ferrovial

Consolidated Director's Report 2013

Ferrovial, S.A. and Subsidiaries

Board of directors
25 February 2014

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

I. Group activities, strategy and organisation

Group activities

Ferrovial is a global reference for the construction, management and operation of transport infrastructure and urban services.

The group's activities are divided between four divisions:

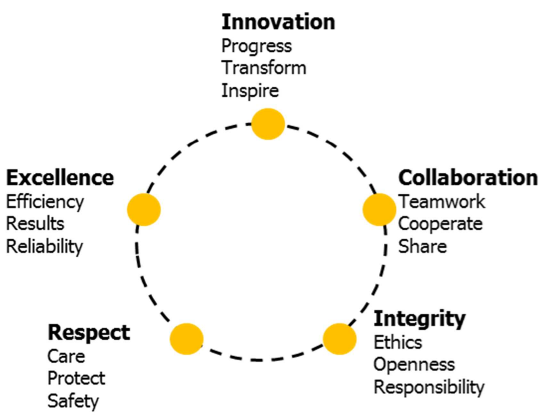
- Airports: airport investment and operation.
- Toll roads: development, investment and operation of toll roads and other infrastructure.
- Construction: infrastructure design and construction in the fields of civil works, building and industrial construction.
- Services: efficient urban and environmental services and maintenance of infrastructure and installations.

Vision and values

Ferrovial's vision addresses three questions about its activity:

Why	Shaping the future through the development and operation of sustainable infrastructures and cities
How	Committing to the highest level of operational excellence and innovation
What	Creating value for society and for our customers, investors and employees

Ferrovial's identity translates into five values that define the company and its employees:



Strategy

Ferrovial strategy translates into four pillars:

1. **Profitable growth** through the combination of organic growth and selective acquisitions.

   In 2013, Ferrovial's strategy of complementing organic growth with selective acquisitions to reinforce its competitive position and add capacity took the form of the acquisitions of Enterprise and Steel Ingeniería.

   With the acquisition of the UK company Enterprise, Ferrovial strengthens its operations in the UK market and gains entry to the utilities services sector, optimising its operating excellence through integrating Enterprise with Amey and consolidating its environmental business.

   Through Steel Ingeniería, a mining services company in Chile, the group acquires capacity in the sector of industrial maintenance for production plants and mineral extraction.

2. The **internationalisation**, which has allowed Ferrovial to consolidate a significant presence in five stable geographies: Spain, the US, the UK, Canada and Poland. The objective is to continue to pursue its activity in other countries, as well as developing new markets with appropriate risk management, leveraging on the group's present capacities and establishing alliances with local partners.

   In this context, in the 2013 financial year, the group has been engaged in the search for opportunities and developing commercial relations in market such as Australia, certain Latin American countries including Colombia and Peru, and the Middle East.

3. **Operating excellence and innovation,** as a fundamental lever for the management of complex operations and in the search for differential solutions for Ferrovial's clients.

   Developing the talents of those who work for the company and the centres of excellence and innovation improve the group's competitive position in its various markets, all within the best practices for project management and safety at work.

   The group's commitment to the environment, society and its employees are key to the development of operating excellence and innovation, Ferrovial's DNA. The principal milestones of the financial year in terms of the environment, innovation and human capital management are described in more detail in sections V, VI and VII of this Director's Report.

4. **Financial discipline** through diversification of sources of funding, together with liquidity management, has led to an improvement in the company's credit ratings and in its solvency.

In 2013 Standard & Poor's upgraded Ferrovial's credit rating to BBB with stable Outlook. Ferrovial's objective is to maintain debt (excluding project debt) at low levels, commensurate with sustaining an investment-grade rating.

The market's support for the corporate bond issuance in January and May 2013, both heavily oversubscribed, the improvement in the credit rating and reporting record cash flow at year-end, all reinforce the group's solidity.

An integral part of the group's financial discipline is **asset rotation,** which has enabled it to realise the value of its investments and finance its growth. During 2013 the sales of Stansted Airport (London) and 8.5% of HAH, have contributed to strengthen the Group's financial position as well has providing resources to carry out new investments.

Finally, as a distinguishing element to maximise value-creation, it is notable the integrated focus of the different business units through cross-selling, which enables them to participate in the different stages of the infrastructure cycle, contributing differential solutions.

In 2013, the fruit of this integrated focus was the award of important contracts, in which the various divisions of the group have collaborated, such as the extension of the NTE (3A3B) in Texas, the M8 motorway in Scotland and Valdecilla hospital in Santander.

Organisation

The functions of the management bodies and the group's decision-taking process are described in detail in the Annual Corporate Governance Report, which forms part of this Director's Report, highlighting the functions of the Shareholders' Meeting and the Board of Directors as the most important of organs of governance.

Relating to Group's management, the functions and the composition of the Management Committee are very important, under the leadership of the Chief Executive Officer (CEO), it brings together the general managers of the different divisions, the General Secretariat and the corporate heads of Information and Innovation , Human Resources and Finance, which favours the integrated focus of the divisions.

In the same context, it is important to note the existence of an Investment Committee, headed by the Chairman and/or the CEO, and a procedure for the approval of new investments which establishes different levels of authorisation depending on the amount and the type of transaction, with the approval of the Board as the highest-level requirement. Note also the existence of a strategy process, comprised of the Chairman , the members of the Management Committee and the Director of Strategy, formalised through two meetings per year and which present their conclusions to the Board of Directors.

II. Business performance of the Group in 2013

II.1 General overview

As it has been explained previously in the description of the Group strategy, 2013 was a year with some important milestones for Ferrovial. These included the acquisition of the UK company Enterprise, the closure of the financing for the Texan motorway North Tarrant Express 3A3B, the sale of Stansted airport by Heathrow Airport Holding (HAH), as well as the disposal of 8.65% of HAH to the UK pension fund USS.

Amey, a subsidiary of Ferrovial Servicios in the UK, acquired Enterprise, in the process becoming one of the companies with the most diversified product offerings in the sector, doubling its turnover in the UK and consolidating a workforce of 21,000. The deal gives Amey access to the sector of services to regulated utilities.

Ferrovial was awarded various contracts during the year through consortia led by Cintra. One of the highlights was a new section of the NTE motorway in Texas (NTE 3A3B), with a total estimated investment of USD1,380mn, and another the contract to complete the motorway network in central Scotland.

HAH paid GBP555mn of dividends, including GBP300mn related to the sale of Stansted Airport, and the 407ETR distributed dividends of CAD680mn.

Ferrovial issued two corporate bonds, including its inaugural issuance (5 years, EUR500mn, coupon of 3.375%) and a second one (8 years EUR500mn, coupon of 3.375%). In both cases, the bonds were heavily oversubscribed. The proceeds were applied to the early retirement of corporate debt. With this issuance, Ferrovial managed to optimise its maturity schedule, reduce the cost of debt and eliminate practically all of its bank debt.

Net cash, excluding infrastructure projects, reached EUR1,663mn, after gross investments of EUR754mn, divestments of EUR564mn and dividend distributions of EUR523mn.

Business performance

The Services backlog reached an all-time high. Revenues in Spain remained stable, in spite of the difficult economic environment. Nonetheless, in the last quarter of 2013, Services won some important contracts that should boost sales in 2014, both in Spain and the UK.

Tariff increases and cost controls resulted in significant growth at the EBITDA level, both at Heathrow Airport (+19%) and at the 407ETR motorway (+9%), both in local currency terms and consolidated by the equity method.

In terms of traffic, Heathrow Airport posted 72.3 million passengers, 3.4% higher. Traffic on the 407ETR (+0.7%), combines an increase in the average journey (+0.7%) with an unchanged number of vehicles vs. the previous year.

Traffic stabilised in the fourth quarter in Spain.

At the Construction division, the trend seen in the last few quarters continued, with a contraction in domestic activity partially offset by the growth in International. Meanwhile, at Budimex, the rate of contraction moderated thanks to new contract awards during the year.

	Dec-13	Dec-12	Chg. (%)	LfL (%)
Revenues	8,166	7,630	7.0	9.0
EBITDA	934	927	0.8	4.8
EBIT*	701	708	-1.0	4.0
Net result	727	692	5.2	39.8
Cash flow ex-projects				
Operating cash flow	1,048	914		
Investment	-754	-320		
Divestment	564	893		
Net debt				
Net Debt Ex-Infrastructure Projects	1,663	1,484		
Total net debt	-5,352	-5,111		

	Dec-13	Dec-12	Chg. (%)
Construction Backlog	7,867	8,699	-9.6
Services Backlog	17,749	12,784	38.8

Traffic	Dec-13	Dec-12	Chg. (%)
ETR 407 (VKT´ 000)	2,356,343	2,340,004	0.7
Chicago Skyway (ADT)	41,251	42,228	-2.3
Indiana Toll Road (ADT)	27,924	27,459	1.7
Ausol I (ADT)	11,307	12,537	-9.8
Ausol II (ADT)	13,629	14,099	-3.3
M4 (ADT)	25,591	25,306	1.1
Heathrow (million pax.)	72.3	70.0	3.4

II.2 Toll roads

	Dec-13	Dec-12	Chg (%)	Like for Like (%)
Revenues	429.0	381.4	12.5	13.0
EBITDA	276.3	271.6	1.7	2.9
EBITDA Margin	64.4%	71.2%		
EBIT	201.7	204.4	-1.3	-0.1
EBIT Margin	47.0%	53.6%		

Revenues increased by 13%, partly driven by the start of operations on the SH-130 in November 2012 and the significant increase in tariffs on the Chicago Skyway (+14% for light and +25% for heavy traffic) that came into effect in January. The increase in revenues was also due to the reversal of a provision booked in 2012 on the Norte Litoral to cover a possible EUR15mn fine by the government for non-availability.

EBITDA growth was limited (to 2.9%) by the reversal of a VAT-related provision of EUR20mn booked in 1Q12 at Autema.

Assets in operation

Traffic performance

In Spain, traffic stabilised in all the corridors, and improved in the fourth quarter. Although volumes were still in decline, the declines were much smaller, and in some cases traffic growth was even positive. This performance appears to have been driven by a degree of recovery in economic activity in Spain, as well as a stabilisation of fuel prices.

Besides the above, the calendar was also generally unfavourable due the fact that there were fewer public holidays during the year.

Other particular circumstances that had an impact on the traffic on the Spanish toll motorways during the fourth quarter were:

At Ausol I, the negative impacts of the opening of the San Pedro de Alcántara tunnel on 26 June 2012 and the one-off 7.5% increase in tolls that came into effect on 28 July in the same year have now been absorbed into the comparisons.

At Ausol I and II, the works at the port in Algeciras generated unusual lorry traffic volumes in the corridor.

Growth on the three Portuguese concessions (Algarve, Norte Litoral and Azores) was positive in the fourth quarter. In the last few months the Algarve concession has started to recover some of the traffic lost after it started to charge users, and as a consequence posted growth of close to +10% in 4Q13.

In Ireland, the figures for the M4 and M3 confirm the recovery in light vehicle traffic linked to the recovery in employment there.

	Traffic			Revenues			EBITDA			EBITDA Margin		Net Debt 100%	
Global consolidation	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Dec-13**	**Share**
Intangible assets													
Chicago Skyway	41,251	42,228	-2.3%	61.0	55.0	11.0%	53.3	47.6	12.0%	87.3%	86.5%	-1,068	55%
SH-130	5,713	6,201	-7.9%	13.8	1.8	n.s.	5.7	1.0	n.s.	41.2%	53.7%	-862	65%
Ausol I	11,307	12,537	-9.8%	46.1	48.5	-5.0%	32.4	36.6	-11.5%	70.3%	75.5%	-453	80%
Ausol II	13,629	14,099	-3.3%										
M4	25,591	25,306	1.1%	22.1	21.3	4.1%	15.3	14.5	5.4%	68.9%	68.1%	-112	66%
Algarve	8,719	8,721	0.0%	35.0	39.2	-10.6%	30.4	34.4	-11.8%	86.7%	87.9%	-149	85%
Azores	7,993	8,186	-2.4%	21.1	21.1	0.1%	9.7	17.1	-43.1%	46.2%	81.1%	-334	89%
Financial assets													
Autema				90.0	84.0	7.2%	79.7	92.2	-13.5%	88.5%	109.7%	-666	76%
M3				22.2	20.4	9.0%	17.1	15.1	13.2%	76.7%	73.9%	-199	95%
Norte Litoral				56.5	40.3	40.2%	48.7	34.0	43.3%	86.2%	84.4%	-209	84%
Via Livre				14.6	15.5	-6.1%	1.9	3.4	-44.2%	12.9%	21.8%	8	84%
Equity accounted	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Dec-13**	**Share**
407 ETR (VKT)	2,356,343	2,340,004	0.7%	582.0	569.2	2.3%	482.9	471.6	2.4%	83.0%	82.9%	-3,806	43%
Intangible assets													
Indiana Toll Road	27,924	27,459	1.7%	155.5	151.9	2.4%	118.5	123.0	-3.7%	76.2%	81.0%	-2,778	50%
Central Greece	18,382	18,934	-2.9%	8.2	8.4	-2.3%	-0.5	0.0	n.s.	-6.0%	0.5%	-351	33%
Ionian Roads	27,301	29,223	-6.6%	55.6	57.9	-4.0%	20.2	1.4	n.s.	36.3%	2.4%	51	33%
Serrano Park				5.1	4.7	8.4%	3.3	2.3	42.7%	65.4%	49.6%	-47	50%

Traffic	Ausol I	Ausol II	Algarve	Azores	M4
December	2.4%	1.4%	9.8%	-0.4%	3.8%
FY2013	-9.8%	-3.3%	0.0%	-2.4%	1.1%

Finally, in Greece, traffic on the Nea Odos and Central Greece motorways continued to decline as a reflection of the economic crisis and very high fuel prices. No change of trend is anticipated in the short term.

In Canada, the 407ETR saw a mild improvement in traffic (+0.7%), thanks to a combination of a slightly longer distance travelled per journey (+0.7%) and a stable number of vehicles.

North America; on the Chicago Skyway, in spite of the tariff increases applied on 1 January 2013, traffic performance was solid (-2.3%), especially heavy vehicles. As per the terms of the contract, the weighted average increase in tolls was 17.5%, with a 14% rise for light and 25% for heavy vehicles.

On the Indiana Toll Road, there was a notable increase in heavy traffic on the Ticket section (+2.5%); the Ticket section represents c.60% of toll revenues.

SH 130 is "point to point" toll road connecting Austin & San Antonio, with 145mn length. Opened in October 2012, one month ahead of schedule, charging tolls from November 2012.

Traffic improved southbound and on the days before public holidays, and northbound levels have also improved in recent months. On 1 April, with the aim of promoting use of all segments of the motorway, Texas Department of Transportation (TxDOT) introduced a temporary discount for heavy vehicles, so that they paid the same tolls as light vehicles. This discount was effective until 1 December 2013 and compensated the concession company for the difference in revenues. The motorway access signing on the outskirts of San Antonio was also improved. The net result was that in December, heavy vehicle traffic was 41% higher than in March, and 87% higher than in December 2012. In fact, traffic has recorded positively monthly growth since March.

In spite of the positive growth since the motorway opened, traffic levels are below those forecast in the financing. As a result of this performance, on 16 October, Moody's downgraded the motorway's credit rating from B1 to Caa3, with negative Outlook.

The debt comprises a TIFIA loan (USD430mn) and bank debt (USD686mn). The project has no bond issuance. At 31 December 2013, the company was in compliance with the existing covenants and has met all its commitments in that respect.

Notwithstanding the above, the company has recently initiated a renegotiation of its current debt financing, with the objective of aligning the debt service to traffic levels, as although this is below forecast, it has growth potential: the low share of traffic captured in the corridor (4%) should increase during the initial phase thanks to the improvement in connections.

Financial assets

In the application of IFRIC 12, concession contracts are classified as either intangible or financial assets.

Intangible assets (where the operator assumes the traffic risk) are those where remuneration comprises the right to charge the corresponding tariffs depending on the level of use.

Financial assets are concession agreements where the remuneration comprises an unconditional contractual right to receive cash or other financial assets, either because the entity conceding the concession guarantees the payment of agreed sums, or because it guarantees to cover the gap between the sums received from the users of the public service and the said agreed amounts. In these concession agreements, the demand risk is assumed by the conceding entity.

Assets in operation classified as financial assets, where there is no traffic risk thanks to some kind of guarantee mechanism are the Norte Litoral, the M3, Autema and the Via Livre.

Assets under development

Assets under construction

Global consolidation	Invested Capital	Pending committed capital	Net Debt 100%	Share
Intangible assets	**373**	**227**	**1,526**	
NTE	149	33	578	57%
LBJ	211	50	910	51%
NTE 35W	13	144	38	50%
Equity accounted				
Financial assets	**2**	**18**	**-162**	
407 East		10	-133	50%
A-66 Benavente Zamora	2	8	-29	25%

NTE: The project is on schedule, with 79% of the construction completed and the project is expected to be finished in 2014.

LBJ: The project is on schedule, with 72% of the construction completed and the project is expected to be finished in 2015.

NTE 3A3B: The financing for the project was closed on 19 September, comprising both TIFIA debt and PAB bonds. The financing was rated investment-grade Baa3 by Moody's and BBB- by S&P.

407 East: 407 East Extension: Construction work began in the first week of March. At present, 21% of the construction has been completed. Work is expected to be concluded at the end of 2015. In August, the rating agency S&P affirmed the project's rating at A-, with stable outlook. In October, DBRS affirmed the project's rating at A (low), while upgrading the outlook from stable to negative.

A66 Benavente-Zamora: The financing for the project was closed on 31 July, and construction work has already begun.

In Scotland, a consortium led by Cintra has been selected to design, build, finance and operate an infrastructure project to complete the motorway network in Central Scotland. The contract guarantees 33 years of revenues for operation, maintenance and investment for the consortium. Ferrovial Agromán and Lagan Construction will carry out the construction works, and share the design with Amey. Cintra and Amey will be responsible for the operation and maintenance.

The project is offered on an Availability Payment scheme.

Projects out to tender

In spite of the uncertainty in the markets, there was a slight recovery in the development activities on the part of the public authorities in some of Ferrovial's international target markets such as North America, Europe, Australia and Latin America.

North America

In Canada, Infrastructure Ontario published a "Request For Qualification" (RFQ) on 25 March 2013 for the 407East Extension Phase II project in Canada. The consortium formed by Cintra and Ferrovial Agromán presented their response to the RFQ on 6 June. Infrastructure Ontario is expected to announce the list of pre-qualified bidders for the RFQ in 1Q14. The project comprises the design, construction, financing and maintenance of approximately 33km of motorway.

In the US:

SH183 Managed Lanes (Texas). Cintra was pre-qualified for the project on 22 August. It consists of the design, construction, financing, operation and maintenance of approximately 23km of motorway. This is a project with no traffic risk.

I77 Managed Lanes (North Carolina). A consortium led by Cintra was pre-qualified on 30 March for the design, finance operate and maintain the Managed Lanes carriageways under a real toll regime.

Portsmouth Bypass (Ohio): Cintra was pre-qualified on 6 September. The project comprises the design, construction, financing and maintenance of approximately 26km of motorway. This is a project with no traffic risk.

Greece: project restructuring

On 24 December 2013, Cintra signed an agreement with the Greek government to restructure the Ionian Roads and Central Greece projects, as the group no longer considers Greece to be a strategic market.

As a result of this agreement, Ferrovial Agroman has recovered all its guarantees, been paid what it was owed and has formally exited the joint venture. This was reflected in a cash inflow of EUR37mn and a reduction in the corresponding backlog of EUR406mn.

Cintra no longer has to inject additional equity but still holds a 33% share in each project. The capital investment in these projects is fully provisioned (EUR62mn).

The Greek partners have taken majority stakes (57.2%) in both projects, and thus control the management of both concessions. The Greek partner will also undertake 100% of the construction of the outstanding works.

The Greek State has injected EUR1,100mn of sunk costs (EU Structural Funds) into the projects (EUR500mn into Ionian Roads and EUR600mn into Central Greece).

Projects under creditor protection

Radial 4

On 14 September 2012, the Board of the Radial 4 agreed to request protection from its creditors through the courts. On 4 October 2012, this request for voluntary creditor protection was granted.

Ferrovial's investment & guarantees relating to this project are fully provisioned, such that the resolution of the creditor protection situation should have absolutely no negative impact whatsoever on the group's accounts.

As a result of filing for creditor protection, the stand-off agreements with the lending banks were terminated.

Ocaña - La Roda

The Ocaña-La Roda toll motorway filed for creditor protection on 19 October 2012. On 4 December 2012 the courts accepted the request.

Ferrovial's investment in this project is provisioned in full, and it does not expect there to be any negative impact whatsoever on its accounts from the resolution of the creditor protection situation.

The creditor protection filing triggered the early expiration of the financing contract, which matured on 31 December 2012.

With the rebuttal phase of the insolvency administration completed, on 20 January the motorway company was notified of the end of the common phase of the proceedings and the start of the liquidation phase.

	Traffic			Revenues			EBITDA			EBITDA Margin		Net Debt 100%	
Global consolidation	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Chg.**	**Dec-13**	**Dec-12**	**Dec-13**	**Share**
Intangible assets													
Ocaña-La Roda	2,889	3,191	-9.5%	12.5	13.5	-7.8%	4.2	5.7	-27.2%	33.4%	42.3%	542	54%
Radial 4	4,719	5,588	-15.6%	13.2	14.7	-10.4%	5.5	4.2	31.8%	41.5%	28.2%	601	55%

407ETR

Traffic

The motorway saw a slight improvement in traffic (+0.7%), thanks to a combination of an increase in the average distance per journey (+0.7%) while the number of vehicles remained unchanged.

P&L

CAD	Dec-13	Dec-12	Chg (%)
Revenues	801.2	734.0	9.2
EBITDA	664.9	608.2	9.3
EBITDA Margin	83.0%	82.9%	
EBIT	602.2	547.6	10.0
EBIT Margin	75.2%	74.6%	
Financial results	-264.7	-304.0	12.9
EBT	337.5	243.6	38.6
Corporate income tax	-88.8	-69.2	-28.4
Net Income	**248.7**	**174.4**	**42.6**
Contribution to Ferrovial equity accounted result (€)	**65.3**	**45.1**	**44.9**

NB: since Ferrovial's sale of 10% of the concession in 2010, the motorway has been consolidated by the equity method, as a reflection of the size of Ferrovial's stake in the concession (43.23%).

The 407ETR posted significant growth at both the revenue (+9.2%) and EBITDA (+9.3%) levels in local currency terms. This positive performance reflected a combination of the tariff increases that came into effect on 1 February 2013, solid traffic flows and efficiency improvements. Average revenue per journey increased by 8.9% vs. 2012.

The financial result reduced 13% vs. the same period last year due to the slowdown in inflation (which had a negative impact on the inflation-linked bonds) and lower interest rates.

407ETR contributed EUR65.3mn to Ferrovial's equity-accounted results after the annual amortisation of the goodwill generated by the sale of 10% of the concession in 2010, which will be amortised over the life of the asset depending on forecast traffic levels.

Dividends

In 2013, the board of 407 International approved the following ordinary dividend payments:

On 14 February, CAD0.129/share, totalling CAD100mn.

On 24 April, CAD0.168mn per share, or a total of CAD130mn.

On 17 July, CAD0.258 per share, or a total of CAD200mn.

On 23 October, CAD0.323 per share, of a total of CAD250mn.

(CAD mn)	2013	2012
Q1	100.0	87.5
Q2	130.0	87.5
Q3	200.0	87.5
Q4	250.0	337.5
Total	**680.0**	**600.0**

Net debt

As at 31 December 2013, the toll road's net debt stood at CAD5, 577mn.

On 10 June, 407ETR issued CAD200mn. These bonds mature on 11 September 2052 with a coupon of 3.98%.

On 2 October, 407ETR issued another CAD200mn bond maturing on 7 October 2053 with a coupon of 4.68%.

44% of the toll road's debt has a maturity of more than 20 years. The company has no significant debt maturities until 2015 (CAD589mn) and 2016 (CAD289mn).

At 31 December 2013, the average cost of 407ETR's external debt was 5.0%, including the cost of all the hedging for interest rates, exchange rates and inflation.

Credit rating

S&P: "A" (Senior Debt), "A-" (Junior Debt) and "BBB" (Subordinated Debt).

DBRS: "A" (Senior Debt), "A low" (Junior Debt) and "BBB" (Subordinated Debt).

407ETR tariffs

The table below shows a comparison of the toll road's tariffs in 2012 and 2013 for light vehicles (the increases came into effect on 1 February):

CAD	2013	2012
Regular Zone		
Peak Period *Mon-Fri:* *6am-7am, 9am-10am, 3pm-4pm, 6pm-7pm*	26.20¢ /km	24.20¢ /km
Peak Hours Mon-Fri*:* *7am-9am, 4pm-6pm*	27.20¢ /km	25.20¢ /km
Light Zone		
Peak Period *Mon-Fri:* *6am-7am, 9am-10am, 3pm-4pm, 6pm-7pm*	24.90¢ /km	22.60¢ /km
Peak Hours *Mon-Fri: 7am-9am, 4pm-6pm*	25.85¢ /km	23.55¢ /km
Midday Rate *Weekdays 10am-3pm*	22.70¢/km	21.00¢/km
Midday Rate *Weekends and public holidays 11am-7pm*	21.00¢/km	19.35¢/km
Off-Peak Rate *Weekdays 7pm-6am,* *Weekends and public holidays 7pm-11am*	19.35¢/km	19.35¢/km
Transponder: Monthly rental	CAD3.25	CAD3.00
Transponder: Annual rental	CAD21.50	CAD21.50
Video toll per journey	CAD3.80	CAD3.80
Charge per journey *(Note this is not a charge per km.)*	CAD0.70	CAD0.60

II.3 Services

The highlight of 2013 was the acquisition of Enterprise in the UK, the reorganisation of activities in Spain into a single unit and the creation of a new business unit (International) which is the umbrella for all Services activities in countries other than Spain and the UK. The progress made on integration during the year in the UK and Spain is on track.

As regards business performance, excluding the acquisitions and the integration costs, the revenue volumes and margins were in line with 2012. Operating cash flow generated amounted to EUR359mn in 2013, with very positive growth in both Spain and the UK. In the last two years, operating cash flow generated by the Services division amounted to EUR854mn.

The backlog is also at all-time highs (EUR17,749mn), with double-digit growth in both Spain and the UK.

Results

	Dec-13	Dec-12	Chg.(%)	Proforma (%)**
Revenues	3,656.3	2,895.0	26.3	29.3
EBITDA	321.5	313.4	2.6	15.0
EBITDA Margin	8.8%	10.8%		
EBIT	194.7	203.1	-4.1	14.5
EBIT Margin	5.3%	7.0%		
EBITDA at Ferrovial % in equity accounted businesses	13.7	6.8	102.6	109.9
Backlog	17,749.3	12,783.9	38.8	40.7

**Pro-forma; excluding acquisition and integration costs of Enterprise, restructuring costs in Spain and forex impact.

The Services P&L at 31 December 2013 consolidates nine months of Enterprise and 12 months of Steel Ingeniería Chile, companies acquired during the 2013 financial year.

Enterprise contributed revenues of EUR761.9mn and EBITDA of EUR41.8mn. Steel, meanwhile, contributed revenues of EUR39.3mn and EBITDA of EUR8.1mn.

The P&L also includes the acquisition cost of Enterprise (EUR5.4mn) and the integration costs incurred by year-end in the UK (EUR19.2mn) and Spain (EUR4.7mn).

Spain

	Dec-13	Dec-12	Chg. (%)	Proforma (%)**
Revenues	1,421.3	1,415.4	0.4	0.4
EBITDA	176.5	190.7	-7.4	-3.8
EBITDA Margin	12.4%	13.5%		
EBIT	90.9	101.4	-10.4	-3.6
EBIT Margin	6.4%	7.2%		
EBITDA at Ferrovial % in equity accounted businesses	2.2	1.6	35.5	35.5
Backlog	6,330.4	5,219.4	21.3	

**Pro-forma; excluding restructuring costs.

As a reflection of the integration of all the activities carried out in Spain into one single business unit, the 2013 accounts include EUR4.7mn of costs incurred in this integration. Many of these costs were incurred in 2013, with an additional estimated amount of no more than EUR2mn left to charge in 2014.

Revenues were in line with 2012, reflecting the stability of the business, and a continuation of the principal contracts and clients.

EBITDA, excluding integration costs, was slightly lower than in 2012, principally due to a lower result from the waste treatment activity, reflecting both a contraction in the number of tonnes processed and the fall in prices due to increased competition.

The bottom line included EUR9mn of reversed provisions thanks to collection of old receivables. In 2012, the amount freed-up in this respect amounted to EUR7.4mn.

In the final quarter of the year, the division was awarded several large contracts which should boost revenues in 2014, although getting these contracts underway will involve investments and restructuring that could have a short-term impact on margins.

UK

	Dec-13	Dec-12	Chg.(%)	Proforma (%)**
Revenues	2,163.0	1,455.9	48.6	55.7
EBITDA	137.3	121.4	13.2	40.8
EBITDA Margin	6.3%	8.3%		
EBIT	102.3	102.1	0.2	31.3
EBIT Margin	4.7%	7.0%		
EBITDA at Ferrovial % in equity accounted businesses	9.5	5.2	83.8	92.6
Backlog	11,187.6	7,467.6	49.8	53.4

**Pro-forma; excluding acquisition and integration costs of Enterprise, and forex impact.

Amey's 2013 accounts include nine months of Enterprise. They also reflect the acquisition cost (EUR5.4mn) and the integration costs by year-end (EUR19.2mn). The pro-forma column in the table above shows the performance vs. 2012 excluding those costs.

The sales growth vs. 2012 is above all due to the contribution from Enterprise (EUR761.9mn). At the EBITDA level, Enterprise's contribution amounted to EUR41.8mn. EBIT in 2013 also included EUR7.8mn for nine months of goodwill depreciation arising on the acquisition of Enterprise. Annual depreciation in this respect will be around EUR10.6mn.

The integration process is progressing according to plan. The three main thrusts of this have been to define and set in motion the new organisational structure, the identification of procurement opportunities and the identification of new opportunities, expanding services to other group clients. The synergies generated by these measures in 2013 amounted to GBP6.9mn. or GBP15.7mn YoY. In future, synergies are expected to reach GBP40mn a year.

Excluding Enterprise, Amey's contracts performed well vs. 2012, with a slight increase in revenues (+0.8%) and at the EBITDA level (+4.6%), thanks to the better returns on the contracts in the backlog.

Amey's 2013 results include a non-recurrent positive impact of the EUR6.7mn compensation payment received for the repair of the waste treatment plant in Cambridge, which was more than the costs incurred. This positive impact in 2013 is similar to the EUR6.5mn profit posted in 2012 derived from the agreement with the defined benefit pension funds to limit the future rights of participants.

International

	Dec-13	Dec-12	Chg.(%)	Proforma (%)**
Revenues	72.0	23.7	204.3	204.3
EBITDA	7.6	1.4	n.s.	n.s.
EBITDA Margin	10.6%	5.8%		
EBIT	1.6	-0.4	n.s.	n.s.
EBIT Margin	2.2%	-1.5%		
EBITDA at Ferrovial % in equity accounted businesses	2.1	0.0	n.s	n.s
Backlog	231.4	96.9	138.7	

**Pro-forma; excluding forex impact.

This new business unit includes all the division's activities outside Spain and the UK. The revenue breakdown by country is as follows: Chile (EUR39.4mn), Portugal (EUR24.8mn) and Poland (EUR6.3mn).

The International division also includes the business in Qatar, although the results are equity-accounted. During 2013, the division embarked on three infrastructure maintenance contracts at Doha airport. The backlog of these contracts (not included in the reported backlog, due to being equity-accounted), amounts to EUR169mn.

Backlog

The Services backlog reached a new all-time high of EUR17,749mn in December, 38.8% higher than in December 2012.

By business area, in Spain the backlog at the end of the year amounted to EUR6,330mn, 21.3% higher than in 2012. In the UK it stood at EUR11,188mn, +53.4% vs. 2012, with organic growth of 19%. Enterprise's backlog at the time of acquisition (March 2013) was EUR2,538mn. Finally, the international backlog amounted to EUR231mn vs. EUR97mn in 2012. The backlog acquired with Steel Ingeniería amounted to EUR46mn.

In the fourth quarter, new contract awards reached EUR2,500mn with important new contracts in all three business areas.

In Spain, the awards during the quarter included the EUR567mn contract for maintenance of installations, cleaning and energy management at Valdecilla Hospital in Santander, the contract for catering and customer service on Renfe's long-distance trains (EUR267mn, four years), and the contract for cleaning various hospitals in Madrid (EUR85mn, three years).

In the UK, the awards in the fourth quarter included maintenance of distribution networks for United Utilities (EUR265mn, five years) and Severn Trent (EUR206mn, five years), as well as contracts for highway maintenance in the Cambridge area (EUR234mn, five years) and in the County of Gloucester (EUR171mn, five years).

Finally, at the International division, there were two new contracts for maintenance services at the Radomiro Tomic (EUR30mn, five years) and Gariela Mistral (EUR21mn, five years) mines.

M&A

Acquisition of Enterprise

On 8 April, Ferrovial closed the acquisition of the British company Enterprise, after receiving the approval of the European competition authorities, for a price of EUR473.9mn.

Enterprise is one of the principal British companies in the field of services to utilities and the public sector. Not only does this deal increase turnover at Ferrovial Servicios but it also expands its product offering in certain business areas.

The integration of Enterprise into Amey will generate cost and revenue synergies estimated at around GBP40mn from 2015 onwards.

Acquisition of Steel

On 4 March, Ferrovial Servicios closed the acquisition of 70% of Steel Ingeniería, a company that specialises in the mining sector in Chile, for EUR28.2mn, including EUR8.2mn as od debt, thus gaining entry to this new market.

With this acquisition, Ferrovial Servicios starts operations in Latin America and advances its international expansion.

Sale of Amey PFIs

In March, Amey closed the sale to the Dutch investment fund DIF of 40% of the companies that execute long-term PFI contracts, for GBP37mn. Prior to this sale, Amey owned 50%, and the stake was consolidated by the equity method. Amey now owns 10% of the equity of these companies and 100% of the operational contracts. The capital gain on the transaction amounted to EUR20.5mn.

II.4 Construction

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Revenues	4,063.6	4,325.6	-6.1	-4.5
EBITDA	342.8	336.9	1.8	4.0
EBITDA Margin	8.4%	7.8%		
EBIT	314.5	298.4	5.4	7.8
EBIT Margin	7.7%	6.9%		
Backlog	7,867.1	8,699.4	-9.6	-7.1

The trend in revenues (-4.5% LfL) remained the same as in recent years: a significant contraction in Spain offset by the growth in international markets, principally the US. International turnover represented 76% of the division's revenues.

Activity in Poland continued to decline, although to a lesser extent than in previous quarters thanks to new contracts signed during the year. Meanwhile, Webber reported strong growth due to execution on the NTE and LBJ toll roads.

Budimex

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Revenues	1,099.2	1,420.3	-22.6	-21.7
EBITDA	44.5	57.2	-22.2	-20.4
EBITDA Margin	4.1%	4.0%		
EBIT	37.8	45.1	-16.3	-14.3
EBIT Margin	3.4%	3.2%		
Backlog	1,044.0	1,193.9	-12.6	-11.0

The year was notable for the completion of some large projects, the contraction in public-sector contracts out to tender and the bad weather.

The backlog reached EUR1,044mn or 11%, like for like, less than in December 2012. Nonetheless, new contracts increased by 19%, including projects such as the urban tramway in Gdansk and the section of the A4 toll road between Kryz and Debica.

The Polish government has approved an initial highway plan for 2014-2019 amounting approx. to EUR10,000mn, and contracts will start being put out to tender in early 2014. This plan will have a positive impact on new business.

On 6 November, Budimex announced the sale of its subsidiary Danwood for EUR57mn. This company made sales and EBITDA contributions of EUR90mn and EUR8mn respectively.

Webber

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Revenues	690.0	591.5	16.7	20.2
EBITDA	26.6	23.0	15.8	19.8
EBITDA Margin	3.9%	3.9%		
EBIT	19.6	17.7	10.4	14.3
EBIT Margin	2.8%	3.0%		
Backlog	1,094.6	1,288.3	-15.0	-11.2

Webber posted strong revenue growth in local currency terms (+20%) on execution at the NTE and LBJ toll roads.

The backlog fell (by 11% in local currency terms) due to the high level of execution on the NTE and LBJ toll roads, in spite of the awards of new highway projects such as US-290, Denton, I-10 and NTE 3A-3B.

Ferrovial Agromán

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Revenues	2,274.5	2,313.9	-1.7	-0.1
EBITDA	271.7	256.7	5.8	8.1
EBITDA Margin	11.9%	11.1%		
EBIT	257.1	235.6	9.1	11.5
EBIT Margin	11.3%	10.2%		
Backlog	5,728.5	6,217.2	-7.9	-5.6

Revenues (-0.1% LfL) reflected a combination of the performance of the Spanish market (-24%), with a particularly steep decline in civil works due to the contraction in public-sector awards (-81% since 2007). This was offset by the positive contributions from international markets, particularly the US, thanks to the works related to new toll roads in Texas, and also contributions from projects in the UK (Cross Rail) and Canada (407 East Extension).

Profitability improved vs. 2012, due to a combination of better margins on international projects and the reversal of provision on completion of projects for EUR73mn (vs. EUR135mn in 2012) that was not offset by the start of new projects.

Backlog

	Dec-13	Dec-12	Chg. %
Civil work	6,164.2	6,837.4	-9.8
Residential work	181.6	284.2	-36.1
Non-residential work	768.2	867.2	-11.4
Industrial	753.1	710.6	6.0
Total	7,867.1	8,699.4	-9.6

The backlog declined 9.6% vs. December 2012 (or -7.1% LfL). New contract awards over the year (notably the NTE 3A3B, the M8 in the UK and the Batinah highway in Oman) were not sufficient to offset the high level of execution during the year.

Ferrovial's capacity to handle complex projects such as the LBJ and NTE motorways in Texas is positioning the company as a reference in the US market.

The International backlog reached EUR5,539mn, and is much larger than the domestic backlog (EUR2,328mn, -12%) and now represents 70% of the total.

After the agreement reached regarding the Greek motorways, the backlog associated with these projects (EUR406mn) has been deconsolidated.

II.5 Airports

The equity-accounted contribution made by HAH to Ferrovial amounted to EUR296.6mn, including the capital gain on the sale of Stansted (EUR137.2mn). Division net result's includes the capital gain on the sale of 8.6% of HAH to the British fund USS (EUR81.7mn). Note that excluding one-offs, the division made a profit of EUR71.8mn.

HAH - traffic

In 2013 the number of passengers at the airports owned by HAH was 84.9 million passengers (+3.3%). Heathrow increased by 3.4% to an all-time high of 72.3 million. This positive growth was thanks to higher load-factors and the entry into operation of larger aircraft. Load-factors reached 76.4% vs. 75.6% in 2012, and the average number of seats per flight rose to 202.8 vs. 197.3 in 2012. The increase also includes the negative impact of the Olympic Games in 2012.

By destination, European traffic increased by 4.1% to reach 34.7 million passengers. The acquisition of bmi by British Airways made a notable contribution to these results, as load-factors on bmi's old routes are now in line with those of British Airways. Domestic traffic increased by 4.2% to 11.9 million passengers, partly due to Virgin Little Red introducing domestic routes at the beginning of the summer.

Long-haul traffic grew 2.3%, with Asia Pacific up 5.3% to 10.3 million passengers, driven by new routes and frequencies. Traffic with the Middle East increased by 5.6% to 6.3 million passengers, reflecting the use of larger aircraft and an increase of the number of passengers on various airlines.

Heathrow won the "Best airport in 2013" for the category of airport with more than 25 million passengers in the ACI Europe Awards. T5 had earlier been nominated as the best airport terminal in the world by Skytrax World Airports Awards for the second year running.

Traffic performance by airport (excluding Stansted in both 2013 and 2012) and by destination was as follows:

	Dec-13	Dec-12	Chg. %
UK	11.9	11.4	4.2%
Europe	34.7	33.3	4.1%
Long Haul	38.3	37.4	2.3%
Total	**84.9**	**82.2**	**3.3%**

Tariffs

The new maximum applicable aeronautical tariffs for the regulatory periods 2012-2013 and 2013-2014 came into effect on 1 April 2012 and 2013, respectively.

The following table shows the tariff increases applied at Heathrow in April 2012 and April 2013, which supported revenue growth in 2013:

	2013	2012	Regulation
Heathrow	+10.4%	+12.7%	RPI+7.5%

GBP	Traffic			Revenues			EBITDA			EBITDA Margin		
	Dec-13	Dec-12	Chg.	Dec-13	Dec-12	Chg.	Dec-13	Dec-12	Chg.	Dec-13	Dec-12	Chg. (bps)
Heathrow	72.3	70.0	3.4%	2,361	2,112	11.8%	1,310	1,082	21.1%	55.5%	51.2%	427
Heathrow express				124	116	7.2%	73	67	9.5%	58.6%	57.4%	123
Holding				-9	-25	-63.8%	-3	11	n.s.			
Heathrow total				**2,477**	**2,203**	**12.4%**	**1,380**	**1,159**	**19.0%**	**55.7%**	**52.6%**	**310**
Glasgow	7.4	7.2	2.9%	91	87	4.7%	32	32	1.1%	35.2%	36.5%	-125
Aberdeen	3.5	3.4	3.8%	62	57	8.3%	25	21	21.1%	40.3%	36.1%	427
Southampton	1.7	1.7	1.7%	26	27	-2.5%	8	8	-11.4%	28.6%	31.5%	-286
Non Regulated	**12.6**	**12.2**	**3.0%**	**179**	**171**	**4.8%**	**65**	**61**	**6.2%**	**36.0%**	**35.6%**	**48**
Adjustments				-4	-12	n.s.	-4	2	n.s.			
HAH total	**84.9**	**82.2**	**3.3%**	**2,652**	**2,362**	**12.3%**	**1,441**	**1,223**	**17.9%**	**54.3%**	**51.8%**	**257**

P&L

GBP	Dec-13	Dec-12	Chg. %	LfL (%)
Revenues	2,652.4	2,361.9	12.3	12.3
EBITDA	1,441.0	1,222.5	17.9	17.9
EBITDA margin %	54.3%	51.8%		
Depreciation	516.6	543.5	-4.9	-4.9
EBIT	924.4	679.1	36.1	36.1
EBIT margin %	34.8%	28.8%		
Financial results	-760.6	-647.5	-17.5	10.7
EBT	163.6	32.5	n.s.	n.s.
Corporate income tax	163.7	135.1	21.2	n.s.
Result from discontinued operations	451.3	192.0	135.0	-5.9
Net income (100%)	**778.6**	**359.6**	**116.5**	**n.s.**
Contribution to Ferrovial equity accounted result (€)	**296.6**	**222.7**	**33.2**	**n.s.**

Revenues grew 12.3% and EBITDA 17.9% as a reflection of the 17.9% increase in aeronautical revenues, driven by the increase in tariffs (+12.7% since April 2012 and +10.4% since April 2013 at Heathrow), and the rise in the number of passengers (+3.4%); retail revenues increased 5.9% and Other revenues 3.1%. The EBITDA growth (+17.9%) resulted in an expansion of the EBITDA margin in spite of higher salaries and general expenses.

The deterioration in the financial result vs. December 2012 was principally a reflection of the deterioration in the market value of Heathrow's portfolio of derivatives, principally inflation hedges (-GBP148mn vs. +GBP109mn in 2012, no cash impact), after the increase in expectations of future inflation in the UK vs. December 2012.

Corporate tax was affected by the cuts in the tax rate from 23% to 21% that comes into effect on 1 April 2014, and from 21% to 20% from 1 April 2015, which have resulted in the reversal of deferred taxes.

The average cost of HAH's external debt closed the year at 6.1%, taking into account the cost of all the hedges in place for interest rates, FX and inflation.

Revenue breakdown

GBP	Dec-13	Dec-12	Chg. %	LfL (%)
Aeronautic	1,618.7	1,373.1	17.9	17.9
Retail	543.3	512.9	5.9	5.9
Others	490.4	475.8	3.1	3.1
TOTAL	**2,652.4**	**2,361.9**	**12.3**	**12.3**

	Aeronautic.		Retail		Other	
GBP	Dec-13	LfL (%)	Dec-13	LfL (%)	Dec-13	LfL (%)
Heathrow	1,522.6	19.0	492.0	5.9	462.2	0.6
Glasgow	45.4	3.1	29.4	4.6	16.1	9.8
Aberdeen	34.7	5.7	12.9	12.5	14.5	11.3
Southampton	16.0	-3.2	7.7	-2.6	2.5	2.4
Other & adjustments			1.3	n/a	-4.9	n/a
Total airports	**1,618.7**	**17.9**	**543.3**	**5.9**	**490.4**	**3.1**

Aeronautical revenues increased by 19.0% at Heathrow, reflecting the combination of higher traffic (+3.4%) and the tariff increases in April 2012 (+12.7%) and 2013 (+10.4%). Average aeronautical revenues per passenger rose by 15.0% to GBP21.04 (vs. GBP18.29 in 2012). Also, since the second quarter of 2013, growth started to recover through the "k factor", due to the lower real tariff revenues in 2011/2012.

At Heathrow, retail revenues rose 5.9%. The net revenue per passenger reached GBP6.37, or an increase of 2.6%. This was probably affected by the higher proportion of European traffic, which has traditionally had less propensity to spend in the retail space at the airport.

Regulatory matters

Regulatory Asset Base (RAB)

In December 2013, the RAB reached GBP14,585mn (vs. GBP13,471mn in December 2012), as a reflection of the investment made (approximately GBP1,300mn), the increase in inflation (GBP370mn), offset by depreciation (GBP585mn) and a small amount for adjustments and changes in the consolidation perimeter.

RAB is used to calculate the HAH Group's gearing.

Definition of the development of Heathrow in the next five years

On 10 January 2014, the CAA published its final decision regarding tariffs for the 2014-2019 period; the annual increase in tariffs has been set at RPI -1.5% (RPI -1.2% adjusted over five years), including an allowed return of 5.35%, with an investment plan of GBP2,810mn (GBP2,950mn adjusted over five years). The principal differences vs. the previous proposal are the increase in the number of passengers (+5.7 million) and a 25bp reduction in the cost of capital. In addition, the length of the new regulatory period has been modified to four years and nine months, so that the regulatory period coincides with Heathrow's financial year. This tariff will be applied in the regulated period, which starts from 1 April 2014. The appeal period closes on 28 March 2014.

Airport Commission

The British government has created an Airports Commission, led by Sir Howard Davies, to determine how to maintain the UK's position as an international aviation hub. The Commission has been charged with evaluating the various options for covering the UK's international connectivity, recommending the best way of achieving this and ensuring that the needs are met as quickly and practicably as possible.

On 17 July, Heathrow presented to the Commission various options for the construction of a third runway at the airport, to the northwest, to the southeast or to the north of the present airport; the three possibilities have been designed to take into account the possible future construction of a fourth runway.

On 17 December 2013, the Commission published a preliminary report, indicating that at least one new runway should be built in the southeast by 2030, and that the three most appropriate projects would be: i) a new 3,500m runway at Heathrow to the northwest of the airport; ii) to extend the northern runway at Heathrow to 6,000m, and iii) a new runway at Gatwick to the south of the existing. The commission also recommended short-term measures to improve the use of the existing capacity over the next five years.

The north western runway at Heathrow would increase capacity up to 740,000 flights and 130 million passengers a year (vs. 480,000 and 72 million respectively at present), and would enable the UK to compete with its international rivals and have spare capacity for the future, including the possibility of a fourth runway at a later date.

A third runway at Heathrow would be ready in 2026, at an estimated cost of GBP17,000mn, of which GBP11,000mn would be related to the development of airport infrastructure. The other GBP6,000mn include GBP2,000mn of investment in access infrastructure and GBP4,000mn of investment in the environment and improvements for local residents, which should be financed by the government.

HAH is delighted at the inclusion of Heathrow within the capacity expansion options and is studying the Commission's report in detail. Heathrow has started to work with the local authorities, local residents and other institutions to improve the project to build a new runway, including the first public enquiry, which started on 3 February.

The Commission is expected to publish its final conclusions in the summer of 2015.

Net debt

GBP	**Dec-13**	**Dec-12**	**Chg. %**
Senior loan facility	496.5	587.7	-15.5%
Subordinated	753.8	717.0	5.1%
Securitized Group	11,136.0	11,315.2	-1.6%
Non-Securitized Group	325.3	337.2	-3.5%
Other & adjustments	-28.9	-26.2	n.s.
Total	**12,682.6**	**12,931.0**	**-1.9%**

Dividends

In 2013, HAH distributed GBP555mn in dividends, including GBP300mn related to the sale of Stansted Airport. In 2013 the ordinary dividend payment to its shareholders has been GBP255 million vs GBP240mn paid in 2012.

Disposals

Sale of Stansted Airport

The process of selling this asset was initiated in August 2012. On 18 January 2013 it was announced the sale of Stansted Airport to MAG (Manchester Airport Group), for GBP1,500mn (EBITDA 2012 GBP94mn, RAB 2012 GBP1,343mn). The deal was closed on 28 February, generating capital gains of GBP351.4mn (100%), and a contribution to Ferrovial's net result of EUR137.2mn.

Sale of 8.65% FGP Topco (HAH's holding company)

On 22 October, Ferrovial, indirect owner of 33.65% of HAH, agreed the sale of 8.65% of HAH to Universities Superannuation Scheme (USS), for GBP392mn (EUR461mn).

The deal was closed on 24 October 2013, with the transfer of the funds. The net capital gain amounted to EUR81.7mn. Ferrovial now holds 25% of HAH indirectly.

Ferrovial continues to be the largest shareholder in the company and its only industrial partner.

Heathrow debt issuance

GBP200mn index-linked Class A bonds with maturities at 18, 25 and 35 years, issued for a single investor.

GBP750mn Class A bonds maturing in 2046 with a fixed annual coupon of 4.625%, the lowest coupon of all the company's issuance.

The issue was significantly oversubscribed and was supported by a wide range of quality predominantly UK institutional investors. Thanks to the above, the price was fixed well within the indicated range.

II.6 Consolidated P&L

	Before Fair value Adjustments	Fair value Adjustments	Dec-13	Before Fair value Adjustments	Fair value Adjustments	Dec-12
Revenues	8,166		**8,166**	7,630		**7,630**
Other income	10		10	17		17
Total income	8,176		**8,176**	7,647		**7,647**
COGS	7,242		7,242	6,720		6,720
EBITDA	934		**934**	927		**927**
EBITDA margin	11.4%		**11.4%**	12.1%		**12.1%**
Period depreciation	233		233	219		219
EBIT (ex disposals & impairments)	701		**701**	708		**708**
EBIT margin	8.6%		**8.6%**	9.3%		**9.3%**
Disposals & impairments	108	18	126	115	-63	52
EBIT	809	18	**827**	823	-63	**760**
EBIT margin	9.9%		**10.1%**	10.8%		**10.0%**
FINANCIAL RESULTS	-412	79	**-333**	-349	48	**-301**
Financial result from financings of infrastructures projects	-337		-337	-298		-298
Derivatives, other fair value adjustments & other financial result from infrastructure projects	-7	7	0	-6	2	-4
Financial result from ex infra projects	-53		-53	-32		-32
Derivatives, other fair value adjustments & other ex infra projects	-15	72	57	-13	46	33
Equity-accounted affiliates	396	-21	**375**	214	60	**275**
EBT	793	76	**869**	688	45	**733**
Corporate income tax	-127	-41	-168	-105	0	-106
Net Income from continued operations	666	35	**701**	583	45	**628**
Net income from discontinued operations						
CONSOLIDATED NET INCOME	666	35	**701**	583	45	**628**
Minorities	22	5	26	60	3	64
NET INCOME ATTRIBUTED	688	39	**727**	643	49	**692**

Revenues

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Construction	4,063.6	4,325.6	-6.1	-4.5
Toll Roads	429.0	381.4	12.5	13.0
Services	3,656.3	2,895.0	26.3	29.3
Others	17.6	28.3	n.s.	n.s.
Total	**8,166.5**	**7,630.3**	**7.0**	**9.0**

EBITDA

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Construction	342.8	336.9	1.8	4.0
Toll Roads	276.3	271.6	1.7	2.9
Services	321.5	313.4	2.6	15.0
Others	-6.3	4.6	n.s.	n.s.
Total	**934.3**	**926.6**	**0.8**	**4.8**

Depreciation

Depreciation was higher than in the same period last year (+6.7% LfL) at EUR233mn.

EBIT (before impairments and disposals of fixed assets)*

	Dec-13	Dec-12	Chg. %	Like-for-Like (%)
Construction	314.5	298.4	5.4	7.8
Toll Roads	201.7	204.4	-1.3	-0.1
Services	194.7	203.1	-4.1	14.5
Others	-10.0	1.9	n.s.	n.s.
Total	**700.9**	**707.9**	**-1.0**	**4.0**

*For purposes of analysis, all comments refer to EBIT before impairments and disposals of fixed assets.

Impairments and disposals of fixed assets

This elements principally includes the capital gains on the disposals of various assets (the Budimex sale of Danwood (EUR46mn), Amey joint-ventures (EUR20mn) and the sale of 8.65% of HAH to USS (EUR40mn).

Financial result

	Dec-13	Dec-12	Chg. %
Infrastruture projects	-337.2	-297.9	-13.2
Ex infra projects	-52.6	-32.0	-64.3
Net financial result (financing)	**-389.8**	**-329.9**	**-18.2**
Infrastruture projects	0.1	-3.7	n.s.
Ex infra projects	57.1	32.6	n.s.
Derivatives, other fair value adjustments & other financial result	**57.3**	**28.9**	**n.s.**
Financial Result	**-332.5**	**-301.0**	**-10.5**

The financial result increased by 10.5%, reflecting the combination of the following:

Net financing charges increased 18%. This was principally due to the increase in financial expenses for infrastructure projects, in turn mainly due to the increase in the level of debt associated with projects coming into operation (SH-130). Financial expenses excluding infrastructures projects also increased, mainly due to the accelerated amortisation of the origination commissions on bank loans cancelled with the proceeds of the bond issuance (EUR16mn).

The financial result for derivatives and others is determined by the impact of the improvement in Ferrovial's share price on the derivatives contracts hedging the share option schemes.

Equity-accounted results

	Dec-13	Dec-12	Chg. %
Construction	-1.2	-1.4	-18.5
Services	14.2	10.8	31.2
Toll Roads	65.2	42.4	53.8
Airports	296.6	222.7	33.2
Total	**374.8**	**274.5**	**36.5**

The companies consolidated by the equity method made a contribution of EUR375mn net of tax (vs. EUR274mn in 2012), including the contributions made by the 407ETR motorway (EUR65mn) and HAH (EUR297mn). The latter included the capital gains on the sale of Stansted Airport (EUR137mn).

Taxation

The effective tax rate, excluding the equity-accounted results, was 34.0%.

Net result

The net result reached EUR727mn (EUR692mn in 2012).

II.7 Balance sheet and other magnitudes

	Dec-13	Dec-12
FIXED AND OTHER NON-CURRENT ASSETS	**17,142**	**16,660**
Consolidation goodwill	**1,893**	**1,487**
Intangible assets	**229**	**116**
Investments in infrastructure projects	**7,639**	**6,755**
Property	**37**	**35**
Plant and Equipment	**483**	**506**
Equity-consolidated companies	**3,562**	**4,322**
Non-current financial assets	**1,810**	**1,674**
Receivables from Infrastructure assets	1,341	1,334
Financial assets classified as held for sale	1	1
Restricted Cash and other non-current assets	317	148
Other receivables	152	192
Deferred taxes	**1,344**	**1,608**
Derivative financial instruments at fair value	**144**	**158**
CURRENT ASSETS	**5,678**	**5,570**
Assets classified as held for sale	**2**	**2**
Inventories	**325**	**394**
Trade & other receivables	**2,202**	**2,198**
Trade receivable for sales and services	1,635	1,642
Other receivables	470	436
Taxes assets on current profits	98	120
Cash and other financial investments	**3,130**	**2,967**
Infrastructure project companies	279	237
Restricted Cash	41	25
Other cash and equivalents	238	212
Other companies	2,851	2,730
Derivative financial instruments at fair value	**18**	**8**
TOTAL ASSETS	**22,820**	**22,230**
EQUITY	**6,074**	**5,780**
Capital & reserves attributable to the Company´s equity holders	**5,719**	**5,660**
Minority interest	**355**	**121**
DEFERRED INCOME	**503**	**356**
NON-CURRENT LIABILITIES	**11,230**	**11,117**
Pension provisions	**107**	**105**
Other non current provisions	**1,350**	**1,166**
Financial borrowings	**7,496**	**6,996**
Financial borrowings on infrastructure projects	6,403	5,825
Financial borrowings other companies	1,093	1,171
Other borrowings	**208**	**203**
Deferred taxes	**1,117**	**1,080**
Derivative financial instruments at fair value	**952**	**1,567**
CURRENT LIABILITIES	**5,013**	**4,976**
Financial borrowings	**1,303**	**1,229**
Financial borrowings on infrastructure projects	1,228	1,168
Financial borrowings other companies	75	61
Derivative financial instruments at fair value	**67**	**65**
Trade and other payables	**3,254**	**3,267**
Trades and payables	2,665	2,645
Deferred tax liabilities	60	75
Other liabilities	528	547
Trade provisions	**389**	**415**
TOTAL LIABILITIES & EQUITY	**22,820**	**22,230**

Net consolidated debt

Net cash excluding infrastructure projects stood at EUR1,663mn (vs. EUR1,484mn in December 2012).

This reflected the acquisition of the UK company Enterprise in April for EUR474mn, together with additional investments of EUR280mn, disposals of EUR564mn and dividend payments of EUR523mn.

These outflows were offset by the dividends received from projects (EUR489mn, or which EUR219mn from Airports, EUR242mn from Toll roads and EUR28mn from Services), and the cash generated by the various divisions.

Net project debt reached EUR7,015mn. The variation is principally due to the investment in motorways under construction in the US.

This net debt includes EUR1,526mn of net debt related to motorways under construction ((NTE, LBJ and NTE 3A3B). It also includes EUR1,143mn related to the R4 and OLR toll roads that have sought creditor protection.

The group's net debt stood at EUR5,352mn at 31 December 2013.

	Dec-13	Dec-12
NCP ex-infrastructures projects	**1,663.5**	**1,483.5**
Toll roads	-6,697.8	-6,238.1
Others	-317.5	-356.5
NCP infrastructures projects	**-7,015.4**	**-6,594.6**
Net Cash Position	**-5,351.9**	**-5,111.1**

Credit rating

In August 2011, the credit rating agencies Standard&Poor's and Fitch Ratings published their opinions on Ferrovial's credit rating for the first time; in both cases the rating was investment grade.

Standard & Poor's upgraded Ferrovial's rating from BBB- to BBB on 9 May 2013.

Rating agency	Rating	Outlook
S&P	BBB	Stable
Fitch Ratings	BBB-	Stable

Dividend payments in 2013

At a meeting held on 28 October 2013, Ferrovial's board approved the distribution of a dividend on account for 2013 amounting to EUR0.40 per share, which was paid on 10 December 2013.

The board expects to distribute a supplementary dividend of between EUR0.25 and EUR0.30 per share, and this will be proposed for shareholders' approval at the 2014 AGM.

Corporate bond issuance

In 2013, Ferrovial issued two corporate bonds.

In January the group made its inaugural issue which was very well-received by the market, and was 11x oversubscribed. The EUR500mn five-year issue was closed at 240bp over midswap, with a coupon of 3.375%.

On 28 May Ferrovial issued a second bond, which again attracted considerable interest and was 6x oversubscribed. This was an eight-year EUR500mn issue at 200bp over midswap, also with a coupon of 3.375%.

In both cases, the proceeds were applied to the early retirement of corporate debt.

With this issuance, Ferrovial has managed to optimise the maturity schedule of its corporate debt, reduce its cost of debt and retire practically all its bank debt.

Year	Corporate debt maturities (EUR mn)
2014	53
2015	43
2016	20
2017	11
2018	501
2019	3
2020	0
2021 - 2030	506
2031 - 2050	3

II.8 Consolidated cash flow

Dec-13	Ex-infrastructure projects	Infrastructure projects	Adjustments	Total
EBITDA	569	365		934
Dividends received	489		-24	465
Working capital	39	-59		-20
Operating flow (before taxes)	**1,097**	**306**		**1,379**
Tax payment	-48	-34		-82
Operating cash flow	**1,048**	**272**	**-24**	**1,296**
Investment	-754	-704	152	-1,307
Divestment	564			564
Investment cash flow	**-191**	**-704**	**152**	**-743**
Activity cash flow	**858**	**-433**	**128**	**553**
Interest flow	-44	-286		-330
Capital flow from Minorities	0	269	-152	117
Dividend payment	-523	-26	24	-525
Forex impact	-47	151		104
Deconsolidated Debt of assets classified as held for sale/ Perimeter changes/ Equity acc.	-15			-15
Other (non-cash)	-49	-97		-146
Financing Cash Flow	**-678**	**12**	**-128**	**-794**
Net debt variation	**180**	**-421**		**-241**
Net debt initial position	**1,484**	**-6,595**		**-5,111**
Net debt final position	**1,663**	**-7,015**		**-5,352**

Dec-12	Ex-infrastructure projects	Infrastructure projects	Adjustments	Total
EBITDA	569	358		927
Dividends received	387		-24	363
Working capital	-12	-44		-56
Operating flow (before taxes)	**944**	**314**	**-24**	**1,234**
Tax payment	-30	-19		-50
Operating cash flow	**914**	**295**	**-24**	**1,184**
Investment	-320	-798	168	-949
Divestment	893			893
Investment cash flow	**573**	**-798**	**168**	**-56**
Activity cash flow	**1,486**	**-503**	**145**	**1,128**
Interest flow	-33	-286	0	-318
Capital flow from Minorities	0	303	-168	135
Dividend payment	-826	-25	24	-827
Forex impact	6	56		62
Deconsolidated Debt of assets classified as held for sale/ Perimeter changes/ Equity acc.				
Other (non-cash)	-57	-63		-120
Financing Cash Flow	**-909**	**-14**	**-145**	**-1,068**
Net debt variation	**577**	**-517**	**0**	**60**
Net debt initial position	**907**	**-6,077**		**-5,171**
Net debt final position	**1,484**	**-6,595**	**0**	**-5,111**

Cash flow excluding infrastructure projects

Operating flows

A comparison of operating flows by division in 2013 vs. 2012, excluding infrastructure projects, is set out in the following table:

Operating flow	Dec-13	Dec-12
Construction	304	100
Services	359	495
Dividends from Toll roads	242	220
Dividends from Airports	219	145
Other	-27	-16
Operating flow (before taxes)	**1,097**	**944**
Tax payment	-48	-30
Total	**1,048**	**914**

The 2013 financial year includes payments, under the supplier payment plan, received for a total consideration of EUR129mn, mainly in Services. The 2012 financial year includes the payments received in the first half of the year totalling EUR688mn (EUR499mn at the Services division and EUR189mn at Construction) under the supplier payment plan determined by Royal Decree 4/2012.

The heading Other includes the operating flow corresponding to head office, and the parent companies of the Airports and Toll roads divisions.

The breakdown of the flows at the Construction and Services divisions is shown in the table below:

Construction	Dec-13	Dec-12
EBITDA	329	324
Settlement of provisions from completed works (non cash)	-73	-135
Adjusted EBITDA	**256**	**189**
Factoring Variation	12	-86
Ex Budimex Working Capital	23	114
Budimex Working Capital	13	-116
Operating Cash Flow before Taxes	**304**	**100**

Services	Dec-13	Dec-12
EBITDA	264	273
Dividends from projects	28	22
Factoring Variation	0	-65
UK pension scheme payments	-17	-22
UK Working Capital	-6	-27
Ex UK Working Capital	91	314
Operating Cash Flow before Taxes	**359**	**495**

The detail of the flows at the Services division is shown below:

	Spain	UK	Internat.	Services
EBITDA	133	122	8	264
Dividends	15	13		28
Pension scheme payments		-17		-17
Working capital	91	-6	0	84
Op. cash flow ex-Taxes	**239**	**112**	**8**	**359**

At the Toll roads division, the 2013 operating flow includes EUR242mn from dividends and capital repayments to the companies leading the toll roads infrastructure projects, and the detail of this is shown in the table below:

Dividends and Capital reimbursements	Dec-13	Dec-12
ETR 407	217	198
Irish toll roads	10	14
Portuguese toll roads	10	7
Greek toll roads	3	
Spanish toll roads	1	1
Other	0	
Total	**242**	**220**

Investment flow

The following table sets out the detail of the investment flow by division, excluding infrastructure projects, in each case separating the payments made for investments and the funds received for disposals.

Dec-13	Investment	Divestment	Investment Cash Flow
Construction	-35	60	25
Services	-579	51	-528
Toll roads	-135		-135
Airports	0	453	452
Others	-5		-5
Total	**-754**	**564**	**-191**

Dec-12	Investment	Divestment	Investment Cash Flow
Construction	-33	7	-26
Services	-109	-6	-115
Toll roads	-173	0	-173
Airports	0	876	876
Others	-5	16	11
Total	**-320**	**893**	**573**

Notable features of the investment flow are the acquisition of the UK company Enterprise for EUR474mn, and the Chilean company Steel Ingeniería for EUR28mn at the Services division; as well as the capital increases at the Toll roads division, together with the investments made in infrastructure projects (US toll roads under construction) and at Services (Amey projects); as well as the investment in material fixed assets, principally at the Services (Spain) division.

Equity investment in toll roads	Dec-13	Dec-12
LBJ	-68	-65
NTE	-41	-39
NTE 3A&B	-13	
SH130	-13	-62
Spanish toll roads	0	-6
Total	**-135**	**-173**

In terms of the disposals made in 2013, the highlight was at Airports with the sale of 8.65% of HAH for EUR455.2mn in October 2013, offset by the payment made in 2012 for the costs associated with earlier disposals of HAH (EUR2.5mn). At Services, the disposal of 40% of Amey's JVs for EUR43.8mn and the sale of Ecocat and Ctrasa for EUR7.4mn. In addition, in December 2013, at the Construction division, Budimex sold its subsidiary Danwood for EUR56.1mn.

Financing flow

Included in the financing flow are dividends paid to both Ferrovial's shareholder (EUR512mn) and to the Budimex minorities (EUR11mn).

Regarding the dividends paid to Ferrovial shareholders, in January 2013 Ferrovial paid over the withholding tax on the dividends paid in December 2012, or EUR85mn. On 23 May, Ferrovial paid the supplementary dividend payable on 2012 (EUR0.25 per share). On 10 December, it paid the dividend on account for 2013 (EUR0.40 per share).

In addition, note the net interest payment for the year (EUR44mn) and the FX impact (EUR47mn), which have their origin in the operating cash flow of the businesses outside the eurozone and in FX positions maintained as hedges against part of the future investments, as well as other non-flow debt movements (EUR51mn), which include the accounting debt movements that do not affect cash flow, mostly accrued interests.

Infrastructure project cash flow

Operating flow

In terms of the operating flows of the lead companies on the infrastructure concession projects, these basically include the inflow of funds from companies in operation, although they also include the VAT reclaims and payments corresponding to those in the construction phase. The following table shows a breakdown of the operating flows of the Infrastructure projects.

	Dec-13	Dec-12
Toll roads	215	210
Other	57	85
Operating flow	**272**	**295**

Investment flow

Note the investment in assets under construction, particularly the motorways in the US (LBJ and NTE).

	Dec-13	Dec-12
LBJ	-419	-378
North Tarrant Express	-219	-206
North Tarrant Express 3A3B	-45	
SH-130	-5	-169
Portuguese toll roads	-4	-12
Spanish toll roads	-3	-5
Chicago skyway	-2	-4
Other	0	0
Total toll roads	**-699**	**-774**
other	-5	-24
Projects Total	**-704**	**-798**

Financing flow

The financing flow includes the dividend payments and capital repayments made by the concessions to their shareholder, as well as the inflows from capital increases received by these companies. In the case of the concessions that the group consolidates by global integration, these amounts correspond to 100% of the inflows and outflows, irrespective of the percentage shareholding held by the group. No dividend payments or capital repayments are included for concessions consolidated by the equity method.

The interest flow corresponds to the interest paid by the concession companies, as well as other commissions and costs strictly related to obtaining financing. The flow for these elements corresponds to the interest payments relating to the period, as well as any other element that implies a direct variation in the net debt during the period. This amount is not the same as the financing result in the P&L, fundamentally due to the differences between accrual and payment of interest.

Interest Cash Flow	Dec-13	Dec-12
Spanish toll roads	-64	-75
US toll roads	-137	-127
Portuguese toll roads	-41	-38
Other toll roads	-15	-16
Toll Roads Total	**-257**	**-256**
Other	-29	-30
Total	**-286**	**-286**

In addition, the financing flow includes the impact of FX movements on foreign-currency-denominated debt, which in 2013 was a positive EUR151mn, fundamentally as a reflection of USD depreciation against the EUR, which had a significant impact on the net debt of the US toll roads.

Finally, the heading Other non-flow debt movements includes elements that imply a variation in accounting debt, but no actual cash flow movements, such as unpaid accrued interest, etc.

III. Corporate governance

In accordance with corporate legislation, the Annual Corporate Governance Report forms part of this Director's Report. Such document has been issued by the Board of Directors and sent to the Spanish National Securities Market Commission (CNMV), together with this Director's Report. That document provides detailed information on all the components of Ferrovial's corporate governance.

Without prejudice to the above, the values on which Ferrovial's corporate governance are based and the key elements are summarised below.

Ferrovial's corporate governance is founded on three values: efficiency, integrity and transparency, all three essential to transmit confidence, to manage possible risks and to generate increasing shareholder value.

The following elements are key to Ferrovial's corporate governance:

- The Board is composed of **12 members, or whom half are independent, including a Lead Director**, who makes an essential contribution to how the body functions, channelling any concerns raised by the external directors.
- **Board members come up for re-election every three years, rather than the maximum legal term of six years.** This allows frequent shareholder validation of management.
- **The Appointments and Retribution Committee comprises only independent directors,** and like the Audit and Control Committee, there are no executive members.
- **The Audit and Control Committee supervises the preparation of financial information, as well as the efficacy of the company's internal control procedures,** among other functions. Ferrovial provides a voluntary report on the activities of this Committee, which is attached as Annex I to this document, so that shareholders can judge its value-creation.
- Finally, **Ferrovial regularly analyses the best practices and regulations on good governance in both a national and an international context and evaluates their incorporation.** For example, in the 2013 financial year there has been a notable increase in the quantity and quality of the information made available to investors.

IV. Board and senior management remuneration

The information on the remuneration of the Board and senior management is detailed in Note 29 of the Group's Consolidated Financial Statements, as well as in the Annual Report on Board and Senior Management Remuneration.

The criteria applied by Ferrovial in establishing the remuneration of its executive directors and senior management is as follows:

- Remuneration comprises a fixed and a variable component, with the latter component being very significant.
- The annual variable component is partly linked to the achievement of certain corporate objectives each year. These objectives are both quantitative and qualitative, with the former linked to the achievement of a certain level of profits, in the form of metrics such as, for example, cash flow, EBITDA, net result, that reflect the magnitudes prioritised by Ferrovial's strategy.
- The long-term variable component is intended to encourage loyalty, permanence and alignment with the company's long-term objectives.

This objective is principally covered by periodical participation in schemes linked to the share price and to the achievement of certain profitability metrics. These schemes offer shares in the company (and previously share options, which were on onerous terms for the beneficiary), but do not imply any need for capital increases.

With regard to the long-term incentives, delivery will depend on remaining in the company for three years (except in special circumstances) and meeting certain targets during this period calculated on the one hand on turnover, and on the other, on the ratio between EBITDA and net productive assets, and for the 2013 plan, on the total shareholder return in comparison with one of Ferrovial's peers as well.

The remuneration received by the executive directors in 2013 is shown in the table below:

(in thousands of euros)	2013				
EXECUTIVE DIRECTORS' retribution	Fixed retribution	Variable retribution	Share option schemes	Other *	Total 2013
Rafael del Pino y Calvo-Sotelo	1.175	2.063	1.875	5	5.118
Joaquín Ayuso García	0	0	1.038	38	1.076
Iñigo Meirás Amusco	970	1.854	1.994	3	4.821
TOTAL	**2.145**	**3.917**	**4.907**	**46**	**11.015**

*Life insurance policies and directorships of other subsidiaries

Meanwhile, the total amount accrued over 2013 for the rest of senior management (members of the Management, the Director of Internal Audit, Director of Corporate Communications and Responsibility, the Director of Corporate Strategy) was as follows:

SENIOR MANAGEMENT retribution	(thousands of euros)
	2013
Fixed retribution	4.404
Variable retribution	5.165
Share option/award schemes	8.101
Other (*)	42
TOTAL	17.712

(*) Directorships of other subsidiaries and insurance premiums

V. Environment [1]

Environmental sustainability is key to Ferrovial's strategy. The company considers that global challenges such as climate change, the energy crisis and the loss of biodiversity should not only be tackled responsibly, as befits a global company, but that it can also become a fresh source of new business activities.

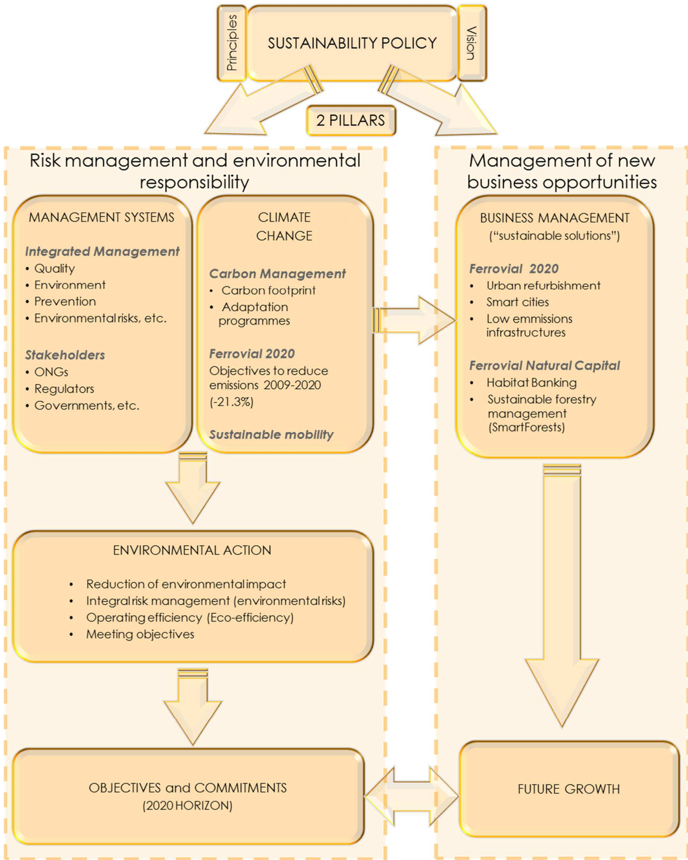
Commitment and strategy

Ferrovial has committed to a progressive reduction in the environmental impact of its activities worldwide, maintaining a preventative focus that enables it to manage environmental risks efficiently. This global commitment finds its forms in more specific medium- and long-term commitments, of which the reduction of the group's carbon footprint in all its activities worldwide predominates.

Ferrovial's environmental strategy is focused on two **priorities:**

1. Environmental risk management and responsibility

2. Management of new business opportunities



2013 milestones

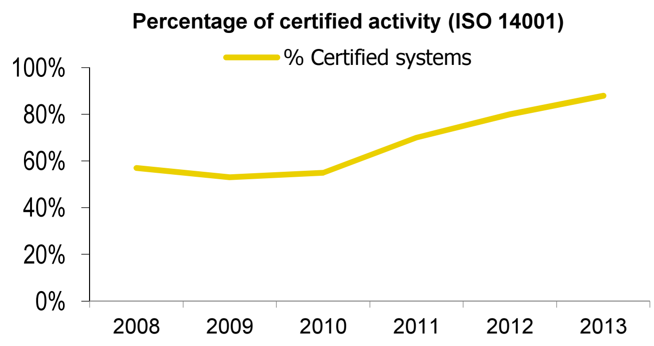
The principle milestones in 2013 in the context of the two priorities described above are as follows:

1. Environmental risk management and responsibility

1.1 Environmental certification

All of Ferrovial's divisions have environmental management systems that are in excess of the requirements of ISO 14001 and the EU's environmental management system EMAS. These systems are subjected to certification by a third party as required by stakeholders (clients, governments and others). In 2013, the percentage of certified activities was 10% higher than in 2012, at **88%** of the group's total revenues at a global level.

[1] The figures published in this section are provisional and derived from the Annual Corporate Social Responsibility Report for 2013, which the company publishes to coincide with the AGM.



Ferrovial has pioneered the development of systems for the analysis and management of environmental risks, as well as the requirements of the European Directive on Environmental Responsibility. These systems are based on a continuous monitoring of the production centres: in 2013, the group carried out **1,582** internal quality and environmental audits (22% more than in 2012), in a total of **700** centres. Amongst other things, this has ensured that the company reduced the number of offences against environmental legislation to practically zero: in 2013, fines imposed in this respect fell to **EUR8,115**[2]. This monitoring activity is complemented by technical assessment visits carried out by central services; in 2013, more than **2,100** such inspections were made.

1.2 The anticipation of regulatory trends, based on a close and mutually beneficial relationship with legislators and regulators

Ferrovial participates actively in regulatory and legislative processes, contributing its experience and technical expertise to matters subject to regulation. This enables the group to anticipate the impacts on the different divisions, as well as take advantage of the opportunities that demanding environmental legislation offers companies in the vanguard.

1.3 A fluid and collaborative relationship with the important stakeholders in the area of sustainability

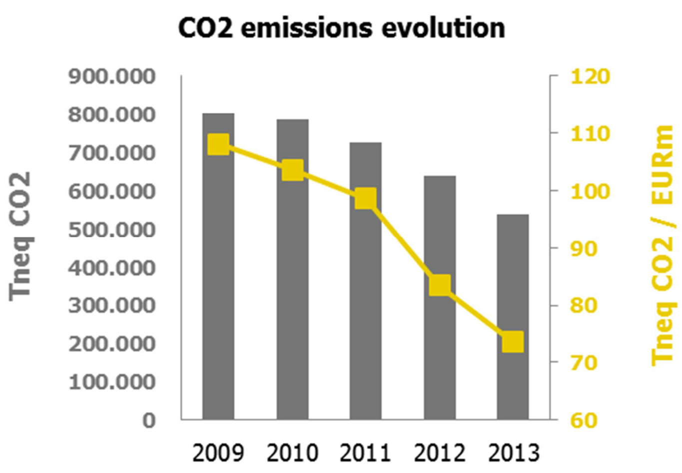
Ferrovial has close and stable relationships with the spokespersons for civil society and the principal ecological groups, looking for common ground for long-term collaboration and mutual benefit (e.g. WWF, Global Trade Forest, SEO-BirdLife, etc.). The company also takes care to maintain a fluid and very proactive relationship with analysts and investors, responding to the key points in the global agenda on sustainable development. This has enabled Ferrovial to remain in the global and European DJSI (Dow Jones Sustainability Index) indices for **12 consecutive years.** Ferrovial also leads the Carbon Disclosure Project in the sectors where it has a presence (**99 points out of 100,** in CDLI - Carbon Disclosure Leadership Index-, and an **A** rating in CPLI --Carbon Performance Leadership Index), thus become part of the CDP's selective Global Supply Chain.

1.4 Proactive carbon footprint management

The "*Ferrovial 2020*" programme was started in 2010 with the objective of increasing awareness of the risks and opportunities linked to climate change, highlighting not only the potential impacts on the company's assets in sensitive zones (through the "*Plan Adapta*", a pioneering experience developed in collaboration with the Spanish government's Office of Climate Change), but also with those derived from the regulatory trends and the opportunities that these trends provide (see below). The "*Ferrovial Movilidad*" programme, centred on reducing the emissions related to transporting Ferrovial employees, as well as the users of the infrastructures managed worldwide, helps to reduce the climatic impact of Ferrovial activities.

Ferrovial has been calculating its carbon footprint since 2008, at present covering 100% of its activities globally, both its direct emissions (scope 1), and the indirect (scopes 2 and 3). The computation of the emissions is subject to annual external verification. The company has also made long-term commitments to reduce its emissions by **21.3%** by 2020 from the 2009[3] level.

Between 2009 and 2013, Ferrovial reduced its carbon footprint by **31.9%**[4]. Discounting the effect of the economic crisis and its impact on construction and services activities in Spain (especially due to lower waste management volumes; the diffused emissions from landfills comprise more than 18% of the group's total emissions), the reduction would be equivalent to **14.8%** over the same period, which sets the trend for compliance at -28% in 2020.



1.5 Eco-efficiency and energy efficiency as instruments for reducing the impacts in an economically viable way.

The efficient use of energy and natural resources, together with the reduction of emissions and waste dumping, are a priority at the production centres, but also a source for innovation and the

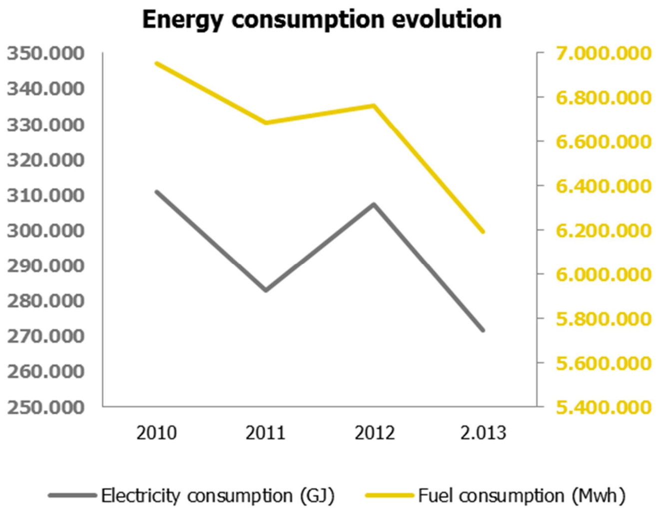
[2] Less than 0.0001% of annual turnover; in practice all in Spain and, in general, derived from formal aspects of administrative authorisation.

[3] In terms of carbon intensity, based on the ratio [emissions in Toneq / earnings in millions of euros]

[4] Provisional figures, pending the incorporation of Amey (UK and the recently acquired Enterprise. Subject to a later external verification and final adjustment. Measured in terms of carbon intensity, based on the ratio [emissions in Toneq / earnings in millions of euros]

development of solutions that Ferrovial can subsequently offer to its clients and users.

In 2013, the production centres generated 768,102m3 of non-hazardous waste, in line with the figure for the previous year. The production of hazardous and industrial waste was reduced to 1,372 tonnes (well below the 2012 level, largely due to the exceptional nature of certain of Amey's contracts in the UK). Meanwhile, and consonant with its climate change strategy, fuel consumption from stationary and mobile sources was reduced by **8.7%** vs. 2012, reaching a total of 1,713,901MWh, and electricity purchases by **11.6%** (271,463 MWh).



In 2013, Ferrovial invested around **EUR52mn** in environmental infrastructure and technologies, directly related to the efficient use of resources, as well as in reducing environmental impacts and pollution.

1.6 A proactive vision of conserving biodiversity

The "*Ferrovial, Capital Natural"* programme was set in motion in 2010 with the objective of enhancing new formulas to measure the impact of the company's activities on biodiversity and improving the correction of these impacts, as well as studying new opportunities linked to the conservation of natural capital. As part of this strategic programme, in 2013 Ferrovial signed the Business and Biodiversity pact with the Spanish government's Ministry of Agriculture, Food and Environment.

Ferrovial is aware of the impact of some of its activities on the natural environment. In this context, the company has proposed as an objective for 2016 to develop a scheme for the quantitative evaluation of the impact on natural capital, to cover at least 100% of its Construction and Infrastructure activities, where these impacts are most significant. The group has thus developed innovative formulas to mitigate these effects in those business areas, building on the technical and scientific advances that the company has developed over more than a decade in the field of ecological infrastructure restoration

Finally, in 2013, the company has pursued the issue of compensation for damage to biodiversity that cannot be mitigated in situ, after having exhausted avoidance measures and restoration of habitats, through offsetting mechanisms (fundamentally in the US).

2. Management of new business opportunities

In the last few years, Ferrovial has reinforced its capacity to offer services and infrastructure that respond to global challenges such as climate change, the energy crisis or the loss of biodiversity. The aim in this field is to create long-term value, helping Ferrovial to be considered as a strategic partner for the governments of the countries in which it operates, offering alternatives that help them achieve their global goals as regards the environment.

In the process, the group has consolidated business models inspired by the principal environmental challenges: energy efficiency services, smart cities, electricity generation from biogas, etc. At the same time, the company has started to develop other models, such as the refurbishment of homes and buildings for public use on a large scale, based on energy-efficient criteria, and in this context Ferrovial has been a leader in the sector in establishing a legal framework for these large-scale projects within the framework of the platform GTR (Working Group For Rehabilitation; http://www.gbce.es/gtr).

Finally, in its ambitious *"Ferrovial, Capital Natural"* programme, the group has focused on both generating awareness and on the role the company should play in conserving natural capital, in collaboration with the CI3 (Centre for Intelligent Infrastructure), the MIT (Massachusetts Institute of Technology) and other research centres. In the context of this programme, Ferrovial has developed the *SmartForest* Project, a business model that, under certain conditions, allows the conservation of biodiversity to be funded with private capital. In this model, which integrates energy services with sustainable forestry management, Ferrovial works together with the FSC (Forest Stewardship Council).

VI. Innovation [5]

Commitment and strategy

Ferrovial considers innovation to be a strategic tool to respond to the global challenges facing the world of infrastructure. In this context, Ferrovial's innovation activity is centred around **developing technologies applied to infrastructure construction, transport, municipal services, water, energy efficiency and environmental sustainability,** with the aim of resolving the management of complex operations and offering differential solutions for its clients.

[5] The numerical data in this section are provisional, based on the definitive data contained in the Annual Corporate Social Responsibility Report of 2013, that the company produces to coincide with the AGM.

The group's innovation strategy is implemented through an open innovation model that, through an ecosystem of partners formed by businesses, the public-sector, universities and entrepreneurs, enriches the innovation process through the exchange of ideas outside the organization.

The innovation strategy operates at three levels:

1. A common **governance** to establish the open innovation model and take on the challenges and opportunities.
2. An innovation **community** that seeks to identify the relevant individuals and facilitate an appropriate cultural climate.
3. The necessary **resources** for the development, such as information, financing, ecosystem and programmes that support the model.

The governance of the innovation is executed through the Global Innovation group that, led by the Chief Information and Innovation Officer, includes representatives of all the company's lines of business through its Directors of Innovation, together with key Human Resources functions, and whose responsibility is to develop the innovation strategy, coordinate global programmes, share information on individual projects and better practices and contribute to deepening the culture of innovation.

Ferrovial has introduced a **programme of action designed to encourage** a culture of innovation throughout the organisation that facilitates the identification and implementation of innovative solutions for businesses and clients using the existing resources and centres and in accordance with the strategy and priority areas identified. This programme comprises actions such as organising innovation days for management, a review of innovation responsibility in human resources policies (selection, evaluation, development and compensation), training in creativity, innovation and entrepreneurship, and the introduction of innovation prizes for employees (*Ferrovial Innovation Awards*).

The **resources** used in the development of the innovation strategy include:

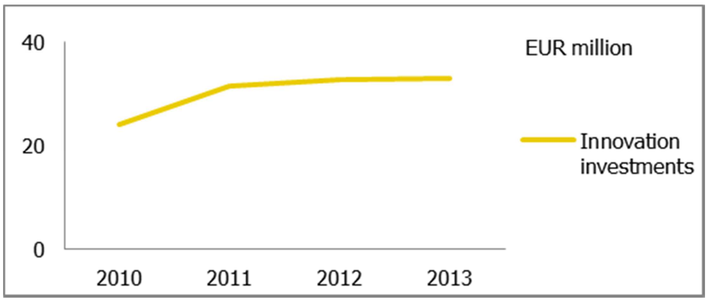
- The Centre for Intelligent Infrastructure Innovation (CI3), based on the Triple Helix model (private company –Ferrovial-, university –Universidad de Alcalá- and public sector –Junta de Comunidades de Castilla La Mancha) for the development of information technologies applied to infrastructure management.
- The departments of R&D specialising in water (treatment of urban and industrial waste water, and desalination via reverse osmosis) and in waste management (procedures in controlled storage tanks, treatment of leachates and evaluation of waste in both material and energy terms).
- The internal competition centres dedicated to asset management, intelligent transport systems, cities, the environment and infrastructures, whose objective is to optimise the management of their processes through better practices and the introduction of innovative solutions.
- The technical offices in the various divisions for the design and development of new technologies and processes.
- The agreements with more than 30 universities and technology centres in the search for specialised knowledge, and in particular the agreement with MIT (the Massachusetts Institute of Technology) focused on the research into the energy efficiency of its buildings.
- The collaboration on programmes for the development entrepreneur projects such as the IBM Smartcamp, Pasion>ie, and Spain Startup to identify talent, discover new and better ways of competing and taking them to market.

To sum up, the principles of the innovation strategy are:

- A client focus, and an emphasis on finding solutions.
- Focus on the defined priority areas for innovation.
- Encouraging a culture of innovation among Ferrovial's employees.
- Creation and development of an open innovation ecosystem.
- Constant improve of the innovation process.

2013 Milestones

During 2013 Ferrovial managed a total investment in innovation of EUR32.9mn, in line with the previous year.



The key projects undertaken by the various divisions during the year are described below:

Construction

In 2013, Ferrovial Agroman has led the **SOFIA** project, which is the development of an infrastructure control and monitoring system in the context of the INNPACTO Programme, partly financed by the Ministry of Economy and Competitiveness (MINECO). The platform integrates the information from diverse wireless sensor systems and allows the data recorded to be processed and analysed in real time, with the aim of helping to optimise infrastructure operation. In this project Ferrovial Agroman is able to offer its clients the value-added of including infrastructure in the design and construction phase, such that these infrastructures are equipped during the construction phase with the necessary systems to be managed intelligently. The field trials were carried out during 2013, fundamentally at various points along the Terrassa-Manresa motorway to the north of Barcelona, managed by the concession company AUTEMA. This zone has had sensors installed monitoring air quality, acoustic sensors, sensors to monitor cracks in the concrete, and sensors to count and classify vehicles, as well as cameras to monitor fauna movements.

In the field of "Smart Cities", note the **CIUDAD2020** project, which promotes the design of a new paradigm city, based on five aspects: the city connected to the internet of the future, energy efficiency, sustainable mobility and transport, citizens' behaviour in the face of the challenges of Objectives 20-20-20 in the next few years, such as: a 20% reduction in emissions, 20% of electricity output from renewable energy and a 20% improvement in energy efficiency. Ferrovial Agroman is responsible for the energy efficiency element and participates in the transport and environmental elements with the collaboration of Ferrovial's CI3, the University of Alcalá and the Integrated Domotics Centre of the Universidad Politécnica de Madrid (CeDInt). During 2013, the activity of the CIUDAD2020 project reached a decisive phase: the initial energy, transport and environmental services have been defined, the first trials of the devices – and services - designed have been carried out, in real experimental situations, progress has been made on the system architecture and it has been presented to various forums, such as the Greencities and Sustainability congress in Malaga, with the support of the cities of Santander, Malaga and Zaragoza.

Toll Roads

The most important project at the motorways division during 2013 is **SATELISE®**, a prototype technological platform for toll payments on motorways and freeways, using an application for mobile handsets and GPS services in smartphones, as well as using interactive value-added services between the user and the owner or operator of the infrastructure. The system activates the cheapest tariffs for the user, as it allows payment for the exact distance travelled, and is cheaper that the installation of toll booths. In 2013, new functions for the system were developed which perfected its attributes and trials were carried out in demanding environments. The reliability of the **SATELISE®** software problem has now been proved in more than 10,000 journeys to date. In the next few months, pilot projects are expected to be introduced on CINTRA motorway concessions under real traffic and payment conditions.

Services

With regard to the projects carried out in collaboration with MIT, during 2013 the research phases of the **City Lights** project were completed, intended to obtain a rapid and accurate luminous map of urban lighting, and also the **Building Scanning** project, which has developed a mobile platform to collect and analyse images of the buildings to determine the main points of interest from the point of view of refurbishment. Both prototypes have aroused a great deal of interest, such that Ferrovial Servicios has decided to industrialise them. This process started at the end of 2013 and has been assigned to Ferrovial's CI3 as a centre of expertise. The expected energy saving on integrated services amounts to more than 20%.

TEDS4BEE (Test of Digital Services for Buildings Energy Efficiency) falls into the ambit of energy efficiency. This is a European collaboration project led by Ferrovial Services, with Ferrovial's CI3 as technical coordinator, Amey as leader of the UK cluster, FBSerwis in Poland and another eight partners in six different European countries. Their objective is to adapt, roll out and validate the **EMMOS** (Energy Management and Monitoring Operational System) in 16 different public-use buildings. EMMOS collects, stores and analyses energy consumption data as well as other data that affect this consumption. It is an application developed by Ferrovial in-house by a multidisciplinary team that includes Ferrovial Servicios, Amey, Ferrovial Corporación and CI3. The adaptations have already been carried out and the roll-out of the digital service in the buildings at a European level has now begun. Regarding the awards granted, TEDS4BEE, the EnerTIC platform for energy efficiency through the use of TICS, awarded EMMOS the prize for the most innovative project in the Smart Building category.

Airports

Within the Airports division, **PowerFloor**, the winning project in the first round of the Ferrovial Innovation Awards has completed its evaluation and design phases and will shortly be installed at Heathrow Airport's T3. The system uses the passage of passengers through an 18-metre corridor to generate energy, and through of the graphic representation, improves the user experience.

VII. Human capital

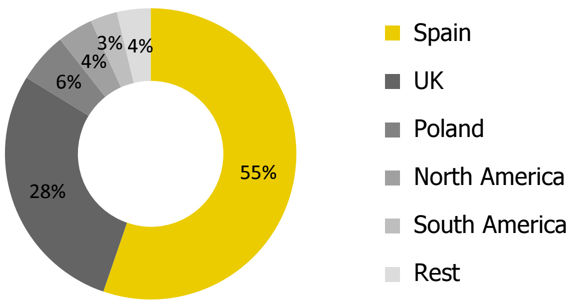
Strategy

Ferrovial has a commitment to its employees to develop an integrated model that guarantees the strength of its various businesses by developing their employees' professional skills.

The combination of **talent and the commitment** made by Ferrovial's professionals is one of the pillars of its success as a world leader in infrastructure management. Furthering the professional development of all its employees, together with cross **management of talent and the increasing internationalisation of group employees** are among its strategic priorities, in an environment that guarantees **equal opportunities on the basis of merit.**

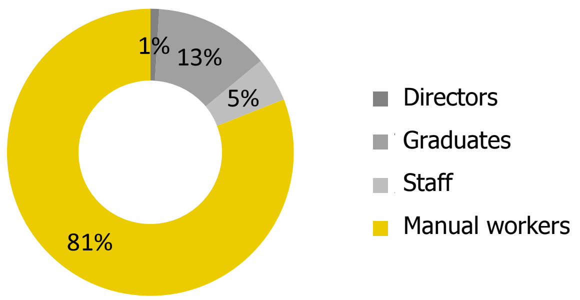
Workforce characteristics

At year-end 2013, Ferrovial had **66,088 employees,** 45% of whom are employed outside Spain. The workforce has an average age of 43.18 and has been with the company for an average of 8.89 years. The distribution by countries is as follows:



A total of 16% of employees work part time, while 82% are on permanent contracts.

Breakdown by professional category



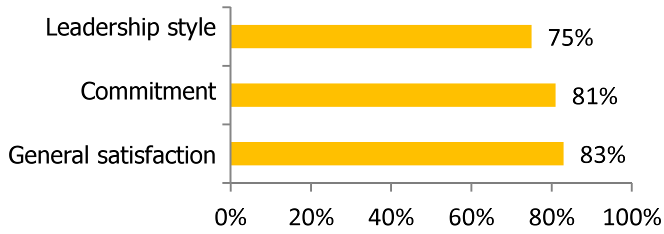
2013 Milestones

Examples of these four strategic priorities in terms of human capital management are as follows:

1. Regarding Ferrovial's **commitment to its employees:**

- For the fourth consecutive year, **Ferrovial** was awarded the **Top Employers (benchmark employer) certification**, an annual award by the CRF Institute. The Top Employers certification guarantees that the company has introduced policies and procedures that guarantee the attraction and retention of the best talent, at the same time promoting a good labour environment. In Spain, the company has received the **Randstad Award 2013**, which recognises the company as one of the best three companies in which to work within the infrastructure sector.
- 77% of the employees who completed the climate questionnaire would recommend Ferrovial as a good company to work for, or **8 out of 10 employees.** This figure is supported by the 27% increase in the job applications received in the 2013 financial year (319,727 candidates for the 5,299 posts advertised).
- In 2013 the **Working Environment survey** as a lever for managing Ferrovial's commitment to its employees. The survey covered 14,042 professionals, with a response rate of 52%, 70% of which was favourable.

Three of the elements analysed are set out below, together with the percentage of satisfaction:



The analysis of the results gave rise to 177 initiatives, focused on improving promotion processes, cross knowledge and the internationalisation of talent, among other things.

2. As well as gauging the opinion of its employees through the Working Environment Survey, **the company provides the appropriate tools and channels to encourage the exchange of knowledge and professional development.**

- Ferrovial's **Corporate University** is a clear example of the way in which it has generated value for its professionals and for the organisation in general since it came into being in 2007. This project is notable for its international approach and its joint programmes with the top business schools. Some 3,000 participants have passed through its classrooms, of which approximately 10% from outside Spain. The approximately 52,000 hours of training in transversal and management skills imparted at the Corporate University are complemented with the investment in technical training carried out by each division and subsidiary, reaching a total of more than 1,200,000 hours.
- This year saw the start of an internal social network for employees, called COFFEE (Collaboration for Ferrovial Employees), as a way to provide new channels for exchanging knowledge and adapting to the changes in the way the company relates to and works with its employees. This **collaborative space enables Ferrovial's professionals to share professional experiences and create links between each other.** In its first year, the site received 253,997 visits by 2,889 participants and 2,936 publications.

3. The company's priorities include **transversal talent management and the internationalisation of its employees' profile.** Ferrovial is working on ways to identify professionals with potential to offer them opportunities for development focused on training, mobility and mentoring, etc.

- Ferrovial has consolidated the process of evaluation with **360º Feedback** aimed at management in generals and the professionals that report direct to them. This process is biennial and in 2013 was directed at the Management

Committee, which received an average of 15 evaluations from senior managers, peers and collaborators.

- The **evaluation and development process** standardised by the Development Division covers 5,060 employees. The results of this survey averaged 76.3 out of 100, which represents an improvement of two points over the previous survey, and is a clear example of the company's investment in development, and has allowed to identify around 2,000 development actions and 7,000 training courses.

- **Talent review of more than 700 employees resulted in 264 successors identified for 133 management positions analysed.**

  The **succession plan** is one of Ferrovial's most differential processes, and one that ensures the appropriate coverage of vacancies in key positions in the company. The purpose of this plan is to ensure that the organisation has the professionals with the necessary skills at the right time to respond to possible vacancies in the management team. In 2013, 133 management positions were analysed, talent reviews were carried out of more than 700 individuals, resulting in the identification of 264 successors on whom Ferrovial is focusing to develop their values, skills, knowledge and experience so that the successor identified can successful take on their new roles. One of the most important aspects is the transversality of candidates between divisions, which reached 28.4%, four points higher than the previous year.

- For non-management positions, the company has **Talent Identification Programmes,** to identify the professionals with the most talent and, through a specific development plan, develop their skills and thus create a reserve of potential candidates from which to draw to meet the present and future needs of the company. Since this idea was launched, more than 500 professionals have passed through the programme.

4. As established in the Code of Business Ethics, Ferrovial maintains a commitment to establish the conditions that ensure that all its employees enjoy **equal opportunities to develop their professional career on the basis of merit.** This commitment is supported by the following:

- Ferrovial S.A. has been awarded the **Seal of Distinction for Equality in the Workplace**, valid until 2016.

- The company's 5-year **Equality Plan**, signed with the heads of the unions in the sectors in which it operates, includes 17 measures that have been introduced since the plan was approved. These include the measures contained in the **Conciliation Plan,** such as an additional two weeks of maternity leave on top of the statutory requirement, flexible working hours and sabbaticals adjusted to the needs of the workforce.

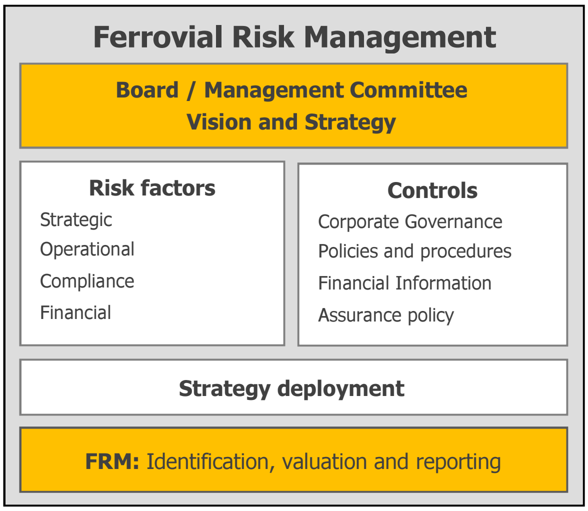
- **28.2% of employees are women,** and 14% of all management. The table below shows a breakdown of employee gender by division:

	2013		% of women
Group	340	0,51%	41,8%
Construction	12.066	18,26%	12,5%
Toll Roads	916	1,39%	32,1%
Airports	30	0,05%	33,3%
Services	52.705	79,75%	31,7%
Real Estate	31	0,05%	35,5%
Total	**66.088**	**100,00%**	**28,2%**

The **percentage of women in senior management positions**, i.e. the Board of Directors and the group comprising the Management Committees and Corporate Management is **12%.**

VIII. Principal risks and uncertainties

Ferrovial is exposed to a wide range of inherent risk factors, derived from the countries where, and the nature of the sectors in which, it operates. **Ferrovial Risk Management (FRM)** is a unit with a presence in every division, established to identify, evaluate and manage these risks, under the supervision of the Board and the Management Committee. This allows risks to be anticipated and, once analysed and evaluated in terms of their possible impact and probability, the appropriate action taken to manage and assess them, taking into account the nature and location of the risk.



Section E of the Annual Corporate Governance Report details the principal risks during the financial year and the circumstances that provoked them.

The principal risks monitored and managed by the FRM process include the following:

VIII.1 Strategic risks

FRM analyses the risk factors related to the market and the environment in which each activity is carried out; those that could arise due to the existing regulatory framework, the alliances with partners and associated with the company's organisation and the relationship with external agents. Special attention is thus paid to the following risks:

Regulatory risks: The Airports and Toll Roads divisions' activities are subject to more or less exhaustive regulation depending on the country in which their activities are carried out. Regulation can affect both revenues and the way in which assets are managed. In the specific case of the UK airports, the government has set a five-year tariff regime.

In this context, there is constant monitoring of the regulatory processes that affect these activities, not only to manage the possible risk factors, but also to take advantage of any business opportunities that may arise from new regulatory frameworks.

Country risk: Special attention is paid to economic, legal and social risks related to the countries in which investments are made, especially to the risk of infrastructure concessions being redeem with no financial compensation and to the risk of lack of legal protection for the company's legal and contractual rights.

In this respect, Ferrovial's strategy is focused principally in OECD countries, where the political and socioeconomic conditions are considered stable and solvent, and the legal system robust. Thus, more than 90% of the company's activity is concentrated in, the UK, Spain, the US, Poland and Canada.

Equally, a detailed analysis of country risk prior to making an investment enables mitigation of the risks detected by including contractual clauses that guarantee the investment made.

Meanwhile, corporate and divisional management are constantly in contact with stakeholders in the environment where the company has operations, for the purposes of meeting the expectations and anticipating changes that could affect the company's investments.

Market risks: Special attention is paid to risks related to:

- Falling demand for the goods and services that Ferrovial supplies, either due to budget cuts by public- or private-sector clients, or due to changes in demand derived from social or political factors. For example, reduced purchasing power can have a negative impact on traffic in the Toll Roads business.

- Competitive environment in target markets. The contraction in the construction and infrastructure management market in southern Europe, principally as a consequence of public-sector budget cuts, has led to competing companies moving into more financially stable markets with a greater capacity for investment, in which Ferrovial competes. This could increase the number of competitors in these markets, and as a result, put pressure on prices.

The business development directors in each division are constantly searching for new markets in which to exploit the company's competitive advantages with sufficient guarantees of security and stability.

Point VIII.4 "Financial risks" details the measures taken to monitor and control market risks related to exchange rates, interest rates, inflation and share prices.

VIII.2 Operating risks

Following the value chain of each business allows the analysis of the possible appearance of risks associated with sales, payments and relationships with clients; of procurement, payment and relationships with suppliers; and to the different types of assets and production factors. Of all these potential risks, special attention is paid to:

Quality risks: Risks related to shortcomings or delays in services supplied to clients and users.

All divisions have quality control systems. These systems allow continuous monitoring of the key indicators, that measure the quality of delivery (Construction) or the service supplied to the user (Services, Toll Roads and Airports), for the purpose of establishing preventative measures and swift action that reduce the probability of the risk materialising.

Environmental risks: Risks derived from actions that could have a significant impact on the environment, principally as a result of execution of works, handling or treatment of waste, the operation of transport infrastructure and the supply of other services. This is considered to be a particularly important at the Services division (fundamentally at waste management plants) and, to a lesser extent, at Airports and Toll Roads.

There are specific procedures in place to manage the environmental risk at each division, focused on the identification and evaluation of the most important risks, their management, mitigation (insurance if it arises) and control.

Risks derived from accidents and catastrophic events: Responsibilities derived from injuries to third parties during the execution of construction projects or as a consequence of the poor state of the infrastructures managed by Ferrovial.

In this respect, all the divisions have security systems in place that allow constant monitoring of the level of service of the infrastructures and the appropriate preventative measures to be taken if necessary.

In parallel, the Corporate Insurance Department maintains a Civil Responsibility policy with the appropriate coverage and indemnity limits to evaluate this risk to cover possible responsibilities derived from accidents that could cause injuries to third parties or damage the environment, as well as potential terrorist attacks or sabotage of the infrastructures and installations managed by the company.

Physical damage to infrastructures developed or managed by Ferrovial due to natural disasters: Each division, depending on its geographical location and its exposure to the risk of natural disasters, has contingency plans to avoid/minimise injury to individuals and damage to the environment, and for maintaining the affected infrastructure operational. Meanwhile, the risks of damage to the infrastructures and loss of earnings caused by natural disasters or other events of less intensity are insured.

VIII.3 Compliance risks

The potential risks associated with compliance with the obligations arising from the applicable legislation, contracts with third parties and self-imposed obligations at each division, fundamentally through codes of ethics and conduct.

Risks derived from failure to meet contractual obligations: In the pursuit of its activities, Ferrovial is exposed to the inherent risk of failing to meet some of its contractual obligations with its clients, financial institutions, suppliers, employees, etc., any of which could result in legal proceedings against the company or in the loss of some of its projects.

The risk management process allows these risks of contractual failure to be identified and evaluated and the appropriate corrective measures to be taken to mitigate the risk or, if it materialises, its possible impact.

VIII.4 Financial risks

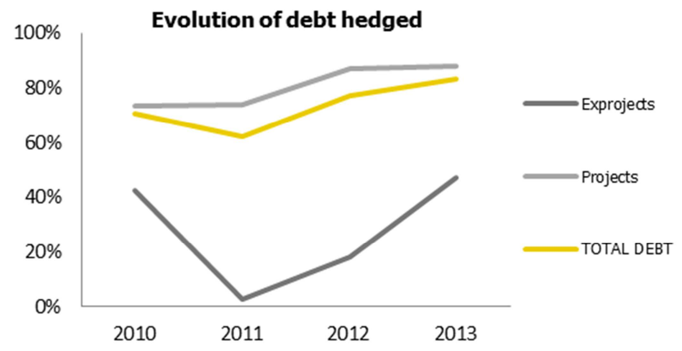
The Ferrovial Group engages in active financial risk management in order to maintain liquidity levels, minimise financing costs, reduce exchange-rate driven volatility and ensure that it fulfils its business plans.

These risks are covered in more detail in Note 3 of the Group's Consolidated Financial Statements.

1. Exposure to interest-rate movements

The Ferrovial group finances itself both fixed- and floating-rate, and has an integrated asset and liability management policy, optimising the cost of financing, the volatility in the P&L, the level of liquidity required and the ability to meet its commitments.

The larger or smaller percentage of fixed-rate debt ex-projects is managed through issuing fixed-rate debt and hedging contracts.



As stated in the chart above, 83% of the group's debt is hedged against interest-rate risk (77% in 2012), and 88% of its project debt (87% in 2012). The most significant variation between 2012 and 2013 has been in the debt at the other companies, where the percentage covered has risen from 18% to 47% as a consequence of the two corporate bonds issued during the 2013 financial year for a nominal value of EUR500mn each with a fixed-rate coupon, while floating-rate corporate debt was retired.

In addition, bear in mind that the equity-accounted results include the results relating to the 25% stake in HAH and the 43.23% stake in the 407ETR. Both these companies have a significant amount of debt, and have interest-rate hedges in place covering 80% and 100% of the total, respectively.

2. Exposure to exchange-rate movements

Management of exchange-rate exposure is centralised for all business divisions and using different hedging instruments. The objective of this management attempts to minimise the impact in the cash flow caused by movements against the euro of the rest of the currencies in which Ferrovial operates.

Ferrovial has significant investments in developed countries with countries other than the euro, notably in GBP, USD, CAD and PLN, among others.

3. Exposure to credit and counterparty risk

The group's principal financial assets exposed to credit or counterparty risk are as follows:

a) Investments in financial assets included in the cash and cash equivalents balance (short-term)

b) Non-current financial assets

c) Derivatives

d) Customer accounts and other accounts receivable

With regard to the formalisation of investments in financial products or financial derivatives contracts (included in a, b and c above), Ferrovial has established internal criteria to minimise the exposure to credit, establishing minimum credit ratings for counterparties (following the ratings issued by prestigious international agencies), which are subject to periodic review.

In the case of operations in countries where due to their economic and socio-political condition, high ratings are an impossibility, Ferrovial principally selects branches and subsidiaries of foreign entities that meet or come close to meeting the criteria established, as well as the large local companies.

In the specific case of restricted cash linked to the financing of infrastructure projects, the financing contracts habitually establish the amount of restricted cash required and also establish the conditions that financial products have to meet to comply with those obligations.

With regard to risk associated with commercial debtors (included in d above) as well as with long-term receivables (b above), note that the group has a great number of different types of clients and that a significant number of them are public-sector entities.

4. Exposure to liquidity risk

In order to ensure appropriate liquidity risk management, note that at both the group level and the divisional and project levels, mechanisms have been established that reflect the cash generation forecasts and requirements systematically to provide continuous monitoring of the group's liquidity position.

At present the market is still in crisis, and due to the generalised contraction in bank lending, Ferrovial has maintained a proactive policy with regard to liquidity risk management, fundamentally ensuring that it has reliable sources of liquidity and in the novation of financing before it matures.

Liquidity risk management ex-projects is centralised. Ferrovial has a five-pronged liquidity policy:

1.- Efficient working capital management, trying to ensure that clients meet their commitments.

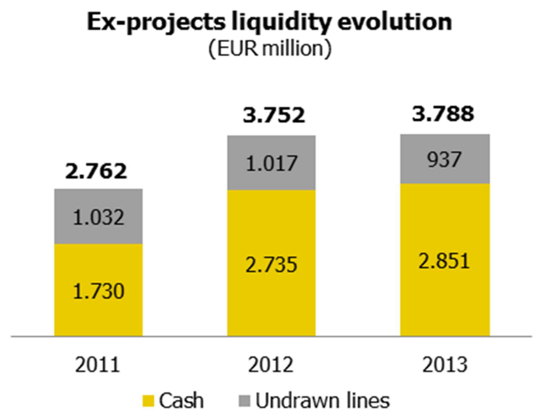
2.- Monetisation of financial assets, and whenever viable and market conditions are reasonable, using factoring and discounting rights to future payments.

3.- Integrated global cash management, to optimise the daily liquidity positions in each different company.

4.- The use of lines of credit, particularly long-term, to guarantee the availability of cash and payment of obligations in case of any abnormal scenario or stress in terms of receivables and available balances.

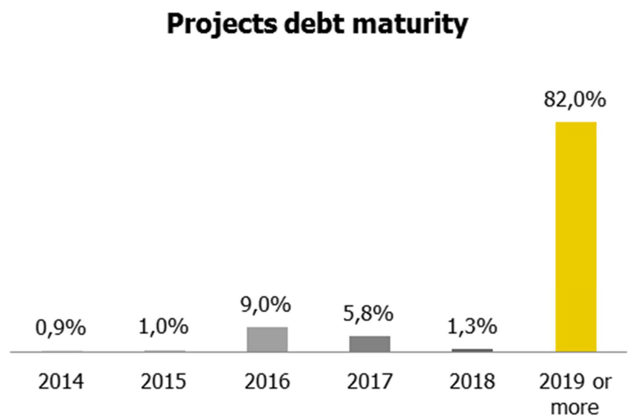
5.- As an alternative to bank lending, financing itself in the capital markets, where Ferrovial has an investment-grade credit rating (BBB with stable Outlook from S&P and BBB- with stable Outlook from Fitch (both within the Investment Grade category).

As a result of this policy, the liquidity level ex-projects has grown over the last years, as it is shown as follows:



As regards **liquidity risk management at the infrastructure project level,** liquidity is analysed on an individual basis, as due to each concession's specific financing scheme, in terms of liquidity, each project functions as an independent unit.

In general terms, Ferrovial monitors the debt maturities for each project very closely. **The majority (82%) of these financings have maturities of more than five years**, as it is stated below:



This type of project has future cash flows that allow financing structures to be put in place that are linked to these flows.

As indicated above, infrastructure project financing contracts generally establish the need to maintain balances on account (restricted cash). The availability of this cash is a guarantee that the project can meet certain short-term commitments relative to debt interest or principal, as well as the maintenance and operation of the infrastructure. These accounts constitute an additional guarantee against liquidity risk.

5. Exposure to share-price movements

Ferrovial also has exposure to risk linked to the price of its own shares.

This exposure arises on equity swap contracts linked to directors' remuneration that are linked to the share price (share option schemes):

Ferrovial has signed equity swaps to cover itself against payments that the company could have to make to settle the various compensation schemes tied to the share-price performance that it has given its directors.

6. Exposure to inflation risk

Many of the infrastructure projects' revenues are generated by inflation-linked tariffs. This applies to both the tariffs for the motorway concessions and the HAH airports consolidated by the equity method.

As a result, variations in the inflation rate would be reflected in a variation in the valuation of this type of asset.

However, in HAH exist long-term derivatives indexed to inflation which economically work as a hedge of this risk.

7. Capital management.

The group's objective is creating value for the shareholders, maintaining its Investment Grade ratings from the principal rating agencies that allow the group to access the market and bid for infrastructure projects from a position of solvency.

The group finances its growth based on three pillars:

- Internal cash flow generation from its recurrent activities.

- The capacity to grow through investments in new infrastructure projects that have largely been financed thanks to the guarantee of the project flows and that feed back into the capacity for growth in the group's recurrent activities.

- An active asset rotation policy centred on the sale of mature projects that creates value and at the same time provides financing for new projects.

In terms of the level of financial debt, Ferrovial's objective is to keep this low (excluding project debt) so that the group can maintain its rating at investment grade. To achieve this, it has established a clear financial policy. One of the important metrics in this regard is that the ratio of net debt (gross debt less cash) ex-projects to EBITDA plus dividends from projects should not be more than 2x.

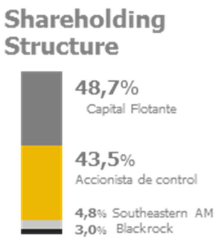
IX. Treasury stock

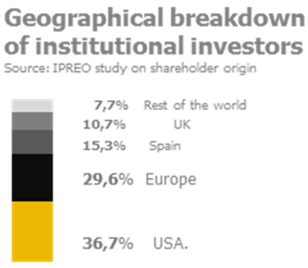
At 31 December 2013, Ferrovial held no treasury stock. During the financial year 2013 it acquired a total of 2,708,701 shares, corresponding to 0.4% of the capital and with a nominal value of EUR541 thousand, which were acquired and subsequently delivered in the fulfilment of elements of compensation packages linked to the share price. The total acquisition cost of those shares was EUR34 million, and they were delivered at a value of EUR32 million, producing a result of –EUR2 million in the entity's equity.

X. Other important information for investors

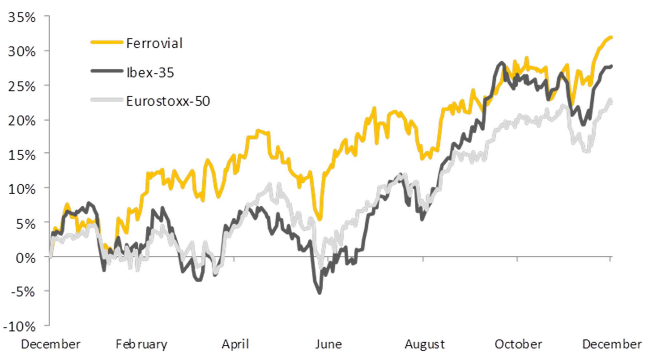
Capital subscribed and shareholding structure

Capital amounts to EUR146,702,051 fully-subscribed and paid-up. This comprises 733,510,255 single-class ordinary shares with a nominal value of 20 eurocents (EUR0.20) each.





Share-price performance*



At close on 31 December 2013: closing price of EUR14.065
Market capitalisation: EUR10,317mn

*All percentage variations, both for the company and the indices, refer to total shareholder compensation, including changes in the price and the dividend yield (Source: Bloomberg).

Ferrovial	**2013**
Number of shares Outstanding	733,510,255
Share price at 31ST december 2013 (€)	14.07
Highest share price January-December 2013 (€)	14.26
Lowest share price January-December 2013 (€)	10.99
Market Cap (EURm)	10,317
Average share price 2013	12.98
Average daily volume (number of shares)	3,716,981

Relative performance of Ferrovial vs. benchmark indices

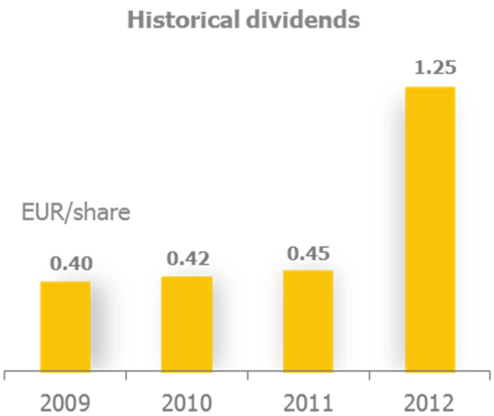
	1 year	3 years	5 years
Ferrovial	32%	138%	312%
Ibex-35	28%	22%	47%
Eurostoxx-50	23%	28%	59%
Madrid - Construction & Materials	33%	18%	32%
Eurostoxx – Construction & Materials	28%	25%	66%

Credit rating and changes over the course of the financial year

In May 2013, Standard & Poor's upgraded Ferrovial's rating BBB, with stable Outlook.

In May 2013, Fitch Ratings affirmed Ferrovial's long-term rating of BBB- with stable Outlook.

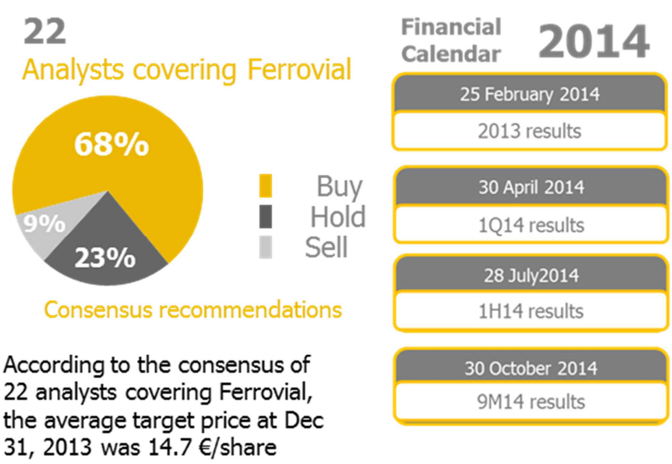
Dividend policy and likelihood of continuation



Ferrovial has a commitment to a shareholder compensation policy that enables it to maintain its credit rating, while at the same time maximising the value for shareholders, always subject to any investment opportunities that might arise.

The shareholder compensation policy is supported by the solidity of the group's balance sheet and its businesses and on an asset rotation policy that also allows it to invest in new projects.

Analyst coverage



XI. Events after the close

In January 2014, the UK's Civil Aviation Authority (CAA) published its decision on the financial regulation of Heathrow for the next five year, reducing the tariffs by inflation (Retail Price Index) -1.5% in the period 2014-19. This reduction will lower the revenues per passenger from GBP20.71 in 2013/14 to GBP19.10 in 2018/19 in real terms.

XII. Business outlook

Macroeconomic variables:

The global economy recovered in the second half of 2013, closing the year with YoY growth of 3.0%. The IMF forecasts point to slightly stronger global growth in 2014, of around 3.7%. Nonetheless, this forecast is not without risk, due to the fragility of some advanced economies and the low level of inflation expected.

In the eurozone, the IMF expects the economic recession of the last few years to be left behind, with growth of 1.0%. However, this recovery will be more moderate in the countries that have experienced tensions (i.e. Spain, Italy and Portugal).

The table below sets out the IMF's latest growth estimates for the principal countries where Ferrovial operates at present:

	IMF 2014 growth prospects
United States	2,8%
UK	2,4%
Canada	2,2%
Spain	0,6%
Poland	2,4%

During 2014, the principal uncertainties are related to how to achieve an alignment between the objectives of austerity and growth in the eurozone and how the gradual withdrawal of stimulus by the Federal Reserve could affect capital flows and growth in the US.

Principal challenges for Ferrovial in 2014:

Ferrovial's strategic decisions will principally be based on:

- A continuous improvement in operating excellence through cost-control and the search for alternative solutions
- Financial discipline via working capital management that enables the group to maintain non-project debt at low levels
- To continue with a selective investment and bidding policy on projects where it can control the management, which make a contribution to value-creation and which are synergetic with the existing businesses.

Performance by division:

The **Toll Roads** division is very closely linked to mobility, which is in turn in line with economic recovery in the various countries where the assets are located.

In the US, motorway traffic performance is expected to be positive on the assets in operation as a reflection of the improvement in the macroeconomic situation. Note that segments 1 and 2 of the North Tarrant Express (NTE) are expected to be fully open to traffic in 2014, together with segment 1 of the Lyndon B. Johnson (LBJ).

In Canada, revenue growth on the 407ETR is expected to be positive in 2014 as a reflection of the tariff increases in combination with moderate traffic growth. Progress is expected to be made on the construction of the East Extension of the motorway during the year, with an anticipated opening date of December 2015.

With the exception of Ireland, the eurozone countries are expected to see mild GDP growth. In Spain and Portugal, traffic is expected to continue to fall, although more slowly, as a reflection of the high unemployment rates and loss of purchasing power.

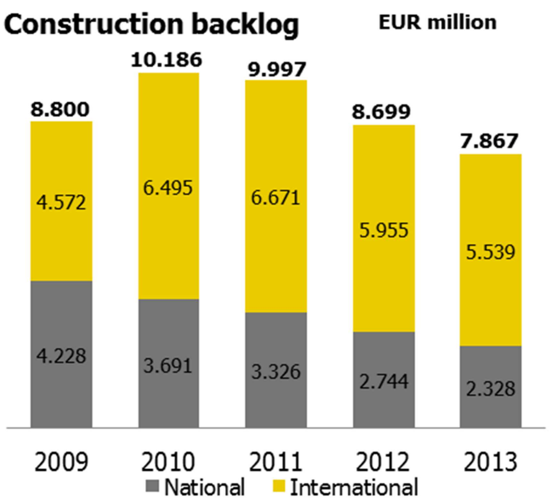
In 2014, the group hopes to make progress on restructuring the debt held by the Indiana Toll Road and the SH 130.

In Spain, a final decision is expected on two Spanish motorway concessions, the R4 and Madrid, both under creditor protection since 2012.

In 2014, Cintra will continue to bid for projects where it already has a presence, such as the US and Canada. It will also follow a selective strategy in new markets, such as Australia or certain

Latin American countries (principally Colombia, Peru, Mexico and Chile).

At the **Construction** division, revenues are expected to remain stable in 2014, with the growth of the international segment offsetting a further significant contraction in the activity in Spain. Note that of the total backlog at 31 December 2013 of EUR7,867.1mn, 70% corresponds to international business.



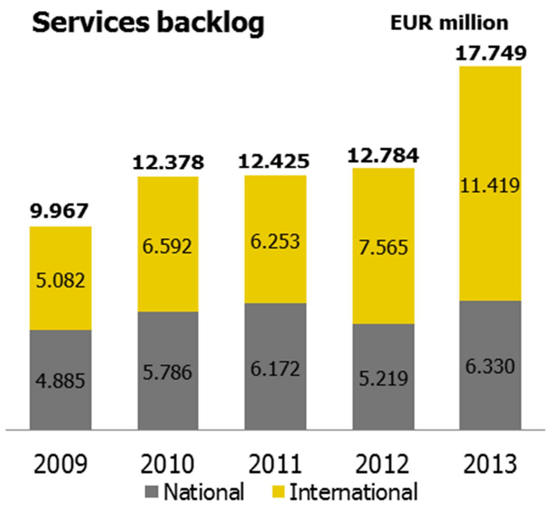
International growth will continue to be based on a stable long-term presence in countries such as the US and the UK, chosen for their macroeconomic stability and their robust legal systems. The contract awards in 2013, including individual projects such as the NTE Extension in the US (approximately EUR735mn) and the M8 in Scotland (approximately EUR375mn), reinforce the growth forecasts for 2014.

In Poland, where Ferrovial has had a presence since 2000 through Budimex, growth in construction activity slowed in 2013 for the first time after a number years of expansion (by around 10%, based on various estimates). This affected the civil works segment in particular due to the completion of the 2007-2013 European Funds cycle. The outlook for 2014 is positive again, with progressive growth in both the sector and the civil works segment, thanks to the improvement in macroeconomic forecasts and the favourable allocation of EU funds.

International growth will also be supported by high-potential markets where Ferrovial has a stable presence, particularly Latin America (principally Colombia, Peru, Brazil and Puerto Rico), Australia and the Middle East.

In contrast, in 2014 Spain is expected to see a continuation of the contraction experienced by the construction sector since 2008. The Savings Banks Foundation's forecasting panel estimates a fall of 4% in 2013, a slight improvement on the -10% of 2013. This contraction will be more intense in the civil works segment due to public-sector budget cuts. As indicated above, the drop in activity in Spain will be offset by international growth.

At the **Services** division, at 31 December 2013 the backlog stood at another all-time high of EUR17,749mn, 38.8% higher than the previous year. The Services backlog has seen continuous growth over the last few years, underwriting significant revenue growth in 2014.



In the UK, the division should practically finalise the integration of Enterprise and realise the majority of the synergies. The UK government has announced plans to cut public-sector spending, which could imply an opportunity as one of the ways of achieving this objective is to increase outsourcing.

Regarding the utilities services business in the UK, the renewals signed in 2013 for the principal contracts for the next regulatory period guarantee revenues for this activity for the next few years. The backlog in the UK at end-December 2013 stood at EUR11,188mn, 53.4% higher than in 2012. The backlog contributed by the Enterprise acquisition in March 2013 amounted to EUR2,538mn.

In Spain, overdue invoices to the public sector were paid during 2013 thanks to the mechanisms put in place by the government, which resulted in a significant cash inflow, taking the average collection periods down to their lowest levels of the last seven years. In terms of activity, the fall in the volume of waste handled during 2013 was much more moderate than in previous year. In the public sector, local authority budget cuts have affected the Services division's business.

In 2014, Spain is expected to see stabilisation in both industry and consumption, and an end to the period of significant budget adjustments in the public sector. The government has announced its intention to force the public sector to meet its payment commitments to suppliers within the contracted period, generally 30 days in the case of Ferrovial.

In Spain the backlog at 31 December 2013 reached EUR6,330mn, 21.3% higher than in 2012.

In 2014, Ferrovial's strategy remains to introduce operating improvements, offer integrated packages of services to local authorities in the UK and Spain and look for short-term geographical diversification in Poland and Chile. Selective investment opportunities will be analysed in markets such as the US, Australia and Colombia.

At the **Airports** division, Heathrow's traffic levels reached a new all-time high in 2013 (72.3 million passengers; +3.4%), and EBITDA growth in double digits (+19%).

In terms of its investment plans, at the end of 2013 Heathrow completed the construction of Terminal 2, which will be called "The Queen's Terminal", which will come into operation in mid-2014 (the first flight is expected to be on 4 June). The new Terminal 2 will be home to 26 airlines, including all the Star Alliance partners.

In 2013, HAH distributed a dividend of GBP555mn, including GBP300mn for the sale of Stansted airport. Dividends are expected to be slightly higher in 2014.

In 2014 the price of Brent is expected to be around USD105/barrel, slightly less than in 2013. According to IATA, the outlook for international air traffic in 2014 is positive (+6%).

A new regulatory period begins in April 2014, with the application of new tariffs reflecting actual inflation (Retail Price Index) -1.5% and during which the principal challenge facing the company will be meeting the cost-efficiencies and revenues estimated by the regulator in the forecasts included in the plan agreed with the CAA.

With regard to the future development of the third runway at Heathrow, the Airports Commission appointed by the Prime Minister, David Cameron, announced in its preliminary report in December 2013 that Heathrow had been selected as one of the best options for airport capacity expansion in the south east of England. The Commission will publish its final report in the summer of 2015.

In 2014, the division will continue to look for new opportunities for investment in countries such as Chile, Colombia and Peru.

ANNEX I. Audit & Control Committee Report

Composition

In accordance with the applicable legislation and with the Bylaws and Regulations of the Board of Directors of Ferrovial, S.A. (the Company), all the members of the Audit & Control Committee are external Directors and their chairman is an Independent Director.

The Committee comprises:

- Mr. Juan Arena de la Mora, Chairman (External Independent Director)
- Mr. Gabriele Burgio (External Independent Director)
- PORTMAN BAELA S.L., represented by Mr. Leopoldo del Pino y Calvo-Sotelo (External Proprietary Director)
- Mr. Santiago Fernández Valbuena (ExternalIndependent Director)

Functions

The Company Bylaws and the Board of Directors Regulationsgive the Audit & Control Committee the powers briefly described below:

In relation to the external audit:

- Proposes to the Board of Directors, for submission to the General Shareholders Meeting , the appointment of an external auditor, including theengagement conditions, scope of work, removal or non-renewal.
- Is a channel of communication between the Board of Directors and the auditor: receives from the latter regular information on work carried out, evaluates the results of every audit and ensures that senior management acts on the auditor's recommendations.
- Discussion with the external auditor of any significant weaknesses in the internal control system identified during the audit.
- Supervision regarding the independence of the external auditor. Control over additional services of any kind provided to the Company. Issues a report expressing its opinion on these two aspects before the audit report.

In relation to the internal audit:

- Proposes the selection, appointment, reelection or replacement of the Director.
- Ensures that the internal audit services have the necessary personnel, technical and material resources to carry out their functions. Proposes a budget for these services.
- Approval and supervision of the internal audit plan and verification that it is complied with.

In relation to financial information:

- Assistance to the Board of Directors to ensure that the Company's financial information to be supplied to the markets periodically is correct and reliable. Supervision of the process of preparing regulated financial information and provides advice on the information before its approval by the Board of Directors.
- Supervision of the effectiveness of the Company's internal control systems.

In relation to risk management:

- Periodic analysis and evaluation of the main risks and the systems for their identification, management and control.

In relation to other matters:

- Supervision of compliance with corporate governance regulations and securities market conducts.
- Set-up and supervision of a "complaints box", a system managed by the Internal Audit Division, which enables any employee or third party, through internet, to report breaches of regulations, inefficiencies and inappropriate behaviours.
- Prior advice on transactions to incorporate or acquire companies domiciled in tax havens, or special purpose vehicles as referred to in the Board of Directors Regulations.

Activities

During 2013 , the Committee met five (5) times.

As in previous years, the Committee approved a work programme and the different issues to be discussed at each meeting.

A summary of the Committee's activities during 2013 is set out below.

Financial information

Throughout the year, the Committee has analysed this information before it is sent to the Board of Directors and to the authorities or markets, in close collaboration with the Corporate Financial Division.

Relations with the external auditor

In February 2013, the Committee agreed to propose to the Board of Directors, for onward submission to the General Shareholders Meeting, the renewal of Deloitte, S.L. as external auditor of the accounts of Ferrovial, S.A. and the consolidated accounts for the financial year 2013.

Review of annual accounts

The external auditor appeared before the Committee to present the annual accounts for 2012.

The auditor of other group subsidiaries also appeared before the Committee to inform about the most significant aspects of the audit of the accounts.

Ferrovial's auditor provided information on its limited review of the half-year financial statements closed on 30 June 2013 and the most relevant aspects of the review of the financial statements closed at end-September, preparatory to the audit of the annual accounts for the financial year 2013.

Independence of the auditor

Additional Provision 18.4 of the Securities Market Law establishes that the auditor has to send the Audit Committee a written statement confirming its independence and providing information about any other services provided during the year; and the Committee itself has to express its opinion on both matters. In 2013, both these requirements were met.

Based on the internal procedure that controls the engagement of advisory and consultancy services other than financial auditing, the Committee authorised certain services with external audit firms and periodically received reports on the volume of services provided.

Internal control procedures

The auditor informed the Committee of its principal recommendations regarding internal control following the audit of Ferrovial and on its follow-up of the recommendations made when it audited the 2012 accounts.

The Corporate Financial Division informed the Committee about the process of installing the internal control system for financial information (SCIIF). As in previous years, in 2013 the division presented its conclusions on the annual evaluation of the principal risks in the financial information, and the controls established to mitigate them, and followed up on the implementation of the improvements recommended and the plan of action in this regards in 2014.

In addition, an external audit firm presented its conclusions after reviewing the internal control system for financial information from the construction business in the US, and the corporate Financial Division informed the Committee of the conclusions of a similar review carried out in the construction business in Poland.

Internal Audit

The Committee supervised the activities of the Company's Internal Audit Division. More specifically, it received information on:

- The Internal Audit activities report for 2012 .

- The progress on the works programmed at closing of the third quarter of 2013, checking that it met the approved timetable.

- The result of the review of introducing the SCIIF.

- The audit works programme for 2014.

- The annual report for 2012 and the report on the first half of 2013 on the "complaints box" and activities contrary to the Company's Code of Ethics.

Analysis of risks and control systems

Ferrovial's Risks Division has periodically appeared before the Committee to inform on the Company's main risks and contingent liabilities (including those of the group), as well as on the systems in place for their identification, management and control.

Activities on matters of corporate governance and compliance

The Committee's activities in this regard are as follows, in accordance with the Board of Directors Regulations:

- Examination, prior to its submission to the Board of Directors, of the 2012 Annual Corporate Governance Report.

- Received information on new legislation approved or in discussionduring the year in matters within its competence.

- In accordance with Article 41 of the Board of Directors Regulations, the Committee issued a report on related transactions before it was submitted to the Board of Directors.

Evaluation of the Audit & Control Committee

In accordance with Article 25.c of the Board of Directors Regulations, every two years the Board of Directors evaluates the performance of its committees based on the reports issued by them. The Audit & Control Committee passed its report to the Board of Directors on 11 December 2013.

The foregoing pages contain the consolidated directors' report of FERROVIAL, S.A. for the year ended 31 December 2013, which was issued by the Company's Board of Directors at the meeting held in Madrid on 25 February 2014, and which, pursuant to Article 253 of the Spanish Capital Companies Act, the directors attending the meeting sign below.

Rafael del Pino y Calvo-Sotelo
Chairman

Santiago Bergareche Busquet
Deputy Chairman

Joaquín Ayuso García
Deputy Chairman

Íñigo Meirás Amusco
CEO

Jaime Carvajal Urquijo
Director

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

Juan Arena de la Mora
Director

Gabriele Burgio
Director

María del Pino y Calvo-Sotelo
Director

Santiago Fernández Valbuena
Director

José Fernando Sánchez-Junco Mans
Director

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

Procedure The Secretary of the Board of Directors states for the record that the Director Santiago Fernández Valbuena has not signed this document because of his absence due to unavoidable professional commitments and that he has given a proxy to the Chairman of the Board of Directors.

Santiago Ortiz Vaamonde
Secretary of the Board of Directors