

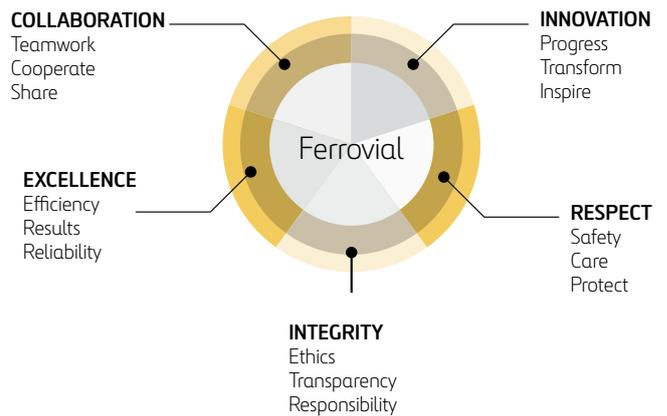
# STRATEGY AND VALUE CREATION

Global Vision  
Toll Roads  
Services  
Construction  
Airports

## VISION AND VALUES

Ferrovial's vision is to shape the future through the development and operation of sustainable infrastructures and cities, with a commitment to maintaining the highest levels of safety, operational excellence and innovation, It aims to create value for society, and for clients, investors and employees.

### VALUES



### BACKGROUND

Ferrovial monitors the evolution of its markets, to take advantage of opportunities and to respond to challenges that may arise:

#### Opportunities

- **Infrastructure investment:** is one of the drivers for economic development and job creation. The global investment needs through 2030 are estimated at 3.3 trillion per year\*. If the current pace of investment continues, the gap between the actual needs and the real investment will increase, with the result that some of these investments may not be developed.
- **Reduction of the financial resources available from public authorities:** the budgetary restrictions will allow the private sector to have an even more important role in infrastructure development. Thus private infrastructure finance becomes a necessary complement to public investment.
- **Population growth and concentration in cities:** generates an increase in demand for infrastructure and service projects in large urban centers. The population in cities has grown by 65 million people per year over the last three decades, increasing the need for investment in transport, energy efficiency and social infrastructure among others.

\* Bridging global infrastructure gaps. McKinsey Global Institute, 2016.

- **Climate change and other environmental aspects:** people's mobility is responsible for 25% of the CO<sub>2</sub> emissions in the world, while cities and buildings generate over 30% of global greenhouse gas emissions. It is therefore important to design sustainable and environmentally responsible solutions aimed at reducing the carbon footprint, when developing all types of infrastructure.
- **Development of new technologies:** which applied to the infrastructure sector can significantly impact traditional business models. Technologies such as artificial intelligence, big data, autonomous cars and the internet of things will allow complex operations and services to be executed more efficiently, increase its productivity and adapt infrastructures to a new relationship with users.

**Challenges**

- **Changes in the economic and political situation:** in this context it is important to highlight the impact of electoral processes, consultations with citizens and changes in monetary and trade policies.

In the **United Kingdom**, the decision to leave the European Union and the risk that this exit could affect its economic growth has led the British government to strengthen its infrastructure plan to GBP 500 billion. Progress has also been made in relevant projects such as the extension of Heathrow Airport and high-speed rail. In addition to the effect that *Brexit* could have in the development of infrastructures, this decision has affected macroeconomic variables impacting financial and business risks.

In the case of the **United States**, the announced focus on the development of domestic production is based on reinforcing its infrastructure plan with the support of the private sector.

In **Spain** the lack of a government for much of the year limited activity and reduced the number of tenders and investment level. In contrast, in **Canada, Australia and Poland** the new Governments have continued to boost infrastructure investment.

- **Increased competition:** from both established competitors and companies in emerging countries. In recent years there has also been a growing presence in the sector of investment and pension funds.
- **Regulation and legal certainty:** the development of the infrastructures business and its reliance on the Public Administrations requires active and efficient risk management, from the awarding and the selection of partners and closure of the bid to the execution phase.

**STRATEGY**

Ferrovial's strategy is focused on value creation for its shareholders, clients, employees and society as a whole. It is based on six key priorities:

**1. Profitable growth.** With an international focus the company maintains a significant presence in six core countries: Canada, the United Kingdom, the United States, Spain, Poland and Australia. In addition, the company operates selectively in other countries, taking into account criteria such as economic growth, legal certainty and the existence of developed financial markets. The industrial approach is key for the development of complex projects and value-added services in the business lines in which the group operates (Toll Roads, Services, Construction and Airports). Organic growth is combined with selective acquisitions to enhance competitiveness and add capabilities.

With respect to organic growth, Ferrovial is strengthening its portfolio with projects such as a section of the I-66 in Virginia (USA) and the Bratislava beltway (Slovakia).

Regarding inorganic growth, the Broadspectrum acquisition positions the services business in Australia, as well as in New Zealand, the United States, Canada and Chile. This operation also adds new capabilities in sectors such as oil, gas and telecommunications. In addition, Ferrovial adds to the company its experience in asset management. On the other hand the acquisition of Transchile is the entry into the electrical power transmission sector. This sector opens up new opportunities for growth in priority markets, leveraging Ferrovial's key capabilities.

**2. Financial discipline** is a priority in all Ferrovial's activities, and it materializes through:

- Comprehensive cost control at all stages in each project.
- Tracking cash generation in contracts to optimize the treasury position at all levels of the organization.
- Asset rotation to crystallize the value of investments and fund future growth.
- Maintenance of an investment grade rating at the corporate level to ensure low debt levels and competitive financing costs. Ferrovial thus ensures its capacity for sustainable growth.
- The commitment to transparency with investors, shareholders, rating agencies and bondholders promotes a trust based relationship and allows continued access to financial markets at lower cost and better terms.

**3. Operational excellence.** is key for managing efficiently our business, developing unique solutions and generating recurring cash. Quality, a hallmark of Ferrovial, translates into solutions that increase the satisfaction of clients and users of infrastructure and services, and generates higher added value for the company.

**4. Innovation.** Ferrovial's open innovation model facilitates an ecosystem in continuous collaboration with a variety of external agents (public authorities, innovation



KEY CAPACITIES

MANAGE AND MITIGATE RISKS IN THE DIFFERENT PHASES OF THE PROJECT

OFFER INNOVATIVE SOLUTIONS TO CLIENTS

GENERATE OPERATIONAL EFFICIENCIES IN DAY-TO-DAY MANAGEMENT

centers, large companies, SMEs, startups and entrepreneurs). In addition, the creation of the Digital Hub and the existing technical offices, which act as catalysts of transformation, allow the business units to generate sustainable competitive advantages.

**5. Sustainability.** Ferrovial's involvement in numerous corporate responsibility projects, and its presence in the main international sustainability indexes, reflect the socially responsible focus of the operations. Safety is a priority for the company in all business areas. For this reason, Ferrovial is working to optimize and improve the safety of employees, as well as the users of its infrastructures.

**6. People.** Talent management, employee engagement and the Ferrovial culture are key factors for the company. The challenge of international growth in multiple geographies gives strategic planning of the necessary resources, diversity, and mobility of employees particular relevance.

With the aim of offering the best solution for clients' needs, Ferrovial combines the six strategic pillars with an integrated approach. This approach is aligned with the business interests of construction, maintenance, development and project

operation, minimizing risks and maximizing profitability.

**BUSINESS MODEL**

Ferrovial is a reference infrastructure operator and municipal services provider. With 96,001 employees and a presence in over 15 countries, the company works with the goal of maximizing value creation for its stakeholders (clients and infrastructure users, investors, employees and society). It participates with an industrial approach in all the phases of the infrastructure cycle and benefits from synergies among business units.

The company adds unique value through the development and operation of complex projects based on three key capabilities:

- Manage and mitigate risks in the different phases of the project.
- Offer different and innovative solutions to its clients.
- Generate operational efficiencies in day-to-day management.

With an industrial focus on the business and in continuous dialogue with clients, suppliers, and investors, the company operates throughout the entire infrastructure cycle

**DEVELOPMENT AND DESIGN**



Selectively choosing projects in priority geographic areas and developing new projects that satisfy the needs of clients and future users of the infrastructures. The Technical Office makes a significant contribution by proposing more efficient designs that reduce costs and improve project competitiveness and profitability (value engineering).

**CONSTRUCTION**



The alignment of interests of the construction and concession businesses as well as de-risking are key to maximize the value of the projects and to mitigate the risks assumed by Ferrovial as an investor. The company is focused on compliance with deadlines and quality standards. Particular importance is given to the opinions of clients and users.



**FINANCE**

Optimizing financing structures over the lifetime of the project and rotating mature assets to finance future growth. This maximizes the value of the project and shareholder return.



**OPERATION**

Managing complex assets while improving their day-to-day operational efficiency. Innovation projects and the centers of excellence are key to developing optimal solutions and improving the experience of clients and infrastructure users



**MAINTENANCE**

Focusing on the provision of an integrated service offering while establishing long-term relations with clients.