

letter from the chairman



Rafael del Pino

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Fellow shareholder,

Ferrovial attained 710 million euro in net profit in 2012 and 909 million euro in operating cash flow, while EBITDA rose by 13.4%. We ended the year with a net cash position of 1,489 million euro (excluding infrastructure projects). These good results enabled us to provide excellent shareholder remuneration.

Good business performance in the international arena offset a weaker domestic market. Major new contracts obtained during the year in Services, Toll Roads and Construction provide a solid basis for future activity. Our two main assets—Highway 407 ETR and Heathrow Airport—set new traffic records, issued bonds, and distributed dividends (Heathrow's first since 2006).

It was also a successful year for asset rotation, including the sale of 16.34% of Heathrow Airport Holdings (HAH) to Qatar Holding and CIC International, two high quality international investors who we hope will accompany us in other projects. HAH also divested Edinburgh Airport, as well as Stansted early in 2013. All these transactions were performed at prices that exceeded market expectations.

As a result of the strategy followed since 2009, Ferrovial now has a sound financial and liquidity position, which gives it flexibility to tap the capital markets and undertake new investments. This strength was recognised by Fitch and S&P, which confirmed Ferrovial's investment grade rating (BBB-) with a stable outlook. In January 2013 Ferrovial made its first bond issue: 500 million euro with 5 years maturity at cost of 3.443% all-in. Also, services companies Enterprise (in the UK) and Steel Ingeniería (Chile) were acquired early in 2013.

I would like to describe briefly the main events of 2012:

Earnings.- Net profit amounted to 710 million euro, EBITDA to 927 million euro, a 13.4% increase, and revenues to 7,686 million euro, i.e. 3.2% more than the previous year.

Cash flow and finance.- Operating cash flow, excluding infrastructure projects, maintained the positive trend of recent years and reached 909 million euro as a result of strong cash flow in Services (triple the 2011 figure) and of dividends from the main assets. Additionally, the sale of a 16.34% stake in HAH provided a cash influx amounting to 894 million euro. Ferrovial also continued to diversify its funding sources in 2012, as 407 ETR and HAH issued over 4,500 million euro in bonds.

Debt.- Consolidated net debt, including infrastructure projects, totalled 5,106 million euro, compared with 5,171 million euro the previous year. The parent company does not have significant debt maturities until 2015.

Share price.- The share performed very positively in 2012, appreciating by 20%. Including dividends paid during the year, the total return for shareholders was 36%.

Internationalization.- Our international activities continued to expand. Overseas revenues increased by 17.3%, while the international component reached 62% of the total backlog.

Backlog.- The Construction and Services backlog amounted to 21,483 million euro at year-end, including an all-time record in Services. Notable new contracts include the maintenance of the city of Sheffield and two waste treatment plants in the Canary Islands, in the Services division; and the 407 ETR East Extension in Toronto and the A-66 highway in Spain, in the Toll Roads division. In the Construction area, we were awarded US Highway 460 in Virginia.

Services.- Ferrovial Services continued to expand revenues and EBITDA. This good performance is attributable to cost controls, new contracts in the UK and Spain and active management of backlog quality in the domestic market.

Toll Roads.- Improvements in the US and Canada during the year partly offset the steady decline in Europe. Highway 407 ETR in Toronto continue to have a robust performance, increasing both revenues and EBITDA.

Construction.- Once again, international activity in this area offset the decline in the domestic market, leading to positive earnings performance. In particular, Polish subsidiary Budimex increased revenues.

Airports.- HAH increased traffic to nearly 100 million passengers, including a record 70 million using Heathrow. Revenues at HAH increased by 4.8% in 2012 to 2,646 million pounds, and EBITDA expanded by 5.3%, to 1,355 million pounds.

Ferrovial turned 60 in 2012, which proved to be a very positive year despite the challenging economic conditions. The company's sound operating and financial performance reflects the focus on talent, innovation, efficiency and international diversification that have distinguished Ferrovial in its six decades of existence. It is also the best possible tribute to the quality of the work carried out by all of our people.

Ferrovial's commitment to society and the environment was also acknowledged during the year by its inclusion in the Dow Jones Sustainability Index for the eleventh consecutive year, and in the FTSE4Good for the eighth year running.

These results provide a solid platform to create value for you, our shareholders. I am grateful for your support of Ferrovial, and it encourages us to continue working in order to seize the opportunities and overcome the challenges that the future will bring.