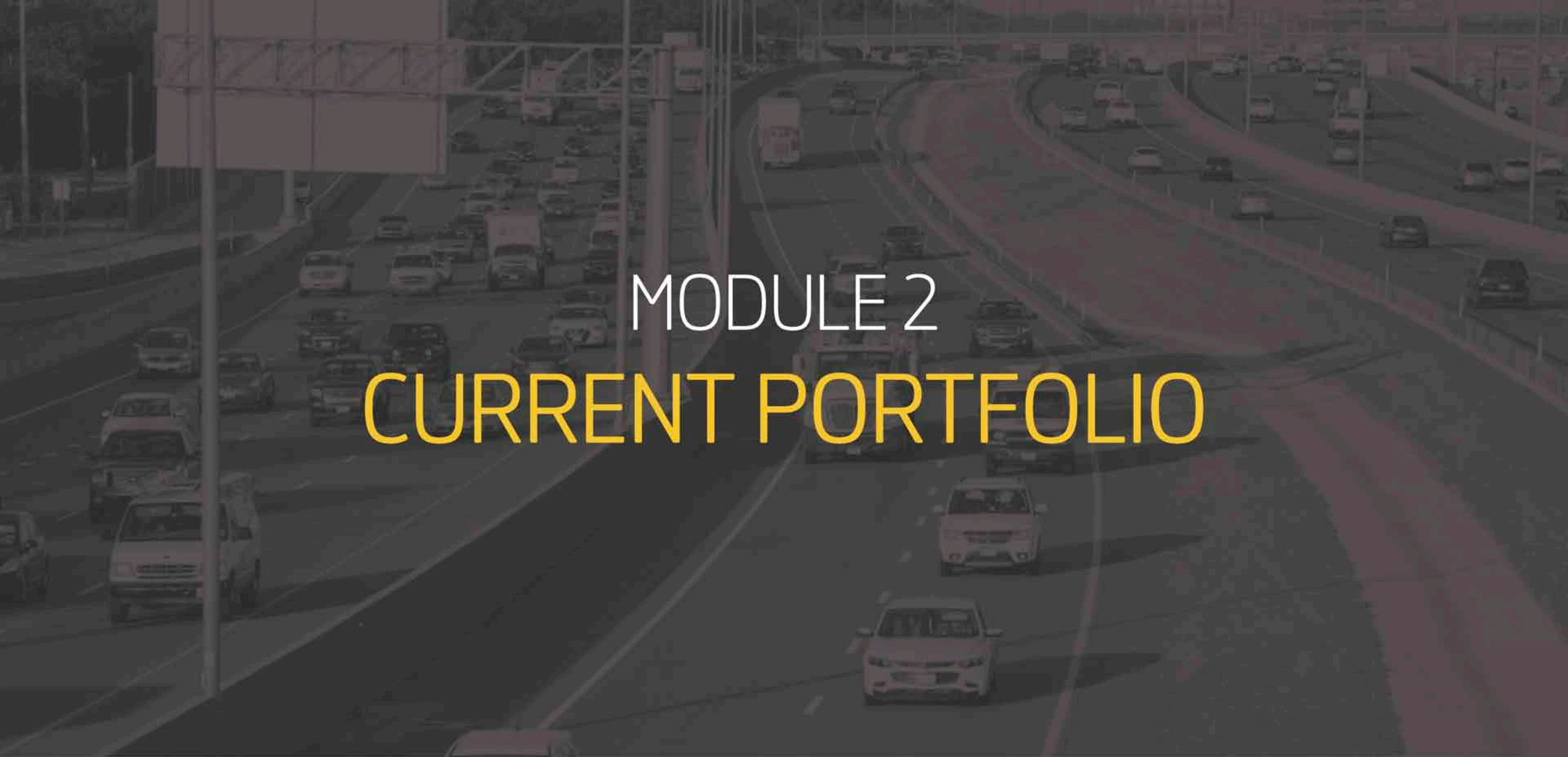




**INVESTOR DAY 2017**  
**cintra**



# MODULE 2

# CURRENT PORTFOLIO



# CURRENT PORTFOLIO - 407 ETR

JOSÉ ÁNGEL TAMARIZ - ANDRÉS SACRISTÁN  
RICARDO SÁNCHEZ - CARLOS RAMÍREZ

# INDEX

## CURRENT PORTFOLIO - 407 ETR

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- 1 - Introduction
- 2 - Reasons for 407 ETR's success
- 3 - Management levers
- 4 - Potential value creation

# 1 INTRODUCTION



# INTRODUCTION

**407 ETR** HAS HAD AN OUTSTANDING PERFORMANCE DURING IT'S  
**16 YEARS** OF OPERATION

**€309 M<sup>(\*)</sup>**

Original equity  
invested

**€1,709 M<sup>(\*)</sup>**

Dividends paid to date

**6x**

**€7,723 M<sup>(\*)</sup>**

Value 2016 (Consensus)

**25x**

(\*) Exchange rate 31/12/2016 = 1.41849 EUR/CAD; Cintra share: 43.23%; FER Shares = 732.5 M  
Sources: Cintra Infraestructuras, S.E.

# INTRODUCTION

## KEY INDICATORS: HISTORIC EVOLUTION

	2002(**)	2016	CAGR 2002 - 2016
Trips (work daily average)	308,870	408,239	2.01%
VKTs (thousands per year)	1,806,053	2,640,770	2.75%
Weighted toll rate (CAD / km)	0.12	0.31	7.01%
<b>REVENUES (M CAD)</b>	<b>311</b>	<b>1,135</b>	<b>9.69%</b>
<b>EBITDA (M CAD)</b>	<b>208</b>	<b>985</b>	<b>11.77%</b>
<b>DIVIDENDS (M CAD)</b>	<b>57.8</b>	<b>790</b>	<b>20.53%</b>

**THIS HAS BEEN THE FIRST 16 YEARS**

**82 MORE YEARS TO GO**  
(CONCESSION ENDS IN 2098)  
**UPSIDE IN 10 YEARS TIME**

**€3.3B (\*)**

Dividends expected

**10x**

**€12.8B (\*)**

Value 2026

**42x**

(\*) Exchange rate 31/12/2016 = 1.41849 EUR/CAD; Cintra share: 43.23%; Fer. Share = 732.5M  
Sources: 407 ETR Concession Co. / Cintra Infraestructuras, S.E.

(\*\*) 2002 was the first year of full length operation, 108 Km

# 2 REASONS FOR 407 ETR'S SUCCESS





# REASONS FOR 407 ETR'S SUCCESS

## 1 STRATEGICALLY LOCATED IN A LARGE, AFFLUENT CATCHMENT AREA WITH HIGHLY CONGESTED ALTERNATIVE ROUTES

- Greater Toronto Area (GTA) population estimated at **6.5M** in **2016**
- GTA is Canada's principal **economic hub**
- Major routes that compete with the **407 ETR** are **highly congested**

## 2 TOLL RATE FLEXIBILITY ALLOWING OPTIMIZATION OF CONCESSION REVENUES

- Concession agreement provides 407 ETR with the flexibility to set tolls freely, not linked to any economic index
- Tolls can be adapted to traffic conditions and user behavior

THE COUNTER INTUITIVE BEAUTY OF A TOLL ROAD IN A HIGHLY CONGESTED CORRIDOR

DURING PERIODS OF ECONOMIC GROWTH:

- **Revenue grows massively**

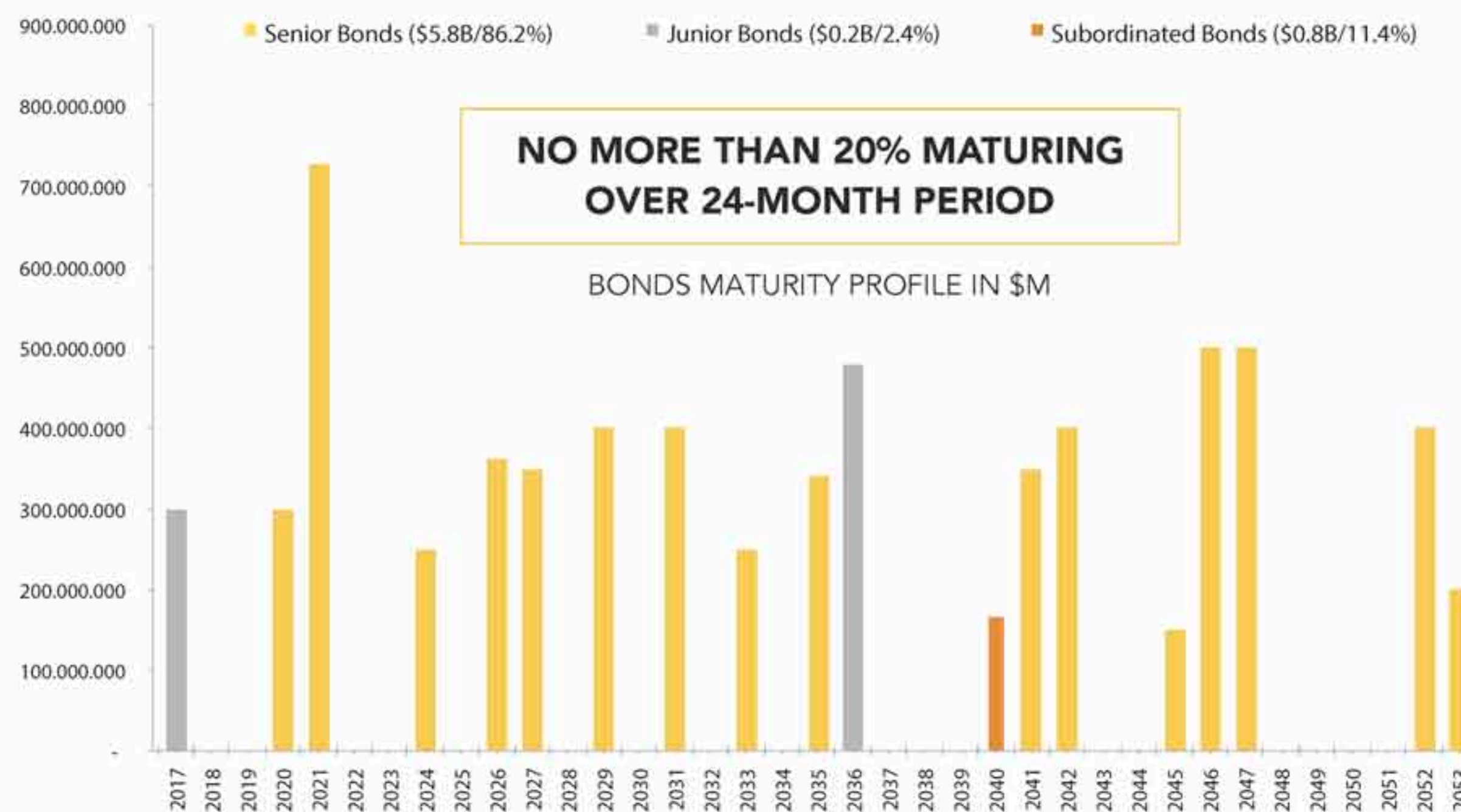
DURING RECESSIONARY PERIODS:

- **Revenue barely suffers, or grows**

# REASONS FOR 407 ETR'S SUCCESS

## 3 EFFICIENT FINANCIAL STRUCTURE WITH PROVEN ACCESS TO FINANCIAL MARKETS

- **Strong corporate credit ratings** from S&P and DBRS: Senior A, Junior A-, Subordinated BBB
- Proven ability to access **capital markets** in even the most **challenging market conditions**
- Long term and evenly spread debt **maturity profile**



### Optimal level of debt:

- 407 ETRs' financial strategy revolves around a principal restriction: to maintain the current rating of the company debt

## 4 WELL DEFINED AND ENFORCEABLE REGULATORY FRAMEWORK WHICH WILL APPLY FOR THE REMAINING 82 YEARS OF THE CONCESSION

# REASONS FOR 407 ETR'S SUCCESS

- Perfect location
- Excellent prospects for business growth

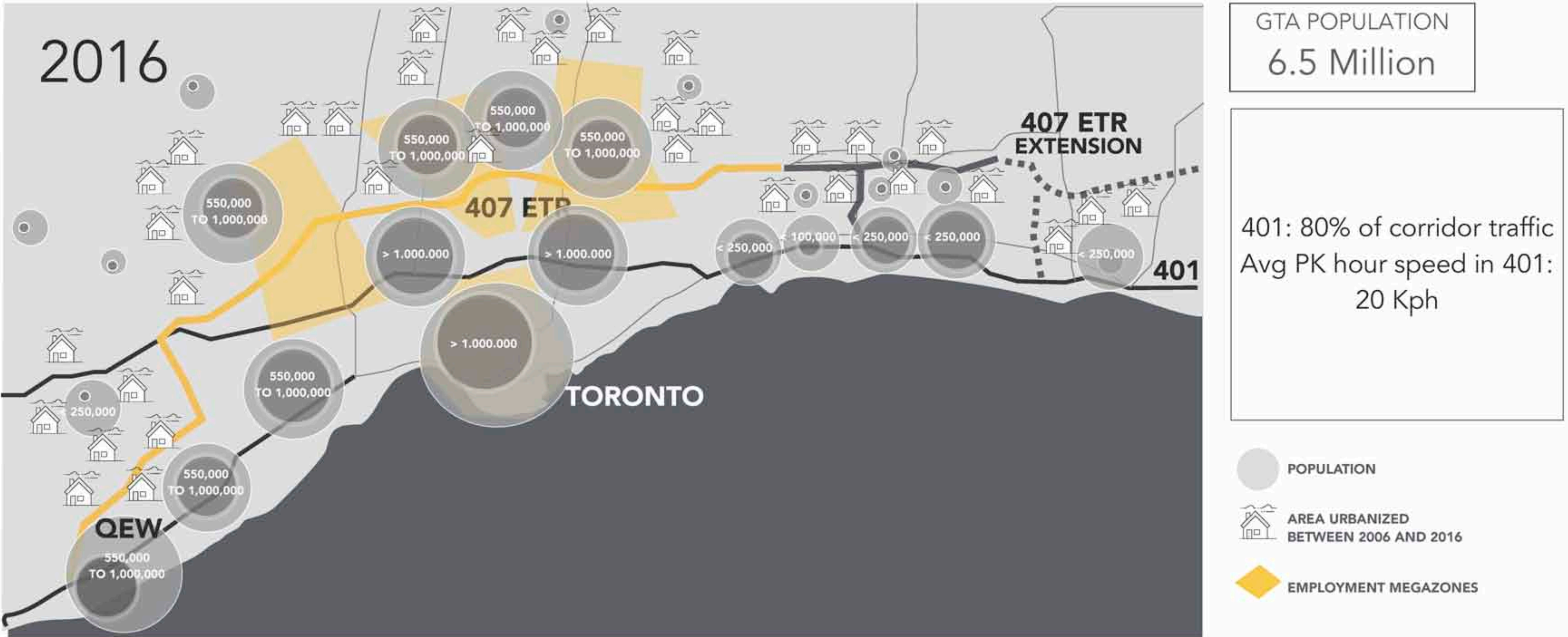


Sources:

- Planning for Prosperity – November 2015 - (Globalization, Competitiveness and the Growth Plan for the Greater Golden Horseshoe) . Neptis Foundation.
- No shortage of land for homes in the Greater Toronto and Hamilton Area – October 2016 – Land supply for future urban development designated by municipalities across the Greater Golden Horseshoe to accommodate growth to 2031. Neptis Foundation.
- Statistics Canada

# REASONS FOR 407 ETR'S SUCCESS

- Perfect location
- Excellent prospects for business growth



# REASONS FOR 407 ETR'S SUCCESS

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401

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407 ETR

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THE COUNTER INTUITIVE BEAUTY OF A TOLL ROAD IN A HIGHLY CONGESTED CORRIDOR

---

1- During Periods of economic growth:  
- **REVENUE GROWS MASSIVELY**

2 - During RECESSIONARY Periods:  
- **REVENUE BARELY SUFFERS, OR GROWS**

# REASONS FOR 407 ETR'S SUCCESS

DURING THE 2012-2016 EXPANSION PERIOD

<b>WHAT HAPPENED?</b>	<p><b>0.8%</b> Corridor Traffic growth (cagr)</p>	<p><b>3%</b> 407 ETR Traffic growth (cagr)</p>	<b>4x</b>
	<p><b>9%</b> 407 ETR Toll rates (cagr)</p>	<p><b>12%</b> 407 ETR Revenue (cagr)</p>	<b>15x</b>

<b>WHY?</b>	<p><b>DID 407 ETR CAPTURE THE MAJORITY OF CORRIDOR GROWTH?</b></p>	ALTERNATIVE ROAD IS HEAVILY CONGESTED	407 ETR HAS AVAILABLE CAPACITY	407 ETR CARRIES A SMALL SHARE OF CORRIDOR TRAFFIC
	<p><b>COULD 407 ETR TOLL RATES BE INCREASED?</b></p>	EXISTING LEVELS ARE FAR FROM OPTIMAL	CUSTOMER WILLINGNESS TO PAY GREW DURING ECONOMIC GROWTH PERIOD	

LARGE REVENUE INCREASES DURING EXPANSION PERIODS

Sources: Cintra Infraestructures, S.E.

# REASONS FOR 407 ETR'S SUCCESS

DURING THE 2007-2010 **RECESSIONARY PERIOD**

**- 0.1%**  
Corridor Traffic growth (cagr)

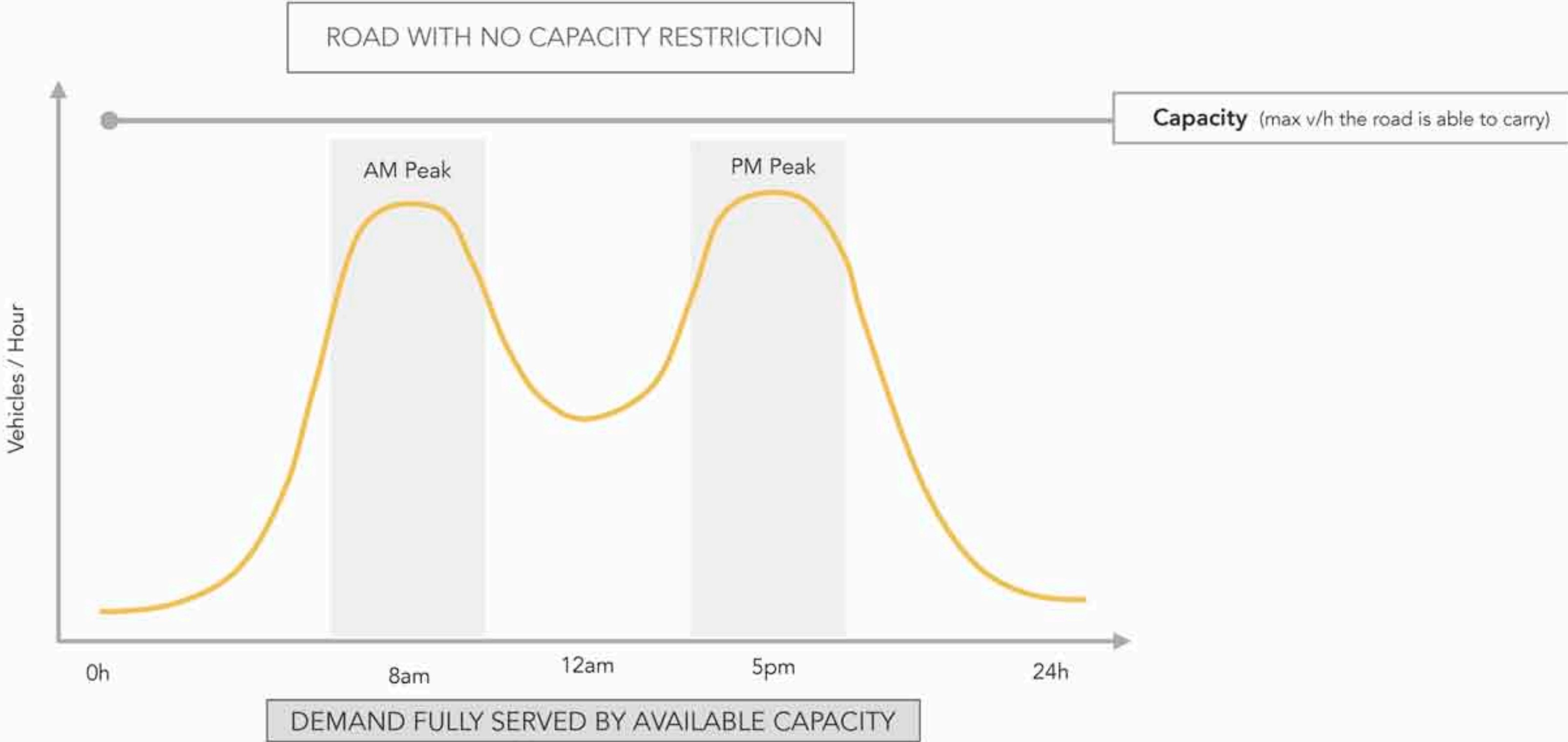
**1%**  
407 ETR Traffic growth (cagr)

**6%**  
407 ETR Toll rates (cagr)

**6%**  
407 ETR Revenue (cagr)

**WHY?**

CORRIDOR TRAFFIC DECREASED, BUT **407 ETR GREW**



Sources: Cintra Infrastructures, S.E.

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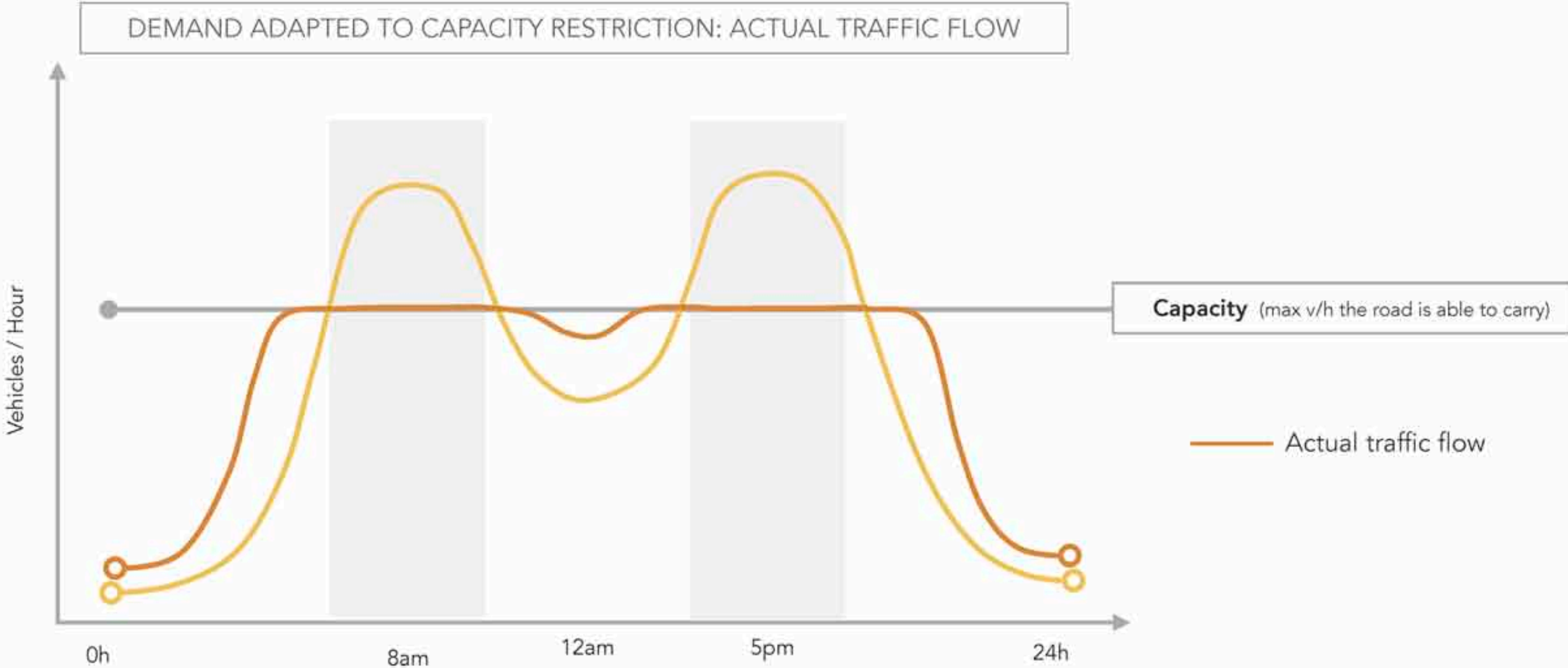
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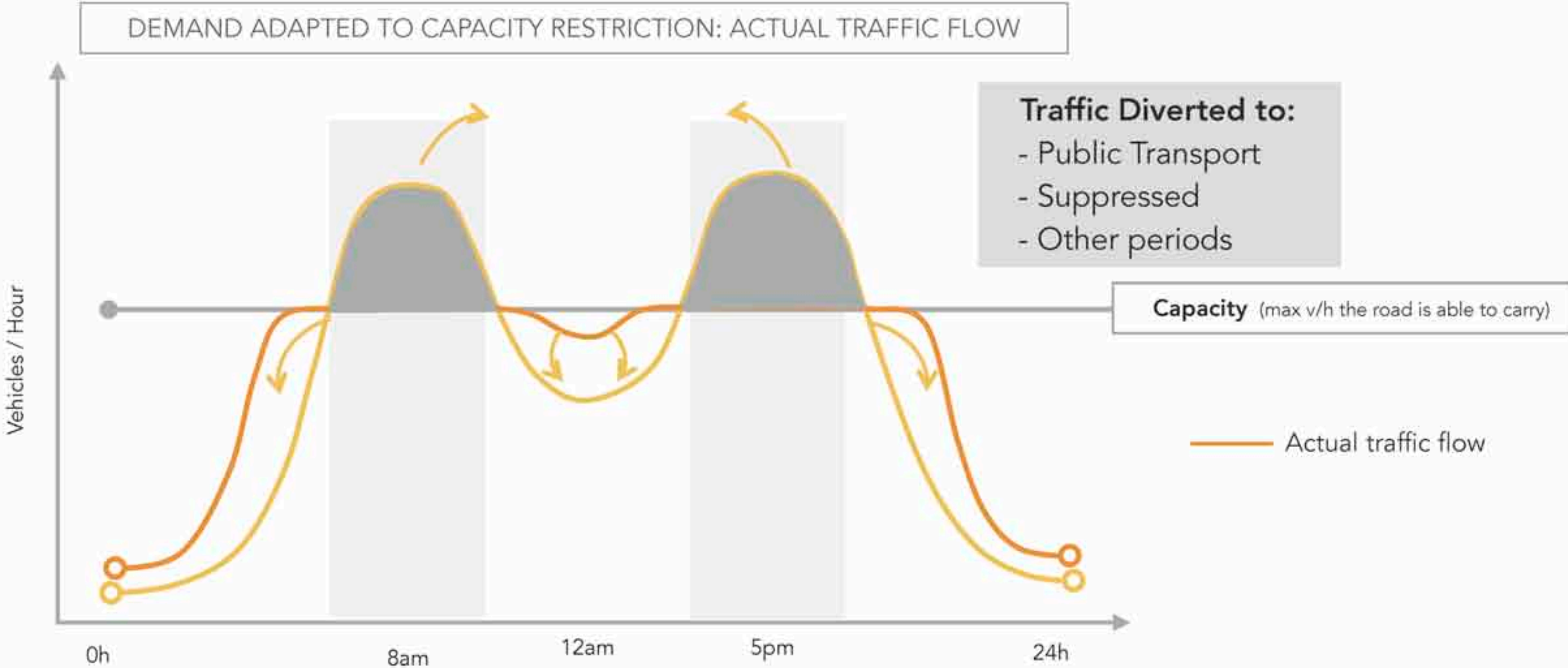
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**WHY?** | CORRIDOR TRAFFIC DECREASED, BUT **407 ETR GREW**



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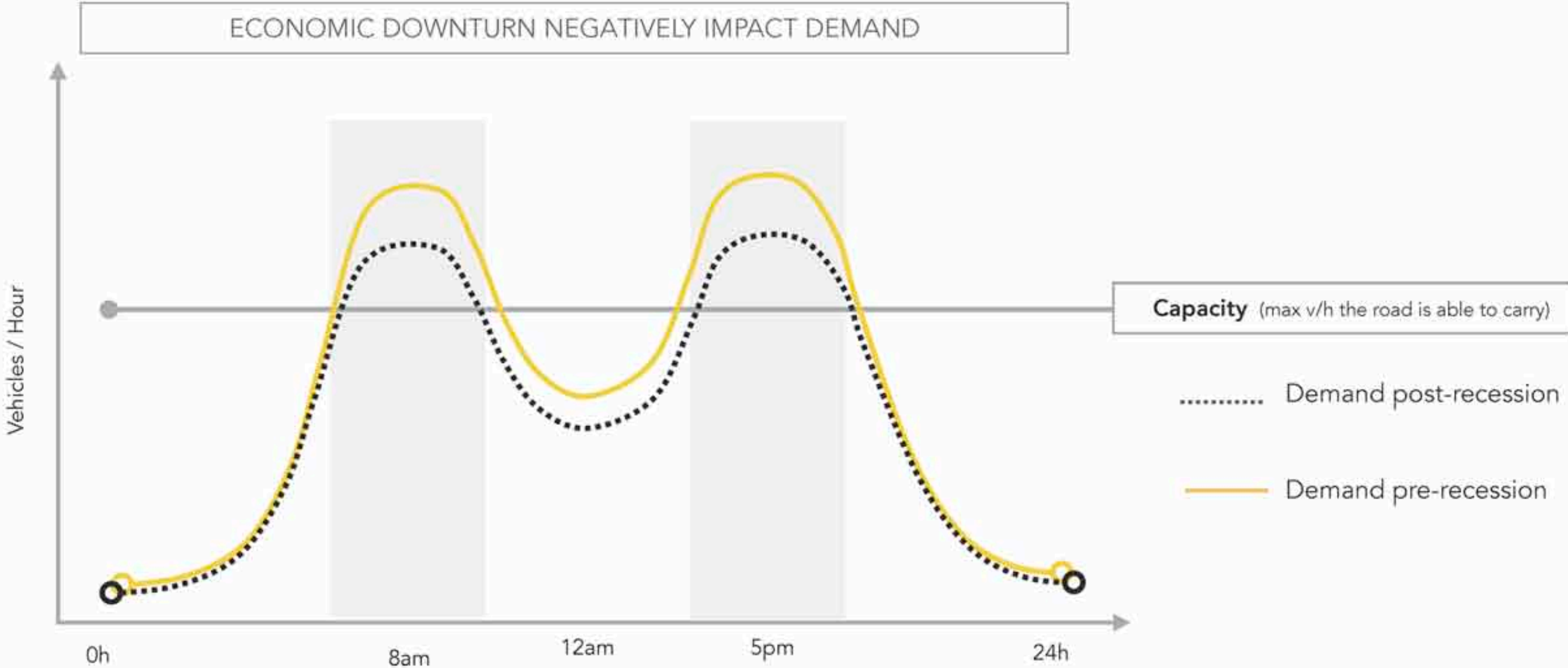
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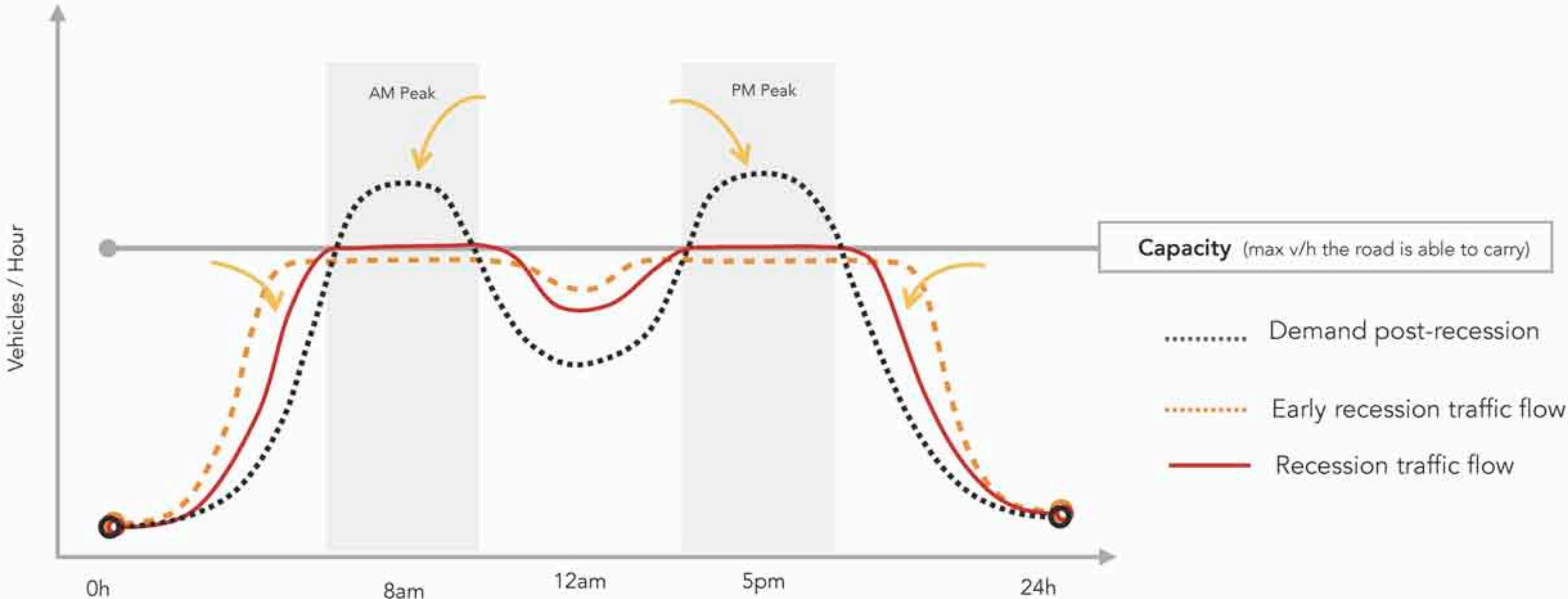
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407 ETR Traffic growth (cagr)

**6%**  
407 ETR Toll rates (cagr)

**6%**  
407 ETR Revenue (cagr)

**WHY?** | CORRIDOR TRAFFIC DECREASED, BUT **407 ETR GREW**

ECONOMIC DOWNTURN NEGATIVELY IMPACT DEMAND



PEAK HOUR TRAFFIC (WHEN MAJORITY OF REVENUE IN 407ETR IS GENERATED) NOT IMPACTED BY ECONOMIC DOWNTURNS

Sources: Cintra Infrastructures, S.E.

# REASONS FOR 407 ETR'S SUCCESS

DURING THE 2007-2010 **RECESSIONARY PERIOD**

**- 0.1%**

Corridor Traffic growth (cagr)

**1%**

407 ETR Traffic growth (cagr)

**6%**

407 ETR Toll rates (cagr)

**6%**

407 ETR Revenue (cagr)

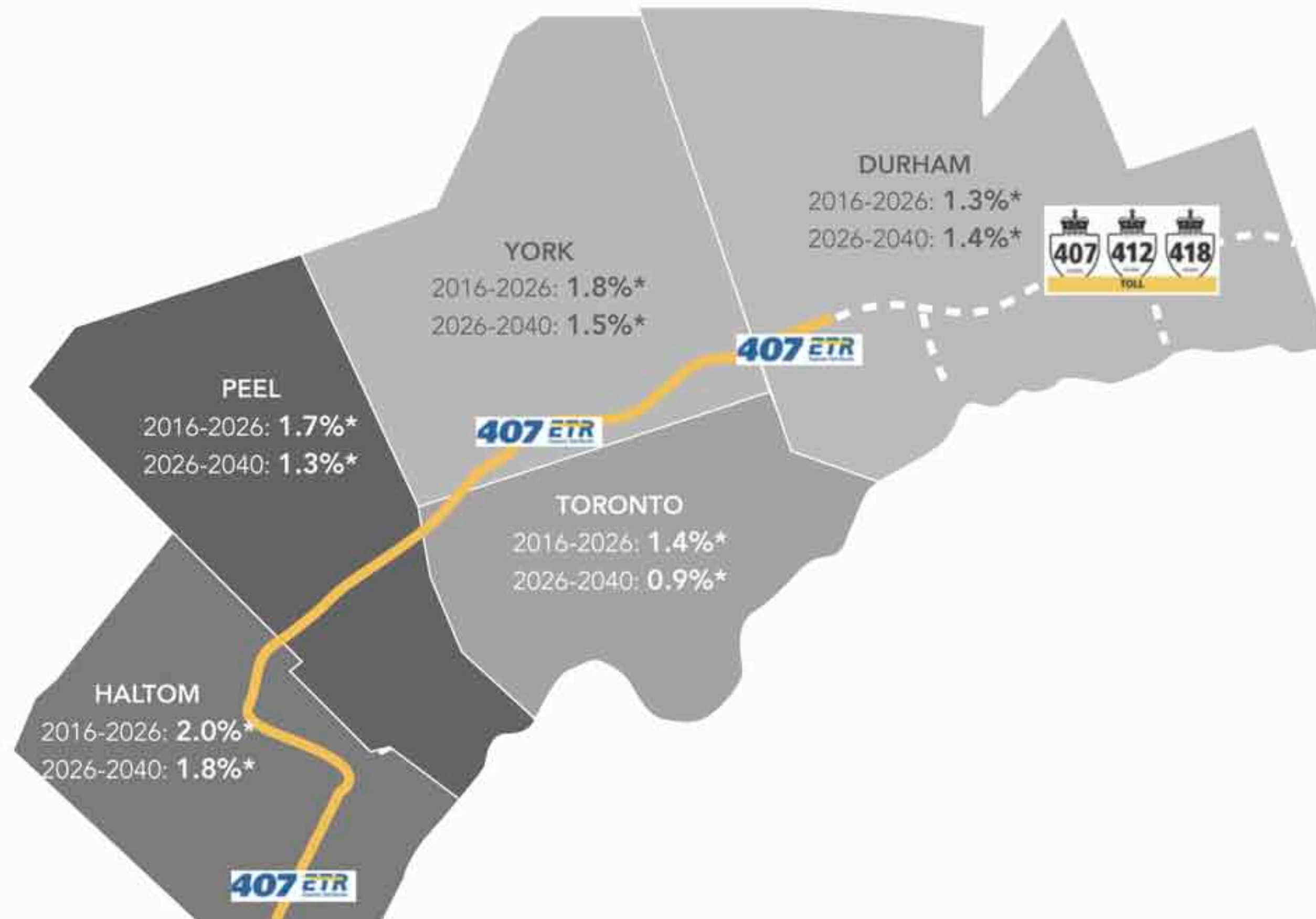
## WHY?

CORRIDOR TRAFFIC DECREASED, BUT **407 ETR GREW**

**407 ETR TOLL RATES** STILL FAR FROM OPTIMAL LEVELS

EVEN IN RECESSION PERIODS **407 ETR REVENUE GROWS**

# THE FUTURE: REGIONAL ECONOMIC PROSPECTS



## Greater Toronto Area prospects to 2040:

- 2.7M additional population (1.4% cagr)
- 1.2M new jobs (1.2% cagr)
- 2.1% annual real GDP growth
- Growth concentrated in areas close to 407 ETR

HEALTHY ECONOMIC AND DEMOGRAPHIC GROWTH IN THE 407 ETR REGION

(\*) Population growth rates

Sources: Ontario's long term report on Economy by Ontario Ministry of Finance and Cintra Infrastructures, S.E.

# THE FUTURE: REVENUE UPSIDES

ON TOP OF ALL THIS, THERE ARE STILL UPSIDES ON THE 407 ETR REVENUES

<p><b>SHORT TERM</b> (2017-2025)</p>	<p>Existing Toll Rates <b>far from providing the optimum revenue</b></p> <ul style="list-style-type: none"> <li>- Shown by traffic growth of <b>2%</b> in spite of toll rate increases of <b>7%</b> from 2006-2016</li> <li>- Gap to toll rates generating optimum revenues:             <ul style="list-style-type: none"> <li>- Base case: <b>61%</b></li> <li>- Optimistic case: <b>72%</b></li> </ul> </li> </ul>		
<p><b>MEDIUM TERM</b> (2025-2040)</p>	<p>Once the optimum revenue have been achieved, two sources of revenue growth until 407 ETR is at full capacity:</p> <ul style="list-style-type: none"> <li>- <b>Traffic growth</b> due to spill over effect from congested alternative road</li> <li>- <b>Growth in users willingness to pay due to:</b> <ul style="list-style-type: none"> <li>- Natural CPI growth</li> <li>- Growth in real GDP/capita</li> <li>- Increased toll road benefit over alternative road</li> </ul> </li> <li>- <b>Revenue Growth</b></li> </ul>	<p>BASE CASE</p> <p><b>1%</b></p> <p><b>3.6%</b></p> <p><b>4.2%</b></p>	<p>OPTIMISTIC CASE</p> <p><b>1.2%</b></p> <p><b>4.5%</b></p> <p><b>5.2%</b></p>
<p><b>LONG TERM</b> (Post 2040)</p>	<p>Once 407 ETR is at full capacity, toll rates will need to be increased to maintain level of service</p> <ul style="list-style-type: none"> <li>- <b>Revenue Growth</b></li> </ul>		



# 3 | MANAGEMENT LEVERS

# MANAGEMENT LEVERS

1

## **PRICING ABILITY**

Big Data developments enable a more effective and smooth path to optimal pricing

2

## **EXCELLENCE IN CUSTOMER SERVICE**

Exceeding customer expectations and avoiding customer pain points is a must to clear the path to optimum revenue

3

## **CAPACITY INCREASE**

**20%** more new capacity yet to be built



# MANAGEMENT LEVERS: PRICING ABILITY

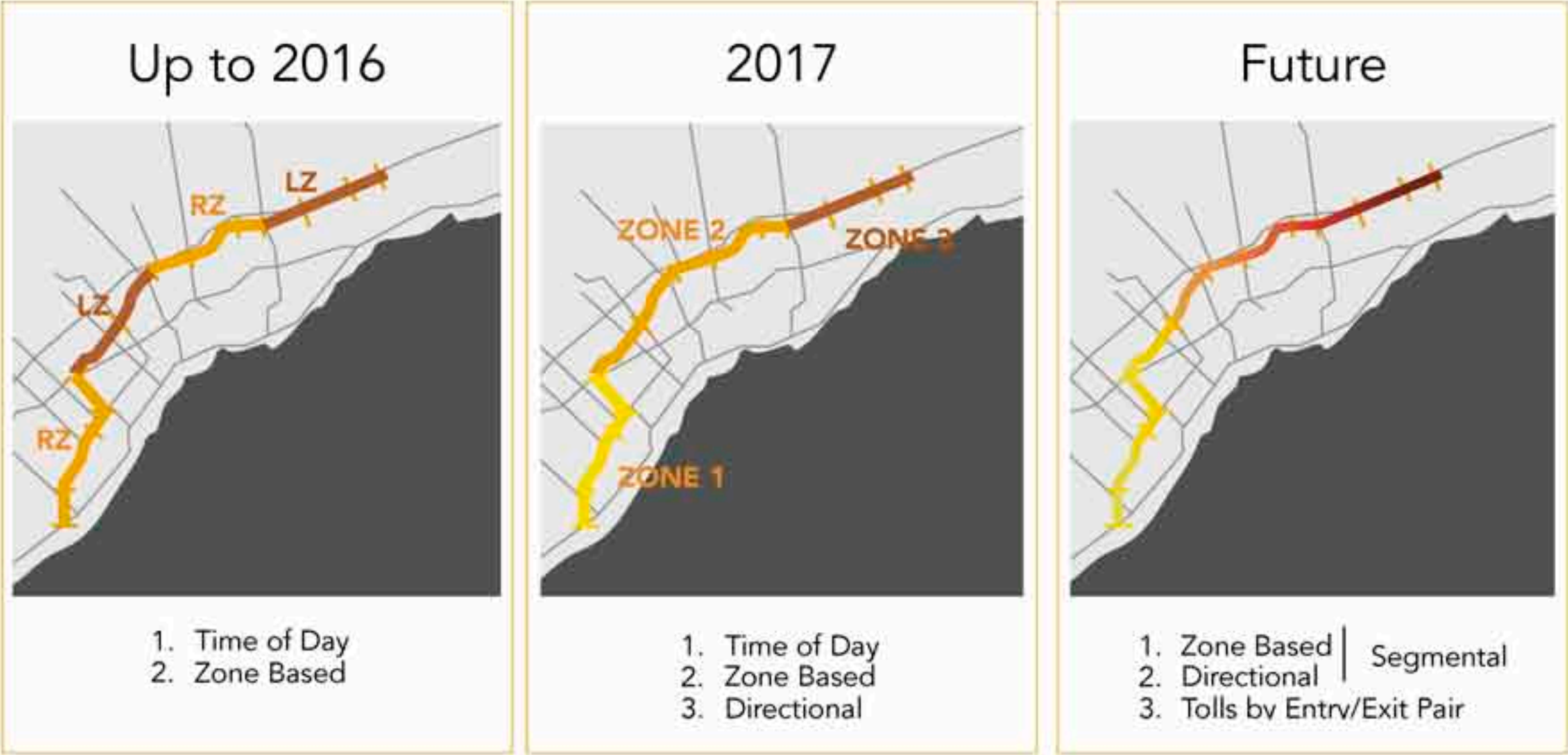
BIG DATA WILL ALLOW US TO REACH OPTIMAL REVENUE FASTER AND WITH LESS UNCERTAINTY

## NEW TOOLS FOR BETTER PRICING

- 407 ETR uses highly detailed, vast **proprietary data sets allow to know customers' behavior** on the highway
- The availability of external **Big Data** sources allows 407 ETR to know traffic behavior in the alternative roads. These sources are precise and continuous
- In house team of data scientists and traffic analysts **allows us to price willingness to pay of multiple user groups**

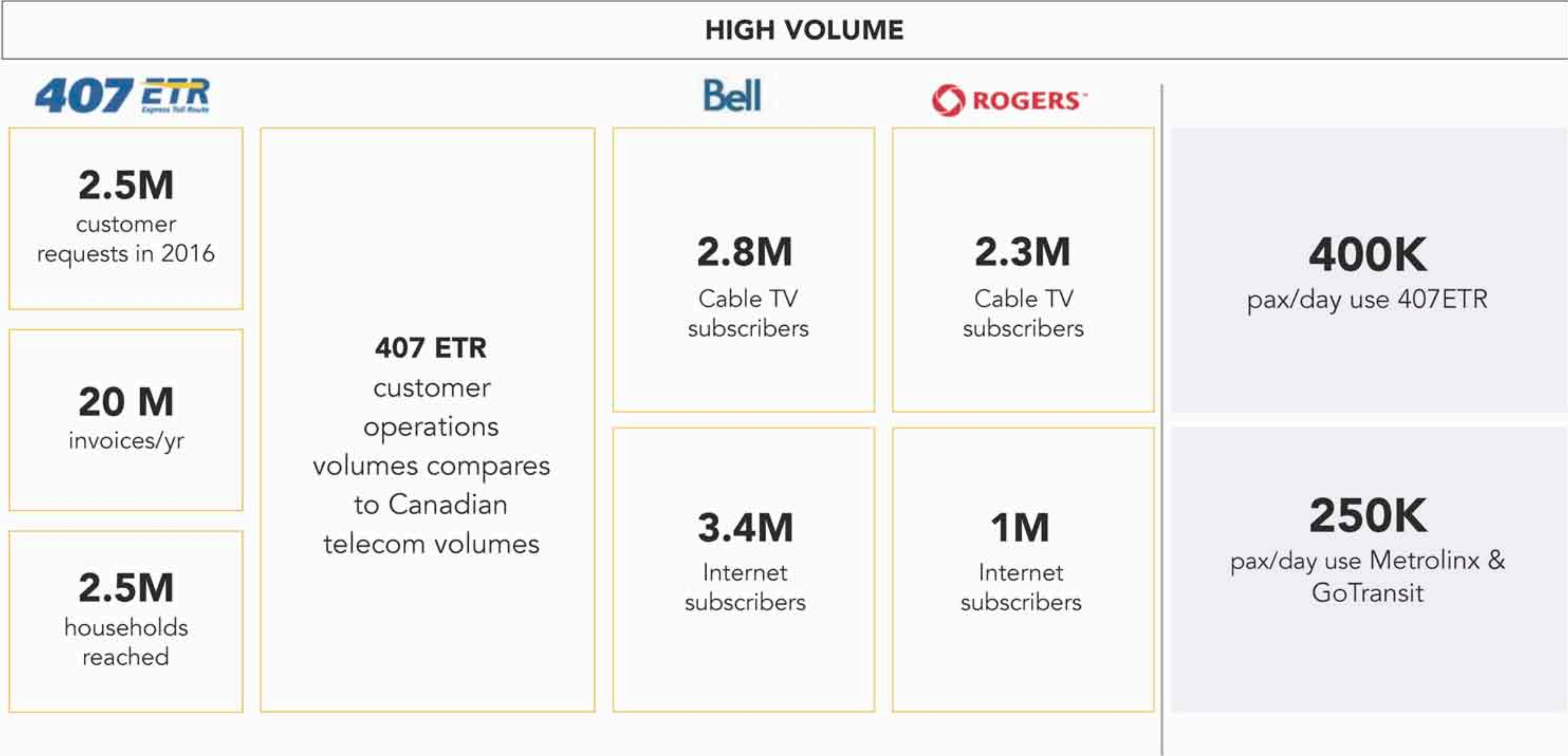
## WHAT TO EXPECT FOR FUTURE TOLL RATES STRUCTURE?

- Further segmentation of general toll rates
- Further sophistication in users promotions with tailored price offers following driving patterns



# MANAGEMENT LEVERS: CUSTOMER SERVICE (I)

**HIGH VOLUME** OPERATION WITH TOP NOTCH SERVICE LEVEL IS MANAGED EFFICIENTLY IN ORDER TO OBTAIN EXCELLENT CUSTOMER SATISFACTION AND CLEAR THE PATH TO REACH OPTIMAL TOLL RATES



Sources: 407 ETR Concession Co.

# MANAGEMENT LEVERS: CUSTOMER SERVICE (II)

HIGH VOLUME OPERATION WITH **TOP NOTCH SERVICE LEVEL** IS MANAGED EFFICIENTLY IN ORDER TO OBTAIN EXCELLENT CUSTOMER SATISFACTION AND CLEAR THE PATH TO REACH OPTIMAL TOLL RATES

## HIGHEST QUALITY STANDARDS

<b>407 ETR POLICY IS TO EXCEED CUSTOMER EXPECTATIONS</b>		<b>80%</b> calls answered <30" <b>ranked* 2nd</b>	<b>22"</b> Customer avg. wait <b>ranked* 2nd</b>	<b>83%</b> Customer satisfaction top box <b>ranked* 1st</b>
<b>1999</b> 300,000 transponders 21 workstations 21 telephone lines 1,400 sq.ft. call centre	<b>2016</b> >1.3M transponder 140 workstations 640 telephone lines 13,800 sq.ft. call centre			

## 407ETR CUSTOMER SERVICE IS RECOGNIZED AS A WORLD CLASS CALL CENTRE BY THE INDUSTRY



Sources:  
 Ranks: Benchmark Portal 2016 by Purdue University, USA  
 Industry Source: SQM Service Quality Management. Vernon B.C. Canada  
 407 ETR Concession Co. / Cintra Infrastructures, S.E.

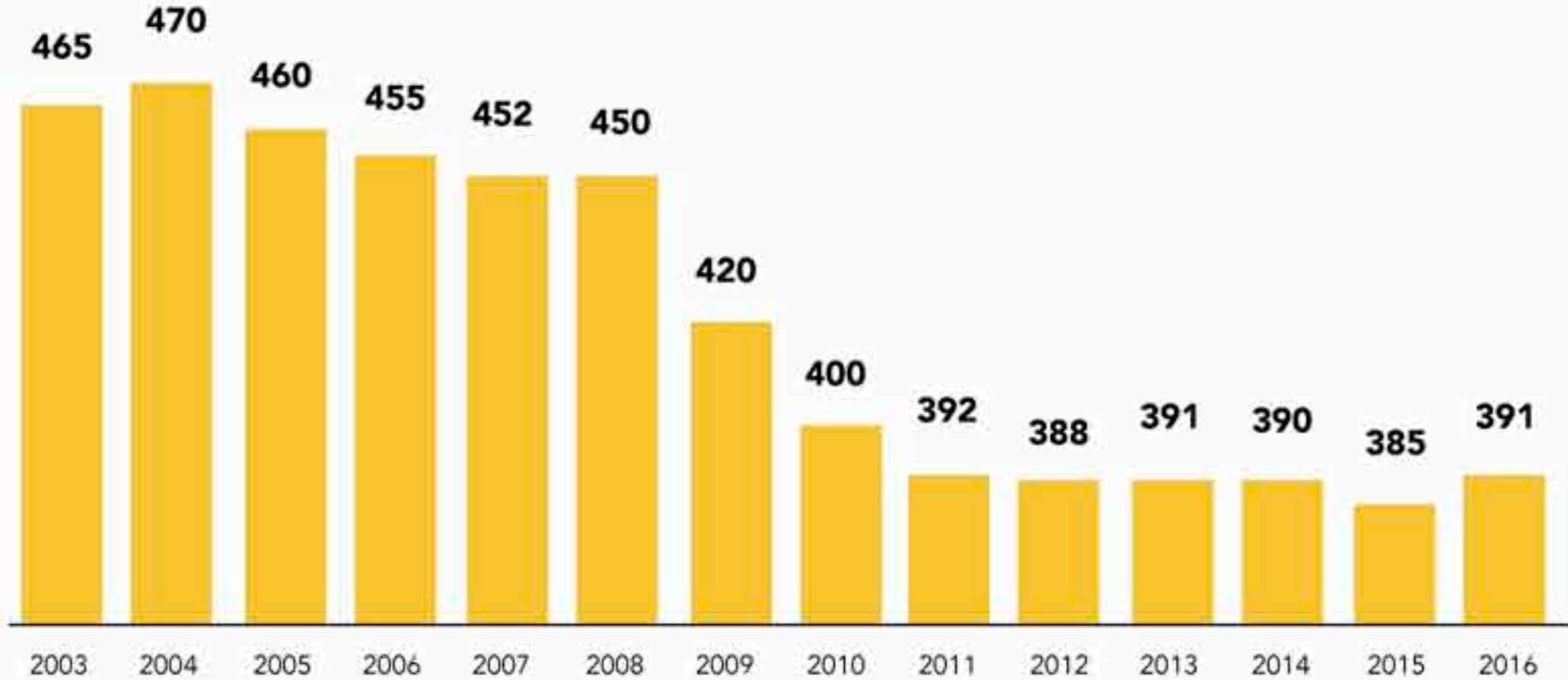
# MANAGEMENT LEVERS: CUSTOMER SERVICE (III)

HIGH VOLUME OPERATION WITH TOP NOTCH SERVICE LEVEL IS **MANAGED EFFICIENTLY** IN ORDER TO OBTAIN EXCELLENT CUSTOMER SATISFACTION AND CLEAR THE PATH TO REACH OPTIMAL TOLL RATES

**EFFICIENTLY MANAGED**

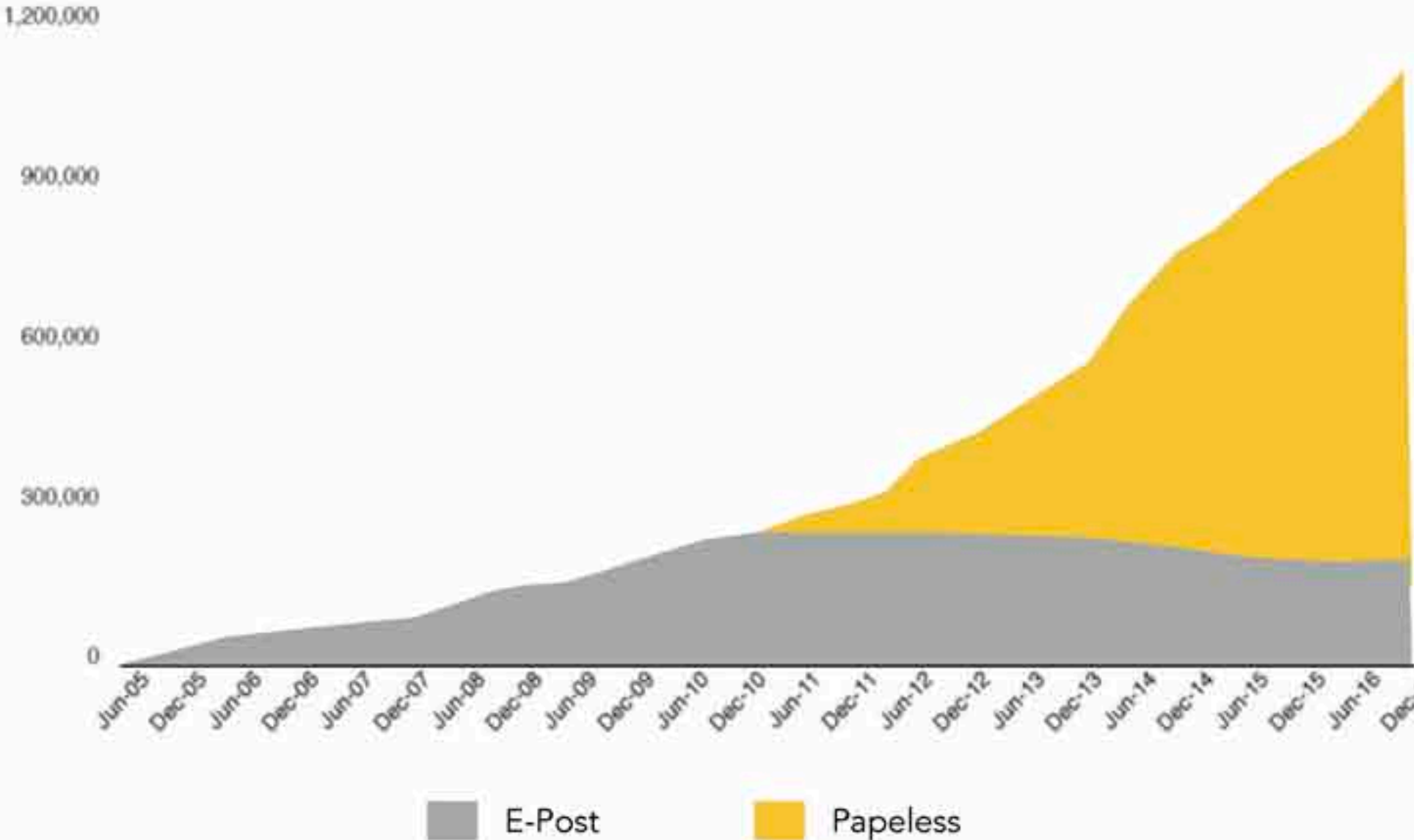
**407 ETR PURSUES COST EFFICIENCY,**  
- TRACKING PRODUCTIVITY:

AVERAGE CALL HANDLING TIME - SECONDS -



**INVESTING IN TECHNOLOGY**

ELECTRONIC CUSTOMERS



Sources: 407 ETR Concession Co.

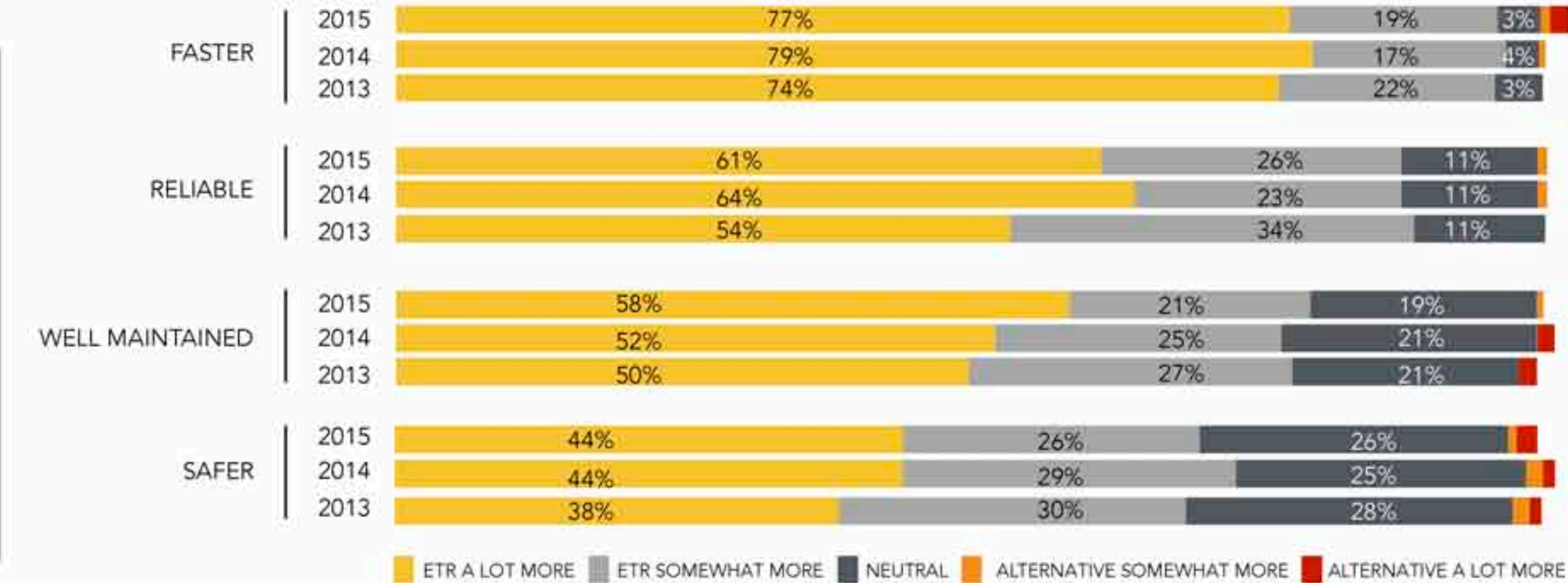
# MANAGEMENT LEVERS: CUSTOMER SERVICE (IV)

HIGH VOLUME OPERATION WITH TOP NOTCH SERVICE LEVEL IS MANAGED EFFICIENTLY IN ORDER TO OBTAIN **EXCELLENT CUSTOMER SATISFACTION** & CLEAR THE PATH TO REACH OPTIMAL TOLL RATES

**ALL THIS PAYS OFF IN CUSTOMER SATISFACTION & COST DISCIPLINE**

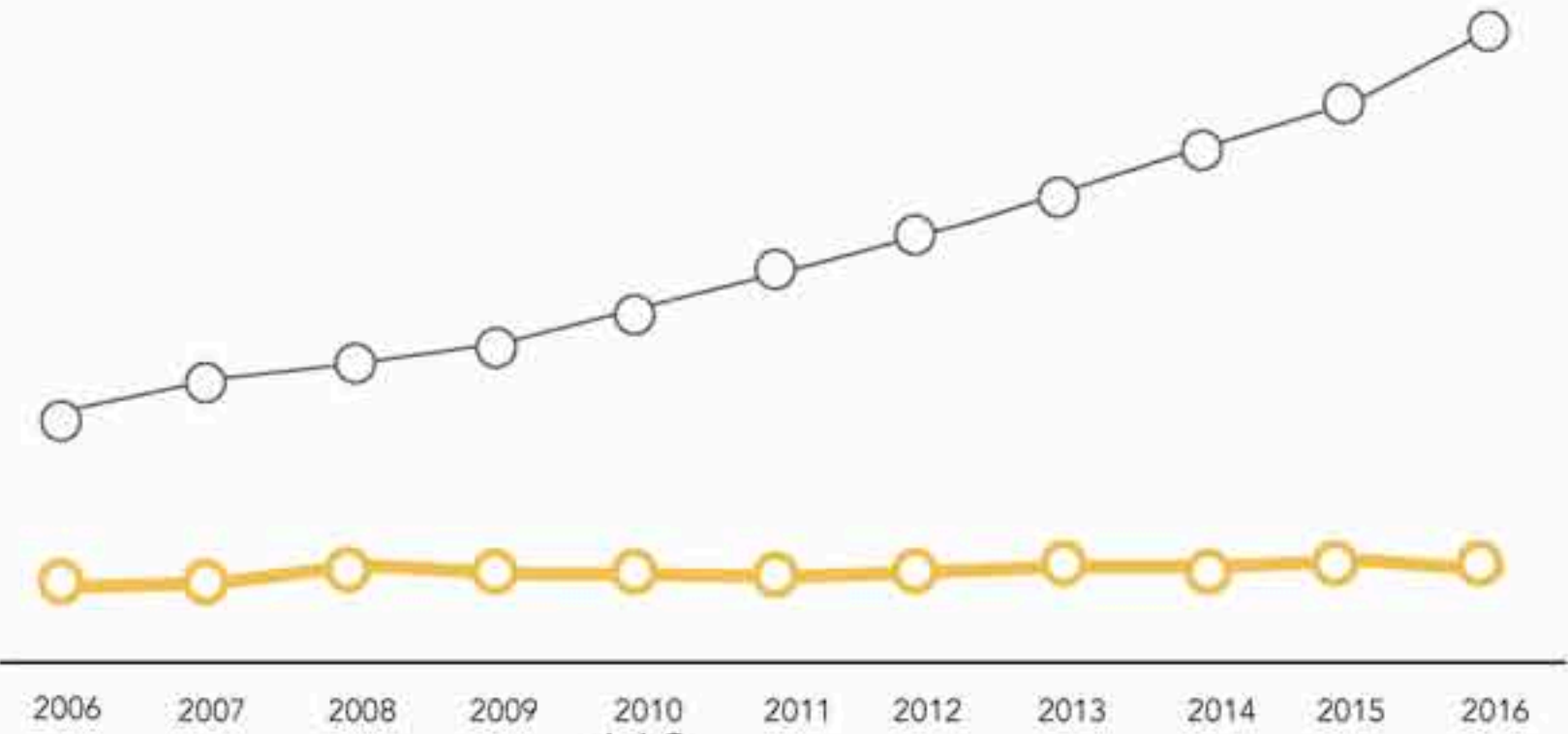
**HIGH LEVELS OF CUSTOMER SATISFACTION**

Would you say 407 ETR is... than your Primary alternative?



**P&L DISCIPLINE WITH OPEX LEVELS FLAT**

REVENUE/TRIP AND EXPENSE / TRIP



CAGR **7.8%**  
(2006-2016)

CAGR **1.6%**  
(2006-2016)

— Revenue/Trip  
— OpEx/Trip

Sources: 407 ETR Concession Co.

# MANAGEMENT LEVERS: CAPACITY GROWTH

## 221 LANE-KM OPENED SINCE ACQUISITION

- Since 1999 49 km were extended
- Since 1999 407ETR spent \$1.3 B in capacity increases allowing **traffic flows at 100 kph at all times**

AM Peak hour lever of service (LOS)  
Average weekday - May 2005

2005

AM Peak hour lever of service (LOS)  
Average weekday - May 2016

2016



Free Flowing Minor Congestion Congested



Free Flowing Minor Congestion

## 214 LANE-KM STILL TO BE BUILT

- There is **still room for a 20% increase in capacity**
- **At ultimate capacity freedom to set toll rates becomes more powerful** allowing traffic to keep flowing, sustaining capacity and multiplying revenue growth



# 4 | POTENTIAL VALUE CREATION



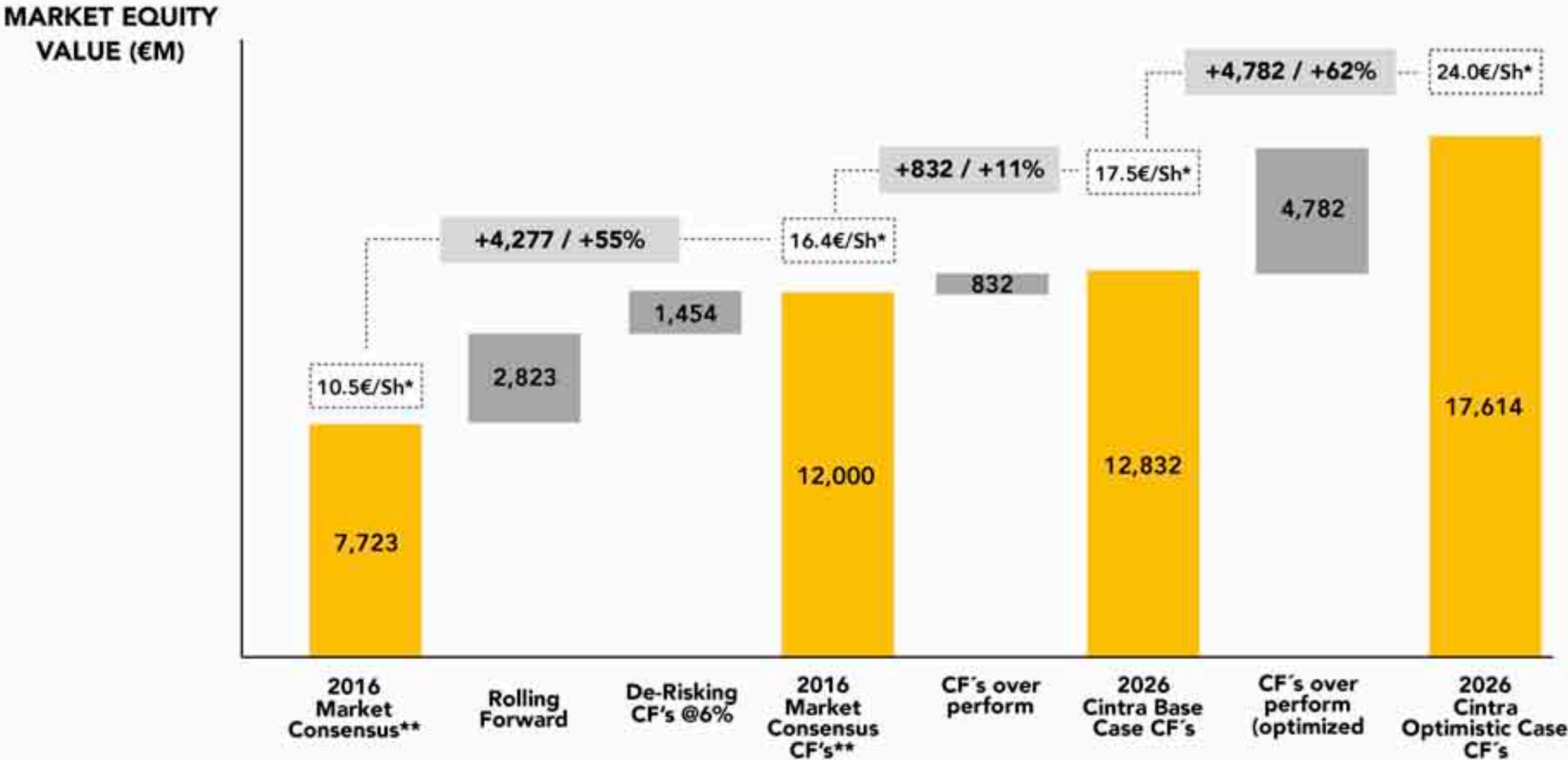
# POTENTIAL VALUE CREATION

## TWO STRONG FEATURES

- Long remaining concession term: **82 years**
- Highly back-ended CF stream profile: Rev CAGR **4%**

**HIGH CAPACITY TO CREATE VALUE VIA DE-RISKING AND ROLLING FORWARD**

## HIGH VALUE CREATION POTENTIAL



**IN ONLY 10 YEARS, IF EXPECTED CF'S ARE MET:**

**+ €5 - 10B**  
Equity Value increase

**42x - 57x**

**+ €7 - 13**  
Share Price's impact\*

**+ €3.3 - 4.5B**  
Dividends Paid

**10x - 15x**

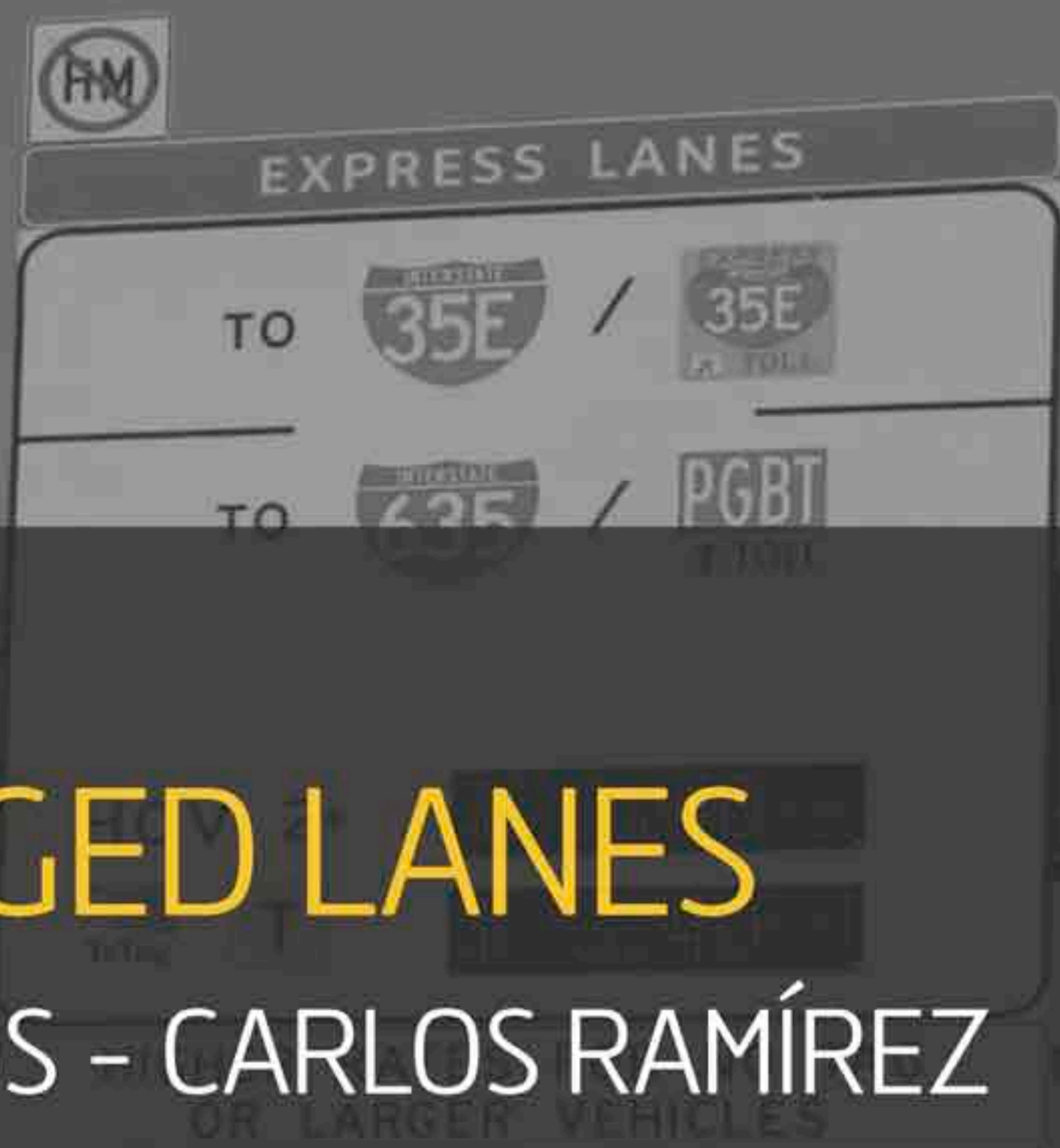
(\*) Exchange rate 31/12/2016 = 1,41849 €/CAD; Value generated / Fer. number of shares as of 31.12.16 (732.5M)  
 (\*\*) Market consensus as of Dec. 2016  
 Sources: Cintra Infrastructures, S.E. analysis



# CONCLUSIONS

- **Strong fundamentals** give 407 ETR a unique feature:
  - Massive growth during positive economic cycles
  - Modest growth during recessions
- **Toll rates are far from optimal**
- Clearing the path to optimal revenue requires:
  - **Pricing sophistication** using **big data** sources and techniques
  - **Excellence** in customer service
  - Development of the **additional 20% of capacity** extensions

407ETR HAS VALUE POTENTIAL AND CINTRA'S SKILLS ARE A PERFECT FIT TO UNLEASH IT!



# MANAGED LANES

BELÉN MARCOS - CARLOS RAMÍREZ



# INDEX

## MANAGED LANES

---

1. What are Managed Lanes?
2. Where are we now?
3. How do we see the future?
4. Managed Lanes value creation
5. Cintra management skills levers
6. What have we learned for the future?
7. A success story for everyone



1

# WHAT ARE MANAGED LANES?

# WHAT ARE MANAGED LANES?

A SOLUTION TO CONGESTED URBAN CORRIDORS ADDING  
**CONGESTION FREE CAPACITY** MANAGED THROUGH **DYNAMIC PRICING**

- Provides a **choice** to users
- **Solves** the **congestion** problem in the long term
- **Dynamic pricing** ensures minimum level of service
- Flexible toll rates adaptable to **willingness to pay**

## CINTRA'S ML PROJECTS

ML Projects	Equity committed	Project Phase
NTE	184	Operations
LBJ	263	Operations
NTE 3A3B	184	Construction
I-77	125	Construction
I-66	724	Financing
<b>TOTAL</b>	<b>1,480</b>	

Figures in Million €

# WHERE ARE WE NOW?

REVENUE EXPECTATIONS EXCEEDED DESPITE THE GREAT RECESSION  
(therefore better traffic conditions in the toll free lanes)

## BY THE END OF 2016 WE HAD \$150M IN REVENUES COMBINED...

- ✗ Traffic corridor **10 to 15% lower** than expected at opening
- ✓ Capture rates up to **15% higher** than estimated
- ✓ Tolls more than **20% higher** than forecasted
- ✓ Revenues **exceeding** bid expectations

## WHY? HIGHER WILLINGNESS TO PAY

### FOR CARS:

- In peak hours, higher value of time
- High usage during off-peak hours

### FOR TRUCKS:

- Revenues more than double than anticipated

# VOLUMES IN ML vs SPEED IN FREE LANES



Sources: NTE Mobility Partners

# 2 | HOW DO WE SEE THE FUTURE?





# DFW EXPECTATIONS FOR THE NEXT 10 YEARS

GOOD ECONOMIC GROWTH PROSPECTS AND AN EXPANDING TRANSPORTATION NETWORK WILL HELP ENSURE MANAGED LANE PROJECTS FUTURE SUCCESS

## ECONOMIC GROWTH FORECAST

- Regional GDP expected to grow at **3%** to **2020**, national GDP is forecasted at 2%
- By **2027**, the population of DFW is expected to reach 9M (**2% cagr**) compared to a national 1% cagr
- Employment is expected to go from 4.6M to over 5.5M (**1.7% cagr**) while the US expects a slightly slower growth at 1.4%

## TRANSPORTATION IMPROVEMENTS

- Transportation is essential for economic growth
- Currently, each Dallas Fort Worth commuter spends 60 hours a year in congestion
- Billions of dollars are being invested in expanding capacity in the region

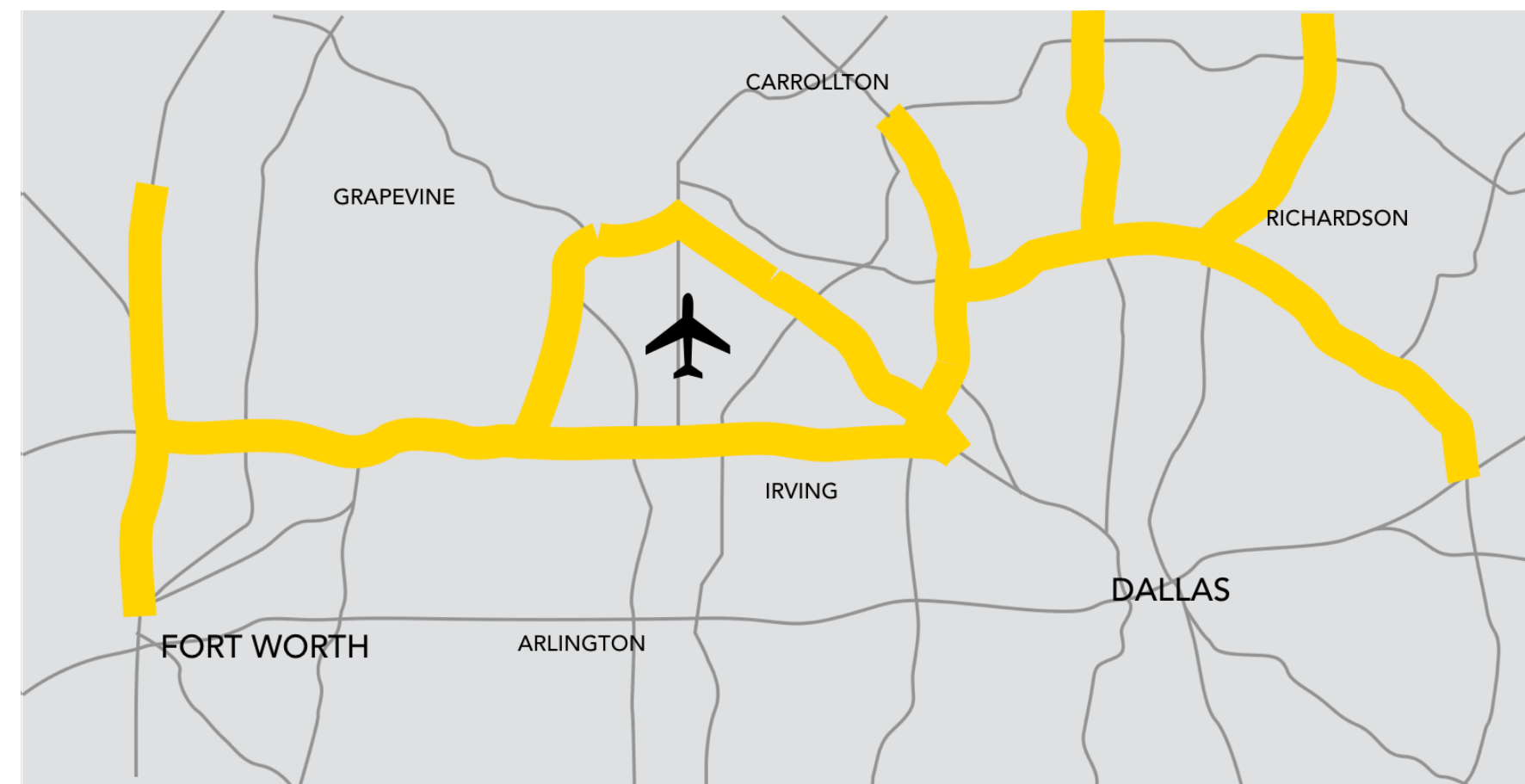
# DFW CAPACITY IMPROVEMENTS BY 2026



2016



UNDER CONSTRUCTION



NETWORK IN 2026

# HOW DOES 2021 LOOK?

MEETING END OF RAMP UP EXPECTATIONS WITH CURRENT TRENDS

**\$311M** EXPECTED COMBINED REVENUES

Corridor demand  
to grow at

**2%**

per year

Proportion of  
corridor growth  
to be captured:

**35%**

Annual toll rate  
increases

**7-8%**

WHY ARE WE CONFIDENT WE WILL MEET EXPECTATIONS?



Expected  
regional  
growth

**3%**



Already  
capturing  
**30%**  
of growth



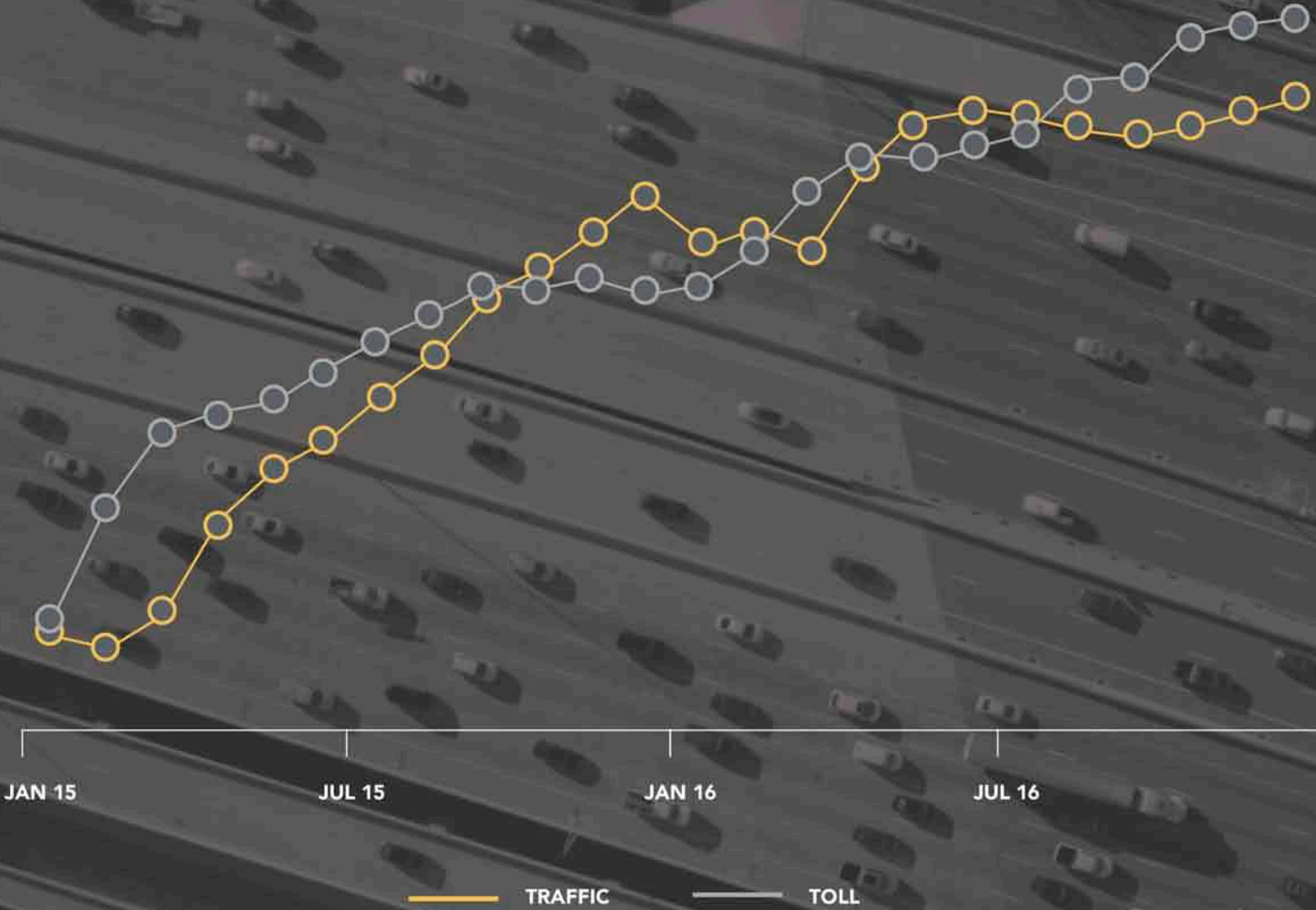
Current  
rates are  
suboptimal

Construction  
completion on  
connecting roads  
will increase  
demand

Will increase  
as traffic  
builds up in  
free lanes

Low elasticity  
to date:  
no perceived  
reaction to toll  
increases to date

# NTE TOLLS vs TRAFFIC



# LOOKING AHEAD TO 2026

ferrovial

Investor Day 2017

REVENUES WILL CONTINUE TO GROW, DRIVEN BY:  
INCREASED CORRIDOR CONGESTION, GROWTH IN WILLINGNESS TO PAY & HIGHER TOLLS

**\$458M** EXPECTED COMBINED REVENUES IN 2026

Corridor growth at  
**2%**  
per year

ML will capture  
**40%**  
of corridor growth

Annual toll rate increases  
**3-4%**

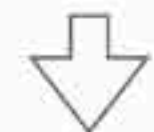
WHY ARE WE CONFIDENT WE WILL MEET EXPECTATIONS?



Long term regional annual  
**economic growth**  
forecasted  
**3%**



As free lanes approach  
**capacity**, ML will capture a high a proportion of corridor growth



Catch up with **optimal rates**

**Higher time savings** with congestion

Higher **value of time**

**Pricing to manage congestion**

Sources: Cintra Infraestructuras, S.E.



cintra



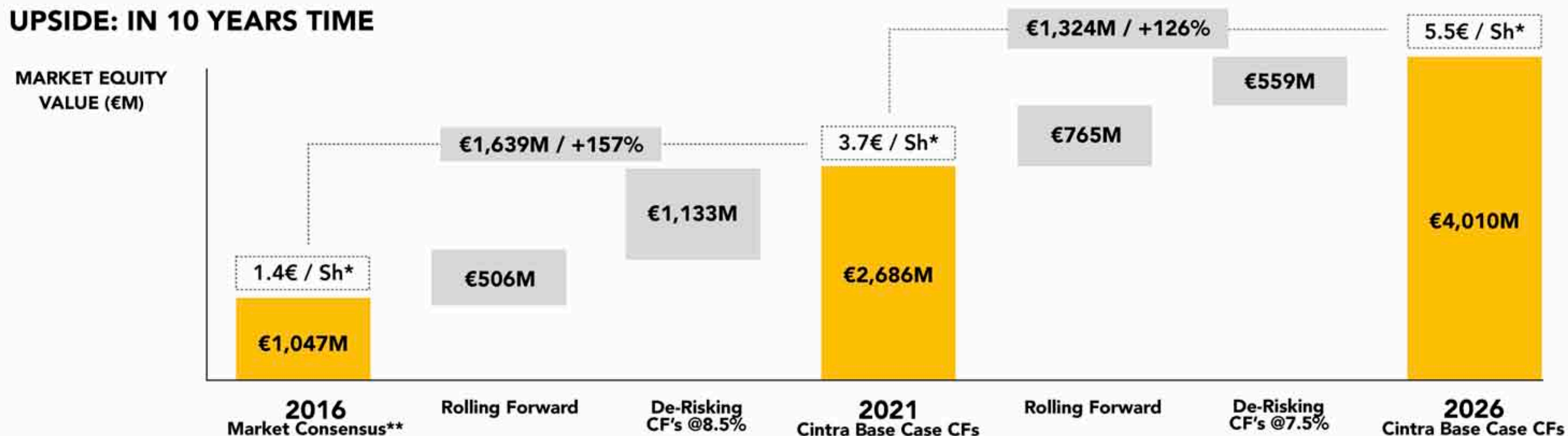
# 3 | MANAGED LANES VALUE CREATION

# DALLAS NTE & LBJ POTENTIAL VALUE CREATION

## AT PRESENT:

- Equity Committed (100% injected): **€447M**
- Currently expected Equity IRR: c. **13,5%**
- Equity Value (market consensus): **€1,047M** (2.3x Equity)

## UPSIDE: IN 10 YEARS TIME



IF EXPECTED CF'S ARE MET	
- Equity value increase:	+ € 3.0 B > 9 x Equity
- Share price impact*:	+ € 5.5 p/share
- Dividends paid:	+ € 0.8 B > 1.7 x Equity

(\*) Exchange rate 31/12/2016: 1.0547 USD/€. Value generated / Fer. number of shares as of 31.12.16 (732.5 M)

(\*\*) Market consensus as of Dec. 2016

Sources: Cintra Infrastructures, S.E. analysis

# CINTRA US MANAGED LANES POTENTIAL VALUE CREATION

## THREE STRONG FEATURES:

- High currently expected Equity IRRs: **13% - 16%**
- Long remaining concession periods: **44 - 52 years**
- Highly back-ended CF stream profiles: Rev CAGR **6% - 8%**

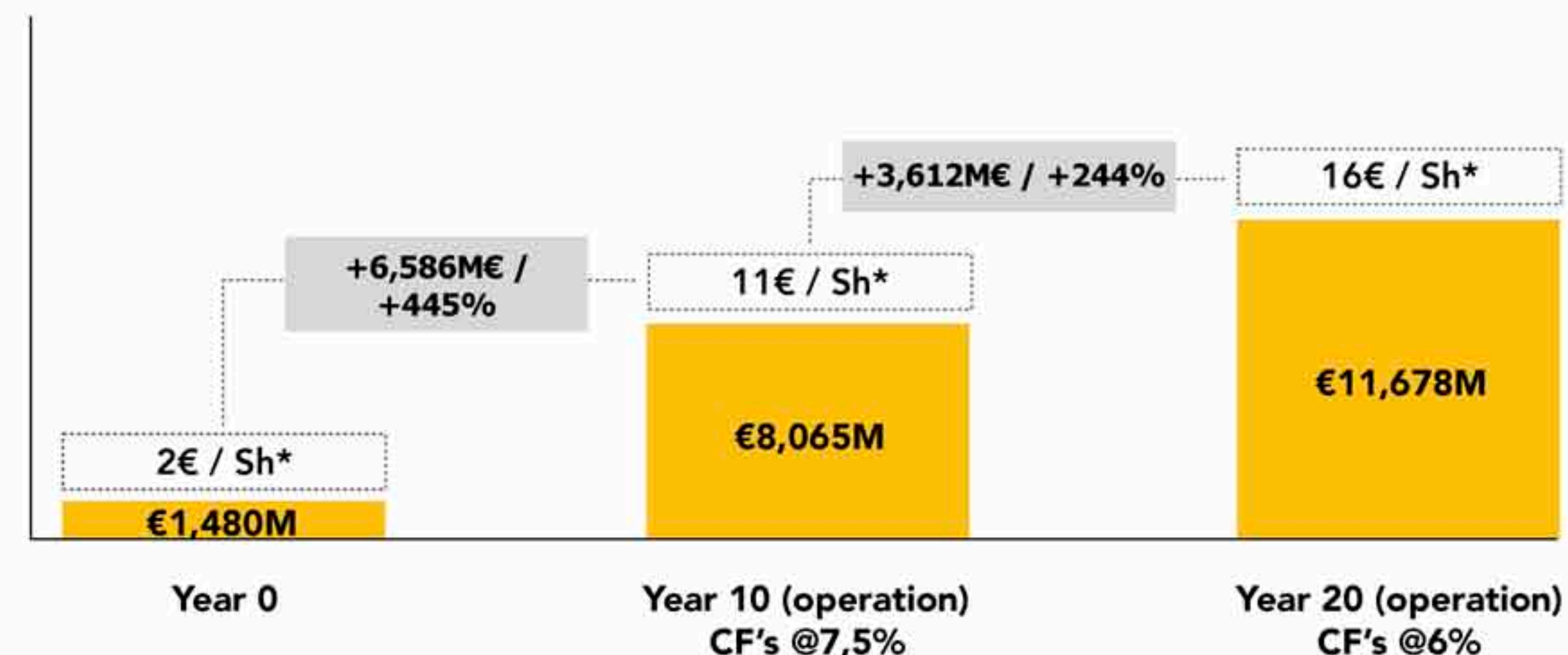
**HIGH CAPACITY TO CREATE VALUE VIA DE-RISKING & ROLLING FORWARD**

## LARGE EQUITY COMMITTED: €1,480M

	Cintra Equity	Opening to traffic year
NTE	184	2015
LBJ	263	2015
NTE 3A3B	184	2018
I-77	125	2018
I-66	724	2022
<b>TOTAL</b>	<b>1,480</b>	

MARKET EQUITY VALUE (€M)

## HIGH VALUE CREATION POTENTIAL



\* Exchange rate 31/12/2016: 1.0547 USD/€. Value generated / Fer. number of shares as of 31.12.16 (732.5 M)

Sources: Cintra Infrastructures, S.E. analysis



# CINTRA US MANAGED LANES POTENTIAL VALUE CREATION

## IN 10 YEARS IF EXPECTED CF'S ARE MET

<p>Equity value Increase</p> <p><b>+€6.6B</b></p> <p>5.5 x Equity</p>	<p>Share price impact*</p> <p><b>€11</b> /share</p>	<p>Dividends paid</p> <p><b>€2.0B</b></p> <p>1.5 x Equity</p>
---	---	---

## IN 20 YEARS IF EXPECTED CF'S ARE MET

<p>Equity value Increase</p> <p><b>+€10.2B</b></p> <p>7.9 x Equity</p>	<p>Share price impact*</p> <p><b>€16</b> /share</p>	<p>Dividends paid</p> <p><b>€7B</b></p> <p>4.7 x Equity</p>
--	---	---

### BONUS: HIGH VALUE RESILIENCE TO REVENUE VARIANCE

Even with revenues **20%** lower than expected, ML's would still impact Ferrovial's Share Price of **€9 p/share\* in 10 years (vs.11\*)** and **€12 p/share\* in 20 years (vs.16\*)**

\* Exchange rate 31/12/2016: 1.0547 USD/€. Value generated / Fer. number of shares as of 31.12.16 (732.5 M)

Sources: Cintra Infrastructures, S.E. analysis



# 4 | CINTRA MANAGEMENT LEVERS

# CINTRA MANAGEMENT LEVERS

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OPERATIONS & CUSTOMER MANAGEMENT IS KEY TO THE SUCCESS OF THE PROJECTS

## **1 - ACTIVE REVENUE MANAGEMENT**

- Allowing us to increase the value of the concession

## **2 - OUTSTANDING CUSTOMER SERVICE**

- Exceeding customer expectations is key to optimal pricing

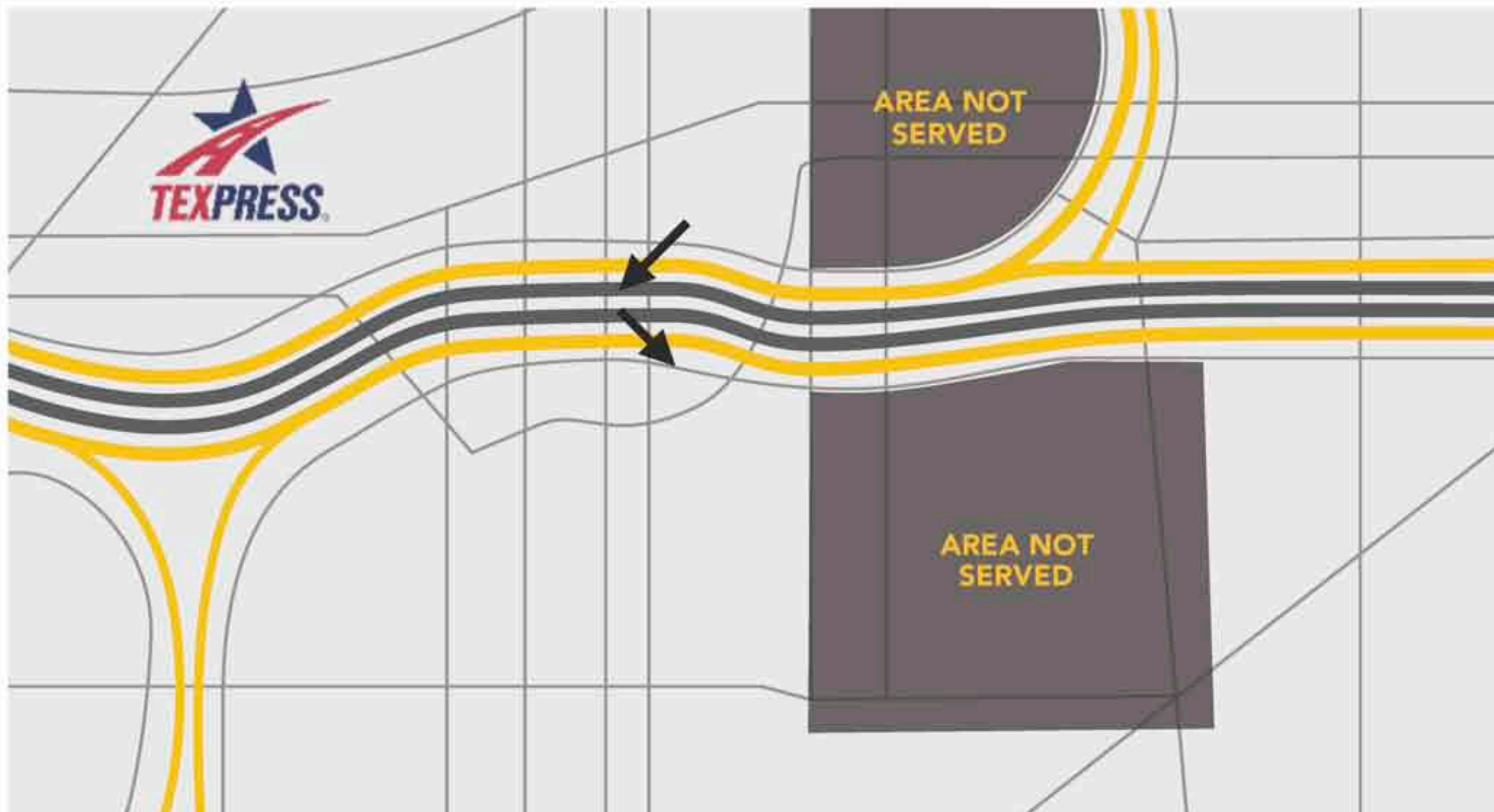


# CINTRA MANAGEMENT LEVERS

## 1 - ACTIVE REVENUE MANAGEMENT:

### A) CONNECTIVITY IMPROVEMENTS

- Improvement of access points added to the roads
- Additional entrance/exit on NTE to increase in-scope traffic



# CINTRA MANAGEMENT LEVRS

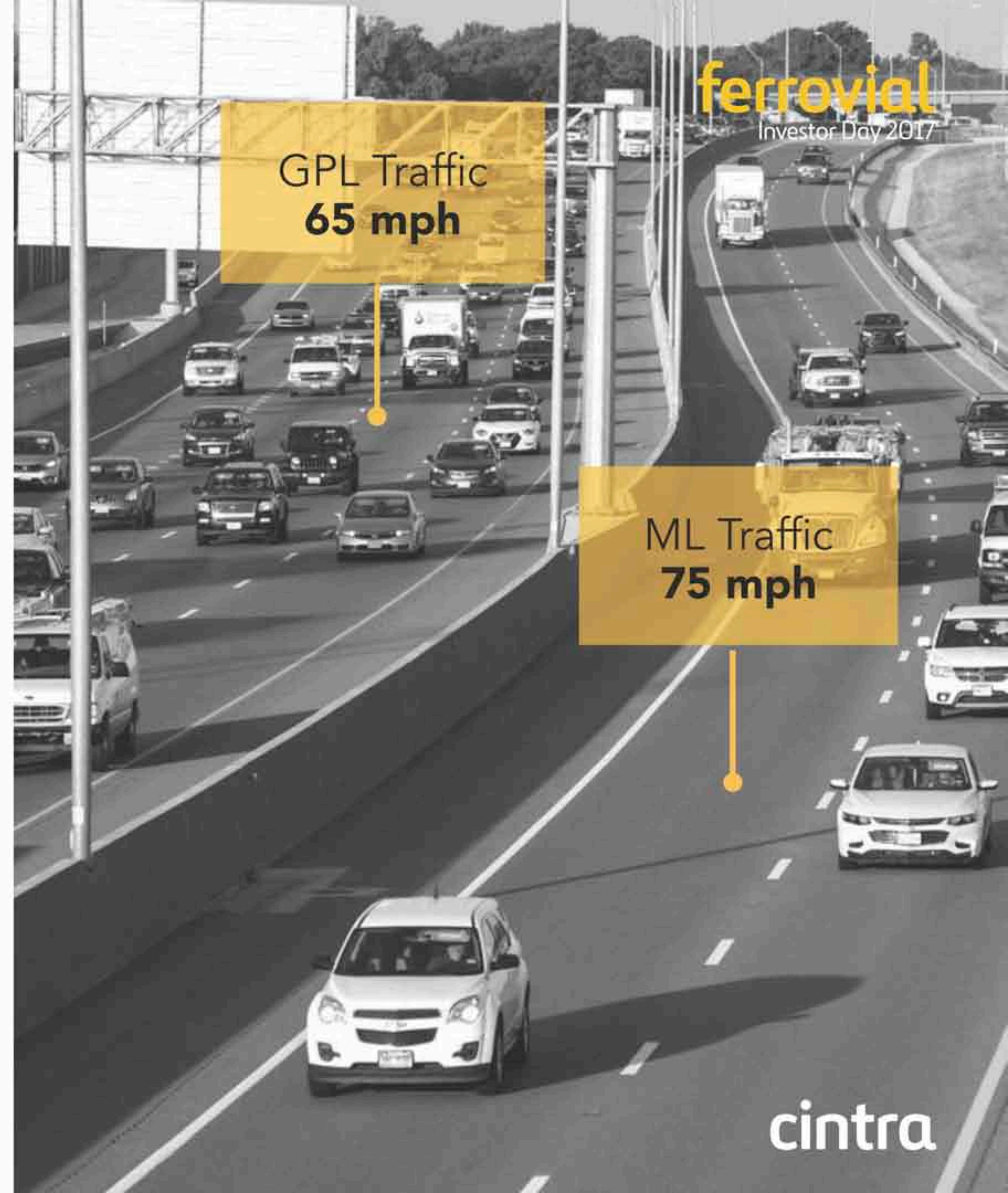
## 1 - ACTIVE REVENUE MANAGEMENT:

### B) TOLL SETTING APPROACH

- Developed proprietary toll setting algorithm
  - Takes into account conditions in both ML and free lanes to react better to traffic changes

### C) SERVICE DIFFERENTIAL

- Promote a higher speed limit in ML versus free lanes to provide differential service



# CINTRA MANAGEMENT LEVERS

## 2 - OUTSTANDING CUSTOMER SERVICE

### A) CUSTOMERS SATISFACTION

**75%**  
of users rate  
their trips  
★ **4**  
or more

**<5**  
complaints per  
month

With  
**1,200** calls  
and more than  
**800,000**  
users per month

### B) INTERNAL POLICIES

**<10 MIN**  
average **response**  
time for accidents  
(contract requires  
60 min)

Internal policies  
**ensure drivers**  
don't get  
overcharged in  
case of accidents

Developed  
in-house **APP**  
available for  
**promotions**

Managed Lanes Favorability


**80%**



Time savings and convenience


**85%**



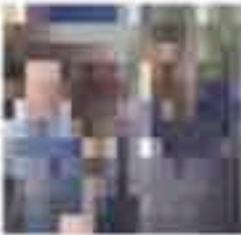
●●●●● Wi-Fi 100% 🔋

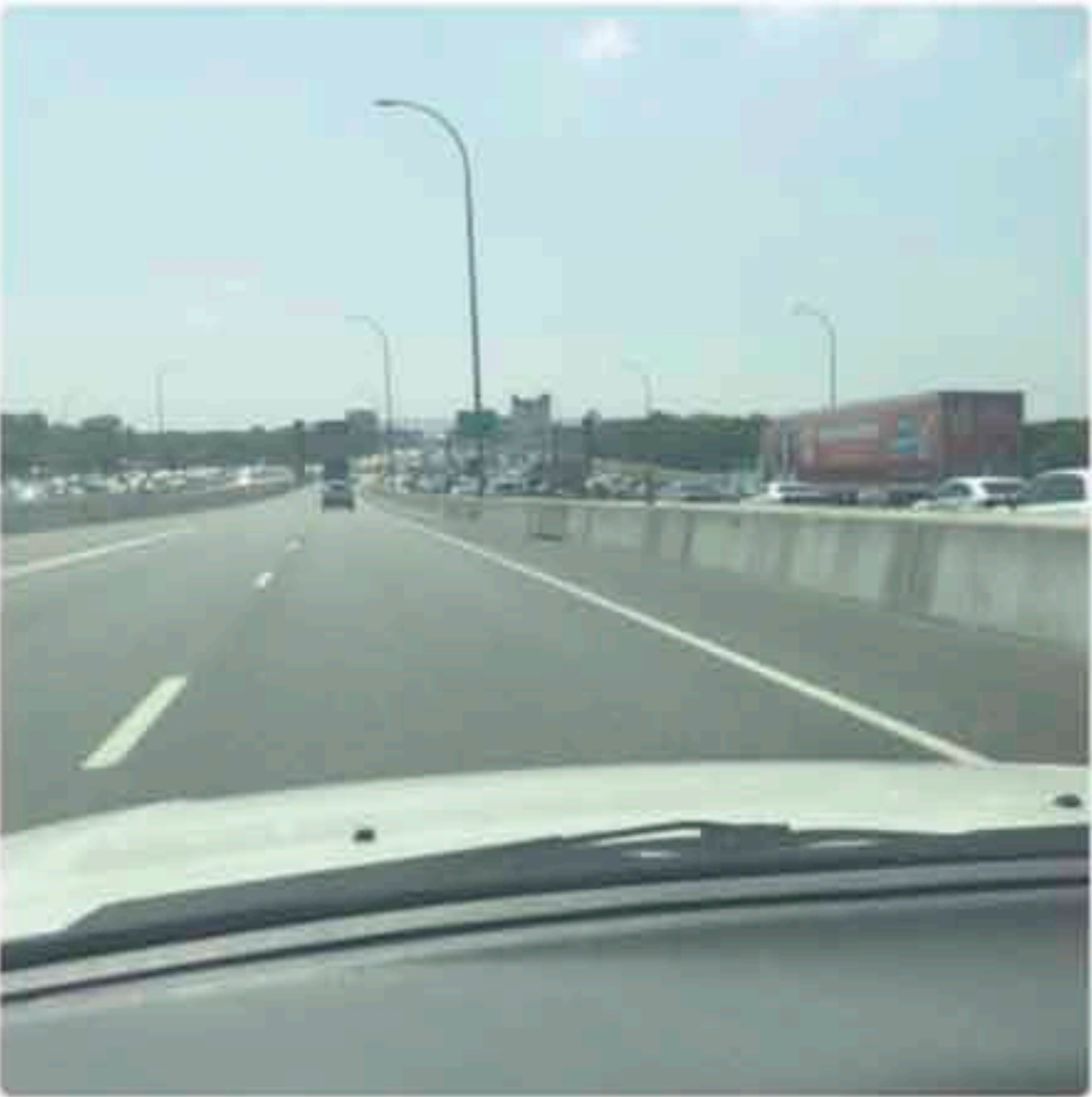
<  🔍 📧

#TEXpressLanes  

 4 other people  
Sooo the 635 express lanes was the best thing Dallas ever came up with

↩️ 🔄 ⭐

 Chris Bushman @ChrisBushman1 2h  
**THANK YOU @lbjespress .SAVED ME 30 min ATLEAST.**



Home Notifications 136 Messages Me





# 5 | WHAT HAVE WE LEARNED TO GENERATE FUTURE VALUE?



# WHAT HAVE WE LEARNED TO GENERATE FUTURE VALUE?

---

Willingness to pay much higher than forecasted

Users value other aspects of MLs apart from travel time savings

Connectivity is key to maximize capture rates

Customer sub-segments within heavy traffic

Low elasticity to toll rates observed to date

Higher rates

Revenues off-peak

Capture rates by ramp

Higher than expected revenues

Tolls increased & traffic grew

**ACCUMULATING QUANTITATIVE KNOWLEDGE THAT INCREASES OUR COMPETITIVE ADVANTAGES**

# 6 | A SUCCESS STORY FOR EVERYONE



# A SUCCESS STORY FOR EVERYONE

## FOR CINTRA:

- Exceeding expectations despite the recession
- Well positioned to meet **long term** forecasts
- Validates Cintra's vision of the value creation potential of ML
- Acquiring valuable knowledge to develop competitive advantage

## FOR USERS:

- Provide a sustainable **congestion-free choice**
- **Capacity** has **increased**, suppressed demand is served
- **Congestion** in the **corridor** has decreased by more than **60%**
- **Speeds** in the **free lanes** have **increased** by more than **10%**

## FOR POLICY MAKERS:

- MLs proved to be a **great solution** for urban congestion
- Promote **economic development** in the project area
- Over **80%** of the public views the projects favorably
- **Minimal impact** in emissions despite increase in traffic volumes

ML SOLUTION: CONGESTION RELIEF FOR THE USERS, FINANCIALLY ATTRACTIVE FOR INVESTORS AND POLITICALLY ACCEPTABLE



# LESSONS LEARNED

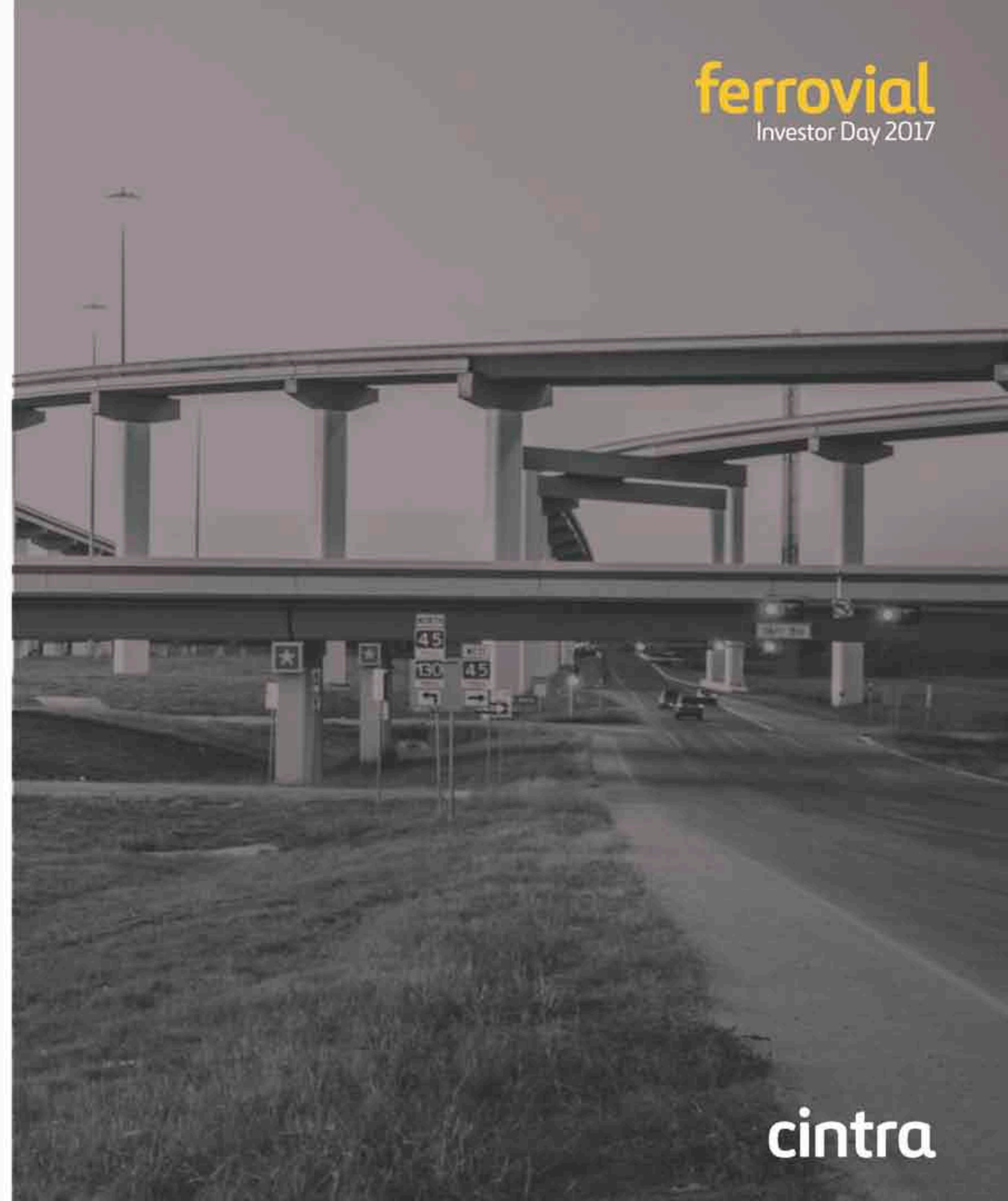
NICOLÁS RUBIO

# INDEX

## LESSONS LEARNED

---

- 1 - Key considerations
- 2 - Avoidable mistakes & mitigation strategies
- 3 - Case studies
  - Indiana Toll Road
  - SH130
  - R4 – AP36



# 1 | KEY CONSIDERATIONS



# KEY CONSIDERATIONS

---

## **A NECESSARY COST OF DOING BUSINESS**

- Openly competing for complex traffic-risk projects sets an incentive to factor P50 scenarios
- Successful forecasts at bidding imply some over-and some under-performing projects

## **NOT ALL FAILED INVESTMENTS ARE UNAVOIDABLE**

- Key uncertainty elements and miscalculations could have been avoided

## **CINTRA HAS A STRONG INCENTIVE NOT TO OVERESTIMATE FUTURE PERFORMANCE**

- We are long term investors: our sole return is dividend cash-flows
- We have true skin-in-the-game

## **LESSONS LEARNED ARE KEY TO MITIGATE RISK AND AVOID FUTURE MISTAKES**

- New Big Data technologies are powerful tools to improve forecasting accuracy

# 2

## AVOIDABLE MISTAKES & MITIGATION STRATEGIES



# AVOIDABLE MISTAKES & MITIGATION STRATEGIES

---

## OVERESTIMATION OF CASH-FLOWS

- Undetected estimation bias
  - ⇒ The nature of the developer plays a key role in tackling bias
- Incomplete or inaccurate information
  - ⇒ Accuracy depends on technology, experience, cost and time

## UNDERESTIMATION OF RISKS (EQUITY IRR PRICING)

- Quantifying risk premium is a difficult task
  - ⇒ Good financial modeling and careful sensitivity analysis, key risk mitigators
- Sound projects are less prone to equity IRR underpricing
  - ⇒ Avoid dicey projects: average complexity, high leverage, large construction, low resilience, etc

## INADEQUATE FINANCIAL STRUCTURE

- ⇒ Implement resilient structures which can endure stress scenarios

## UNDERESTIMATE THE IMPORTANCE OF GLOBAL ECONOMIC CYCLES

- Enhances the harm of all the above

## GRANTOR ADVERSE BEHAVIOR

- Exercising concession rights has a political cost
- Grantors may have an adverse behavior incentive
  - ⇒ Understand and address social and political sensitivities

# 3 | CASE STUDIES



# INDIANA TOLL ROAD

## WEAKNESSES & LESSONS LEARNED

### **BADLY STRUCTURED DEBT:**

- Short tenor (9 years): Refinancing risk
- High leverage: 84% (\$4.0 Bn debt).
- Extra leverage through a step-up-swap: Value of \$ - 1,9 Bn in 2015



Implement resilient structures which can endure stress scenarios

### **HIGH PURCHASE PRICE DUE TO PROJECT IRR UNDERESTIMATION (PROJECT RISKS NOT PROPERLY ADDRESSED)**

- Quantifying risk premium is a difficult task



Good financial modeling and careful sensitivity analysis are key risk mitigators

### **IMPORTANCE OF GLOBAL ECONOMIC CYCLES**



Enhances the harm of all the above

### **BACKGROUND:**

- Equity **2005 Bid**
- Equity invested: **\$380M**
- Equity lost: **\$301M (-79%)**
- Struggled through the great recession

# SH130

## WEAKNESSES & LESSONS LEARNED

### HIGH BID PRICE DUE TO PROJECT IRR UNDERESTIMATION (PROJECT RISKS NOT PROPERLY ADDRESSED)

#### BADLY STRUCTURED DEBT:

- High leverage: **85% (\$1.2Bn debt)**
- Extra leverage through an IRS: **Value of \$ -211M**

#### IMPORTANCE OF GLOBAL ECONOMIC CYCLES

#### OVERESTIMATION OF CASH-FLOWS

- Incomplete and inaccurate information on corridor traffic and user behavior



- Accuracy depends on technology, experience, cost and time

#### GRANTOR ADVERSE BEHAVIOR

- Frontage road operation and signage
- Connectivity initiatives



- Understand and address social and political sensitivities

#### BACKGROUND:

- **2005 Bid**
- Equity invested: **\$215M**; 100% lost
- Limited traffic forecasting technologies available

EXIT  ONLY

# R4 AND AP36

## WEAKNESSES & LESSONS LEARNED

### BADLY STRUCTURED DEBT:

- Short tenor (**6-8 years**): Refinancing risk
- High leverage (only in OLR): 82% (**€466M** debt raised)

### HIGH BID PRICES DUE TO PROJECT IRR UNDERESTIMATION (PROJECT RISKS NOT PROPERLY ADDRESSED)



- Sound projects are less prone to equity IRR underpricing  
Avoid: average complexity, high leverage, large construction, low resilience,...

### IMPORTANCE OF GLOBAL ECONOMIC CYCLES

#### GRANTOR ADVERSE BEHAVIOR

- Improvement of toll-free competition
- Poor connectivity, poor signage
- Land costs 1000% higher than the State's expectations due to poor legal framework



- Focus on projects with strong social and political support in environments of legal and institutional predictability

#### BACKGROUND:

- **2000-2005 Bids**
- Total equity invested: **€194M** (R4) and **€51M** (OLR); 100% lost
- Sector euphoria in Spain



# CINTRA PORTFOLIO: PAST PERFORMANCE & FUTURE EXPECTATIONS

CARLOS RAMÍREZ

# INDEX

## CINTRA PORTFOLIO: PAST PERFORMANCE & FUTURE EXPECTATIONS

---

- 1 - How has Cintra invested its shareholders' money?
  - What return (IRR) has produced?
- 2 - How is Cintra's investment record ex 407 ETR?
- 3 - The Future
  - What can we expect?

# 1 | HOW HAS CINTRA INVESTED ITS SHAREHOLDERS' MONEY?





# HOW HAS CINTRA INVESTED ITS SHAREHOLDERS MONEY?



**Cintra currently has an expected IRR of 15%** in spite of:

- Failed investments
- Pragmatic divestments
- The greatest un-anticipated global recession ever

ON TOP OF THAT:

- + 3.5%** Ferrovial M&A transactions
- + 2.5%** Highway concessions generated construction business for Ferrovial Agroman

Ferrovial's expected IRR with its Cintra Equity Investment: **21%** (**18%** already earned!<sup>(4)</sup>)

(1) Includes €400M of Ferrovial non monetary contributions at Cintra creation (1998)

(2) Includes cash recoveries via divestments

Sources: Cintra Infraestructuras, S.E. analysis

(3) Includes Cintra leverage 1998-2002 and overhead and taxes. Future: Cintra expected CF's until maturity

(4) Assuming no more future CF's (no value) for Cintra current assets

# 2 | HOW IS CINTRA INVESTMENT RECORD EX 407 ETR?



# HOW IS CINTRA INVESTMENT RECORD EX 407 ETR?

...GOOD TO VERY GOOD

**€3.3B**

Equity invested  
ex 407 ETR <sup>(1)</sup>

**€3.0B (0.9x)**

Dividends paid  
ex 407 ETR <sup>(2)</sup>

**10%**<sup>(3)</sup>

IRR ex 407 ETR with  
CF's till maturity

**Cintra currently has an expected IRR of 10% ex 407 ETR**

ON TOP OF THAT:

**+ 2.5%** Ferrovial M&A transactions

**+ 3.0%** Highway concessions generated construction  
business for Ferrovial Agroman

**Ferrovial's expected IRR with its Cintra Equity Investment ex 407 ETR: 15.5%**

(1) Includes €400M of Ferrovial non monetary contributions at Cintra creation (1998) and overheads

(2) Includes cash recoveries via divestments

Sources: Cintra Infrastructures, S.E. analysis

(3) Includes Cintra leverage 1998-2002 and overhead and taxes. Future: Cintra expected CF's until maturity

# HOW IS CINTRA INVESTMENT RECORD EX 407 ETR?

## WHY IS IT SO GOOD?

	Up to 2002: "Stable Period"	2003-2007 "Economic Peak"	2008-2009 "Recession"	After 2009: "post crisis"
<b>Performing Projects (IRR &gt; 8%)</b>	<b>8 projects:</b> Europistas (Eurovías) Ausol Autema Parkings M45 Norte Litoral Algarve 407 ETR	<b>2 projects:</b> M3 M4	<b>2 projects:</b> LBJ NTE 1&2	<b>10 projects:</b> A-66 407 EXT I 407 EXT II NTE 3A 3B M8 I-77 I-66 Toowoomba D4R7 Bucaramanga
<b>Under Performing Projects (Nom. Eq. Rec.)</b>	<b>1 project:</b> Chilean Concessions	<b>4 projects:</b> Chicago Skyway Euroscut Azores Greek Highways	<b>1 project:</b> Serrano Park	
<b>Failed investments (Nom.Eq. NOT rec.)</b>	<b>1 project:</b> R4	<b>3 projects:</b> ITR SH 130 OLR		

- Despite 10 under performing projects (4 failed) expected IRR for Ferrovial ex 407 is 15.5%. Why?

1. Pre-crisis projects most of them performing
2. Post-crisis projects with high expected IRRs
3. Ferrovial IRR additionally leveraged by:
  - Construction business
  - M&A transactions

Sources: Cintra Infraestructures, S.E.

# 3 | THE FUTURE



# THE FUTURE

## WHAT CAN WE EXPECT?

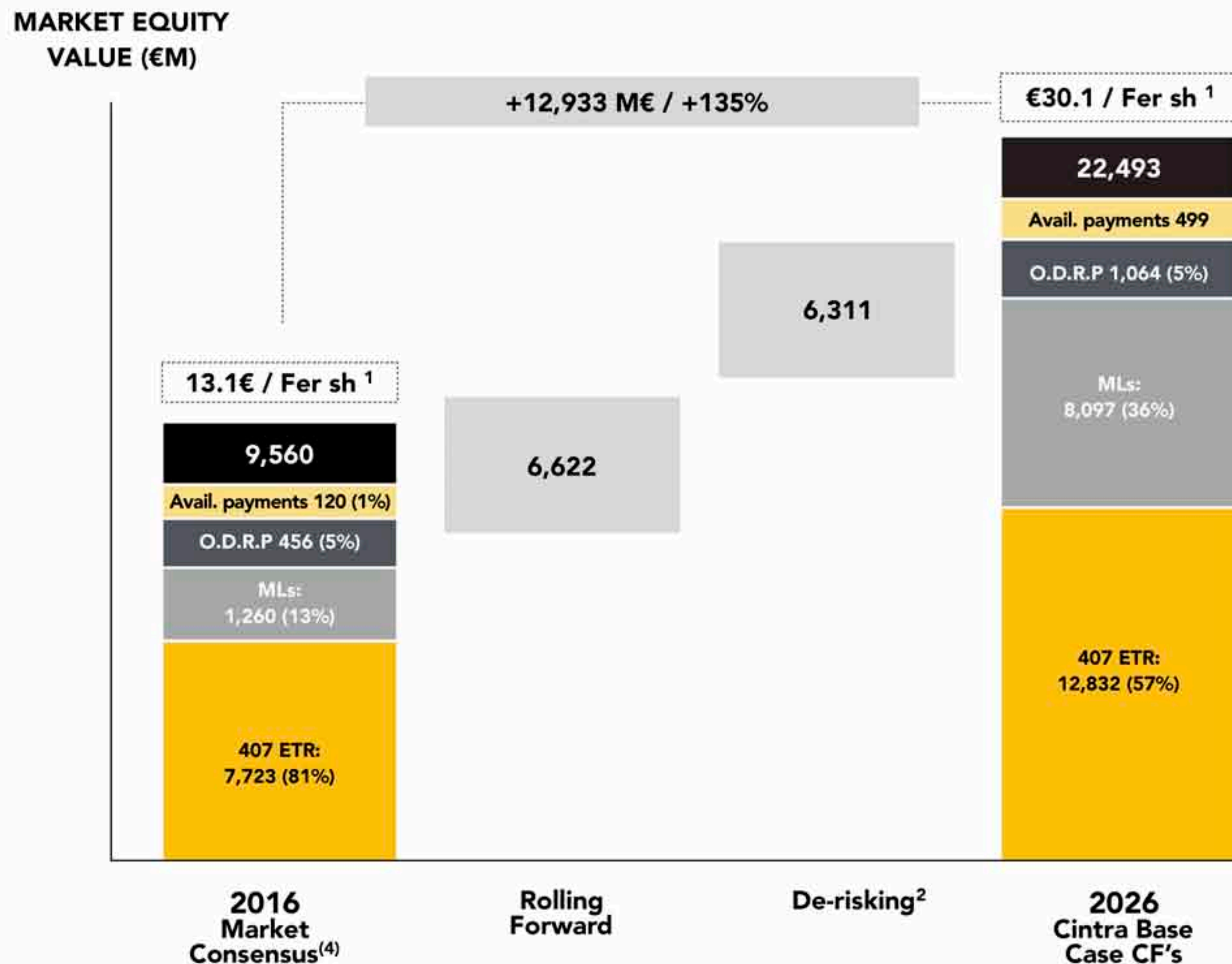
- ... If currently expected CF's are met
- ... No CF over performance of Cintra Base Case expectations
- ... No additions to the current portfolio concession assets

**In 10 years:  
VALUE MAY  
BE DOUBLED**

Equity Value Increase  
**+ €12B**  
(2.3x)

Share Price Impact<sup>(1)</sup>  
**+ €17 p/share**

Dividends Paid<sup>(3)</sup>  
**+ €3.9B**



O.D.R.P. = Other Demand Risks Projects

(1) Value generated / Fer. number of shares as of 31.12.16 (732.5 M)

(2) De-risking 2026: 407 ETR Ke=6.0% / LBJ & NTE ke=7.5% / NTE 3A3B & I77 ke=8% / I66 ke=8.5% / AUSOL ke = 6% / Av Paym ke=7%-8%

(3) Net of payment of Equity Contribution

(4) Market consensus as of Dec. 2016

Sources: Cintra Infrastructures, S.E. analysis

# THE FUTURE

## WHAT CAN WE EXPECT?

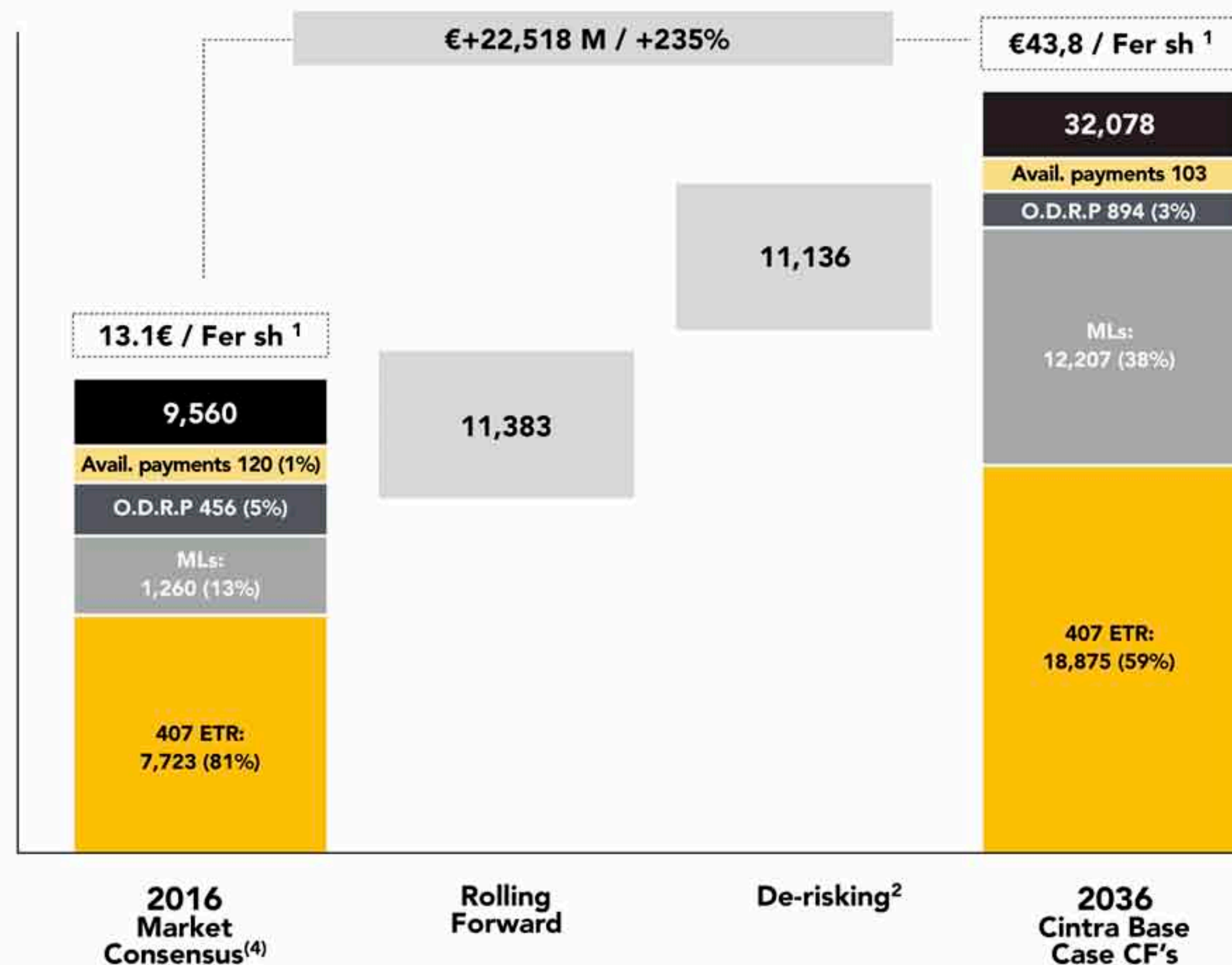
In 20 years:  
VALUE MAY  
BE TRIPLED

Equity Value  
Increase  
**+ €22B**  
(3.3x)

Share Price  
Impact<sup>(1)</sup>  
**+ €30 p/share**

Dividends  
Paid<sup>(3)</sup>  
**+ €11.6B**

### MARKET EQUITY VALUE (€M)



O.D.R.P. = Other Demand Risks Projects

(1) Value generated / Fer. number of shares as of 31.12.16 (732.5 M)

(2) De-risking 2026: 407 ETR Ke=6.0% / LBJ & NTE ke=7.5% / NTE 3A3B & I77 ke=8% / I66 ke=8.5% / AUSOL ke = 6% / Av Paym ke=7%-8%

(3) Net of payment of Equity Contribution

(4) Market consensus as of Dec. 2016

Sources: Cintra Infrastructures, S.E. analysis