

11 January 2024 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has upgraded the unsolicited corporate issuer rating of Brisa Concessão Rodoviária S.A. to **BBB+** / **stable**

Creditreform Rating (CRA) has adjusted the ratings of the unsolicited, public 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 rating of the long-term local currency senior secured notes issued by BCR from **BBB** to **BBB+**. The outlook remains stable. Additionally, CRA has set the initial short-term rating of BCR at **L3**. For more information regarding structural, business and financial risks of the unsolicited ratings of BCR, we refer to our full rating report of 26.02.2021, and its subsequent rating press releases/rating updates, which can be found on our website.

### Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + High domestic GDP growth in 2022 despite increased geo-political volatility
- + Further recovery in average daily traffic, almost on par with pre-pandemic levels
- + Continued growth of revenue and (operating) profit surpassing the level of 2019
- + Outstanding debt reduced further according to plan
- + Sufficient headroom with regard to financial covenants as stipulated in the Common Terms Agreement
- + Brisa Auto Estradas de Portugal S.A. also showed a strong development
- + CRA has upgraded the unsolicited sovereign rating of the republic of Portugal to **A-** / **stable** on 08.08.2023

### ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Brisa Concessão Rodoviária S.A. we have not identified any ESG factors with significant influence.

BCR manages the largest infrastructure concession in Portugal but relies on other companies within the Brisa Group to fulfill its obligations under the concession contract for maintaining its road concession. Therefore, BCR is largely dependent on the ESG targets of its sister companies within the Brisa Group. However, at the end of the 2022 business year, BCR reset its emissions targets and now aims for a 42% reduction in carbon emissions by 2030, against the base year 2021. Its carbon neutrality targets are aligned with climate science and have been approved by the Science Based Targets initiative (SBTi). We do not see any increased risks linked to the Company's CO2 pricing in the short to medium term. The Group is committed to adhering to its environmental policy statement to promote biodiversity for environmental preservation. To achieve this, BCR has an environmental management team with the goal of building, maintaining, and operating its motorways more sustainably.

In addition, the Group aims for a further increase in female leadership and continues to strive for gender parity by 2030. As of the end of 2022, BCR had a percentage of 39% of women in the total workforce, and 31% of management positions were occupied by women.

### Analysts

Rudger van Mook  
Lead Analyst  
R.vanMook@creditreform-rating.de

Christina Sauerwein  
Co-Analyst  
C.Sauerwein@creditreform-rating.de

Neuss, Germany

**ESG factors** are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

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.

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 result

The unsolicited corporate issuer rating of **BBB+** attests to Brisa Concessão Rodoviária S.A. a highly satisfactory level of creditworthiness, representing a low to medium default risk. The upgrade reflects BCR's robust development over the past years, despite significant challenges stemming from government-imposed restrictions in 2020 and 2021 and subsequent uncertainty related to the war in Ukraine. With positive operating developments in 2022 and the first half of 2023, the Company demonstrated remarkable progress in terms of average daily traffic and operating profit, leading to an improvement in credit metrics. Furthermore, the current rating also underscores the Company's fundamental characteristics, including its strong cash generation and debt-servicing capacity, its existing concession portfolio, as well as protective financial measures stipulated in the Common Terms Agreement. These measures provide additional leeway concerning the financial stability of BCR. We do view the high leverage in combination with its high dividend pay-out ratio as negative.

CRA has upgraded its sovereign rating of the republic of Portugal to **A-** and changed its outlook to **stable** on 08.08.2023. Due to the current sovereign rating of Portugal it is currently not a constraining factor for BCR's unsolicited corporate issuer rating.

## Outlook

The one-year outlook for the rating remains **stable**. This assessment is based on our expectation that BCR will continue to demonstrate strong operating performance and will proceed with further reducing its outstanding indebtedness despite the volatile economic and geo-political environment. The higher interest rates have become apparent, but can be partially offset by the reduction in outstanding indebtedness.

### Best-case scenario: A-

In our best-case scenario for one year, we assume a rating of A-. This could be the case if average daily traffic continues to rise. As a result of this BCR is able to further increase its operating development and continues to reduce its outstanding indebtedness leading to an improvement in credit metrics.

### Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. This could be the case if average daily traffic would fall back significantly leading to substantially lower operating profit and cash flows against the prior year.

## Business development and outlook

The business year 2022 was marked by the invasion of Ukraine and its effects on European economies. The increased geopolitical volatility led to surging energy prices and overall cost inflation, with the Portuguese economy recording an average inflation rate of 7.8%. Despite the heightened geopolitical volatility, the Portuguese economy proved resilient and achieved strong GDP growth of 6.7%. Driven by this economic growth and the absence of restrictive government regulations that had significantly impaired traffic development in recent years, the Average Daily Traffic (ADT) on the BCR network increased by 15.1% compared to the prior year, reaching 21,359 vehicles per day (2021: 18,550) and nearly reaching pre-pandemic levels. These favorable developments were also reflected in the profit and loss statement, which witnessed substantial increases in both revenues and operating profit, surpassing the figures from 2019.

Table 1: Financials of Brisa Concessão Rodoviária S.A. | Source: Brisa Concessão Rodoviária S.A. Annual report 2022, standardized by CRA

Brisa Concessão Rodoviária S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures <sup>1</sup>	
	2021	2022
Sales (million EUR)	573	665
EBITDA (million EUR)	436	500
EBIT (million EUR)	311	371
EAT (million EUR)	183	220
EAT after transfer (million EUR)	183	220
Total assets (million EUR)	2,277	2,131
Equity ratio (%)	6.01	7.03
Capital lock-up period (days)	16.88	14.48
Short-term capital lock-up (%)	45.55	64.36
Net total debt / EBITDA adj. (factor)	4.67	3.77
Ratio of interest expenses to total debt (%)	2.26	2.66
Return on Investment (%)	10.17	12.80

The stronger operating performance of the Company led to an improvement in credit metrics related to profitability and internal financing power, as evidenced by Net total debt / EBITDA adj of 3.77 (2021: 4.67) and ROI of 12.80 % (2021: 10.17%). Although equity slightly increased, there continues to be room for improvement as BCR continues to distribute a significant amount of its available profit as dividends, limiting potential equity growth. While we view this negatively, it should be noted that financial covenants, agreed upon in the Common terms Agreement, limit distributions to shareholders under certain conditions. The Company is subject to covenants, such as Net Debt / EBITDA, and historic ICR ratio. As of the end of 2022, the Company had sufficient headroom in order to prevent a trigger event. A trigger event would prevent dividend distributions until such a situation would be remedied.

<sup>1</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

During the first half of 2023, BCR continued to exhibit strong development, with ADT rising to 21,566 (H1 2022: 19,259). This resulted in a further increase in revenues to EUR 361 million (H1 2022: EUR 299 million), a higher EBITDA of EUR 288 million (H1 2022: EUR 232 million) and a net profit of EUR 120 million (H1 2022: EUR 92 million). The higher revenues contributed to a significantly stronger operating cash flow of EUR 239 million (H1 2022: EUR 193 million). With the cash available from operating activities, BCR issued dividends of EUR 145 million, and reduced its outstanding debt to EUR 1,470 million (2022: EUR 1,590 million). As of H1 2023, BCR had a strong liquidity position, when reflecting its operating cash flows of EUR 239 million, its cash position of EUR 94 million (2022: EUR 157 million) and its undrawn committed credit lines of EUR 177 million. Particularly when considering its maturity profile, which is well distributed with maturities of EUR 199 million in 2024 and EUR 339 million in 2025 as of H1 2023.

BCR has developed remarkably well over the past year despite increased geo-political and macro-economic volatility. During the business year 2022 and H1 2023, ADT was almost on pre-pandemic levels, and even exceeded (operating) profit of 2019. The Portuguese economy has shown resilience and BCR's toll services prices are indexed to the Portuguese CPI, thus offering some protection against inflationary cost pressures. For the business year 2023 and 2024 we expect stable development and expect that the reduction in indebtedness will continue.

BCR relies on services provided by various companies within the Brisa Group, covering maintenance, toll collection, administration, engineering, and technical services, among others. The ring-fencing structure of BCR offers additional security for investors against the performance of the Brisa Group. However, a deterioration in the credit quality of the Brisa Group could potentially impact BCR's unsolicited corporate issuer rating due to its multiple service agreements and the influence it holds over Brisa's dividend policy. The fundamental financial key ratio analysis of BCR's ultimate parent company, Brisa Auto Estradas de Portugal S.A., showed a slight improvement in 2022 compared to the 2021 business year. It's important to note that BCR serves as the profit driver of the Group, and the Group's dividend policy is also subject to compliance with financial covenants.

## Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the unsolicited short-term rating of Brisa Concessão Rodoviária S.A. was set at **L3** (standard mapping), which corresponds to an adequate level of liquidity assessment for one year.

The rating objects of the issue rating are exclusively long-term senior secured issues, denominated in euro, issued by Brisa Concessão Rodoviária S.A., which are included in the list of ECB-eligible marketable assets. The notes have been issued within the framework of the Euro Medium Term Note (EMTN) programme, of which the latest base prospectus dates from 7 September 2023. This EMTN programme amounts to EUR 3 billion

We have assigned the long-term senior secured issues issued by Brisa Concessão Rodoviária S.A. an unsolicited rating of **BBB+ / stable**. The rating is based on the corporate issuer rating of Brisa Concessão Rodoviária S.A. The conditions of the security agreement do not have additional influence on the issue rating.

Long-term local currency senior unsecured notes issued by Brisa Concessão Rodoviária S.A., which have similar conditions to the current EMTN program, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior secured notes issued under the EMTN program. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Brisa Concessão Rodoviária S.A.	11.01.2024	<b>BBB+ / stable / L3</b>
Long Term Local Currency Senior Unsecured Issues, issued by Brisa Concessão Rodoviária S.A.	11.01.2024	<b>BBB+ / stable</b>
Other	--	<b>n.r.</b>

## Appendix

### Rating history

The rating history is available under the following [link](#).

Table 3: Corporate Issuer Rating of Brisa Concessão Rodoviária S.A.

Event	Rating created	Publication date	Result
Initial rating	14.11.2018	26.11.2018	BBB / stable

Table 4: LT LC Senior Unsecured Issues issued by Brisa Concessão Rodoviária S.A.

Event	Rating created	Publication date	Result
Initial rating	14.11.2018	26.11.2018	BBB / stable

### Regulatory requirements

The rating<sup>2</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Corporate Short-Term Ratings</a>	1.0	June 2023
<a href="#">Government-related Companies</a>	1.1	May 2023
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

<sup>2</sup> 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.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Rudger van Mook	Lead-analyst	R.vanMook@creditreform-rating.de
Christina Sauerwein	Analyst	C.Sauerwein@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Felix Schürmann	PAC	F.Schuermann@creditreform-rating.de

On 11 January 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 12 January 2024. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

### ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for 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](#).

### Conflict of interests

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.

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No ancillary services in the regulatory sense were carried out for this rating object.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's [website](#).

### 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.

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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Creditreform Rating AG

### Contact information

Creditreform Rating AG

Europadamm 2-6  
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626  
Telefax: +49 (0) 2131 / 109-627

E-Mail: [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Web: [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO: Dr. Michael Munsch  
Chairman of the Board: Michael Bruns

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