

EXPECTED PERFORMANCE IN 2017

In line with the strategy and the opportunities and challenges discussed in Chapter 1.2 of this report, Ferrovial elaborated a forecast about the performance of its business activities in 2017.

TOLL ROADS

The foreseeable behavior of toll roads in operation during 2017 will depend on macroeconomic developments in the countries or States where the assets are located and their impact on traffic volumes and revenues. The company will continue to focus its efforts on maximizing revenues within the framework allowed by the concession rights, as well as on the fulfillment of its contractual obligations at the lowest cost.

In the rotation of mature assets will stand out the closure of partial sale agreements for the North Litoral and Vía do Infante toll roads in Portugal, pending administrative approvals.

Financing is expected to close and work is planned to begin in 2017 on the recently awarded I-66 highway in Virginia (USA), and work on several projects under construction will continue: 407 Extension II, in Canada; I-77, in North Carolina, USA; Toowoomba, Australia; Ruta del Cacao, in Colombia; and D4R7, in Slovakia. There is no provision for the entry into operation of any of these projects in 2017.

In addition, Cintra will continue its bidding activities in the target countries of the company (North America, Europe, Australia, New Zealand, Colombia, Chile and Peru), focusing primarily on complex greenfield projects, given its high potential for value creation.

SERVICES

The expected performance of the situation in the markets where Ferrovial Services operates differs depending on the countries and customer types. Therefore, potentially negative macroeconomic factors could be compensated by improvements on certain customers, especially in the private sector and vice versa.

- **United Kingdom:** the uncertainty facing the marketplace following the Brexit victory in the June 2016 referendum has negatively affected the British economy, which has contributed to additional reductions in expenses by several customers, primarily in the public sector scope. The GDP growth predicted for 2017 will be 1.4% (compared to the 2.1% estimated for 2016). However, the Government's announcement to increase infrastructure spending by an additional 23 B (up to 170 B) in the next 5 years is rather positive and should generate new business opportunities for Amey, particularly in the rendering of asset management services. Additionally, the favorable decision in Amey's dispute with the Birmingham City Council entails a first step in returning the rapport between the two parties back to normal and redefining their relationship model for the next 19 years.
- **Spain:** following the formation of the new Government and a year of deceleration for tendering, there is now an emerging increase in political will to promote large-scale projects at different levels of the government. Moreover, the positive performance expected for the 2017 GDP allows

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for a moderate optimism regarding the company's operations with private customers.

- **Australia:** the economy continues its solid growth with greater weight in the services sector compared to mineral resources. For Ferrovial Services, the boost in new infrastructures and public expenditures should partly compensate the existing uncertainty regarding the gas and oil sectors, and the forecast for a lower contribution from immigration contracts, ending in October 2017.
- **Other markets:** sound growth in sales is expected for Portugal, Poland and even Chile, despite the low copper prices and political uncertainty in election years. In Qatar, gas prices have yet to recover, which translates into pressure on customers that is in turn passed on to suppliers. Finally, the macroeconomic scenario in the United States is healthy and should have positive results on highway maintenance and oil & gas businesses, though the new political situation presents uncertainties, particularly regarding regulatory matters.

CONSTRUCTION

Construction revenue figures are expected to grow in 2017 with the execution of international projects that will compensate a new decrease in activities in Spain.

- **USA and Canada:** following the US presidential elections, a strong increase in transportation investment is expected, particularly in private funded projects where Cintra and Ferrovial Agroman are market leaders. This trend, the approval of the Fast Act federal financing plan and the growing budgetary contribution in US States and their Departments of Transportation (DOTs) should provide continuity to recently awarded contracts such as California's HSR Package 4, I-66 in Virginia, US-175 Dallas Country, and other major projects underway such as the NTE Extension highway in Texas, I-285 in Georgia or I-77 in North Carolina.
- **Poland:** notwithstanding the delay in tendering contracts associated with the 2014-20 European Funds framework, re-assumed by the new Government in the second half of 2016, a slight increase in revenue is expected for 2017 thanks to relevant contract awards such as the Olsztyn beltway, the first railroad design and construction projects and the execution of projects in the industrial sector.
- **United Kingdom:** despite the risks emerging from Brexit (currency, prices, human resources, etc.), there is however sound political willingness to execute major projects in the infrastructure plan, e.g., the contract awarded to Ferrovial Agroman for the preliminary railroad work on the Central Section of the HS2 connecting London and Birmingham. The execution of other major projects will also continue in 2017, including the expansion of

the Northern Line of the London Underground and the Thames Tideway Tunnel.

- **Australia:** after reinforcing the company's position in the country by securing various relevant tenders through Ferrovial Agroman and Ferrovial Services' purchase of Broadspectrum, 2017 will see the resumption of work to build the Toowoomba motorway that began midway through 2016, in addition to other major roadwork contracts such as the Warrell Creek motorway to Nambucca Heads or Northern Beaches, and the Bridge at Clarence River Crossing in NSW awarded in 2016. The robust pipeline of projects to tender also remains ready in the short and medium terms in Australia and New Zealand, with particular relevance for projects that include tunneling.
- **Spain:** the forecast for 2017 calls for a reduction in activity due to the slowdown in public work in favor of the new engagement decisions following the creation of the new Government, maintaining the elevated competence of recent years, where the only positive aspect is the nascent reactivation of private construction. The contracting focus will remain selective, prioritizing return on sales volume.
- **Other markets:** in accordance with the defined strategy, the tendering of projects in regions with a stable presence such as Latin America (Chile, Colombia, Brazil or Peru) and, albeit selectively, additional countries with specific opportunities. In 2016, contracts were awarded for the D4R7 toll road in Slovakia and the Al Bustan Street North in Qatar.

AIRPORTS

Ferrovial Airports will focus most of its efforts on its assets:

- Heathrow to secure approval of the *"National Policy Statement"* to build the third runway at Heathrow, which should be approved by British Parliament, together with different stakeholders (airlines, regulators and communities) in such a decisive contribution for the British economy.
- AGS, in increasing passengers on new routes and retail earnings, while also improving operating costs.
- Denver, expecting to reach the commercial and financial close on the concession contract at the end of 2017.
- Transchile, for consolidating the acquisition and continue growing by harnessing the credentials of this assets and its knowledge.

Additionally, Ferrovial Airports will continue its bidding activity, participating in projects, US and European airports, electricity transmission in Chile and Brazil, and others.