

CONSTRUCTION

COMPLEX PROJECTS



Ferrovial Construction is the business unit that carries out the construction of civil works, building, water treatment plants, industrial works and energy transition projects, to develop sustainable, innovative and efficient infrastructures.

The Construction division is essential in achieving Ferrovial's business strategy, outlined in the Horizon 24 Plan, which is firmly committed to the development of sustainable infrastructures that have a positive impact on the environment and communities. During 2023, the company has carried out numerous contributions on the path towards the decarbonization of the economy, highlighting the execution of new renewable energy and water treatment plants, initiatives for the use of biofuels in its equipment and machinery, and the implementation of targeted sustainability strategies in its main subsidiaries.

BACKGROUND

Ferrovial Construction has increased its revenue again in 2023 and maintained its profitability at positive levels, despite the negative impact of completion work on large projects in the United States, marked by modifications and customer requirements unforeseen in the work program. The company has initiated the claims process for the recovery of these costs.

Looking at the future, the selective criteria for bidding on projects and geographies will be maintained, with a commitment to new and more collaborative contracting models, such as the award of the Construction Management at Risk contract for the Pflugerville Water Treatment Plant in Texas.

The company's expectations remain positive, with the order book at a record high, and with a solid pipeline of projects in the main markets (USA, Poland and Spain), where major investments are planned not only in transportation infrastructure but also in water, electricity transmission or energy efficiency projects as a result of multi-year plans such as the NextGen funds in Europe or the Infrastructure Investment & Jobs Act in the United States.

In Poland, the implementation of new national investment plans for highways and railroads until 2030-33 stands out, while in Texas (USA), the Department of Transportation has set a record amount of funds over the next ten years through the Unified Transportation Program Road Plan. Budimex, Webber and PLW are leaders in their respective fields in these geographies and markets.

VALUE CREATION

The achievement of Ferrovial's strategy involves Construction. The division remains committed to innovation and technology to minimize its environmental footprint, generate a positive impact on society and ensure the safety of users and workers. Along with its own profitability and cash generation capacity, it adds value by coordinating the design and construction of infrastructure concessions in which other Ferrovial investment divisions participate, as shown by the recent award for the expansion of the capacity of the NTE 1&2W Toll Road in Texas, currently operated by Cintra.

Portfolio diversification and selective internationalization

Sector diversification enables Construction to maintain its technical qualifications and to deploy continuously prepared material and human resources teams, as demonstrated by the variety of contracts awarded to Budimex in Poland in 2023. Highlights include work on the Gdansk and Swinoujscie port terminals, the Kamelia photovoltaic plant, the Nysa Klodzka and Opole anti-flooding infrastructures, and the unique Opera Nova building in Bydgoszcz.

The United States and Poland, in addition to Spain as a market of origin, remain the division's main markets, accounting for around 80% of sales. Other geographies with a stable presence are the United Kingdom, Chile, Australia and Canada.

Webber, the Civil Construction subsidiary in the United States, has reached a record high in the awarding of projects, such as the Texas IH-10 toll road in Colorado County, the US-59 in San Jacinto County, or the entry into the state of Florida through three new contracts: the I-95 in Escambia County, the I-95 in Duval County and the SR-8 in Escambia County, which consolidates the company's presence on the east coast of the country.



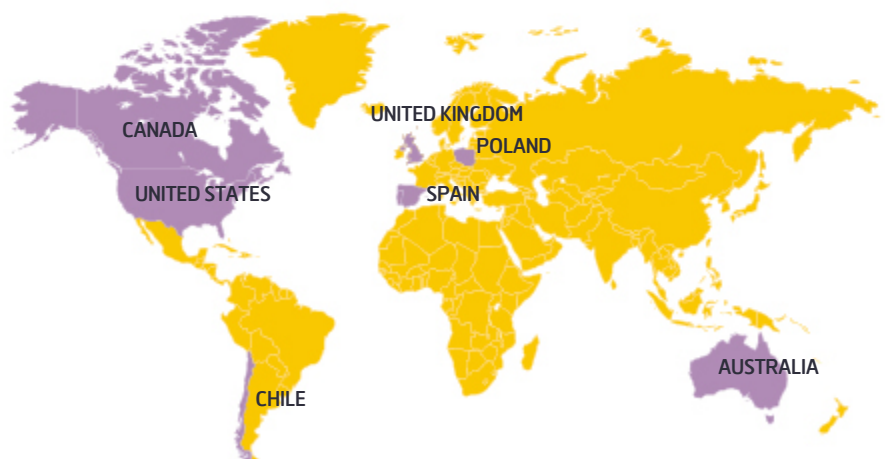
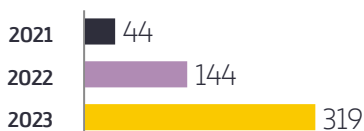
ORDER BOOK (M€)



REVENUES (M€)



CASH FLOW FROM OPERATING ACTIVITIES (M€)*



*Excluding corporate income tax

Historic record high for Webber's order books

Webber, the Civil Construction subsidiary based in Texas, USA, has reached its all-time contracting high, with more than €2.0 billion in contracts awarded in 2023. This achievement reflects Webber's favorable evolution in recent years, in which it has demonstrated positive financial performance and a successful strategy of geographic expansion into the East Coast states of the U.S. It has also diversified its project portfolio, including water treatment plants, renewable energy and road operation and maintenance services, and implemented new design-build, A+B cost and schedule, or collaborative contractual models such as CMARs.

Respect for the environment, quality and safety

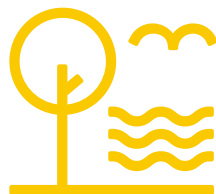
Construction operates under strict guidelines to minimize its environmental impact. Its approach to projects includes the identification of environmental risks through individual management plans to favor the conservation of biodiversity, the efficient use of energy by promoting self-consumption, decarbonization and renewable energies, and fostering the circular economy through the recovery of waste and the use of recycled materials.

The aim is to progressively reduce the carbon footprint and achieve emission neutrality by 2050. Further examples are the construction of the Greatworth "green tunnel" in the HS2 London to Birmingham project in the United Kingdom, which has been executed using the cut and cover method, and which will be buried with trees, shrubs and hedges planted on top for integration with the local landscape and flora, or the I-66 toll road wetlands project in Virginia, where a new water pond and five wetland cells have been designed and constructed as a compensatory measure for the loss of natural habitats, providing similar functionality and increasing the ecological value.

Construction's commitment to the quality of its projects is evidenced by the award of a second Data Center for Microsoft in Meco (Spain), in addition to the one awarded in 2022 in San Sebastián de los Reyes (Spain). The latter has obtained Leed Gold certification awarded by the Green Building Council, after complying with the strictest quality and sustainability criteria.

The safety of people is an essential pillar of Ferrovial Construction, and placing technology at their service is key to guaranteeing it. In addition to the innovative health and safety initiatives implemented in recent years, in 2023 a wearable system was successfully tested in different markets such as the United States, Spain and Portugal to help improve the safety conditions of workers on construction sites, with the installation of proximity sensors in vests, helmets and other connected devices to prevent interference and involuntary interactions of staff with heavy machinery, thus minimizing accidents.

As a result of this strategy in sustainability and corporate social responsibility, Ferrovial Construction has received the Gold Medal award from ECOVADIS, which evaluates more than 100,000 companies worldwide, highlighting its commitment to the environment, labor practices, social wellbeing, mental health, human rights and business ethics. This recognition places Ferrovial Construction in the top 5% of companies in its sector.





Innovation as competitive positioning

Within the framework of the Abacus Strategic Plan, Ferrovial Construction continues to focus on innovation and digital transformation. Some examples are the implementation of the use of Trimble SiteVision augmented reality in the expansion of the I-35 NEX Central toll road in Texas to identify conflicts between the 3D models and the real construction, or the promotion of the Earthworks project, which monitors and analyzes earth movement through IoT devices attached to the machinery, enabling decision-making for the optimization of production, and the prevention of environmental and safety incidents. This last initiative, which is already being used in construction sites in Spain, Australia and the USA, is being scaled up for commercialization.



Talent management

Ferrovial Construction is committed to promoting talent, equality and diversity among all its employees. As part of its ongoing commitment to their professional development, the company has implemented new initiatives such as the GoFurther and Grow programs, focused on the growth of young and female talent.

Silvertown: ground freezing and 180° rotation of the largest tunneling machine in the UK

Ferrovial Construction, together with its partners in the execution of the double-tube urban road Silvertown Tunnel under the River Thames, have applied innovative techniques such as artificial freezing of the subsoil to control groundwater, or the 180° rotation of the largest tunneling machine in the United Kingdom (82 meters long, 11.8 meters in diameter and 2,000 tons) by placing hydrogen skids. It has enabled the construction of the second parallel tunnel by reusing the same tunneling machine immediately after completing the first borehole. This process has resulted in significant savings in time, costs and CO2 emissions, providing a model for future tunneling projects. Thanks to this innovative solution, the project was awarded the Temporary Works Initiative of the Year prize from the British Construction Industry Awards. Thanks to this innovative solution, the project was recognized in 2023 with the Temporary Works Initiative of the Year award from the British Construction Industry Awards, and with four additional awards at the NCE Tunneling Awards, among which stands out Tunneling Contractor of the Year.

EXPECTED BUSINESS PERFORMANCE IN 2024

The evolution of the Construction division in 2024 is expected to be marked by the prioritization of profitability and stability in sales level. The 3.5% Adjusted EBIT target for next year established in the Horizon 24 Strategic Plan is maintained. The improvement in margins forecast for 2023 is based on the risk control measures and mitigants adopted to control inflation and on the specific contingencies included in the new contracting, favored by the completion of large projects in the United States that impacted negatively on profitability as a result of modifications and requirements unexpected in the work program. The outlook for 2024, by market, is as follows:

TARGET 2024
3.5%
 Adjusted EBIT margin

- In **Spain**, the upward trend in sales is expected to continue, thanks to the significant contracting in railroads and for private clients in the last two years. In the medium term, the application of the European NextGen funds will maintain the boost in bidding, in addition to the positive dynamics of public railway and healthcare initiatives, including price review formulas implemented by the administration, and private initiatives in industrial, logistics and technology, building and renewable energy projects.
- In the **United States and Canada**, the favorable investment in transportation infrastructure by the states and provinces will continue, with programs such as the new Texas road construction plan, 2024 Unified Transportation Program, the Moving Forward for large projects in Florida, and the Major Mobility Investment Program for P3/DBF contracts in Georgia, among others. Also, in the medium term, the pipeline remains high, favored by the federal Infrastructure Investment & Job Act, which doubles funding for transportation infrastructure. A stable level of sales is expected in 2024, thanks to both the increased pace of execution of the Ontario Line of the Toronto Metro, and to Webber's favorable performance following the major contracts awarded in recent years, despite the completion of major projects such as the I-66 toll road in Virginia, I-285/400 in Georgia, and the High Speed Rail project in California.
- In **Poland**, public tendering maintains good prospects thanks to the national road and rail investment plans until 2030-33, supported by the high level of funding allocation under the EU's 2021-27 multiannual financial framework, which ensures future stability of investment in the country. In 2024, stable turnover is expected, and the selective bidding strategy will be continued, prioritizing profitability, following the tensions arising from the increased cost of raw materials and supply chain problems caused by the uncertainty of the war in Ukraine, and expanding diversification into sectors such as energy, renewables or port terminals.
- In the **rest of the markets**, a moderate drop in sales is expected in Chile, mainly due to lower production in relevant projects such as the Centella Pan de Azúcar power transmission line or the Rutas del Loa toll road, which is expected to be completed in 2024. Other geographies, including Australia and the United Kingdom, will maintain a stable level of sales thanks to the execution of large projects awarded in previous years, such as the Coffs Harbour Bypass in New South Wales or the Silvertown Tunnel in London. Likewise, the outlook for tenders continues to be good, maintaining a selective approach, highlighting important works in tunnels, railroads and energy in Australia and the United Kingdom, while in Latin America, concession projects for roads, water treatment plants and power transmission lines will predominate, together with other Ferrovial divisions.