GENERAL OVERVIEW

The company's results in 2016 were marked by the generation of ex-infrastructure operating cash flow totalling EUR995mn (before tax), the result of balanced contributions with higher dividends from 407ETR, HAH and AGS, and improved operating cash flow from Services (mainly over the final quarter). This good performance enabled the company to increase shareholder remuneration (EUR544mn vs EUR532mn in 2015).

One of the highlights in 2016 was the strong performance of infrastructure assets with solid traffic growth and being awarded the I-66 toll road (Virginia, USA). There were also important contract awards in Construction and financial events such as the issuance of a EUR500mn bond at 0.375% or the refinancing of Ausol.

The year also saw the closure of the acquisition of Broadspectrum (Australia), the sale of the Chicago Skyway and of stakes in the Irish toll roads, as well as an agreement to sell stakes in two Portuguese toll roads.

In comparable terms, revenues grew slightly vs 2015 (+1.2%) and EBITDA decreased -4.0% (vs. -8.1% in reported figures).

MAIN CORPORATE TRANSACTIONS IN 2016:

- The sales of toll roads agreed in 2015 were completed in February: sale of Cintra's stake in the **Chicago Skyway** to a consortium of Canadian pension funds, which equated to EUR230mn in cash for Ferrovial (net capital gain of EUR103mn) and the sale of stakes in **M4 and M3** (Ireland) to Dutch infrastructure fund, DIF, for EUR59mn (net capital gain of EUR21mn). Ferrovial retains a 20% stake in each one of the Irish toll roads.
- In May, Ferrovial Servicios acquired the Australian company **Broadspectrum** for an enterprise value of EUR934mn (EUR499mn for 100% of the equity and EUR435mn of net debt).
- In June, Ferrovial reached an agreement with DIF for the sale of 51% of the **Norte Litoral** toll road and 49% of the **Algarve** toll road, both in Portugal. Ferrovial will retain stakes of 49% and 48%, respectively. Completion of this operation remains pending administrative approval.
- In September, Ferrovial announced its entry into the electricity transmission market through the acquisition of **Transchile**, a Chilean company, which owns a transmission line in the south of the country. This transaction was closed in October 2016.

MAIN FINANCIAL EVENTS:

- April saw the closure of the financing for the construction project of the toll road I-285/SR400 (Atlanta, USA), the first PPP project of its class with tax-exempt bank debt in the USA.
- In June, the financings of the D4-R7 toll roads (Slovakia) were closed.
- In September, Ferrovial issued **EUR500mn of 6 year, senior bonds with a coupon of 0.375%**.

MAIN INFRASTRUCTURE ASSETS:

Robust operational growth from **equity consolidated assets:** EBITDA: +17.3% at 407ETR, +4.7% at HAH and +10.8% at AGS.

Significant increase in dividends from 407ETR (+5.3%), Heathrow Airport (+8.3%) and AGS (+6.7%) compared with 2015. 407ETR paid out CAD790mn and Heathrow airport GBP325mn, while AGS distributed GBP64mn. In February 2017, 407ETR announced an increase of +10.7% in its dividend for 1Q2017 (vs. 1Q2016).

FINANCIAL POSITION:

The net cash position, ex-infrastructure projects, stood at EUR697mn at year-end 2016 (EUR1,514mn in 2015), mainly reflecting the acquisition of Broadspectrum (EUR934mn). **Net project debt stood at EUR4,963mn** (vs EUR6,057mn in December 2015). **Net consolidated debt reached EUR4,266mn** (vs. EUR4,542mn in December 2015).

SHAREHOLDER REMUNERATION:

In 2016, **Ferrovial remunerated its shareholders in the amount of EUR544mn** (EUR317mn from the purchase of treasury stock and EUR226mn in scrip dividends), an increase on the 2015 figure (EUR532mn).

SUSTAINABILITY INDICES:

In 2016, Ferrovial confirmed its place in the Dow Jones Sustainability Index (DJSI) for the fifteenth year running, in the FTSE4Good for the eleventh consecutive year, in the Climate Disclosure Leadership Index (CDP) and in the MSCI, among others.

BUSINESS PERFORMANCE

Toll Roads: Significant improvements in traffic on the main toll roads, helped by economic recovery and low oil price. 407ETR, the Group's most important asset, maintained its operating strength, with traffic growth of +4.9% (+7.1% in 3Q16 and +6.3% in 4Q16), reporting four daily traffic records during the year, in spite of the tariff increases in February and supported by the opening of the 407Ext I, which was toll-free up to 1 February 2017.

Services: The reported results were adversely affected by the weakness of the pound sterling and budgetary cuts in UK, while they benefited positively from the integration of Broadspectrum. In comparable terms, revenues grew by +2.8%, while EBITDA fell -12.9%, mainly due to fewer higher-margin project works in the UK and legal expenses for Birmingham, partially offset by new Utilities contracts.

Birmingham contract: in September 2016 the judge in the Technology & Construction Court made a ruling in favour of Amey in the company's litigation with Birmingham City Council on the scope of the works in the capex phase of the contract. Based on this ruling, Amey is negotiating with the Council regarding the implementation of the ruling and the normalisation of relations between the two parties.

Construction: The finalisation of projects in the USA and the slowdown in the domestic market had an adverse impact (LfL revenues -2.7%), partially offset by the strength of Budimex (LfL revenues +8.1%). Profitability remained high (EBITDA margin of 8.1% vs. 9.2% in 2015). The order book showed notable growth (+2.6% in LfL terms) to EUR9,088mn (83% international) excluding important contract awards won in 2016, such as the I-66 managed lane (Virginia, USA). At year-end 2016, the order book includes new contracts in reference markets (USA, Poland and UK), the highlights of which were a section of the High Speed Rail in California (USA), the Olstyn beltway (Poland), a section of the US-175 toll road in Dallas (USA) and the award of the D4-R7 Bratislava (Slovakia).

Airports: traffic at Heathrow Airport broke passenger records (75.7mn passengers) +1.0% vs. 2015, with more seats sold in larger aircraft, and increases in traffic to Europe, Asia-Pacific, the Middle East and Latin America. Traffic at AGS rose +2.8% (Glasgow +7.4%, Southampton +9.8%, Aberdeen -12.2%).

In July, Ferrovial Aeropuertos was selected to start negotiations on the Great Hall project in the main terminal at Denver International Airport, where Ferrovial Agroman would be leading the construction works.

Key figures for the period:

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	10,759	9,701	10.9%	1.2%
EBITDA	944	1,027	-8.1%	-4.0%
EBIT*	602	770	-21.9%	-9.7%
Net result	376	720	-47.7%	
Cash flow ex-projects				
Operating cash flow (before taxes)	995	889		
Investment	-985	-374		
Divestment	340	74		
Net debt	Dec-16	Dec-15		
Net Debt Ex-Infra Projects	697	1,514		
Total net debt	-4,266	-4,542		

*EBIT before impairments and disposals of fixed assets.

	Dec-16	Dec-15	Var.
Construction order book	9,088	8,731	4.1%
Services order book (incl JVs)	24,431	22,800	7.2%

Traffic	Dec-16	Dec-15	Var.
ETR 407 (VKT´ 000)	2,640,770	2,517,214	4.9%
NTE (ADT)	30,485	25,553	19.3%
LBJ (ADT)	31,582	12,861	145.6%
Ausol I (ADT)	14,637	13,165	11.2%
Ausol II (ADT)	16,837	15,402	9.3%
Heathrow (million pax.)	75.7	75.0	1.0%
AGS (million pax.)	14.4	14.0	2.8%