



INVESTOR DAY 2017
cintra

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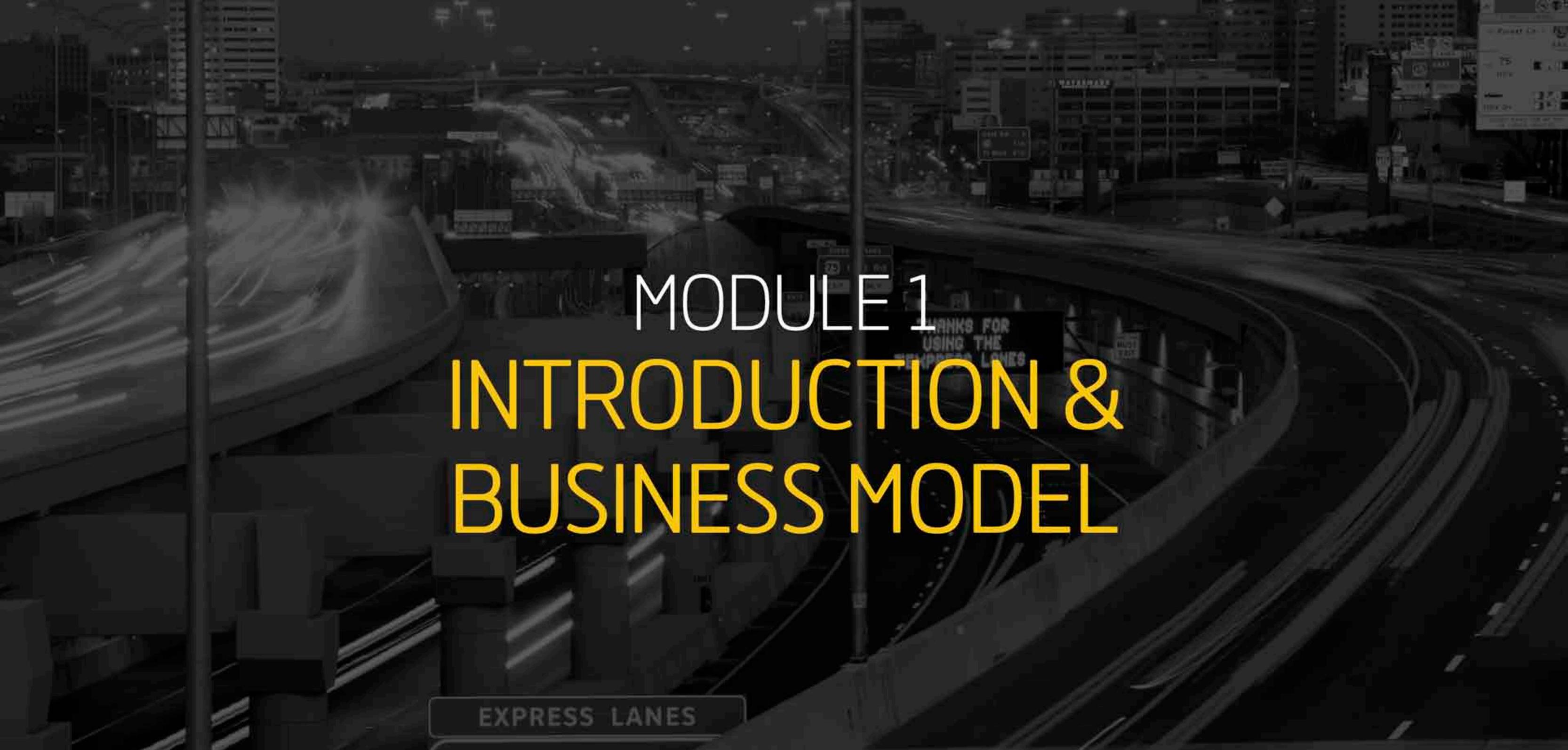
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WELCOME
ERNESTO LÓPEZ MOZO



MODULE 1

INTRODUCTION & BUSINESS MODEL



INTRODUCTION

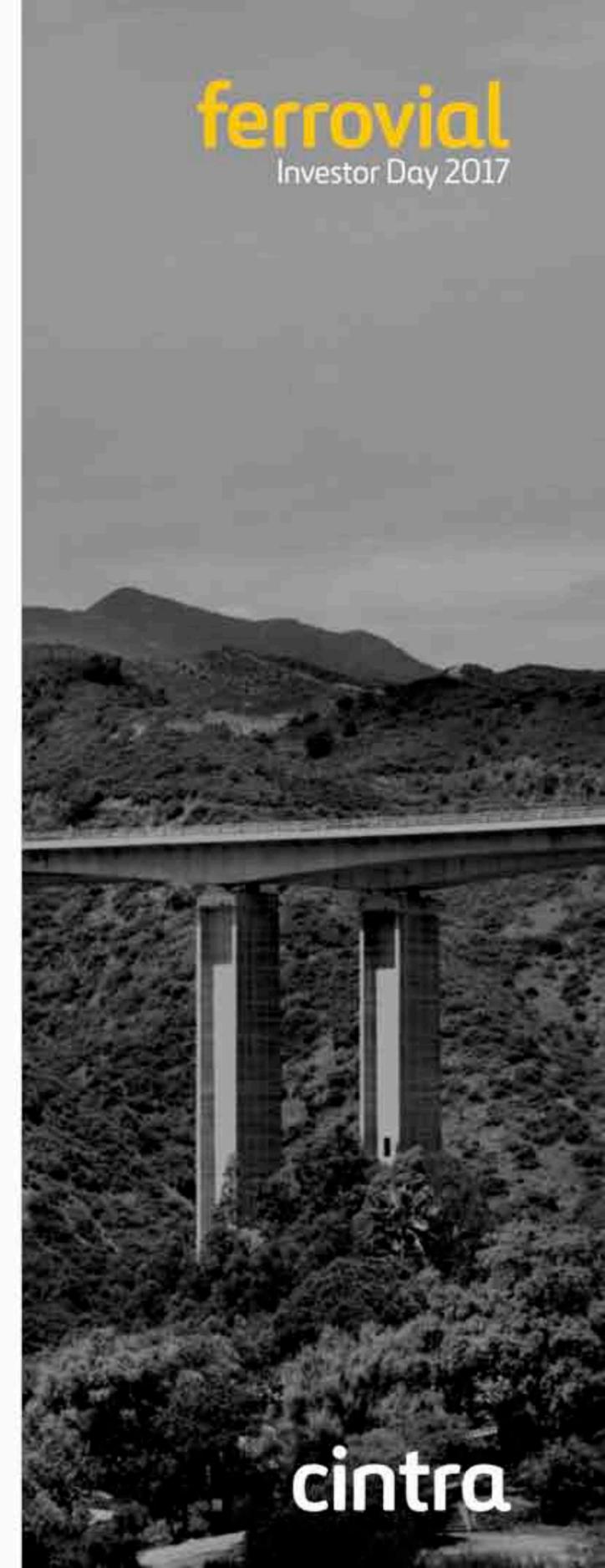
Cintra, a unique investment opportunity

ENRIQUE DÍAZ-RATO

INDEX

CINTRA, A UNIQUE INVESTMENT OPPORTUNITY

- 1 - Where do we come from?
- 2 - What makes Cintra different (as an investment opportunity)?
- 3 - Why Cintra's focus on high complexity concessions?
- 4 - Cintra's distinctive approach to business:
 - Efficiency, pioneering and its rewards
- 5 - A brief quantitative approach to Cintra's untapped value.
- 6 - Today's speakers and agenda

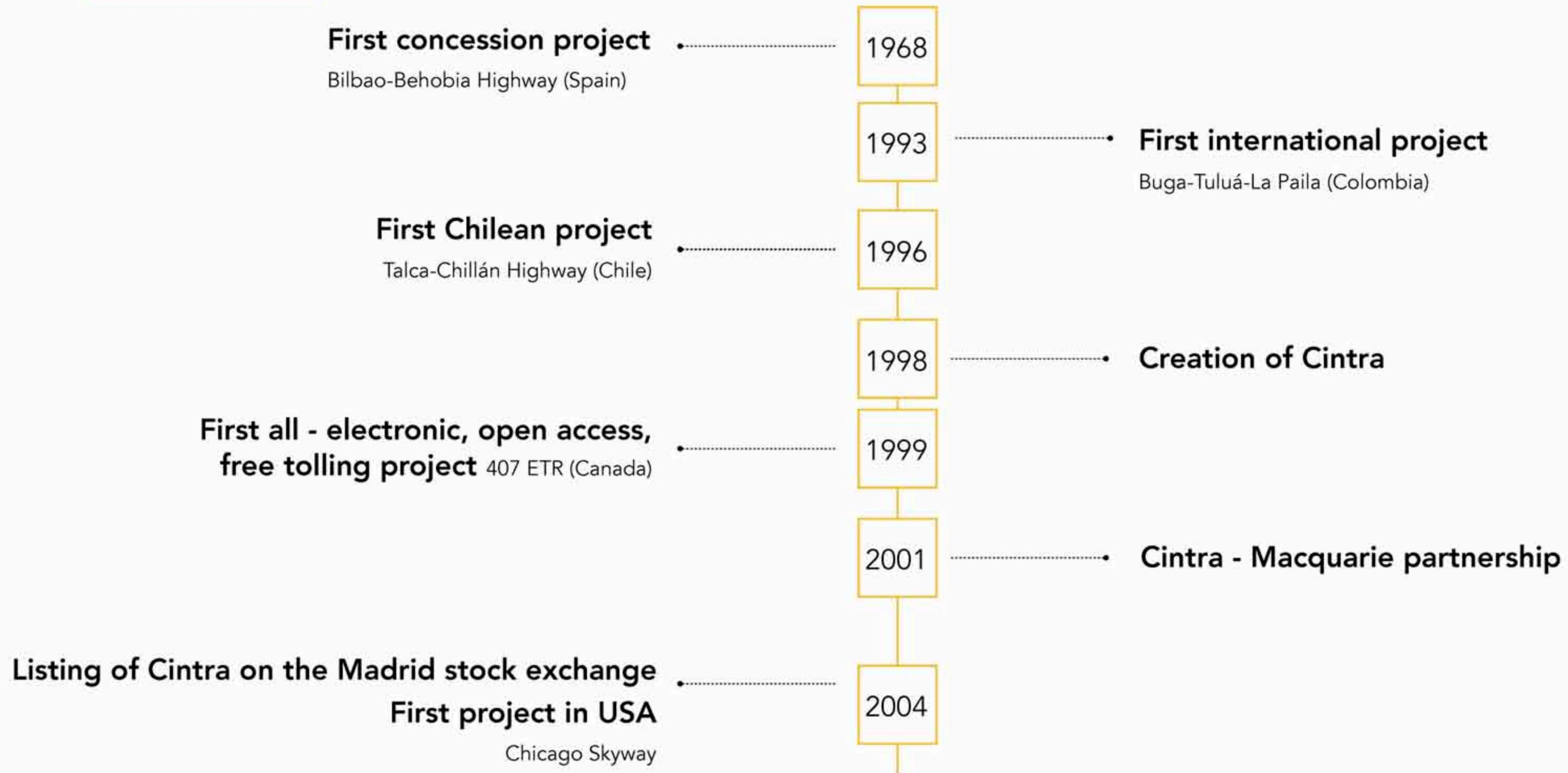


1 | WHERE DO WE COME FROM?



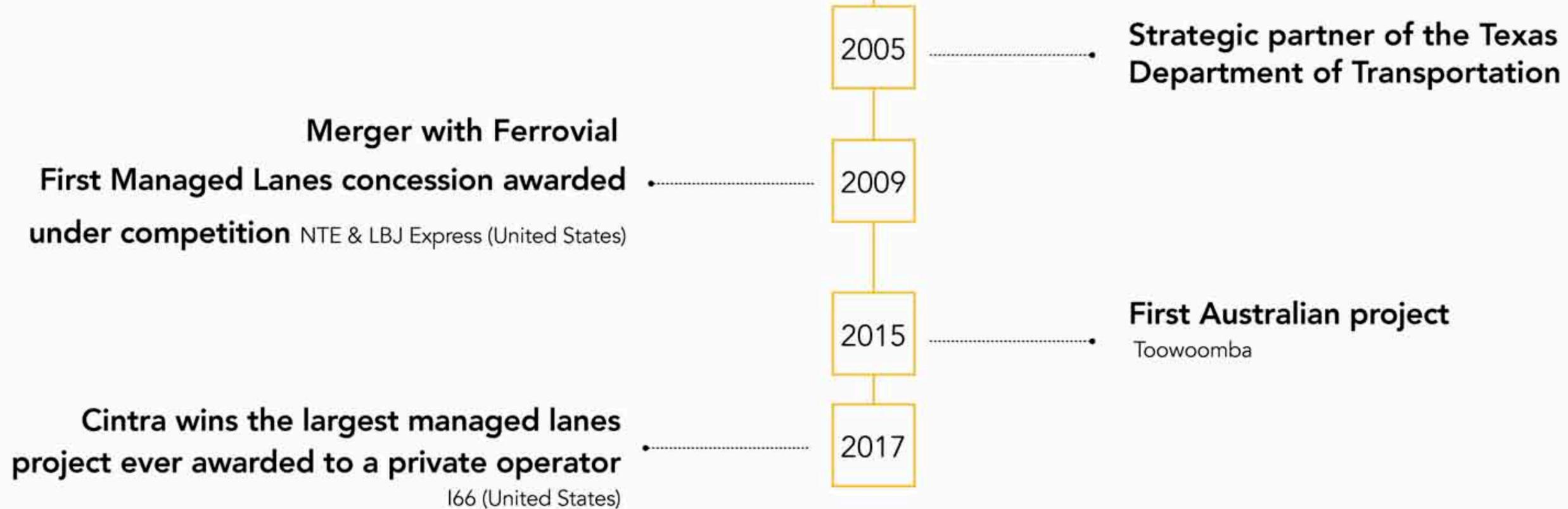
1. WHERE DO WE COME FROM?

HISTORY & MILESTONES



1. WHERE DO WE COME FROM?

HISTORY & MILESTONES



Ahead of the curve

(In the concession business; in international approach; in concessional complexity)

1. WHERE DO WE COME FROM?



A world leader in transportation infrastructure
The world leader in open-competition highway concessions

* Proportional consolidation of all the portfolio. Year 2016.

** Market consensus as of Dec. 2016.

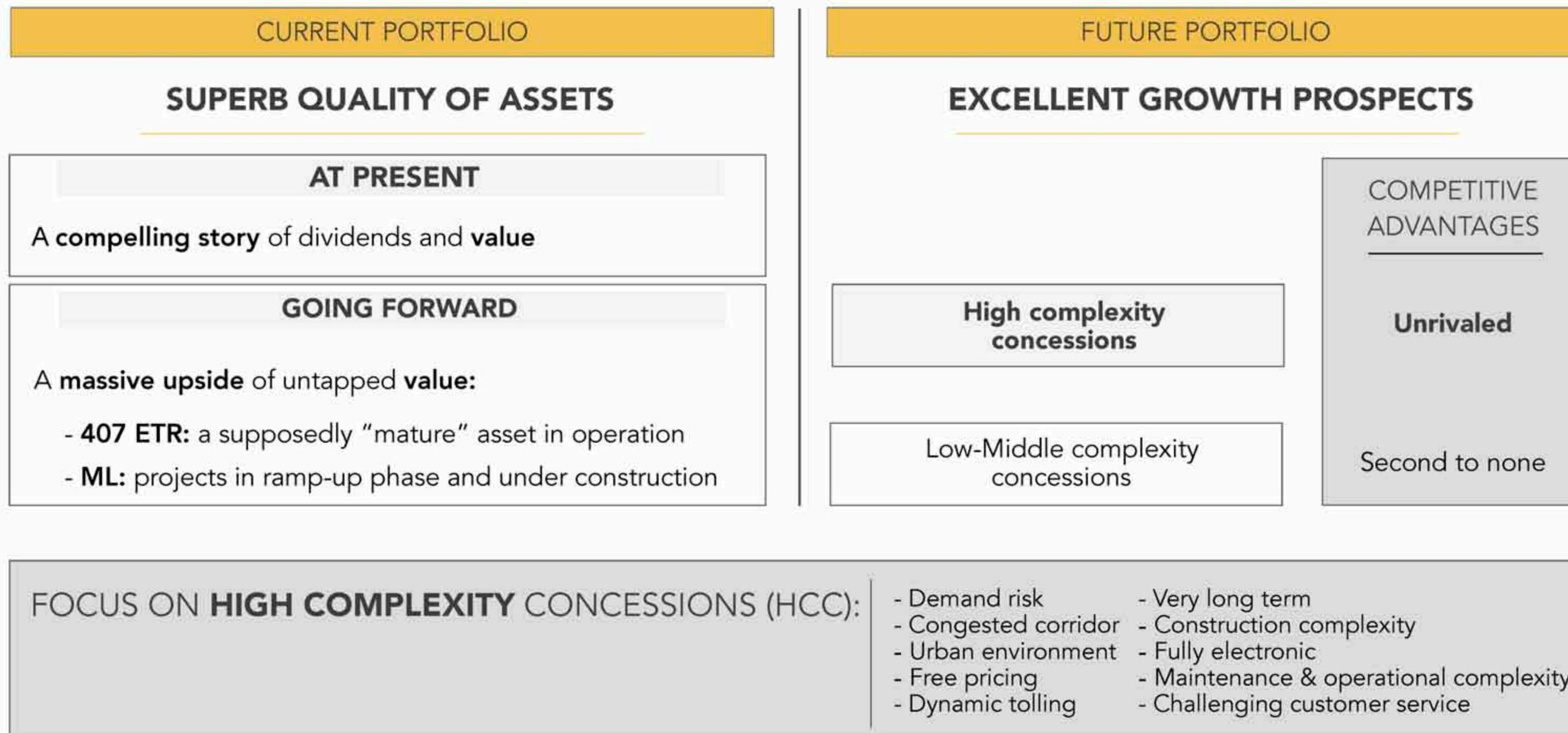
Sources: Cintra Infraestructuras, S.E.



2 | WHAT MAKES CINTRA DIFFERENT? (AS AN INVESTMENT OPPORTUNITY)

2. WHAT MAKES CINTRA DIFFERENT?

(AS AN INVESTMENT OPPORTUNITY)



3 | WHY FOCUS ON HIGH COMPLEXITY CONCESSIONS?



3. WHY FOCUS ON HIGH COMPLEXITY CONCESSIONS?

✓ GREAT VALUE FOR SHAREHOLDERS

- Very high potential of **value creation**
- A "**pioneer premium**"

✓ VAST POTENTIAL PIPELINE

- **Economic standpoint:** an efficient solution for congested corridors
- **Political standpoint:** an increasingly acceptable public policy solution

✓ CINTRA, LIKELY TO CAPTURE A SIGNIFICANT SHARE

- Substantial existing **competitive advantages**
- **Competitive advantages** that can be sustained for a long time

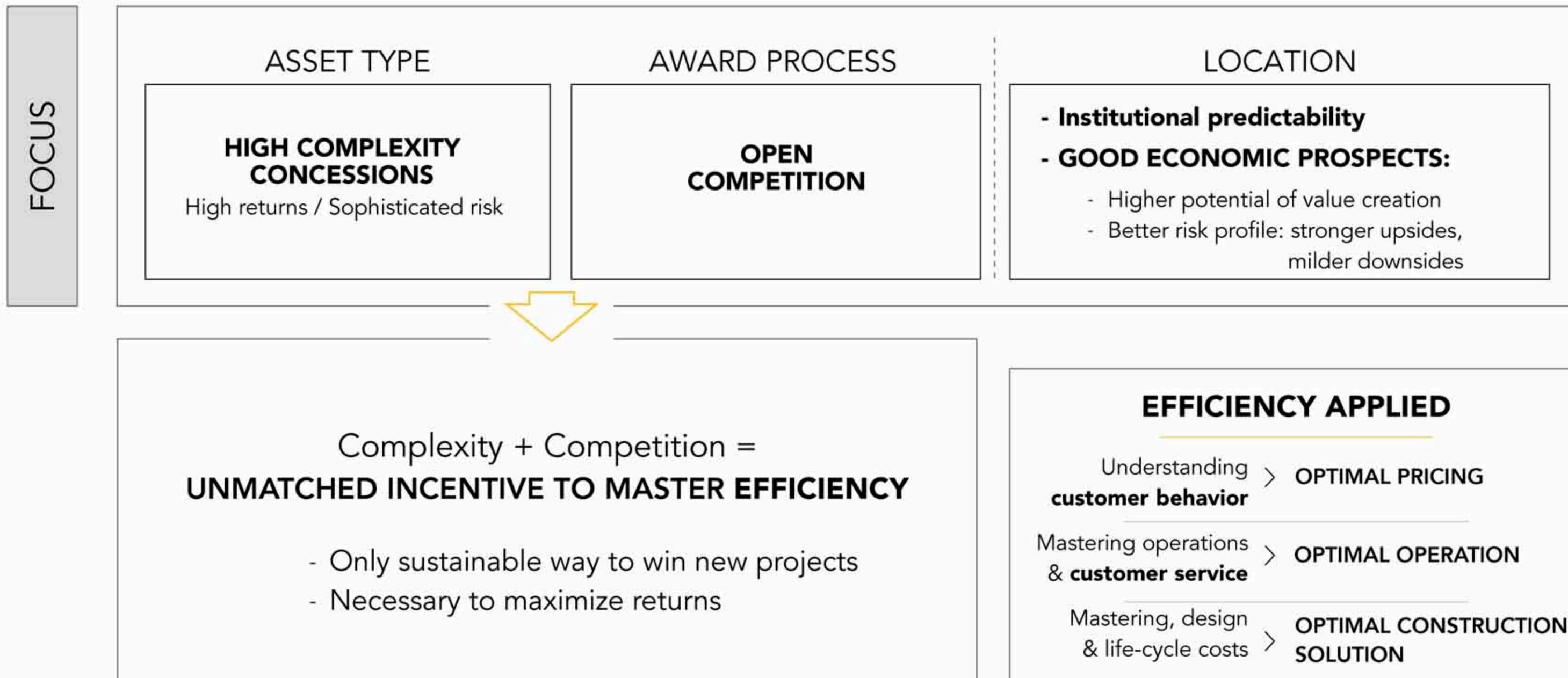




4 | CINTRA'S DISTINCTIVE APPROACH TO BUSINESS

4. CINTRA'S DISTINCTIVE APPROACH TO BUSINESS

EFFICIENCY, PIONEERING AND ITS REWARDS



4. CINTRA'S DISTINCTIVE APPROACH TO BUSINESS (cont.)

EFFICIENCY, PIONEERING AND ITS REWARDS

REWARDS FOR EFFICIENCY

HCC

Larger room for EFFICIENCIES



Larger REWARDS



Stronger INCENTIVES

Existing assets > MAXIMUM PROFITABILITY

New business > COMPETITIVE ADVANTAGES

REWARD FOR PIONEERING NEW
PROJETS: PIONEERING PREMIUM

THE SCARCITY FACTOR

- Bidding activity: **QUANTITATIVE** nature
 - VALUATION: vast array of **PARAMETERS**
- Knowledge: Only from **EXPERIENCE**
 - Need to actually operate HCC
- Cintra operates most of the existing HCC



EFFICIENCY GAP

(VS OPERATORS)

- **SIGNIFICANT COMPETITIVE ADVANTAGES**
- **LIKELY TO REMAIN FOR SEVERAL YEARS**



PIONEER PREMIUM

- **BIDDING SUCCESS**
- **PROFITABILITY PREMIUM in the new business**

5 | A BRIEF QUANTITATIVE APPROACH TO CINTRA'S UNTAPPED VALUE



5. A BRIEF QUANTITATIVE APPROACH TO CINTRA'S UNTAPPED VALUE

407 ETR

MANAGED
LANES

AT PRESENT		UPSIDE (2026)	
Original equity	€309M		
Dividends paid <small>(2000-2016)</small>	6x	Dividends paid <small>(2016-2026)</small>	10x
Value¹ <small>(Consensus)</small>	25x	Estimated Value <small>(1.6x Value at Present)</small>	42x
Impact on Ferrovial share price²	10.5 €/share	Impact on Ferrovial share price²	+7 €/share
		UPSIDE ³ (After 10y of operations)	
Original equity	€1,480 M		
Dividends paid	1.5x	Dividends paid	1.5x
Estimated Value	5.5x	Estimated Value	5.5x
Impact on Ferrovial share price	11 €/share	Impact on Ferrovial share price	11 €/share

¹ Make consensus as of Dec. 2016

² Value / Fer. number os shares as of 31.12.16 (732.5M)

³ Construction Completion date of each concession is different. Therefore year 10 of operation concession of each concession is also different.

Sources: Cintra Infraestructures, S.E



6 | TODAY'S SPEAKERS & AGENDA

6. TODAY'S SPEAKERS & AGENDA

Enrique Díaz-Rato
CEO

Nicolás Rubio
Head of Operations
(Formerly Head of USA)

Francisco Clemente
CFO

José Ángel Tamariz
Head of Europe & Others
(Formerly Head of Canada)

Carlos Ugarte
Head of Business
Development

Andrés Sacristán
Head of Canada (Formerly
Head of Europe & Others)

Carlos Ramírez
Head of Financial Analysis

Belén Marcos
Head of USA
(Formerly NTE & LBJ
CEO)

Ricardo Sánchez
VP of Operations
North America



AGENDA

MODULE 1	INTRODUCTION & BUSINESS MODEL
9.00	WELCOME Ernesto López Mozo
9.05	CINTRA, A UNIQUE INVESTMENT OPPORTUNITY Enrique Díaz-Rato
9.35	BUSINESS MODEL Carlos Ramírez
9.50	PREMIUM OPERATOR Nicolás Rubio Ricardo Sánchez Andrés Sacristán Francisco Clemente
10.35	COFFEE BREAK

MODULE 2	CURRENT PORTFOLIO
11.00	407 ETR Jose Ángel Tamariz Ricardo Sánchez Andrés Sacristán Carlos Ramírez
11.30	MANAGED LANES Belén Marcos Carlos Ramírez
11.55	LESSONS LEARNED Nicolás Rubio
12.05	CINTRA'S PORTFOLIO: PAST PERFORMANCE & FUTURE EXPECTATIONS Carlos Ramírez
12.15	LUNCH
12.55	KEYNOTE ADDRESS Robert Poole

MODULE 3	CINTRA'S FUTURE
13.15	FUTURE GROWTH Carlos Ugarte
13.40	BIG DATA: SOURCE OF NEW COMPETITIVE ADVANTAGES Nicolás Rubio Ricardo Sánchez
13.50	CHALLENGES & OPPORTUNITIES Nicolás Rubio Ricardo Sánchez Francisco Clemente
14.15	CINTRA'S VALUATION MODEL Carlos Ramírez
14.20	COFFEE BREAK
14.35	WRAP-UP Enrique Díaz-Rato
14.40	Q&A SESSION
15.20	FINAL REMARKS BY FERROVIAL CEO Íñigo Meirás
16.00	RECEPTION



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CINTRA'S BUSINESS MODEL

CARLOS RAMÍREZ

INDEX

CINTRA'S BUSINESS MODEL

- 1 - How does the highway concession business create value for shareholders?
- 2 - Different concession models
- 3 - Cintra's portfolio: very high value potential



1 | HOW DOES THE HIGHWAY CONCESSION BUSINESS CREATE VALUE FOR SHAREHOLDERS?

1. HOW DOES THE HIGHWAY CONCESSION BUSINESS CREATE VALUE FOR SHAREHOLDERS?

A **Highway Concession**: a contractually defined set of rights and obligations with regards to vehicles moving in a certain route during a period of time

- **Basic Rights:** collect tolls (or other payments)
- **Basic Obligations:**
 - Design and build the highway (construction phase)
 - Ensure safe trips (operation phase): design, build, finance, operate and maintain

Financially: string of cash flows that reflect annual monetary value of contractual rights net of obligations

- Price paid for these cash flows at the initial moment is determined by the bidding IRR and their expected values
- The premium (over the RFR) of this IRR reflects the risks of the project undertaken by the sponsors
- If the concession is tendered under perfect competition, price paid equals value acquired: no value is created nor destroyed at this specific moment

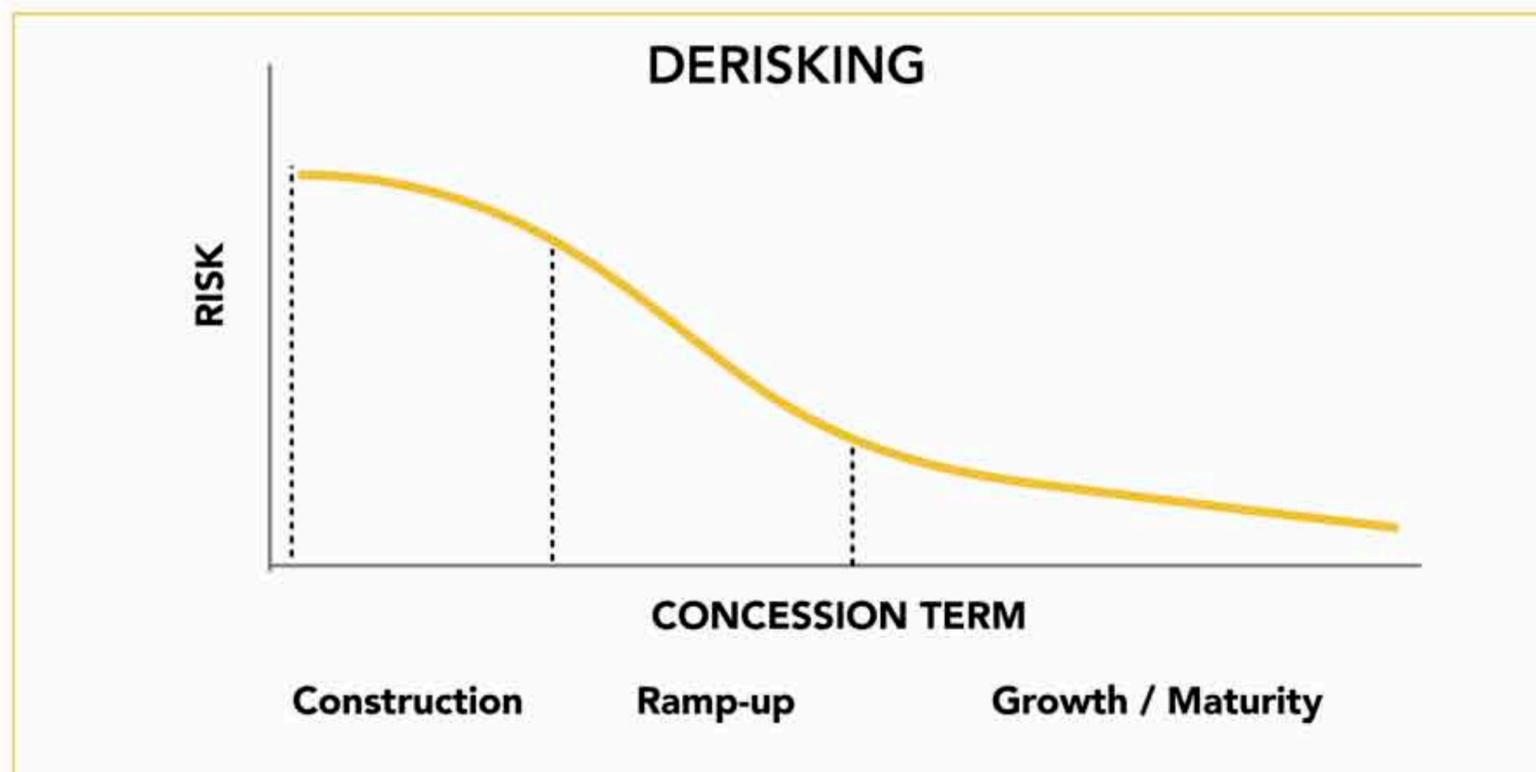
THEN... WHAT HAVE WE CREATED?

A **potential value** that sponsors will progressively crystallize in the **future**

1. HOW DOES THE HIGHWAY CONCESSION BUSINESS CREATES VALUE FOR SHAREHOLDERS?

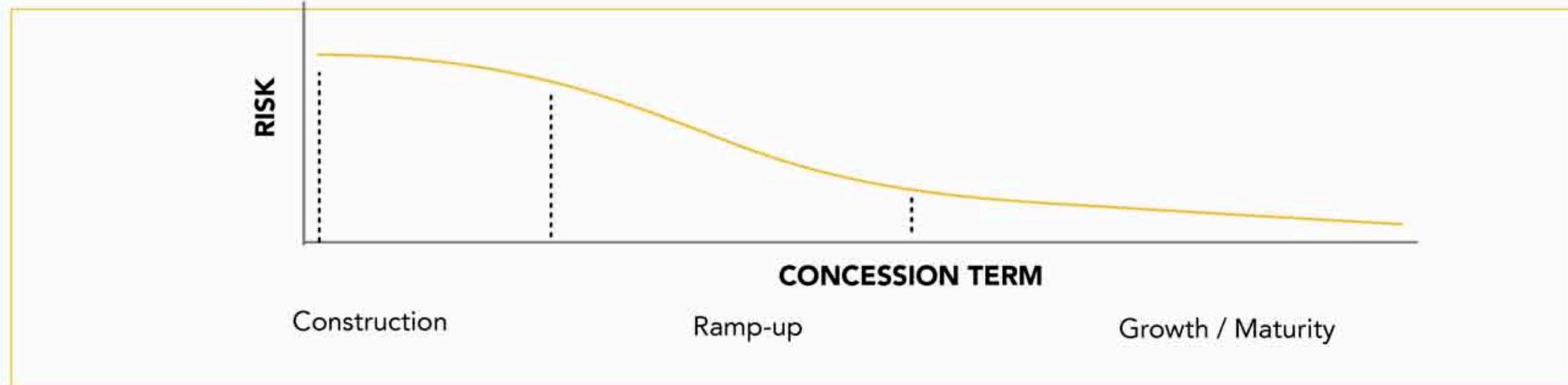
HOW DO SPONSORS CREATE VALUE?

- **THE NORMAL WAY: meeting expected cash flows as we put risks behind**, that is, DE-RISKING or reducing the market discount rate of the business as projects mature
- **AN IMPORTANT "NICE TO HAVE": cash flow outperforming original expectations**
 - Main objective of an operator: managing the asset to maximize cash flows: that is optimizing the asset through Premium Operation
 - This is, not the primary source of value for shareholders in concessions won under competition



1. HOW DOES THE HIGHWAY CONCESSION BUSINESS CREATES VALUE FOR SHAREHOLDERS?

HOW DO SPONSORS CREATE VALUE?



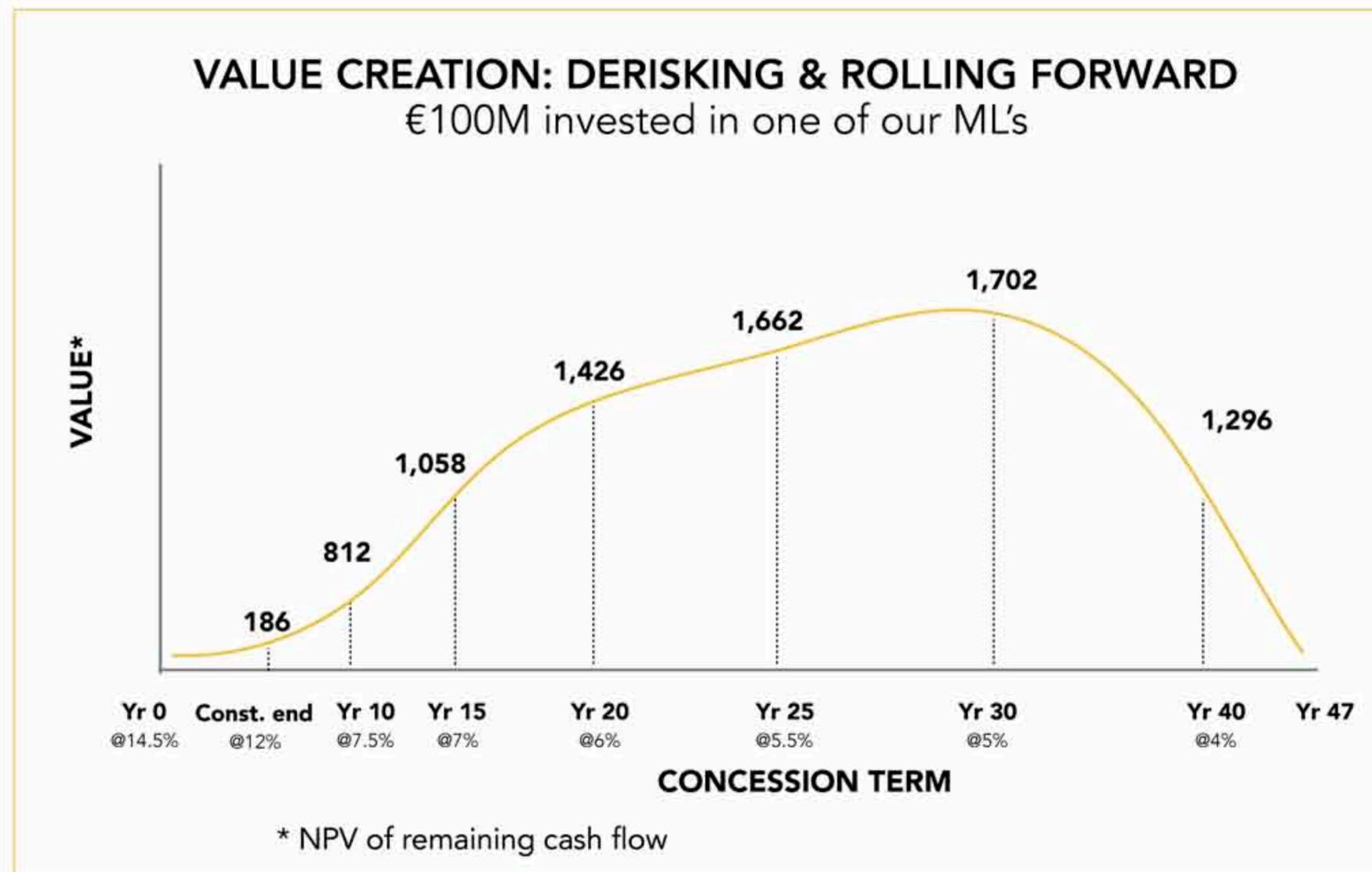
	Construction	Ramp-up	Growth / Maturity
Risks	<p>Design & Construction Cost environmental, RoW</p> <p>Traffic / Revenue Initial traffic, ramp up, long term variations</p> <p>Financial Closing Operation Maintenance Interest Rates</p>	<p>-</p> <p>-</p> <p>Traffic / Revenue Ramp up, long term variations</p> <p>Refinancing Operation Maintenance Interest Rates</p>	<p>-</p> <p>-</p> <p>Traffic / Revenue Long term variations</p> <p>-</p> <p>Operation Maintenance -</p>
Disc. Rate	10% - 15%	8% - 13%	4% - 8%



1. HOW DOES THE HIGHWAY CONCESSION BUSINESS CREATES VALUE FOR SHAREHOLDERS?

HOW DO SPONSORS CREATE VALUE?

- **THE ROLLING FORWARD EFFECT:** progressive increase of value as we get closer to back ended cash flows

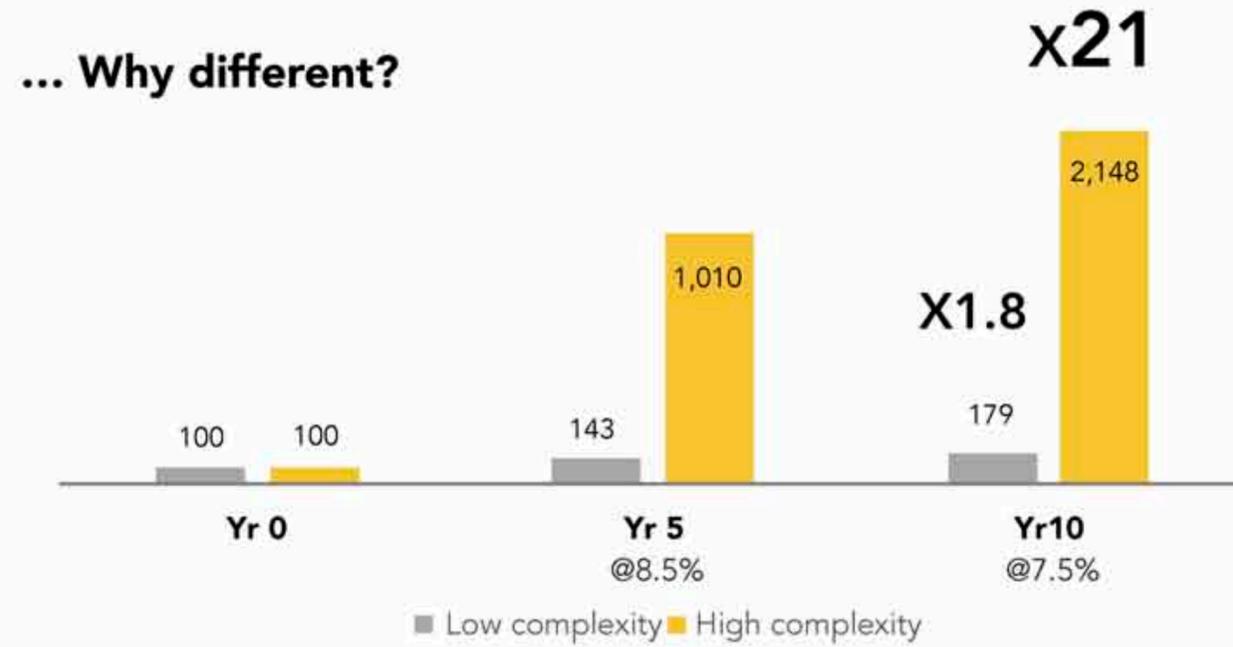
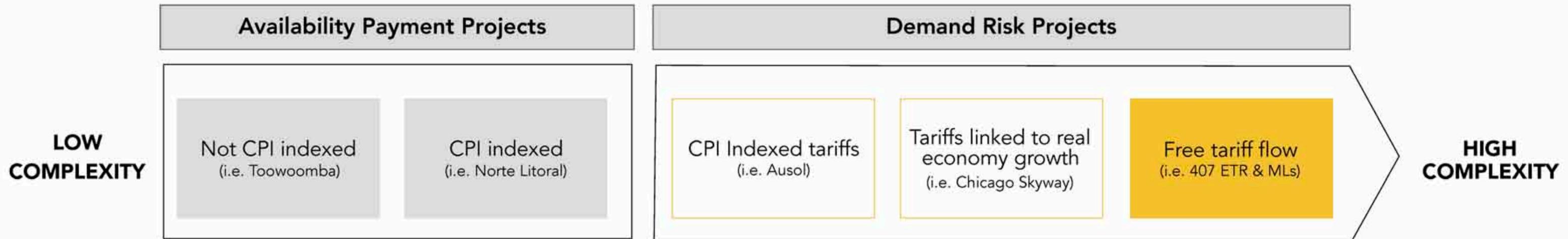




2 | DIFFERENT CONCESSION MODELS

2. DIFFERENT CONCESSION MODELS

FROM VALUE STANDPOINT VERY DIFFERENT “animals” fall within the category of “Highway Concessions”



IN ONLY 10 YEARS, IF EXPECTED CF'S ARE MET, €100M OF EQUITY:

- Low Complexity Concessions > Value: 1.8 x Equity > 0.24€ / Fer. Sh¹
- High Complexity Concessions > Value: 21.5x Equity > 2.93€ / Fer. Sh¹

¹ Ferrovial price per share impact: value generated / Ferrovial number of shares as of 31.12.16 (732.5M)

Sources: Cintra Infraestructures, S.E. analysis

2. DIFFERENT CONCESSION MODELS

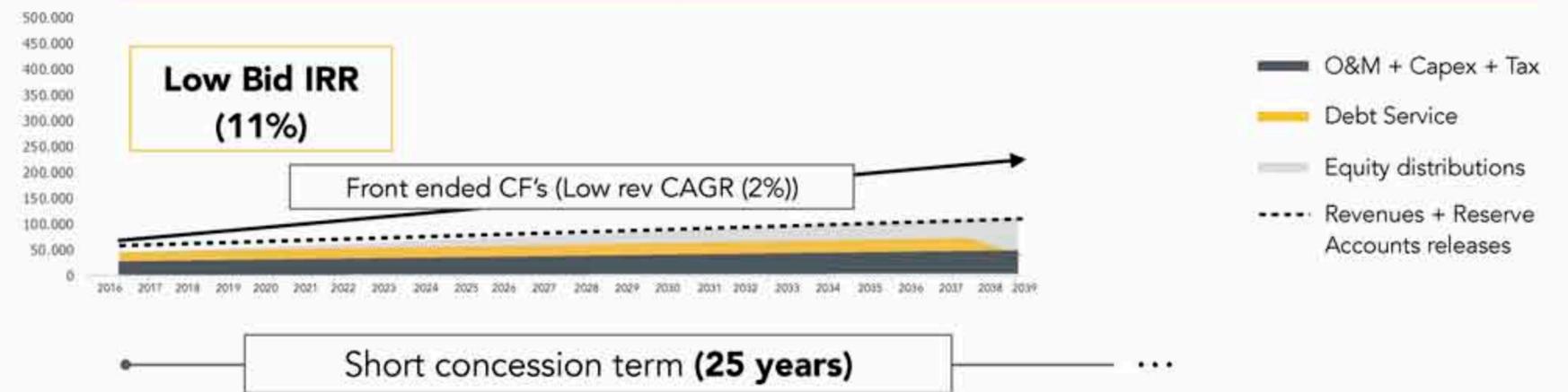
... WHAT MAKES THE DIFFERENCE?

- ✓ **THE BID IRR:** the higher the Bid IRR, the larger the room to reduce the rate of discount
- ✓ **THE CONCESSION TERM:** the longer the term, the higher the value produced by late cash flows with almost no value at present
- ✓ **THE CASH FLOW STREAM PROFILE:** the more back ended, the higher the value produced by late very high cash flows with almost no value at present

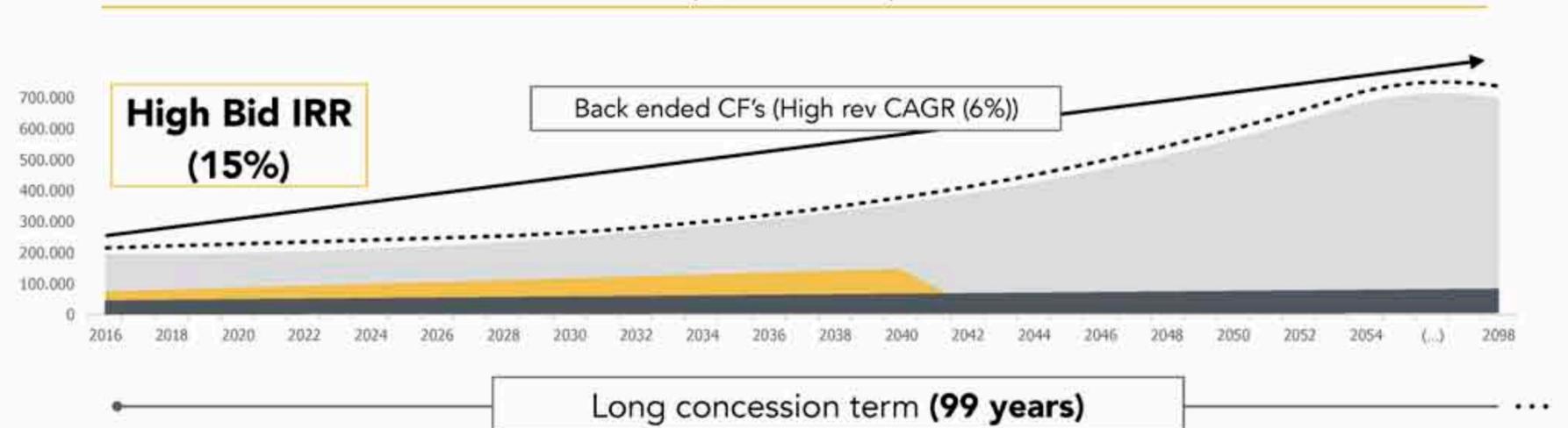
... WHAT MAKES THE CF STREAM PROFILE MORE BACK ENDED?

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Higher traffic growths 2. Higher tariff growths | <ul style="list-style-type: none"> - better regional economic growth rates - lower relative size of toll road vs free alternative - higher willingness to pay (increased with congestion levels and disposable income) |
|---|---|

LOW COMPLEXITY CONCESSION AVAILABILITY PAYMENT CPI INDEXED



HIGH COMPLEXITY CONCESSION (407 ETR TYPE)



2. DIFFERENT CONCESSION MODELS

HIGH COMPLEXITY vs LOW COMPLEXITY CONCESSIONS

HOW DOES EACH FACTOR IMPACT VALUE CREATION?

	Equity Invested	BID IRR	Value Generated Year 10 ⁽¹⁾	Ferrovial Price per Share Impact ⁽²⁾	
- THE BID IRR	11% Bid IRR Concession	€100M	11%	€639M	€0.87
	15% Bid IRR Concession	€100M	15%	€2,048M	€2.80
- THE CONCESSION TERM	25 Year Concession term	€100M	15%	€292M	€0.40
	100 Year Concession term	€100M	15%	€2,048M	€2.80
- THE CASH FLOW STREAM PROFILE	Revenue CAGR 2%	€100M	15%	€288M	€0.39
	Revenue CAGR 6%	€100M	15%	€2,048M	€2.80

BONUS: High value resilience to revenue variance

Even with revenues 20% lower than expected: High Complexity Project will still increase its value at the end of year 10 **€1,5** (vs. 2B) or **€2** per Ferrovial Share² (vs. 2.8B)

(1) Value generated: present value of CF discounted at Ke = 7.5%

(2) Ferrovial price per share impact: value generated / Ferrovial number of shares as of 31.12.16 (732.5M)

Sources: Cintra Infrastructures, S.E. analysis



3 | CINTRA PORTFOLIO:
VERY HIGH VALUE POTENTIAL

3. CINTRA PORTFOLIO: VERY HIGH VALUE POTENTIAL

	Cintra Portfolio	Consensus valuation ⁽¹⁾ (€M)	Equity committed (€M)	Remaining Concession Term (years)	Estimated Revenue CAGR
High complexity projects	407 ETR	7,723 / 81%	309 / 13%	82	3.9%
	USA ML's	1,260 / 13%	1,480 / 61%	44 - 52	6% - 8%
Middle + Low Complexity projects	O.D.R.P ⁽²⁾	456 / 5%	482 / 20%	13 - 38	4% - 6%
	Avail. Payments	120 / 1%	152 / 6%	20 - 33	1% - 4%
	TOTAL	9,560	2,423		

MOST of Cintra portfolio FOCUSED on High Complexity Concessions:

- In terms of **Equity Value:** > **94%**
- In terms of **Equity Committed:** > **74%**

VERY HIGH UPSIDE OF UNTAPPED VALUE: long remaining concession periods, back-ended CF's with high expected bid

- 407 ETR in **10 years** ⁽³⁾ > **1.6x** Value at Present > **+7 € / Fer. Sh**⁽⁴⁾
- ML's in **10 years** ⁽³⁾ > **5.5x** Equity Committed > **11 € / Fer. Sh**⁽⁴⁾

(1) Market consensus as of Dec. 2016

(2) Other Demand Risk Projects

(3) After 10 years of operation, if currently expected CF's are met

(4) Ferrovial price per share impact: value generated / Ferrovial number of shares as of 31.12.16 (732.5M)

Sources: Cintra Infraestructures, S.E.



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PREMIUM OPERATOR

NICOLÁS RUBIO - RICARDO SÁNCHEZ -
ANDRÉS SACRISTÁN - FRANCISCO CLEMENTE

INDEX

PREMIUM OPERATOR

1. Generating value within the contractual framework
 - Operational cash-flows
2. Generating value when facing situations beyond contractual framework
 - Renegotiations
3. Optimizing financial Cash-Flows
 - Financial structure
4. When and how to divest before project maturity
 - Asset rotation

1 | GENERATING VALUE WITHIN THE CONTRACTUAL FRAMEWORK



PREMIUM OPERATOR - BACKGROUND

TWO KEY CAPABILITIES DEFINE A "PREMIUM" OPERATOR

- **Extracting the highest possible value** out of the project portfolio
- **Developing competitive advantages** for future bids

WHY IS THIS RELEVANT FOR CINTRA?

- Our **focus asset types are sophisticated**
 - Operating strategies have a wider impact value-wise in high complexity concessions
- **Open competition** is the rule in our business environment
 - Need to outmatch competitors without giving up return
 - Need to continuously develop competitive advantages

PREMIUM OPERATOR SKILLS ARE NOT COMMODITIES: **CINTRA'S DIFFERENTIAL ADVANTAGE**

- ✓ Being a premium operator requires **quantitative knowledge** accumulated over time
- ✓ That can only be extracted from actual **project experience**
- ✓ The array of **opportunities to learn** is small
- ✓ Learning requires scarce **skills** and efficiency-driven **incentives**

CINTRA'S THREE CRUCIAL MANAGEMENT LEVELS

SOURCE OF COMPETITIVE ADVANTAGES

- TO EXTRACT THE HIGHEST POSSIBLE VALUE OUT OF THE PROJECT PORTFOLIO
- TO OUTMATCH COMPETITORS IN NEW BIDS WITHOUT GIVING UP RETURN

- ✓ **Ability to generate** more revenues out of a given **set of rights**
- ✓ **Ability to comply** with a given **set of obligations** at a lower cost
- ✓ **Efficient relationship** with a skillful and reliable contractor: Ferrovial Agroman

**EXCEEDING
CUSTOMER
EXPECTATIONS**



FIRST MANAGEMENT LEVER
ABILITY TO GENERATE MORE REVENUES OUT OF
A GIVEN SET OF RIGHTS

FIRST MANAGEMENT LEVER

ABILITY TO GENERATE MORE REVENUES OUT OF A GIVEN SET OF RIGHTS

BASED ON **FUNDAMENTAL INSIGHTS** THAT CAN ONLY BE OBTAINED BY **MANAGING UNIQUE ASSETS & HAVING POWERFUL INCENTIVES TO DO SO**

SPECIFIC EXAMPLES:

1 HOW DESIGN INFLUENCES TOLL ROAD USAGE

- Ramp design

2 TOLL ROAD USE WHEN TIME-SAVING IS NOT THE DRIVER

- Off-peak capture rate

3 USER REACTION TO TOLL RATE INCREASE

- Revealed vs. stated willingness to pay

4 PRICE DISCRIMINATION BETWEEN VEHICLE CLASS

- Small & heavy truck behavior

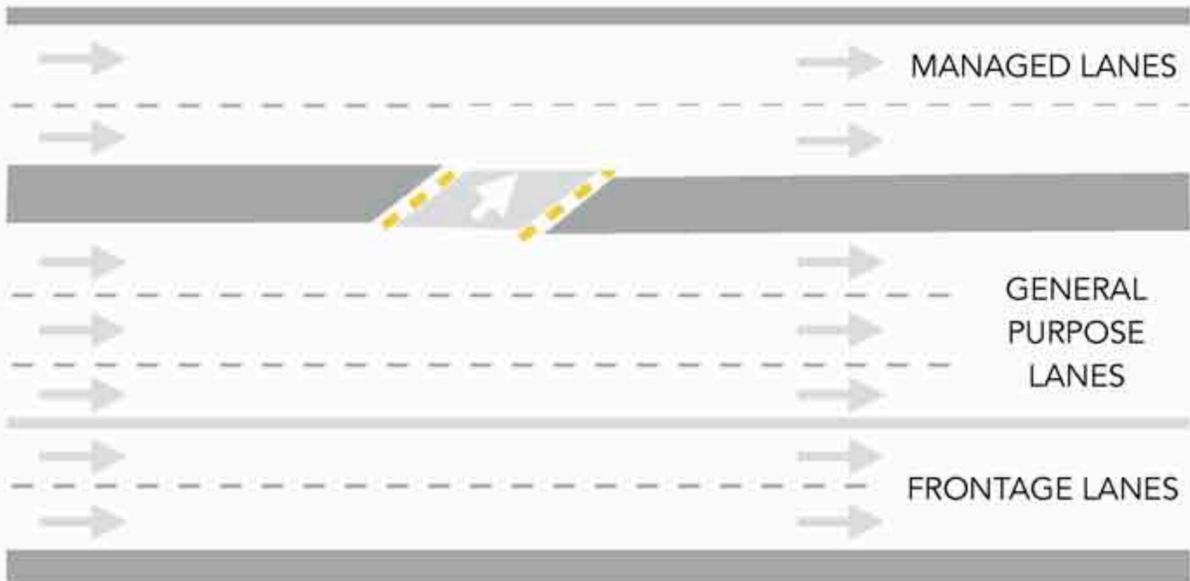
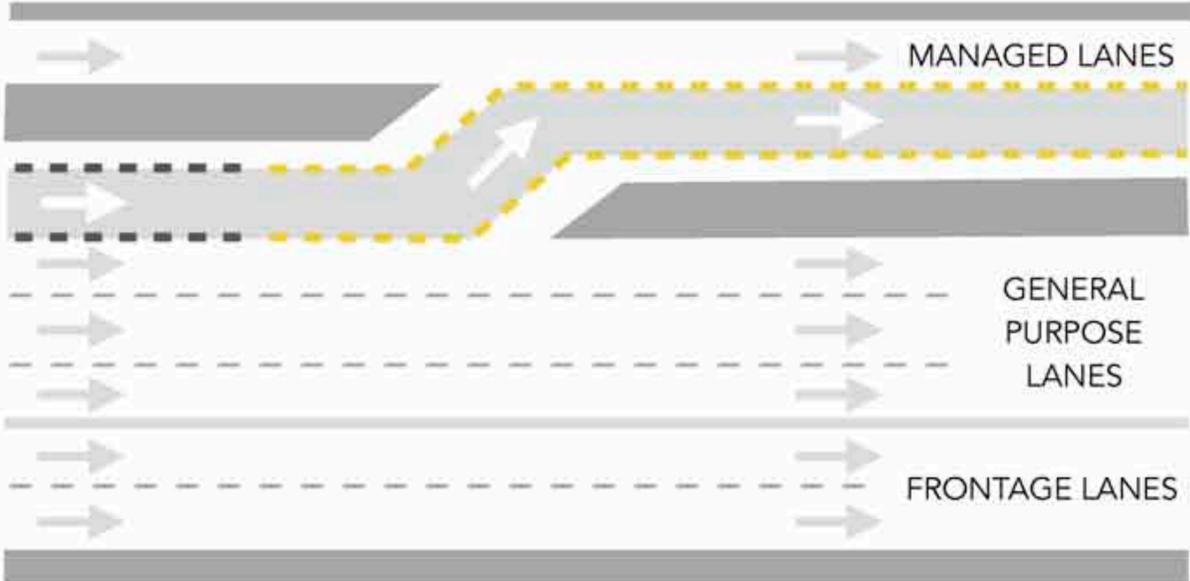
5 EXPANDING THE CUSTOMER MARKET

- In-scope traffic optimization

HOW DESIGN INFLUENCES USAGE

RAMP DESIGN

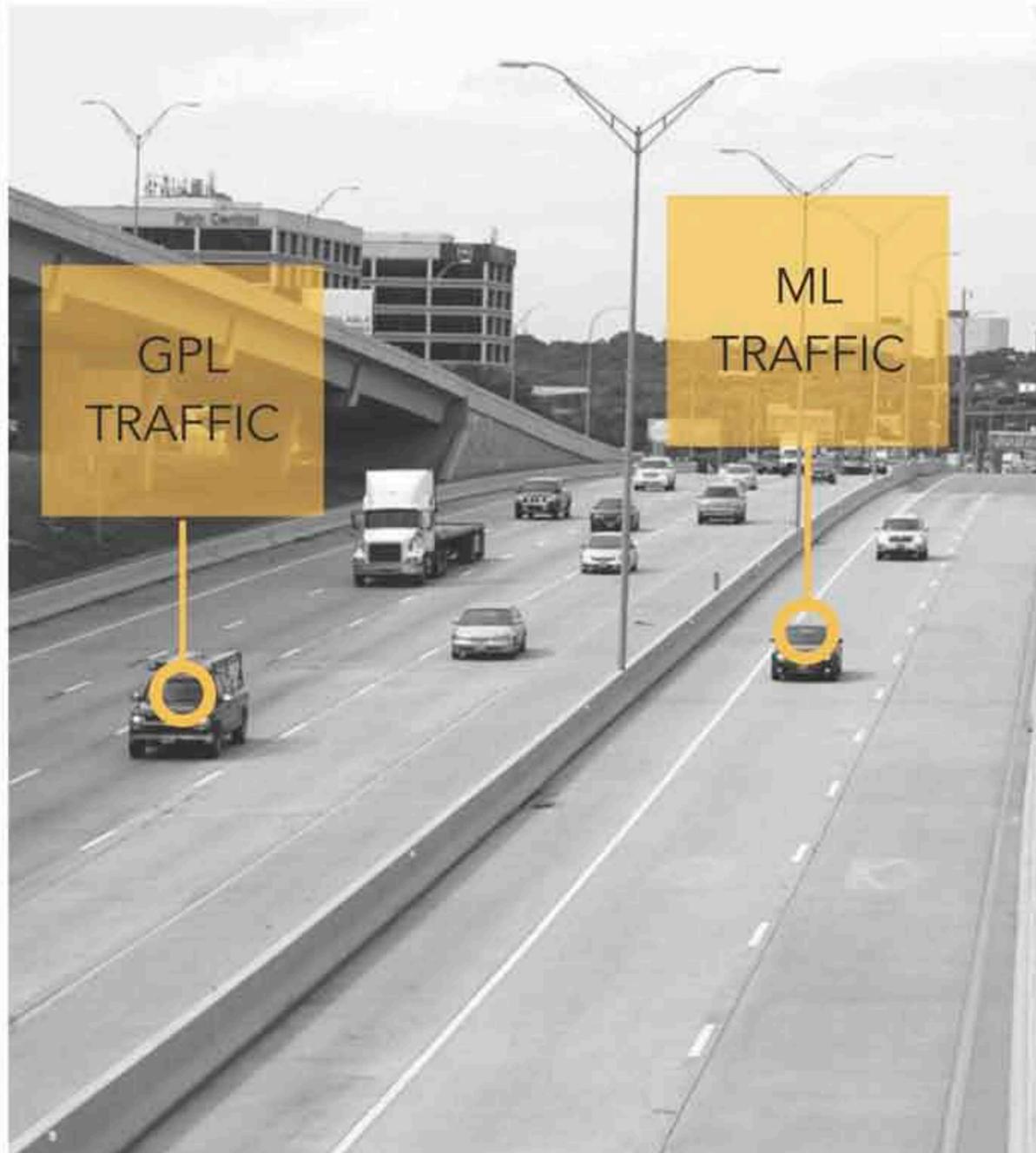
ACCESS TO MANAGED LANES: WITH A DEDICATED LANE OR WITH A SLIP RAMP?



MODELS DO NOT DISCRIMINATE BETWEEN RAMP DESIGN OPTIONS
DRIVERS DO
MANAGED LANE CAPTURE RATE CAN BE VERY DIFFERENT

TOLL ROAD USE WHEN TIME-SAVING IS NOT THE DRIVING FACTOR

OFF-PEAK CAPTURE RATE



TRAFFIC MODELS ARE BASED ON TRAVEL TIME SAVINGS AND VALUE OF TIME

MODELS DO NOT EVEN ATTEMPT TO ESTIMATE OFF-PEAK CAPTURE RATES

- **Real-life experience** is **the only way** to properly quantify off-peak capture...
- Identifying **key conditions** that influence driver behavior and quantifying their **impacts**: weather, special events, singular days, etc



USER REACTION TO TOLL RATE INCREASE: WILLINGNESS TO PAY

- "WILLINGNESS TO PAY": CUSTOMERS' PERCEPTION OF THE BENEFIT OF USING ROAD
- USUALLY "GUESSTIMATED" THROUGH OPINION SURVEYS (STATED PREFERENCES)
- ACCURATE VALUES CAN ONLY BE OBTAINED FROM REAL-LIFE EXAMPLES (REVEALED PREFERENCES)

<p>OPTION 1</p> <p> TRAVEL TIME 20 MINUTES</p> <p> TOLL 0\$</p>	<p>OPTION 2</p> <p> TRAVEL TIME 10 MINUTES</p> <p> TOLL 2\$</p>	<p>WHICH OPTION WILL YOU SELECT?</p> <p><input type="checkbox"/> OPTION 1</p> <p><input checked="" type="checkbox"/> OPTION 2</p>
--	--	--

OBSERVED WILLINGNESS TO PAY IS **SIGNIFICANTLY** DIFFERENT
THAN STATED BY USERS IN SURVEYS

PRICE DISCRIMINATION BETWEEN VEHICLE CLASS

SMALL & HEAVY TRUCK BEHAVIOR

SMALL TRUCKS USE
& PRICE PATTERNS

HEAVY TRUCKS
CAPTURE RATE

SMALL TRUCKS USE
& PRICE PATTERNS

WIDE VARIATION IN USE PATTERNS BETWEEN CARS, SMALL AND HEAVY TRUCKS
HIGHLY INACCURATE PREDICTION BY MODELS
OBSERVED BEHAVIOR IN MANAGED LANES **VERY DIFFERENT THAN EXPECTED**

EXPANDING THE UNIVERSE OF POTENTIAL CUSTOMERS

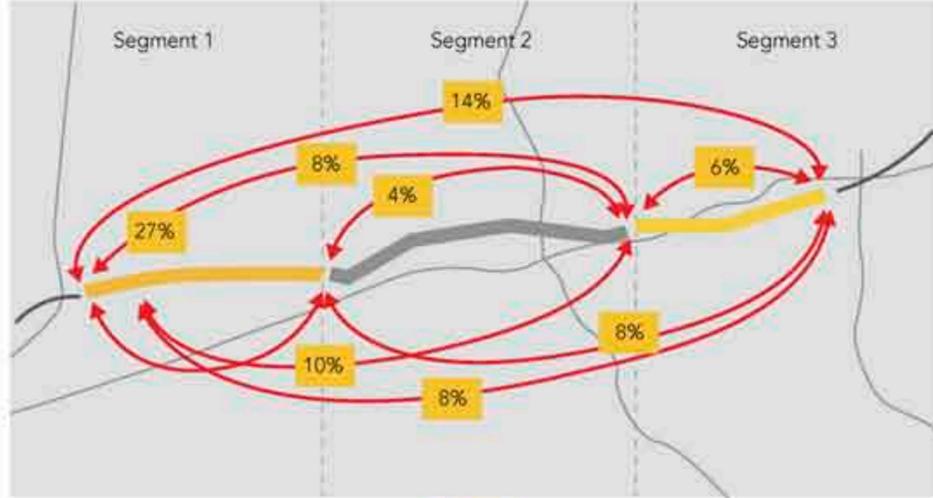
IN-SCOPE TRAFFIC OPTIMIZATION

IN-SCOPE TRAFFIC: PORTION OF CORRIDOR TRAFFIC FOR WHICH THE TOLL ROAD IS A SUITABLE OPTION

- Objective: **maximize in-scope traffic** by optimizing project connectivity
- New **Big Data technologies** provide accurate estimates of trips by origin and destination

- A 3 STEP APPROACH:

- Calculate proportion of in-scope trips based on initial project configuration
- Determine trips that are not being served by current configuration
- Define additional project connectivity to expand in-scope customer market



CONNECTIVITY OPTIMIZATION IS A POWERFUL TOOL TO INCREASE PROJECT REVENUES, CUSTOMER SATISFACTION AND POLITICAL SUPPORT

Sources: Cintra Infraestructures, S.E.: example of a project not in Cintra portfolio. Values for indicative purposes only in a theoretical project.



SECOND MANAGEMENT LEVER
ABILITY TO COMPLY WITH A GIVEN SET OF
OBLIGATIONS AT A LOWER COST

GLOBAL MANAGEMENT MODEL ACROSS PORTFOLIO

ALWAYS IMPORTANT, BECOMES
KEY COMPETITIVE ADVANTAGE IN AVAILABILITY DEALS

1 LIFE-CYCLE DESIGN

- Optimal combination of initial Capex and long term Capex and Opex

2 HANDS-ON APPROACH

- Direct involvement in value-sensitive activities

3 BENCHMARKING BETWEEN ASSETS

- Defining, measuring and monitoring efficiency indicators
- Comparing between projects
- Identifying and spreading best practices

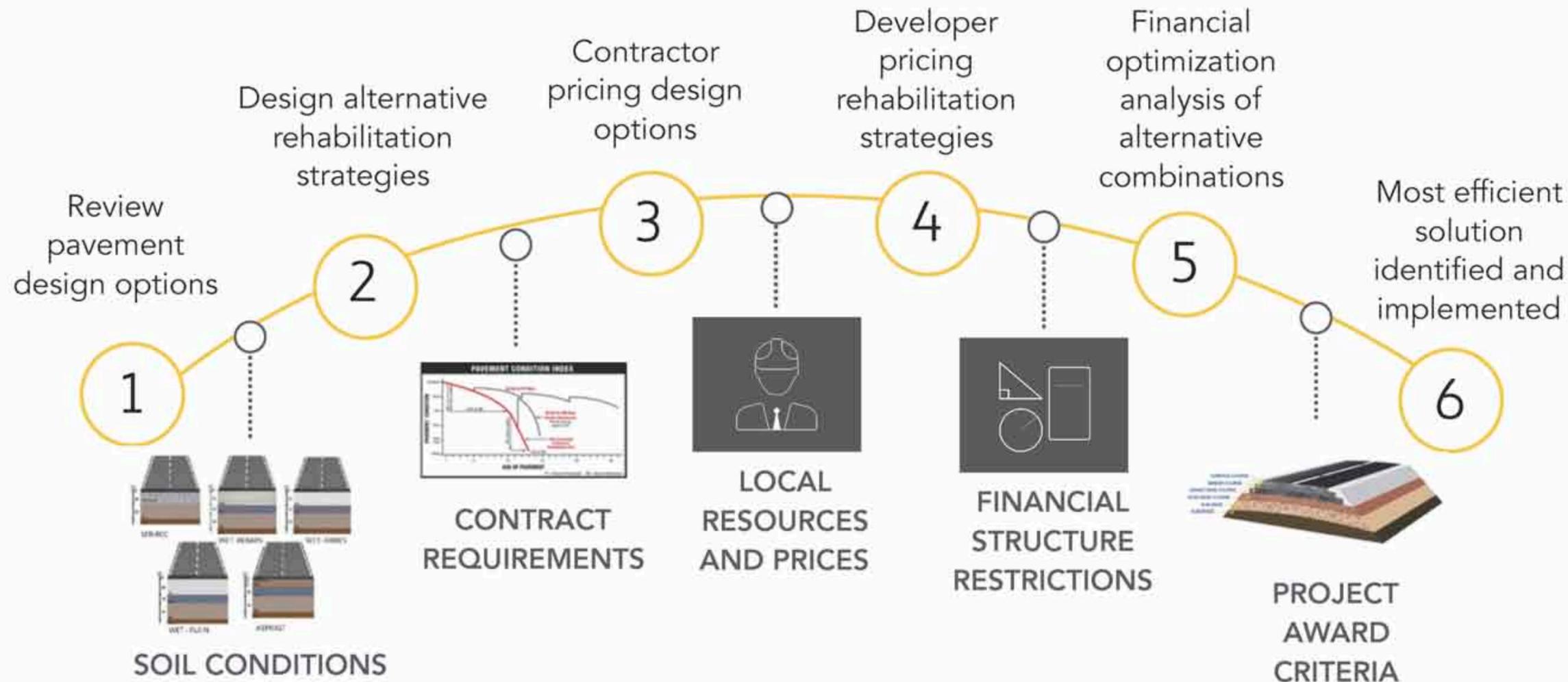
4 LEVERAGING INNOVATION

- New technologies, a key source of efficiencies



LIFE-CYCLE DESIGN: SEEKING THE MOST EFFICIENT LONG TERM SOLUTION

EXAMPLE: PAVEMENT STRATEGY AT BIDDING



CASE-IN-POINT: I-66 BID
PAVEMENT PROPOSED ALTERNATIVE TECHNICAL CONCEPT
\$50M LOWER CAPEX NPV



ULTIMATE OBJECTIVE: FULL & EFFICIENT USE OF RESOURCES

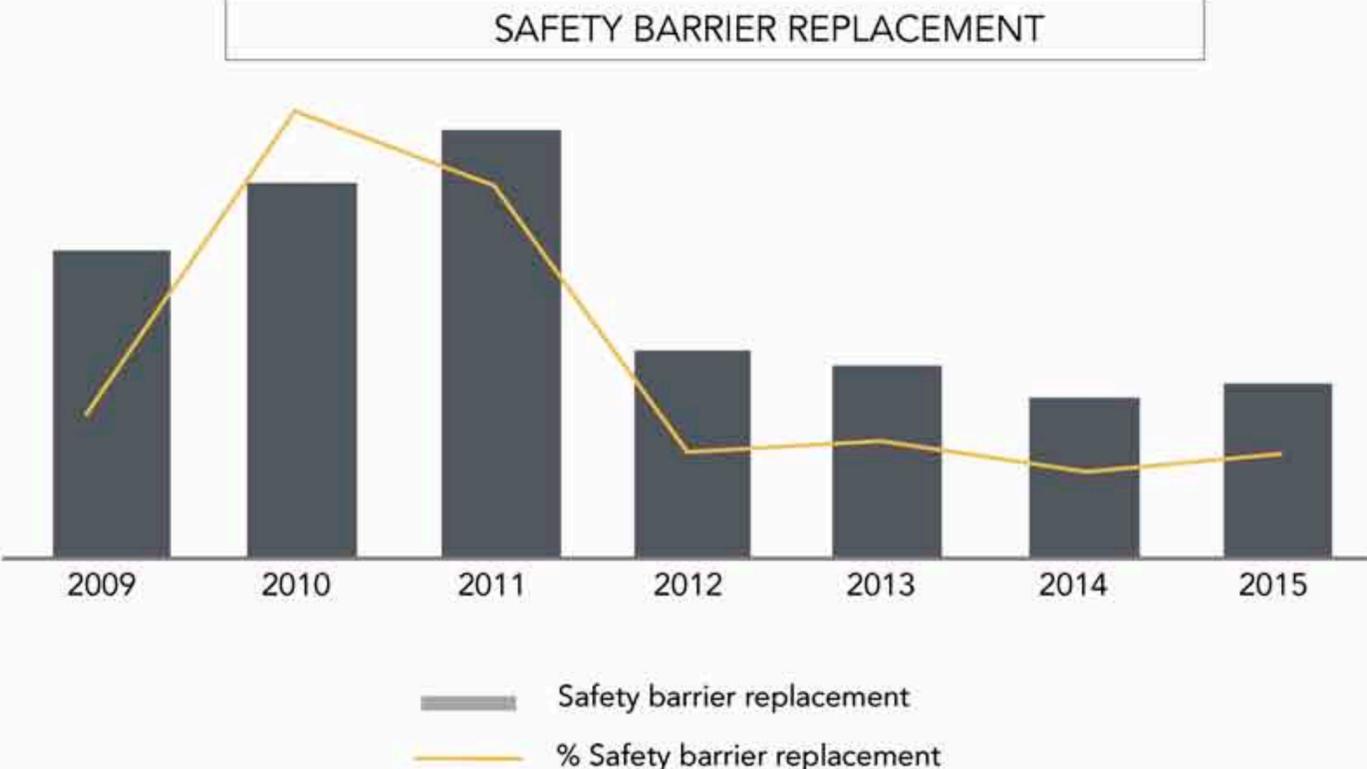
- **Key Performance Indicators (KPI)** measured and compared between assets
- **Periodic review** of project performance against **budget** and other assets
- **Best practices identified** and spread across portfolio
- Management incentivized by **internal competition** and **reward**

GETTING TO THE SMALLER DETAILS: 112 DIFFERENT KPIs TRACKED

BENCHMARKING BETWEEN ASSETS



COST IMPROVEMENT OVER TIME



Sources: Cintra Infrastructures, S.E.

CONTINUING COST IMPROVEMENT

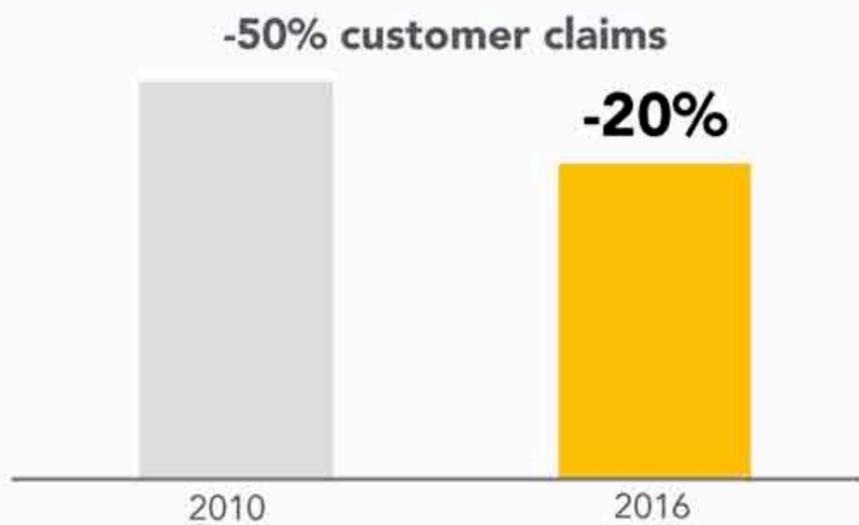
COLLECTION COST PER TRANSACTION
CINTRA'S EUROPEAN TOLL ROADS

BENCHMARKING POINTED TO INEFFICIENCIES THAT WERE ADDRESSED BY LEVERAGING INNOVATION

- Toll plaza IT in-house automation
- Promoting toll collectors to off-site toll controllers using remote devices
- Development of new payment options



COST / TRANSACTION

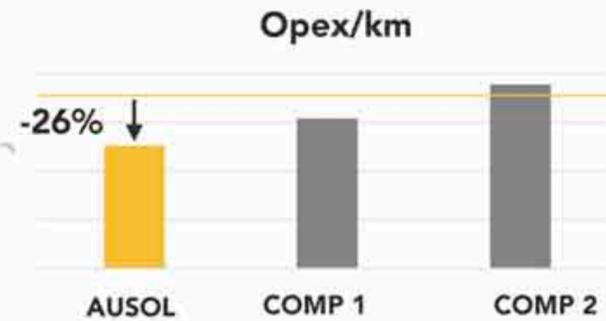


Sources: Cintra Infraestructures, S.E.

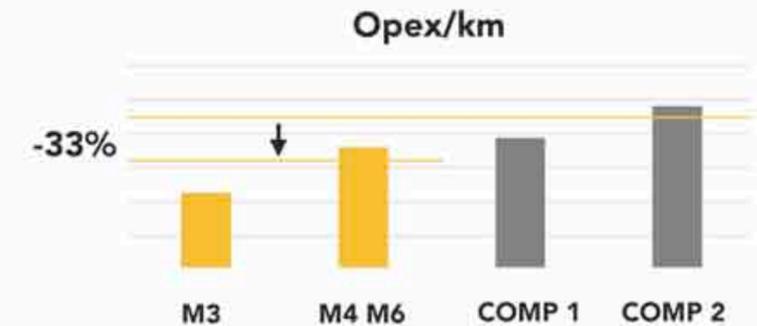
ACID TEST:

BENCHMARKING WITH OTHER OPERATORS

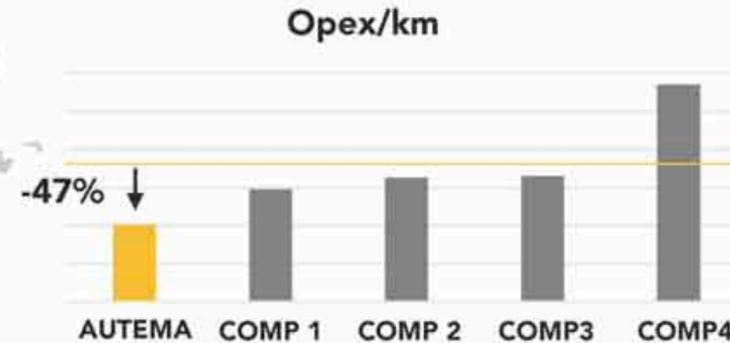
SPAIN: SOUTH



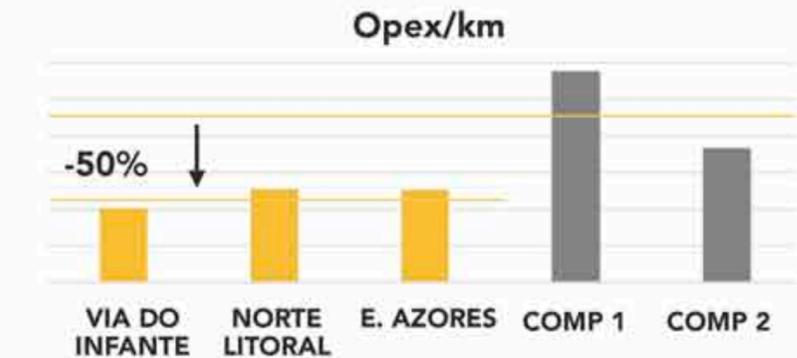
IRELAND



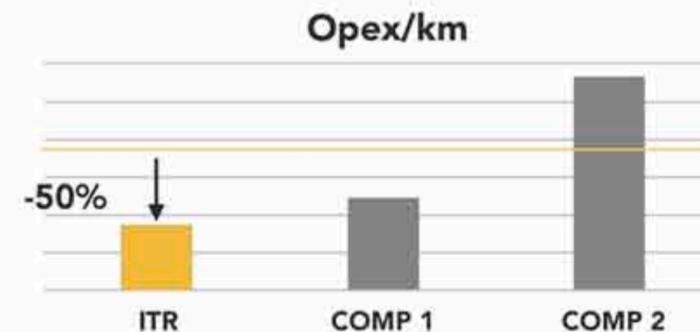
SPAIN: NORTH EAST



PORTUGAL



USA: MID-WEST



While ensuring 75% customer satisfaction:

- **71%** "safer than other highways"
- **75%** "better maintained than other highways"

Sources: 2015 Toll Roads annual Report, Ministerio de Fomento, Spain
 2015 Official financial results Irish and Portuguese highways
 2012 & 2013 Official financial results Pennsylvania and Ohio Turnpike
 Cintra Infraestructuras, S.E.



THIRD MANAGEMENT LEVEL
EFFICIENT RELATIONSHIP WITH A SKILLFUL
AND RELIABLE CONTRACTOR

THE POWER OF BEING ASSOCIATED WITH FERROVIAL AGROMAN

- ✓ DEVELOPER-CONTRACTOR COOPERATION IS KEY TO **SUCCESS IN GREENFIELDS**
- ✓ LONG TERM AND CLOSE RELATIONSHIP WITH **FERROVIAL AGROMAN** BRINGS:
 - Optimal the design and construction solution
 - Designing the most value-efficient combination of initial and long term Capex & Opex
 - Identifying, pricing and planning all possible revenue-enhancing initiatives
 - Efficient and effective risk allocation
 - Long term relationship is an incentive to avoid opportunistic behavior

CASE IN POINT: LBJ MANAGED LANES PROJECT

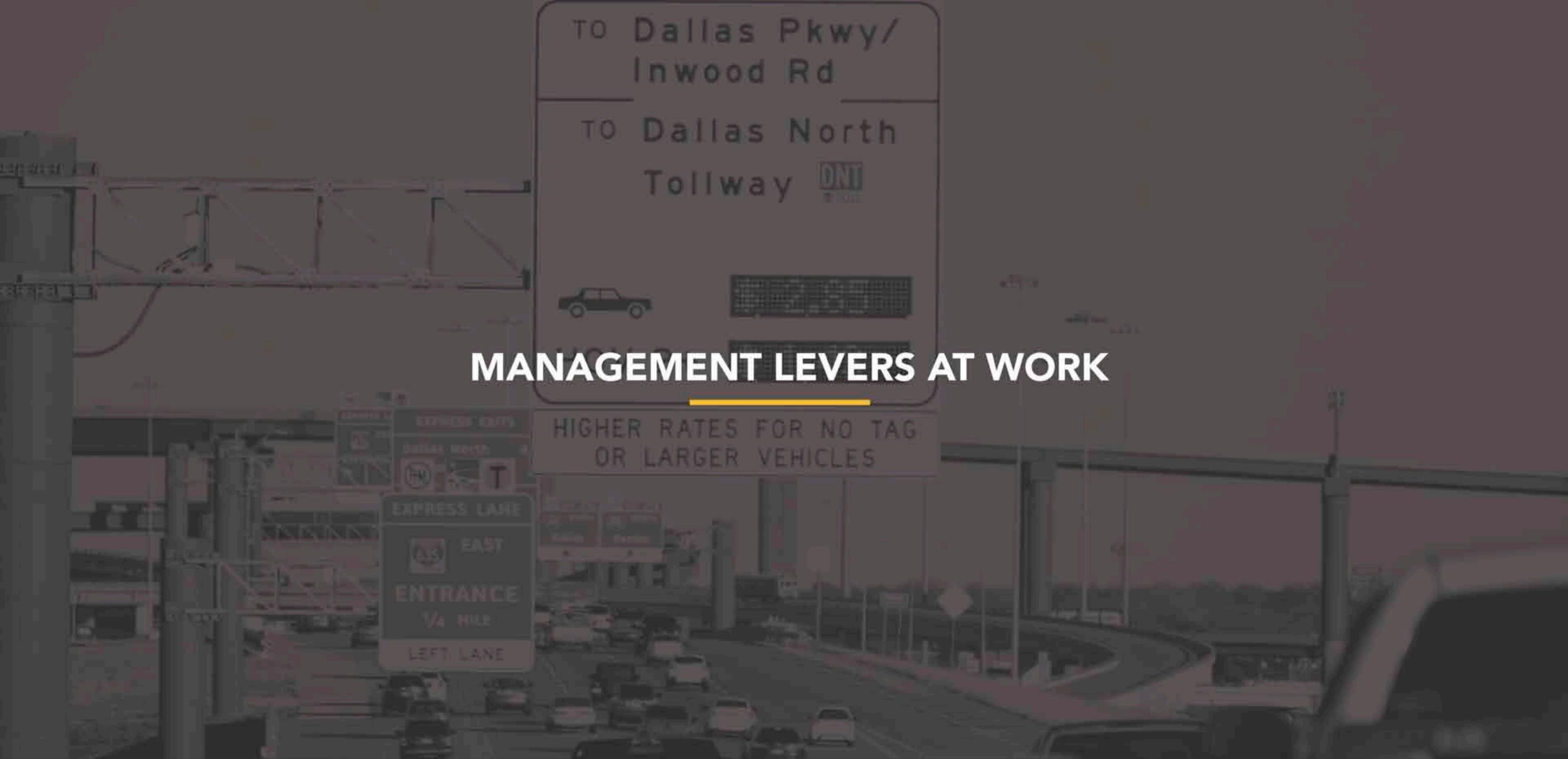
- More efficient design solution than competitor: **\$1B** lower Capex (**-30%**)
- Lower Opex, higher revenue: \$300 M NPV (**+12%**)

COMPETITOR SOLUTION



CINTRA-FERROVIAL AGROMAN SOLUTION





MANAGEMENT LEVERS AT WORK

HIGHER RATES FOR NO TAG
OR LARGER VEHICLES

THE I-66 MANAGED LANES PROCUREMENT CASE

✓ FIRST MANAGEMENT LEVER: GENERATING MORE REVENUE

- **Connectivity** improvements to maximize in-scope traffic
- **Toll rates** differentiation by vehicle class
- **Dynamic price** optimization
 - Combined impact: **+34%** revenue

✓ SECOND MANAGEMENT LEVER: OPERATING MORE EFFICIENTLY

- **Electronic toll** collection system shared with Texas and NC operations
 - Savings vs. commercially available systems: 7% of total Opex cost

✓ THIRD MANAGEMENT LEVER: EFFICIENT RELATIONSHIP WITH FERROVIAL AGROMAN

- Design & Construction cost **16%** lower than competitor

HIGHER COMPETITIVENESS FOR THE SAME (OR HIGHER) EXPECTED RETURN

- EXTRACTING MORE VALUE FROM THE SAME SET OF RIGHTS AND OBLIGATIONS



RENEGOTIATING CONTRACTS: A SUSTAINABLE APPROACH

ANDRÉS SACRISTÁN



1 | RENEGOTIATING CONTRACTS: A SUSTAINABLE APPROACH

RENEGOTIATING CONTRACTS: A SUSTAINABLE APPROACH

In the long term business arena the unexpected can occur and adapting to new circumstances is required. Contract renegotiation is an opportunity to create value

OLD FASHIONED NEGOTIATIONS SUCH AS EXCHANGING TERM EXTENSIONS FOR CAPEX ARE OVER:

- Incremental regulation on procurement practices
- The “public interest test” is under higher public scrutiny

CINTRA FOLLOWS THE ONLY SUSTAINABLE APPROACH IN THIS NEW ENVIRONMENT:

- Offering grantors unique win-win solutions passing the “public interest test”
- Two main sources of value creation in renegotiations:
 - Improving project risk profile
 - Cash-flow improvement



CASE STUDY: NORTE LITORAL & ALGARVE SCUTS (PORTUGAL)

<p>BACKGROUND</p>	<ul style="list-style-type: none"> - Both traffic risk shadow-tolls were performing well at project level - Country economic woes put P3 model at risk requiring fiscal adjustments
<p>GRANTOR'S WIN</p>	<p>PORTUGUESE STATE PURSUED TWO "PUBLIC INTEREST" GOALS</p> <ul style="list-style-type: none"> - Creating a revenue source: tolling the former shadow-tolled roads - Decreasing public expenditure in roads by 30% after Troika bail out
<p>CINTRA'S WIN</p>	<p>IMPROVING PROJECT RISK PROFILE:</p> <ul style="list-style-type: none"> - Removing traffic and CAPEX risk transfer to State - Lowering sovereign risk, ring-fencing toll revenues as collateral - All this while maintaining expected project IRR <p>IMPROVING CASH FLOWS:</p> <ul style="list-style-type: none"> - Improvement of cash yield allowing for advanced distributions - Market value recognition in the recent divestments - Creating a toll collection company to operate new free-flow toll schemes

**CASH YIELD
2015-20
+60%**

**VALUE
RECOGNITION
+42%**

CASE STUDY: CENTRAL GREECE & IONIAN ROADS PROJECTS

<p>BACKGROUND</p>	<ul style="list-style-type: none"> - Traffic-risk toll roads undergoing massive construction extensions, totaling €3.7B investment - 2008-10: State collapses, work stops, triggering multiple contract defaults and claims. Teams are demobilized
<p>GRANTOR'S WIN</p>	<ul style="list-style-type: none"> - After the second bail out Greek State declares "public interest" in re-starting the works
<p>CINTRA'S WIN</p>	<ul style="list-style-type: none"> - LOWERING PROJECT RISK PROFILE: <ul style="list-style-type: none"> - Reduction of Market Exposure from €165.3M (incl guarantees) to €63M (original equity) - Equity IRR potential downside mitigated by blended project cash flows and term extension - No further equity commitments by Cintra eliminating exposure to the Greek market - Reduced scope of works deferring €700M for future expansions - Blending of both project cash flow waterfalls, lowering new debt required to €1.2B - €1.1B of EU funds for construction ear-marked - IMPROVEMENT OF CASH FLOWS: <ul style="list-style-type: none"> - Better debt structure minimizing new debt and matching future cash flow profile. - Higher tariffs in accordance with highway value proposition to users

LESS EXPOSURE
-62%

LESS DEBT
€-1.2 B

CASE STUDY: FOUR TOLL ROAD CONCESSIONS IN CHILE

BACKGROUND	<ul style="list-style-type: none">- Cintra in the early 2000's was awarded several greenfield traffic risk projects- Asian crisis led to stagnation in the Chilean infra market and inability to deliver committed projects
GRANTOR'S WIN	<ul style="list-style-type: none">- Chilean State's "public interest" was to make the projects fundable and deliverable without the necessity of public subsidies
CINTRA'S WIN	<p>CINTRA ACHIEVEMENTS</p> <ul style="list-style-type: none">- Cintra suggested and negotiated two mechanisms to Chilean State:<ul style="list-style-type: none">- Revenue profiling mechanism: making the concession term float to secure a target revenue NPV- Exchange rate protection: establishing a collar range that if exceeded the state would compensate the sponsors- These proposals lowered the financial risk required the to be financed- Cost of capital was also, lower increasing the projects value- Chilean state stabilized its P3 model, delivering additional projects and including both mechanisms in future tenders



OPTIMAL FINANCIAL STRUCTURE

FRANCISCO CLEMENTE

INDEX

OPTIMAL FINANCIAL STRUCTURE

1 - Optimal financial structure

- Why is it important?
- Project Finance vs. Corporate Finance
- Financial structures of Cintra's main assets



1

OPTIMAL FINANCIAL STRUCTURE

OPTIMAL FINANCIAL STRUCTURE

WHY IS IT SO IMPORTANT?

- It is the largest source of funds, and must be tailor-made to meet project needs
- As any other resource, efficient use gives the opportunity to get more and better projects

APPROACHES

PROJECT FINANCE

Debt allocated at the project level, fully "ring fenced" from sponsors
(Non-recourse)

CORPORATE FINANCE

Debt placed on the sponsor's balance sheet
(Full-recourse)

IMPACT ON SPONSORS' DEBT (underperforming project)

- RATING DOWNGRADING
- CROSS - DEFAULT
- CONSOLIDABLE DEBT

NO

YES

DEBT OPTIMIZATION

- MAXIMIZE LEVERAGE/REGearing
- LONG TENORS
- SOPHISTICATED AND ROBUST STRUCTURES

YES

NO

M&A ATTRIBUTES

- ALLOW CREATION OF CONSORTIA
- FACILITATE FUTURE SELL-DOWNS

YES

NO

MAIN GOALS
(Project finance)

EFFICIENCY: Optimal cost of finance. The lowest cost of debt provides the lowest "project IRR" (which is the key bidding variable), without compromising the project's robustness, for a given shareholders' return

RESILIENCE: Ability of the project to weather adversities (overcome economic cycles)

2 | FINANCIAL STRUCTURE OF CINTRA'S MAIN ASSETS



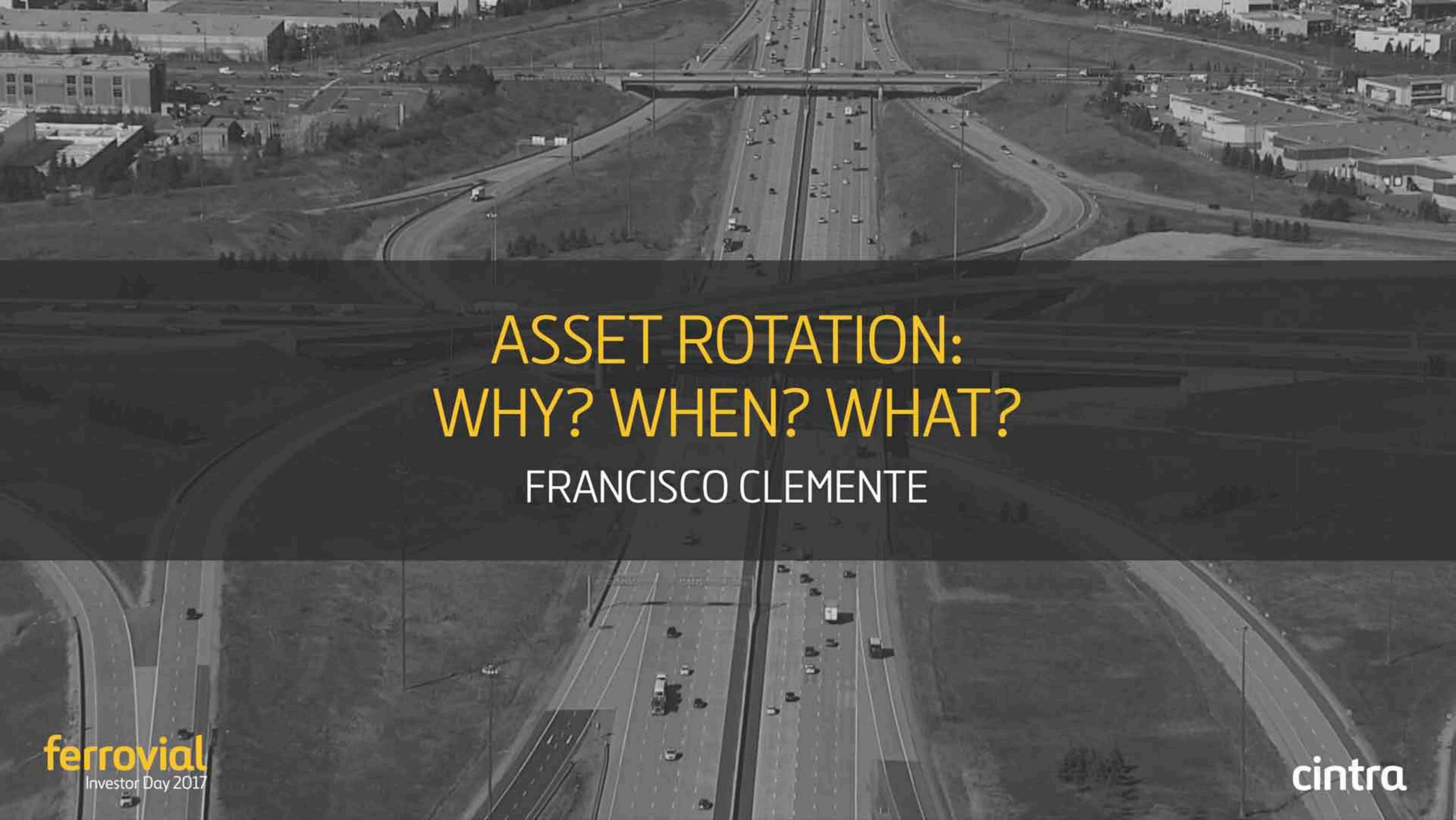
FINANCIAL STRUCTURE OF CINTRA'S MAIN ASSETS (I)

	TERMS & CONDITIONS	OPTIMAL FINANCIAL STRUCTURE	407 ETR	CINTRA'S MLs PROJECT
EFFICIENCY	PRICING	Competitive tension	Bond issuances oversubscribed Up to 7X	Up to 5X
	MATURITIES	Flexible repayment profile, with no refinancing risk	Evenly spread overtime (Up to 36 years)	Very long tenors (>40y) with - Highly back-ended repayment profile - Interest grace period
	AMOUNTS	Maximum debt offered by lenders, provided: - Fixed equity commitment - Robust structure - Ability for additional debt	CAD 7.7B ¹ DSCR>2.2X Debt / Ebitda 7.8x ¹	\$5.5B ² DSCR>1.8X Debt / Ebitda 11.3x ²

FINANCIAL STRUCTURE OF CINTRA'S MAIN ASSETS (II)

	TERMS & CONDITIONS	OPTIMAL FINANCIAL STRUCTURE	407 ETR	CINTRA'S MLs PROJECT
RESILIENCE	REVENUES BREAK-EVEN	High resilience to revenue downturns	>60% decrease Revenue break-even to default (sponsor's case)	>60-70% decrease
	HEDGING POLICY <small>(CPI, i_N, i_R)</small>	Cash flow & debt service in same currency	☑	☑
		Tariff escalated GDP & Traffic	Hedges invariably required by lenders \$1,433M RRB & SIPS \$5,700M Nominal bonds \$602M Bank Facility	100% Fixed
	RATING	Investment grade	A/A-/BBB	BBB/BBB-
	IN HOUSE TEAM	Competitive advantage & lender relationship	Cintra has completed all its financial deals with an experienced in-house project finance team	

PROJECT FINANCE SCHEME IS BY FAR THE MOST SUITABLE TECHNIQUE FOR INFRA-ASSETS, OF WHICH CINTRA IS BOTH A PIONEER AND A STRONG SUPPORTER



ASSET ROTATION: WHY? WHEN? WHAT?

FRANCISCO CLEMENTE

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ASSET ROTATION: WHY? WHEN? WHAT?

- Goals and type of transactions
- List of examples:
 - Chicago Skyway
 - Portugal

1 | ASSET ROTATION

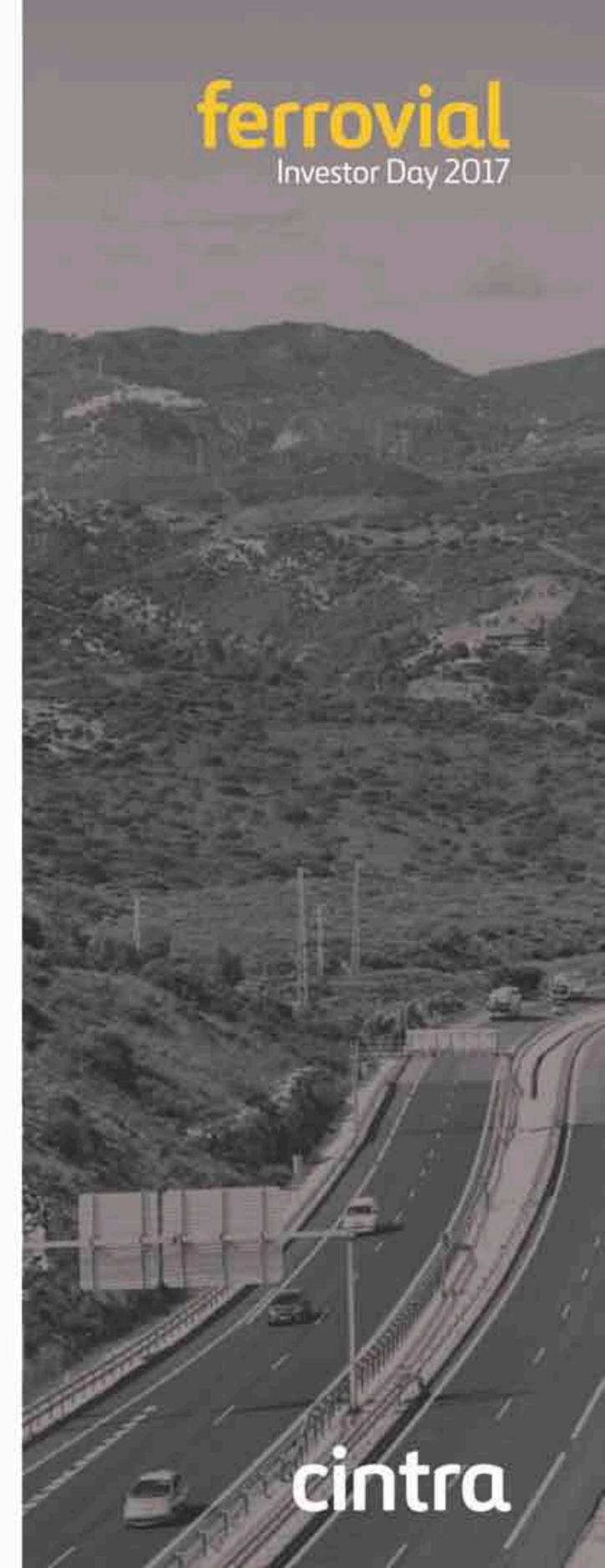


ASSET ROTATION



RATIONALE FOR ASSET ROTATION

OBJECTIVE	TYPE
VALUE CREATION	<ul style="list-style-type: none"> - "Opportunistic transaction": based on a different view of assets value - Capital redeployment: alternative investments with higher value creation <ul style="list-style-type: none"> - "Pragmatic" sale: necessary to provide liquidity for the company
VALUE CRYSTALLIZATION	<ul style="list-style-type: none"> - Partial divestments made in order to "mark to market" the value of a specific asset



CHICAGO SKYWAY (USA)

WHY?

- ✓ OPPORTUNISTIC
- ✓ CAPITAL REDEPLOYMENT

- Good market momentum
- Highly leveraged project
- Mandatory refinancing (2017) would have required a large amount of fresh equity (> \$1B)

WHAT?

- 2H'15 a competitive bid was arranged among potential investors
- Feb'16 full asset was sold to a Canadian pension funds consortium

DEAL FEB 16

ENTERPRISE VALUE

\$2,836M
SALE

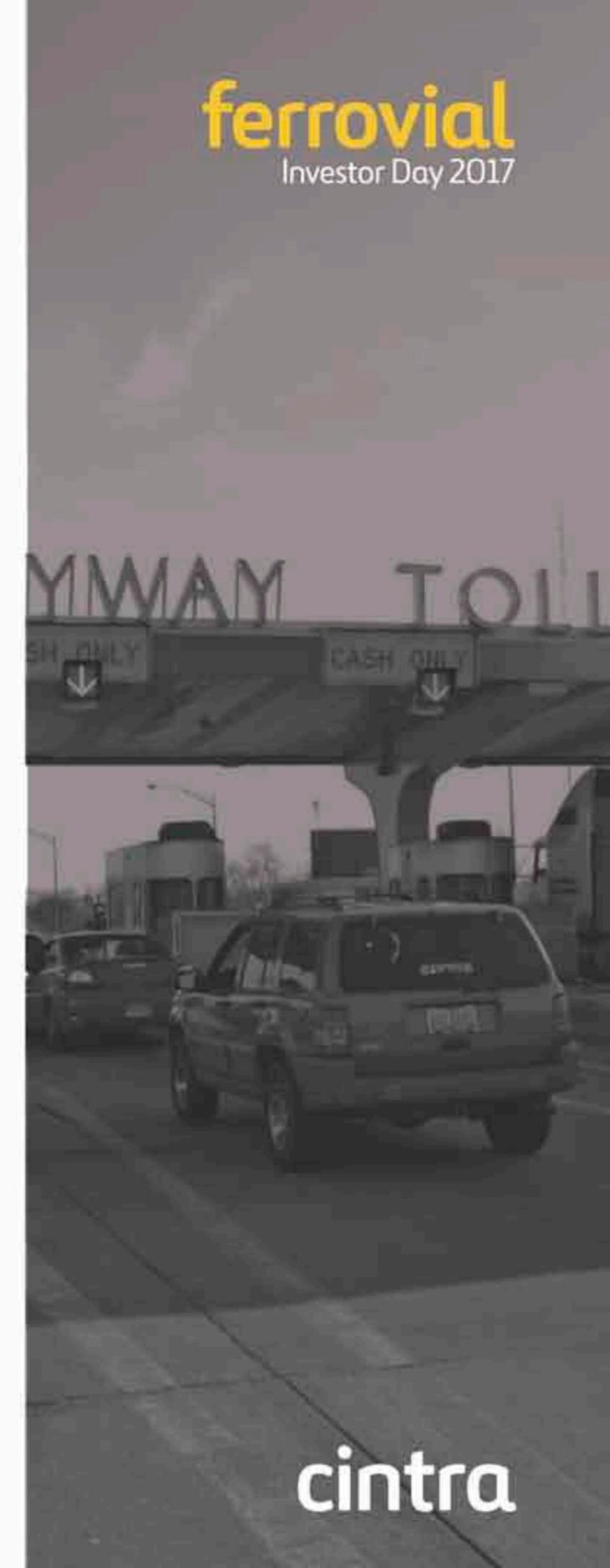
\$1,830M
PURCHASE

37.3x
EV/EBITDA
2015

€230M
Cash-in

€103M
Capital gain

€1,369M
Debt
deconsolidation



NORTE LITORAL & ALGARVE (PORTUGAL)

WHY?

- ✓ OPPORTUNISTIC
- ✓ CAPITAL REDEPLOYMENT

- Monetize value after contract renegotiation in Oct'15
- High asset price
- Proceeds of sale to fund growth (I66)

WHAT?

- Partial divestment
Norte-Litoral 51% / Algarve 49%
- Cintra remains as an
"industrial shareholder & asset manager"

DEAL 1H17 (Expected)

ENTERPRISE VALUE

€622M

NL €376M
Algarve €246M

€694M

NL €412M
Algarve €282M
PURCHASE

9.4x NL

7.2x Algarve
EV/EBITDA
2015

€159M

NL €100M
Algarve €59M
Cash-in

€104M

NL €58M
Algarve €46M
Capital gain

€388M

NL €211M
Algarve €177M
Debt
deconsolidation

THE REST OF THE DIVESTMENTS

PROJECT	DATE	TYPE	STAKE	CASH-IN	CAPITAL GAIN
CAR PARK BUSINESS	June - 2009	"Pragmatic sale"	100%	€400M	€50M
407 ETR	Oct - 2010	"Pragmatic sale"	10%	€658M	€2,471M ⁽¹⁾
CHILEAN ASSETS	2010 & 2011	"Pragmatic sale"	100%	€366M	€274M
M45	Jan - 2011	Opportunistic	50%	€68M	€27M
I77	Dec - 2015	V. Crystallization	30%	€13M	-
M3 & M4 (Ireland)	Feb - 2016	Opportunistic	46% - 75%	€59M	€21M
TOTAL				€1,564M	€2,843M

(1) The transaction gave rise to a net gain of €2,471M for Cintra-Ferrovial, corresponding to the sale of 10% (€467M) and the "fair value adjustment" revaluation of the stake retainer (43.23%, €2,005M).

Sources: Cintra Infraestructuras, S.E.