

construction

Ferrovial Agroman is the Ferrovial subsidiary that carries out civil engineering, construction and industrial projects. As well as being known for its extensive experience completing all kinds of unique civil engineering and construction projects, the company also represents an international benchmark in transport infrastructure, having built more than 470 km of tunnels, 3,900 km of highways, 15,000 km of roads and 4,600 km of railroad (including 700 km of high-speed railroad). It has firmly established its international position, which has grown consistently in recent years and accounted for more than two thirds of total business for the key operating lines in 2012.

In 2012 revenues in the construction business stood at 4.326 billion euro, stable against 2011, with growth of 2% (pro-forma growth of 0%). The company has a large order backlog of 8.699 billion euro, equivalent to 24 months of guaranteed production at current execution levels.

The international strategy continued in 2012, with the proportion of international business growing as a percentage of the total. In 2012 it accounted for 70% of sales and backlog. This growing contribution from international operations is likely to continue in the future, as indicated by the growth in projects submitted to international tender, now accounting for 79% of total business. Furthermore, 90% of sales and 85% of

International/Total (%)



internationalization	roads and toll roads	rail track and high-speed railroad	tunnels
70% of the business is international, an all-time high	19,000 kilometers	4,600 kilometers	470 kilometers built

Ferrovial Agroman has an established international position, which has grown consistently in recent years and accounted for more than two thirds of total business for the key operating lines in 2012.

the international backlog are generated by the main strategic markets: the United States, Poland, Canada and the United Kingdom, all of which are stable markets with low country risk.

EBITDA was up 37% in 2012 against the previous year (33% in comparable terms) to 337 million euro. There was a similar performance from EBIT, which stood at 298 million euro, representing a high 6.9% of revenue, compared to 5.0% in 2011. The healthy financial position of the business is demonstrated by its excellent profitability figures.

Again there was a positive flow of pre-tax operations, exceeding the forecast 100 million euro, thus culminating a five-year period of consecutive positive flows since the 2008 crisis erupted in Spain, with an accumulated flow of more than 1.6 billion euro.

The competitive environment

The construction business remains strategically important for Ferrovial, due not only to its solid track record of growth and profitability, but also thanks to its ability to generate cash flows and support other divisions, which helps ensure the continuity of diversification and the group's international expansion.

Construction Market in Spain

The Spanish construction market saw a further decline in activity over 2012, shrinking 12% over the year, the fifth consecutive year of decline. As a result, investment in construction represented around 11% of Spain's GDP in 2012, well below the highs of 18% recorded in 2007.

The trend for shrinking public investment, which began in 2010, became more acute in 2012. Forecasts indicate a decline of 20% in civil works this year, far outstripping the overall drop in building work. Spain's main investors in civil works, the Ministry of Civil Works and the Ministry of the Environment, had their investment budgets slashed 22% in 2012. There were similar cutbacks at regional governments and local authorities, particularly following the 2011 regional and local elections, and the end of the Municipal Investment Fund in 2010.

Building construction, meanwhile, also recorded a 5% drop in activity during 2012. This is a slower rate of decline than in previous years, partly because it is already at the all-time lows of the last decade. For example, the housing sector closed 2012 with housing permits standing at around 70,000, down 35% on 2011, despite already being at the lowest level recorded since the early 1980s.

Forecasts for the construction sector as a whole in 2013 put the drop in activity at around 9%. Just as in 2012, the drop in 2013 is expected to be sharper in civil works, due to fewer public tenders (down 46% in 2012 according to Seopan), making this the third consecutive year of heavy declines. The project backlogs of construction companies, which still show reasonable levels in terms of months of production, will only partly offset this fall.

These inauspicious forecasts mean any prospects of recovery in the sector rely on the implementation of initiatives announced by the Ministry of Civil Works in September 2012. These are chiefly the new 2012-2024 Infrastructure, Transport and Housing Plan (PITVI in its Spanish acronym), with earmarked investments of 136.627 billion euro. The plan includes government investments of more than 52 billion euro on railroad infrastructure and nearly 40 billion euro on roads, as well as private investment in roads and ports worth more than 15 billion euro. These works should help to stabilize the sector in the medium term, although the Ministry of Civil Works says it intends to further cut investments right up to the inflection point that is expected in 2015.

As for the building sector, any recovery will have to wait until there is an upturn in the general economy, with forecasts from respected analysts indicating a return to growth in 2014-2015. Likewise, there are major one-off projects ahead, such as the construction of Eurovegas in Alcorcon (Madrid) set to begin in late 2013, with initial investment of 6 billion euro up to 2017, and as much as 17 billion in the long term.

Ferrovial Agroman, like all major construction companies, has been affected by this difficult climate, with an overall drop in revenue in Spain of 24% in 2012.

90% of sales and 85% of the international order backlog are in the main strategic markets: United States, Poland, Canada and the United Kingdom.



Ferretes by-pass, Menorca, Spain

International Presencel

The major international scope of Ferrovial Agroman's operations, which grew 20% in 2012, has fully offset the decline in construction activity in Spain. Ferrovial Agroman's strategic positioning is based on a highly selective combination of key markets: the United States and Canada, highly stable countries that both have a significant infrastructure deficit; Poland, which will continue to channel major investment into civil works; and the United Kingdom, with major infrastructure projects looming and where Ferrovial has investment companies.

As well as these markets, which make up 85% of the international order backlog, Ferrovial Agroman is diversifying into markets where it has historically had a stable presence, and others in which it has been opening offices in recent years with a view to a long-term position. For example, the tendering activity extends to much of Latin America (Chile, Colombia, Peru, Puerto Rico and more recently Brazil), the Middle East (Qatar, Oman, United Arab Emirates and Saudi Arabia), Western Europe (Ireland, Portugal and France), India and Australia.

Over the last year the company's position in new international markets has been bolstered, both via newly incorporated local resources and through restructuring in Spain carried out with a view to it taking part in the development and management of international operations. This strategy is already yielding results, such as the concession of a large industrial project of 11 buildings in the Tokamak complex for ITER in France.

United States and Canada

Ferrovial Agroman is highly focused on the United States, where it is increasing its position alongside Cintra via PPP projects, including major highway projects such as the NTE and LBJ highways in Texas; and D&B projects directly for end clients (mainly the U.S. Department of Transport), such as the US460 in Virginia awarded in 2012. The country is fully covered from offices in Texas (the second largest construction market in the country, in which Ferrovial Agroman is the leader in D&B concessions projects via the civil works subsidiary Webber), the East Coast (Georgia) and the West Coast (California).

Individual states are increasingly open to public-private partnerships, where Ferrovial Agroman and Cintra are leaders in the United States, while the Federal Government's approval of the Moving Ahead for Progress in the 21st Century Act (MAP-21) in July 2012, with 108 billion dollars earmarked for the next 27 months, confirms the United States as a key market.

Meanwhile, there are delays to high-speed rail investment programs, with planned investments of 53 billion dollars over a six-year time frame. Nevertheless, some projects such as the California HSR are already in the public tender phase.

There are also numerous opportunities in Canada, thanks to the company's long experience in the country and because provincial governments are making use of PPP tenders. There has also been Federal Government support for infrastructure construction, with one of the current priorities being the extension of the Building Canada 2007-14 plan, which has been allocated 33 billion Canadian dollars. One standout aspect here is Ferrovial Agroman's success in 2012, when it was awarded the 407 East Highway Extension along with Cintra. Canada is also the largest global mining market, with major investment plans in energy projects, which along with civil works makes the country a highly attractive market for construction.

Poland

The Polish market, in which Ferrovial Agroman operates through Budimex, the country's leading construction company, is the largest construction market in Eastern Europe. In 2012 the construction market shrank slightly, by around 1%, due to completion halfway through the year of infrastructure for the Euro 2012 soccer championship, as well as the financial crisis in Europe, which slowed GDP growth in Poland to its lowest level in recent years. This decline in production can be broken down as a slight growth in Civil Works of around 1% and a decline in building work of approximately 2%.

In 2013 activity is expected to drop by a further 5%. Civil Works are set to be hit by a significant drop overall, including a drop in road construction, offset only partially by other sectors, with the best performance coming from industrial works. In the medium term, the prospects for the sector indicate that recovery should begin in

around 2015, thanks to a return to economic growth and incoming infrastructure funds from the new 2014-2020 framework for European funds. Despite the shrinking overall EU budget, Poland has been allocated more funds for cohesion policies than in 2007-2013, up to a total of 73 billion euro.

Likewise, the level of building in 2013 will contract, mainly due to the slump in residential building. Following a period of moderate growth between 2009 and 2011, with around 170,000-185,000 housing permits, this indicator dipped in 2012 to a level close to 165,000 homes, due to the slowdown in economic growth, uncertainties in the mortgage market and the end of government subsidies for finance. Non-residential building will also shrink after completion of infrastructure for the Euro 2012 soccer championship and because of budgetary restrictions on public buildings. However, this subsector may recover more quickly than Civil Works, thanks to increased GDP growth forecasts as of 2013.

United Kingdom

Business in the United Kingdom, one of the five largest markets in Europe, got underway with the first contracts coming in 2007, linked to HAH and Amey investments, thanks to the technical expertise that has given Ferrovial Agroman a competitive advantage over its peers. Since then, activity has continued to grow on the same foundations of technical and managerial expertise, which also allowed the company to win major new contracts from clients from outside Ferrovial.

Ferrovial Agroman's activity in the United Kingdom closed the year at an all-time high, with revenue at around 400 million euro and prominent projects such as Heathrow's East terminal, 3 sections of the Crossrail project and the integrated baggage system at Heathrow's Terminal 3.

Looking to the future, the company is confident that further opportunities will emerge, thanks to the National Infrastructure Plan announced by the government in November 2011, which identifies 500 priority projects worth a total of 250 billion pounds. The projects mainly focus on transport infrastructure (high-speed rail, subway, PPPs for roads, etc.), energy (combined cycle plants, nuclear plants, gas incinerators, etc.) and water cycle management (collectors, flood controls, etc.).

Tendering activity is also expanding to much of Latin America, the Middle East, Western Europe, India and Australia.

Prospects for 2013

For the Construction Division as a whole, 2013 will be another difficult year in the Spanish market, with Poland also suffering temporarily until a recovery picks up over the next few years. However, there are major opportunities in North America, as well as the rest of the strategic international markets outlined above, in which the company has a stable presence and where it can offer added-value thanks to its technical expertise and management capabilities.



Aspen/John Crossley/Amey, London Heathrow Terminal 3, United Kingdom

Construction in Spain

The Construction division in Spain operates in all areas of civil works and building construction. In civil engineering, the division designs and builds all kinds of infrastructures: roads, railroads, hydraulic works, maritime works, hydroelectric and industrial works, etc. The division also has extensive experience in commercial and residential construction.

Turnover stood at 1.257 billion euro, with an order backlog totaling 2.226 billion, both showing declines of 24% and 20% respectively on the previous year (not including the domestic operations of Cadagua), in line with other major companies in the market. Despite these declines, business margins have been wider than in previous years, thanks to selective contracting, consistent structural cost adjustments and the freeing-up of provisions on completion of projects, which has not been offset by the start of new projects.

Major contract awards this year include the public-private partnership project to build the Olmedo-Pedralba section of the Madrid-Galicia high-speed rail line (157 million euro, in a joint venture at 28%), the A-66 Highway between Benavente and Zamora (146 million euro, in a JV at 50%), the Padornelo-Lubian tunnel sections (92 million euro), the Espiño Tunnel (83 million euro) on the

Madrid-Galicia high-speed railroad line, the construction of several gas pipeline sections for Endesa Gas (65 million euro) and the construction and supply of reinforced pipes for the Moralets II power plant (32 million euro).

Many one-off projects were opened in 2012: the TERCAT container terminal at the Port of Barcelona; the A-40 Villarrubia de Santiago-Santa Cruz highway in Toledo; the Ferreries bypass in Menorca; runways and platforms at the Palma de Mallorca Airport; the Pamplona I Penitentiary Center; the Institute of Molecular Medicine in Alcalá de Henares; the Casa del Lector at the Matadero Cultural Center in Madrid; and the Biology and Mathematics Faculty in Santiago.

Awards received in the year include the "Award for the best civil works project in 2012" from the Madrid Association of Civil Engineers for the Serrano street parking garage in Madrid; an honorable mention at the "Ibiza & Formentera 8:11 Architecture Awards" for the Can Cantos development; 12 awards from the "2012 Solar Decathlon Europe Awards" for the Patio 2.12 sustainable housing project; and an honorable mention from the "2011 Prever" awards for the Railroad and Transport Division.

Other highlights include the Ferrovial Railway company starting business in 2012 as a freight rail operator, with authorization granted by the Ministry of Civil Works.

International Construction

Outside Spain, the International Construction Division also covers all areas of civil works and building construction. The division operates through subsidiaries such as Budimex in Poland and Webber in the state of Texas in the U.S., as well as through stable local offices in countries that are considered of strategic interest. There are currently offices in the United States, Canada, Poland, the UK, Ireland, Portugal, Chile, Colombia, Peru, Puerto Rico, Brazil, Qatar, UAE, Saudi Arabia, India and Australia.

In 2012 revenue stood at 2.944 billion euro (not including the international operations of Cadagua), up 20% on the previous year. The main strategic markets (Poland, U.S., Canada and UK) accounted for more than 90% of total international sales.

The backlog remains at strong levels of 5.955 billion euro (not including the international operations of Cadagua). This amounts to a fall of 11% on the 2011 figure due to the high level of execution of works, the elimination of the railroad contract portfolio in Poland, and a lower forecast of projects to be executed in one of the highways in Greece. Despite this, the backlog still represents 24 months of guaranteed production at current rates of execution.

The main contracts won in the year, apart from those detailed below for Budimex and Webber, are: the US460 Highway in the USA (1.052 billion euro, in a JV at 70%), the extension of

the 407 East Highway in Canada (618 million euro, in a JV at 50%); the 11 buildings of the Tokamak complex for ITER in France (230 million euro, in a JV at 30%); several highway contracts for the Ruta del Maipo and Ruta del Maule in Chile (110 million euro); the Terminal 3 integrated baggage system at Heathrow Airport in the UK (83 million euro); earth moving and tunnel construction for Codelco in Chile (41 million euro); the PR9 Ponce road in Puerto Rico (31 million euro) and the port of Cerrejón in Colombia (16 million euro). Also of note was the opening of other major works, such as the AH130 Highway in Texas (USA), the Post T5 Connectivity Phase II Tunnel and the Integrated Baggage System at Heathrow T3 in the UK, the Bradford Phase II Colleges in the UK and the Roberto Sánchez Highway in Puerto Rico. Good progress is also being made on the execution of key contracts awarded in 2009-2011, such as the NTE and LBJ highways in Texas, or the Crossrail tunnels and Terminal T2A in the United Kingdom.

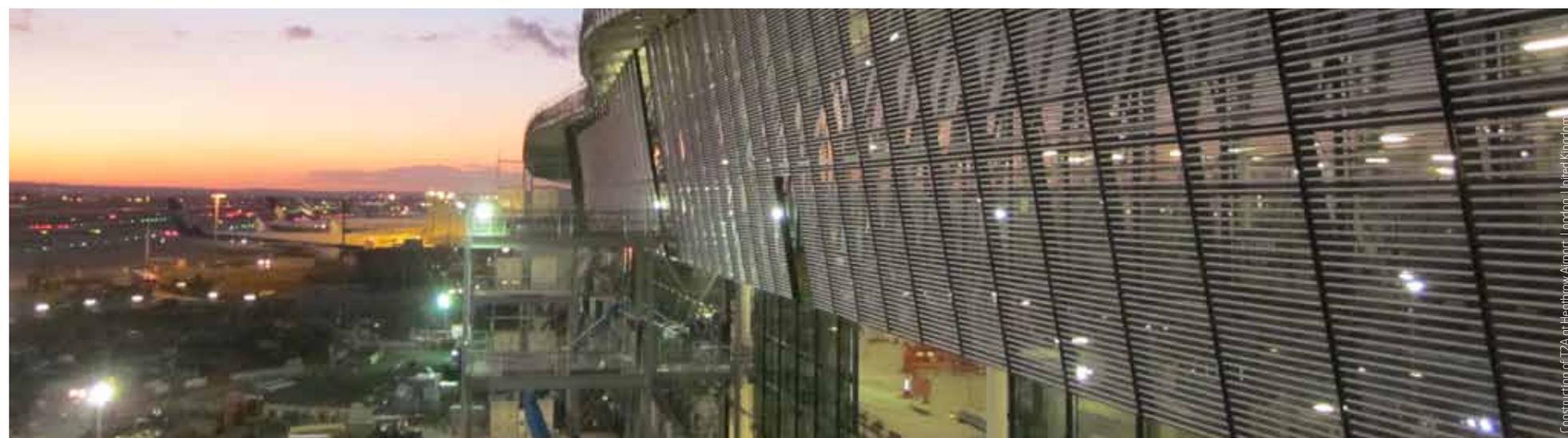
Budimex

Budimex is Poland's largest construction company in terms of business volume and stock market capitalization. It has been a Ferrovial Agroman subsidiary since 2000. The company is involved in all types of civil works, building and industrial construction and real-estate

The biggest concessions in the year include the US460 highway in the U.S. and the extension of the 407 East highway in Canada.

international revenues [billion euro]

2,94
+20% on 2011



development projects. Budimex recorded revenue of 1.420 billion euro in 2012, a record figure for the company and 7% more than in 2011. The increase in activity over the last few years, along with a decline in public works put out for tender in Poland, and the aforementioned withdrawal of rail contracts, have reduced the backlog by 38% to 1.194 billion euro.

Standout factors in the year include several contracts associated with the Euro 2012 soccer championship held in Poland and Ukraine, such as the de A1 Pyrzowice-Piekary highway, Wrocław Railway Station and the Gdansk Airport Terminal. Budimex also moved into new business areas in 2012: its first PPP contract, for the construction and operation of a parking garage in Wrocław (10 million euro); and the initial contracts for FB Serwis, its joint subsidiary with Ferroser, for road maintenance and facility management.

In 2012 the main contracts awarded were industrial work for the Białystok waste treatment plant (78 million euro, in a JV at 50%), the Lublin beltway link (62 million euro), the office complex on Kruczkowskiego street in Warsaw (41 million euro), the Lublin Cultural Center (40 million euro), the new runway at Pyrzowice Airport (30 million euro) and the remodeling of the Krakow streetcar system (28 million euro). The new contract awards are a reflection of Budimex's strategy of further diversifying contracts away from highways, which following the recent boom years will receive less investment; at least until the new EU funds for 2014-2020 are forthcoming, when there will be more money than under the last round of funds.

Looking at the awards received in 2012, highlights include recognition of Budimex as the best company listed on the Warsaw Stock Exchange in the environmental, social and governance reporting category. It also won the Corporate Social Responsibility Award from the Ministry of Economy. It was named "The Best Employer in 2011" by the Polish Construction Employees Association, "Great Pearl of the Polish Market" by the Polish Market Journal, and "The Best Construction Company 2011" by The Builder Magazine. Its CEO, Dariusz Blocher, also received the "Manager Award 2012". Finally, it won the "Golden Laurel of Innovations" from the Engineers Association, for the Hearing Center project in Kajetany, and was a winner at the 2012 Eurobuild Awards for Wrocław Railway Station.

In 2012 Budimex was again included in the Warsaw Stock Exchange "Respect" index, made up of 20 listed Polish companies that uphold the highest standards of social responsibility, corporate governance, investor relations and ethical and balanced management.



Webber

A subsidiary of Ferrovial Agroman since 2005, Webber is one of the largest road construction groups in Texas (United States), specializing in the construction of civil infrastructure. It is leader in the production and distribution of recycled construction aggregates in the Houston area. Webber recorded revenue of 591 million euro in 2012, 39% more than in the previous year, due to rapid execution of contracts held in the backlog.

Webber has a backlog of 1.288 billion euro, 22% less than in 2011, due to the high levels of contract execution mentioned above, but still representing more than 26 months of revenue.

The key contract awards include several highways, such as the US290 Harris City Highway (86 million euro), the US59 Angelina Highway (41 million euro), the Rockwall County IH30 Highway (15 million euro) and the Homestead Grade Separation (13 million euro).

Also noteworthy in 2012 was the appointment of Tim Creson as the new CEO of Webber.

Cadagua

Cadagua is one of the most prestigious international companies in the design and construction of water treatment plants, mainly seawater desalination plants, but also sewage treatment, water purification and waste treatment plants.

In 2012 it had revenue of 125 million euro with an order backlog at the close of the year totaling 518 million euro. Its international operations account for 47% of the division's sales, in line with its strategy of international diversification, which began to gather strength in 2007.

The company has maintained its commercial focus on international markets, using resources from its Spanish activities to reinforce operations in markets in the Middle East, India, Poland Latin America and several Western European countries, such as the UK, Portugal, Cyprus and Ireland.

Among the contracts it has been awarded is the B.O.O. contract for the Al Ghubrah desalination plant in Oman, signed in February 2013. This is Cadagua's first involvement as an international concessionaire, in a construction contract worth more than 200 million dollars (in a 37.5% JV), as well as a 20-year maintenance contract.

Projects inaugurated in 2012 include the Águilas-Guadalestín desalination plant in Murcia, one of the world's largest facilities for seawater desalination via reverse osmosis, with a maximum production capacity in its initial phase of 180,000 m³ per day, and 210,000 m³ in the second phase. Also opened was the drinking water plant in Valmayor, in the Madrid region, which was extended by Cadagua to double its treatment capacity.

In 2012 the Valdeleñisco Desalination Plant, built by Cadagua, was distinguished by the American Water Works Association and American Membrane Technology Association as an example to be followed by reverse osmosis plants in the United States. The Valmayor water treatment plant received a special mention among the Best Civil Works projects of 2012 from the Madrid Association of Civil Engineers.