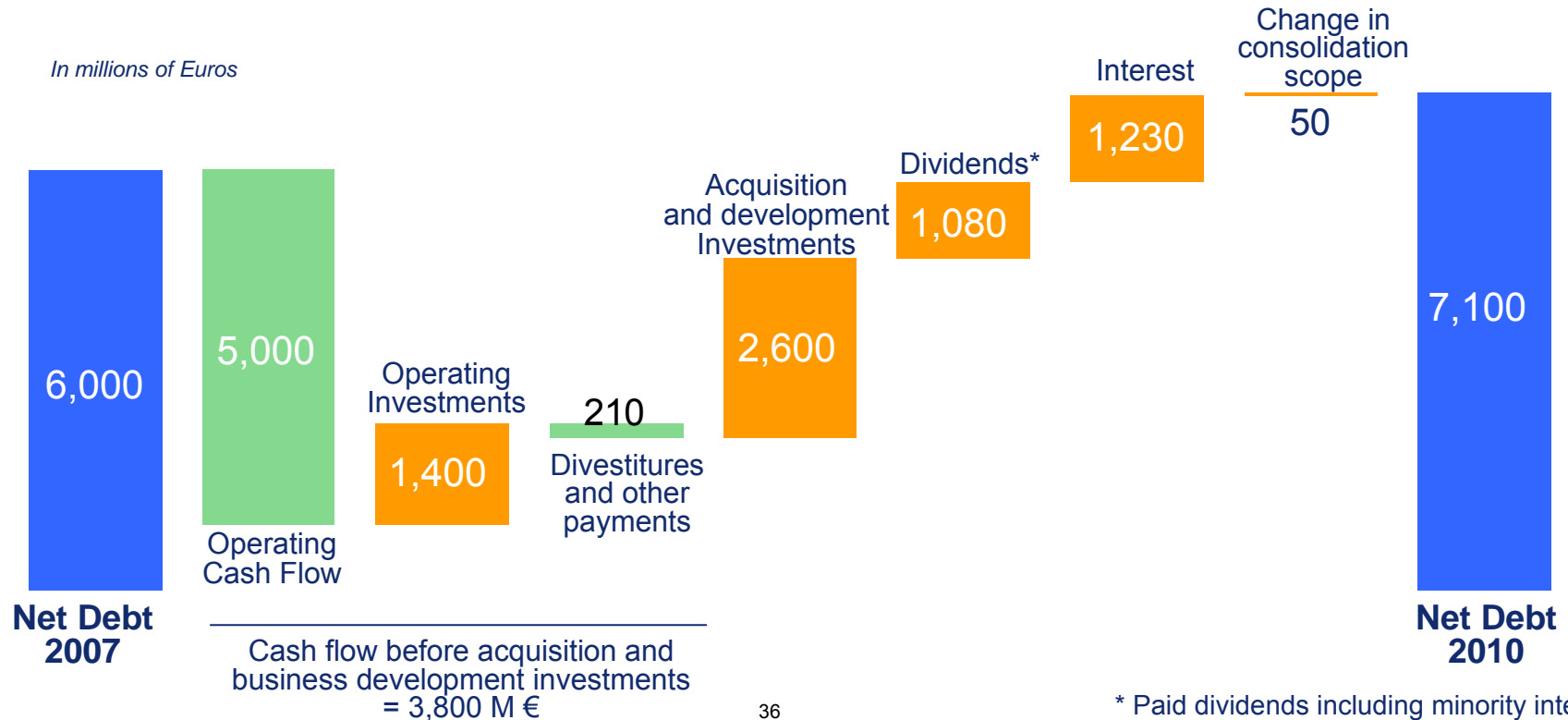


## Net Debt 2008-2010

### Cash Flow

2008-2010

Operating Cash Flow	5,000
Investments	4,000
Free Cash Flow	>1,200



\* Paid dividends including minority interest

## 7. SUMMARY



In 2010 **FCC** will be a **leading diversified and international Group** focused on **services and infrastructure** sectors

Strategic plan's objectives are **shareholder value creation**, better professional development opportunities for our employees and contribution to the sustainable development of the society

### 1° **Consolidate current businesses**

- Maintain market shares
- Consolidate international acquisitions
- Profitability and Free Cash Flow

*Investments*

1,390 M €

### 2° **Leverage growth opportunities**

- Services, Water, Concessions
- Strategic geographies: Central and Eastern Europe, USA, UK and emerging countries
- Energy diversification: Waste to Energy and generation of new opportunities

2,580 M €

### 3° **Increase in organizational efficiency**

- Organization and process reengineering
- Talent management
- Cost optimization

50 M €

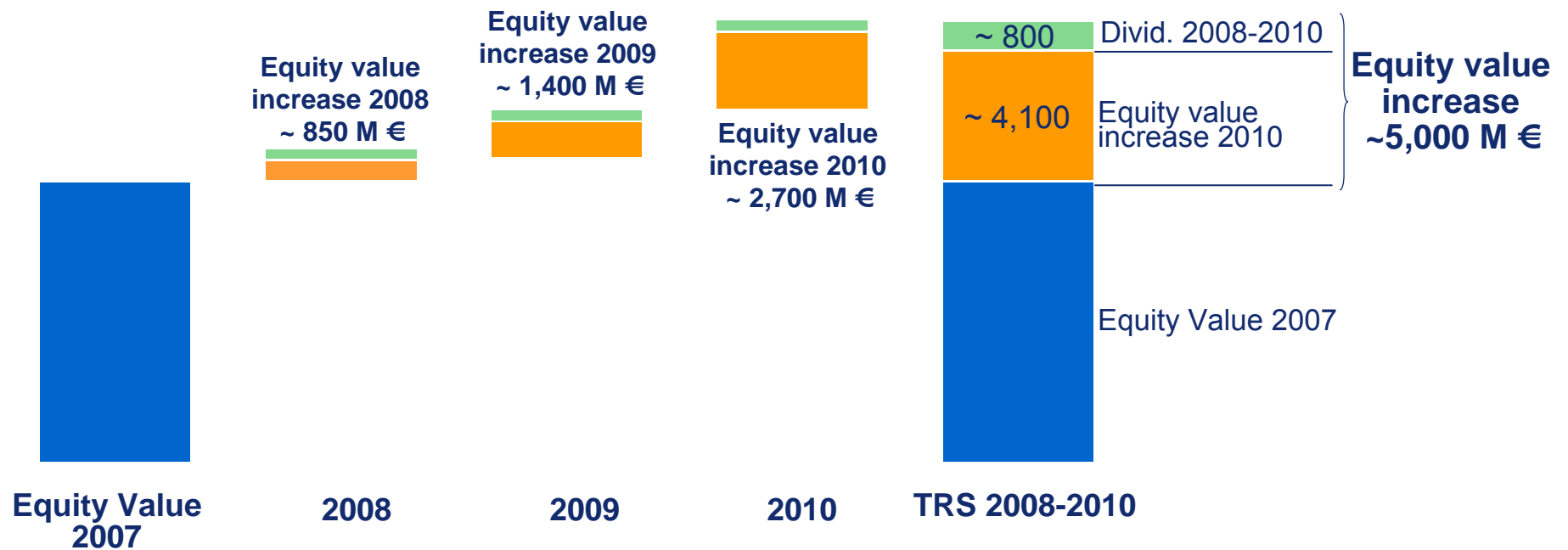
**4,020 M €**

## 7. SUMMARY



Strategic plan's objectives are **shareholder value creation**, better professional development opportunities for our employees and contribution to the sustainable development of the society

### Equity Value increase





## 7. SUMMARY



In 2010 **FCC** will be a **leading diversified and international Group** focused on **services and infrastructure** sectors

### Value Creation: Financial Data

	<u>2007</u>	<u>Increase</u>	<u>2010</u>		<u>2007</u>	<u>Increase</u>	<u>2010</u>
Net sales	13,500	+ 30%	18,000	Corporate Debt/ EBITDA	2.5		<3.0
EBITDA	1,830	+ 30%	2,400	Total Net Debt	6,000	+ 18%	7,100
Net Ordinary Profit	465	+ 25%	600	Free Cash Flow	190	+ 287%	735

Investment in 2008 - 2010: **4,000 millions Euros**

# 7. SUMMARY



In 2010 FCC will be a **leading diversified and international Group** focused on **services and infrastructure sectors**

