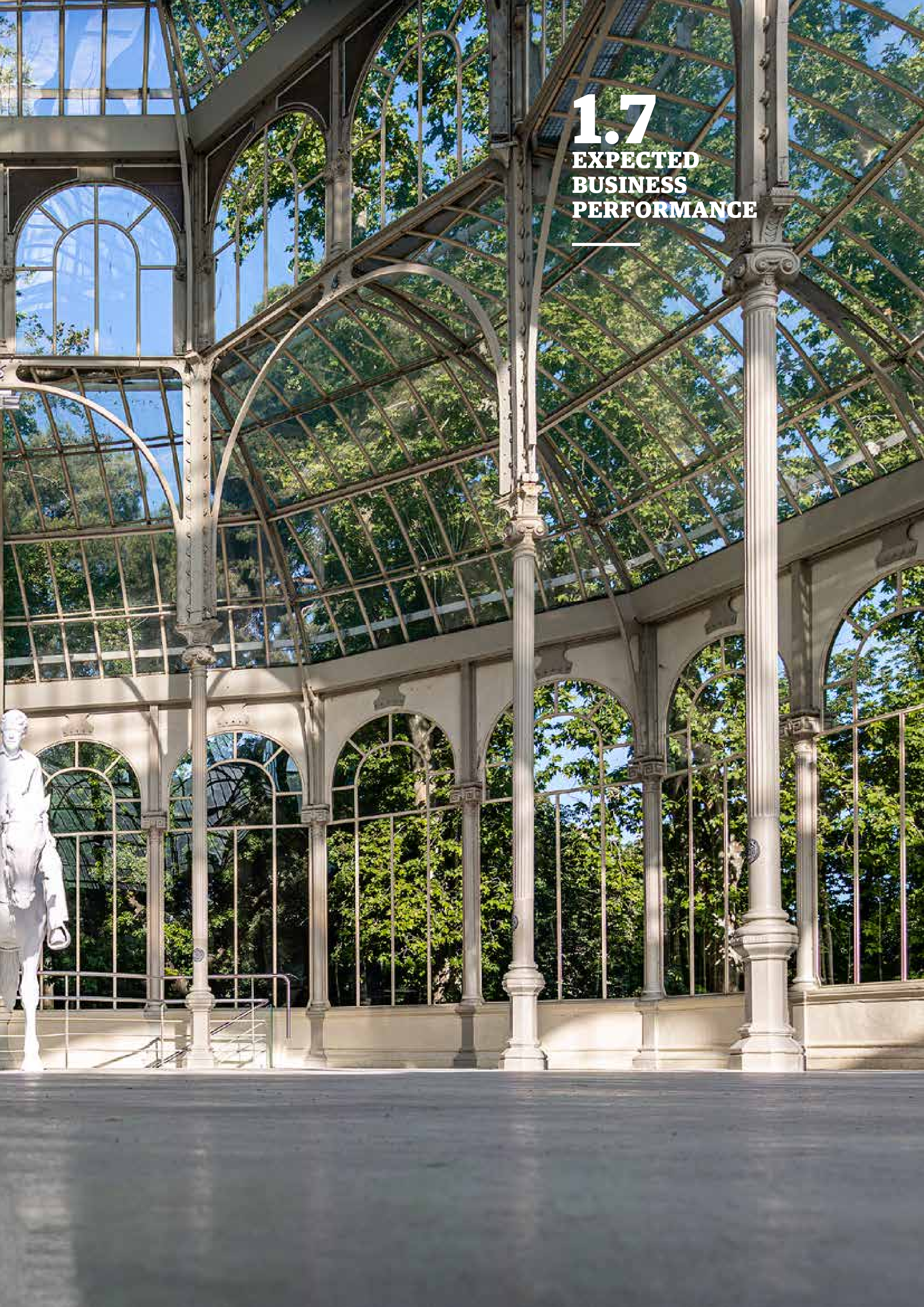
1.7 EXPECTED BUSINESS PERFORMANCE



EXPECTED BUSINESS PERFORMANCE

The 2021 will continue to be marked by the impact of COVID-19 on the various businesses and assets. This may vary to a large extent depending on the duration and future development of the pandemic in the countries where the company operates. By type of business, the effect is expected to be greater in infrastructure mainly due to four factors that may cause movement and consumption patterns to change:

- The crisis caused by the economic freeze and its duration.
- The growth of teleworking.
- The promotion of e-commerce, which has its main effect on heavy goods and commercial vehicle traffic. In this case the impact is positive because of the increase in heavy and commercial traffic due to distribution/logistics activities.
- Social distancing measures, which will change, at least temporarily, the movements of the population as long as there is a health risk.

These developments, and uncertainties about future prospects, have been considered as an indication for the purpose of analyzing the possible existence of impairment of assets related to these activities. In this regard, impairment tests have been performed on the main assets (all highways and airports, Webber, Budimex, Transchile and Services companies held for sale) using updated projections based on the development of the pandemic and revising the discount rate upward.

For each of the divisions, the following business performance is foreseen:

TOLL ROADS

During 2020, dividends of 340 million euros were distributed, compared to 494 million euros last year. Regarding the short and medium term COVID-19 impact on Toll Roads' main assets, if herd immunity is achieved during 2021 and with a economic bounce back, it is expected a quicker traffic recovery to take place. The company will continue to focus its efforts on providing top quality service while optimizing revenues and costs to the fullest extent permitted under the concession agreements.

- In **Canada**, in an environment recovering from the impacts caused by COVID-19, the 407 ETR will continue to work on optimization and cost control measures, without abandoning the development of its strategy of generating value for the user. The highway will continue to invest in the Data Lab to better understand the behavior of user groups and be able to personalize their value propositions, as well as in improving their customer management systems, which will allow them to provide more personalized attention through loyalty plans and individualized offers. Thanks to these strategic investments, the 407 ETR will be well positioned to meet the new challenges ahead.

- In the **United States**, Managed Lanes were impacted by the mobility restrictions resulting from the COVID-19 pandemic; however, the recovery of traffic has been remarkable in all assets as these restrictions have been eased in the various jurisdictions. This traffic performance demonstrates the robustness of the Managed Lanes and the economic strength of the environments in which the company operates, which has made it possible to mitigate the loss of revenue by leveraging the toll rate flexibility available under Managed Lanes.

  In addition, Cintra will continue executing projects under construction: I-66 and segment 3C of NTE35W.

- In **Australia**, Cintra will continue to manage the Toowomba highway, which was opened to traffic in September 2019. The Western Roads Upgrade project is also scheduled to be fully opened to traffic in 2021.

- In the **other markets**, Cintra will continue to manage the assets in operation, will complete opening several sections of the Cacao Route in Colombia and D4R7 in Slovakia to traffic, and will continue with the construction of Silvertown in the United Kingdom.

In addition, Cintra will continue its bidding activity in the company's target regions (North America, Europe, Australia, Colombia, Chile and Peru), focusing primarily on complex greenfield projects, given their high potential for value creation.

AIRPORTS

In airports, no additional dividends have been distributed in 2020 over and above the one made by Heathrow prior to the pandemic. In the coming years, dividend payments will largely depend on the duration and future development of the pandemic, while the recovery of traffic levels of these assets is expected to be slower than in the case of highways. AGS 2019 traffic levels are not expected to recover before 2025 and HAH traffic levels are not expected to recover through H7, which ends in 2026. There is high uncertainty due to the impact on traffic of governmental or international decisions that restrict or preclude passenger flows so any estimates will need to be reviewed periodically.

It is worth noting that, despite the consummation of Brexit, the aviation sector remains well positioned as a result of the contingency plans already in place, which ensure that airlines can operate between the EU and the United Kingdom.

At Heathrow Airport, the risk-bearing default debt is located in Heathrow Finance PLC (approximately 2.4 billion euros). It was expected to fail to comply with the RAR (Regulatory Asset Ratio financial covenants: Net Debt divided by RAB or regulated asset base less than 92.5%) and ICR (Interest Cover Ratio: EBITDA divided by interest in excess of 1x) for the 2020 financial year, with a realizable test in June 2021. However, Heathrow's management agreed last July with Heathrow Finance's creditors a waiver for the covenant ICR in 2020 and an extension of the covenant RAR from 92.5% to 95% and 93.5% for fiscal 2020 and 2021, so that no default is expected in June 2021 under the current traffic scenario.

In addition, in the company's financial statements ended December 2020, the directors have concluded that, although there is material uncertainty about the application of the going concern principle, the accounts can continue to be prepared under that principle.

This conclusion is based on the liquidity analysis and the degree of compliance with debt covenants. In this regard, the Heathrow's liquidity levels would allow it to meet all its payment needs at least until March 2022 even if it had no revenues. Regarding debt covenants, the company considers the "Severe but plausible downside" scenario until December 2021, which would mean a drop of more than 10 million passengers compared to the outlook. In this scenario, there would be operational and financial measures under the company's control that would allow it to mitigate a possible breach of debt covenants. However, should the uncertainty created by Covid-19 lead to scenarios more negative than the "Severe but plausible downside", the company may have to manage new waivers to comply with its financial covenants.

In the case of AGS, all three airports have been significantly affected by the impact of COVID-19. EBITDA in 2020 was -25 million euros, compared to 94 million euros in 2019. Such variation is explained by an 76% reduction in the number of passengers compared to that fiscal year. The contingency plans implemented during 2020 have allowed the company to close the year with a positive liquidity position. Based on this position, the company has prepared a scenario in which it assumes a slight recovery in traffic in the second half of the year following the stabilization of the vaccination process. This analysis leads to the conclusion that the company would not have any additional liquidity needs in addition to the 50 million euros already committed by the partners. On the other hand, the company has initiated a debt renegotiation process with financial institutions, which is at a very early stage. The approach is to reach an agreement for a possible extension of the current debt for a period of three years, a period that would allow the asset to be returned to normal operating conditions.

During 2021, Ferrovial Airports will continue to analyze investment opportunities that arise worldwide, with a special focus on those identified as sustainable infrastructures with high concession value.

As for the business responsible for developing and managing the electricity transmission networks, in 2021 the efficient operation of Transchile is expected to continue, as well as the development of the Centella and Tap Mauro projects and the participation in bidding processes that will enable the company's portfolio to increase.

CONSTRUCTION

Perspectives for 2021, by markets, are as follows:

In **Spain** the same level of sales as in 2020 is expected, as the moderate drop in order intake during the year, caused by delays in tendering due to COVID-19, will be offset by a faster pace of execution of projects awarded in 2019. In the medium term, a good dynamic of public and private construction initiatives is expected, reinforced by the approval of the State Budget and the EU Recovery Plan.

In **international** markets, despite pressure on margins due to strong competition, cost overruns and supply chain tensions caused by COVID-19, the positive profitability path from 2020 is expected to continue to progressively reach the target set in the Horizon 2024 Strategic Plan. This consolidation of margins is underpinned by improved operational processes in all phases of the project and the differential technical capabilities of the Construction division. This business line focuses its operations in countries with stable economies, which partially mitigates inflationary processes. In this sense, price control mechanisms have been reinforced through the use of statistical analysis and predictive models based on Artificial Intelligence for the estimation of bid costs, and the signing of long-term supply contracts with closed prices in those projects where it is possible to implement them..

- In the **USA** and **Canada** the favorable investment in transport infrastructure by states and provinces will continue, supported by the extension of the US Fast Act and by Canada's Federal Infrastructure Plan. In the US, following the 2020 presidential election and expressions of willingness to reach a political agreement, the market is optimistic about implementing a new multiannual infrastructure plan that will provide additional impetus at the federal level. Likewise, there is a lot of work in the pipeline, with P3/DBF projects being noteworthy with Ferrovial as the leader together with Ferrovial Construction as the builder. A slight increase in the level of sales is expected for 2021 thanks to a faster pace of execution of several large projects awarded in previous years and the new contracting of the SL 112 and IH-35 Webb County, Texas, which will compensate for some significant projects being completed in Canada.
- In **Poland** public tenders have good prospects thanks to the national road and rail investment plans until 2025-26, supported by the 2014-20 EU Funds. Similarly, a high level of funding allocation is expected under the EU's new 2021-27 multiannual financial framework, which ensures future stability of investment in the country. In 2021, sales are expected to remain stable, with the stra-

tegy of greater selectivity being maintained in order to avoid taking on high risks.

- In the **United Kingdom** and **Ireland**, despite the uncertainties arising from Brexit and COVID-19, the promotion of major infrastructure works continues, as evidenced by tendering major public works programs such as Highways England, High Speed 2, Network Rail, Transport for London or Irish National Development Plan. Sales in 2021 will show a slight growth, which will increase in the medium term thanks to the important awards in previous years and the recent UK high-speed rail awards.

- Also in **Latin America and other markets** expectations are favorable, with a lot of projects in the pipeline. This includes concession projects together with other Ferrovial divisions, and other important subway and tunnel projects, such as the recently awarded Porto subway. A sales level similar to 2020 is expected for 2021.

In short, moderate sales growth is expected for 2021, but with promising opportunities to win contracts down the line. Finally, profitability margins, in comparable terms, are expected to maintain after the implementation of control measures and the improvement of operational processes.

SERVICES

Ferrovial Services' expected performance in 2021 will depend mainly on the economic performance of the countries in which it operates. During the healthcare crisis, the company has strengthened its position as a benchmark company in the provision of essential services, while intensifying progress in two strategic pillars in all its activities and contract:

- Occupational safety, with the aim of actively developing a culture of zero tolerance for any risk to the well-being of employees and service users, through awareness and training programs, control and monitoring, regulations and technical and organizational measures, exchange of best practices, innovation projects, collaboration with administrations and professional associations, etc.

- Continuous improvement and operational efficiency, promoting cost optimization programs and investing in the digitalization of all operations, updating management systems and the application of new technologies based on data analytics and process automation.

At the same time, Ferrovial remains committed to divesting all Services activities. Following the agreement reached with Ventia Services Group for the sale of Broadspectrum in December 2019, Ferrovial completed the sale of Ferrovial Servicios' operations in Australia and New Zealand on June 30, 2020 for 288 million euros. During 2021, the company expects to simultaneously progress several sale processes that, instead of the entire perimeter of the division, have been structured by specific assets and geographies.

In the **United Kingdom**, Amey is expected to benefit from increased public spending and new investments in infrastructure and public services announced by the government to mitigate the consequences of the pandemic. At the same time, the company does not expect to be negatively affected by the Brexit agreement reached with the EU in 2020. Amey has initiated several divestment processes of its nonstrategic assets such as the contracts transferred to Urbaser for waste collection with Solihull Metropolitan Borough Council, Gloucester City Council, Selby District Council, Eden District Council, Northamptonshire County Council and Central Bedfordshire Council. The company will combine further cost adjustments with increased specialization in consultancy, transport and facility management. In particular, major tenders are expected by clients such as the Ministry of Defense and Network Rail.

In **Spain**, Ferrovial Servicios' business will be driven by the Recovery, Transformation and Resilience Plan, in which green investment accounts for 37% of the total, followed by digitalization, with 33%. The company also expects to benefit from the demand for more sustainable lifestyles and the strengthening of more resilient public services, as envisaged in the new State Budget to compensate for the effects of the health crisis. Both factors give confidence that activity will be maintained during 2021 and there will be subsequent gradual growth, in line with the Spanish economy's recovery.

In **North America**, growth in the road maintenance business is expected to continue, supported by intense tendering activity and the increasing outsourcing of services by public administrations. The company also expects signs of recovery in oil infrastructure activity, favored by the growth of the United States and Canadian economies and by the foreseeable recovery in demand for refined oil products and, as a consequence, for industrial repair and maintenance services in these infrastructures. In the Chilean operations, the company is focused on consolidating the backlog growth achieved in 2020, while in Portugal it expects to achieve improved margins and an expansion of environmental activities.

In summary, the forecasts for 2021 will be conditioned by the development of economic activity in the various geographies in which Ferrovial Servicios operates, whose priority, together with the development of the different divestment processes, is the early recovery of profitability margins to the ratios prior to the start of the healthcare crisis.