

Message from Chief Financial Officer



TO THE SHAREHOLDERS:

Empresas ICA generated solid financial and operational performance in 2010. The results of the year demonstrate the benefits of expanding our business in the different areas of infrastructure, both in Mexico and Latin America.

Our total revenues reached Ps. 35.0 billion, a new record for the company, and an increase of 13% above 2009. Civil Construction contributed the most in absolute terms, as the result of the large-scale projects currently under construction, while Industrial Construction has returned to a growth phase with the award of the four clean fuels refinery projects. Our Infrastructure businesses, which include Concessions and Airports, also reported double-digit rates of growth. The Housing Development segment was the growth leader, with revenues up 34%, in large part to ICA's increased shareholding in Los Portales in Peru.

Costs and operating expenses increased a combined 16% year over year. The increase resulted from a higher level of activity, the consolidation of new businesses including Los Portales and COTRISA, as well as from higher bidding expenses. Operating expenses were also affected by the provision for doubtful accounts resulting from the bankruptcy of the Grupo Mexicana airlines.

Adjusted EBITDA, which includes depreciation and amortization as well as interest expense included in cost of sales, increased 23%. Adjusted EBITDA, which takes into account depreciation and amortization charges and the net interest expense included in cost of sales, rose 23%. The Adjusted EBITDA margin was 15.4%, compared to 14.3% in 2009. Excluding the Mexicana provision, the Adjusted EBITDA margin would have been 15.9% in 2010. The margin expansion combined with the growth in revenue has meant a large increase in the Adjusted EBITDA that ICA generates. In 2008, we generated Ps. 2,850 million in Adjusted EBITDA. In 2010, we reached Ps. 5,400 million, an increase of 89% in two years.

Over the same period, our net income of controlling interest rose from Ps. 394 million in 2008 to Ps. 909 million in 2010—an increase of 131% in two years.

We have been in an investment mode since 2007, principally as the result of the expansion of our infrastructure concessions, airports, and housing development businesses. From 2007 through March 2011, ICA acquired eight highway concessions, four water concessions, and two long-term service contracts with the Ministry of Public Security. We also built a major new terminal at the Monterrey Airport and developed an in-terminal hotel at the Mexico City International Airport. In the Housing Development segment, we increased land reserves to improve our competitive position, and formed a joint venture with Prudential Real Estate Investors that increases our ability to undertake large-scale developments. We also increased our shareholding in Los Portales in Peru.

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The total investment has been substantial. Our capital expenditures and investments in shares of other companies totaled Ps. 11,796 million and Ps. 8,118 million in 2009 and 2010, respectively.

The La Yesca hydroelectric project also implies a large increase in receivables and debt based on the advance of the work. These receivables will be collected and the debt paid in full when the project is completed and delivered in 2012.

These investments have been funded with a mix of equity and debt. For concessioned projects, we arrange financing at the project level that is typically 30% equity and 70% debt, as is customary for these kinds of projects. Since the majority of our projects are still in the construction phase, the result is an increase in our consolidated indebtedness and leverage ratios. We believe that this effect is temporary for two reasons: we expect to receive payment for the La Yesca hydroelectric project in 2012, and our new concessions will start operations in the next few years.

In 2010 and early 2011, the Querétaro-Irapuato highway PPP, the Aqueduct II in Querétaro, and the first 6 km of the Rio de los Remedios tollroad in Mexico City all started operations. Over the 2011-14 period, ten other infrastructure concessions are scheduled to start operations.

In February 2011, we completed a US\$500 million bond placement. Approximately half the proceeds were used to repay existing debt, strengthening our financial structure and liquidity.

At the same time as we benefit from the maturation of our investment cycle, we are looking for new ways to increase efficiency, increase value added, and monetize the value of our assets. Already in 2010, we have seen a growth in the number of partnerships, as we join with other leading companies in ways that complement our skills, reduce risk, and reduce demands for additional capital. We continue to look for ways of unlocking value at the business unit and project level.

ICA views our concessioned infrastructure assets, in particular, as an actively managed portfolio of assets. Some will be held to maturity, others may be sold or spun off.

In all these assessments, our central objective is to increase the return on equity and to maximize the return to our shareholders. ICA's results for 2010 show that we are on the right path, and we will seek to build on our successes during 2011 and future years to generate even higher returns and create greater value for our shareholders.

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