

Rating object

Brisa Concessão Rodoviária S.A
 Long Term Local Currency Senior Secured Issues, issued by
 Brisa Concessão Rodoviária S.A

Rating incl. outlook / watch

BBB / stable
 BBB / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Brisa Concessão Rodoviária S.A	02.06.2022	02.06.2022	Until withdrawal of the rating
Long Term Local Currency Senior Secured Issues, issued by Brisa Concessão Rodoviária S.A	02.06.2022	02.06.2022	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the unsolicited corporate issuer rating of Brisa Concessão Rodoviária S.A. (hereinafter also referred to as "BCR" or the Company), as well as the unsolicited corporate issue ratings of the long-term local currency senior secured notes issued by BCR, at **BBB**. The Outlook has been revised from negative to **stable**. In addition to this report, we also refer to the rating report of 26 February 2021, which contains further relevant information with respect to the structural, business and financial risk of the Company.

The current rating attests BCR a highly satisfactory level of creditworthiness, representing a low to medium default risk. This assessment reflects the Company's well-established position in the Portuguese road and transport sector, its sound deleveraging capabilities and credit metrics, as well as the financial framework, which ensures a gradual deleveraging over the term of the concession agreement through its financial covenants. Even during the worst period of the COVID-19 pandemic, the company showed sufficient headroom with respect to its covenants in the Common Terms Agreement; therefore, we believe the Company will be able to withstand potential adverse market conditions in the coming years.

The outlook has been revised from negative to **stable**, as the business development of BCR improved significantly against the prior year, which was reflected in revenues and (operating) profit. Revenue strongly recovered to EUR 573 million (2020: EUR 495 million) and, as a result, EBITDA and EBIT stabilized to EUR 417 million (2020: EUR 331 million) and EUR 312 million (2020: EUR 236 million), respectively. The main reason for the improved operating performance was the gradual release of restrictive measures imposed by the Portuguese government to curb the spread of COVID-19. As the beginning of the year continued to be marked by widespread restrictive measures, the average daily traffic (ADT) during the first quarter of 2021 fell to a level below that of 2020. During the second and third quarters the measures began to be gradually released, which immediately coincided with an increase in ADT. The fourth quarter then showed a small decline, similar to that of pre-crisis levels in the fourth quarter of 2019, but also coincided with the partial reinstatement of some restrictive measures. Over the course of the year, the ADT saw a significant recovery to 18,550 (2020: 15,986), but remained clearly below the pre-pandemic level of 21,373 vehicles in 2019, which is reflected in the Company's revenues and operating income, which also remains under pre-pandemic levels.

Consequently, BCR's credit metrics stabilized, but continued to be of lower credit quality than before the pandemic. Nevertheless, the Company continues to possess strong deleveraging capabilities, as evidenced by its net total debt / EBITDA of 4.65 (2020: 6.14, - 2019: 4.00) and strong cash-flow generation, with its 2021 cash flow after investments of EUR 318 million (2020: EUR 260 million, - 2019: EUR 339 million). This is partially offset by its dividend policy, which continues to put pressure on BCR's liquidity and ability to deleverage. During the business year 2021, BCR issued a dividend of EUR 178 million, which included a pre-payment of EUR 54 million in dividends over the 2021 business year. Liquidity as of the end of the year 2021 was strong with cash and cash equivalents of EUR 210 million (2020: EUR 149 million) and undrawn committed credit lines at five different banks totaling EUR 250 million, which exceeds its total current liquidities at the end of year 2021.

The further development of BCR is fully dependent on its macro-environment, in particular on the further evolution of the COVID-19 pandemic and the potentially associated restrictive measures that could be implemented, but also on the further development of the Russia-Ukraine crisis, which also might negatively affect the economic development in Portugal. The Russia-Ukraine crisis has also been an indirect cause for rising fuel prices, which could have a potentially negative influence on ADT. Assuming no further significant restrictive measures to curb the spread of COVID-19 and no further significant increase in fuel prices, we believe that BCR's performance will continue to improve against 2021.

We have also affirmed the unsolicited corporate issue rating of the long-term senior secured issues issued by Brisa Concessão Rodoviária S.A. at **BBB** and revised the outlook from negative to **stable**. This decision is mainly based on the corporate rating of Brisa Concessão Rodoviária S.A. The conditions of the security agreement do not have additional influence on the issue rating. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Primary key rating drivers:

- + Significantly higher ADT in comparison to 2020 due to less restrictive measures imposed in relation to COVID-19
- + Sufficient headroom in relation to existing covenants
- + Improved credit metrics following stronger operating performance

- Operating performance still not on pre-pandemic level
- High inflationary environment, while pricing flexibility is limited
- The increase in fuel prices may hamper development of ADT
- Many remaining uncertainties in relation to COVID-19, the war in Ukraine and other macro-economic factors beyond the Company's influence

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Brisa Concessão Rodoviária S.A we have not identified any ESG factor with significant influence. BCR manages the largest infrastructure concession in Portugal, but relies on other Companies within the Brisa Group to fulfil its obligations within the concession contract for maintenance of its road concession, and is therefore largely dependent on the ESG-targets of its sister companies within the Brisa Group. BCR has set the following reduction goals in relation to its ESG-targets: a 17% reduction of electricity consumption by 2028, a 53% reduction of fuel consumption by 2028, and a 3% reduction of water consumption by 2028. All these targets are set against the base year of 2019. Over the past two years, the Company has managed to significantly reduce its greenhouse gas emissions, although this was largely a result of lower average daily traffic due to the mobility restrictions imposed in Portugal. We do not see any increased risks linked to the Company's CO2 pricing in the short to medium term. In the long term, however, operating performance could decline somewhat due to a CO2-related traffic change. The Group is committed to adhering to its environmental policy statement to promote biodiversity in order to preserve the environment. To this end, BCR has an environmental management team with a goal to build, maintain and operate its motorways more sustainably.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: **BBB**

In our best-case scenario for one year, we assume a further recovery of ADT, leading to a further improvement of BCR's business performance against the prior year and a further stabilization of the Company's credit metrics. In this scenario we assume no lockdown measures, but fuel prices remain at a high level. Despite high fuel prices, ADT continues its recovery and is slightly below pre-pandemic levels.

Worst-case scenario: **BBB-**

In our worst-case scenario for one year, we assume further lockdown measures in combination with ongoing high fuel prices, which will deteriorate the Group's performance as ADT significantly decreases against the prior business year. As a result, revenues, earnings, as well as cash-flow generation decline significantly, which affects the Group's credit metrics and increase leverage.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Brisa Concessão Rodoviária S.A	Initialrating	14.11.2018	www.creditreform-rating.de	Until withdrawal of the rating	BBB / stable
LT LC Senior Secured Issues issued by Brisa Concessão Rodoviária S.A	Initialrating	14.11.2018	www.creditreform-rating.de	Until withdrawal of the rating	BBB / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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