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Stephanie D'Ath	– RBC Capital Markets
Jenny Ping	– Citigroup
Bruno Silva	– Caixa Bank
Guillermo Fernández	– Kepler Cheuvreux
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PRESENTATION TRANSCRIPT

Ricardo Jiménez, Ferrovial S.A. – Investor Relations Director

Good afternoon, everybody, and welcome to Ferrovial's Conference call to discuss 2019 First Quarter Financial Results. Just as a reminder, both the results report and the presentation are available to you in our website. If you have any questions, you may ask them through their phone, including by webcast through an e-mail to ir@ferrovial.com or via this conference in the Q&A session at the end of this call. With this, I will hand over to Ernesto López Mozo - Ferrovial CFO, who will be leading this conference call.

Ernesto López Mozo, Ferrovial S.A. – CFO

Thank you, Ricardo. Good afternoon and thank you for attending the first quarter of 2019 results presentation. We're starting with the highlights and with our main infra assets. The management's performance has been boosted by new connections in the Dallas-Fort Worth area. Heathrow posted a record traffic again, almost 18 million passengers. The 407ETR posted solid EBITDA growth despite traffic impacted by severe weather conditions compared to last year, but the underlying remains as always. The company decided to classify Ausol as held for sale, well Ausol after 20 years of operations, it's time to redeploy capital allocated to this asset and also it answers reversing queries that we were getting on this particular asset.

The negative part of the results is Construction that registered a EUR345mn provision related to contracts (projects that are in the very early phases), some of them finalising the design in the U.S. and all of them outside Texas. I will discuss more in detail later on - and this is right now the top priority of the company to address this.

And then Services is presented as a discontinued activity and the divestment process is on track. If we move on to the slide on the 407, with the main operations. In the 407, the result is already out, and you probably know, the quarter showed an EBITDA growth of 5% despite extreme weather conditions that brought a declining traffic compared to last year, a growth of negative 2%.

Here we'll detail in the following slide the comparison in terms of weather. But really the underline is close to 0% to 1% growth in traffic. So, in terms of economic performance and the asset reaction, it's pretty much as in the past quarters.

Dividends grew from this asset by 10.5%, CAD250mn. And at the April Board meeting, the second quarter dividend payment was approved, again CAD250mn.

Okay, we move into the next slide to see in detail the graphs about the traffic that I mentioned. Well, you see the severe conditions especially in January that showed a record single-digit snowfall on a workday of 24 centimetres. And in February, with 4.6% declining modelling traffic, that's so a lot of days with freezing rains and ice pellets. And then 5 major winter school closures implying bus cancellations, right? So, this was clearly a lot of difference compared to last year. And as I said in comparable days, we see something between 0% and 1% traffic growth. And April is showing a good performance in comparable terms pretty much as slide showed. In terms of traffic, it will be higher due to better weather than last year.

Okay, so, if we move on to the Managed Lanes, and here, we start with NTE and LBJ. As I mentioned, the growth in EBITDA is excellent and also in revenues, you have NTE in terms of transactions, 20.8% up. And this was helped by the full opening of the NTE 35 West. And also, and we will have more of this detail in the following slide, the opening of the 183 TEXpress in late October 2018. All this is providing more connections, so more and more people are coming to the corridor given the better connections. Then we have the LBJ, where traffic is growing by 5.5%. And I mean, the Segment 1 that is the one further to the West, was held by the opening of the 183. But the East is having some congestion problems outside our road, and that is affecting the growth, so it's lower because of this. So, I will get into more detail regarding the connections in the following slide, if I may. So, let's go to the slide where we see the maps with the different connections of NTE 183 TEXpress and LBJ. And here you see that the 183 is basically connecting NTE with LBJ. But in LBJ, if you see in detail in the map, Segment 3 to the East, here you have congestions. And here, TXDOT is looking to increase capacity of the connecting road. So that will imply that you have some works now, but in some years, you will have a much better connection and definitely, much better traffic growth going forward because this is affecting this part of the road.

In terms of the NTE 35 West that increased the connectivity, here, we can see that the corridor has recovered traffic volumes and even overtaken the ones that we saw prior to construction. So right now, in the first quarter, we see volumes 40% above the prior construction levels. This corridor really has a lot of commercial traffic, something that we lean on.

Okay, so another point of attention is that we are having a lot of rush-hour demand that brings the mandatary mode. The mandatary mode, when certain conditions of traffic are not met, we are forced to price above the soft cap that is $0.90 per mile, and we are seeing several events like this in the NTE 1-2 happening already.

Okay, so summarising the contribution of toll roads. We have in the following slide the overall EBITDA growth of 45%. We have more than 60% coming from the U.S., and this is driven by the Managed Lane so far, of course and the NTE 35 West already bringing EUR11mn to the consolidated EBITDA.

As I said, Ausol has been classified as held for sale at the end of the quarter, right? So, there's no effect on the P&L, just on the balance sheet where you can see some de-consolidation of nonrecourse or project debt that is north of EUR EUR600mn. The process is progressing probably better than what we expected, and that we will keep you posted once we have the final offers. We have nonbinding offers already, so it looks good.

If we move on to airports, Heathrow, and moving onto Heathrow, has published this set of results last week. But maybe we should review some of the numbers. We have record high passengers. I mean the first quarter recorded the highest passengers with 1.4% growth, and we're having lower aeronautical tariffs per passenger. And this is a part of a deal negotiated with the airlines that is beneficial to both parties. We have, in terms of growth in traffic, the benefit of new routes that boost the U.K.'s connectivity over 210 global destinations are now connected via direct flight from Heathrow. We had high retail spending, 2.6%, and this contributed to overall revenues of GBP679mn. EBITDA also increased, of course it's also helped in part by the IFRS 16 new standard that takes away operating expenses from operating leases, and they are classified as financial leases, right? In net income, there is no impact.

In terms of financing for Heathrow, there's a lot of appetite ahead of expansion, and Heathrow raised GBP1bn already at attractive rates in 2019. And well, Heathrow is delivering good value for passengers with airport charges declining 2.4%, and the passengers are saying they had an excellent or very good experience at Heathrow.

Next, we have just for your personal reminder of the calendar for expansion and the dates Heathrow is working on. In terms of regulation, in addition to the H7 framework, as I mentioned before, an agreement has - a commercial agreement has been done with airlines - for the charges to apply in 2019 through 2021, when expansion is expected to start. Here the agreement offers a rebate to airlines depending on actual passenger traffic volumes, and also we have protection in the event that passenger volumes were to fall below current levels prior to 2022.

So, this is also beneficial in the way that parties now focus on the finance ability and affordability of expansion at Heathrow.

Okay, so moving on to Construction in the next slide. As I mentioned, at the beginning of the call, we have taken a provision of EUR345mn. The heat arises from several factors. I mean there's a boom in Construction that brings a surge in subcontractor prices. Also, these are states where we are starting operations, let's say it’s not Texas. Also, raw materials are going up. We hedged, but that can only be partially hedged. And design has taken longer for approvals than expected but in any case, nothing is an excuse here. And the delay means that you cannot sign off prices with subcontractors because the bidding is done on detailed designs. Okay, so most of, I mean, these losses are in projects that are a very early stage like the I-66 or the I-285. And we are working to improve the outlook, but we must take a prudent approach. We are extremely upset with this performance, and it's a top priority for us to deliver in execution and Construction help to acquire high-value infrastructure assets.

Okay, so part of the solutions going forward, and we looking to the Maryland projects, it's also to have a higher weight of own resources to do self-performance and to shorter the design to put the subcontractors to compete on a final design. Okay. So, as I said, this is the news that are the top priority of the management now to address.

In terms of Budimex, we still see cost pressure. You saw the results that were published. If we don't include the real estate results, EBIT margin is 2.3%.

Okay, so moving on to Services on the next slide. It's classified as discontinued activities. We show the numbers just for comparison to last year's, but I won't go through them on detail. Basically, these numbers are trading as expected in our budgets and business plans, and the sale process is on track. Well, Amey is not part in the process. Amey keeps negotiating with the parties through the Birmingham City Council PFI for a road and infrastructure maintenance. That's advancing, but Amey is not part of the process, the rest is. And we have a lot of interest and parties analysing the information memorandum. So, the process is going along expectations.

Okay, moving on to the consolidated P&L impacts. Well, IFRS 16, the first application is not really any major impact in the continued operations. I mean you see that it almost has no impact on amortisation. It's in the tune of EUR6mn. And in terms of Services, yes, it has a bigger impact and the bigger impact is because you don't amortise according to IFRS 5 when an entity is designed as held for sale. You don't amortise the non-current assets. So here is true that, that in the discontinued activities we have a positive impact of EUR64mn because we are not amortising. But it's not really related with IFRS 16, as it is related to both 16 and IFRS 5. Okay, Ausol is classified as held for sale, but as I said, the impact is a net debt reduction, when you take into account the…also the cash in the asset, of EUR439mn, I mentioned before, EUR600mn, I was talking about more a gross debt there.

Okay, so in terms of P&L in more detail, moving to the next slide. You will see in revenues higher contribution from U.S. toll roads helping this growth in revenues. Then of course, we have the provision from Construction; EBITDA, I mean with the leases reclassification has an improved EBITDA in EUR6mn; depreciation increased due to the IFRS 16 impact and is the main explanation on this movement from EUR27mn to EUR33mn expense; disposal and impairments is just - I mean in the impairment that Autema - just in case we lose the appeal we have regarding the change in conditions to the concession. And in financial results are slightly lower to last year. We have the impact of additional interest expense from the consolidation of NTE 35 West, and we have the positive evolution of the hedges on the employee stock plan.

In terms of the equity accounted results, results are very similar to last year. Only Heathrow has a lower - a less positive number. Basically, the impact for derivates mark-to-market non-inflation mainly is a slightly less positive this year than the last. Okay, so this is a quick run of the different lines of the P&L.

And in the next slide, we move into the cash flow. Here, the main sources are, of course, dividends from infrastructure projects EUR117mn. Here, I didn't come and I'm - probably, it was - it will be a question that will come later on that Heathrow had a lower dividend than last year this quarter. Well, you know from the investor report that Heathrow published that they were expecting a lower EBITDA this year just because of Brexit impact. Something in the tune of GBP100mn lower. And therefore, they were forecasting a lower dividend. At the moment that scenario doesn't happen and is not trading as it were to happen. Well, basically, you could have better news. Okay, so we'll keep an eye on that. Then their line operations keep as last year really. Okay, so in terms of other impacts, minor divestments that it's not worth mentioning. And of course, in terms of uses of funds, we have the working capital evolution that is normal in the first quarter of the year, it’s similar to the one last year. So, I won't spend more time there.

Okay. So, if we move into the conclusions, looking forward, I think this is the most important part that - the first one is that we are focused on Construction risks. This has been an upsetting result. This provision this quarter. It has implications. We have a new management there looking to improve negotiations. As I said, it's mostly related to things that have to happen, but we need to be closing contracts now that the signing is final, and we cannot leave this risk open. Of course, it will imply changes for bigger projects that are to come where we have important expectations.

Services keeps on track. The disposal process and Amey keeps advancing to try to find an end to the PFI contract in the U.K. And then in terms of capital allocation that the focus on infra projects, we say mainly in North America, we always talk about the U.S., but we also have to mention Canada. I mean we saw the price of the disposal that SNC is looking at. We haven't published our evaluation this year, you have noticed that and it will come later on. But the valuation of the 407 has improved. And therefore, we think it has merit to look at the potential to invest at that kind of price. So, we'll keep you posted if finally we come to a conclusion, but we are interested in acquiring a part of SNC's stake at the – at that kind of price, that kind of level.

Okay. And last but not least, we have NTE and LBJ. NTE will be paying dividends in 2019 and LBJ in 2020. So, the outlook for dividends of infrastructure projects is improving.

Okay. So thanks, and we'll enter into the Q&A session now.

Q&A SESSION PARTICIPANTS

Marcin Wojtal, Bank of America Merrill Lynch

Q:

The first one, can you provide a bit more detail on those problematic contracts in U.S. Construction? I mean can you share what is approximately the total amount of future revenue, or backlog on those contracts on which you have taken the provision? And how many years approximately will it take you, you think, to actually execute on those contracts? Are we talking 3, 4 years? I think you mentioned I-66, which I think is scheduled for completion in 2022. So, if you could provide a bit more detail. My question number two is on Amey, U.K. Services. I mean it is still classified as an asset held for sale, but then you said it is not included in the current potential disposal track. So, what can happen with Amey? Are you expecting to run a separate sale process later in the year once you have more visibility on the Birmingham contract? What are the possible scenarios for Amey?

Ernesto López Mozo, Ferrovial - CFO

A:

Thanks, Marcin. Yes. You're absolutely right. I mean these contracts, we're talking about - basically it's 3 of them, 2 of them have a lot of execution pending. And we are talking that in terms of dollars, the backlog, the revenue spending are around $2.7 billion, right? And yes, they will take between 3 to 4 years. So hopefully we'll be able to manage things better. But we have to de-risk and take this hit, right? So, it's basically contracts in Virginia, in Georgia and part of that is also finalisation with some delays on the I-77 in North Carolina. Okay, so these are the contracts. As I said, we'll put all our focus on trying to manage that better and also, in changing going forward with higher mix of self-perform in some of the important projects that will be coming.

In terms of Amey. Yes. It's about weeks or so to see if there's a solution probably with this PFI contract. So, there is 2 possibilities after that. If it's get - it gets sorted out, it could be sold separately or with the rest. If it doesn't get sorted out, yes, the kind of sale would be different and would be on a stand-alone basis for sure. So yes, we intend to dispose Amey in any scenario. And well, I think that was all the questions, right? Thanks, Marcin.

Vittorio Carelli – Santander

Q:

A few questions. And the first one is related to the ETR 407 ROFO. According to SNC only one shareholder has declared his intention to exercise his ROFO but you told us that you are eventually considering only the acquisition of part of the SNC stake. So, if you can elaborate a little bit more on which are the intentions of the company regarding the 10% stake? Second question is on the - on Construction. Apologies for my ignorance, but can you explain a little again, which are the impact of the further reason why you had this provision, massive provision in U.S.? So, you mentioned delays in design approvals, that implies prices cannot be sign off with subcontractors. So, it means that there is no visibility about the cost base of the next projects or if you can explain again a little bit more on that? And third question is related to Heathrow. You mentioned the new debt that you are issued so far for the extension. So, which is the target of Heathrow regarding the marginal cost of debt to finance this extension?

A:

Thanks Vittorio. Okay. I'll start with the first one on the 407. We don't make any comment on rights, offers, refusals or items related to shareholder's agreements. Those are confidential, we make no comment there. While I say is this - that we are interested, and we could be part of a transaction there. We have earmarked capital for that so that could happen. So, we'll keep you posted. So, it's not about explaining how we come to that conclusion. The only message is, our *valuation is clearly higher than that one. And we think that capital allocation to that asset makes sense, and we'll see if we come to a conclusion where we are part of that. The second one regarding Construction, let me try and walk you through these things. Well, basically, you do the bidding, taking into account some risks when you are half - I mean you have tested the market of course, you have your own resources and you check how you can deliver the design. What happens is that then you have to get into the final details that get into a contract. I mean you don't have, let's say, grey or vague contracts in Construction for bidding. You have them that are more detailed. So, it took a while to get the final approvals, and the cycle really went against us. So, the only way to protect from that is to factor in that the cycle could go against you and do more self-performance, more work with your own resources, right? So here - well, that didn't work, we are seeing that the potential for losses is there, and we prefer to be prudent, right? So, we've taken that hit, and it has to do with basically the cycle moving away. And I mean, we are upset that we haven't been able to manage it. For future projects, there has to be risk allocated to these and more self-performance. Okay. So that's the explanation.*

And the third one regarding Heathrow. I mean all the economic parameters are on preliminary discussions. And the - let's say, the business plan will be presented more at the end of this year, and economics of regulation will be clear probably next year, right? So, it's certainly - it's no point on discussing now what could be the cost debt for expansion because everything is very preliminary.

Q:

Okay. I'm so I'm sorry for it. But are you comfortable to have eventually CPPIB with a higher stake EPR compared to your stake?

A:

In the end, it's important the rights of the shareholders agreements. Nothing changes with our increasing participation or if we don't increase. So, the rights remain the same.

Olivia Peters - Macquarie

Q:

Firstly, I'd like to find out in terms of the provision that you've booked…

A:

Olivia, sorry, I don't want to interrupt, but we can hear nothing. If you could speak closer to the microphone, please?

Q:

Can you hear me now? Is that better?

A:

Slightly.

Q:

Can you hear me now?

A:

Now it's better. And if there is any difficulty, I mean you can send us an e-mail or whatever and we'll take the question on the call as well. Go ahead now it's okay.

Q:

Okay. I'll email you. Ok, alright. I'm really sorry about this, I don't know what's going on. So, in terms of cost inflation - sorry in terms of the provisions you've booked in the U.S, are you seeing any dissipation and any let-up in terms of cost inflation in building materials inflation, and have you priced that into the provision that you've booked? That's my first question.

A:

Okay. You want to take it one by one? Yes. Building materials, we're seeing some pressure but it's more subcontractors that delivers certain units so well, right? So, if subcontractors prices that carry most of the weight in the provision.

Q:

Okay. And those are still increasing?

A:

I couldn't hear you, Olivia.

Q:

I'm sorry. Are the costs still increasing in the U.S.? The subcontractor costs? I'm assuming yes. I just want to get a sense of how conservative you really are being?

A:

Well, it's, I mean, it's something that we'll check. We are taking prices that are pretty much 60% above what we were considering at the bid time, right? So, the benchmark would be if we can deliver with our self-performance better and that would be the deliver, we have to improve this.

Q:

Okay. And I'll send my next question by email. I don't want to hold up the line if people can't hear me.

Stephanie D'Ath, Royal Bank of Canada – Analyst

Q:

My first question is on the potential exercise of the preferential right of the SNC-Lavalin and SNC. Could you maybe specify the timing? If you would financially be able to take up this stake? And would you then finance it with the proceeds from services?

My second question is on Construction. Could you maybe give us an updated guidance for 2019, 2020, given the provision you book if you're excluding the one you gave us, that would be valid?

And finally, my third question is on Heathrow and their guidance excluded component related to Brexit. And as mentioned earlier, therefore lower distance. Given that Brexit is postponed, could we see that reverse?

A:

Okay, Stephanie. I really had trouble hearing correctly. They are passing me some of the questions. And if they're not right, please answer back again - ask back again.

So, I mean the first one, if we took it correctly is the timing of the SNC-Lavalin transaction. Well, we are not disclosing that, but it shouldn't take long. If we have the, if we are financially able to go ahead, we have plenty of liquidity. And it's not only that this kind of transaction could be self-financed with no reverse financing, no. We talking that we have plenty of liquidity to do this transaction, right? The third one, I mean if I heard it correctly, was about if Brexit keeps *going like it is, basically no deal scenario or no hard Brexit, if we could see a better performance or reversal provision. Really it was not a provision. It was a guidance that Heathrow made for their EBITDA -- expected EBITDA for 2019.*

So, the short answer to all that is that yes, we should have a better EBITDA than what they mentioned in their investor report. But it's even written there and explained if that doesn't happen, performance should be adding that back, right? So yes, it looks like - it looks better than the provision expectation. Did I miss anything, Stephanie?

Q:

Yes, Sorry. For the full year guidance update on construction, including the provision? Because if I'm not mistaken, you expected some margin recovery in 2020 Construction. Is that still the case?

A:

In our Construction margins taking out this provision are going to remain low, okay? So, we would be looking to EBIT margins that are hovering around 1%, let's say, okay? So, we are working to improve that. But that's the expectation. And that is with the provision set aside.

Jenny Ping - Citigroup

Q:

Just a question from me. Now firstly, could you just remind us what was communicated in terms of use of cash post the disposal of the Services unit? And in that context, whether you have made any commentary about the Hobart Airport that's been mentioned in the papers?

Secondly, just following on from an early question in terms of the Construction business. You mentioned the 60% subcontracting price, which is where it is now compared to where you've originally been. Have you then looking forward or have you marked-to-market the 60% higher prices, or have you assumed that the cycle moves back in your favour? And then lastly, just in terms of the NTE and LBJ dividend, are you able to give us a feel of the magnitude that you are expecting to be paid out as a percentage of ownership?

A:

Jenny, I really struggled hearing your questions. So, could we just try and do it one by one, if you could speak closer to the microphone? And I will be taking them one by one, please.

Q:

Okay. Sorry about that. The first question is the use of the cash post the Services disposal. Have you said what - stated your intention for the use of cash that return to investors or is it reinvestment? And in the context of that, what have you said about Hobart Airport, which is rumoured to be in the press as something that you're interested to acquire?

A:

Okay, thanks. So well, basically, what we said with proceeds that they would be used for investment in infrastructure, and also we could contemplate shareholder remuneration. Regarding the Hobart Airport, we are not in that process. We're not interested.

Q:

Okay. But you haven't said the split between what's going to investors versus what's going back into the business.

A:

No, we haven't.

Q:

Okay. And then my second question is on the Construction business. You mentioned earlier the spot price for subcontracting is 60% above what the bid base case that you have originally worked on. So, the provision that you've provided for today, is that based on the current 60% higher pricing? Or do you assume the cycle moves back to your favour, i.e. prices start to fall again?

A:

No. We're being prudent with prices and this is commercially sensitive. But we've taken into consideration the risks and opportunities to manage risk that they are - will be more with self-performance than we are looking to do, right? So that's going to be our lever to improve. Of course, we have some margin of error in the provision. Of course, there is always risk, but we should be okay.

Q:

Okay. So just to be clear, you've assumed the higher cost going forwards?

A:

We have assumed a realistic and prudent closing of contracts, and improvements could come from the self-performance.

Q:

Okay. And very last question is on the NTE and LBJ dividends. Are you able to give us a feel of the magnitude of the dividends that's coming from these 2 assets?

A:

Well, we can say again what we said in the past. And basically, the operational performance is better. So hopefully, it will improve them because of the operational performance. So, what we said was that NTE would provide $125 our share.

Q:

And that's just for NTE?

A:

Okay so that's all we have provided in the past. probably in the models you can get some idea of better detail on the models that we will be publishing later on, probably this month. We are pondering that. But basically, the numbers are - with the better operational performance, maybe we could improve them.

Bruno Silva, Caixa Bank

Q:

First one, going back to Construction, sorry for insisting on this one. My question is really about the context of this provision and the changes in the contractor prices. That is not the first time and it's not the only company being reporting that and you still feeling that in both in Budimex and now in the U.S. Probably this is more a global context.

So, to some extent, what is the reason for only now taking this provision? And whether or not are we going to witness over the coming quarters more provisions taken on Construction in other geographies and other projects, things that you are still probably reassessing?

And second, could you please provide us with a rough figure of net cashflow that you expect from the Construction unit in 2019 and 2020?

Third question is just a confirmation regarding possible - I don't know if there was restatement in the net cash ex-infra at year-end '18. I remember that you had published roughly more than EUR900mn, and now it's EUR1,236mn. I don't know if it is more and I missed that detail. And finally, regarding ETR 407 and the 10% from SNC just clarification - could you assume to the market that you do not want to increase it above 50%. So, you'll be ruling out fully consolidating at this time? Or is everything possible at this moment? And just a detail regarding the breaking fee, would that something to be supported by the buyer exercising the option? Or it's something to be a cost to SNC?

A:

Okay. Thanks, lots of questions. Let me see if I didn't miss anyone. Okay. Regarding Construction, I mean we are talking about the main projects in the U.S. that we are addressing on an early stages. We have another big one in Houston, Grand Parkway. That is going along the expected lines, and we don't expect anything there. And the remainder of Construction, I mean, we expect low margins but not any major issues because of design being completed, things that you have to subcontract, right? So of course, I mean, the business can have low margins. Right now, we are not expecting anything like that. I mean we assessed all of the big projects that is part of the review we do from a strategic point of view. And while this is the case, of Construction has its risks and what we are trying to do as management is to contain those risks, reduce them, have less exposure and use Construction to help to create value with infrastructure, right? So, moving forward, we should be seeing a less of this and much more risk management for sure.

Okay, so regarding the net cash flow from the Construction division, this year, it will drain cash probably something around EUR300mn drain. Of course, the company will have more dividends, sources of cash from disposals. So, I mean, cash is not an issue, but this is a provision that costs money and Construction should drain cash this year.

For next year, it's early days, but we could maybe be talking about no - 0 cash distribution, no drainage, no contribution. But as I said, it's early days and we will keep you updated. And well, regarding the - well, we do have another question that was regarding the next cash position ex-infra. One thing that you have to bear in mind, you mentioned the 2 numbers. One of them is if you considered continued operations plus discontinued operations, or only continued operations, because basically the EUR1.236mnn, I think it was the number if my brain is not failing, basically was something like EUR 1.236 billion, that included both Services that is discontinued operations and the continued operations.

If you take out the net cash position of Services, you go to the 900-something.

So, I mean for me, it doesn't make sense to differentiate that because any cash in Services would be valued in the disposal, right? So that I prefer to look at the EUR 1.236 billion number.

Okay, and then regarding the increase or consolidation or whatever. Consolidation, it has to do with many things. One of them is of course the stake. The other one is the rights that you have, right? So, as I mentioned the answer of a prior question, you don't get any more rights for buying more, nor if someone gets a bigger participation gets more rights, right? So, the shareholder's agreement doesn't change with our current participation, and nor if we increase.

Guillermo Fernández - Kepler

Q:

A number of them have been already answered, but still one, the main would be whether you consider a sustainable the kind of growth you've seen in Q1 in the manages lanes for particularly at the end with the double-digit through the year. And also at the tariff level in both assets.

Second one would be on the ETR 407, whether the transaction you are planning, or are thinking about, would involve a re-leverage on the asset, whether you would want to do it at the project level or above it?

And one actually would be a verification on the latest, Bruno's question. You mentioned a cash drain of Construction expected for 2019. You said a figure, but sorry, I missed it.

A:

Thanks, Guillermo. Again, the sound was not the best to say the least. But let me try and address what I understood. Regarding NTE and LBJ, we don't provide yearly guidance. I mean all the parameters behind the business plan that we have shown at the Investor Day. And then when we published are still there. So, the dynamics are very good. We won't be getting into specifics.

The only thing I mentioned is that LBJ, you see that is growing less in terms of traffic. And it has to do with congestion on the East End. And there, you will see works in the coming years and that will improve that. So, regarding the business plan, it's fine. But probably you'll see less growth in LBJ than in the NTEs 1, 2 and 3. So I mean, we think the performance is going to be better than what we expected for this year. We don't get into specifics.

Then regarding the 407ETR, no, our analysis is not based on additional re-leverage at the OpCo nor in the holding - on the holding company. It's a resource you can always have, but we are not banking on that for our numbers.

And then the last question was on cash. Yes, we said that Construction in terms of the contribution to the cash flow this year, probably we're looking at a drain of 300. Of course, as always we will work to improve that, but the best estimate we have right now is that one. Was that all, Guillermo?

Q:

Yes, that was all.

Ernesto López Mozo, Ferrovial - CFO

Okay. I have some questions that came through the e-mail. I will take the first one. The first one is from Charles Maynadier from Kempen. And it says dependent on the stake, you potentially acquire in the 407ETR from SNC-Lavalin. Can you confirm that you will need to consolidate the asset? If so, is that an important part of the decision to increase your stake? Do you see any benefit of consolidating?

Well, the answer indirectly has been already given, right? Because we don't consolidate depending on the percentage of the stake you have, it depends on your capacity to run or impose decisions on the asset. And that doesn't change, and that doesn't change either with other parties acquiring a higher participation, right? Also, in terms of the benefit of consolidating from upticks or not, I mean, this is not something that could drive a huge investment. Any investment of money has to be done with cash flow analysis rather than accounting. But of course, we are aware - I mean we are aware that upticks sometime help. But no, the decision is done only based on returns.

Okay, the next question comes from Olivia Peters. Olivia Peters asks, while the LBJ traffic was weaker. How long, I mean, it grows but it's something that I already mentioned. How long will the improvement in the connector take to be in place? Shall we assume traffic is negatively impacted by Construction?

Okay, so regarding this one, with the LBJ, I'm just checking how long it could take to do the works, but probably we're talking about 3 to 5 years. I would try to be more specific. We'll come back to you on this. But yes, the answer is that during Construction, traffic is negatively impacted. Afterwards, it gets a much better improvement. So, the net effect on business plan or value is much better, okay? So, we will come back on the timing of those works in the connecting road.

Then the next question also from Olivia is timing around Services disposal, any update? No, it's going along the normal process. And regarding the Birmingham negotiation, no, I already mentioned that things are advancing. And probably they will - if they are sorted out, it will be in weeks, if not, they - I mean there will be no solution, right? So the third one is would you re-gear the NTE once the dividend paid on debt refinance?

It's not the idea now, but we constantly monitored opportunities there. No, it's not the idea to re-gear the NTE once the dividend is paid and debt is refinanced.

Okay, so well, I got the information regarding the works on the I-635 that is east of the LBJ. Works should be carried out during 2020 to 2024, right? So, these are the years when traffic should be negatively impact in this part of the road.

So, I think I addressed all the questions we received via e-mail. No, we - okay. We are getting some more on the call. Okay, so operator, let's go to the next question, please.

Victor Acitores Peñafiel - Société Genérale

Q:

I only have one question regarding the timing of your in-house valuation of Concession. You've got an indication of when you are thinking to communicate the internal valuation of the asset?

A:

Okay. In any case, it will have to be after the potential transaction in the 407, okay? So, it will have to be after anything closes there, and probably before the summer.

Nicholas Mora - Morgan Stanley

Q:

Just a couple of points. Just coming back on the Construction. Can you explain a little bit you said that the 3 contracts, which were mainly affected were totalling basically $2.7 billion, including so the I-66 Georgia, so I-285 SR 400, and then the I-77. I mean, I don't really get to that $2.7 billion. I mean Georgia's has been on for a couple of years. I-77 is basically done. And I-66 you spent a few hundred million dollars. So, there is the bulk of the $2 billion or less. That looks quite a high number. Are you, including a few other basically smaller contracts in the $2.7 billion? Second question linked to this, I mean...

A:

No. Sorry, Nicholas that was the only question. I can take them one by one. Okay. Well, basically in the I-66, I'm talking about $2.3 billion. The I-285, $485 million, right? The I-66 really has less than 7% completion. The I-285 has less than 20% completion. And then the I-77, that is $524 million has something like 80% completion, right? So that's roughly the quick calculation I came up with the $2.7 billion and it adds up.

Q:

Okay. And on the issue, you've talked about basically you having maybe engaged in riskier regions, or regions where you were not used to working. So typically, Virginia or North Carolina and there is another contract, which comes up to mind, which is in Denver in Colorado. I mean could that project also be, I mean, has this project been revised, could there be risk as well attached to it?

A:

No. Well, basically, the Denver project, what has appeared is that the conditions of the pre-existent structure are not in good shape, right? So, the parties are looking the way to move forward. So, probably you will need to address some sort of different design, but it's because the conditions were not there. But that's not something that our Construction is liable for. So, it's - no it's something different, delays come from something different.

Q:

Okay. And then the last one just on the net working capital changes. So, you say Q1 was in line with last year. Last year included Services no, which were - which (*inaudible*) working capital in Q1. Does it mean Construction -- I mean Construction be the main part of the working capital outflow - be a bit worse than it was last year in the first part of '19 versus last year?

A:

Yes. Construction is slightly worse.

James Sparrow - BNP Paribas

Q:

Just got one question on the credit side, regarding your credit rating. You've just been put on watch developing by S&P, which is a bit strange. They kind of give themselves the option to wither take the rating up or down. Just curious to know if you have any sort of target credit rating in mind?

A:

Yes. I mean for us it's key to have an investment grade rating. BBB is the spot where we want to be. And the reason for that is because, I mean, when you are winning these kinds of infrastructure assets, it also helps to acquire them on a Greenfield situation, right? So yes, it's extremely important for us to have that rating. And we think that the evolution of the company with infrastructure bring more cash, will be a good situation for that, right, I mean, that the S&P note talks more about what kinds of metrics they would use now that Services is out. Not that the company is not very solid.

Ernesto López Mozo, Ferrovial - CFO

Okay. Well, thank you all and we'll be talking about the developments of all the assets we have either for sale or for potential acquisition. Thank you. Bye-bye.