

## LETTER FROM THE CHAIRMAN

### Fellow shareholders,

Ferrovial had a positive year in 2017, underpinned by the strong performance of the infrastructure assets, our main source of value creation. The total shareholder return was 15.7% in the year. Revenues increased 13.5%, mainly as a result of the growth of the toll roads in North America and the full-year consolidation of Broadspectrum. Net profit reached €454 million, an increase of 20.6%, supported by the contribution from 407 ETR and Heathrow, which are equity-accounted.

Operating cash flow, excluding infrastructure projects and before taxes, was €999 million. Cash flow totaled €781 million, after €355 million in capital expenditure and €253 million of divestments of mature assets. This allowed to return €520 million to shareholders. The sound financial position is supported by the fact that the company ended the year with a net cash position, excluding infrastructure projects, of €1.341 billion. During the year, Ferrovial successfully completed two €500 million bond issues paying 1.375% and 2.124%, the latter a perpetual hybrid.

### Business performance.-

- **Toll roads** had growth in earnings and traffic on the main assets in North America. Highways 407 ETR, in Toronto, and LBJ and NTE, in Dallas-Fort Worth, exceeded the expectations in the business plan. These roads, located in growing urban areas, adjust their tolls according to congestion levels. Customer satisfaction indicators demonstrate Ferrovial's ability to contribute new and efficient solutions to improve urban mobility.
- **Airports** confirmed Heathrow's ability to continue setting records in passenger numbers despite operating almost at full capacity. The high levels of service quality are backed by the fact that Heathrow has headed the Airport Service Quality (ASQ) league table for thirteen consecutive quarters. The other airports also performed well in terms of traffic and earnings, enabling an increase in the dividend paid to Ferrovial of €237 million, compared with €134 million in 2016. The Denver airport upgrade contract marks this division's entrance into the US market.
- **Construction** has reduced the high returns of previous years due to losses on two contracts already concluded and the fact that ongoing contracts involved less in-house engineering work. Budimex had another excellent year, while margins in the rest of the division were in line with the industry.



Rafael del Pino  
Chairman

- **Services** maintained a good performance in Spain while increasing exposure to private sector clients. After implementing a cost-cutting program, Amey improved margins despite local government budgetary restrictions, which are putting pressure on earnings throughout the industry. Broadspectrum completed its first full year in the group with an increase in operating efficiency and the prospects for tenders are greater than initially projected.

**Backlog.-** The backlog stands at €32.063 billion. In the US, the financial closing of the I-66 project in Virginia and Denver airport increased the Construction backlog by more than €2 billion. As for Australia, the Western Roads Upgrade Project in Melbourne represents a sizeable backlog for Services.

**Sustainability.-** Ferrovial continues to be a member of the DJSI, FTSE4Good and Carbon Disclosure Project, while retaining an AAA rating from MSCI. Additionally, the application of the "Target Zero" principles in health and safety improved accident rates, and the company also exceeded its emission reduction commitment.

**Ethics.-** The company emphasizes that it is firmly committed to irreproachable ethical conduct. Ferrovial is confident that its policies, procedures, training and oversight offer sufficient assurance of impeccable conduct in the market.

**Innovation.-** The focus on open innovation, is reflected in the relationship with MIT and other prestigious universities, the implementation of the Digital Hub, and the relationships with startups.

**Outlook.-** The United States, Australia and Canada have a considerable need to upgrade and modernize their infrastructures. Ferrovial is closely monitoring these markets convinced on its competitive ability to offer original and efficient solutions to urban congestion and citizen mobility, thus covering the entire infrastructure cycle.

**People.-** The worldwide headcount was 95,978 at year-end; and the quality of our people represents a differentiating element towards our customers.

To conclude I would like to express my gratitude to the shareholders and customers for placing their trust in Ferrovial, and to all our professionals for their capability, commitment and values.