ferrovial

Communication and CSR Department
2014 Corporate Dossier
1. Introduction

Ferrovial is a constantly changing company that has successfully faced challenges, overcome difficulties and taken calculated risks to continuously grow and gain strength, with the result that it is now a leading global operator of infrastructure and cities, with 65,000 employees and a presence in 25 countries, most notably in five geographies: Spain, the US, the UK, Canada and Poland.

Ferrovial was founded by entrepreneur Rafael del Pino y Moreno in 1952. The company’s name derives from the Spanish word for railway, and the company originally focused on railway projects: it was created to execute a contract to mortise wooden rail ties for Renfe, the Spanish railway company, to enable the track to be bolted on.

In 1958, the company expanded into constructing waterworks, roads and buildings.

Ten years later it achieved a milestone: the construction of the Bilbao-Behobia toll road, a project which initially seemed disproportionate given the size of the company. This mountain road posed a double challenge: from a technical standpoint, due to the complexity of its civil engineering, and from a financial standpoint, due to the sizeable investment required. Ferrovial rose to the challenge. In addition to building and maintaining the Bilbao-Behobia road, the company also took charge of managing it. As a result, Ferrovial extended the scope of its activities to include toll road concessions, a novel sector at the time that ended up playing a vital role in the company’s future.

Towards the end of the 1970s, Ferrovial decided to explore opportunities in other countries. The company focused on road construction in Libya as its first venture outside Spain. It built 700 kilometres of new roads there, a project which accounted for more than one-third of its revenues.

In the 1980s, the company was one of the key players in building the network of highways and accesses to Spain’s big cities, and in expanding
and modernizing the ports, airports and railways, as well as building new schools and hospitals.

Over the course of the decade, the company was awarded contracts to build several sections of high-speed railway between Madrid and Seville and other infrastructure for the Olympic Games in Barcelona and the Universal Exposition of Seville in 1992.

In 1985, Ferrovial acquired Cadagua, an engineering company specialised in designing, building and operating drinking water and sewage treatment plants. Today Cadagua operates not only in Spain, but also in the Middle East, India, Poland and Mexico.

In 1995, Ferrovial achieved another major milestone: the Agroman acquisition. The transaction doubled Ferrovial’s size, making it one of the largest construction companies in Spain.

In the mid-1990s, Ferrovial internationalised its toll road business, which was already well-established based on several notable contracts in Spain, including the Autopista del Sol. After entering Colombia and Chile, the company created a subsidiary that has since undertaken its entire toll road business: Cintra. And, in 1999, that company obtained one of its most important contracts: the 407 ETR, a Canadian toll road, under a 99-year concession—a transaction that catapulted Ferrovial to the major league worldwide.

In 1999, Ferrovial made another great leap forward with its IPO. The shift from a family business to a listed company provided Ferrovial with financial resources and notable recognition in the markets, which were both necessary for launching the diversification strategy in subsequent years.

Ferrovial began operating in Poland in 2000, when it acquired control of Budimex, Poland’s largest construction group in terms of revenues and market capitalisation.

In 2003, Ferrovial decided to strengthen its position in the services sector by acquiring Amey, a UK company involved in services, transport infrastructure and social and environmental services. Amey was in a delicate financial position at the time; under Ferrovial’s management, it has become a leading company in its sector in the UK.

Also in 2003, slightly after this transaction, Ferrovial acquired Cespa, a municipal and environmental services company. With the acquisition of Amey in the US and Cespa in Spain, Ferrovial Services achieved both size and visibility in the space of a few months.

The 2005 acquisition of Texas construction company Webber confirmed Ferrovial’s intention of strengthening its foothold in the United States, a market it had entered months earlier when Cintra was awarded the Chicago Skyway toll road concession. Shortly thereafter, it obtained the SH130, North Tarrant Express and LBJ toll road contracts, all of them in Texas. Cintra will manage the latter two concessions through an innovative managed lanes model: barrier-free electronic tolled lanes with
dynamic pricing depending on traffic conditions at any given time.

In 2006, Ferrovial Aeropuertos acquired BAA, today Heathrow Airport Holdings. It was one of the most ambitious investments ever undertaken by a Spanish company. As a result, Ferrovial took over management of seven airports in the UK: Heathrow, Gatwick, Stansted, Southampton, Aberdeen, Glasgow and Edinburgh, as well as those in Naples and Budapest, which it later sold. Following a decision by the UK Competition Commission, Ferrovial sold Gatwick, Edinburgh and Stansted airports.

During its more than 60-year history, Ferrovial has remained true to its values: efficacy, talent, innovation and internationalisation. These are the principles that have guided the company since inception and explain why Ferrovial is now an international leader in airports, toll roads, construction and services.
2. Services

Ferrovial Services is an international leader in efficiently delivering municipal and environmental services and maintaining infrastructure. It offers a wide catalogue of innovative solutions to diverse public and private sector clients under a whole-life asset management approach.

With a footprint in over 150 major cities and a diversified backlog, revenues amounted to 3.656 billion euro, up 26.5% compared with the previous year.

Ferrovial Services is a leader in the UK as well as in Spain, where it provides services in cities such as Madrid, Barcelona and Murcia. It is also expanding into other countries and, in 2013, reinforced its presence in Chile, Poland, Portugal and Qatar.

In Spain, it formerly operated under the Cespa and Ferroser brands, now combined under the Ferrovial Servicios brand. In 2013, Ferrovial acquired Enterprise, one of the UK’s leading service providers, a transaction which created value through synergies at Amey.

Ferrovial Services International is a new business unit created to drive the growth of Ferrovial Services in new markets. In 2013, Ferrovial Services acquired 70% of Steel Ingeniería, an operation that gave it a foothold in Latin America and access to Chile's fast-growing mining services industry. Ferrovial Services operates in Poland through Budimex.

Ferrovial Services' strategy includes supporting the implementation of innovative initiatives in municipal services, through public-private partnerships aimed at reducing costs and improving living standards in cities, ensuring sustainable economic development and contributing to the development of society by supporting entrepreneurship.

The approach to managing cities is changing. At Ferrovial, we are in a privileged position, as we have a distinctive service offering and the capacity to meet a city's main needs.
Our value proposition is based on four pillars:

- Long-term public-private partnerships support the implementation of innovative solutions and guarantee the necessary investments. It's necessary to evolve from the current short-term contractual approach towards the concept of partnership.

- End-to-end service management provides savings of up to 20% in municipal services costs.

- The sector must evolve from an approach that involves controlling the resources assigned to a contract to one that is based on measuring results.

- Citizens must be involved in the provision of services, and their contribution must be recognised. For this reason, Ferrovial supports entrepreneurship through various projects, among them: Cities Open Challenge and Madrid Smart Lab.
3. Toll roads

Cintra, Ferrovial's toll road subsidiary, is one of the world’s leading private sector developers of transportation infrastructure in terms of both the number of projects and the volume of investment.

With more than 40 years’ experience in the sector, Cintra operates a portfolio of 27 concessions totalling over 2,200 kilometres of road. It currently operates in Canada, the US, Europe, Colombia and Australia.

As a result of its innovative projects and quality standards, it is now one of the strongest multinationals in the sector, with investments totalling 21.380 billion euro.

In applying the latest technology to infrastructure, the company develops projects to apply new materials and construction methods (smart asphalt), improve traffic management and safety (managed lanes, dynamic tolling, detection of high-occupancy vehicles and satellite-based tolling) and design more sustainable roads.

One example is the North Tarrant Express in Texas, a cutting-edge toll road designed, built and operated by Ferrovial. This unique project involves building a managed lanes toll road inside an existing highway. The result has been to double the road’s capacity throughout the corridor. Drivers can opt between the free lanes or the new lanes, paying a toll that varies throughout the day.

**NTE toll road** and its extension, NTE 35W: located in the Dallas-Fort Worth area in Texas, one of the most congested areas of the US, managed lanes provide a solution to traffic congestion...
problems in cities that lack the space to build new roads. This new concept involves upgrading the existing toll road and building new free-flow lanes with electronic tolling. As a result, traffic flow is improved and the road accommodates a greater volume of vehicles.

**LBJ Express**: a public-private partnership with a limited taxpayer contribution, located in Dallas County. This project is currently under way and will include notable improvements, including the reconstruction of the main lanes, a system of continuous frontage roads, and 21 additional kilometres of managed lanes.

**407 ETR toll road** in Toronto (Canada): its novel tolling system means that users do not have to stop at toll booths when entering and leaving the road; the system reads number plates automatically, calculates the distance travelled and generates the bill. The client receives the bill at home; the service manages up to 1.5 million bills per month. Tolls may be varied freely provided that traffic speed remains above a minimum level. As a result, the user pays a toll in accordance with the time he/she saves by using the toll road.
4. Construction

In 1995, Ferrovial achieved a major milestone: the Agroman acquisition. The transaction doubled Ferrovial's size, making it one of the largest construction companies in Spain.

Today Ferrovial Agroman is an international leader in the design and construction of large transport infrastructure, having built 490 kilometres of tunnels, 19,200 kilometres of highways and toll roads, and 4,700 kilometres of railway line.

Revenues amounted to 4.064 billion euro and the backlog was 7.867 billion euro in 2013. International activity as a percentage of the total reached new highs: 76% of revenues and 70% of the backlog. EBITDA rose to 343 million euro, and the company achieved the highest EBITDA margin since the Ferrovial-Agroman merger in 1999: 8.4%.

The international construction division operates in all areas of civil engineering and building. The division works both directly and through subsidiaries such as Budimex in Poland and Webber in Texas (US). It currently operates in the US, Canada, Poland, the UK, Ireland, Portugal, Chile, Colombia, Peru, Puerto Rico, Brazil, Qatar, United Arab Emirates, Saudi Arabia, India and Australia.

Ferrovial's main projects include Crossrail and the extension of Northern Line, both in London, as well as the construction of Heathrow's T2. Completed projects include the Guggenheim Museum in Bilbao, the Montablis Viaduct, CaixaForum in Madrid, the Valdeleitso desalination plant, and the Autopista del Sol toll road, among others.
Participation in Crossrail, the largest civil engineering project under way in Europe, which will increase rail transport capacity in London with the construction of 108 kilometres of infrastructure crossing the city from east to west. This will bring an extra 1.5 million people to within 45 minutes of central London.
5. Airports

Ferrovial entered the airport business in 1998 with the acquisition of several airports in Mexico, followed by one in Chile, then Bristol and Belfast (UK), Niagara Falls (US) and several in Australia (Melbourne, Launceston and Perth).

The acquisition of airport operator BAA Airports Limited (renamed LHR Airports) in June 2006 was one of the most ambitious investments ever undertaken by a Spanish company. As a result, Ferrovial took over managing seven airports in the UK, including Heathrow, as well as Naples and Budapest airports, which it would later sell. Following a decision by the UK Competition Commission, Ferrovial sold Gatwick, Edinburgh and Stansted airports.

In May 2007, Ferrovial created Ferrovial Aeropuertos to integrate all its airport operation and management activities. The division manages all the day-to-day processes in its four airports, which are used by 90 million passengers and serve more than 204 airlines flying to 612 destinations worldwide.

Excellent customer service is one of its distinguishing characteristics. Heathrow's Terminal 5 was named the World's Best Airport Terminal at the Skytrax World Airport Awards, recognising the company's efforts to improve the passenger experience. Heathrow was also voted Best Airport of 2013 at the ACI Europe awards.

Ferrovial recently acquired Aberdeen, Glasgow and Southampton airports.
6. CSR

Ferrovial views corporate social responsibility as a strategic function linked to sustainability, competitiveness and corporate reputation, the goal of which is to create long-term value for all stakeholders and for society.

For Ferrovial, it's important to be both financially profitable as well as ethically and socially and environmentally responsible. Accordingly, Ferrovial has defined three priority areas on which to focus its CSR resources: the environment, society and innovation.

Ferrovial views investment in the community as a strategic instrument to develop society and the areas where it operates.

To that end, it aligns its CR with its business strategy to develop intelligent infrastructures (i.e. which are more efficient and accessible, cleaner and more humane). The company also supports the socio-economic development of other regions with basic needs.

Ferrovial invested 3.7 million euro in the community in 2013. A total of 334 social action projects were carried out, benefiting more than 142,563 people directly.

Ferrovial launched the Social Infrastructure programme in 2011. The project is based on an innovative model for collaborating with NGOs on the development of basic water and sewage infrastructure. This year, the programme supported projects in Peru, Mexico and Colombia, with an investment of 449,851 euro, benefiting 7,962 people.

Ferrovial's Stronger Together programme has been running since 2005, based on a shared commitment by the company and its employees to address global society’s needs. Under this
initiative, company employees donate a portion of their monthly salary to a social project, and these funds are matched by Ferrovial. Stronger Together has expanded steadily; to date, the company and its employees have donated over one million euro to 18 projects, benefiting close to 130,000 people.

The programme seeks to support projects implemented by private non-profit organisations that are incorporated and registered in Spain, as a commitment shared by Ferrovial and its employees to improving living conditions for people at risk of social exclusion.

The company is also present in the main sustainability indices, including the Dow Jones Sustainability Index and FTSE4Good, and periodically updates its Corporate Responsibility Strategic Plan with a view to renewing its commitments and adapting them to changing realities.
Ferrovial believes that global challenges such as climate change, the energy crisis and the loss of biodiversity can become opportunities. The environment has always been an important cause for the company.

Environmental sustainability has become an important issue for Ferrovial, not only in terms of responsibility or as a mechanism for more efficient management of certain risks, but also as a source of new business ideas and models in a context of global crisis.

Ferrovial is strongly committed to reducing the environmental impact of activities and adopts a precautionary approach which favours the environment and reduces the carbon footprint.

2013 - 2020 OBJECTIVES

- Cambio climático: Reducción huella de carbono
  - REDUCCIÓN DE CO2 A 2020
    - 21,3% RESPECTO A LA LÍNEA BASE DE 2009

- Eco-eficiencia: Cálculo huella hídrica
  - CÁLCULO HUELLA 2016
    - 100% A ESCALA GLOBAL

- Biodiversidad y capital natural
  - 100% DE LAS VENTAS DE CONSTRUCCIÓN Y AUTOPISTAS SE DESARROLLAN BAJO ESQUEMA DE EVALUACIÓN CUANTITATIVA/DEL IMPACTO SOBRE EL CAPITAL NATURAL
8. Innovation

Ferrovial focuses innovation on developing technologies applied to the infrastructure construction, transport, municipal services, water, energy efficiency and environmental sustainability, with a view to managing complex operations and offering distinctive solutions to clients.

It implements its strategy using an open innovation model that is enriched by interaction with an ecosystem of partners such as companies, governments, universities and entrepreneurs.

In 2013, Ferrovial managed a total investment in innovation of 32.9 million euro in more than 100 ongoing projects.

In the last few years, it has implemented many innovation initiatives with a view to better addressing future challenges and maintaining its leading position.

Notable examples include the collaboration agreements with MIT and the project to strengthen training in innovation through various actions at Summa University.

Ferrovial is aware that innovation can occur in any part of the company and, with that in mind, since 2012 it has been organising the Ferrovial Innovation Awards, through which it encourages its employees worldwide to offer solutions to four challenges, one in each business unit. This year, the winning idea was WPP (Warning Presence of People), which uses lights and sounds to warn machinery operators.

Ferrovial supports the Centre for the Innovation of Smart Infrastructures (CI3), a public sector non-profit entity whose goal is to help promote and develop information and communication technologies applied to infrastructure.
This includes initiatives such as the **PRENDE project** (Platform for the Energy Refurbishment of Eco-efficient Urban Districts), which involves creating a citizen-centric service with easy-to-use software and communications to inform and channel interest at neighbourhood level to improve energy efficiency through energy refurbishment of property and recommendations for best practices.

Another CI3 initiative is **Ciudad 2020**, which defines a new disruptive model of sustainable, efficient, citizen-centric cities with a view to being exported worldwide by means of a new city model, a combination of urban and rural features.

Ferrovial has created the **Madrid Smart Labs** programme to support entrepreneurs and innovation in municipal services. This pioneering initiative to support entrepreneurs in developing innovative solutions that improve citizens' mobility and living standards is being promoted jointly with the Madrid City Government.
9. Recent adjudications

Services

- Management of the Ourense University Hospital Complex for 15 years under a contract worth 146 million euro
- Maintenance of Ministry of Defence buildings in the UK for 5 years under a contract worth 3.454 billion euro
- Maintenance and operation of the Docklands Light Railway in London for 6.5 years (879 million euro)

Toll roads

- Design, build, finance, operate and maintain 41.8 kilometres of the I-77 extension in North Carolina (US), with an estimated investment of 478 million euro
- Construction of one of the new access roads to Riyadh (Saudi Arabia) for 145 million euro
- Design, build, operate and finance a key portion of Scotland's motorway network for 33 years, with an estimated investment in construction of 375 million euro

Construction

- Expansion of the Northern Line of London Underground, worth 628 million euro
- Construction of a 15-kilometre section of Expressway S5 between the cities of Wroclaw and Korzenisko, in southwest Poland, for 113 million euro
- Expansion of the Turów power plant in Poland, worth 770 million euro

Airports

- Acquisition of Aberdeen, Glasgow and Southampton airports for 1.317 billion euro
10. Distinctions

**Premio Academiae Dílecta 2013.**

**Premio a la idea más innovadora para el sistema Satelise de Cintra.**

**Premio a la mejor trayectoria empresarial para Rafael del Pino.**

**Primera posición por volumen de inversión en infraestructuras.**

**SAP Quality Awards: categoría “Gold” por el proyecto de gestión de la información de productos financieros “MarcoPolo”.**

**Presencia 12 años consecutivos.**

**Por tercer año consecutivo, certificada por sus excelencia en políticas de RRHH.**

**Presencia 9 años consecutivos.**

**Máxima calificación del sector.**

**Elegida Empresa Social al Programa Infraestructuras Sociales.**

**Galardón Empresa Social por el Programa Infraestructuras Sociales.**

**European Excellence Award en “Corporate Social Responsibility”.**

**Premio a la Innovación y Compromiso Social para el Programa Infraestructuras Sociales.**

**Premio al voluntariado corporativo en el programa Infraestructuras Sociales.**

**Gold’s Stevie Award 2013 en la categoría de Negocios Internacionales.**

**Premio a la estrategia de cambio climático llevada a cabo por Ferrovial.**