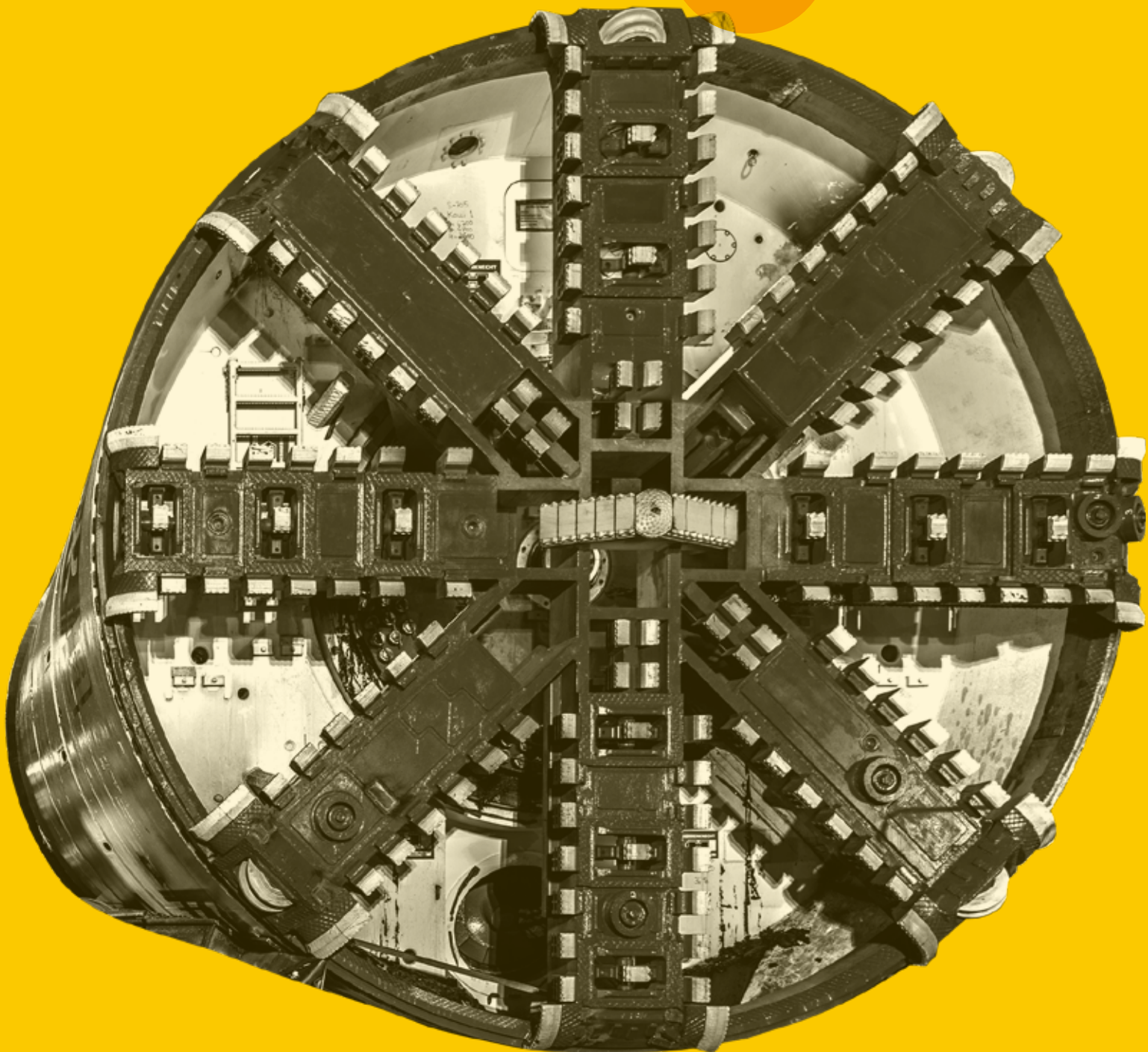


Chapter.
1.6

EXPECTED BUSINESS PERFORMANCE 2020

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EXPECTED BUSINESS
PERFORMANCE 2020



Expected Business Performance 2020

TOLL ROADS

The foreseeable behavior of toll roads in operation in 2020 will depend on macroeconomic developments in the countries or states where they are located and on their impact on traffic volumes and revenue. The company will continue to concentrate its efforts on maximizing the quality of the service provided, with optimization of income and costs and within the framework allowed by the concession agreements.

In **Canada**, the 407 ETR Toll Road will continue with an ambitious digital investment program in customer management systems, in gross revenues and with the launch of a new App to improve the toll road's value proposition and user experience. There will also be continued investment in the data lab to obtain a better understanding of user behavior and to personalize value propositions to the requirements of the different customers. The company will also intensify its presence in the corridor's communities to broaden its collaboration with a significant number of educational, environmental, health and wellness establishments.

In the **U.S.**, the good behavior of assets, the recent successful refinancing of NTE and the growth experienced in the area, make us confident that NTE, LBJ and NTE 35W will continue to meet expectations for revenue, user satisfaction and a reduction in congestion in the area. NTE paid its first dividend in 2019 and LBJ will do so in 2020. Also, the first results since the I-77 toll road in North Carolina became operational, the first Managed Lanes toll road in this state, continue to validate the Managed Lanes concept as a solution to traffic congestion in urban corridors. Construction of the I-66 and 3C segment of the NTE35W will also continue.

In the **remaining markets**, Cintra will continue to manage the assets in operation, conclude the opening to traffic of the Western Roads Upgrade project in Australia; various sections of the Ruta del Cacao toll road in Colombia; and continue with work on the projects in the construction phase: Silvertown, in the United Kingdom; Ruta del Cacao, in Colombia; and D4R7, in Slovakia.

Cintra will also continue to submit tenders in the regions where the company operates (North America, Europe, Australia, New Zealand, Colombia, Chile and Peru), concentrating mainly on complex green-field projects because of its high potential for creating value.

AIRPORTS

In the coming year Ferrovial Airports will continue to focus on the presentation of tenders and in maximizing the performance of its assets.

In spite of the delay of Brexit to 2020, the aviation sector is still well positioned as a result of the contingency plans already established for 2019. These plans ensure that airlines will continue to be able to operate between the European Union and the United Kingdom even if an agreement is not reached.

Heathrow Airport will continue with negotiations for the new regulatory period and for expansion, with the development of a final Business Plan, and in compliance with sustainability objectives (Carbon Neutral) in 2020.

Regarding the airports of **Aberdeen, Glasgow and Southampton**, a new Master Plan for Glasgow is expected to be published and for work to continue on the project to extend the runway for Southampton.

In 2020 Ferrovial Airports will continue to analyze opportunities for investment that arise at a global level, with special interest in those detected in the North American market, as well as those areas in which a potential for generating value is identified.

CONSTRUCTION

The perspectives by market for 2020 are as follows:

In **Spain** a slow-down in the recovery initiated in the sector in recent years is expected, in spite of favorable public works tenders for railways and airports. The order book in 2019 has increased slightly compared to the previous year, with sales in 2020 expected to stabilize.

In international markets and after the unfavorable results for 2019, there is a positive outlook as a result of improvements in operating processes in all phases of the project, the high pipeline and the differential technical capabilities of the Construction division. Nevertheless, there is still considerable pressure on profitability margins because of strong competition and inflationary trends in costs in the main markets:

- In the **U.S. and Canada** investment in transport infrastructures continues to increase, with federal support in the form of the Fast

Act in the U.S. and the Federal Infrastructures Plan in Canada, as well as increases in the budgets for states and provinces, with a special mention for Texas in 2019 with a new historic maximum in tenders for toll roads. This momentum, highlighted by P3/DBF projects in which Ferrovial is a leader together with Ferrovial Agroman as constructor, guarantee a good pipeline to the future. An increase in the sales level is expected for 2020 because of an increase in the work rhythm for a number of major projects awarded in previous years, as well as new contracts for the NTE toll road Segment 3C (Texas) and IH35 Waco (Texas), both together with the Webber subsidiary.

- In **Poland** public tenders continue at a high level as a result of extensions to plans for roads and railways until 2025-26, with the support of EU 2014-2020 Funds. A high level of funds is also expected to be assigned under the new EU multiannual financial framework for 2021-27, currently under negotiation, that will guarantee future stability for investment in the country. In 2020 a slow-down in sales growth is expected due to greater selectivity in new contracts to mitigate stress in profitability in the sector after a period with increased costs for labor and materials that are now somewhat more stable.
- In the **United Kingdom**, in spite of Brexit uncertainty, there is still political will to promote major works in the plan for infrastructure both in the short and the medium term, as can be seen in tenders required for significant public works programs such as Toll Roads England, Network Rail and Transport for London. Sales will remain stable in 2020, with growth in the medium term as a result of recent, significant awarded contracts like the Silvertown Tunnel in London.
- Also, in **Latin America and other markets** expectations are favorable, especially in Australia, with a great pipeline promoted by the Federal Government, and in Chile, with a strong investment plan for 2018-22, with special mention for concession projects. For 2020 sales are expected to be similar to 2019.

To summarize, moderate growth in sales is expected for 2020, with good opportunities for new contracts in the future. Finally, profit margins are expected to return to positive levels once the unfavorable results for 2019 have been overcome and measures for the control and improvement of operating processes have been implemented although some cash flow consumption is expected due to the reimbursement of advances and payments for executing major works, especially in the U.S.

SERVICES

Ferrovial maintains the commitment to selling its Services business. The divestment process, announced in February 2019, has

continued with an agreement reached for the sale of its business in **Australia and New Zealand** (Broadpectrum). This process is expected to continue in 2020, where a change in the interest of potential buyers has been observed, moving on from consideration of the full perimeter of Services to concentrating on specific assets and/or geographical areas.

In **United Kingdom**, with a new government, the country is expected to begin a new era of political stability and investment in infrastructures. Amey will combine cost adjustment with greater emphasis on its consultancy, transport and facility management activities. Specifically, important tenders are expected for customers like the Ministry of Defense, Network Rail and Transport Scotland.

In **Spain**, consolidation of the new political scenario will enable the activation of major tenders by regional administrations, as is the case of the contract for waste collection and road cleaning in Barcelona. In a favorable context for improving environmental sustainability, Ferrovial Servicios Spain will continue to propose and develop projects linked to the circular economy and energy efficiency, highlighting the importance of the differential provided by its technical and market knowledge.

In **North America**, continued growth in the toll road maintenance business is expected with the contribution made by the Ottawa, York and Michigan contracts, and the tenders for new contracts in U.S. states like Virginia, and Canadian provinces like Alberta. Activity in the crude-oil infrastructures sector will remain stable, as seasonal activity as high as in 2019 is not expected. Margins are expected to improve in operations in Chile and Portugal.

In 2020, Ferrovial Servicios will consolidate recovery to become a benchmark company in its sector. To do this, it will continue activities in four strategic priorities:

- Occupational safety, with the objective of “zero accidents” in all its facilities, strengthening its health and safety management systems by adapting them to new international regulations, and promoting the transfer of good practices.
- Sustainable growth, optimizing the order book of services, the assignment of human and financial resources and growing above the market in its activities with a substantial competitive advantage.
- Ongoing improvement, promoting cost and investment efficiency programs in line with international best practices.
- Digitalization, optimizing the information systems platform and encouraging the efficient application of new technologies and data analysis.