



Ferrovial, S.A.

Separate Directors' Report and
Financial Statements

2016

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**SEPARATE
DIRECTORS'
REPORT
FERROVIAL, S.A.
2016**

1. PROFIT (LOSS) FOR 2016

The company's net profit amounts to EUR 62,983 thousand at 31 December 2016, of which EUR 165,977 thousand come from profit (loss) from operations obtained in the year. In this sense, being Ferrovial S.A. a holding company, dividends received from subsidiaries and finance income associated with the financing of these, are part of the company's revenue. Accordingly, in 2016 a revenue of EUR 215,401 thousand was generated, of which EUR 179,650 thousand relate to dividends received by Ferrovial S.A. from its subsidiaries (see Note 17 in the accompanying financial statements).

The financial result amounts to EUR (88,917) thousand, primarily corresponding to credit received by Ferrovial S.A. from other companies in the group for an amount of EUR 53,848 as discussed in note 17 of the accompanying financial statements. It is also included in this result the measurement of certain financial instruments (mainly Equity Swap) which resulted in expense in the year of EUR 18,029 thousand (see Note 8 in the accompanying financial statements).

Until completion of the above mentioned net profit of EUR 66,983 thousand, two concepts should be highlighted:

- Impairment of financial instruments related to the measurement of certain group companies (EUR -9.377 thousand as detailed in Note 7 of the accompanying financial statements)
- Corporate tax representing an expense of EUR 14,166 thousand (see in detail Note 15 Tax Matters in the accompanying financial statements).

2. NON FINANCIAL INDICATORS

2.a Environment

In view of its business activity, the Company does not have any environmental obligations, expenses, assets, liabilities or contingencies that might be material with respect to its equity, financial position or results. For that reason, no specific breakdown has been included in this report regarding environmental issues, the disclosures contained in the Consolidated Directors' Report being more representative in this respect.

2.b Innovation

The Company does not carry out any significant innovation activities at an individual level. Such activity is performed by the Group companies; therefore, the information stated in the Consolidated Directors' Report is more representative in this regard.

2.c. Human Capital

Ferrovial is committed to its employees to develop a comprehensive model that may guarantee the strength of the various businesses while boosting the capabilities of its professionals.

The talent and commitment of Ferrovial's professionals are the pillars of its success as an international leader in the infrastructure management sector. For that reason, fostering each employee's career development within the Company, together with managing their talent and promoting their international profile with a cross-cutting approach, are Ferrovial's strategic priorities, always within a framework of equal opportunities based on individual merit.

At the closing of 2016 Ferrovial S.A has a workforce of 84 employees, of which 33% are women. Regarding the distribution by professional category, 57.1% are executives, 26.2% university and further education college graduates; 15.5% clerical staff and 1.2% manual workers and unqualified technicians.

3. OTHER RELEVANT INFORMATION

3.1 Financial Risk

The Company manages financial risks actively in order to minimise financing costs and reduce volatility due to changes in capital. In order to do so, the Company pursues the objectives and policies described in detail in the Consolidated Directors' Report. The main financial risks to which Ferrovial S.A. is exposed are variations in interest rate and exchange rate and the evolution of share price. In order to hedge such risks, the Company has arranged the following derivatives: i) interest rate swap linked to the issue of a corporate bond to cover any bond value variation in case of interest rate fluctuations; ii) foreign currency forward to hedge variations in future inflows from subsidiaries; iii) equity swaps to hedge the potential equity impact caused by the exercise of employee's performance share plans. Note 8 of the Company's Financial Statements include a detail of the derivative instruments arranged by the Company.

3.2 Shareholder remuneration and transactions with treasury shares

Dividend Policy

In 2016 for the third consecutive year, Ferrovial S.A. adopted a new compensation system for shareholders called "scrip dividend" or "flexible dividend" offering the opportunity to apply for receiving new shares instead of a cash dividend. This new system caused an impact on the Company Shareholders' Equity for an amount of EUR -226,265 thousand. Additionally, with the purchase of treasury shares for subsequent cancellation and reduction of capital also -317,248 thousand, shareholder return had an impact on shareholders' equity of EUR -543,513 thousand. The system is more thoroughly described in Note 12 of the Company's Financial Statements.

As of 31 December 2016, there are 2,775,174 treasury shares available, as shown in the following table where both transactions performed and the closing balance of the year are shown:

TRANSACTION PERFORMED/ OBJECTIVE	NUMBER OF SHARES BOUGHT	% OF CAPITAL	NOMINAL % OF CAPITAL (thousand Euros)	AMOUNT PAID (thousand Euros)	NUMBER OF SHARES APPLIED TO THE OBJECTIVE	TOTAL NUMBER OF SHARES
Balance at 31.12.15						954,805
Further capital reduction	15,547,735	2.1%	3,110	-275,000	-16,308,725	-760,990
Discretionary treasury shares and other	2,407,250	0.30%	481	-42.254	0	2,407,250
To address compensation systems	2,670,561	0.40%	534	-50.586	-2,871,399	-200,838
Shares received as payment for the flexible dividend (*)	374,947	0.10%	75	0	0	374,947
BALANCE AT 31.12.2016						2,775,174

(*) Shares received as payment of the treasury shares' flexible dividend that the company held at the time of dividend distribution.

The market value of treasury shares at 2016 year-end amounts to EUR 47,178 thousand.

In addition to the shares acquired by Ferrovial S.A., 1,111,234 treasury shares for remuneration systems were purchased by Ferrovial Inversiones S.A. and have been applied to the objective during the year.

3.3 Outlook for the business activities

The Company's activity in 2017 will be marked by the performance of the Group businesses, as stated in the Consolidated Financial Statements, placing a special focus on the expansion of the international business.

On the other hand, the result of the next fiscal year will be marked by the decisions about dividend distribution taken by the various subsidiaries of Ferrovial S.A.

3.4 Events after the reporting period

The relevant events occurred after year-end are specified in Note 25 to the Financial Statements.

4. ANNUAL CORPORATE GOVERNANCE REPORT AND OTHER RELEVANT INFORMATION

The Annual Corporate Governance Report is an integral part of the Directors' Report as per the Companies' Law. The report is submitted separately to the CNMV and is available on the company's website.

5. AVERAGE PAYMENT TERM

In compliance with the obligation to disclose the average period of payment to suppliers provided for in Article 539 and Additional Provision Eight of the Spanish Limited Liability Companies Law (in accordance with the new wording of Final Provision Two of Law 31/2014 reforming the Spanish Limited Liability Companies Law), the Company hereby states that the average period of payment to the suppliers was 26 days.

Set forth below is the detail required by Article 6 of the Spanish Accounting and Audit Institute Resolution of 29 January 2016 in relation to the disclosures to be provided on the average period of payment to suppliers in the 2016 and 2015:

	2016	2015
Average period of payment to suppliers (days)	26	27
Ratio of transactions settled	26	26
Ratio of transactions not yet settled	16	44
	Amount (Euros)	Amount (Euros)
Total payments made	7,516,790	6,581,791
Total payments outstanding	213,230	336,162



**SEPARATE
FINANCIAL
STATEMENTS
FERROVIAL, S.A.
2016**

FERROVIAL, S.A.

BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

(THOUSANDS OF EUROS)

ASSETS	2016	2015
NON-CURRENT ASSETS	9,771,415	10,027,691
Property, plant and equipment (Note 5)	61	57
Other fixtures, tools and furniture	45	45
Other items of property, plant and equipment	376	353
Accumulated depreciation	-360	-341
Non-current investments in Group companies and associates	9,543,182	9,749,080
Equity instruments (Note 7)	9,536,980	9,742,958
Loans to Group companies (Note 10)	6,202	6,121
Non-current financial investments	16,130	43,278
Other receivables	11	19
Long-term guarantees and deposits given	483	483
Derivatives (Note 8)	15,636	42,776
Deferred tax assets (Note 15)	212,043	235,276
CURRENT ASSETS	320,447	913,705
Receivables	118,746	119,187
Group Trade receivables and associates (Note 10)	76,674	88,008
Other receivables	521	2,236
Employees	127	281
Public authorities	41,677	28,914
Provisions	-253	-253
Current investments in Group companies and associates (Note 10)	170,821	85,669
Loans to Group companies	192	177
Other financial assets	170,629	85,492
Current financial investments (Note 8)	10,752	11,463
Current accruals and deferred income	4,233	5,486
Cash and cash equivalents (Note 9)	15,894	691,900
TOTAL ASSETS	10,091,862	10,941,396
LIABILITIES	2016	2015
EQUITY	4,871,152	5,397,729
Shareholders' Equity (Note 12)	4,870,056	5,399,729
Share capital	146,510	146,442
Share premium and merger premium	1,852,197	2,164,771
Reserves	2,849,277	2,969,475
Legal reserve	29,340	29,340
Reserves subject but exempt Article 22 of Consolidated Corporate Tax Law	3,045,684	3,304,500
Other reserves	-225,748	-364,366
Treasury shares and interests	-40,543	-15,835
Profit/(loss) for the year	62,893	132,875
Adjustments for changes in value (Note 12)	1,096	0
NON-CURRENT LIABILITIES	1,760,151	1,469,616
Long-term provisions (Note 13)	134,506	112,832
Non-current Payables (Note 14)	268,400	0
Non-current payables to Group Companies and Associates (Note 10)	1,339,415	1,339,415
Deferred tax liabilities (Note 15)	17,830	17,465
CURRENT LIABILITIES	3,460,821	4,074,052
Current payables	28,632	11,768
Bank borrowings	17,766	175
Derivatives (Note 8)	10,749	11,459
Other financial liabilities	117	133
Current payables to Group companies and associates (Note 10)	3,408,622	4,039,480
Trade and other payables	23,026	22,804
Trade payables (Note 11)	688	1,591
Payables to suppliers, group companies and associates (Note 10)	659	263
Sundry accounts payable	342	520
Employees	14,050	12,882
Other tax payables	7,287	7,547
TOTAL LIABILITIES	10,091,862	10,941,396

The accompanying Notes 1 to 26 and Appendix I and II in the Financial Statements are an integral part of the balance sheet as at 31 December 2016.

FERROVIAL, S.A.

INCOME STATEMENTS FISCAL YEARS 2016 AND 2015

(THOUSANDS OF EUROS)

	2016	2015
Revenue (Note 17)	215,401	198,681
Sales	0	8
Dividends received from subsidiaries	179,650	156,127
Other returns received from subsidiaries	2,565	10,916
Provision of services	33,187	31,631
Other operating income	6	6
Staff costs (Note 18)	(35,876)	(36,112)
Wages, salaries and similar expenses	(34,760)	(35,037)
Employee benefit costs	(1,116)	(1,075)
Other operating expenses	(13,537)	(7,713)
Outside services	(18,844)	(11,974)
Taxes other than income tax	(313)	(585)
Losses on, impairment of and change in allowances for trade receivables	5,690	4,869
Other current operating expenses	(70)	(23)
Depreciation and amortisation charge (Note 5)	(19)	(21)
PROFIT (LOSS) FROM OPERATIONS	165,977	154,841
Finance income (Note 17)	7,521	9,156
From marketable securities and other financial instruments	4,198	3,171
From sureties and guarantees lent to Group companies (Note 10)	3,324	5,985
Finance costs (Note 17)	(64,151)	(71,450)
On debts to Group companies and associates	(53,848)	(60,132)
On debts to third parties	(10,303)	(11,319)
Change in fair value of financial instruments (Notes 8 and 17)	(17,257)	49,966
Exchange gains/(losses)	(4,683)	5,493
Impairment and gains or losses on disposals of financial instruments (Note 17)	(10,348)	(83,681)
Impairment and other losses	(11,150)	(83,681)
Gains or losses on disposals and others	802	0
FINANCIAL RESULT (Note 17)	(88,917)	(90,517)
PROFIT (LOSS) BEFORE TAX	77,059	64,324
Corporate tax (Note 15)	(14,166)	68,552
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	62,893	132,875
PROFIT OR LOSS FOR THE YEAR	62,893	132,875

The accompanying Notes 1 to 26 and Appendix I and II to the Financial Statements are an integral part of the statement of profit or loss for the year ended 31 December 2016.

STATEMENTS OF CHANGES IN EQUITY FOR 2016 AND 2015

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2016 AND 2015

Thousands of Euros	2016	2015
Total profit (loss) from the year	62,893	132,875
Income and expenses directly charged to equity	1,096	0
On cash flow hedging	1,461	0
Tax effect	(365)	0
Amounts transferred to the statement of profit or loss	0	0
On cash flow hedging	0	0
Tax effect	0	0
TOTAL RECOGNISED INCOME AND EXPENSE	63,989	132,875

The accompanying Notes 1 to 26 and Appendix I and II in the Financial Statements are an integral part of the statement of recognised income and expense as at 31 December 2016

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR 2016 AND 2015

(Thousands of Euros)	Share capital	Share premium /Merger premium	Reserves	Treasury shares	Profit/(loss) for the year	Interim dividend	Other equity instruments	Adjustments for changes in value	TOTAL
Balance at 31/12/2015	146,442	2,164,771	2,969,475	-15,835	132,875	0	0	0	5,397,729
Total recognised income and expense			0		62,893			1,096	63,989
Shareholder Remuneration	67	-312,574	-204,885	-26,121	0	0	0	0	-543,513
Flexible dividend agreement	3,329		-229,594						-226,265
Treasury share transactions	-3,262	-312,574	24,707	-26,121					-317,248
Other transactions	0	0	84,687	0	-132,875	0	0	0	-46,775
Distribution of profit			132,875		-132,875				0
Share-based compensation schemes			-18,819						-18,819
Other changes in equity			-29,369	1,413			0		-27,956
Balance at 31/12/2016	146,510	1,852,197	2,849,277	-40,543	62,893	0	0	1,096	4,871,430

Thousands of Euros	Share capital	Share premium /Merger premium	Reserves	Treasury shares	Profit/(loss) for the year	Interim dividend	Other equity instruments	Adjustments for changes in value	TOTAL
Balance at 31/12/2014	146,478	2,420,625	3,255,609	-4,039	23,037	0	0	0	5,841,710
Total recognised income and expense			0		132,875			0	132,875
Shareholder Remuneration	-36	-247,070	-269,193	-15,829	0	0	0	0	-532,127
Flexible dividend agreement	2,321		-269,193						-266,871
Treasury share transactions	-2,357	-247,070		-15,829					-265,256
Other transactions	0	-8,783	-16,942	4,033	-23,037	0	0	0	-44,730
Distribution of profit			23,037		-23,037				0
Share-based compensation schemes			-48,762						-48,762
Other changes in equity		-8,783	8,783	4,033			0		4,033
Balance at 31/12/2015	146,442	2,164,771	2,969,475	-15,835	132,875	0	0	0	5,397,729

The accompanying Notes 1 to 26 and Appendix I and II to the Financial Statements are an integral part of the statement of changes in total equity for the year ended 31 December 2016.

STATEMENTS OF CASH FLOWS FOR 2016 AND 2015

Thousands of Euros	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	134,951	130,045
Profit/loss before tax	77,059	64,324
Profit(loss) adjustments:	-93,279	-76,546
Depreciation and amortisation charge/Provisions	-19	-21
Other adjustments to profit(loss) net	-93,297	-76,526
Changes in working capital	3,203	-28,704
Other cash flows from operating activities:	147,967	172,972
Interest paid	-54,094	-58,302
Dividends received	179,650	155,663
Interest received	3,308	12,211
Income tax recovered (paid) and tax consolidation	19,103	22,912
Other amounts received (paid) relating to operating activities	0	38,488
CASH FLOWS FROM INVESTING ACTIVITIES	168,896	-612,834
Payments due to investment:	-580,850	-612,834
Group companies, associates and business units	-580,828	-609,966
Property, plant and equipment, Intangible assets and Investment property	-22	-6
Other financial assets	0	-2,863
Other assets		
Proceeds from disposal:	749,746	0
Group companies, associates and business units	749,009	0
Property, plant and equipment, Intangible assets and Investment property	0	0
Other financial assets	737	0
Other assets		
CASH FLOWS FROM FINANCING ACTIVITIES	-975,169	656,881
Proceeds (payments) relating to financial liability instruments:	-435,596	1,176,623
Change in Group companies credit accounts	-723,532	1,174,965
Repayment and amortisation	287,936	1,658
Dividends and returns on other equity instruments paid	-543,513	-532,127
Flexible dividend	-226,265	-266,871
Treasury shares purchase	-317,248	-265,256
Other shareholder remuneration	0	0
Proceeds (payments) relating to equity instruments:	3,993	12,385
EFFECT OF FOREIGN EXCHANGE RATE VARIATIONS	-4,683	5,493
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-676,006	179,584
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	691,900	512,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	15,894	691,900

The accompanying Notes 1 to 26 and Appendix I and II in the Financial Statements are an integral part of the statement of recognised income and expense as at 31 December 2016

1. COMPANY ACTIVITIES

Ferrovial S.A. is the head company of a group of entities. Its registered office is at Príncipe de Vergara 135, 28002 Madrid and its Tax id. number is A81939209.

The Company's object, as per its bylaws, is the management and coordination of all the activities carried on by the companies composing the Group.

current According to current legislation, it is obliged to prepare the consolidated financial statements separately. The consolidated financial statements of the Ferrovial for 2016 were formally prepared by the directors at the Board of Directors Meeting held on 27 February 2017. The consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting of Ferrovial, S.A. on 4 May 2016, and were filed at the Madrid Mercantile Registry. The shares of Ferrovial, S.A. are traded on the Spanish Stock Market and are included in the IBEX-35 index.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 FAIR PRESENTATION AND REGULATORY FRAMEWORK OF REFERENCE

The accompanying financial statements were obtained from the Company's accounting records and are presented in compliance with the applicable regulatory financial reporting framework, so as to present fairly the Company's equity, financial position, results of operations and cash flows during the relevant reporting period. The regulatory framework consists of:

- a) The Commercial Code and other commercial legislation approved by Royal Decree 1514/2007.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its sector-related adjustments.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

The financial statements will be submitted for approval by the Annual General Meeting, where they are expected to be approved with no amendments.

The Company holds a majority interest in the share capital of certain subsidiaries, and holds interests being equal to or higher than 20% in the share capital of others. The financial statements do not show any equity increase or decrease that would result from applying consolidation criteria by fully integrating the majority shareholdings and accounting criteria following the equity method for the remaining significant shareholdings. The Company also prepares consolidated financial statements as the parent company of Ferrovial Group pursuant to international accounting standards (IFRS-EU).

In accordance with the International Financial Reporting Standards, the main figures in the consolidated financial statements are the following:

2016 (Millions of Euros)	
Equity	6,314
Net profit for the year attributable to the Parent Company	376
Total assets	23,397
Revenue	10,759

2.2 CRITICAL ASPECTS OF VALUATION AND UNCERTAINTY ESTIMATION

In the financial statements for 2016 estimates were made to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of the share-based compensation plans (Note 20).
- Impairment of value of financial assets (Note 7).
- The assessment of possible legal and tax contingencies (Note 13).
- The fair value of derivatives (Note 8).
- The recoverability of deferred tax assets and tax loss carryforwards (Note 15).

Although these estimates were made on the basis of the best information available at 2016 year-end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.3 COMPARATIVE INFORMATION

The information pertaining to the 2015 reporting period is included for comparison purposes.

3. DISTRIBUTION OF PROFIT

The Board of Directors will propose to the shareholders at the Company's duly convened Annual General Meeting that the profit of FERROVIAL, S.A. (individual company) be distributed as follows:

2016	
Profit of FERROVIAL, S.A. (individual company) (Euros)	62,893,105.93
Distribution (Euros)	
To voluntary reserves (Euros)	62,893,105.93

The legal reserve has reached the legally required minimum.

4. ACCOUNTING POLICIES

The principal accounting policies used in preparing the financial statements were as follows:

4.1 PROPERTY, PLANT AND EQUIPMENT

The assets included in "Plant, Property and Equipment" in the accompanying balance sheet are recognised at acquisition or production cost, less the related accumulated depreciation and any accumulated impairment losses. The cost of these items was revalued pursuant to Royal Decree-Law 7/1996. The Company opted not to avail itself of the balance sheets revaluation permitted by Law 16/2012.

In-house work on property, plant and equipment is valued, for each investment, by adding the direct or indirect costs allocable to the investment to the cost of the materials used.

Property, plant and equipment upkeep and maintenance expenses are recognised as an expense in the year in which they are incurred. In-house work on non-current assets is recognised at the actual cost incurred. The costs of expansion, modernisation or improvements leading to increased productivity or to a lengthening of the useful lives of the assets are capitalised.

A) Impairment losses

Assets that are amortised or depreciated are tested for impairment whenever an event or a change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount, which is understood to be the higher of fair value less costs to sell and value in use. For the purpose of assessing impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Assets that have suffered an impairment loss are reviewed at the end of each reporting period in order to identify any possible reversal of the impairment loss.

B) Depreciation of property, plant and equipment

The Company depreciates its machinery, fixtures and tools by the diminishing balance method, and it depreciates all other property, plant and equipment items by the straight-line method, allocating the depreciable amount of the assets over their years of estimated useful life.

The years of estimated useful life used for each class of property, plant and equipment are basically as follows:

Total years of estimated useful life	
Machinery, fixtures and tools	5
Furnishings and fixtures	10
Transport equipment	5

4.2 FINANCIAL ASSETS

A) Investments in Group companies', associates' and jointly-controlled entities' equity

These investments are measured at cost less any accumulated impairment losses. However, where the Company holds an investment in the investee prior to its classification as a Group company, jointly controlled entity or associate, the cost of the investment is considered to be its carrying amount prior to its classification as such. Any previous valuation adjustments recognised directly in equity are retained in equity until the related investments are derecognised. In the case there is an objective evidence that the carrying amount is not recoverable, the corresponding value adjustments are recorded for the difference between the carrying amount and the recoverable amount, being this one:

- for the corporate companies without productive assets, the carrying amount of such investments.
- for the operating companies, the current value of the cash flows of its investees.

Unless there is better evidence of the recoverable amount, the impairment loss on these investments is estimated based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement. Impairment losses and any reversals of impairment losses are recognised in the statement of profit or loss for the year in which they arise.

B) Held-to-maturity investments and accounts receivable

Held-to-maturity investments, loans granted and receivables are initially recognised at fair value plus any attributable costs and are subsequently measured at amortised cost, and any accrued interest is recognised on the basis of the effective interest rate. The effective interest rate is the discount rate that exactly matches the initial payment of the financial instrument with all of its estimated cash flows until maturity thereof. However, trade receivables maturing within twelve months are measured at face value, both at initial recognition and subsequently, provided that the effect of not discounting the cash flows is not material. At least at each reporting date, the necessary impairment losses are recognised if there is objective evidence that not all the amounts receivable will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the date of initial recognition. Impairment losses and any reversals of impairment losses are recognised in profit or loss. Financial assets are derecognised when the risks and rewards of ownership of the financial asset are substantially transferred. In the specific case of receivables, this is deemed to occur when the default and delinquency risks have been transferred.

4.3 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at fair value on the date they are arranged. Subsequent changes in fair value are also recognised at each closing date. The method used to recognise gains or losses on derivatives depends on whether the instrument has been designated as a hedging instrument and, as the case may be, on the type of hedge involved.

In accordance with the rulings of the Spanish Accounting and Audit Institute (ICAC), the Company must evaluate credit risk when measuring its liabilities relating to derivatives.

4.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments with an initial maturity of three months or less.

4.5 EQUITY

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are deducted, net of taxes, from equity. Acquisitions of the Parent Company's treasury shares are deducted from equity for the amount of the consideration paid, including the attributable costs associated with the acquisitions. When treasury shares are sold or reissued, any amount received is taken, net of costs, to equity.

Dividends relating to equity instruments are recognized as a reduction of equity at the time of its approval by the Annual General Meeting.

4.6 PROVISIONS AND CONTINGENT LIABILITIES

The Company recognises a provision for a commitment or obligation to a third party that meets the following requirements: it is a present obligation (legal, contractual, constructive or implied), the settlement of which is expected to result in an outflow of resources the amount or timing of which are not known for certain but can be estimated sufficiently reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. Provisions maturing within one year for which the effect of discounting is not material are not discounted.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events regardless the Company's will. Contingent liabilities are not recognised, but rather are disclosed (see Note 13).

4.7 FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments up to the maturity of the liability to the amount initially received. If the effective interest rate is initially considered to differ from the market interest rate, the liability is measured based on the present value of future cash flows at the market rate in the case of interest-bearing loans. Where no effective interest rate is specified, the cash flows are also measured using the market interest rate.

4.8 INCOME TAX AND DEFERRED TAXES

The Corporate income tax expense recognised in the Company's financial statements is calculated on the basis of accounting profit, increased or decreased, as appropriate, by the effect of tax adjustments and by the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements (balance sheet liability method), which give rise to the recognition of deferred tax assets and liabilities.

Deferred tax assets and liabilities are calculated at the tax rates in force at the balance sheet date and at the rates that are expected to be in force in the period in which the assets are realised or the liabilities are settled. They are charged or credited to the statement of profit or loss, except when they relate to items that are recognised directly in equity, in which case they are charged or credited to equity. Deferred tax assets and tax loss carryforwards are recognised when it is probable that the Company will recover them in the future, regardless of when they will be recovered, provided this is within the maximum period provided by law. Deferred tax assets and liabilities are not discounted and are classified as a non-current asset or liability, respectively, in the balance sheet. Deferred taxes recognised are reviewed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future tax profits.

Deferred taxes are not recognised when the transaction has no effect on the book value and/or tax value of the related assets and liabilities.

The difference between the income tax expense recognised at the previous year-end and the income tax expense reported in the final tax returns filed constitutes a change in accounting estimates and is recognised as current-year income or expense.

Ferrovial, S.A. is the parent company of a consolidated group for income tax purposes, which is regulated in Chapter VII of Title VII of Legislative Royal Decree 4/2004.

4.9 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions performed by the Company in a currency other than the functional currency, which is the euro, are translated by applying the exchange rates prevailing at the transaction date or at the year-end exchange rates in the case of balances outstanding at the date of preparation of the financial statements.

The foreign currency gains or losses arising from the settlement of these transactions and from translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, unless they are deferred in equity, as is the case of cash flow hedges and hedges of a net investment in a foreign operation that qualify for hedge accounting.

4.10 REVENUE RECOGNITION

The Company's income relates to the dividends received from the investees which, on the basis of Ruling no. 2 published in Official Gazette no. 79/2009 of the Spanish Accounting and Audit Institute in relation to the accounting classification in separate financial statements of the income and expenses of holding companies, is treated as the Company's revenue as its ordinary activity consists of the ownership of interests in the share capital of Group companies.

4.11 SHARE-BASED PAYMENTS

a) **Stock option compensation schemes:** Stock option plans are measured at fair value when the options are initially granted using a financial method, based on an improved binomial model, taking into account the exercise price, volatility, option life, expected dividends, the risk-free interest rate and the assumptions made to incorporate the effects of expected early exercise. The initial fair

value is not subsequently revised. This fair value is recognised under "Staff Costs" in proportion to the stipulated period of time during which the employee must remain at the Company, with a balancing entry in equity.

b) **Share-based payments compensation schemes:** They are measured when granted at the market price of the shares at that time. This fair value is recognised under "Staff Costs" in proportion to the stipulated period of time during which the employee must remain at the Company, with a balancing entry in equity.

4.12 LEASES

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases. The only significant lease held by the Company is an operating lease on the property where its head office is located (see Note 6).

Expenses from operating leases are recognised in the statement of profit or loss on an accrual basis.

Any amount paid or collected on entering into an operating lease will be recognised as an advanced payment or collection in the profit and loss account over the term of the lease as the benefits of the leased asset are assigned or received.

4.13 RELATED PARTY TRANSACTIONS

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately covered and, therefore, the Company Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

5. PROPERTY, PLANT AND EQUIPMENT

The changes in "Property, Plant and Equipment" in the years ended 31 December 2016 and 2015 and the most significant information affecting this heading were as follows:

(Thousands of Euros)	Balance at 31/12/15	Additions	Derecognitions	Balance at 31/12/16
Investing activities				
Other fixtures, tools and furniture	45	0	0	45
Other items of property, plant and equipment	353	22	0	376
Total investment in property, plant and equipment	398	22	0	421
Amortisation				
Other fixtures, tools and furniture	-24	-2	0	-26
Other items of property, plant and equipment	-318	-16	0	-334
Total accumulated depreciation of property, plant and equipment	-341	-19	0	-360
Total property, plant and equipment	57	4	0	61

(Thousands of Euros)	Balance at 31/12/14	Additions	Derecognitions	Balance at 31/12/15
Investing activities				
Other fixtures, tools and furniture	44	1	0	45
Other items of property, plant and equipment	328	26	0	353
Total investment in property, plant and equipment	372	27	0	398
Amortisation				
Other fixtures, tools and furniture	-20	-3	0	-24
Other items of property, plant and equipment	-300	-18	0	-318
Total accumulated depreciation of property, plant and equipment	-320	-21	0	-341
Total property, plant and equipment	51	6	0	57

No investments have been made outside Spain and there are no assets subject to guarantees or that must be handed over to third parties or any grants related to non-current assets.

No impairment losses were recognised or reversed in relation to any individual item of property, plant and equipment and no interest or exchange differences were capitalised in this year.

As of 31 December 2016 Ferrovial S.A. has fully depreciated property, plant and equipment valued at EUR 315 thousand.

6. OPERATING LEASES

On 23 December 2009, Ferrovial, S.A. signed an agreement for the sale and operating lease of the property where its head office is located.

Ferrovial S.A. rented the 15% of the building, with the 85% of it being owned by its subsidiary Ferrovial Corporación S.L. The annual rent amounts to EUR 2,400 thousand and is annually updated according to the change of the Consumer Price Index (CPI). Maturity is initially scheduled for reporting period 2022, although there is a possibility to extend such term for 10 additional years; at year-end, the company

was not required to do so. If the initial lease term is extended, the rent in force at that time must be updated in line with market rates.

The operating lease expenditure recognised in the statement of profit or loss for 2016 totals EUR 998 thousand (EUR 963 thousand in 2015), of which EUR 585 thousand account for the expense accrued by such lease contract and the rest (EUR 413 thousand) accounts for the leases of vehicles. Future non-cancellable minimum payments as lessee amount to EUR 2,906 thousand (EUR 3,356 thousand in 2015).

7. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Non-current financial assets make up most of the Company's assets, accounting for 95% of the total (2015: 89%). These non-current financial assets consist mainly of ownership interests in Group companies and associates.

The detail of this heading and the changes occurred in 2016 are as follows:

(Thousands of Euros)	Balance at 31/12/2015	Additions	Removals	Balance at 31/12/2016
<i>Ferrovial Internacional S.L.U</i>	5,560,133	924,320	-155,500	6,328,953
<i>Ferrofin, S.L.</i>	1,638,676			1,638,676
<i>Cintra Infraestructuras S.E.</i>	1,520,584		-1,520,584	0
<i>Ferrovial Agroman</i>	711,279			711,279
<i>Cintra Infraestructuras España</i>	3	572,228		572,231
<i>Ferrovial Servicios, S.A.</i>	264,479			264,479
<i>Ferrovial Fisa, S.L.</i>	214,633			214,633
<i>Grimalinvest, S.L.</i>	288,581		-288,581	0
<i>Ferrovial Aeropuertos España, S.A.</i>	17,880	27,720		45,600
<i>Betonial, S.A.</i>	35,699		-27,720	7,979
<i>Remainder</i>	40,979		-2,927	38,050
Investments in Group companies	10,292,927	1,524,267	-1,995,312	9,821,880
Investments in associates	46,676			46,676
Investments in Group companies and associates	10,339,601	1,524,267	-1,995,314	9,868,556
<i>Grimalinvest, S.L.</i>	-274,446		274,446	0
<i>Ferrovial Fisa, S.L.</i>	-184,131		29,863	-154,268
<i>Ferrofin, S.L.</i>	-61,933	-23,240		-85,173
<i>Ferrovial Aeropuertos España, S.A.</i>	-9,067	-11,907		-20,974
<i>Remainder</i>	-20,393	-4,094	0	-24,486
Investments in Group companies, provision	-549,969	-39,241	304,309	-284,900
Investments in associates, provision	-46,676			-46,676
Provision	-596,645	-39,241	304,309	-331,577
Equity instruments, net	9,742,958	1,485,026	-1,691,005	9,536,980

The main changes occurred in ownership interests of Group Companies in 2016 are as follows:

CREATION OF CINTRA INFRAESTRUCTURAS ESPAÑA AS HEAD OF THE HIGHWAY BUSINESS IN SPAIN.

Regarding Cintra Infraestructuras España S.L., in 2016 this company has become the head of Cintra's activities in Spain. As such, the ownership interest has been increased by EUR 572,228 thousand, by means of attending two share capital increases:

- On 25 January 2016, the General Shareholders' Meeting of Cintra Infraestructuras España S.L. approved a share capital increase through the issuance of 34,146,232 new shares of EUR 1 nominal value each, with a share premium of EUR 9. These new shares were fully subscribed and paid in by the subsidiaries of Cintra Infraestructuras España S.L. according to their ownership percentages, and this meant a contribution of EUR 338,047 thousand in the case of Ferrovial S.A.
- On 15 April 2016, the General Shareholders' Meeting of Cintra Infraestructuras España S.L. approved a new share capital increase through the issuance of 23,418,000 new shares of EUR 1 nominal value each, with a share premium of EUR 9. These new shares were fully subscribed and paid in only by Ferrovial S.A. for a total amount of EUR 231,180 thousand.

With the funds received, Cintra Infraestructuras España S.L. acquired the ownerships of the toll road projects held by Cintra in Spain, with the exception of the ownership in Autema.

In addition, and related to this transfer of assets to Cintra Infraestructuras S.L., on 31 March 2016 the General Shareholders' Meeting of Cintra Infraestructuras S.E. approved the distribution of EUR 575,642 thousand to be charged to the share premium in favour of its sole shareholder Ferrovial S.A. This share premium distribution was recorded as a decrease of the investment in the subsidiary, the new value of which amounted to EUR 944,942.

CONTRIBUTION OF CINTRA INFRAESTRUCTURAS S.E. TO FERROVIAL INTERNACIONAL S.L.U.

After Cintra Infraestructuras España, was created, Ferrovial S.A. contributed the shares of Cintra Infraestructuras S.E. to the head of its international businesses, Ferrovial Internacional S.L.U. On 26 July 2016, Ferrovial S.A. as sole shareholder of Ferrovial Internacional S.L.U., approved a capital increase of such company, to be undertaken through a non-monetary contribution of the shares representing the share capital of Cintra Infraestructuras S.E. For this reason, in line with the 21 Recording and Valuation Standard of the Spanish Chart of Accounts, Ferrovial S.A. derecognised the ownership interests on Cintra Infraestructuras S.E. for the historical cost on that date, that is, EUR 944,942 thousand, and recognised a higher ownership interest on Ferrovial Internacional S.L.U. for EUR 915,720 thousand, corresponding to the consolidated value of the interests received, and with the difference between both values (EUR 29,222 thousand) being recorded as reserves (see note 12).

DISTRIBUTION OF THE SHARE PREMIUM OF FERROVIAL INTERNACIONAL S.L.U. COMING FROM FERROVIAL AEROPUERTOS INTERNACIONAL'S CAPITAL DECREASE.

On 12 February 2016, the General Shareholders' Meeting of Ferrovial Aeropuertos Internacional approved the decrease of its capital through the acquisition and further redemption of 104,366,322 shares of EUR 1 par value. Those shares were owned by Ferrovial Internacional S.L.U. who, on 21 April, undertook the sale of such treasury shares to Ferrovial Aeropuertos Internacional S.A.U. for EUR 112,000 thousand.

On 30 May 2016, the sole shareholder of Ferrovial Internacional S.L.U. approved the distribution of an amount to be charged to the issue premium of Ferrovial Internacional S.L.U. for EUR 155,500 thousand, which was recorded as lower value of the investment in the subsidiary, since those funds were considered to come from said capital decrease of Ferrovial Aeropuertos Internacional.

WINDING UP AND LIQUIDATION OF GRIMALINVEST

On 22 December 2016 the liquidation process of the company Grimalinvest was filed before the Commercial Registry of Madrid. For this reason, the interest on that company was derecognised for an amount of EUR 288,581 thousand, net of the related impairment provision amounting to EUR 274,446 thousand and the intercompany current account held with that company amounting to EUR 14,938 thousand. The corresponding effect on the profit and loss account amounts to EUR 802 thousand.

OTHER TRANSACTIONS

- On 8 April 2016, Ferrovial S.A., as sole shareholder of Ferrovial Internacional S.L.U. approved a financial contribution of EUR 8,600 thousand favourable to that company.
- On 11 November 2016, the General Shareholders' Meeting of Ferrovial Aeropuertos España S.A. approved a share capital increase for an amount of EUR 28,000 thousand, which was fully subscribed and paid in by its shareholders according to their ownership percentages, which in the case of Ferrovial S.A. meant a contribution of EUR 27,720 thousand. On 22 December 2016 the General Shareholders' Meeting of Betonial S.A. approved the distribution of EUR 28,000 thousand to be charged to the share premium in favour of its shareholders

Ferrovial S.A. and Can Am. Regarding Ferrovial S.A., this share premium distribution meant an ownership interest decrease of EUR 27,720 thousand.

The net change in provisions (EUR 265,068 thousand) was due:

- on one hand to the derecognition of the provision on the above mentioned company Grimalinvest for amount of EUR 274,446 thousand
- and on the other hand to the valuation change recorded in 2016, as specified in the Accounting Policies (see Note 4.2.a) on the investments in group companies and associates, mainly in connection with corporate companies without productive assets in which the impairment of the ownership interest value is calculated based on its carrying amount. This valuation adjustment resulted in a total expense of 9,378 thousand euros, which was recorded in the line of Impairment and losses of financial instruments in the income statement. A detail of the main variations is shown in the table above.

In **Annex II** a detail of all the companies directly owned by Ferrovial S.A. is presented, indicating their registered offices, auditors, percentage of participation and carrying amounts, as well as the main items of their shareholders' equity as at 31 December 2016. For those subsidiaries not fully owned by Ferrovial, information on total assets, liabilities, income and profit and loss is presented.

The listed Group companies are Ferrovial, S.A. and Budimex, S.A. and the detail of the market value thereof is as follows:

Quoted market price (Euros)	Budimex, S.A.	Ferrovial, S.A.
At end of year	44.94	17.00
Last-quarter average	45.84	17.31

The market price shown in the table above is expressed in Euros per share. In the case of Budimex, S.A., the market price was translated to Euros using the exchange rate at 31 December 2016 both for the market price at the end of the year and for the average price in the last quarter.

For the purposes of comparative information, a detail of the changes related to the reporting period 2015 is shown below:

(Thousands of Euros)	Balance at 31/12/2014	Additions	Transfers	Balance at 31/12/2015
Investments in Group companies	9,708,494	609,975	-25,543	10,292,927
Investments in associates	46,676	0	0	46,676
Investing activities	9,755,170	609,975	-25,543	10,339,603
Investments in Group companies	-493,479	-82,033	25,543	-549,969
Investments in associates	-46,676	0	0	-46,676
Provision	-540,155	-82,033	25,543	-596,645
Equity instruments	9,215,015	527,942	0	9,742,958

8. DERIVATIVES

The detail of the derivatives and their fair values at 31 December 2016 and 2015, as well as the maturities of the notional amounts to which the derivatives are tied and the related cash flows are shown below.

The notional amounts shown in this table include all those arranged at 31 December 2016. Accordingly, the maturities are presented with a positive sign and the future increases the amount of which has already been arranged are shown with a negative sign.

Type of instrument	Fair value		Notional Maturities					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021 and beyond	
Equity swaps	-4,186	42,776	6,249	0	0	0	0	6,249
Cross Currency Swaps	15,636	0	0	0	250,000	0	0	250,000
Forwards/Currency options	-4,928	5,279	870,238	0	0	0	0	870,238
Group Companies Forwards	4,933	-5,275	-870,238	0	0	0	0	-870,238
USD Options	0	0	0	0	0	0	0	0
Total financial hedges	11,454	42,779	6,249	0	0	0	0	256,249

The cash flows relating to the derivatives mature as follows:

Type of instrument	Fair value		Cash flow maturity					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021 and beyond	
Equity swaps	-4,186	42,776	-4,186	0	0	0	0	-4,186
Cross Currency Swaps	15,636	0	4,977	6,626	4,033	0	0	15,636
Forwards/Currency options	-4,928	5,279	-4,928	0	0	0	0	-4,928
Group Companies Forwards	4,933	-5,275	4,933	0	0	0	0	4,933
USD Options	0	0	0	0	0	0	0	0
Total financial hedges	11,454	42,779	796	6,626	4,033	0	0	11,454

Following is an explanation of the changes in fair value of the hedges between 2016 and 2015 and of the effects of such changes on the balance sheet and statement of profit or loss for the year (in thousands of Euros).

Type of instrument	Fair value			Breakdown of changes					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	Variation	Impact on reserves	Impact on profit or loss, fair value	Impact on financial result-funding	Cash	Other impacts on the balance sheet or statement of profit or loss	
Equity swaps	-4,186	42,776	-46,962	0	-18,029	0	-31,213	2,280	-46,962
Cross Currency Swaps	15,636	0	15,636	1,461	0	955	-2,803	16,023	15,636
Forwards/Currency options	-4,928	5,279	-10,206	0	-8,557	0	1,649	0	-10,206
Group Companies Forwards	4,933	-5,275	10,208	0	8,593	0	0	1,615	10,208
USD Options	0	0	0	0	737	0	-737	0	0
Total financial hedges	11,454	42,779	-31,325	0	-17,257	955	-36,401	18,268	-31,325

EQUITY SWAPS

In order to hedge against the possible losses resulting from the exercise of the share-based payment schemes granted to its employees, Ferrovial arranged equity swaps.

The swaps operation is as follows:

The calculation base is a given number of Ferrovial shares and a reference price which is usually the share price on the arrangement

date of the swap. During the term of the swap, Ferrovial pays interest equal to a given interest rate (EURIBOR plus a spread to be applied to the result of multiplying the number of shares by the strike price) and receives a compensation equal to the dividend on those shares. When the swap expires, if the share price has risen, Ferrovial receives the difference between the share price and the reference price. If the share price falls, Ferrovial would pay the aforementioned difference to the bank.

These equity swaps do not qualify for hedge accounting and the related gains or losses are recognised as fair value adjustments under "Financial Result". The change in value during the year was due to the decrease in the Ferrovial share price from EUR 20.86 at 31 December 2015 to EUR 17.00 at 31 December 2016, which gave rise to an expense of EUR 18,029 thousand (net result of EUR 13,522 thousand). In addition, under the heading "Other impacts on the balance sheet or statement of profit or loss" the income for the compensation and the financial expense of these instruments are recognised for an amount of EUR 2,280 thousand.

The cash impact of these instruments amounts to EUR -31,213 thousand, of which EUR 33,493 thousand correspond to exercised equity swaps and EUR 2,280 thousand correspond to financial costs and compensation as specified in the paragraph above.

At 2016 year-end, these derivatives had a notional amount equivalent to 3,429 thousand shares, which, based on the strike price of the equity swaps (the price at which they have to be settled with the banks) amounted to EUR 62,489 thousand. The fair value as of 31 December 2016 amounts to EUR 53,303 thousand, which represents the difference between the strike price of the equity swaps and its share price at 31 December 2015.

CROSS CURRENCY SWAPS

9. CASH AND CASH EQUIVALENTS

The detail of "Cash and Cash Equivalents" in 2016 and 2015 is as follows:

Thousands of euros	Balance at 31/12/16	Balance at 31/12/15
Cash	4,891	444,548
Cash equivalents	11,003	210,355
Restricted cash	0	36,997
TOTAL	15,894	691,900

In September 2016 USD 278,625 thousand were drawn down from the USD tranche of the loan. In order to hedge potential changes in the interest rates and exchange rates, some cross currency swaps have been arranged for a notional amount of USD 278,625 thousand, maturing in 2019 and with a countervalue in euros of EUR 250,000 thousand.

The exchange rates variations occurred between September and December had an effect on the profit and loss account of EUR 16,023 thousand ("other impacts"), offsetting the changes in the value of the above said loan. In addition, collections amounting to EUR 2,803 were recognised ("Cash") and a financial impact of EUR 995 thousand.

EXCHANGE RATE DERIVATIVES

At year-end, there were various contracts in force with banks relating to euro-pound sterling exchange rate forwards (notional amount of EUR 70,514 thousand) and euro-dollar forwards (notional amount of EUR 799,724 thousand), with assets amounting to EUR 10,752 thousand, and maturing in the short term. The purpose of these contracts is to hedge exposure to the exchange rate of future flows from subsidiaries; therefore, there are some inter-company derivatives with the companies receiving said flows in foreign currency. The impacts transmitted by Ferrovial, S.A. to those Group companies are reflected in the column "Other impacts of the balance sheet" by EUR 1,615 thousand.

The Cash balance consists basically of current accounts opened with different financial institutions. "Cash Equivalents" relates to term deposits maturing in less than three months.

The cash balance decrease compared to 2015 is mainly due to the compensation payments to the shareholder mentioned in Note 12, for an amount of EUR 543,610 thousand (see Statements of Cash Flows).

The restricted cash at 31 December 2015 corresponded to deposits pledged for the arrangement and maintenance of equity swap contracts mentioned in Note 8, which were cancelled in the year.

10. BALANCES WITH GROUP COMPANIES AND ASSOCIATES

The change in credit and debit balances held by Ferrovial S.A. with the other group companies is shown below:

	31.12.2015	Var.	31.12.2016
Long-term loans	6,121	81	6,202
Short-Term Loans	85,669	85,122	170,821
Current trade payables	88,008	-11,334	76,674
Asset balances	179,799	73,899	253,697
Non-current payables	1,339,319	96	1,339,415
Current payables	4,039,480	-630,863	3,408,622
Current payables to company suppliers	263	395	659
Liability balances	5,379,068	-630,372	4,748,696
Balances with group companies, net	-5,199,264	704,265	-4,494,999
Current balances with group companies, net	-3,866,066	704,280	-3,161,786

MAIN CHANGES IN BALANCES WITH GROUP COMPANIES

Regarding the evolution of the net balance of financing with Group Companies, as shown in the table above Ferrovial, S.A. maintains a net financing position with group companies amounting to -4,494,999 thousand euros. This position was reduced (improvement) by 704,265 thousand euros over the previous year, mainly due to the following impacts:

- A decrease of EUR 761,792 thousand due to the disposals undertaken in the Group companies (see Note 7)
- In addition, an increase of EUR 580,828 thousand for the increases in the ownership interests and the contributions paid in the year (see Note 7).
- A decrease of EUR 175,000 thousand for the collection of dividends received from Ferrovial Internacional S.L.U. and described in Note 17.
- Finally, an improvement in financing obtained with the funds from the credit line for the amount of 250,000 thousand euros, which is detailed in note 14.

From this net debt position, EUR -3,161,786 thousand correspond to short term balances. In this sense, it should be noted that this negative position does not affect the company's ability to meet its payment obligations since the total balances correspond to short-term current accounts with Group companies wholly owned by Ferrovial S.A. (see table below).

Short-Term Loans (net)	2016	2015	Change
Ferrofin, S.L.	-2,518,477	-2,585,540	67,062
Ferrovial Agroman S.A.	-783,813	-944,924	161,111
Cintra Infraestructuras S.E.	54,951	-159,128	214,079
Ferrovial Servicios, S.A.	-25,250	-75,083	49,833
Ferrovial Internacional S.L.U.	47,732	-186,858	234,590
Ferrovial International Ltd	19,607	0	19,607
Remainder	-32,551	-2,278	-30,272
Total Short-term Loans (net)	-3,237,801	-3,953,811	716,010

NON CURRENT LOANS (ASSETS AND LIABILITIES)

The main balance of the long-term debt is related to the intercompany loan held with Ferrovial Emisiones for the transfer of the funding obtained through the three corporate bonds issued on 30 January 2013, 29 May 2013 and 9 July 2014 for a nominal amount of EUR 500,000 million, 500,000 million and 300,000 million and maturing in 2018, 2021 and 2024 respectively. Such funds were transferred over to Ferrovial S.A. with the mentioned conditions remaining unchanged.

CURRENT LOANS (ASSETS AND LIABILITIES)

The Short-Term loans (and current payables) are mainly related to financial current accounts held by the company with other group companies and associates, accruing an interest rate similar to market rates. The balances of the previous table are mainly due to the centralised management of cash made by the group. The detail of the main short term loans and current payables with Group companies is shown below:

Set forth below is the detail of financial short term loans and payables as of 31 December 2015:

	31.12.2014	Var.	31.12.2015
Long-term loans	9,905	-3,784	6,121
Short-Term Loans	433,105	-347,436	85,669
Current trade payables	42,941	45,067	88,008
Asset balances	485,951	-306,152	179,799
Non-current payables	1,334,144	5,175	1,339,319
Current payables	3,218,509	820,976	4,039,480
Current payables to company suppliers	9	254	263
Liability balances	4,552,662	826,406	5,379,062
Balances with group companies, net	-4,066,711	-1,132,552	-5,199,263
Current balances with group companies, net	-2,742,472	-1,123,594	-3,866,066

Regarding current receivables (and current payables to company suppliers), the fair value of loans and receivables is considered to be the same as the carrying amounts thereof in all cases.

11. TRADE PAYABLES

The outstanding trade payables at year-end totalled EUR 688 thousand (2015: EUR 1,591 thousand).

In compliance with the obligation to disclose the average period of payment to suppliers provided for in Article 539 and Additional Provision Eight of the Spanish Limited Liability Companies Law (in accordance with the new wording of Final Provision Two of Law 31/2014 reforming the Spanish Limited Liability Companies Law), the Company hereby states that the average period of payment to the suppliers was 26 days.

Set forth below is the detail required by Article 6 of the Spanish Accounting and Audit Institute Resolution of 29 January 2016 in relation to the disclosures to be provided on the average period of payment to suppliers in the 2016 and 2015:

	2016 Days	2015 Days
Average period of payment to suppliers	26	27
Ratio of transactions settled	26	26
Ratio of transactions not yet settled	16	44

	Amount (Euros)	Amount (Euros)
Total payments made	7,516,790	6,581,791
Total payments outstanding	213,230	336,162

12. SHAREHOLDERS' EQUITY

The detail of the main impacts net of taxes that affected the changes in equity in 2016 and 2015 is as follows:

Thousands of Euros	2016	2015
Balance as at 01 January	5,397,729	5,841,710
Profit/(loss) for the year	62,893	132,875
Recognised income and expense	1,096	0
Impact on reserves of hedging instruments	1,096	0
Transfer to statement of profit or loss	0	0
Hedging instruments	0	0
Total recognised income and expense	63,990	132,875
Flexible dividend agreement /Dividends	-226,265	-266,871
Treasury share transactions	-317,248	-265,256
Shareholder Remuneration	-543,513	-532,127
Company restructuring effect	-29,369	0
Share-based compensation schemes.	-18,819	-48,762
Other changes	1,413	4,033
Other transactions	-17,406	-44,730
Balance at 31 December	4,871,430	5,397,729

Equity decreased by EUR 526,299 thousand in 2016. The main impacts relate to:

- Profit for the year of EUR 62,893 thousand.
- Shareholder Remuneration:
 - Flexible dividend: This refers to the impact of the flexible remuneration system approved by the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 (see section f. Other reserves).
 - Treasury share transactions: It corresponds to the impact of the purchase of treasury shares for subsequent amortisation and for capital reduction (see section d. Treasury shares).
 - Share-based compensation schemes: It mainly relates to the impact on the performance shares delivery (EUR-10,165 thousand) and stock options (EUR -8,652 thousand) to executives referred to in Note 20. These impacts have been

offset by the exercise of equity swaps during the year, with an effect on profit and loss of EUR -18,029 thousand (see Note 8) and a cash inflow of EUR 31,213 thousand.

The main equity items are:

A) SHARE CAPITAL

At 31 December 2016, the share capital amounted to EUR 146,509,694.80 and had been fully subscribed and paid. The share capital is represented by 732,548,474 ordinary shares of a single class and with a par value of twenty euro cents (EUR 0.20) per share.

The changes in 2016 detailed in the table below relate to the capital increase and reduction transactions described in d. Treasury shares and f. Other reserves below.

Shares	Number	Par value
Beginning balance	732,211,074	146,442,215
Scrip dividend	16,646,125	3,329,225
Capital reduction	-16,308,725	-3,261,745
Shares at the end	732,548,474	146,509,695

At 31 December 2016, the only company with an ownership interest of over 10% was Rijn Capital BV, with 20.203% of the shares. This company is controlled by the Chairman of the Company's Board of Directors Rafael del Pino y Calvo Sotelo. The shares of the Parent are traded on the Spanish Stock Market Interconnection System (SIBE) and on the Spanish Stock Exchanges and all carry the same voting and dividend rights.

B) SHARE PREMIUM AND MERGER PREMIUM

At 31 December 2016, the Company's share premium amounted to EUR 1,202,174 thousand, and the merger premium, which arose as a result of the merger of Grupo Ferrovial, S.A. with Cintra Concesiones de Infraestructuras de Transporte, S.A. (currently Ferrovial, S.A.) in 2009, totalled EUR 650,023 thousand. Both line items are considered to be unrestricted reserves.

The decrease that took place over the reporting period was basically due to the amortisation of treasury shares in the reporting period

(EUR -291,128 thousand). This operation is described in section d), Treasury shares, in this Note.

C) RESTRICTED RESERVES

Under the Consolidated Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

At 31 December 2016, the legal reserve had reached the required amount as specified in the paragraph above.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other sufficient reserves are not available for this purpose.

D) TREASURY SHARES

At 31 December 2015, 954.805 treasury shares were held. The following changes took place in 2016:

Transaction performed / objective	No. of shares bought	No. of shares used for objective	Total no. of shares
BALANCE AT 31/12/15			954,805
Treasury shares for capital reduction	15,547,735	-16,308,725	-760,990
Discretionary treasury shares and other	2,407,250	-	2,407,250
Treasury shares to cater for compensation systems	2,670,561	-2,871,399	-200,838
Shares received as payment for the scrip dividend	374,947	-	374,947
BALANCE AT 31/12/16			2,775,174

- The shareholders at the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 approved a treasury share purchase plan for a maximum amount of EUR 275,000 thousand the objective of which was a subsequent capital reduction through the retirement thereof. As a result of this resolution, in 2016 15,547,735 shares were acquired at an average price of EUR 17.7 per share, giving rise to a payment totalling EUR 274,999 thousand. Subsequently, it was resolved to reduce capital by 16,308,725 shares, giving rise to a capital reduction of EUR 3,262 thousand and an impact of EUR -291,128 thousand, which was recognised against unrestricted reserves (merger premium) and related to the difference between the acquisition price and the par value of the retired shares.
- 2,407,250 treasury shares with a value of EUR 42,254 thousand were also acquired. Thus, treasury shares totalling EUR 317,249 thousand were acquired.

After these movements, at 31 December 2016, there were 2,775,174 treasury shares with value of EUR 40,542 thousand.

E) SHARE-BASED COMPENSATION SCHEMES

In relation to the share transactions mentioned in section d. Treasury shares, in 2016 2,670,561 shares have been acquired, representing 0.36% of the share capital and with a total par value of EUR 534 thousand, being subsequently delivered together with some of the

treasury shares held at the beginning of the year for the exercise of the stock option plans. The total cost of acquisition of these shares was EUR 50,586 thousand and the result recognised in the company's equity amounted to EUR -18,819 thousand (EUR -8.654 thousand related to stock options, EUR -10,165 thousand due to performance shares).

It should be noted, as discussed in Note 8, that the Company has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes. These instruments gave rise to cash inflows of EUR 31,213 thousand and the changes in the fair value thereof had an impact on the financial result of EUR -18,029 thousand.

F) PROFIT/(LOSS) FOR THE YEAR

The profit for 2015 was distributed to voluntary reserves for an amount of EUR 132,875 thousand.

G) RESERVES

The main impacts relate to:

- Appropriation of 2015 profit amounting to EUR 132,875 thousand as discussed above.
- Flexible dividend: On 4 May 2016, the Annual General Meeting of Ferrovial, S.A. approved for the third consecutive year, a flexible capital return system for shareholders under which they could freely opt to receive shares newly issued by the Company through the subscription of a capital increase out of reserves, or else receive an amount in cash by transferring their free share allotment rights derived from their current shareholding to the Company if not transferred in the market. As a result of the aforementioned resolution, two capital increases were carried out during 2016, with the following characteristics:
 - In May 2016, 7,435,172 new shares were issued out of reserves with a par value of EUR 0.20 per share, resulting in a capital increase of EUR 1,487 thousand, and free subscription rights were purchased for an amount of EUR 93,601 thousand, which meant a payment of EUR 0.311 per share.
 - In October 2016, 9,210,953 new shares were issued out of reserves with a par value of EUR 0.20 per share, resulting in a capital increase of EUR 1,842 thousand, and free subscription rights were purchased for an amount of EUR 132,663 thousand, which meant a payment of EUR 0.408 per share.
 - The amount that on this item is shown in the previous table relates to EUR -226,265 thousand (EUR -229,594 thousand under the heading Reserves and EUR 3,329 thousand under Share Capital).
- Record of share-based payment for EUR -18.817 thousand as stated in section e. Share-based compensation schemes.

It should be noted that in 2014 Ferrovial S.A. applied the tax system described in articles 107 and 108 of the Corporate Tax Law 27/2014 of 27 November. Under this tax system, the company must set aside the "subject but exempt reserves" coming from investments in the equity of operating, non-resident companies (representing at least 5% of their share capital or the acquisition value of which is higher than EUR 20 million) or from permanent establishments overseas, on the one hand, and the remaining reserves, on the other. At 31 December 2016 the balance of these reserves amounted to EUR 3,045,684 thousand.

13. PROVISIONS FOR CONTINGENCIES AND CHARGES

The changes in 2016 were as follows:

(EUR thousand)	Balance at 31/12/2015	Additions	Amounts reversed	Transfers	Balance at 31/12/2016
Provisions for contingencies and charges	112,832	3,007	-5,690	24,357	134,506
Total	112,832	3,007	-5,690	24,357	134,506

The item "Provision for contingencies and charges" shows EUR 134,506 thousand on account of tax provisions due to:

- Tax assessments issued by the Spanish tax authorities with respect to the Corporate Tax for 2006 amounting to EUR 103,832 thousand (100,985 thousand in 2015);
- The Value Added Tax for the years 2002-2005 amounting to EUR 30,673 thousand (6,157 thousand in 2015).

The most significant changes during the year 2016 correspond on the one hand, to:

- On 21 December 2016 and before its winding up and liquidation, Grimalinvest S.L. assigned its contractual position against Habitat to Ferrovial S.A. for the sale of the whole amount of shares representing the share capital of Ferrovial Inmobiliaria, as well as the other rights and contracts related to that sale. As a result, Ferrovial S.A. is subrogated to all the rights and duties previously corresponding to Grimalinvest. For this reason, Ferrovial recognised the provision related to the tax and legal contingencies prior to the sale of Ferrovial Inmobiliaria S.A. which until that date had recorded Grimalinvest for an amount of EUR 24,357 thousand.
- The provision allocation for the Corporate Tax audit for the years 2007-2011 amounting to EUR 5,690 thousand
- Other additions (EUR 3,007 thousand) are recorded under the heading Finance Costs in the Statement of Profit or Loss (see note 17).

14. BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES

As shown in the Separate Financial Statements for 2016, Ferrovial S.A. holds a 5-year term credit facility with a limit for this reporting period of up to EUR 1,270,000 thousand (EUR 1,260,000 thousand in 2015). On 30 September 2016 part of this credit facility was used, for an amount of USD 278,625 thousand and maturing on 31 March 2021. The hedge of exchange rates and interest rates risks was guaranteed through the Cross Currency Swaps described in Note 8, securing a notional of EUR 250,000 thousand at an negative interest rate of -0.4390%, which means a financial income for Ferrovial S.A.

INFORMATION ON CREDIT LIMITS AND DRAWABLE CREDIT

Thousands of Euros	2016				2015			
	Debt limit	Amount drawn	Amount drawable	Consolidated debt	Debt limit	Amount drawn	Amount drawable	Consolidated debt
Corporate debt	1,250,000	250,000	1,020,000	0	1,250,000	0	1,250,000	0
Other	20,000	0	0	0	10,000	0	0	0
TOTAL	1,270,000	250,000	1,020,000	0	1,260,000	0	1,260,000	0

CORPORATE RATING

The financial rating agencies Standard & Poor's and Fitch issued their opinion on the credit rating of Ferrovial at December, which were BBB and BBB-, respectively, and which, therefore, were in the category of "Investment grade".

15. TAX MATTERS

Ferrovial, S.A. has filed consolidated tax returns since 2002. The companies composing the consolidated tax group together with Ferrovial, S.A. in 2016 are shown in Appendix II.

In 2014, the entity availed itself of the tax system laid down in Sections 107 and 108 of Corporate Tax Law 27/2014, of 27 November. Given that the implementation of such system affects the taxation of potential dividends or gains obtained by company shareholders, a note describing the tax treatment applicable to shareholders is attached as Appendix I to these financial statements, as well as information on tax results by Ferrovial S.A. to be considered by the shareholders for the purposes of applying this system.

15.1 RECONCILIATION OF THE ACCOUNTING PROFIT/LOSS TO THE TAXABLE PROFIT/TAX LOSS

The Reconciliation of the accounting profit/loss to the taxable profit/tax loss for corporate tax purposes is as follows:

Thousands of Euros	2016			2015		
	Increase	Decrease	TOTAL	Increase	Decrease	TOTAL
Profit/loss before tax			77,059			64,324
Permanent differences:	47,696	(191,457)	(143,761)	87,741	(171,912)	(84,171)
Temporary differences:						
Arising in the reporting period	6,554	(35,720)	(29,166)	6,341	(4,264)	2,078
Arising from previous year						
Taxable profit/loss			(95,867)			(17,769)

Permanent negative differences correspond mainly to the non-taxable dividends according to article 21 of Corporate Tax Law in the amount of EUR -179,650 thousand. In turn, temporary differences correspond chiefly to accounting provisions that were not tax deductible.

15.2 EXPLANATION OF THE EFFECTIVE TAX RATE AND THE DIFFERENCE BETWEEN DEFERRED AND CURRENT TAXES

The reconciliation between the profit/loss before tax (EUR 77,059 thousand) and the income tax expense recognised (EUR -18,540 thousand) is as follows:

Thousands of Euros	2016	2015
Tax rate	25%	28%
Profit/loss before tax	77,059	64,324
Permanent differences	(143,761)	(84,171)
Taxable profit/loss	(66,701)	(19,847)
Tax at 25%-28% (income)	16,675	5,557
Refund from previous years	(30,841)	62,994
Total tax expense (income)	(14,166)	68,552

- The Company's Profit/loss before tax amounts to EUR 77,059 thousand.
- However, this result includes balances to be considered as permanent differences for an amount of EUR 143,761 thousand, mainly due to the non taxable dividends.

- The Taxable profit/loss after deducting those balances amounts to EUR -66,701 thousand, on which a tax income was recognised for an amount of EUR 16,675 thousand.
- In addition, adjustments to that income were recorded for an amount of EUR- 30,841 thousand, mainly due to:
 - Adjustments in estimation of tax credits capitalised in previous years according to the recovery model of taxable income for an amount of EUR -12,820 thousand (see section 15.3 of this note).
 - Adjustments in estimation of tax credits capitalised in 2016 which will not be recovered before 10 years, for an amount of EUR 15,246 thousand.
 - Income tax expense adjustments corresponding to fiscal year 2015 for an amount to EUR -2,775 thousand.

The breakdown of the accrued tax for 2016 and 2015, differentiating between current tax and deferred tax is as follows:

Thousands of Euros	2016	2015
Tax income for the year	16,675	5,557
Current tax expense/benefit	8,720	(18,463)
Deferred tax expense/benefit	7,955	12,906
Refund from previous years	(30,841)	62,994
Total tax expense (income)	(14,166)	68,552

15.3 CHANGES IN DEFERRED TAXES

The changes in deferred taxes in the year were as follows:

Fiscal year 2016	Thousands of Euros	
	Assets	Liabilities
Balance at 01.01.16	235,276	17,465
Changes affecting the profit and loss account	23,234	0
Changes in calculation of previous years' tax	(15,942)	-
Accrual	1,638	-
Reversal	(8,930)	-
Changes affecting equity	0	365
Accrual		365
Balance at 31.12.16	212,043	17,830

The main variations take place in deferred tax assets due to the changes in the estimation of recoverability of taxable income capitalised in previous years stated in section 15.2 Decree 3/2016, of 2 December, introduced a limitation on the amount of compensation for tax credits (25% per annum). In order to verify the recoverability of these tax credits, the Company has prepared a financial model in which these changes are considered, as well as the latest available income projections for the Group companies of fiscal consolidation. As a result, an amount of 12,820 thousand euros has been adjusted since it is considered that such tax credits would not be recoverable within the maximum legal period.

The main deferred taxes relate to the following:

a) Deferred tax assets:

- Tax credits for loss carryforwards for an amount of EUR 42,351 thousand..
- Deferred item for different accounting and tax criteria n the amount of EUR 165,739 thousand, mainly due to the difference between the tax and book value of some financial investments (EUR 125,652 thousand), the provisions for insolvency due to loans to group companies (EUR 6,538 thousand), and provisions for staff costs (EUR 6,120 thousand).
- Tax credits not yet used by the Company amounting to EUR 3,947 thousand.

b) Deferred tax liabilities:

They correspond to deferred taxes caused by differences between the tax and accounting values of ownerships interests for EUR 17,465 thousand.

The changes in the deferred taxes in 2015 were as follows:

Fiscal year 2015	Thousands of Euros	
	Assets	Liabilities
Balance at 01.01.15	246,988	17,465
Changes in calculation of previous years' tax	(12,294)	0
Accrual	1,776	0
Reversal	(1,194)	0
Balance at 31.12.15	235,276	17,465

15.4 YEARS OPEN FOR REVIEW BY THE TAX AUTHORITIES

Regarding Ferrovial S.A. and its consolidated fiscal group, there are currently no open significant inspection processes. In 2015, the inspection in Spain for the years 2007 to 2011, relating to Corporate Income Tax, VAT and withholding tax on labour income, professional income and capital income, was concluded. The following exercises are open for verification, provided they were not prescribed, basically Income Taxes since 2012 and other taxes since 2013.

The criteria that the tax the authorities may adopt in relation to the years open for review may give rise to contingent tax liabilities that cannot be objectively quantified. At year-end, adequate provisions had been recognised for any significant tax contingency.

16. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

The Company's contingent liabilities include most notably the guarantees provided by the Company for certain Group companies. In this regard, at 2016 year-end Ferrovial, S.A. had provided guarantees amounting to EUR 4,524 million (2015: EUR 3,325 million). The guarantees include most notably those granted to customers of other Group companies belonging to the construction division (either provided to them directly or through insurance companies) amounting to EUR 2,644 million (2015: EUR 1,961 million) and the guarantee provided by Ferrovial, S.A)n in favour of corporate bonds issuances for a total nominal amount of EUR 1,800 million (2015: EUR 1,300 million)In relation with this transaction, Ferrovial has already recognised an intercompany loan from Ferrovial Emisiones S.A., (see Note 10).

In addition to the above, at 2016 year-end the Company had provided guarantees granted by banks amounting to EUR 445,286 thousand (2015: EUR 498,712 thousand) through its guarantee lines, relating mainly in this case also to coverage of the aforementioned normal liability of construction companies in contracts awarded to various Group companies.

17. INCOME AND EXPENSES

A) PROFIT OR LOSS FROM OPERATIONS

The Company's profit or loss from operations in 2016 amounts to EUR 165,977 thousand.

Regarding the income from operations, being Ferrovial S.A. a holding company, dividends received from subsidiaries and finance income associated with the financing of these, are part of the company's revenue. Accordingly, in 2016 revenue of EUR 215,401 thousand was generated, of which EUR 179,650 thousand relate to dividends received by Ferrovial S.A. from its subsidiaries, namely EUR 175,000 thousand

LITIGATION

The Company is also involved as the defendant in various lawsuits. The Parent Company's directors consider that the possible effect of the aforementioned lawsuits on the accompanying financial statements would in no case be material.

As indicated in Note 12, Ferrovial, S.A. is involved in various tax claims for which it has recognised a provision of EUR 134,506 thousand. These claims arose mainly from assessments issued by the Spanish tax authorities largely in relation to income tax and VAT for 2006 to 2012.

REAL GUARANTEES

At 31 December 2015 there was restricted cash for EUR 36,997 thousand tied to the maintenance and arrangement of equity swap contracts (see Notes 8 and 10) which were cancelled in the year.

coming from Ferrovial Internacional S.L.U. and EUR 4,650 thousand from Alkes.

The amount of the other income received from subsidiaries (EUR 2,565 thousand) relates mainly to the interest earned on the loans granted to Group companies. The other operating income (EUR 33,187 thousand) relates to sales and services rendered to Group companies and associates.

The grant by Ferrovial, S.A. of loans to Group companies constitutes non-core operations, which are not performed for a commercial purpose, but rather are effected with a view to obtaining returns on the

capital invested, do not involve the use of resources exclusively earmarked for carrying them out and also entail a scanty significant use, in terms of both goods and services from third parties and human and material resources of the Company which are used to provide services to its subsidiaries.

B) FINANCIAL PROFIT/LOSS

The financial profit/loss for the year amounts to EUR -88,917 thousand.

The finance income amounts to EUR 7,521 thousand and includes mainly

- the income relating to the dividends received from the equity swaps arranged to hedge the effect on equity of the share option plans (see Notes 8 and 20) totalling EUR 2,280 thousand,
- an income of EUR 3,324 thousand for provision of guarantees to group companies.

Finance costs amounted to EUR 64,151 thousand, the detail being as follows:

- Interest borne on borrowings received from various Group companies amounting to EUR 53,848 thousand (31 December 2015: EUR 60,132 thousand) as detailed in section D of this Note.
- Expenses arising from collaterals in the amount of EUR 2,329 thousand, which are sometimes granted over certain projects in which the Company has an indirect participation. These expenses are charged to such projects as mentioned above.
- Recognition of provisions for contingencies and charges amounting to EUR 3,007 thousand (see note 13).
- Financial interest accrued by equity swaps amounting to EUR 198 thousand (Note 8).

The fair value adjustments to financial instruments resulted in expense in the year of EUR 17,257 thousand, most notably the EUR -18,029 thousand impact of equity swaps in the year (see Note 8).

Gains from exchange rate total EUR -4,683 thousand and correspond mainly to temporary financial investments in foreign currency (short-term deposits and euro deposits).

The impairment and result of disposal of financial instruments, for an amount of EUR -11,050 thousand, includes:

- the change in impairment provisions as a result of a reduction in equity of the companies in which Ferrovial holds direct ownership interests, amounting EUR 9,377 thousand. . Note 7 includes a detail of the main changes in this provision.
- the change in provision for loans to associate companies, for an amount of EUR -1.772 thousand.

C) CORPORATE TAX EXPENSE

The corporate tax expense in the year amounts to EUR 14,166 thousand (see Note 15)

D) TRANSACTIONS WITH GROUP COMPANIES

The detail of these transactions is shown below:

Transactions held with Group Companies and Associates at 31 December 2016

Group companies	Operating income	Operating expense	Finance costs
Ferrovial Internacional S.L.U.	175,000		-405
Ferrovial Servicios, S.A.	9,791		-123
Ferrovial Agroman Chile	9,084		0
Cintra Servicios, S.L.	7,473	-932	0
Ferrovial Aeropuertos España, S.A.	4,986	-14	-2
Alkes	4,650		0
Nea Odos, S.A.	2,460		0
Ferrovial FISA, S.L.	866		-218
Cintra Infraestructuras S.E.	287		-240
Budimex, S.A.	167		0
Ferrovial Holding US Corp.	164		0
Ferrovial Corporación, S.L.	114	-605	0
Central Greece Motorway	112		0
Betonial, S.A.	57		-78
Ferrovial Agromán, S.A.	55		-2,486
Autovía de Aragón, S.A.	39		0
Ferrovial Aeropuertos Internacional S.A.U.	22		-33
Can-am, S.A.	20		0
Ferrovial International Ltd	13		-11
Triconitex, S.L.	13		0
Tetabomoa	13		0
Hubco	6		-31
Autopista del Sol, C.E.S.A.	4		0
Cespa, S.A.	2		0
Autema	1		0
Grimalinvest	0		-107
Ferrofin, S.L.	0		-6,811
Ferrovial Emisiones	0		-43,298
Remainder	2		-7
TOTAL GROUP COMPANIES	215,402	-1,550	-53,848

Transactions held with Group Companies and Associates at 31 December 2015

Group companies	Thousands of Euros		
	Operating income	Operating expenses	Finance costs
Autovía de Aragón, S.A.	146		
Betonial, S.A.	703		
Autopista del Sol, C.E.S.A.	243		
Grupo Amey	6		
Ferrovial Emisiones, S.A.	17		-43,083
Cintra Infraestructuras S.E.	96		-397
Can-am, S.A.			-6
Cespa, S.A.	106	-15	-3
Ferrovial Aeropuertos España, S.A.	4,958	-2	
Ferrovial Aeropuertos Internacional S.A.U.	119		-26
Ferrovial Agromán, S.A.	95,979		-4,906
Ferrovial Inversiones S.A.			-6
Ferrovial Internacional S.L.U.			-100
Ferrofin, S.L.			-10,257
Ferrovial FISA, S.L.	849		-960
Ferrovial Servicios, S.A.	78,931	-19	-185
Ferrovial Servicios Internacional, S.L.	4		-1
Inversiones Trenza, S.A.			-2
Central Greece Motorway	319		
Nea Odos, S.A.	3,162		
Triconitex, S.L.	24		
Ferrovial Corporación, S.L.	5,205	-503	
Cintra Inversora Autopistas de Cataluña, S.A.			
Cintra Servicios, S.L.	7,102	-1,249	0
Promoibérica de Negocios S.A.			-2
Budimex, S.A.	22		
Grimaldi Investments B.V.			-198
Other Group companies	690		0
TOTAL GROUP COMPANIES	198,673	-1,788	-60,132

18. EMPLOYEES

The headcount at 31 December 2016 and 2015 was as follows:

	31.12.2016			31.12.2015		
	Men	Women	Total	Men	Women	Total
Executives	43	4	47	43	4	47
University and further education college graduates	9	13	22	9	13	22
Clerical staff	3	9	12	3	9	12
Manual workers and unqualified technicians	1	0	1	1	0	1
Total	56	26	82	56	26	82

There are no employees in Ferrovial with a percentage of disability equal or higher than 33%. However, the company works with entities specialised in recruiting management, hiring and training people with different skills, undertaking different initiatives to promote the employability of these groups.

19. REMUNERATION OF THE BOARD OF DIRECTORS

19.1. BYLAW-STIPULATED DIRECTORS' REMUNERATION

Under the Company's current remuneration scheme, regulated by Article 56 of its bylaws, the shareholders at the General Meeting determine the total annual remuneration for all the members of the Board of Directors, establishing a annual maximum amount for all members of the Board of Directors, which is updated based on the indexes or magnitudes defined by the shareholders at the General Meeting. This remuneration consist of (i) a fixed allowance, and (ii) per diem for effective attendance at meetings of the Board and its Committees. The remuneration is linked solely to the directors' level of responsibility, to membership of committees and other objective circumstances that the Board of Directors deems relevant, ensuring their independence and commitment at long term.

On the same date as that on which these consolidated financial statements were authorised for issue, the Board of Directors prepared and made available to the shareholders the Annual Report on Directors' Remuneration referred to in Article 541 of the Spanish Limited Liability Companies Law. That Report describes in greater detail matters relating to the Company's remuneration policy and contains an overview of how the remuneration policy was applied in 2016 and a detail of the individual remuneration earned by each of the directors in 2016.

The following table shows, on an individual basis, the statutory remuneration of the members of the Board of Directors accrued during 2016 and 2015. It also includes the additional fixed allocation corresponding to statutory remuneration paid in a single payment after the end of the year. If, as a result of a number of meetings exceeding that originally planned or otherwise, the amount of the allowance added to that of the fixed components exceeds the total maximum amount for remuneration for membership of the Council established for the current year, The difference will be deducted from the amount of the complementary fixed allocation in proportion to each Director according to his condition. This table does not include the remuneration received by the Executive Directors for the exercise of their executive functions in the Company, which is detailed in section 19.2.

Director (Thousands of euros)	2016			Total
	Fixed remuneration	Attendance fees	Supplementary fixed remuneration	
Rafael del Pino y Calvo-Sotelo	35	114	92	241
Santiago Bergareche Busquet	35	74	81	190
Joaquín Ayuso García	35	59	56	152
Iñigo Meirás Amusco	35	57	46	138
Juan Arena de la Mora	35	56	46	137
María del Pino y Calvo-Sotelo	35	57	46	138
Santiago Fernández Valbuena	35	78	46	159
José Fernando Sánchez-Junco Mans	35	68	46	149
Joaquín del Pino y Calvo-Sotelo	35	48	46	129
Oscar Fanjul Martín	35	63	46	144
Philip Bowman (since 29.07.2016)	15	12	20	47
Leopoldo del Pino y Calvo-Sotelo (until 21.01.2016)	2	0	3	5
Howard Lee Lance (until 14.04.2016)	10	12	13	35
TOTAL	377	699	588	1,663

The detail of those remuneration for the fiscal year 2015 is shown in the following table:

Director (Thousands of euros)	2015			Total
	Fixed remuneration	Attendance fees	Supplementary fixed remuneration	
Santiago Bergareche Busquet	35	66	81	181
Joaquín Ayuso García	35	67	58	159
Iñigo Meirás Amusco	35	56	46	137
Juan Arena de la Mora	35	66	46	147
María del Pino y Calvo-Sotelo	35	54	46	135
Santiago Fernández Valbuena	35	50	46	131
José Fernando Sánchez-Junco Mans	35	64	46	145
Joaquín del Pino y Calvo-Sotelo (since 29.10.2015)	6	12	8	26
Leopoldo del Pino y Calvo-Sotelo (since 29.10.2015)	6	12	8	26
Howard Lance (since 18.10.2014)	35	30	46	111
Oscar Fanjul Martín (since 31.07.2015)	15	19	19	53
Jaime Carvajal Urquijo (until 30.07.2015)	20	47	27	94
Portman Baela, S.L. (until 09.09.2015)	24	31	32	87
Karlovy, S.L. (until 29.10.2015)	29	24	38	91
TOTAL	415	708	638	1,762

19.2. INDIVIDUAL REMUNERATION OF THE EXECUTIVE DIRECTORS

a) Remuneration earned in 2016 and 2015.

The two executive directors in 2016 earned the following remuneration for discharging their functions, in addition to the remuneration discussed in the preceding section. It also includes information on the Second Deputy Chairman who, although in 2016 and 2015 did not discharge executive functions, exercised share options granted to him in 2008 when he was an executive director.

Remuneration of executive directors	2016			TOTAL
	Rafael del Pino	Joaquín Ayuso (3)	Íñigo Meirás	
Fixed remuneration	1,455	0	1,200	2,655
Variable remuneration	2,261	0	1,872	4,133
Relating to boards of other subsidiaries	0	36	0	36
Exercise of share options (2)	9,383	1,616	170	11,169
Life insurance premiums	8	0	4	12
Share plans (1)	1,918	0	1,918	3,836
Total 2016	15,025	1,652	5,164	21,841

(1) In March 2016, since the agreed metrics had been complied with, a number of shares equivalent to the units allocated in 2013 were delivered, after the relevant withholdings had been performed. The CNMV was notified on 15/03/2016.

(2) Íñigo Meirás exercised 20,000 share options and Rafael del Pino exercised 1,179,600 share options under the 2008 Plan, which expired in 2016.

As in all the share option or share-based plans granted by Ferrovial since 2000, the Executive Chairman exercised his option in the last quarter prior to expiry.

(3) Joaquín Ayuso exercised 200,000 share options. This Stock Option Plan was granted to him in 2008 when he held the position of Executive Director.

Comparative information for previous year is shown below:

Remuneration of executive directors	2015			TOTAL
	Rafael del Pino	Joaquín Ayuso (3)	Íñigo Meirás	
Fixed remuneration	1,335	0	1,100	2,435
Variable remuneration	2,034	0	1,837	3,871
Relating to boards of other subsidiaries	0	31	0	31
Exercise of share options (2)	0	3,685	3,475	7,160
Life insurance premiums	6	0	3	9
Share plans (1)	2,323	0	2,323	4,646
Total 2015	5,698	3,716	8,738	18,152

(1) In March 2015, since the agreed metrics had been complied with, a number of shares equivalent to the units allocated in 2012 were delivered, after the relevant withholdings had been performed. The CNMV was notified on 18/03/2015.

(2) Íñigo Meirás exercised 538,000 share options in 2015.

(3) Joaquín Ayuso exercised 40,600 share options in 2015. This Stock Option Plan was granted to him in 2008 when he held the position of Executive Director.

b) Share-based payment systems

The detail of the outstanding share option plans and performance-related share award plans for executive directors at 31 December 2016 is as follows:

Performance-related share award plan	Units	No. of voting rights	% of voting power
Executive directors			
Situation at 31/12/2016			
Rafael del Pino y Calvo-Sotelo	2014 allocation 78,500	78,500	0.01%
	2015 allocation 69,800	69,800	0.01%
	2016 allocation 74,000	74,000	0.01%
Íñigo Meirás Amusco	2014 allocation 78,500	78,500	0.01%
	2015 allocation 69,800	69,800	0.01%
	2016 allocation 74,000	74,000	0.01%

The general characteristics of the two plans are detailed in Note 21-a, Share-based payment.

19.3. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS DUE TO MEMBERSHIP OF OTHER MANAGING BODIES OF GROUP COMPANIES OR ASSOCIATES

The director of Ferrovial, S.A., Joaquín Ayuso García, is also a member of the managing bodies of other companies of the group or associates, having received in the amount of 36 thousand euros in 2016. For his part, Howard Lee Lance, director of Ferrovial, S.A. until April 14, 2016, has received up to that date, due to its membership in the managing bodies of other companies in the group or associates, 24 thousand euros (in 2015 each of them received, for that concept, 31 thousand euros).

19.4. PENSION FUNDS AND PLANS OR LIFE INSURANCE PREMIUMS

As in 2015, no contributions were made in 2016 to pension plans or funds for former or current members of the Company's Board of Directors or for directors of Ferrovial, S.A. who are members of other boards of directors and/or senior executives of Group companies or associates. Similarly, no obligations in this connection were acquired in 2016.

As regards life insurance premiums, the Company has insurance policies covering death (for which premiums totalling EUR 12 thousand were paid in 2016; EUR 9 thousand in 2015), of which the executive directors are beneficiaries. No life insurance premiums were paid for the directors of Ferrovial, S.A. who are members of other boards of directors and/or senior executives of Group companies or associates.

Finally, Ferrovial S.A. has arranged a third party liability insurance, the insureds of which are the directors and officers of the group companies owned by Ferrovial S.A. The Directors of Ferrovial S.A. are insured by that insurance. The insurance premium paid in 2016 amounted to EUR 577,849 thousand.

Remuneration of senior executives (Thousands of euros)	2016	2015
Fixed remuneration	5,094	5,006
Variable remuneration	4,994	5,431
Performance-based share award plan	7,053	8,626
Exercise of share options and/or other financial instruments (see description)	698	5,988
Remuneration as members of managing bodies of other Group companies, jointly controlled entities or associates	30	29
Contributions to pension funds or plans, or related obligations	0	0
Insurance premiums	16	17
Other (1)	0	1,899
Total	17,885	26,996

19.5. ADVANCES AND LOANS

At 31 December 2016, no advances or loans had been granted by the Company to the directors in their capacity as such or as members of other boards of directors and/or as senior executives of Group companies or associates.

19.6. REMUNERATION OF SENIOR EXECUTIVES

The joint remuneration earned by the Company's senior executives in 2016 was as follows:

The aforementioned remuneration corresponds to the following posts: General Secretary, Chief Financial Officer, General Director of HR, General Director of Construction, General Director of Real Estate, General Director of Services, General Director of Airports, General Director of Toll Roads, General Director of Information Systems and Innovation, Director of Internal Audit, Director of Communications and Corporate Responsibility and Director of Corporate Strategy. This does not include remuneration for senior executives who were also executive directors, which was addressed in Note 20.2

The Company has also introduced a flexible remuneration system called the Flexible Remuneration Plan, which provides employees with the possibility of voluntarily modifying their remuneration package based on their personal needs, replacing a portion of their remuneration with the award of certain payments in kind. These

products include a group life and retirement-related savings insurance plan. Participants may request that a portion of their gross annual remuneration be paid by the Company in the form of a premium for a group life and retirement-related savings insurance policy. In this connection, the senior executives requested contributions of EUR 83 thousand from the Company, instead of the equivalent remuneration shown in the foregoing table (2015: EUR 153 thousand).

19.7. OTHER DISCLOSURES ON REMUNERATION

The agreements between the Company and senior executives, including one executive director, specifically provide for the right to receive the indemnities referred to in Article 56 of the Workers' Statute in the event of unjustified dismissal.

At 31 December 2016, additional rights had been established in the contract of one senior executive.

In order to encourage loyalty and long-service, a deferred remuneration scheme was recognised for twelve senior executives, including one executive director. The scheme consists of extraordinary remuneration that will only be paid when one of the following circumstances occurs:

- Removal of the senior executive by mutual agreement upon reaching a certain age.
- Unjustified dismissal or termination by the Company at its discretion without any justification for dismissal, prior to the senior executive reaching the age initially agreed upon, if the amount of this remuneration exceeds that resulting from applying the Workers' Statute.
- The death or disability of the senior executive.

To cover this incentive, each year the Company makes contributions to a group savings insurance policy, of which the Company is both policy-holder and beneficiary. These contributions are quantified on the basis of a certain percentage of the total monetary remuneration of each senior executive. The contributions made in 2016 amounted to EUR 2,342 thousand (2015: EUR 2,259 thousand), of which EUR 542 thousand correspond to executive directors.

Individuals are occasionally hired to hold executive positions, mainly from abroad, in areas unrelated to senior management. The contracts of these individuals include certain clauses that provide for indemnities in the event of unjustified dismissal.

20. SHARE-BASED PAYMENT

Ferrovial, S.A.'s share-based payment plans awarded to executives of all the companies of the Group headed by Ferrovial are awarded directly by Ferrovial, S.A. Therefore, the information below relates to all the payment plans of Group company executives. However, there is a distribution agreement whereby Ferrovial, S.A. passes on the impact of these plans to the various subsidiaries.

A) SHARE OPTION PLAN

Until 2008 Ferrovial used a remuneration system based on the delivery of share options. In 2016, the Executive Directors exercised their stock options under the above said 2008 Stock Option Plan, as the complete achievement has allowed the full exercise of the options, for the following amounts: Chairman: EUR 9,383 thousand; Chief Executive Officer: EUR 170 thousand. After those executions, there are no longer existing plans.

As in all the share option or share-based plans granted by Ferrovial since 2000, the Executive Chairman exercised his option in the last quarter prior to expiry.

	2016	2015
Number of options at beginning of year	1,627,600	8,153,024
Plans granted	-	-
Shares surrendered and other	-	-76,750
Plans expired	-	-242,400
Options exercised	1,627,600	6,206,274
Number of options at end of year	-	1,627,600

B) PERFORMANCE-BASED SHARE AWARD PLAN

There are two compensation systems for directors, consisting of the delivery of shares linked to objectives:

- Plan approved on 19 December 2012, the Board of Directors approved a three-year remuneration plan consisting of the delivery of shares of Ferrovial, S.A. The total number of shares that can be granted annually under the plan may not exceed 1,900,000, representing 0.26% of Ferrovial, S.A.'s share capital, and will be linked to at least three years' service at the Company (barring special circumstances) and the achievement during this period of ratios calculated on the basis of EBITDA as a percentage of net productive assets, cash flows from operating and investing activities and total shareholder return with respect to a comparable group.
- Plan approved on 29 October 2015 the Board of Directors approved the third three-year remuneration plan consisting of the delivery of shares of Ferrovial, S.A. The annual cost of the plan may not exceed EUR 22 million. The terms and conditions concerning award and duration are similar to those of the plan explained above: this plan will be linked to at least three years'

service at the Company (barring special circumstances) and to the achievement during this period of ratios calculated on the basis of EBITDA as a percentage of net productive assets and total shareholder return in relation to a comparable group. The plan is intended for executive directors, senior executives and executives. The application of this plan to executive directors was authorised at the Company's Annual General Meeting held on 4 May 2016. Per the notification issued to the CNMV on 10 May 2016, the date of allocation of units for 2016 to the executive directors for the purpose of calculating the duration and terms and conditions of the aforementioned plan was 15 February 2016 (subject to the aforementioned approval by the General Meeting).

The changes in the aforementioned remuneration schemes in 2016 and 2015 are summarised as follows:

	2016	2015
Number of shares at beginning of year	3,844,520	4,451,888
Plans granted	1,073,895	1,132,766
Plans settled	-1,489,856	-1,674,439
Shares surrendered and other	-100,378	-40,321
Shares exercised	-61,960	-25,374
Number of shares at end of year	3,266,221	3,844,520

These share award plans include the plans described above in Note 19 on remuneration of executive directors and senior executives.

In 2016 the staff costs recognised in the company in relation to these compensation systems amounted to EUR 4,781 thousand (2015: EUR 4,693 thousand), whose impact is recognised in equity.

These plans were accounted for as futures and, therefore, the value of the foreseeable dividends up to the delivery date is discounted to the value of the shares at the grant date, using a rate of return equal to the average cost of borrowings over the share award period and are equity settled and, therefore, they are measured when granted and the initially calculated value thereof is not re-estimated. The related amounts are recognised under "Staff Costs" with a credit to reserves.

In addition, the Board of Directors approved a new three-year remuneration plan consisting of the award of shares of Ferrovial, S.A. The annual cost of the plan may not exceed EUR 22 million and will be linked to at least three years' service at the Company (barring special circumstances) and the achievement during this period of ratios calculated on the basis of the EBITDA as a percentage of the net productive assets and to the total shareholder return in relation to a comparable group. The granting of shares occurred during the first quarter of 2016. Regarding the Executive Directors, such plan was approved in the General Shareholders' Meeting.

21. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As regards the information on related party transactions, the disclosures below relate to transactions performed by Ferrovial, S.A. and all of its subsidiaries.

LEGISLATION

In relation to the disclosures on transactions that the Company (or Group companies) performs with related parties, Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on the information on related party transactions that must be disclosed by issuers of securities listed on official secondary markets must be taken into consideration.

Article 1.1 of the aforementioned order requires the inclusion in the half-yearly financial reports of quantified information on all the transactions performed by the reporting company with related parties. Also, Article 3.1 of the Order considers related party transactions to be any transfers of resources, services or obligations between related parties regardless of whether or not there is any consideration.

RELATED PARTY TRANSACTIONS

The main transactions between the Company (or its Group companies) and related parties carried out in 2016 in the ordinary course of business of the Company and of the Group, which were performed on an arm's length basis, are disclosed below.

Where the profit or loss from a transaction cannot be stated, as it pertains to the entity or individual supplying the related good or service, the transaction has been marked with an asterisk (*).

a) Significant shareholders

As disclosed in Note 6.8 to the separate financial statements for 2015, through a relevant event communication sent to the Spanish National Securities Market Commission (CNMV) on 4 August 2015 (no. 227311), the markets were informed of the communications received by the Company from its main shareholder, Portman Baela, S.L. and from Karlovy, S.L., in relation to the sale of their ownership interest in the share capital of the Company to its direct and indirect shareholders.

In 2016 the transactions included up to that time in the “Significant Shareholders” section are included under “Transactions with Directors, Senior Executives and Other Related Parties”, together with the other transactions performed between directors (or persons or entities related to them) and the Company or Group companies

Name/ Company name	Transactions with significant shareholders			2016			2015		
	Ferrovial Group company	Nature of transaction	Type of transaction	Amount	Profit or loss	Balance	Amount	Amount	Amount
Members of “controlling family group” / entities related to them	Ferrovial Agroman S.A. / subsidiaries	Commercial	Construction and renovation work	(-)	(-)	(-)	268	202	7
	Ferrovial Servicios, S.A. / subsidiaries	Commercial	Integrated management of services at Madrid offices	(-)	(-)	(-)	355	53	18
	Ferrovial Servicios, S.A. / subsidiaries	Commercial	Integrated management of services	(-)	(-)	(-)	1	0	0

b) Transactions with directors, senior executives and toher related companies

The transactions performed with the Company's directors, representatives of directors and senior executives in 2016 are shown below. The table also includes the transactions performed with natural or legal persons considered to be related to the foregoing (if they were so considered during a portion of the year, the transactions performed in that period are indicated):

Transactions with directors, senior executives and related companies (1 of 2) (Thousands of euros)				2016			2015		
Name/ Company name	Ferrovial Group company	Nature of transaction	Type of transaction	Amount	Profit or loss	Balance	Amount	Profit or loss	Balance
Mr. Rafael del Pino y Calvo-Sotelo	Ferrovial Servicios, /Subsidiaries	Commercial	Maintenance, cleaning and gardening services	0	0	0	16	1	8
	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	466	0	129	53	4	105
Ms. María del Pino y Calvo- Sotelo	Ferrovial Agroman / subsidiaries	Commercial	Real estate renovation	99	0	0	4	0	0
Mr. Joaquín del Pino y Calvo-Sotelo	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	17	2	0	53	2	0
Ms. Ana María Calvo - Sotelo y Bustelo	Ferrovial Servicios, /Subsidiaries	Commercial	Cleaning and maintenance services	27	2	2	(-)	(-)	(-)
Joaquín Ayuso García	Ferrovial Agroman / subsidiaries	Commercial	Real estate renovation	2	0	0	4	0	0
Aena	Ferrovial Group companies	Commercial	Lease of real estate and maintenance material	(-)	(-)	(-)	53	(*)	2
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance, waste collection and gardening services	(-)	(-)	(-)	1,786	64	0
	Ferrovial Agroman / subsidiaries	Commercial	Construction work	(-)	(-)	(-)	(-)	(-)	(-)
Almirall Laboratorios Aviva	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of waste collection services	8	0	5	8	1	2
	Ferrovial Group companies	Commercial	Arrangement of insurance policies	(-)	(-)	(-)	2,259	(*)	0
Crius, S.L.	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance and cleaning services	16	2	2	(-)	(-)	(-)
Maxam Europe and group companies	Ferrovial Agroman / subsidiaries	Commercial	Receipt of supplies of explosives and detonators	857	(*)	-74	816	(*)	-87
Telefónica and group companies	Ferrovial Group companies	Commercial	Receipt of telecommunications services	7,374	(*)	0	20,509	(*)	-1,882
	Corporate	Commercial	Rebilling of cancellation costs	0	0	0	1,938	0	1,336
	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	0	0	0	77	466	0
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance and waste collection services	800	67	0	3,035	402	1,121
Marsh and group companies	Ferrovial Group companies	Commercial	Receipt of consultancy and insurance services	4,432	(*)	-65	1,719	(*)	-123
Meliá Hotels and group companies	Ferrovial Group companies	Commercial	Receipt of hotel and catering services	4	(*)	-1	2	(*)	-1
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance and waste collection services	78	5	40	92	6	30
	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	6,693	89	969	10,750	-367	8,059
Bankia	Ferrovial Group companies	Commercial	Receipt of financial services	525	(*)	0	1,235	(*)	0
	Ferrovial Group companies	Commercial	Financing agreements Guarantee	87,456	(*)	87,456	295,300	(*)	295,300
	Ferrovial Group companies	Commercial	Interest received	147	147	0	66	66	0
	Ferrovial Group companies	Commercial	Payment of interest	1,520	(*)	0	5,698	(*)	0
	Ferrovial Group companies	Commercial	Balance drawn down against guarantee facilities	125,707	(*)	125,707	132,700	(*)	132,700
	Ferrovial Group companies	Commercial	Transactions with derivatives	14,283	(*)	0	11,078	(*)	0
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance services	1	0	5	8	1	5
Bankinter	Ferrovial Group companies	Commercial	Receipt of financial services	18	(*)	0	17	(*)	0
	Ferrovial Group companies	Commercial	Payment of interest	176	(*)	0	1,189	(*)	0
	Ferrovial Group companies	Commercial	Interest received	261	261	0	317	317	0
	Ferrovial Group companies	Commercial	Balance drawn down against guarantee facilities	9,882	(*)	9,882	3,000	(*)	3,000
	Ferrovial Group companies	Commercial	Financing agreements	10,898	(*)	10,898	7,100	(*)	0
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance services	176	7	0	168	6	35
Bimaran Polan, S.A.	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	1,207	-184	60	282	191	0
	Ferrovial Servicios, /Subsidiaries	Commercial	Integrated management of services	162	12	79	(-)	(-)	(-)
Fundacion Rafael del Pino	Ferrovial Servicios, /Subsidiaries	Commercial	Cleaning Services	2	0	1	(-)	(-)	(-)
Red Electrica de España, S.A.U.	Ferrovial Agroman / subsidiaries	Commercial	Construction work	932	-84	671	(-)	(-)	(-)
Hispania Activos Inmobiliarios Socimi, S.A.	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	1,746	-198	193	(-)	(-)	(-)
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance services	18	0	22	(-)	(-)	(-)
Los Estanquillos, S.L.	Ferrovial Agroman / subsidiaries	Commercial	Advising services in construction works	72	3	0	(-)	(-)	(-)
Fundación Seres	Corporate	Commercial	Donation	18	(*)	0	18	(*)	0
Lafarge Holcim	Ferrovial Agroman / subsidiaries	Commercial	Purchase of cement	14,269	0	1,136	8,844	(*)	-545
La Rioja Alta	Ferrovial Servicios, /Subsidiaries	Commercial	Receipt of food services	1	(*)	0	1	(*)	0
Panda Security	Ferrovial Agroman / subsidiaries	Commercial	Receipt of IT services	1	(*)	0	4	(*)	0
Summit	Ferrovial Agroman / subsidiaries	Commercial	Acquisition of tools and electrical material	20	(*)	0	2	(*)	0
Zurich Insurance	Ferrovial Group companies	Commercial	Arrangement of insurance policies	2,029	(*)	0	7,774	(*)	2
	Ferrovial Servicios, /Subsidiaries	Commercial	Lease of offices	88	(*)	-6	300	(*)	-6
	Ferrovial Servicios, /Subsidiaries	Commercial	Provision of maintenance and cleaning services	0	0	8	9	1	8

(*)No profit or loss is stated as the relevant amount pertains to the entity or person providing the service.

The information on remuneration and loans to directors and senior executives may be consulted in Note 19.

c) Intra-Group transactions

The transactions performed by Ferrovial, S.A. with the other Group companies are detailed in Note 10.

22. CONFLICTS OF INTEREST

In accordance with the legislation in force (Article 229 of the Spanish Limited Liability Companies Law), there were no direct or indirect conflicts of interest with the Company, without prejudice to the related party transactions disclosed in the notes to the consolidated financial statements or, where applicable, to the resolutions relating to matters of remuneration or appointments.

The Director Santiago Fernández Valbuena abstained from participating in the deliberation and voting of an operation with the Telefónica group, attending to his status as non-executive chairman of SP Telecomunicações Participações LTDA, a subsidiary of Telefónica, SA

23. ENVIRONMENTAL POLICY

In view of its business activity, the Company does not have any environmental obligations, expenses, assets, liabilities or contingencies that might be material with respect to its equity, financial position or results.

24. FEES PAID TO AUDITORS

In compliance with Spanish Audit Law 12/2010, of 30 June, all the fees for the audit of the financial statements for 2015 and 2014 by the auditors of Ferrovial, S.A. are disclosed herein. A breakdown of the fees billed for those years for audit-related services is also provided.

- Fees billed to Ferrovial, S.A. for audit services: EUR 78 thousand (2015: EUR 78 thousand).
- Fees billed to Ferrovial, S.A. for audit-related services: EUR 80 thousand
- Fees billed to Ferrovial, S.A. for other services: EUR 39 thousand (2014: EUR 46 thousand).

25. EVENTS AFTER THE REPORTING PERIOD

At the date of preparation of these financial statements there had not been any significant events subsequent to the reporting period.

26. COMMENTS ON APPENDICES

Appendix I shows some information related to the Tax Scheme established in the Articles 116 to 119 of Royal Decree 4/2004 of 5 March.

Appendix II contains a list of Group companies, making a distinction between fully consolidated companies and companies accounted for using the equity method.

APPENDIX I

In 2014 Ferrovial opted to be taxed under the regime established currently in Articles 107 and 108 of the Spanish Income Tax Law, of 27 November, ("LIS"), which became applicable from 1 January 2014 and, consequently, all of 2016.

Under this tax regime:

1. Dividends and capital gains obtained by Ferrovial arising from ownership interests in non-resident operating companies (which represent at least 5% of the share capital of these companies or which were acquired for more than EUR 20 million) are exempt from income tax if the requirements provided for in Article 21 of the Spanish Income Tax Law ("exempt income") are fulfilled.
2. The dividends paid by Ferrovial with a charge to the aforementioned "exempt income", or to income arising from permanent establishments abroad to which the exemption provided for in Article 22 of the Spanish Income Tax Law is applicable are treated as follows:
 - (i) Where the recipient is a non-resident shareholder in Spain (and does not operate through tax havens or by means of a permanent establishment in Spain), dividends are not subject to withholdings or taxation in Spain.
 - (ii) Where the recipient is an entity subject to Spanish income tax, the dividends received shall give rise to the exemption in order to avoid double taxation of dividends of resident entities included in Article 21 of the Spanish Income Tax Law ("exempt income"), if the requirements provided for in the aforementioned law are met.
 - (iii) Where the recipient is a natural person resident in Spain subject to personal income tax, the dividends received shall be considered savings income and the tax credit for the avoidance of double taxation in Spain may be taken in accordance with the terms of the Personal Income Tax Law, with respect to the taxes paid abroad by Ferrovial.

In 2016 all of the dividends paid by Ferrovial were paid out of "exempt income".

3. The capital gains obtained by the shareholders of Ferrovial arising from the transfer of their ownership interests in the Company are treated as follows:
 - (i) Where the shareholder is a non-resident in Spain (and does not operate through tax havens or a permanent establishment in Spain) the portion of the capital gain that relates to the reserves recognised by Ferrovial with a charge to the aforementioned "exempt income" or to changes in value attributable to Ferrovial's investments in non-resident entities that meet the requirements to be able to apply the foreign income exemption established in Articles 21 and 22 of the Spanish Income Tax Law shall be deemed not subject to taxation in Spain.
 - (ii) Where the shareholder is an entity subject to Spanish income tax with an ownership interest in Ferrovial that meets the requirement (5% ownership interest in the share capital or that the acquisition cost of the ownership interest exceeds EUR 20 million and it has been held for one year), the exemption provided for in Article 21 of the Spanish Income Tax Law may be applied.

- (iii) Where the shareholder is a natural person resident in Spain subject to personal income tax, it shall pay tax on the capital gain obtained in accordance with the standard income tax rules.

The amount of exempt income pursuant to Article 21 and 22 of the Spanish Income Tax Law obtained by Ferrovial in 2016 and the related tax paid abroad is as follows (in euros):

A) EXEMPTION FOR FOREIGN SOURCE DIVIDENDS AND INCOME:

a.1 Exemption for foreign source dividends:

Ferrovial, S.A.	Thousands of euros
Hellas Toll dividend	4,650
Total	4,650

a.2 Exemption for income of permanent establishments abroad:

No income was obtained from permanent establishments abroad to which the exemption could be applied.

B) EXEMPTION FOR FOREIGN SOURCE CAPITAL GAINS

No capital gains were obtained to which the exemption included in Article 21 of the Spanish Income Tax Law is applicable because (i) either the sales were made between Group companies and were eliminated on preparation of the consolidated tax return, (ii) or they were reported in corporate restructuring transactions which opted for the tax neutrality regime provided for in Article 76 et seq of the Spanish Income Tax Law.

Nevertheless, the capital gains that would have been reported for tax purposes had these regimes not been not applicable (consolidated tax group or tax neutrality) are as follows:

b.1 Elimination of capital gains for intra-group sales of foreign companies:

Ferrovial, S.A.	Thousands of euros
TOTAL	-73,944

b.2 Deferred capital gains arising in corporate restructuring processes:

Ferrovial, S.A.	Miles de euros
TOTAL	3,045,684

In order to enable the shareholders of Ferrovial to adopt the aforementioned tax regime, the Company performed a market assessment at the end of the year of its ownership interests (held directly and indirectly through investments in other entities that have adopted this special tax regime) in non-resident entities and permanent establishments abroad that meet the requirements to be able to apply the foreign source income exemption established in Articles 21 and 22 of the Spanish Income Tax Law.

The result of this assessment means that these assets represent 92 % of the total market value of Ferrovial. At 31 December 2015, this percentage amounted to 88.70%.

TAXATION OF FERROVIAL'S SCRIP DIVIDEND

In 2016 Ferrovial S.A. implemented two shareholder remuneration schemes under a framework known as the "Ferrovial Scrip Dividend", which provide the Company's shareholders with the free choice of (i) receiving newly issued bonus shares of the Company; (ii) transferring in the market the bonus issue rights corresponding to the shares held by them; or (iii) receiving a cash amount through the transfer to Ferrovial of the aforementioned bonus issue rights.

Set forth below are the main tax implications of these schemes, based on the tax legislation in force in Spain except for Navarre and the Basque Country and on the interpretation made by the Spanish Directorate-General of Taxes in its response to several requests for a binding rulings.

Delivery of new shares: for tax purposes, the delivery of new shares is considered to be a delivery of bonus shares and, therefore, does not constitute income for the purposes of personal income tax, income tax or non-resident income tax, regardless of whether or not the recipients of these shares act through a permanent establishment in Spain. The delivery of new shares is not subject to withholdings or pre-payments. The acquisition cost, both of the new shares and the shares to which they correspond, will be the result of distributing the total cost of acquisition for tax purposes of the portfolio by the number of shares; both the original shares and the bonus shares that correspond to them. The age of the bonus shares will be the age that corresponds to the shares that gave rise to them. Consequently, in the event of their subsequent transfer, the income obtained will be calculated by reference to this new value.

Sale to the market of the bonus issue rights: if the shareholders sell their bonus issue rights to the market, the amount obtained will not be subject to withholdings or pre-payments and will be subject to the tax rules indicated below (applicable until the end of 2016):

a) In the case of personal income tax and non-resident income tax applicable to shareholders without a permanent establishment in Spain, the amount obtained on the sale to the market of the bonus issue rights is subject to the same rules established in tax legislation for pre-emption rights. Consequently, the amount obtained on the sale of the bonus issue rights reduces the acquisition cost for tax purposes of the shares which give rise to such rights, pursuant to Article 37.1.a) of Personal Income Tax Law 35/2006, of 28 November, and pursuant to Final Provision Six of Law 26/2014, of 27 November, amending Personal Income Tax Law 35/2006, of 28 November, the Consolidated Spanish Non-Resident Income Tax Law approved by Legislative Royal Decree 5/2004, of 5 March, and other tax legislation. Therefore, if the amount obtained on the sale of the bonus issue rights is higher than the acquisition cost of the shares which gave rise to them, the difference is considered to be a capital gain for the seller in the tax period in which this occurs; all of the foregoing without prejudice to the potential application to non-resident income tax payers not operating through a permanent establishment in Spain of the tax treaties entered into by Spain to which they could be entitled or to the exemptions that may be applicable to them under Spanish domestic law.

b) In the case of income tax and non-resident income tax applicable to shareholders operating through a permanent establishment in Spain, taxes will be paid in accordance with applicable accounting standards and, as appropriate, with the special tax rules applicable to the shareholders subject to the aforementioned taxes.

Sale to Ferrovial of the bonus issue rights: lastly, if the holders of bonus issue rights decide to avail themselves of the Ferrovial Purchase Commitment, the tax regime applicable to the amount obtained on the sale to Ferrovial of the bonus issue rights received in their capacity as shareholders will be as follows:

- (i) if the shareholder is a natural person resident for tax purposes in Spain or a legal entity that does not satisfy the requirements to apply the exemption provided for in Article 21 of Spanish Income Tax Law 27/2014, the applicable tax regime shall be the regime which applies to the dividends paid directly in cash and, therefore, the amount obtained will be subject to the corresponding withholding tax;
- (ii) if the shareholder is a natural person or legal entity not resident for tax purposes in Spain or a tax haven, and does not operate through a permanent establishment in Spain, the amount obtained shall not be subject to taxation in Spain pursuant to Chapter XIII of Title VII of Spanish Income Tax Law 27/2014, and, therefore, shall not be subject to withholding tax. In these cases, for this regime to apply the shareholder shall be required to evidence its tax residence by providing the corresponding certificate issued by the tax authorities in question;
- (iii) if the shareholder is a legal entity resident in Spain for tax purposes or, if it is not a tax resident but operates through a permanent establishment in Spain and satisfies the requirements for the application of the exemption provided for in Article 21 of Spanish Income Tax Law 27/2014, the amount obtained shall be exempt from taxation in Spain and, therefore, shall not be subject to withholding tax.

It should be borne in mind that the taxation scenarios of the various options relating to the scheme known as the "Ferrovial Scrip Dividend" set out above do not explain all the possible tax consequences. Accordingly, the shareholders should consult their tax advisers on the specific tax effect of the proposed scheme and pay attention to any changes that could take place, both in in-force legislation and in the criteria of the interpretation thereof, as well as the particular circumstances of each shareholder or holder of bonus issue rights.

APPENDIX II

SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES). FISCAL YEAR 2016:

The net cost of the ownership interest presented relates to that recognised at the individual company which holds the direct ownership interest in each subsidiary.

Company	Registered office	Auditor	% Ownership	Gross investment	Impairment losses	Carrying amount	Share capital	Share premium and reserves	Other equity items	Net profit/loss for the year	TOTAL EQUITY
Ferrovial Internacional S.L.U.	Madrid (Spain)	Deloitte	100.00%	6,328,953	0	6,328,953	624,926	6,139,711	0	-41,461	6,723,176
Ferrofin, S.L. (i)	Madrid (Spain)	Deloitte	85.57%	1,638,676	-85,173	1,553,504	1,890,310	-47,739	0	-27,158	1,815,413
Ferrovial Agroman S.A.	Madrid (Spain)	Deloitte	99.99%	711,279	0	711,279	233,598	513,869	118	62,138	809,724
Cintra Infraestructuras España, S.L.	Madrid (Spain)	Deloitte	100.00%	572,231	0	572,230	57,567	518,078	0	-53,257	522,388
Ferrovial Servicios, S.A.	Madrid (Spain)	Deloitte	100.00%	264,479	0	264,479	166,095	105,242	0	5,547	276,885
Ferrovial FISA, S.L.	Madrid (Spain)		99.99%	214,633	-154,268	60,365	17,600	13,033	0	29,735	60,368
Ferrovial Aeropuertos España, S.A.	Madrid (Spain)	Deloitte	99.00%	45,600	-20,974	24,626	1,860	35,041	0	-12,024	24,877
Ferrovial Corporación, S.A.	Madrid (Spain)	Deloitte	100.00%	5,403	0	5,403	5,403	2,510	0	3,190	11,104
Betonial, S.A.	Madrid (Spain)		99.00%	7,979	-3,518	4,461	3,660	763	0	83	4,506
Kripton RE, S.A.	Luxembourg	Deloitte	99.97%	4,000	0	4,000	4,000	0	0	780	4,780
Autovía de Aragón S.C., S.A.	Madrid (Spain)	Deloitte	15.00%	2,831	0	2,831	18,873	10,278	-7,903	8,210	29,458
Can-am, S.A.	Madrid (Spain)		100.00%	3,208	-1,417	1,791	347	1,509	0	-65	1,791
Triconitex, S.L.	Madrid (Spain)		100.00%	11,659	-9,992	1,667	806	4,352	0	-3,490	1,668
Ferrocorp UK Limited	Oxford, United Kingdom	Deloitte	100.00%	640	-165	475	546	224	0	66	835
Inversiones Trenza, S.A.	Madrid (Spain)		99.92%	7,094	-6,583	511	725	-209	0	1	516
Promotora Ibérica de Negocios, S.A.	Madrid (Spain)		99.00%	582	-113	468	60	413	0	0	473
Ferrovial Inversiones, S.A.	Madrid (Spain)		99.58%	200	0	200	600	242	0	-123	719
Fring Gold, S.A.	Madrid (Spain)		99.00%	89	-16	72	62	12	0	0	73
Alkes Reinsurances Ltd.	(Dublin) Ireland	Deloitte	100.00%	71	0	71	3,000	0	-2,772	-57	171
Ferrovial Emisiones, S.A.	Madrid (Spain)	Deloitte	99.00%	60	0	60	60	8,814	0	2,882	11,757
Teraoui, S.A.	Madrid (Spain)		99.00%	59	0	59	60	-1	0	0	59
Tetabomoa, S.A.	Madrid (Spain)		99.00%	59	-1	59	60	-1	0	0	59
Sotaverd S.A.	Madrid (Spain)		99.99%	2,092	-2,092	0	1,784	-13,796	0	0	-12,012
Temaui, S.L.	Madrid (Spain)		99.99%	3	-587	-584	3	-1	0	-420	-418
Investments in Group companies				9,821,880	-284,900	9,536,980	3,032,005	7,292,344	-10,557	-25,423	10,288,370

(i) The remaining percentage belongs to Ferrovial Agroman, S.A. 13.649%, Ferrovial Servicios S.A. 0.773%, Ferrovial FISA, S.L. 0.002%, Cespa S.A. 0.003%

SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES). FISCAL YEAR 2015:

The net cost of the ownership interest presented relates to that recognised at the individual company which holds the direct ownership interest in each subsidiary.

Company	Registered office	Auditor	% Ownership	Gross investment	Impairment losses	Carrying amount	Share capital	Share premium and reserves	Other equity items	Net profit/loss for the year	TOTAL EQUITY
Ferrovial Internacional S.L.U.	Madrid (Spain)	Deloitte	100.00%	5,560,133	0	5,560,133	563,299	5,608,510	0	10,530	6,182,339
Ferrofin, S.L.	Madrid (Spain)	Deloitte	85.57%	1,638,676	-61,933	1,576,744	1,890,310	2,267	0	-50,006	1,842,571
Ferrovial Agroman S.A.	Madrid (Spain)	Deloitte	99.99%	711,279	0	711,279	446,813	225,534	13,861	69,807	756,015
Cintra Infraestructuras S.E.	Madrid (Spain)	Deloitte	100.00%	1,520,584	0	1,520,584	130,392	1,103,109	-324,686	-13,209	895,606
Ferrovial Servicios, S.A.	Madrid (Spain)	Deloitte	100.00%	264,479	0	264,479	166,095	78,378	463	26,469	271,405
Ferrovial FISA, S.L.	Madrid (Spain)		99.99%	214,633	-184,131	30,502	17,600	196,754	-144,007	-39,713	30,634
Grimalinvest	Madrid (Spain)		99.50%	288,581	-274,446	14,135	20	13,416	0	71	13,507
Ferrovial Aeropuertos España, S.A.	Madrid (Spain)	Deloitte	99.00%	17,880	-9,067	8,813	1,860	16,196	0	-9,154	8,902
Ferrovial Corporación, S.A.	Madrid (Spain)	Deloitte	100.00%	5,403	0	5,403	5,403	2,246	-7,000	5,264	5,913
Betonial, S.A.	Madrid (Spain)		99.00%	35,699	-3,439	32,260	3,660	28,344	0	419	32,423
Krypton RE, S.A.	Luxembourg	Deloitte	99.97%	4,000	0	4,000	4,000	0	0	0	4,000
Autovía de Aragón S.C., S.A.	Madrid (Spain)	Deloitte	15.00%	2,831	0	2,831	18,873	-884	-14,726	6,116	9,379
Can-am, S.A.	Madrid (Spain)		100.00%	3,208	-1,351	1,857	347	1,496	0	12	1,855
Triconitex, S.L.	Madrid (Spain)		100.00%	11,659	-6,794	4,865	806	5,351	0	-999	5,158
Ferrocop UK Limited	Oxford, United Kingdom	Deloitte	100.00%	639	0	639	754	150	-19	103	988
Inversiones Trenza, S.A.	Madrid (Spain)		99.92%	7,094	-6,583	511	725	-211	0	1	515
Promotora Ibérica de Negocios, S.A.	Madrid (Spain)		99.00%	582	-113	469	60	407	0	6	473
Ferrovial Inversiones, S.A.	Madrid (Spain)		99.58%	200	0	200	600	279	0	-28	851
Fring Gold, S.A.	Madrid (Spain)		99.00%	89	-16	73	62	11	0	0	73
Alkes Reinsurance Ltd.	(Dublin) Ireland	Deloitte	100.00%	3,000	0	3,000	3,000	4,182	0	656	7,838
Ferrovial Emisiones, S.A.	Madrid (Spain)	Deloitte	99.00%	60	0	60	60	6,381	0	2,433	8,874
Teraoui, S.A.	Madrid (Spain)		99.00%	3	-1	2	3	0	0	-1	2
Tetabomoa, S.A.	Madrid (Spain)		99.00%	59	-1	59	60	0	0	-1	59
Sotaverd S.A.	Madrid (Spain)		99.99%	2,061	-2,061	0	1,784	-13,796	0	0	-12,012
Temaury, S.L.	Madrid (Spain)		99.99%	59	-1	59	60	0	0	-1	59
Cintra Infraestructuras España, S.L	Madrid, España	Deloitte	99.00	3	0	3	0	0	0	0	0
Investments in Group companies				10,292,925	-549,968	9,742,960	3,256,646	7,278,120	-476,114	8,775	10,067,427

(i) The remaining percentage belongs to Ferrovial Agroman, S.A. 13.649%, Ferrovial Servicios S.A. 0.773%, Ferrovial FISA, S.L. 0.002%, Cespa S.A. 0.003%

ASSOCIATES (COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD):**FISCAL YEAR 2016**

Company	Registered office	Auditor	% Ownership	Gross investment	Impairment losses	Carrying amount	Thousands of Euros			
							Assets	Liabilities	Revenue	Profit/Loss
Nea Odos (ii)	Athens (Greece)	Deloitte	21.40%	25,005	-25,005	0	949,971	833,170	76,939	0
Central Greece (ii)	Athens (Greece)	Deloitte	21.40%	21,671	-21,671	0	1,178,462	1,113,462	49,678	0

FISCAL YEAR 2015

Company	Registered office	Auditor	% Ownership	Gross investment	Impairment losses	Carrying amount	Thousands of Euros			
							Assets	Liabilities	Revenue	Profit/Loss
Nea Odos (ii)	Athens (Greece)	Deloitte	21.40%	25,005	-25,005	0	825,746	750,746	75,147	0
Central Greece (ii)	Athens (Greece)	Deloitte	21.40%	21,671	-21,671	0	1,038,734	973,734	11,015	0

(ii) Interest remain at 33%, but political rights amount to 21.4%, the remaining belongs to GEK Holding Real Estate Construction SA 57.2% and ACS 21.4% (political rights).

STATEMENT FROM THE BOARD

The foregoing pages contain the financial statements of Ferrovial, S.A. -the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements- for the year ended 31 December 2016, which were formulated by the Company's Board of Directors at the meeting held in Madrid on 27 February 2017 and which, pursuant to Article 253 of the Spanish Limited Liability Companies Law, are signed below by all the directors who attended the meeting.

Rafael del Pino y Calvo-Sotelo

Chairman

Santiago Bergareche Busquet

Deputy chairman

Joaquín Ayuso García

Deputy chairman

Íñigo Meirás Amusco

Chief Executive Officer

Juan Arena de la Mora

Director

María del Pino y Calvo-Sotelo

Director

Santiago Fernández Valbuena

Director

José Fernando Sánchez-Junco Mans

Director

Joaquín del Pino y Calvo-Sotelo

Director

Óscar Fanjul Martín

Director

Philip Bowman

Director

The Secretary of the Board of Directors states for the record that the Director Mr. Juan Arena de la Mora has not signed this document because of his absence due to unavoidable professional commitments, having delegated his proxy to the External Director Mr. Santiago Bergareche Busquet.

Santiago Ortiz Vaamonde

Secretary of the Boards of Directors



**AUDITOR'S
REPORT
FERROVIAL, S.A.
2016**

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 27). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
FERROVIAL, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of Ferrovial, S.A., which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Ferrovial, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Ferrovial, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Javier Parada Pardo

27 February 2017