

the London Olympics took place with Heathrow achieving the best overall rating in its history in terms of passenger satisfaction.

As regards the divestments triggered by the decision of the competition authorities, in April 2012 and January 2013 the sales of Edinburgh airport to GIP for GBP 807 million and of Stansted airport to Manchester Airport Group for GBP 1,500 million were announced.

In 2013 the Brent oil price is expected to be around USD 110 per barrel, down from the USD 130 reached in 2012. According to the International Air Transport Association (IATA) the outlook for world air traffic for 2013 is positive (+5.3%), based largely on a slight recovery of the world economy and on lower Brent oil prices.

The main uncertainties facing this business concern the new regulatory period that will commence in April 2014 and the possible development of a third runway at Heathrow. In 2013 progress will be made on the regulatory process with the CAA and the airlines.

In 2013 the strategy of the Airports Division will focus on growth, on increasing profitability and on improving passenger service at Ferrovial's airports. Also, having successfully completed the sales required by the UK competition authorities, the Group will continue to actively seek new investment opportunities.

### III. INFORMATION ON: THE ENVIRONMENT, EMPLOYEES, RESEARCH AND DEVELOPMENT, TREASURY SHARES, EVENTS AFTER THE REPORTING PERIOD, MAIN RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

- Within Ferrovial's commitments in the area of corporate responsibility, environmental policy holds a prominent place and focuses on the use of environmental management systems and the setting of objective indicators and follow-up mechanism for environmental performance. The Annual Corporate Responsibility Report published by the Company includes a detailed breakdown of the evolution of all these indicators in 2012.
- Also, investment in R&D is considered to be a strategic objective at the Company, an in-depth analysis thereof being presented in the Annual Corporate Responsibility Report.
- Human Resources policies are a key element in Ferrovial's commitments in the area of corporate responsibility. Human Resources activities are oriented towards guaranteeing sustainable growth of the organisation and developing the potential of its employees in order to increase the competitive level of the Company in the market. The annual report published by the Company monitors in detail the Human Resources activities undertaken in 2012, along with the main indicators related thereto.
- At 31 December 2012 no treasury shares were held. In 2012 2,807,305 treasury shares were acquired (directly and indirectly), which were subsequently sold for a gain of EUR 21 thousand.
- In January 2013 HAH announced the sale of Stansted airport for GBP 1,500 million and the first corporate bond issue of Ferrovial, amounting to EUR 500 million, maturing in five years and with an annual coupon rate of 3.375%, was successfully completed. The purpose of the issue was to reduce exposure to bank financing by obtaining financing from the capital markets.

- The information on risks and uncertainties is included in the Corporate Governance Report, which forms part of this report.
- The Group's activities are exposed to various types of financial risks, primarily interest rate risk, foreign currency risk and market risk. The principal hedging policies and the main derivatives arranged are described in Notes 3 and 11, respectively, to the Group's consolidated financial statements.

## IV. CORPORATE GOVERNANCE REPORT

In accordance with Spanish corporate law, the Annual Corporate Governance Report forms part of this directors' report. The aforementioned document was formally prepared by the Board of Directors and sent to the Spanish National Securities Market Commission together with the text of this directors' report.

## V. AUDIT AND CONTROL COMMITTEE REPORT

### COMPOSITION

Pursuant to the applicable legislation and the bylaws and the Board of Directors Regulations of Ferrovial, S.A. (the Company), all the members of the Audit and Control Committee are non-executive directors and the Committee is presided over by an independent director.

The members of the Committee are as follows:

- Juan Arena de la Mora, *Chairman* (Non-Executive Independent Director)<sup>1</sup>
- Gabriele Burgio (Non-Executive Independent Director)
- Leopoldo del Pino y Calvo-Sotelo for PORTMAN BAELA, S.L. (Non-Executive Proprietary Director)
- Santiago Fernández Valbuena (Non-Executive Independent Director)

### FUNCTIONS

The competencies of the Audit and Control Committee, which are governed by the Company's bylaws and by the Board of Directors Regulations, are summarised as follows:

#### ● In relation to external audit:

- Propose to the Board of Directors, for submission to the shareholders at the Annual General Meeting, the appointment of the external auditors, including the conditions of appointment; scope, dismissal or non-renewal.
- Act as a channel of communication between the Board of Directors and the auditors, with whom it shall discuss any significant internal control system weaknesses detected in the course of the audit.
- Verify compliance by senior management with the auditors' recommendations.
- Oversee the independence of the external auditors. Exercise control over the additional services of any class provided to the Company. Issue, prior to the issuance of the auditors' report, a report expressing its opinion concerning the independence of the external auditors.

#### ● In relation to internal audit:

- Propose the selection, appointment, re-appointment or replacement of the director of internal audit; propose a budget for these services.

<sup>1</sup> Juan Arena de la Mora was appointed as the Chairman of the Committee, for the statutory four-year period, at the meeting held on 22 February 2012.

- Approve and supervise the internal audit plan and verify its fulfilment.

- **In relation to financial reporting:**

- Supervise the process for preparing the regulatory financial information and a report thereon prior to approval by the Board.
- Supervise the effectiveness of the Company's internal control systems.

- **In relation to risk control:**

- Periodically analyse and assess the main risks and the systems for identifying, managing and controlling them.

- **In relation to other matters:**

- Supervise compliance with corporate governance legislation.
- Establish and supervise the "Ombudsperson Process".
- Give prior notification of transactions to incorporate or acquire companies domiciled in tax havens, and the special purpose companies referred to in the Board Regulations.

These competencies are described in greater detail in the Annual Corporate Governance Report.

## **ACTIVITIES PERFORMED**

In 2012 the Committee held six (6) meetings. Prior to the approval of the financial statements by the Board of Directors, a meeting of the Audit and Control Committee was held on 18 February 2013 to review them.

As in preceding years, the Committee approved a work plan detailing the subjects to be addressed at each meeting.

The main activities performed in 2012 are summarised below.

### **Economic and financial information**

Among the functions of the Audit and Control Committee is to assist the Board of Directors in its endeavours to ensure the accuracy and reliability of the regulatory financial information to be reported periodically by the Company to the market.

During the year, the Committee analysed that information before making it available to the Board of Directors and its being sent to the authorities or the markets, and the Committee was assisted in this analysis by the Economic and Financial Department.

### **Relations with the external auditors**

Review of financial statements

The external auditors appeared before the Committee during the presentation of the financial statements for 2011.

The auditors of the Amey Group also appeared before the Committee in order to report on the most significant matters relating to the review of the financial statements.

The auditors of Ferrovial reported on the work performed in the limited review of the half-yearly financial statements at 30 June 2012 and on the most significant matters relating to the review of the financial statements at the September closing in preparation for the audit of the financial statements for 2012.

Auditor independence

Additional Provision Eighteen.4 of the Securities Market Law establishes that the auditors must send to the Audit Committee a written declaration

stating their independence and informing on the services other than audit services provided during the year; and the Committee must express an opinion on both matters. In 2012 both obligations were complied with.

Based on the internal procedure that controls the provision of advisory and consulting services other than financial audit services, the Committee authorised the commissioning of certain services from external audit firms and received at each meeting a report on the volume of services of this nature commissioned.

### **Internal control procedures**

The Committee was informed by the auditors of the main internal control recommendations made as a consequence of the audit of Ferrovial and of the follow-up of those made during the review of the financial statements for 2011.

The Economic and Financial Department informed the Committee of the process to implement the system of Internal Control over Financial Reporting (ICFR), based on the structure proposed by the Spanish National Securities Market Commission. The conclusions on the annual evaluation of the main financial reporting risks and on the controls established to mitigate them were presented, and the implementation of the improvements recommended and the action plan in this connection for 2013 were followed up.

In addition, an external audit firm presented its conclusions after having reviewed the ICFR system in the Services business area in the UK and in the Toll Roads business area in the US.

### **Internal audit**

The Committee oversaw the actions taken by the Company's Internal Audit Department and, specifically, examined the following:

- The internal audit activity report for 2011.
- The stage of completion of the work scheduled at the closing of the first six-month period of 2012, checking that the plans approved had been fulfilled.
- The audit plan projected for 2013.

The Group has developed a system managed by the Internal Audit Department, the "Ombudsperson Process", through which all employees, and third parties over the Internet, can confidentially and, if so desired, anonymously, report any inefficient situations, inappropriate behaviour or breaches of agreement. In 2012, as in prior years, the Committee received two reports about the functioning of the Ombudsperson Process and fraud prevention, one relating to 2011 and the other relating to the first half of 2012.

### **Risk analysis and control systems**

Personnel from Ferrovial's Risk Department appeared periodically before the Committee to report on the main risks and contingencies of the Company and its Group and on the systems established for identifying, managing and controlling them.

### **Actions in the area of Corporate Governance and compliance**

The Committee took the following actions in this area, in line with the Board Regulations:

- It examined the Annual Corporate Governance Report for 2011, prior to the presentation thereof to the Board of Directors.
- It was informed of legislative changes, either approved or at the draft stage in the year, in areas within the scope of its competencies.

- It analysed the amendments to the Bylaws and the Regulations of the Board of Directors in order to adapt them to changes in company law, prior to their presentation to the Board of Directors for subsequent submission to the shareholders at the Annual General Meeting.
- It proposed certain changes to the Regulations of the Board of Directors.
- Pursuant to Article 41 of the Regulations of the Board of Directors, the Committee issued a report on related party transactions prior to its submission to the Board of Directors.
- It examined the operating rules of the Electronic Shareholders' Forum applicable to the Annual General Meetings for 2012 and subsequent years, in accordance with Article 539.2 of the Spanish Limited Liability Companies Law, which provides for the obligation to create an Electronic Shareholders' Forum on the website when the Annual General Meeting is held.

The foregoing pages, initialled by the Secretary of the Board of Directors, contain the consolidated directors' report of FERROVIAL, S.A. (which includes in a separate section the Annual Corporate Governance Report together with the Appendix thereto) for the year ended 31 December 2012, which was authorised for issue by the Company's Board of Directors at the meeting held in Madrid on 19 February 2013, and which, pursuant to Article 253 of the Spanish Limited Liability Companies Law, all the directors sign below.

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Rafael del Pino y Calvo-Sotelo  
Chairman

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Santiago Bergareche Busquet  
Deputy Chairman

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Joaquín Ayuso García  
Deputy Chairman

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Íñigo Meirás Amusco  
CEO

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Jaime Carvajal Urquijo  
Director

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Leopoldo del Pino y Calvo-Sotelo  
for Portman Baela, S.L.  
Director

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Juan Arena de la Mora  
Director

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Gabriele Burgio  
Director

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María del Pino y Calvo-Sotelo  
Director

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Santiago Fernández Valbuena  
Director

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José Fernando Sánchez-Junco Mans  
Director

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Joaquín del Pino y Calvo-Sotelo  
for Karlovy, S.L.  
Director