THE GLOBAL CONTRARIAN

June 25, 2012

Ferrovial SA

(BUY)

Price: €8.05
52-Week Range: €7.25- €9.77
Shares Outstanding: 733.5 million
Market Capitalization: €5.9 billi0n ($11.3 billion)[1]

Ticker[2]: FER SEM
Dividend*: €0.45
Yield*: 5.6%

**Before 21% withholding tax*
Data as of June 13, 2012

[1]One euro (€) is equivalent to $1.2596, as of June 13, 2012.
[2]The common shares of FER SM trade on the Madrid Stock Exchange.

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Investment Thesis

Ferrovial SA (FER SM), based in Spain, is a second-generation owner-operated company in the field of infrastructure construction and services. Its businesses include toll road construction and operation, airport operation, infrastructure services and civil engineering construction projects. Many of these businesses are critical to the operation of necessary public services and, as such, are relatively recession-proof. Further, although based in Madrid, the company earned just over half of its operating income outside of Spain, with nearly one-third of its earnings before interest and taxes (EBIT) coming from its operations in the United Kingdom, Canada and the US. The company's share price is supported by its asset value, which, based on a number of recent transactions, implies an equity value for Ferrovial that is significantly higher than where the company's shares trade today. Based on this discount to fair value and the stability of its operations, shares of Ferrovial are recommended for purchase.

The company has been hampered by a relatively high debt burden, as reports have surfaced that certain of its toll roads are struggling to service their debt as traffic and revenues fall short of the company's expectations. What seems to be missed, however, is that virtually all of this debt (on a net basis) is held within its Toll Roads segment, which operates through the company's Cintra subsidiary. Therefore, as a worst-case scenario, if one assumes that this business simply defaults on its debt and loses its toll road concessions, this would be the equivalent of saying that the value of the Toll Road segment is equal to the net debt of the company (€5.6 billion). If one were to take a more optimistic view, recent transaction prices for only six of the company's twenty toll road concessions imply a valuation €8 billion, and a valuation for the whole segment that could justify all of Ferrovial's current enterprise value (€11.5 billion).

There have also been recent transactions within the company's Airports business, which operates through its BAA subsidiary. The recent sale of a 5.88% equity stake in BAA values Ferrovial's remaining interest at €3 billion, while the sale in April 2012 of one of the company's six airports implies a valuation closer to €4.5 billion. Even when using the more conservative estimates for the both the Toll Roads and Aiports segments, one finds that the remaining Construction and Services businesses are being valued at an attractive multiple of EBITDA (5.2x), offer a normalized free cash flow yield of over 10% and have the potential for growth as indicated by current order backlogs that are at, or near, record highs. Given this, it would not take much to envision share price appreciation at the rate of 5%-6% per year, which, when combined with the company's current dividend yield, offers investors a double-digit rate of return.

A more optimistic valuation estimate of the Toll Roads and Aiports segments indicates that Ferrovial's enterprise value could be as high as €17.5 billion, which implies 100% appreciation potential for the company's shares.

Ferrovial's share price may experience significant volatility as Spain and the eurozone work their way through their current debt troubles. Because of this, there may be a more opportunistic time at which to buy Ferrovial shares. That said, the current market capitalization of the company does not reflect the fair value of its assets, making Ferrovial a compelling investment for those who are looking for opportunities in the eurozone.

Company Description

Ferrovial SA (FER SM) is a global infrastructure construction and services company with business segments that include toll road construction and operation, airport operation, infrastructure services (such as road, rail and airport maintenance, facility management and municipal solid waste collection) and construction (typically large civil engineering projects). Although based in Madrid, the company earned just over half of its operating income outside of Spain, with nearly one-third of its earnings before interest and taxes (EBIT) coming from its operations in the United Kingdom, Canada and the US.

Ferrovial was founded as a construction company in 1952 by Rafael del Pino y Moreno. The company grew steadily in the following years, landing its first international contract in Venezuaela in 1954 and entering the road construction business in the mid-1960's through Spain's Plan Redia; the national government's plan to expand the country's network of asphalt highways. This led to the company winning the concession for the Bilbao-Behobia highway in 1968, and a second concession in 1974 for the Burgos-Armino highway. Ferrovial participated in a number of large infrastructure projects in the 1980's, including the construction of the high-speed train between Madrid and Seville and various projects for the Seville Expo and the Barcelona Olympics.

This was a key period in the company's history, marked both by rapid growth and the installation of the founder's son, Rafael del Pino Calvo-Sotelo, as CEO in 1992 (the del Pino family owns nearly 44% of Ferrovial making the company a second-generation owner-operated business). This period also saw the acquisition of the leading construction company, Agroman, in 1995 and the construction of the Guggenheim Museum in Bilbao, Spain in 1997. Rafael del Pino Calvo-Sotelo was named Chairman in 2000, when his father retired, and the subsequent decade saw a number of acquisitions by the company including the services companies Amey in the UK and Cespa in Spain during 2000, the airport handling company Swissport and the Texas construction company, Webber, in 2005, and the UK airport operator BAA in 2006. Finally, in 2009, Ferrovial merged with Cintra to form the world's leading transportation infrastructure company.

Today, the company has operations in twenty countries, although 95% of its revenues are derived in five markets: Spain, the United Kingdom, the United States, Canada and Poland (see Exhibit 1). Chile had contributed significantly to the company's operating profit in 2010; however, Ferrovial has since sold its toll road assets in this market.

Exhibit 1 Ferrovial: Revenue and EBIT Contribution by Geography; 2010-2011
(€ in millions)

Revenues	2011	%	2010	%
Spain	**3,369.2**	**45%**	**3,769.7**	**40%**
UK	1,553.8	21%	1,412.5	15%
USA & Canada	746.3	10%	1,407.8	15%
Poland	1,394.3	19%	1,169.7	12%
Chile	45.1	1%	202.4	2%
Rest of Europe	275.8	4%	1,140.8	12%
Other	61.2	1%	280.8	3%
Total	**7,445.8**	**100%**	**9,383.8**	**100%**

EBIT	2011	%	2010	%
Spain	**298.7**	**48%**	**237.6**	**25%**
UK	115.6	18%	102.2	11%
USA & Canada	81.6	13%	309.2	32%
Poland	66.8	11%	64.5	7%
Chile	3.7	1%	108.3	11%
Rest of Europe	57.6	9%	135.7	14%
Other	2.6	0%	3.9	0%
Total	**626.5**	**100%**	**961.4**	**100%**

Source: Company reports.

The company is divided into four segments: Construction, Airports, Toll Roads and Services. Ferrovial, however, owns only 49.99% of BAA, which comprises the vast majority of the company's Airport business, meaning that this asset is not consolidated in the company's financial statements. Because of this, the value of the Airports segment is likely underappreciated by those seeking to analyze Ferrovial on an EBITDA basis. It is important to note that the Airport segment is an integral asset in outlining the investment thesis for Ferrovial, as a recent transaction has placed a significant valuation on this asset.

Despite not being a fair reflection of the Airports segment, a breakdown of the consolidated company's sales and EBITDA is shown in Exhibit 2. As one can see, the construction segment is the largest contributor in terms of sales (57% of total sales), while the Services segment is largest contributor to EBITDA (38% of total EBITDA). The Toll Roads segment has, by far, the highest profit margins, contributing 35% of the company's EBITDA, although accounting for only 5% of sales. The fundamentals of the Toll Roads business, while certainly positive, are offset slightly by the significant capital expenditures required to build these roads and the debt associated with this segment.

Exhibit 2 Ferrovial: Revenue and EBITDA Contribution by Segment; 2010-2011
(€ in millions)

Sales	2011	% of Total	2010
Construction	4,243.8	57%	4,525.1
Airports	10.4	0%	3.8
Toll Roads	389.7	5%	868.7
Services	2,820.9	38%	3,896.0
Other	(18.9)	0%	90.2
Total	**7,445.9**	**100%**	**9,383.8**

EBITDA	2011	% of Total	2010
Construction	247.6	30%	242.0
Airports	(10.7)	-1%	(10.4)
Toll Roads	283.2	35%	629.6
Services	311.8	38%	412.9
Other	(13.3)	-2%	(27.9)
Total	**818.5**	**100%**	**1,246.1**

Source: Company reports.

The company's business segments are described in more detail below:

Ferrovial Services
This segment contributed €312 million of the company's €819 million 2011 EBITDA (38%) and ended the most recent quarter with a €12.3 billion order backlog, which is the highest in the company's history. The segment operates through three subsidiaries:

- **Amey –** One of the UK's largest public service providers, offering services such as road maintenance, rail inspection and maintenance and facility management. In 2011, the company was awarded a contract to provide prison escort and custodial services for 70% of England and Wales for an initial period of seven years.
- **Ferroser –** Specializes in infrastructure maintenance and facility management in Spain and Portugal, providing cleaning services to hospitals, transport, industrial and commercial properties. This segment also provides a wide array of ancillary services associated with these various properties, including ticket sales, customer service, grounds services and emergency medical transportation (ambulances).
- **Cespa (AmeyCespa in the UK) –** Provides environmental services and waste management in Spain, Portugal and the UK. These include public services, such as street cleaning, municipal solid waste collection, sewer cleaning, gardening and maintenance of green areas; industrial services, such as the hazardous and non-hazardous waste collection and transport services necessary for activities such as asbestos removal, clinical waste collection and contaminated soil management; and waste treatment.

Toll Roads
This segment, which operates as Cintra, holds a portfolio of twenty concessions to operate toll roads in Spain, Canada, the United States, Portugal, Ireland and Greece, as well as three car park in Madrid. Typically, the company wins contracts to build these roads (handled by the Construction segment) and then operate these assets under a concession for a number of decades, or purchases the concessions, as was the case in 2005 when Cintra, in a joint-venture with Macquarie, bought a 99-year lease to operate the Chicago Skyway for $1,830 million (€1,452 million at today's exchange rates). Of the concessions in the company's portfolio, the first expiration is not until 2030, with nearly half of the concessions scheduled to expire within the next 20-30 years. Ferrovial may sell these assets before the concessions expire, however, as the company has a stated goal of operating these assets until they have realized their growth potential and are running efficiently, then divesting them.

Some of the more notable assets in this segment are the 407 ETR toll road in Canada, which operates one of the busiest corridors in all of North America, the Chicago Skyway, and the Indiana Toll Road, for which the company has concessions lasting 70-90 years. These three assets account for approximately 50% of the EBITDA derived from this segment. A full list of the company's toll road portfolio is shown in Exhibit 3.

There are two interesting factors to consider when valuing the Toll Roads segment. The first is the sale in 2010 of a 10% stake in the 407 ETR for CAD894 million. At the current exchange rate, this would value Ferrovial's remaining 43.2% stake at €3 billion. The second consideration is that €5.1 billion of Ferrovial's €5.2 billion of net debt resides within the Toll Roads segment. As will be discussed later in this report, Ferrovial looks attractively valued if one makes the conservative assumption that the value of the Toll Roads business does nothing more than cover its current debt obligations. This assumption likely understates the value of these assets significantly in light of the recent 407 ETR transaction (which, itself, has €4.9 billion in net debt, although this debt is not consolidated on Ferrovial's balance sheet).

Exhibit 3 Ferrovial: Toll Road Portfolio

Toll Road	Country	Length (km)	Equity Interest	Concession Expiration
SH-130 Segments 5&6	US (Texas)	64	65%	2062
Chicago Skyway	US	12.5	55%	2104
Indiana Toll Road	US	252.6	50%	2081
NTE	US (Texas)	21.4	56.67%	2061
LBJ	US (Texas)	27.4	51%	2061
407 ETR	Canada	108	43.20%	2098
Alcala-O'Donnell (M203)	Spain	15.3	100%	2065
Autema	Spain	48.3	76.28%	2036
Ausol	Spain	82.7	80%	2046
Ausol II	Spain	22.5	80%	2054
Madrid Sur (R4)	Spain	97.2	55%	2065
Madrid-Levante	Spain	182.8	55%	2040
Euroscut Acores	Portugal	93.7	89.2%	2036
Euroscut Algarve	Portugal	129.8	85%	2030
Norte-Litoral	Portugal	119	84.04%	2031
Vialivre	Portugal	174.5	84.04%	2031
Ionian Roads	Greece	378.7	33.34%	2037
Central Greece	Greece	231	33.34%	2038
M3	Ireland	50	95%	2052
Eurolink (M4-M6)	Ireland	36	66%	2033

Source: Company reports.

Construction

The primary business within this segment is Ferrovial Agroman, which handles civil engineering, construction of residential and non-residential buildings, and industrial projects, such as water treatment and desalination plants. Approximately 75% of the company's €9.7 billion backlog is attributable to civil engineering projects, which includes the construction of highways and toll roads.

Although this segment does have some exposure to the Spanish market, its international diversification should greatly mitigate the impact of a potential eurozone recession. For example, two-thirds of the company's backlog is for work outside of Spain. The US, UK and Poland markets accounted for 90% of international sales in 2011 and grew 20% in 2011 relative to 2010. In 2011, 86% of this segment's cash flow was generated outside of Spain.

In Poland, Ferrovial operates through its publicly-traded subsidiary Budimex (in which it owns a 59% stake), which had an order backlog of €2 billion as of March 2012. In the US, Ferrovial operates through Webber, which is one of the largest road construction groups in Texas and one of the largest producers and distributors of recycled construction aggregates. Webber's order backlog was €1.5 billion at the end of the most recent quarter.

Airports

Through its BAA subsidiary, Ferrovial is the leading private airport operator in the world, operating five airports in the UK: Heathrow, Stansted, Southampton, Glasgow and Aberdeen. The company had operated Edinburgh Airport, but sold this asset in April 2012 for £807.2 million (16.3x EBITDA), after the UK's Competition Commission requested that BAA dispose of this asset. Due to the sale of a 5.88% stake in BAA, which lowered Ferrovial's ownership to 49.99%, BAA is no longer consolidated on the company's financial statements, as mentioned earlier.

In 2011, BAA had revenues of £2.5 billion and EBITDA of £1.3 billion. However, because of significant depreciation and financial expenses, the segment posted a slight loss for the year. Still, if the recent sale of Ferrovial's equity stake is assumed to be a valid indicator, this asset has significant value. The company's 5.88% stake was sold for £280 million, which values the entire asset at £4.8 billion and the company's remaining 49.99% interest at nearly €3 billion.

In fact, when one considers the multiples paid for Edinburgh Airport (which accounted for only 4% of BAA's 2011 EBITDA, although likely carried a small portion of BAA's £12.8 billion of net debt), it could be argued that Ferrovial's equity interest in BAA is worth closer to €4.5 billion. Importantly, Heathrow's higher EBITDA growth rate appears to support a comparable multiple. Specifically, from 2010 through 2011, Heathrow's traffic, sales and EBITDA growth rates were 5.5%, 9.5% and 18.7%, respectively. By comparison, at Edinburgh, the respective growth rates were 9.2%, 11.3% and 14.4%.

Valuation Analysis

As mentioned in the Company Description section, Ferrovial has recently sold small equity stakes in two valuable assets: a 5.88% stake in BAA, which values the company's remaining ownership interest in this entity at €3 billion, and a 10% stake in the 407 ETR toll road, which values the company's remaining ownership interest at an additional €3 billion. The €6 billion valuation for these two assets accounts for more than half of Ferrovial's current enterprise value of €11.5 billion (see Exhibit 4) and implies that the equities market is currently valuing the company's Construction and Services segments, as well as the remaining Toll Roads business, at only €5.5 billion. As one will see, this underestimates the earnings power and asset value of these businesses.

Exhibit 4 Ferrovial: Current Market Capitalization and Enterprise Value
(€ in millions)

Share Price (8/13/12)	€ 8.05
Shares Outstanding (millions)	733.5
Market Capitalization	**5,904.8**
Net Debt*	5,588.8
Enterprise Value	**11,493.6**

*Includes €298 million of restricted cash included in Non-Current Financial Assets

Source: Company reports, *The Global Contrarian* estimates.

The company's debt of €5.6 billion is not insignificant, giving rise to its BBB- rating from S&P. As mentioned earlier, however, virtually all of this debt resides within the Toll Roads segment of the company and is supported by these assets. This can be seen in Exhibit 5, which shows how Ferrovial's debt was attributed to its various business segments as of December 2011. As of the most recent quarter, the Toll Roads segment's debt totaled €5.7 billion.

Exhibit 5 Ferrovial: Debt Allocation by Business Segment
(€ in millions)

Construction	(2,333)
Services	497
Airports	(38)
Toll Roads	(585)
Corporate and Other	1,552
Net Debt Position, ex. Infrastructure Projects	**(907)**
BAA	0
Other Airports	(2)
Toll Roads	5,692
Construction	135
Services	252
Net Debt Position of Infrastructure Projects	**6,077**
Total Net Debt	**5,170**

Excluding Toll Roads

Construction	(2,333)
Services	497
Airports	(38)
Corporate and Other	1,552
Net Debt Position, ex. Infrastructure Projects	**(322)**
BAA	0
Other Airports	(2)
Construction	135
Services	252
Net Debt Position of Infrastructure Projects	**385**
Total Net Debt	**63**

Source: Company reports.

In order to simplify this valuation analysis, one could start with the overly conservative assumption that the Toll Road segment serves no other purpose than to retire its debt – in other words, the value of this business is currently equal to its net debt, which is roughly equal to the net debt for all of Ferrovial. This would seem conservative in light of the 407 ETR transaction, which, despite this asset's €4.9 billion of net debt (not consolidated on Ferrovial's balance sheet), has an equity value of nearly €7 billion. Further, there are recent transaction prices for the Chicago Skyway and Indiana Toll Road concessions (in 2005 and 2006, respectively), which give further insight into the value of these assets. As shown in Exhibit 6, these transactions value Ferrovial's interest in these three toll roads at €5.3 billion.

Exhibit 6 Ferrovial: Recent Toll Road Transactions
(local currency, in millions)

Road	Transaction Value	Equity Interest	Value to Ferrovial*	Description
407 ETR	CAD 8,943	43.2%	€ 2,995	Based on sale of 10% equity stake in 2010
Chicago Skyway	$1,830	55%	€ 799	Sale of 99-year lease to Cintra-Macquarie in 2005
Indiana Toll Road	$3,850	50%	€ 1,528	Sale of 75-year lease to Cintra-Macquarie in 2006
Total			**€ 5,322**	

*Based on current exchange rates.

Source: Company reports, *The Global Contrarian* estimates.

There have been reports that traffic on the Chicago Skyway and the Indiana Toll Road has not met the company's expectations, and that the Indiana Toll Road, in particular, has struggled to service its debt. This has cast doubt onto the prospects for the SH130, NTE (North Tarrant Express), and LBJ Freeway projects underway in Texas, all of which are under development and not yet generating revenues. For these reasons, it is fair to be skeptical of the transaction prices cited above. However, this exercise only assumes that these assets are able to offset their debt, either through repayments or, in a worst-case scenario, via a default that is secured by the asset and non-recourse to Ferrovial. If the performance of these assets were to improve and the company's projects in Texas were to meet expectations (the value of Ferrovial's interest in these projects is estimated to be €2.7 billion based on the value of the contracts awarded), it is not unreasonable to believe that the value of the Toll Roads segment alone, which includes fourteen other concessions, could justify the entire current enterprise value of Ferrovial.

Next, one can consider the recent transaction price for Ferrovial's 5.88% stake in BAA, which values the company's remaining 49.99% equity interest at €3 billion. This may be conservative in light of the recent sale of the Edinburgh Airport, which, as outlined in the Company Description section, would imply a valuation of €4.5 billion. Even this may be too low an estimate, as it is reasonable to assume that Heathrow Airport, which is the third busiest airport in the world and the asset comprising the majority of BAA's value, could garner a premium to the EBITDA multiples paid for Edinburgh Airport.

Still, if one were to make these two assumptions - that the value of the Toll Roads segment offsets Ferrovial's net debt and the Airports segment is worth €3 billion - one finds that Ferrovial's Construction and Services businesses are currently being valued at only €2.9 billion (see Exhibit 7). This is an attractive valuation for two businesses that have a total order backlog of over €22 billion and that combined for €560 million of EBITDA in 2011 (equal to only 5.2x EBITDA).

Exhibit 7 Ferrovial: Stub Valuation of the Construction and Services Segments
(€ in millions)

Current Enterprise Value	11,493.6	
Less: Value of Toll Roads	(5,588.8)	Assumed to be equal to Ferrovial's net debt.
Stub Value	**5,904.8**	
Less: Value of BAA	(2,971.1)	49.99% of £4,762 million @ €1.2481/£.
Market Cap of Construction and Services	**2,933.6**	

Source: Company reports, *The Global Contrarian* estimates.

The Construction and Services segments generated estimated free cash flow of €217 million in 2011, which is net of capital expenditures used for growth projects. This was down significantly from 2010, when these two businesses generated free cash flow of €416 million. Despite the depressed result, these segments are generating a free cash flow yield of nearly 7.5% (an average of nearly 11% over 2010 and 2011), which is attractive when one considers that both businesses have order backlogs that are at or near record highs. If one ignores the company's growth potential from its increased backlog, assumes maintenance capital expenditures of €100 million (approximately half of current investment expenditures) and a target free cash flow multiple of 12.5x (8% yield), the normalized free cash flow from these two segments over the last two years would return a valuation of €5 billion (see Exhibit 8).

Exhibit 8 Ferrovial: Free Cash Flow Valuation; Construction and Services Segments
(€ in millions)

	2011	2010
Operating Cash Flow, Pretax	462	655
Estimated Taxes	(54)	(45)
After-Tax Operating Cash Flow	**408**	**610**
Investments	(191)	(194)
Free Cash Flow	**217**	**416**
Stub Value for Construction and Services	2,934	2,934
Free Cash Flow Yield	**7.4%**	**14.2%**

Normalized After-Tax Operating Cash Flow	509
Maintenance Expenditures	(100)
Normalized Free Cash Flow	**409**
Target Multiple	12.5x
Fair Value Estimate	5,113

Source: Company reports, *The Global Contrarian* estimates.

So far, this valuation analysis has outlined how the company's asset value provides significant support for the current share price, with upside potential being derived from the Construction and Services segments. If one were to use less conservative assumptions for the Toll Roads and Airports segments, however, Ferrovial's net asset value implies significant upside potential for equity investors. For example, if one assumes an €8 billion valuation for the Toll Roads segment (equal to the transaction and contract amounts for only the 407 ETR, Chicago Skyway, Indiana Toll Road and the three Texas projects), a €4.5 billion valuation for the Airports segment (the valuation implied by the Edinburgh Airport transaction), and a €5 billion valuation for the Construction and Services segments (as per the free cash flow valuation exercise in Exhibit 8), Ferrovial's equity value would be double what it is today, as shown in Exhibit 9.

Exhibit 9 Ferrovial: Fair Value Estimate

(€ in millions)

Toll Roads	8,000
Airports	4,500
Construction and Services	5,000
Total	**17,500**
Less: Net Debt	(5,589)
Potential Equity Value	**11,911**
Current Market Capitalization	5,905
Upside Potential	**102%**

Source: Company reports, *The Global Contrarian* estimates.

If one took a more tempered outlook, investors may only require 5%-6% annual equity appreciation, along with the company's current 5.6% dividend yield (4.4% after withholding taxes), in order to earn an adequate return. Although the company's near-term prospects are clouded by the state of the economy in Spain and the broader eurozone, the value of Ferrovial's assets could easily support appreciation of this magnitude once the overhang of the impending debt crisis dissipates.

Conclusion

Ferrovial's share price appears to suffer from both the company's exposure to Spain and its relatively high debt burden. What is missed, however, is that Ferrovial derived more than half of its 2011 EBITDA outside of Spain and that its debt is contained within the Toll Roads segment, which should allow the company to realize the full value of its remaining assets even if it were to default on its debt. Further, all of its business segments provide critical services (toll roads, airport operations, public infrastructure cleaning and operation) that are not likely to suffer dramatically in a severe recession.

There have been a number or recent transactions that point to a significantly higher asset value for Ferrovial than what is currently being reflected in the company's stock price. Sales of small equity interests in BAA and the 407 ETR toll road, as well as the purchase price for the Edinburgh Airport and other toll road concessions, all point to an enterprise value estimate that approaches €18 billion, which would imply a 100% increase in Ferrovial's market capitalization. A more conservative valuation for the Airport and Toll Road segments still shows that investors would gain exposure to the Construction and Services segments, which have record backlog and are growing, at an attractive normalized free cash flow yield of 10%. At the low end, this should allow investors to realize 5%-6% share price appreciation, which, when combined with the company's 5.6% dividend yield, would generate a double-digit annual return.

Clearly, the outlook for Spain will impact equity prices on any given day and there may be a more opportunistic time at which to buy Ferrovial shares. That said, the current market capitalization of the company does not reflect the fair value of its assets and, because of this, it is recommended for purchase.

Exhibit 15 Ferrovial: Consolidated Income Statement
(€ in millions)

	2011	2010
Revenue	7,446	9,384
Other Operating Income	15	17
Total Operating Revenue	**7,461**	**9,401**
Materials Consumed	2,366	3,028
Staff Costs	2,018	2,815
Other Operating Expenses	2,258	2,311
Total Operating Expenses	**6,642**	**8,155**
Gross Profit from Operations	**819**	**1,246**
Depreciation and Amortization	192	285
Profit from Operations before Impairment and Non-Current Asset Disposals	**627**	**961**
Disposals and Impairments	142	2,572
Profit from Operations	**769**	**3,533**
Financial Result of Infrastructure Projects	(279)	(537)
Financial Result of Other Companies	(24)	(167)
Total Financial Result	**(303)**	**(704)**
Equity-Accounted Affiliates	20	39
Consolidated Profit Before Tax	**485**	**2,869**
Income Tax	(61)	(220)
Consolidated Profit from Cont. Ops.	**424**	**2,649**
Net Profit from Discontinued Ops.	844	(467)
Net Income	**1,268**	**2,182**
Profit Attributable to Non-Controlling Int.	1	(19)
Profit Attributable to the Parent	**1,269**	**2,163**

Source: Company reports.

Exhibit 16 Ferrovial: Consolidated Balance Sheet
(€ in millions)

	1Q12	2011	2010
Fixed and Other Non-Current Assets	**17,340**	**17,517**	**35,465**
Consolidation Goodwill	1,494	1,493	5,032
Intangible Assets	101	105	97
Investments in Infrastructure Projects	6,024	5,960	21,512
Plant and Equipment	618	627	552
Property	64	64	64
Equity-Consolidation Companies	5,044	5,219	3,110
Non-Current Financial Assets	1,815	1,893	2,184
Pension Surplus	0	0	0
Deferred Taxes	2,027	2,022	2,068
Derivative Financial Instruments at Fair Value	153	135	847
Assets Held for Sale and Discontinued Ops.	**2**	**2**	**1,515**
Current Assets	**5,441**	**5,453**	**6,306**
Inventories	464	427	445
Trade & Other Receivables	2,872	2,677	3,161
Cash and Cash Equivalents	2,105	2,349	2,701
Total Assets	**22,783**	**22,972**	**43,287**
Equity	**6,100**	**6,288**	**6,628**
Attributable to Company's Equity Holders	5,917	6,138	5,194
Minority Interest	183	150	1,434
Deferred Income	**306**	**292**	**196**
Non-Current Liabilities	**10,806**	**10,815**	**28,596**
Pension Provisions	97	111	153
Other Non-Current Provisions	993	1,010	860
Financial Borrowings	6,731	6,695	21,511
Other Borrowings	172	179	154
Deferred Taxes	1,313	1,299	3,951
Derivative Financial Instruments at Fair Value	1,500	1,521	1,968
Liabilities Held for Sale and Discont. Ops.	**0**	**0**	**891**
Current Liabilities	**5,571**	**5,577**	**6,975**
Financial Borrowings	1,262	1,214	1,530
Trade and Other Payables	3,826	3,882	4,889
Current Provisions	483	481	556
Total Liabilities and Equity	**22,783**	**22,972**	**43,287**

Source: Company reports.