

CONSOLIDATED MANAGEMENT REPORT AND FINANCIAL STATEMENTS

I N T E G R A T E D

A N N U A L

2 0 1 6

R E P O R T



THE REPORT

1. The Management Report runs from page 6 to 121. It was drawn up by the Board of Directors on 27 February 2017.
2. The Consolidated Annual Financial Statements run from page 118 to 209. They were drawn up by the Board of Directors on 27 February 2017.
3. Additional reports: Annual Corporate Governance Report (forms part of the Management Report) and Annual Report on the Remuneration of Directors (all available at www.ferrovial.com).
4. Ferrovial has worked on an integrated model for reporting financial, social and environmental information, based on the International Integrated Reporting Council's (IIRC) "International Integrated Reporting Framework", as well as the CNMV's "Guide for the Preparation of Management Reports of Listed Companies". For the eighth year, the Corporate Responsibility Report has applied the AA1000 standard (see page 111), a key tool for aligning the information presented in the Report with stakeholder expectations and the company's materiality. The report is prepared with in accordance with the comprehensive option of the Global Reporting Initiative's (GRI) C4 Guidelines. Ferrovial's approach to the principles related to the content of the report, such as materiality, stakeholder commitment and the Strategic Corporate Responsibility Plan, is detailed in the Corporate Responsibility Appendix.

PHOTO: Construction of the Northern Line, London (United Kingdom)



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PHOTO: Transmission tower maintenance services in New Zealand.

A high-angle photograph of a worker in an orange safety vest and blue pants performing maintenance on a high-voltage power line tower. The worker is positioned on a metal platform or ladder structure attached to the tower, which is a complex lattice of steel beams. The background is a dense, lush green forest covering a hillside. The lighting is bright, suggesting daytime. The overall scene conveys a sense of industrial activity in a natural setting.

I. MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMAN



FELLOW SHAREHOLDERS:

2016 was a positive year for Ferrovial and its businesses:

- The main infrastructure assets, the 407-ETR toll road, the managed lanes in Texas and Heathrow airport, achieved growth in operating results and traffic, while improving user satisfaction. These assets are the main source of medium and long-term value creation.
- Operating cash flow excluding infrastructure projects and before taxes reached 995 million euro. With ordinary capex of 356 million euro, we obtained recurring cash flow of 639 million euro enabling us to remunerate 544 million euro to our shareholders through dividends and share buybacks.
- We invested 1.1 billion euro in acquisitions, including Broadspectrum in Australia, a country where the prospects for services and infrastructure development are increasing.
- Divestments of mature assets generated 340 million euro.

Ferrovial ended 2016 with a sound financial position, reaching a net cash balance excluding infrastructure projects of 697 million euro. Revenues increased by 11%, to 10.8 billion euro, including Broadspectrum's figures from June onwards. Net profit totaled 376 million euro, compared with 720 million euro in 2015. These figures are not comparable due to non-recurring impacts in 2015.

Operating performance:

- **Cintra** had a great year with growth in financial and traffic numbers, mainly in the 407-ETR toll road and in the managed lanes in Texas, showing Ferrovial's capabilities to provide efficient solutions to mobility in congested metropolitan areas.
- **Services** grew in Spain while adapting quickly and efficiently to the cutback in local government spending in the United Kingdom. Broadspectrum is being integrated successfully.
- **Construction** continues to offset the contraction in the Spanish market with its international business, where we highlight Budimex' good performance and higher backlog figures than previous years.
- In **Airports**, Heathrow had record traffic figures while its service quality was recognized with international awards. The AGS group, British regional airports, also improved its traffic figures driven by Glasgow's performance. The UK government issued a recommendation to expand Heathrow; however there are still steps to take in this process.

REVENUES	WORKFORCE AT CLOSE OF YEAR	CO ₂ EMISSIONS	BENEFICIARIES
+11%	96.001	-32%	191.769
10,759M€	+30% EMPLOYEES	IN RELATIVE TERMS (tCO ₂ eq/M€) 2009-2016 (SCOPE 1 & 2)	WASH (WATER, SANITATION & HYGIENE)

Ferrovial's backlog reached a record 33.5 billion euro. In the United States, we obtained one section of the California High-Speed Rail and the I-66 in Virginia, the latter one not yet included in the backlog. In the United Kingdom, we gained the previous works for the high speed rail and the new road maintenance contracts in East Midlands. In Australia, we obtained the construction of a bridge on the Pacific Highway. And in Slovakia, we won the contract to build the Bratislava beltway, an investment of 1 billion euro. At the same time, the acquisition of Transchile gives us an entry to the power transmission business.

Sustainability and innovation. - In 2016, we enhanced our links with the United Nations Sustainable Development Goals Fund while renewing our position in the Dow Jones Sustainability Index, the FTSE4Good and the Carbon Disclosure Project. Attainment of an AAA rating from MSCI confirms our good practices. At the same time, our Target Zero in workplace health and safety has translated into an improvement in accident rates. The focus on innovation is reflected in the creation of a digital hub, the renewal of the agreement with MIT, and the enhancement of our relationship framework with start-ups to develop innovative solutions for our clients.

Shareholders. - Analysts' recommendation converge to give Ferrovial a Buy rating, supported by the long-term intrinsic value of its main infrastructure assets.

Opportunities. - The objectives of growth and increase in productivity highlight the need to promote public and private investment in infrastructures, especially in United States, Canada, United Kingdom and Australia.

This year is the best foundation for 2017 in which, without hiding uncertainties and challenges, we foresee growth opportunities particularly in United States, Canada, United Kingdom and Australia.

Finally, I would like to thank the 96,000 professionals who every day put their work, enthusiasm and creativity to serve the needs of our clients. To them, and to the shareholders and clients who trust us, I extend my gratitude on behalf of myself and the Board.

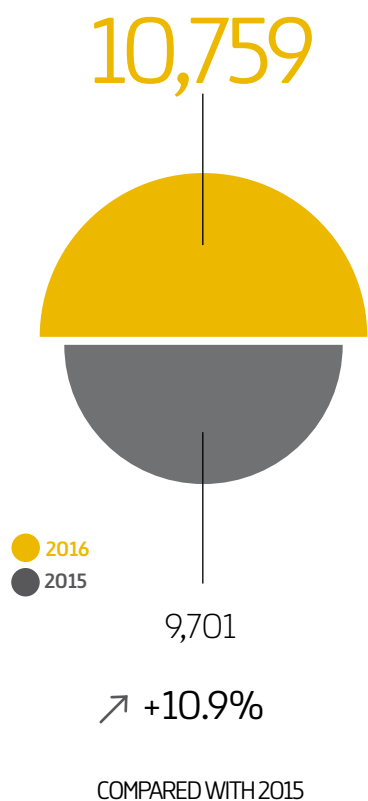


Rafael del Pino



KEY FIGURES

REVENUES (M€)



CAPITALIZATION (M€)

12,450

↘ -18.5%

AS OF 12/31/2016

ORDER BOOK (M€)

33,519

CONSTRUCTION



9,088

SERVICES



24,431

↗ +6.3%

COMPARED WITH 2015

WORKFORCE AT YEAR-END

96,001

↗ +29.7%

EMPLOYEES VS 2015

OPERATING CASH FLOW (M€)

995

↗ +11.9%

(EXCL. INFRASTRUCTURES)

NET CASH (M€)

697

(EXCL. INFRASTRUCTURES)

2016 MILESTONES

JANUARY



Entry in Slovakia with the award of the Bratislava beltway

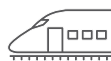
FEBRUARY

Purchase of SIEMSA to boost the industrial services business in Spain



Sale of Chicago Skyway and stakes in Irish highways

MARCH



Award of a high-speed rail section in California, USA

Start of social water and social inclusion projects in Colombia, Peru, Spain, Uganda, Mozambique and Senegal

Maintenance contract for 370 km of roads in the East Midlands, UK

APRIL



Acquisition of Pepper Lawson in the USA

Financial closure of the highway in Atlanta, the first project with a tax-exempt loan in the USA

Creation of the Digital Hub to implement the company's digital transformation strategy

MAY

Acquisition of the Australian services company Broadpectrum



Partner of the UN advisory group to promote the new Sustainable Development Goals

JUNE

Agreement for the sale of a stake in two Portuguese toll roads

Record traffic on the 407 ETR highway in Toronto, Canada

AECA Award for Business Transparency



Opening to traffic of PHASE I of the 407 EAST toll road in Toronto, Canada

MAIN GEOGRAPHIC AREAS

REVENUES



ANALYSTS' VALUATION



SPAIN

- **SALES:** 2,629 M€
- **EBITDA:** 406 M€
- **WORKFORCE:** 40,595
- **ASSETS/PRESENCE:** Ferrovial Agroman, Cintra, Ferrovial Services and the Ausol and Autema toll roads.



UNITED KINGDOM

- **SALES:** 3,171 M€
- **AIRPORTS DIVIDENDS:** 134 M€
- **WORKFORCE:** 18,022
- **ASSETS/PRESENCE:** Heathrow, Aberdeen, Glasgow, Southampton airports; Amey; Ferrovial Agroman UK, the M8 Motorway in Scotland.



UNITED STATES

- **SALES:** 1,181 M€
- **EBITDA:** 188 M€
- **WORKFORCE:** 3,821
- **ASSETS/PRESENCE:** Managed lane NTE, LBJ, NTE35W (Texas), I-77 (North Carolina) toll roads, Ferrovial Agroman US, Cintra US, Webber.



CANADA

- **MANAGED INVESTMENT:** 4,479 M€
- **TOLL ROADS DIVIDENDS:** 248 M€
- **WORKFORCE:** 459
- **ASSETS/PRESENCE:** 407 ETR, 407 EAST PHASE I, 407 EAST PHASE II.



AUSTRALIA

- **SALES:** 1,627 M€
- **EBITDA:** 87 M€
- **WORKFORCE:** 14,951
- **ASSETS/PRESENCE:** Ferrovial Agroman Australia, Broadspectrum, Toowoomba Highway.



POLAND

- **SALES:** 1,316 M€
- **EBITDA:** 126 M€
- **WORKFORCE:** 5,298
- **ASSETS/PRESENCE:** Budimex, FBService.

2016 MILESTONES

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<p>Selected to start negotiations for the modernization of Denver Airport, USA</p>	<p>Presence on the FTSE4Good sustainability index for the 12th straight year</p>	<p>Entry into the electricity transmission market with the signing for the acquisition of Transchile, Chile</p>	<p>Ferrovial is among the 50 most diverse and inclusive companies in the world, according to Thomson Reuters</p> <p>Íñigo Meirás among the 100 best CEOs in the world according to Harvard Business Review</p>	<p>Chosen for the preparatory construction work of the high-speed rail line in the United Kingdom</p> <p>Award of a section of the I-66 highway in Virginia, USA</p>	<p>Award for the design and consulting services of 1,250 km of highways in the north of the United Kingdom</p> <p>Award of a new waste collection contract in Surrey, UK</p>
<p>Award for the construction of a bridge on the Pacific Highway, Australia</p> <p>Recognition as Most Honored Company 2015 by the magazine Institutional Investor</p>		<p>Appearance on the Dow Jones Sustainability index for the 15th straight year</p> <p>Ferrovial issues 500 M€ in 6-year bonds at 0.375%</p>	<p>Award for the development of the M4 Smart Motorway in Australia</p>	<p>Inclusion in the leadership category of the 2016 Carbon Disclosure Project (CDP)</p>	

BUSINESS MODEL

- Ferrovial is among the **world's largest infrastructure operators and urban services providers.**
- Participation with an industrial approach **across the whole infrastructure lifecycle.**
- Use of **synergies between its business areas.**



BUSINESSES

TOLL ROADS

Capital intensive
Protected against inflation
Long-term assets



Private development of transport infrastructures, with innovative and high quality standards

AIRPORTS



Private operator of four airports in the United Kingdom, among them Heathrow Airport

CONSTRUCTION

Not capital intensive
Short-term visibility (order book)
Growth of Earnings per Share (EPS)



Civil engineering, industrial projects, building and water, with international recognition for design and exceptional transport infrastructure projects

SERVICES

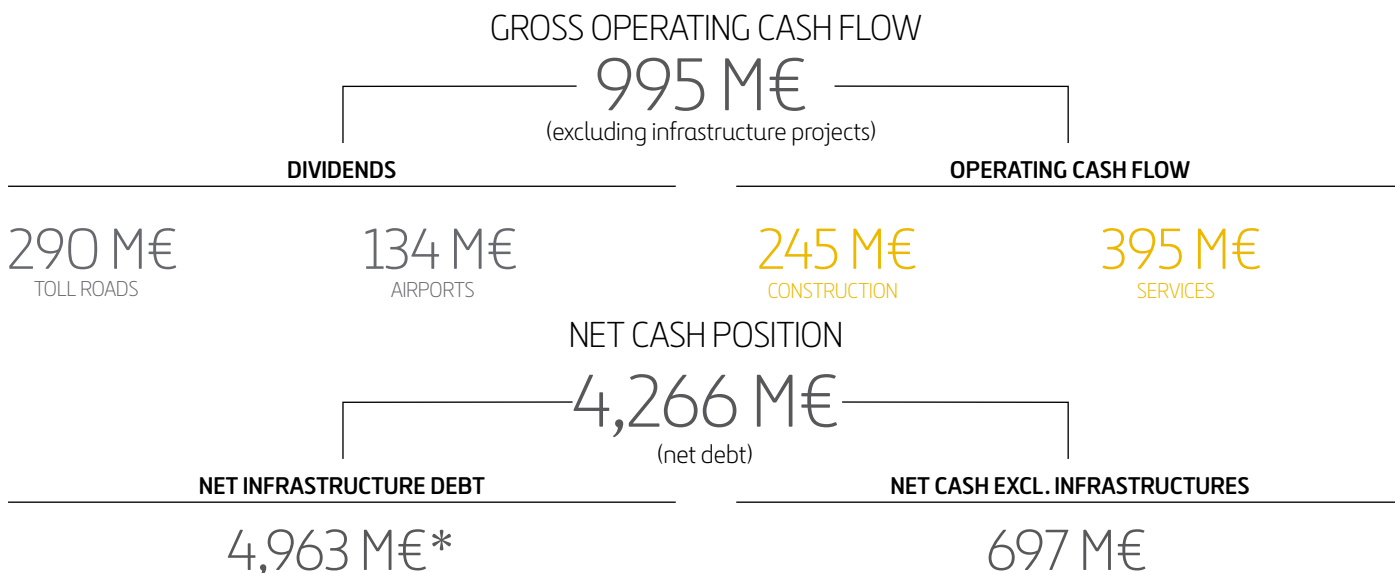


Operation, maintenance and management of public and private infrastructures related to transport, the environment, industrial projects, natural resources and utilities

CASH GENERATION

Ferrovial has an **operating cash flow balanced** between:

- Dividends from Toll Roads and Airports.
- Operating Cash Flow from Construction and Services.
- Crystallization of value by rotation of mature assets.



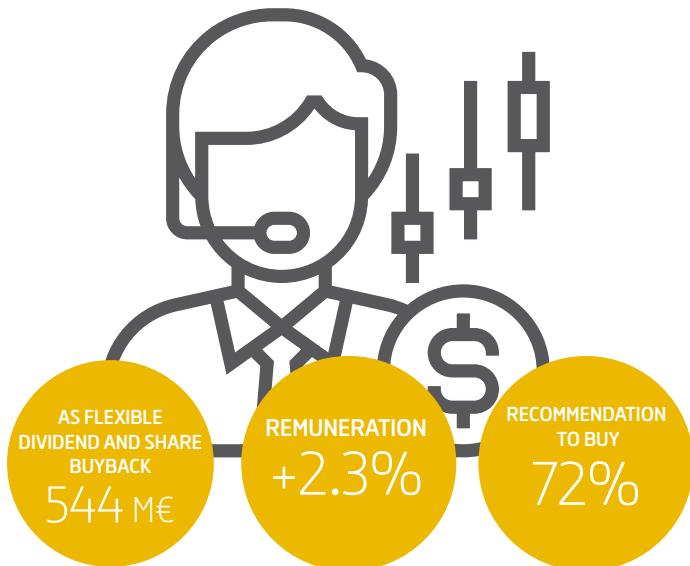
* Includes Construction and Services projects

VALUE CREATION

- Risk management from the bidding process to project execution.
- Operational efficiency and differential and innovative solutions.
- Profitable growth materialized in increased cash generation.
- Strong commitment to stakeholders.

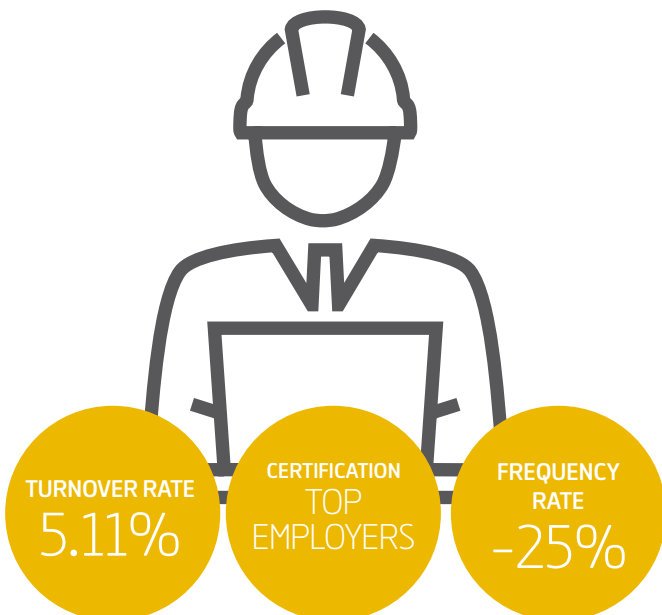
SHAREHOLDERS

Ferrovial considers profitable growth, operational excellence and innovation to be essential levers for **maximizing long-term return** for shareholders.



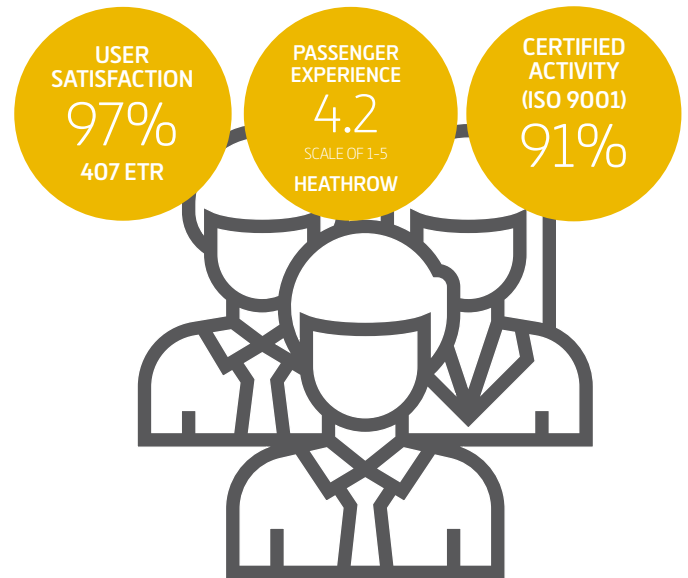
EMPLOYEES

Proactive talent management, high-quality learning opportunities, professional development and fostering business culture are key for the company.



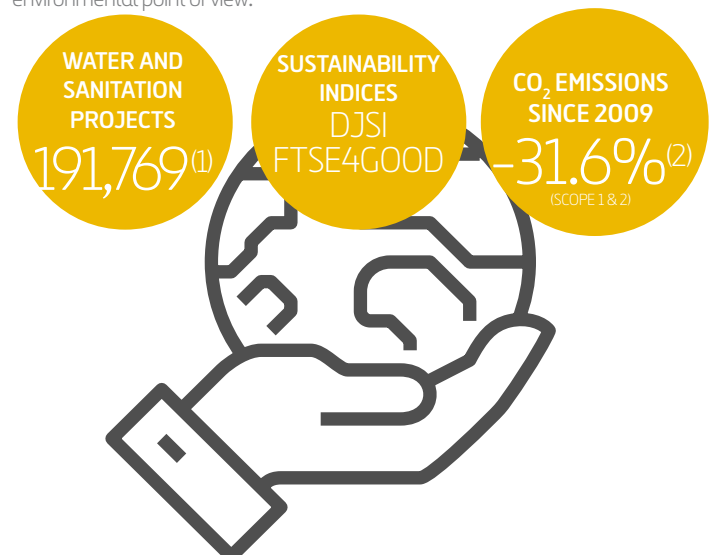
CLIENTS/USERS

Its experience allows Ferrovial to design **high-quality, efficient, safe and sustainable solutions** that respond to the needs of its clients and end users.



SOCIETY

Ferrovial plays a significant role in **improving the quality of life of people and stimulating progress in the communities** where it operates. The company has implemented a Strategic Corporate Responsibility Plan as part of its commitment to sustainable development from an economic, social and environmental point of view.



(1) Cumulative data since 2008. (2) Baseline adjusted to 2016 scope.

MARKET FIGURES

CAPITALIZATION (M€)

12,450

TOTAL SHAREHOLDER RETURN (TSR)

-15.3%
2016

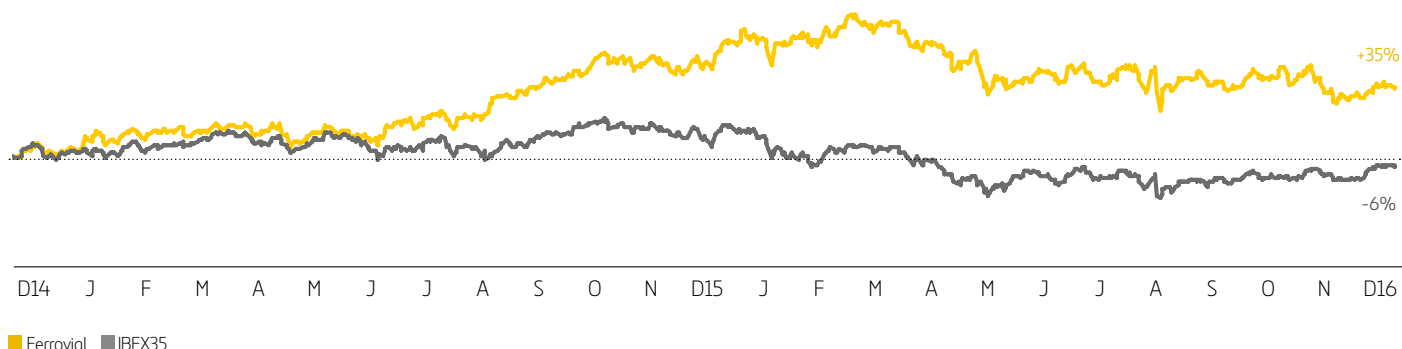
35%
2014-2016

CREDIT RATING

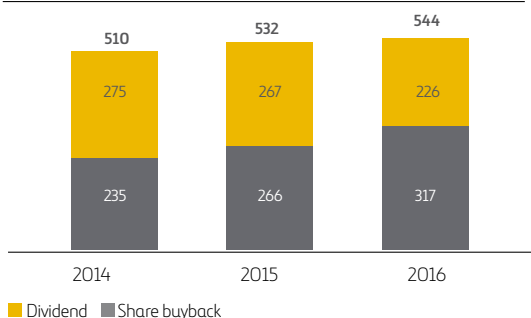
BBB S&P AND FITCH

SHARE PRICE

FERROVIAL & IBEX 2014-2016 (TSR)



SHAREHOLDER REMUNERATION (M€)



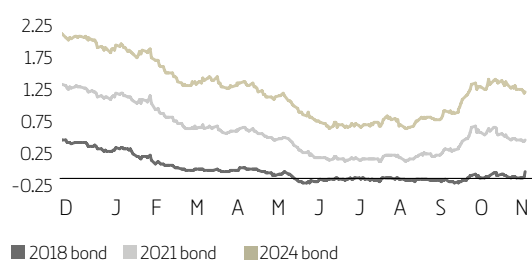
FERROVIAL'S PAST SHARE PERFORMANCE

	2014	2015	2016
Closing price (€)	16.4	20.9	17.0
Max. (€)	16.7	23.3	20.7
Min. (€)	13.9	16.1	16.0
VWAP (€)	15.6	19.9	18.0
Average daily volume (M€)	42.5	55.0	57.9
Average daily volume (M shares)	2.7	2.8	3.2
Capitalization (M€)	12,029	15,270	12,450
Outstanding shares (M shares)	732.4	732.2	732.5

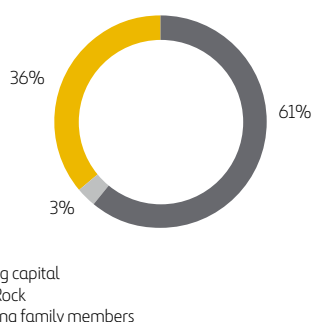
BONDS ISSUED

Maturity date	Coupon	Notional	Yield to maturity	Price (Dec 31)
30 January 2018	3.375%	500M€	0.091	103.523
7 June 2021	3.375%	500M€	0.551	112.308
14 September 2022	0.375%	500M€	0.813	97.574
15 July 2024	2.500%	300M€	1.269	108.783

YIELD TO MATURITY



SHAREHOLDER STRUCTURE



ANALYSTS' RECOMMENDATION

25 analysts covered Ferrovial as of 31st December. In 2016, Berenberg began effective cover and Deutsche Bank and Santander renewed cover.

18

Buy

6

Hold

1

Sell

TARGET PRICE

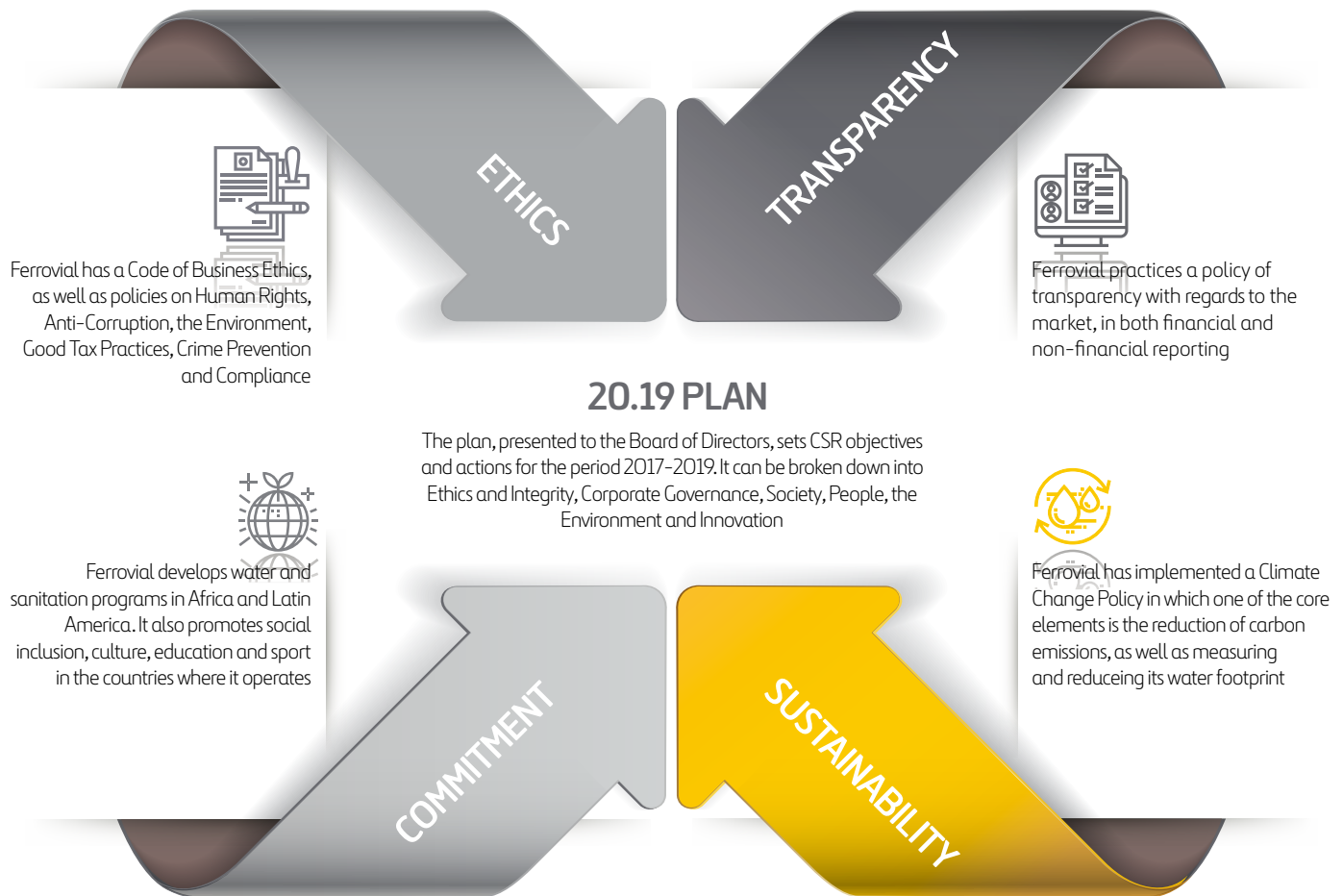
20.90€

Information as of 16 January 2017

The Department for Investor and Shareholder Relations held a total of 864 meetings, 14 roadshows and 11 seminars with over 370 investors.

CSR: 20.19 PLAN

Ferrovial forms part of the Dow Jones Sustainability Index (DJSI), FTSE4GOOD and the Carbon Disclosure Project (CDP). It has also received the highest rating from Morgan Stanley Capital International (MSCI). The company has a Corporate Social Responsibility Plan (20.19 Plan), which sets its objectives and actions relating to this subject.






PARTNER OF THE UNITED NATIONS SDG FUND

SUSTAINABLE DEVELOPMENT GOALS (SDG)

FERROVIAL IS A MEMBER OF THE UN ADVISORY GROUP FOR THE PROMOTION OF THE SUSTAINABLE DEVELOPMENT GOALS (SDG).

As an infrastructure and services operator, the company plays a vital role in the development of the New Agenda.

Its main activities are particularly reflected in three of **the 17 goals** set by the United Nations.

 <p>CLEAN WATER AND SANITATION</p>	 <p>INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	 <p>SUSTAINABLE CITIES AND COMMUNITIES</p>
<ul style="list-style-type: none"> • Drinking water and sanitation programs for 191,769 people in Uganda, Ethiopia, Mozambique, Mexico, Colombia and Peru • Over 461 million cubic meters per year treated in water treatment plants • Commitment to reduce the water footprint 	<ul style="list-style-type: none"> • Operation of 31 sustainable transport infrastructures that foster economic and social development at a local level • Innovative solutions such as managed lanes reduce congestion in cities by 60-70% • Ferrovial improves the experience of more than 90 million passengers who pass through its airports 	<ul style="list-style-type: none"> • Integrated, participatory and intelligent management of environmental and cleaning services, maintenance and energy efficiency • Over 180 major cities have their services managed by Ferrovial • Programs: Madrid Smart Lab (urban entrepreneurship for urban mobility and quality of life solutions) and Prende (platform for the rehabilitation of urban districts)

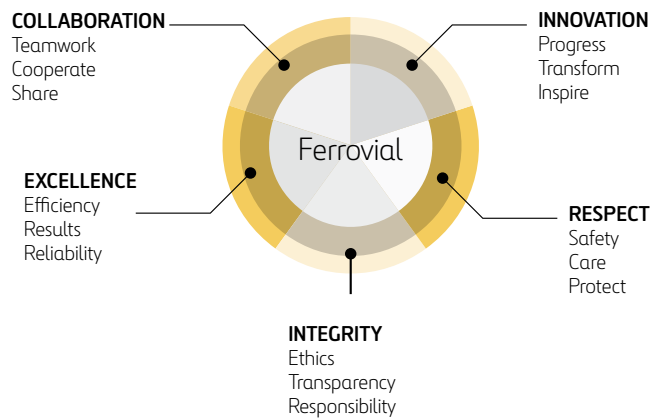
STRATEGY AND VALUE CREATION

Global Vision
Toll Roads
Services
Construction
Airports

VISION AND VALUES

Ferrovial's vision is to shape the future through the development and operation of sustainable infrastructures and cities, with a commitment to maintaining the highest levels of safety, operational excellence and innovation, It aims to create value for society, and for clients, investors and employees.

VALUES



BACKGROUND

Ferrovial monitors the evolution of its markets, to take advantage of opportunities and to respond to challenges that may arise:

Opportunities

- **Infrastructure investment:** is one of the drivers for economic development and job creation. The global investment needs through 2030 are estimated at 3.3 trillion per year*. If the current pace of investment continues, the gap between the actual needs and the real investment will increase, with the result that some of these investments may not be developed.
- **Reduction of the financial resources available from public authorities:** the budgetary restrictions will allow the private sector to have an even more important role in infrastructure development. Thus private infrastructure finance becomes a necessary complement to public investment.
- **Population growth and concentration in cities:** generates an increase in demand for infrastructure and service projects in large urban centers. The population in cities has grown by 65 million people per year over the last three decades, increasing the need for investment in transport, energy efficiency and social infrastructure among others.

* Bridging global infrastructure gaps. McKinsey Global Institute, 2016.

- **Climate change and other environmental aspects:** people's mobility is responsible for 25% of the CO₂ emissions in the world, while cities and buildings generate over 30% of global greenhouse gas emissions. It is therefore important to design sustainable and environmentally responsible solutions aimed at reducing the carbon footprint, when developing all types of infrastructure.
- **Development of new technologies:** which applied to the infrastructure sector can significantly impact traditional business models. Technologies such as artificial intelligence, big data, autonomous cars and the internet of things will allow complex operations and services to be executed more efficiently, increase its productivity and adapt infrastructures to a new relationship with users.

Challenges

- **Changes in the economic and political situation:** in this context it is important to highlight the impact of electoral processes, consultations with citizens and changes in monetary and trade policies.

In the **United Kingdom**, the decision to leave the European Union and the risk that this exit could affect its economic growth has led the British government to strengthen its infrastructure plan to GBP 500 billion. Progress has also been made in relevant projects such as the extension of Heathrow Airport and high-speed rail. In addition to the effect that *Brexit* could have in the development of infrastructures, this decision has affected macroeconomic variables impacting financial and business risks.

In the case of the **United States**, the announced focus on the development of domestic production is based on reinforcing its infrastructure plan with the support of the private sector.

In **Spain** the lack of a government for much of the year limited activity and reduced the number of tenders and investment level. In contrast, in **Canada, Australia and Poland** the new Governments have continued to boost infrastructure investment.

- **Increased competition:** from both established competitors and companies in emerging countries. In recent years there has also been a growing presence in the sector of investment and pension funds.
- **Regulation and legal certainty:** the development of the infrastructures business and its reliance on the Public Administrations requires active and efficient risk management, from the awarding and the selection of partners and closure of the bid to the execution phase.

STRATEGY

Ferrovial's strategy is focused on value creation for its shareholders, clients, employees and society as a whole. It is based on six key priorities:

1. Profitable growth. With an international focus the company maintains a significant presence in six core countries: Canada, the United Kingdom, the United States, Spain, Poland and Australia. In addition, the company operates selectively in other countries, taking into account criteria such as economic growth, legal certainty and the existence of developed financial markets. The industrial approach is key for the development of complex projects and value-added services in the business lines in which the group operates (Toll Roads, Services, Construction and Airports). Organic growth is combined with selective acquisitions to enhance competitiveness and add capabilities.

With respect to organic growth, Ferrovial is strengthening its portfolio with projects such as a section of the I-66 in Virginia (USA) and the Bratislava beltway (Slovakia).

Regarding inorganic growth, the Broadspectrum acquisition positions the services business in Australia, as well as in New Zealand, the United States, Canada and Chile. This operation also adds new capabilities in sectors such as oil, gas and telecommunications. In addition, Ferrovial adds to the company its experience in asset management. On the other hand the acquisition of Transchile is the entry into the electrical power transmission sector. This sector opens up new opportunities for growth in priority markets, leveraging Ferrovial's key capabilities.

2. Financial discipline is a priority in all Ferrovial's activities, and it materializes through:

- Comprehensive cost control at all stages in each project.
- Tracking cash generation in contracts to optimize the treasury position at all levels of the organization.
- Asset rotation to crystallize the value of investments and fund future growth.
- Maintenance of an investment grade rating at the corporate level to ensure low debt levels and competitive financing costs. Ferrovial thus ensures its capacity for sustainable growth.
- The commitment to transparency with investors, shareholders, rating agencies and bondholders promotes a trust based relationship and allows continued access to financial markets at lower cost and better terms.

3. Operational excellence. is key for managing efficiently our business, developing unique solutions and generating recurring cash. Quality, a hallmark of Ferrovial, translates into solutions that increase the satisfaction of clients and users of infrastructure and services, and generates higher added value for the company.

4. Innovation. Ferrovial's open innovation model facilitates an ecosystem in continuous collaboration with a variety of external agents (public authorities, innovation



KEY CAPACITIES

MANAGE AND MITIGATE RISKS IN THE DIFFERENT PHASES OF THE PROJECT

OFFER INNOVATIVE SOLUTIONS TO CLIENTS

GENERATE OPERATIONAL EFFICIENCIES IN DAY-TO-DAY MANAGEMENT

centers, large companies, SMEs, startups and entrepreneurs). In addition, the creation of the Digital Hub and the existing technical offices, which act as catalysts of transformation, allow the business units to generate sustainable competitive advantages.

5. Sustainability. Ferrovial's involvement in numerous corporate responsibility projects, and its presence in the main international sustainability indexes, reflect the socially responsible focus of the operations. Safety is a priority for the company in all business areas. For this reason, Ferrovial is working to optimize and improve the safety of employees, as well as the users of its infrastructures.

6. People. Talent management, employee engagement and the Ferrovial culture are key factors for the company. The challenge of international growth in multiple geographies gives strategic planning of the necessary resources, diversity, and mobility of employees particular relevance.

With the aim of offering the best solution for clients' needs, Ferrovial combines the six strategic pillars with an integrated approach. This approach is aligned with the business interests of construction, maintenance, development and project

operation, minimizing risks and maximizing profitability.

BUSINESS MODEL

Ferrovial is a reference infrastructure operator and municipal services provider. With 96,001 employees and a presence in over 15 countries, the company works with the goal of maximizing value creation for its stakeholders (clients and infrastructure users, investors, employees and society). It participates with an industrial approach in all the phases of the infrastructure cycle and benefits from synergies among business units.

The company adds unique value through the development and operation of complex projects based on three key capabilities:

- Manage and mitigate risks in the different phases of the project.
- Offer different and innovative solutions to its clients.
- Generate operational efficiencies in day-to-day management.

With an industrial focus on the business and in continuous dialogue with clients, suppliers, and investors, the company operates throughout the entire infrastructure cycle

DEVELOPMENT AND DESIGN



Selectively choosing projects in priority geographic areas and developing new projects that satisfy the needs of clients and future users of the infrastructures. The Technical Office makes a significant contribution by proposing more efficient designs that reduce costs and improve project competitiveness and profitability (value engineering).

CONSTRUCTION



The alignment of interests of the construction and concession businesses as well as de-risking are key to maximize the value of the projects and to mitigate the risks assumed by Ferrovial as an investor. The company is focused on compliance with deadlines and quality standards. Particular importance is given to the opinions of clients and users.



FINANCE

Optimizing financing structures over the lifetime of the project and rotating mature assets to finance future growth. This maximizes the value of the project and shareholder return.



OPERATION

Managing complex assets while improving their day-to-day operational efficiency. Innovation projects and the centers of excellence are key to developing optimal solutions and improving the experience of clients and infrastructure users



MAINTENANCE

Focusing on the provision of an integrated service offering while establishing long-term relations with clients.



PHOTO: Heathrow Airport, London (UK).

TOLL ROADS

CONCESSIONS

27

ASSETS IN
10 COUNTRIES

KILOMETERS

1,984

DIVIDENDS

290€M

27% OF TOTAL
FLOW (EXCL. INFRA.)

Cintra is a world leader in the private development of transport infrastructure, both in terms of number of projects and the volume of investment. It has 20,779 M€ in total managed investment, with technologically innovative projects and high quality standards.

BACKGROUND

Cintra has developed its business against a background of high global demand for new infrastructures, including those that resolve the problems of traffic congestion resulting from the concentration of people in urban areas. These infrastructures require high levels of finance; thus, given the budgetary constraints in the public sector, the need for private sector participation is increasing. Furthermore, competition is growing, mainly in projects that have already been built and are mature (brown-field), where the presence of infrastructure and pension fund management companies is growing.

NTE-LBJ MANAGED LANES HIGHWAYS

In Dallas, Texas, Ferrovial had to deal successfully with the enormous engineering challenge of creating new roads in one of the busiest and fastest-growing areas in the country, while keeping traffic flowing. With their dynamic traffic management, managed lanes have improved conditions for users of these highways and the corridor: congestion times per day have fallen by over 60%, average speed has increased by 10-15%, CO₂ emissions have reduced significantly and driver safety has improved.



MAIN ASSETS

Cintra holds 43.23% of the 407 ETR toll road in Toronto (Canada) and the NTE and LBJ managed lanes toll roads in Texas (USA), where it has a stake of 56.7% and 51% respectively. The above assets operate as free-flow tolls (without barriers) and are notable for their long duration and broad tariff flexibility. In the managed lanes, toll rates are dynamic: they change according to the average speed or number of vehicles that use them, guaranteeing a minimum speed for drivers.

VALUE CREATION

Risk reduction or "de-risking"

The price of a concession is determined by a number of factors, including the internal rate of return (IRR) at which it is tendered, which is the result of adding a risk premium to the risk-free rate that takes into account the risks assumed by shareholders when they invest in the concession (mainly construction, finance, operation and traffic). Cintra aims to reduce or eliminate these risks as the concession operation progresses, limiting the premium required by the market over the valuation of the assets, which in turn increases their value. This value creation process does not require any improvement over the forecast volumes, but compliance with the initial estimates.

For example, the NTE and LBJ toll roads in Texas (USA), which began operating in 2014 and 2015, respectively, have already eliminated all construction risk. In their initial years of operation (two years in NTE and one year in LBJ), both concessions achieved the original forecast revenues, and although both are still in the ramp-up period, a significant part of operating risks have been reduced.

Operational and financial efficiencies

Cintra aims to maximize operating cash flows by efficient management and innovation, incorporating the most advanced technology possible and the search for synergies with the company's other highways, while always guaranteeing user satisfaction and responding to their needs. Cintra also aims to find sources of finance for its projects that optimize cash shareholder return, while adapting as far as possible to the generation of project cash flows.

In order to maximize operating cash flows, Cintra began to use Big Data techniques in 2016 to understand driver behavior better, with a twin goal:

- **Improve the reliability of traffic estimates and new project revenues:** for example, the traffic study on managed lanes on the I-66 toll road used congestion data and travel patterns collected in the corridor through

GPS. This provided information on congestion and the movement of users which was more detailed and reliable than the result generated in previous projects. It allowed connectivity to be improved, thus increasing use of the highway.

- **Maximize revenues from projects underway:** to optimize its toll charge policy, the 407 ETR toll road incorporates Big Data from drivers on the 407 ETR itself and those on the alternative competing highway.

As an example of efficient finance, in 2016 Cintra refinanced the toll road in Ausol (Spain) with a new issue of over 500 M€ (the first project bond with demand risk in Europe), at 30 years and a yield of 3.75%. This will substantially reduce the future financial burden of the project, and increase cash flows for shareholders.

Contract renegotiation

In the long life of concession and finance agreements, it is normal for modifications to be renegotiated as a result of the changing needs of the public authorities, variations in the characteristics of the corridors where the infrastructure is built, or the situation of the financial markets. In these cases, Cintra proposes solutions to the public authorities or financial institutions that resolve its problems and improve the risk profile of the asset and/or cash flow generation for shareholders.

High-complexity greenfield projects

Cintra's primary focus is on complex greenfield projects, given their high potential to create value and the level of competitiveness generated by the accumulated experience of Cintra and Ferrovial Agroman, which for 45 years has led the sector of cutting-edge technological solutions in innovative projects.

Cintra's collaboration with Ferrovial Agroman in tenders generates two additional competitive advantages: first, the experience and value of the construction company's Tech-

nical Office makes it possible to optimize design and thus improve prices for clients while maintaining profitability in line with the project risks; and second, as both businesses are part of Ferrovial, they are aligned in seeking the solution that maximizes the value of the asset, while optimizing the initial investment mix and future operating and maintenance costs, as well as increasing revenue collection. The need for public-sector funds is therefore minimized and new financial investors are attracted.

An example of this is the recent award of the I-66 highway section in Virginia (USA), a managed lanes project with a high level of technical complexity and concession value, investment of over 3 B US\$ and a concession period of 50 years. In its bid, Cintra presented various improvements to the design, which eliminated the need for public funds. As a result, it won the bid.

Rotation of mature assets

After reducing risks, the value created is crystallized by the sale of mature projects to other investors, channeling the proceeds to investment in new assets that have a greater potential profitability (higher risk premium).

In 2016 Cintra reached an agreement with the Dutch infrastructure fund management company DIF for the transfer of 46% of the M4 and 75% of the M3 toll roads in Ireland for 59 M€. Cintra now holds a 20% stake in each concession, and remains a key industrial partner.

Society: socially responsible infrastructures

Due to its high complexity, innovation and efficiency, the projects developed by Cintra offer sustainable solutions that improve congestion in big cities, reduce pollution, decrease the number of accidents, increase user satisfaction and, ultimately, contribute substantially to improve the quality of life of people in the communities where the assets are located.

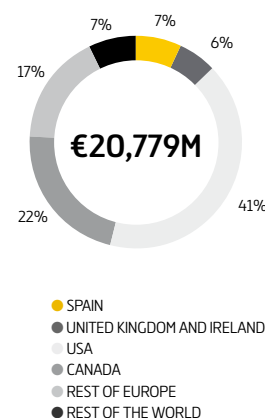
Users: customized service

The service it provides for users is a priority for Cintra, which employs the new technologies available to develop and explore new channels of communication between clients and the company.

Employees: internal mobility and support for merit

Cintra aims to provide opportunities for the professional development of all its employees, promoting internal mobility (both functional and geographic) and ensuring that merit is a determining factor in the professional career of each person. Internal mobility is reflected in the fact that in 2016, 19% of the structural personnel have had the opportunity to change their position, with 26% currently working abroad, and 35% received and international post.

MANAGED INVESTMENT



NEW USER MANAGEMENT TOOLS

New tools have been developed to improve the service for users, such as TExpress Lanes Care on the NTE and LBJ toll roads, to register, manage and respond to all the communications received by users. Also, the Satelise app in Autema (Spain) for payment using GPS technology via smartphone, means that drivers do not need to stop for payment.

The app is planned for implementation in other highways.



SERVICES

REVENUES (M€)

6,078

71% INTERNATIONAL

ORDER BOOK (M€)

24,431

76% INTERNATIONAL

OPERATING CASH FLOW (M€)

395

37% OF THE TOTAL

Ferrovial Services is an international benchmark in the maintenance and operation of public and private infrastructures for transport, environment, industry, natural resources (oil, gas and mining) and utilities (water and electricity), and in the provision of facility management services.

The purchase of Broadspectrum in 2016 has represented a significant change for the company. It has increased its international presence, strengthened its portfolio of services and its leading position in new geographic areas (Australia and New Zealand), facilitated entry into new sectors (oil, gas, energy and telecommunications) and provided a major platform for growth in the United States, Canada and Chile.

BACKGROUND

The background against which the company operates is characterized by a trend towards outsourcing and greater demand for more specialized public and private services, with differences by geographic area:

BROADSPECTRUM ACQUISITION

Ferrovial finalized the purchase of Broadspectrum in Australia in May 2016. It was a strategic operation in a stable country with a sustained growth and infrastructure investment. In 2016 Broadspectrum contributed to Ferrovial with some 1,400 M€ in revenue, 25,000 employees and an order book of over 6,000 M€. But above all, it contributes to geographical diversity, market knowledge and experience in areas such as oil, gas, energy and telecommunications.

In the **United Kingdom**, the situation remains difficult due to the budget reductions of some clients, basically local governments, and by the uncertainty generated by *Brexit*. In this sense Amey has launched in 2016 a restructuring plan ("Fit 4 Future"), to adapt the company to the new environment.

In **Spain**, the political situation in 2016 has led to an extremely low level of public-sector tenders. The company has maintained existing contracts and strengthened its presence with private clients.

The **Australian market**, with annual GDP growth of 3%, is undergoing a transformation of its economic model. The importance of natural resources for the country's economy is being reduced, and growth is being geared to the service sector and infrastructure development.

In the **North American market**, the sectors in which the company operates (infrastructure maintenance, oil and gas) have performed positively, with major expectations for development and opportunities.

VALUE CREATION

Recurring cash generation and operational efficiency

The company is clearly focused on generating operating cash flows, optimizing investment and continuously improving operational efficiency at the level of structure costs and contracts. "This focus is given at all levels of the organization, from the contract manager to the corporate units, and is supported by systems and processes that facilitate it.

"Of note in this respect is the Fit 4 Future restructuring plan implemented by Amey in the United Kingdom in 2016. This plan was designed to adapt the company to the new competitive environment, and it reduced the number of employees by over 900, focusing on contract efficiency and the optimization of administrative and process functions.

Ample growth potential. Selective acquisitions

Growth expectations in service contracts, in the markets where Ferrovial Services operates (such as Australia and the United States), together with its selective approach to complex, specialized and innovative projects, foster opportunities for organic growth in each of the business areas. In addition, the integration of new companies such as Broadspectrum (as mentioned above), Siemsa and Biotrans (Spain), allow growth opportunities to be maximized in new sectors and markets.

A model supplier. Integrated service offering

Ferrovial Services offers a broad range of services, with important public and private clients, and with activity in a variety of sectors (transport, justice, health, telecommunications, resources, industry, mining and utilities). This



diversification, together with its business model, organized geographically, positions the company as one of the key suppliers in the markets where it is present.

Innovative and Proven Solutions

Innovation is applied to the development of differential models and solutions to cover the specific needs of clients and end users, as well as improving sustainability and the environment, based on proven and optimized experiences, mainly in the following areas:

- **Asset Management:** a set of integrated consulting, design and asset management solutions. The aim is to balance infrastructure risks and costs, as well as maximizing their useful life.
- **Cities:** providing innovative new models of urban services.
- **Energy efficiency and facility maintenance:** integrated management of public and private facilities and optimization of energy efficiency.
- **The Environment:** geared to the development of the circular economy, and covering the whole waste life cycle, including solutions for its treatment and reuse as energy.
- **Development of new service models** in the sectors of oil, gas, mining and utilities.

Clients: a differential offering

The combination of a search for efficiency, optimization of solutions and processes, the flexibility and tech-

nical capability of its employees, as well as in-depth knowledge of the market and client needs, all allow the company to provide differential features, optimized and adapted to their needs.

Employees: knowledge transfer and collaboration

The Human Resources Management Model allows the deployment of the capabilities needed by the business at any time, in a safe and socially responsible environment. The fundamental pillars for this are talent management and employee mobility, which facilitate the transfer of knowledge and collaboration between the different business areas. In 2016, around 600 professionals in Ferrovial Services have taken part in talent management programs, and 60% of the vacancies have been filled with internal candidates. Safety at work constitutes another of the fundamental pillars. A clear example of this is the Target Zero campaign promoted by Amey for Health and Safety at work, which has received recognition at the 2016 HR Excellence Awards.

Society: innovative solutions

Integrated service management and more rational cost control and asset renewal increase their quality, safety and useful life, benefiting people as a whole.

One example of an innovative solution for society and users is the Forth Road Bridge contract on one of the main traffic arteries in Edinburgh, UK.

FORTH ROAD BRIDGE (FRB) REHABILITATION

The break in one of the end links on the bridge, on what is one of the main traffic arteries in Edinburgh (UK), seriously endangered the safety of drivers. The speed of the solution was one of the key factors for minimizing the traffic problems generated by its closure. The solution provided by Amey and carried out in record time, improving on the estimated date, was described as "an event of national significance" by the Scottish Parliament. In addition, the project has been recognized by the Institute of Civil Engineers 'prestigious "People's Choice Award" for improving citizens' quality of life as well as with the "Travel Information and Marketing Award" and "Highway Partnership Award" for its approach and measures of communication to the users put in place during the closing phases and reopening the bridge to the traffic.



CONSTRUCTION

REVENUES (M€)

4,194

83% INTERNATIONAL

ORDER BOOK (M€)

9,088

83% INTERNATIONAL

OPERATING CASH FLOW (M€)

245

25% OF THE TOTAL

Ferrovial Agroman is one of the world leaders in the construction of major transport infrastructures. It is also recognized for its ability to execute all types of civil engineering, industrial, building and water projects.

The company has extensive experience endorsed by having constructed more than 540 km of tunnels, 20,000 km of roads (including 4,500 km of toll roads) and 5,200 km of railroad (including 1,000 km of high-speed lines).

It has a stable presence in strategic markets such as the United States, Poland, Spain, UK, Australia, Canada and Latin America.

BACKGROUND

Ferrovial Agroman focuses its activity on the **international construction market**, which is characterized by major competition from both global constructors and local firms. Unlike its competitors, its strategic approach is focused on activity in major selected countries, with developed economies and a firm commitment to modernizing their infrastructures. These countries contribute a tangible pipeline of more than 130 B€ in technically complex projects, giving grounds for optimism with respect to the future.

The historical commitment to the Polish market through Budimex presents a positive outlook in the medium term, following the new Government's renewal of investments at the end of 2016 in Highways, Railroad and Energy.

The focus on international activity has allowed the company to overcome the major contraction of the local market in Spain, which continued into 2016 despite an incipient recovery in private building.

VALUE CREATION

Risk Management

The Construction business is characterized by high volumes and tight margins, so adequate selection of projects and optimal risk management are key, both at the bidding and execution stages. In the first phase countries with sufficient physical safety and legal certainty are chosen, with projects where Ferrovial's competitive advantage and its expert

partners can be a determining factor, avoiding errors in price, deadlines and contractual conditions, which are difficult to mitigate subsequently in the execution phase.

As a result of this risk management culture, Ferrovial Agroman has, for example, been recognized by major international clients for the execution of high-speed rail projects, where few contractors offer sufficient guarantees because of their size and technical quality and safety standards. In 2016 Ferrovial Agroman has been awarded major contracts such as the Design & Build (D&B) of Package 4 for California High-Speed Rail and the Early Contractor Involvement for the planning, design and preliminary work on the Central Section of the High-Speed 2 (HS2) London-Birmingham line.

Selective internationalization

Ferrovial Agroman maintains its international focus on five key countries: United States, United Kingdom, Poland, Australia and Canada. In addition, it is present in stable countries in Latin America (Chile, Colombia, Brazil and Peru, within others) and other selected countries, through large specific projects with local expert partners, such as the D4/R7 highway in Bratislava (Slovakia) awarded in 2016.

The strategy is therefore to avoid bidding in new countries with less interest, and concentrating efforts on countries with a stable presence.

Exceptional and complex projects, with broad diversification between sectors

The company specializes in the execution of projects of extreme technical complexity, including not only transport infrastructure but other major civil works, industrial, of singular construction and water treatment plants.

It stands out from its peers through the experience and international presence of its Technical Office, focused on the search for

I-66 HIGHWAY (VIRGINIA, USA)

This 2 B€ project includes the execution of 35 km of highway along the I-66 corridor between Route 29 near Gainesville, and the Washington D.C. beltway. I-495. It is an example of value provided for the client and the community. The design exceeds the standards required, eliminating 57 conflicts in the services affected, avoiding expropriation of nearly two hectares, maintaining all the current lanes operational during the construction phase and improving traffic safety at 15 specific points.



optimal engineering solutions for each client and project. In 2016 it signed the contract and completed the financial closure of the DB&F for the I-285/SR 400 highway in Atlanta, USA, located in an area of high traffic congestion. Its unique design will mean a total saving for users of 20,000 hours per day, also minimizing the impact of the work in a zone in which 5,000 companies are located and 123,000 people work every day.

Of note is the growing diversification in industrial projects, with a number of significant projects being executed, the completion of the incinerator in Bialystok, Poland, and new projects such as the incinerator in Vilnius, Lithuania, and two hydroelectric plants in Portugal. There has also been a stronger focus on water treatment plants in Texas (USA), a market with great potential following the acquisition of the specialist Pepper Lawson.

Innovation as a motor for continuous improvement

A good example of this is the gradual implementation of Ferrovial Agroman Infrastructure Lifecycle Management (FILM), which implements Building Information Modeling (BIM) construction design and management technology across the complete life cycle of infrastructures and buildings.

Ferrovial Agroman has used BIM in more than twenty major international projects, such as the M8/M73/M74 highway (UK), recognized in the Irish BIM Innovation Awards, the Warrell Creek highway in Australia, the Thames Tideway Tunnel project in London (UK) and the North Tarrant Infrastructure highway in Texas (USA).

Financial discipline and cost control

Cost control and planning of the project is an essential part of Ferrovial Agroman's culture. It has developed proprietary tools such as the In-Site project management system, which provide quick and flexible control, with the necessary level of detail.

This is one of the reasons why the company has had a much higher continuous return on sales than its main European competitors for the last few years. In 2016 EBITDA over revenues was again over 8%, with the normal high cash conversion, as demonstrated by the flow of operations before tax of 245 M€.

In 2016 Budimex received the Wprost Eagle award in the Biggest Average Profit category, valuing its contribution to the economic development of the country.

Clients: an integrated approach

The collaboration with the rest of the company's businesses allows Ferrovial Agroman to offer an integrated solution that provides added value for clients, while maximizing the competitiveness of bids and allowing compliance with the profitability and cash management targets.

The success of this collaboration was reflected in 2016

in the award of major projects such as the I-66 highway section Virginia, (USA) together with Cintra. The key was the optimization of the design that exceeded the standards requested by the client.

Employees: talent management

The company is notable for the experience, mobility and high professional worth of its teams. It maintains the talent of its professionals, while adding local and technical know-how through new recruits and retaining the youngest workers by offering attractive opportunities for career development.

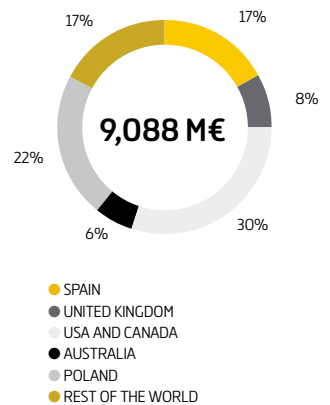
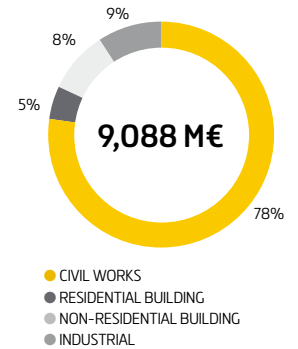
Society: quality, safety and environmental impact

Ferrovial Agroman was also recognized for its quality in the United Kingdom, with the Gold Award at the Considerate Constructors Awards for work on Heathrow Airport, rewarding the commitment to improve the quality and image of construction in accordance with the highest standards.

Ferrovial Agroman believes that new standards of performance, technology and safety measures can be developed through innovation, contributing to the achievement of the Target Zero accidents goal. In 2016 the LBJ Express Highway in Texas (USA) received the Award of Merit for Safety from the Engineering News Record, and the subsidiary Webber received the Contractor Safety Award from the American Road and Transportation Builders Association.

The company's commitment to the environment has seen it create solutions that reduce the firm's environmental footprint as far as possible. Evidence of this is the Green Apple Gold Award granted to the work on the Northern Line Extension of the London Underground (UK), for the implementation for the first time in a large infrastructure program of a system capable of measuring environmental parameters in real time.

DETAILS OF ORDER BOOK



EUROPEAN WOMEN IN CONSTRUCTION AND ENGINEERING AWARDS

Two Ferrovial Agroman employees were awarded as "Best Woman Contractor" and "Best Woman Civil Engineer", at the European Women in Construction & Engineering Awards (WICE Awards), which recognize the best female professionals in the construction and engineering sectors in Europe. Ferrovial is firmly committed to effective equality of opportunity between men and women, which involves establishing internal mechanisms to bring out women's talent inside and outside the organization.



AIRPORTS

PASSENGERS

90 MILLION

DIVIDENDS RECEIVED (M€)

134

13% OF TOTAL FLOW
(EXCL. INFRA.)

Ferrovial Airports, one of the main private operators in the world, is the largest shareholder of the airports of Heathrow, Glasgow, Aberdeen and Southampton

Following the acquisition of Transchile in October 2016, the area has diversified its businesses with the incorporation of electricity transmission.

BACKGROUND

The business of managing airports has a clearly defined regulatory environment. There has been further growth in passenger numbers at a global level in 2016, although the potential future impact of *Brexit* on traffic and income from British airports is still uncertain. At the same time, investment in airport assets is arousing greater interest and competition, with infrastructure and pension fund management companies being increasingly active.

In addition, the business of electrical power transmission presents growth opportunities for Ferrovial, both because of the significant investment in infrastructure expected over the coming years, and due to the different geographic areas in which it will take place. The competitive environment positions Ferrovial as one of the few global operators with capacity in engineering and construction.

MAIN ASSETS

Ferrovial Airports is the main shareholder and industrial partner of **Heathrow Airport Holdings (HAH)**, with a stake of 25%. HAH is in turn owner of Heathrow, the largest airport in Europe and one of the busiest in the world. Ferrovial Airports also acts as industrial partner and owner of 50% of the unregulated airports of **Aberdeen, Glasgow and Southampton** (which are grouped together under the AGS brand). In total, the assets of Ferrovial Airports provide a service for over 90 million passengers. A total of 81 airlines operate in Heathrow Airport, offering flights to 194 destinations.

The power transmission line acquired with the purchase of Transchile is 204 kilometers long, between the substations of Charrúa and Cautín, located in the regions of Biobío and Araucanía in the south of Chile.

VALUE CREATION

Integrated approach

The integrated approach with the Group's Construction and Services, together with the experience in management and financing capacity of Ferrovial Airports, generate unique capabilities in tender processes that differentiate the company from other competitors such as infrastructure funds, airport operators or construction companies. This can be seen in the New Great Hall project of Denver International Airport, in which Ferrovial Airports heads the consortium selected as the preferred bidder for remodeling the Jeppesen Terminal and negotiation of the contract for the award of the commercial zone, for whose remodeling Ferrovial Agroman is the main responsible.

Operational efficiency

Ferrovial Airports aims for the greatest efficiency in operational costs and the financial structure of its assets, together with innovative commercial solutions. In 2016 the effort to control costs in Heathrow and the savings from initiatives started in 2015 have led to an increase in gross operating income of 4.7% in comparable terms. Personnel expenses benefited from the agreement to modify the conditions of the pension plan, the adoption of the voluntary retirement program and improvements in the salary levels of new recruits. The airport also completed the commercial offering of Terminal 5 with the improvement of its catering zone and remodeling of the commercial area in Terminal 4.

ABERDEEN, GLASGOW, SOUTHAMPTON (AGS)

The integration of the three airports has been successful, both in terms of deadlines and costs, since their acquisition in 2014. In the current asset transformation phase, the main operating and quality variables have improved through a variety of commercial initiatives. There has been an increase in aeronautical revenue, commercial revenues have improved from the remodeling and transformation of the terminal in Glasgow, passenger access tariffs charges have been implemented and operating costs have been reduced.

The main milestones have been the incorporation of 13 new airlines, an increase of 22% in EBITDA since the acquisition and the remodelling of the Aberdeen terminal (50% additional space, mainly commercial space)



The improvement in the gross operating profit of AGS in 2016 has been possible thanks to cost saving initiatives and improvement in revenues. Cost savings have been based mainly on the new agreement reached to modify the conditions of the pension plan, the adaptation of the cost base in Aberdeen to the current traffic forecast and the renegotiation of the bus contract in Glasgow. Revenue has increased, thanks to: the remodelation of the Terminal in Glasgow, which has improved passenger flows and increased the commercial area; the implementation of a passenger access charge in Aberdeen and Southampton; and the renegotiation of the catering contract in Glasgow.

Commitment to Innovation

Ferrovial Airports is developing a number of projects with the aim of improving operational procedures and minimizing the environmental impact of its assets. Of note in this respect are the following projects:

- **Digital passenger experience (Glasgow):** a project to optimize the relationship of passengers with the airport through the digital environment.
- **Noise to Energy (Heathrow):** development of a system that captures the noise of the aircraft and converts it into electrical energy.

Passengers: user experience

The quality of service and continuous improvement of operations are keys for Ferrovial Airports. This effort is reflected in the rating obtained in the Airports Council International (ACI) passenger satisfaction surveys and the numerous awards that recognize improving the passenger experience.

In Heathrow, 84% of passengers rate their experience at the four airports as either "very good" or "excellent", according to the Independent Airport Service Quality Survey conducted by ACI. Also in 2016, for the first time Heathrow obtained the ACI Europe award for Best European Airport of the Year in the category of over 40 million passengers; and repeated its win in the 2016 Skytrax awards as Best Airport in Western Europe, Best Airport for Shopping and World's Best Airport Terminal (Terminal 5).

Glasgow received the ACI Europe award for Best Airport in Europe in the category of airports of between 5 to 10 million passengers and Airport of the Year at the Scottish Transport Awards. It also received awards such as Best Performing Business (51 employees and over) and the Bank of Scotland Award for Most Outstanding Business.

Employees: mobility and diversity

The company is committed to the professional development of its teams through training and geographic mobility programs. In 2016, 18% of the teams have been involved in

some form of mobility or temporary assignment, whether within the business, in one of the assets or within the Ferrovial group. It is a young division (average age of 42 years), committed to diversity and plurality (35% women).

Society: community engagement

Ferrovial Airports has a firm commitment to the sustainable growth of its assets and engagement with its local communities.

Responsible Heathrow 2020 is the commitment subscribed by Heathrow to support growth in the United Kingdom without disregarding the environmental impact. Its final objective is to develop a sustainability plan that will be presented in 2017.

Heathrow's energy footprint has continued to decrease in 2016, reaching the consumption the target set for 2020 of 6.5 kWh per passenger. Also in 2016, Heathrow presented its second plan to reduce its carbon footprint and joined the Go Ultra Low Company campaign of the Office for Low Emission Vehicles (OLEV), which urges large companies to convert at least 5% of their vehicles to electric by 2020. It received the Ecomagination Award from General Electric in recognition of its water saving.

Heathrow is also continuing its association with Guardian Sustainable Business. Of note in this respect is its innovative approach to recycling cabin waste and its research into the sustainable airports of the future.

It is worth mentioning that the choice by the British government to support the extension of Heathrow's capacity involves an environmental commitment focused on the improvement in air quality, noise reduction and promotion of compensation measures for the local community.

HEATHROW EXPANSION

Following the unanimous support of the Airports Commission, in October the British government announced the option of a third runway in Heathrow as the best alternative. Following this milestone, parliamentary approval is required for the National Policy Statement and subsequently of the Development Consent Order by the Secretary of State, which are expected to take place by the end of 2017 and 2020, respectively. This project would generate GBP 211B in economic activity, 180,000 new jobs and 40 new routes connecting the United Kingdom with new economies in growth.



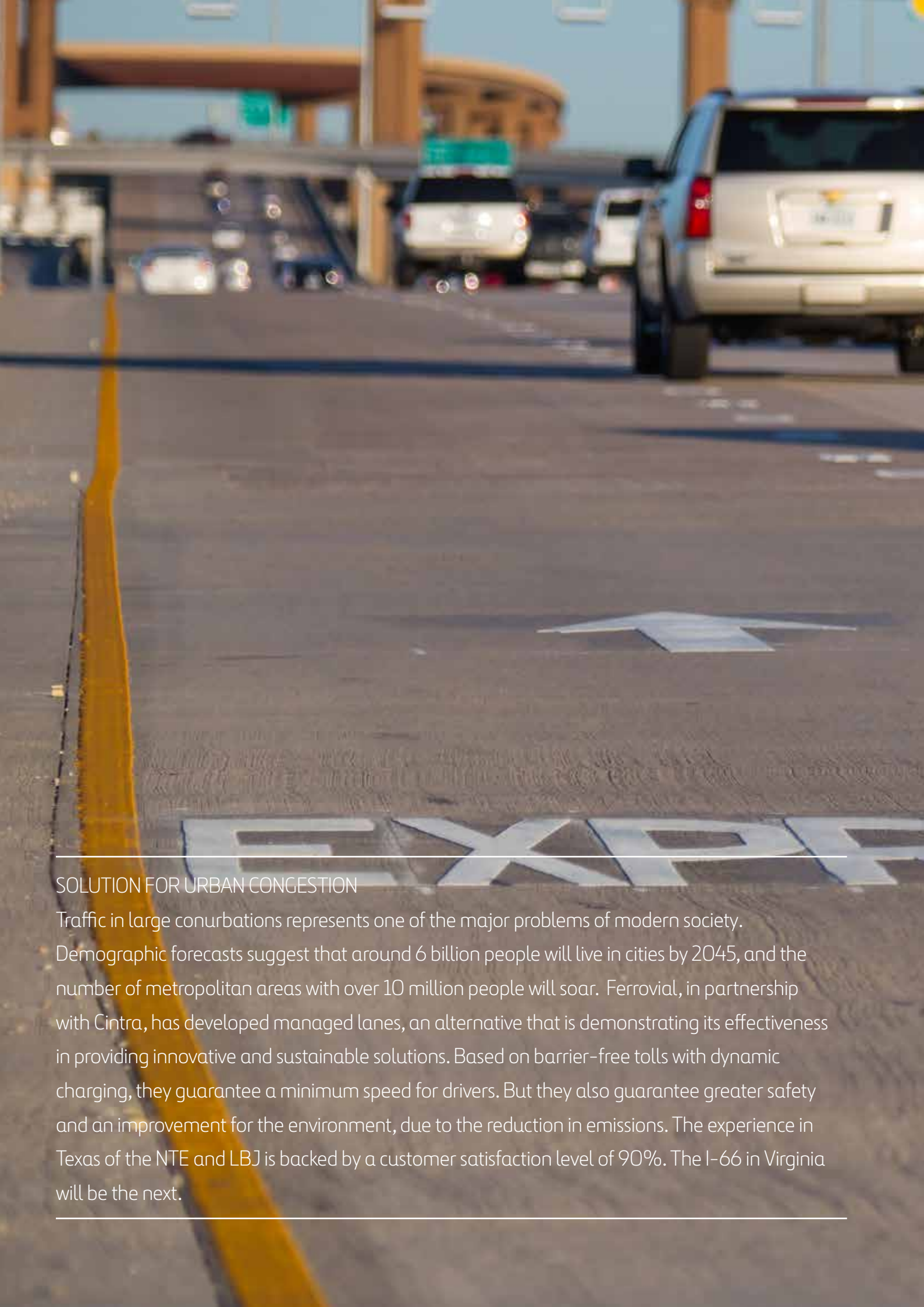
ASQ* HEATHROW

4.2 OUT OF 5

ASQ* AGS

4.1 OUT OF 5

* Airport Service Quality survey (ASQ): An independent survey by Airports Council International that rates the level of overall satisfaction of passengers with an airport on a scale of 0 to 5.



SOLUTION FOR URBAN CONGESTION

Traffic in large conurbations represents one of the major problems of modern society. Demographic forecasts suggest that around 6 billion people will live in cities by 2045, and the number of metropolitan areas with over 10 million people will soar. Ferrovial, in partnership with Cintra, has developed managed lanes, an alternative that is demonstrating its effectiveness in providing innovative and sustainable solutions. Based on barrier-free tolls with dynamic charging, they guarantee a minimum speed for drivers. But they also guarantee greater safety and an improvement for the environment, due to the reduction in emissions. The experience in Texas of the NTE and LBJ is backed by a customer satisfaction level of 90%. The I-66 in Virginia will be the next.



PHOTO: LBJ Express Highway, Texas (USA)

GENERAL OVERVIEW

The company's results in 2016 were marked by the generation of ex-infrastructure operating cash flow totalling EUR995mn (before tax), the result of balanced contributions with higher dividends from 407ETR, HAH and AGS, and improved operating cash flow from Services (mainly over the final quarter). This good performance enabled the company to increase shareholder remuneration (EUR544mn vs EUR532mn in 2015).

One of the highlights in 2016 was the strong performance of infrastructure assets with solid traffic growth and being awarded the I-66 toll road (Virginia, USA). There were also important contract awards in Construction and financial events such as the issuance of a EUR500mn bond at 0.375% or the refinancing of Ausol.

The year also saw the closure of the acquisition of Broadspectrum (Australia), the sale of the Chicago Skyway and of stakes in the Irish toll roads, as well as an agreement to sell stakes in two Portuguese toll roads.

In comparable terms, revenues grew slightly vs 2015 (+1.2%) and EBITDA decreased -4.0% (vs. -8.1% in reported figures).

MAIN CORPORATE TRANSACTIONS IN 2016:

- The sales of toll roads agreed in 2015 were completed in February: sale of Cintra's stake in the **Chicago Skyway** to a consortium of Canadian pension funds, which equated to EUR230mn in cash for Ferrovial (net capital gain of EUR103mn) and the sale of stakes in **M4 and M3** (Ireland) to Dutch infrastructure fund, DIF, for EUR59mn (net capital gain of EUR21mn). Ferrovial retains a 20% stake in each one of the Irish toll roads.
- In May, Ferrovial Servicios acquired the Australian company **Broadspectrum** for an enterprise value of EUR934mn (EUR499mn for 100% of the equity and EUR435mn of net debt).
- In June, Ferrovial reached an agreement with DIF for the sale of 51% of the **Norte Litoral** toll road and 49% of the **Algarve** toll road, both in Portugal. Ferrovial will retain stakes of 49% and 48%, respectively. Completion of this operation remains pending administrative approval.
- In September, Ferrovial announced its entry into the electricity transmission market through the acquisition of **Transchile**, a Chilean company, which owns a transmission line in the south of the country. This transaction was closed in October 2016.

MAIN FINANCIAL EVENTS:

- April saw the closure of the financing for the construction project of the toll road I-285/SR400 (Atlanta, USA), the first PPP project of its class with tax-exempt bank debt in the USA.
- In June, the financings of the D4-R7 toll roads (Slovakia) were closed.
- In September, Ferrovial issued **EUR500mn of 6 year, senior bonds with a coupon of 0.375%**.

FERROVIAL IN 2016

Shareholders:

Business performance

Employees:

People

Health and Safety

Clients:

Innovation

Quality and customer satisfaction

Society:

Human Rights

The Environment

Supply Chain

Community

Responsible Tax Management

MAIN INFRASTRUCTURE ASSETS:

Robust operational growth from **equity consolidated assets**: EBITDA: +17.3% at 407ETR, +4.7% at HAH and +10.8% at AGS.

Significant increase in dividends from 407ETR (+5.3%), Heathrow Airport (+8.3%) and AGS (+6.7%) compared with 2015. 407ETR paid out CAD790mn and Heathrow airport GBP325mn, while AGS distributed GBP64mn. In February 2017, 407ETR announced an increase of +10.7% in its dividend for 1Q2017 (vs. 1Q2016).

FINANCIAL POSITION:

The net cash position, ex-infrastructure projects, stood at EUR697mn at year-end 2016 (EUR1,514mn in 2015), mainly reflecting the acquisition of Broadspectrum (EUR934mn). **Net project debt stood at**

EUR4,963mn (vs EUR6,057mn in December 2015). **Net consolidated debt reached EUR4,266mn** (vs. EUR4,542mn in December 2015).

SHAREHOLDER REMUNERATION:

In 2016, Ferrovial remunerated its shareholders in the amount of **EUR544mn** (EUR317mn from the purchase of treasury stock and EUR226mn in scrip dividends), an increase on the 2015 figure (EUR532mn).

SUSTAINABILITY INDICES:

In 2016, Ferrovial confirmed its place in the Dow Jones Sustainability Index (DJSI) for the fifteenth year running, in the FTSE4Good for the eleventh consecutive year, in the Climate Disclosure Leadership Index (CDP) and in the MSCI, among others.

BUSINESS PERFORMANCE

Toll Roads: Significant improvements in traffic on the main toll roads, helped by economic recovery and low oil price. 407ETR, the Group's most important asset, maintained its operating strength, with traffic growth of +4.9% (+7.1% in 3Q16 and +6.3% in 4Q16), reporting four daily traffic records during the year, in spite of the tariff increases in February and supported by the opening of the 407Ext I, which was toll-free up to 1 February 2017.

Services: The reported results were adversely affected by the weakness of the pound sterling and budgetary cuts in UK, while they benefited positively from the integration of Broadspectrum. In comparable terms, revenues grew by +2.8%, while EBITDA fell -12.9%, mainly due to fewer higher-margin project works in the UK and legal expenses for Birmingham, partially offset by new Utilities contracts.

Birmingham contract: in September 2016 the judge in the Technology & Construction Court made a ruling in favour of Amey in the company's litigation with Birmingham City Council on the scope of the works in the capex phase of the contract. Based on this ruling, Amey is negotiating with the Council regarding the implementation of the ruling and the normalisation of relations between the two parties.

Construction: The finalisation of projects in the USA and the slowdown in the domestic market had an adverse impact (LfL revenues -2.7%), partially offset by the strength of Budimex (LfL revenues +8.1%). Profitability remained high (EBITDA margin of 8.1% vs. 9.2% in 2015). The order book showed notable growth (+2.6% in LfL terms) to EUR9,088mn (83% international) excluding important contract awards won in 2016, such as the I-66 managed lane (Virginia, USA). At year-end 2016, the order book includes new contracts in reference markets (USA, Poland and UK), the highlights of which were a section of the High Speed Rail in California (USA), the Olstyn beltway (Poland), a section of the US-175 toll road in Dallas (USA) and the award of the D4-R7 Bratislava (Slovakia).

Airports: traffic at Heathrow Airport broke passenger records (75.7mn passengers) +1.0% vs. 2015, with more seats sold in larger aircraft, and increases in traffic to Europe, Asia-Pacific, the Middle East and Latin America. Traffic at AGS rose +2.8% (Glasgow +7.4%, Southampton +9.8%, Aberdeen -12.2%).

In July, Ferrovial Aeropuertos was selected to start negotiations on the Great Hall project in the main terminal at Denver International Airport, where Ferrovial Agroman would be leading the construction works.

Key figures for the period:

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	10,759	9,701	10.9%	1.2%
EBITDA	944	1,027	-8.1%	-4.0%
EBIT*	602	770	-21.9%	-9.7%
Net result	376	720	-47.7%	
Cash flow ex-projects				
Operating cash flow (before taxes)	995	889		
Investment	-985	-374		
Divestment	340	74		
Net debt	Dec-16	Dec-15		
Net Debt Ex-Infra Projects	697	1,514		
Total net debt	-4,266	-4,542		

	Dec-16	Dec-15	Var.
Construction order book	9,088	8,731	4.1%
Services order book (incl JVs)	24,431	22,800	7.2%

Traffic	Dec-16	Dec-15	Var.
ETR 407 (VKT' 000)	2,640,770	2,517,214	4.9%
NTE (ADT)	30,485	25,553	19.3%
LBJ (ADT)	31,582	12,861	145.6%
Ausol I (ADT)	14,637	13,165	11.2%
Ausol II (ADT)	16,837	15,402	9.3%
Heathrow (million pax.)	75.7	75.0	1.0%
AGS (million pax.)	14.4	14.0	2.8%

*EBIT before impairments and disposals of fixed assets.

TOLL ROADS

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	486	513	-5.3%	24.8%
EBITDA	297	333	-10.8%	24.9%
EBITDA Margin	61.1%	64.9%		
EBIT	214	250	-14.4%	16.8%
EBIT Margin	44.0%	48.7%		

Revenues at the Toll Roads division expanded +24.8% in comparable terms vs. year-end 2015, impacted by the strong growth on the managed lanes toll roads in the USA and by traffic growth for the majority of assets. Of particular note is the growth of the LBJ toll road (managed lanes), which opened in its final configuration in September 2015, and which only contributed partial sections in the first nine months of 2015. In comparable terms, the division also posted strong EBITDA growth (+24.9%).

The comparable figures strip out the FX effect and the impact of the changes in the consolidation perimeter during the 2016. Notably the changes for the disposals of:

- **Chicago Skyway:** Sale to a consortium of Canadian pension funds of Cintra's 55% stake in this asset, for EUR230mn. The deal was closed in February 2016, such that it contributed for just two months in 2016 vs. the whole of 2015.
- **Irish toll roads:** sale of a 46% stake in M4 and 75% of M3 to the Dutch fund DIF for EUR59mn. Ferrovial retains a 20% stake in each asset. The deal was closed in February 2016, such that they contributed to EBITDA for just two months in 2016 vs. the whole of 2015.

In June 2016, Ferrovial reached an agreement to sell a stake in the **Norte Litoral** and **Algarve** toll roads. Both toll roads have been reclassified as assets held for sale, and their debt has thus been reclassified as liabilities held for sale (EUR323mn as of December 2016), although they continue to contribute to Ferrovial's P&L (global consolidation) until the deal is completed.

ASSETS IN OPERATION

Traffic performance

Traffic performance during 2016 was very positive on the majority of the Group's motorways, with good performance from both light and heavy traffic. The main supporting factors of this trend have been the economic recovery observed since the second half of 2014 (in the USA, Canada, Spain, Portugal and Ireland), the calendar effect (2016 was a leap year), and to a lesser extent the low price of oil.

By country:

In **Canada** traffic on the 407ETR increased by +4.9% in the year, both in terms of light (+5.0%), as well as heavy traffic (+4.2%), bolstered by the stronger economic growth in the Ontario region, the low oil price and the positive impact of the opening of 407 East Extension Phase I toll road.

In the **USA**, traffic growth was driven by the positive performance of the managed lanes toll roads (in their ramp-up phase) and the strong US economic performance.

In **Spain**, significant traffic growth at Autema and Ausol I and II, which ended the year with growth of approximately +10%. Economic growth, the upturn in employment and the strength of tourism in Spain have helped to drive a recovery in traffic on all of the Spanish concessions.

The **Portuguese concessions** performed positively this year, helped by the recovery in the economy. The road works on the alternative route since the end of 2015 favoured the traffic on the Algarve, and traffic rose +16.5% (since December 2015 this toll road has been classified as a financial asset, with retroactive effect since January of that year). On the Azores toll road, in spite of the impact of a storm at the beginning of the year, traffic performance has been very positive and the asset closed the year with traffic growth of +7.2%, supported by the increase of tourism on the back of the airline market liberalisation.

In **Ireland**, traffic performance continues to perform well for the fourth year running, reflecting the continuing improvement in the Irish economy and, in particular, the levels of employment in the country.

From 1 March 2016, following the completion of the sale of stakes in both the M4 and the M3 toll roads in Ireland, these two assets have been consolidated by the equity method.

€ million Global consolidation	Traffic (ADT)			Revenues			EBITDA			EBITDA Margin		Net Debt 100%	
	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Dec-16	Share
Intangible assets													
NTE	30,485	25,553	19.3%	67	47	41.2%	51	34	49.5%	77.2%	72.9%	-979	57%
LBJ*	31,582	12,861	145.6%	69	20	245.5%	53	10	n.s.	77.0%	50.7%	-1,374	51%
Ausol I	14,637	13,165	11.2%	56	51	10.0%	47	41	15.2%	82.8%	79.1%	-490	80%
Ausol II	16,837	15,402	9.3%										
Azores	9,215	8,596	7.2%	32	23	39.1%	28	18	50.1%	87.0%	80.6%	-319	89%
Financial Assets													
Autema				98	88	10.9%	89	79	12.1%	90.9%	89.9%	-627	76%
Norte Litoral				44	45	-1.3%	38	39	-1.4%	86.3%	86.4%	-180	100%
Algarve				38	35	5.8%	33	30	8.7%	87.6%	85.3%	-143	97%
Via Livre				14	14	-4.0%	2	1	24.3%	13.6%	10.5%	3	84%
Equity accounted													
Intangible assets													
407 ETR (VKT'000)	2,640,770	2,517,214	4.9%	778	704	10.5%	675	590	14.4%	86.8%	83.8%	-4,688	43%
M4	30,377	28,512	6.5%	27	25	7.3%	18	17	2.6%	65.7%	68.8%	-102	20%
Central Greece	12,151	13,521	-10.1%	50	11	n.s.	43	4	n.s.	86.1%	35.7%	-341	21%
Ionian Roads	24,979	24,236	3.1%	77	75	2.4%	15	47	-68.7%	19.2%	62.9%	-18	21%
Serrano Park				5	5	0.4%	3	3	13.1%	59.7%	53.0%	-42	50%
Financial Assets													
M3				22	23	-5.2%	17	18	-5.6%	75.4%	75.7%	-166	20%
A-66 Benavente Zamora				24	49	-51.7%	22	20	7.5%	91.4%	41.0%	-163	25%

*LBJ: In September 2015, the LBJ toll road opened to traffic in its final configuration; up until then only two short sections had been open.

FINANCIAL ASSETS

Under the terms of IFRIC 12, concession contracts may be classified in one of two ways: intangible assets or financial assets.

Intangible assets (where the operator assumes the traffic risk) are those for which remuneration is earned from the right to charge the corresponding rates depending on level of use.

Financial assets are concession agreements in which payment consists of an unconditional contractual right to receive cash or other financial assets, either because the body awarding the concession guarantees the payment of specific sums, or because it guarantees the recovery of any shortfall between the sums received from users of the public service and the aforementioned specific sums. In this type of concession agreement, the demand risk is therefore assumed by the body awarding the concession.

The assets in operation classified as financial assets, which bear no traffic risk due to some kind of guarantee mechanism are Norte Litoral, Autema, Via Livre, A66, Algarve and Eurolink M3 (the latter is equity-accounted). Algarve was classified as a financial asset in December 2015 after an agreement with the Portuguese government under which the concession changed to being a contract for availability (with no traffic risk).

ASSETS UNDER DEVELOPMENT

Assets under construction

€ million	Invested Capital	Pending committed capital	Net Debt 100%	Share
Global Consolidation				
Intangible Assets	-128	187	-641	
NTE 35W	-127	70	-507	54%
I-77	-1	117	-134	50%
Equity Consolidated				
Financial Assets	-46	87	-619	
407-East Extension II		11	-215	50%
M8	-3	6	-387	20%
Ruta del Cacao	-32	30	49	40%
Toowoomba	-11		63	40%
Bratislava		40	-128	45%

NTE 35W: The project reached financial close in September 2013 and work is proceeding on schedule (72% completed at December 2016), with opening scheduled for mid 2018.

I-77: Construction work began in November 2015. In December 2016 the design and construction works were 24% complete, and the toll road is expected to open at the end of 2018.

407 East Extension Phase II: At end-December 2016, the design and construction works were 43% complete.

PROJECT REFINANCING

Ausol

In March 2016, Cintra closed the refinancing of the two sections of its Autopista del Sol toll road (Ausol I and Ausol II) in Andalusia (Spain). The new financial structure totals EUR558mn (with no recourse to the shareholders) and has allowed financial expenses to be reduced and maturities to be extended to 2045.

The structure comprises two tranches:

- Issuance of bonds and obligations (EUR507mn, fixed coupon of 3.75%, 30-year maturity), rated "BBB", with Stable outlook by S&P.
- Subordinated bank debt (EUR51mn, at a fixed cost of 7% and a 10-year maturity extendable to 30 years).

TENDERS PENDING

Promotional activity is continuously monitored in Ferrovial's international target markets (North America, Europe and Australia).

The consortium including Cintra and Ferrovial Agroman has been pre-qualified for the **Melbourne Metro Rail project (Australia)**. This relates to a contract for the design, construction, financing and maintenance of 9 km of double tunnel and five underground stations.

In Canada, Cintra submitted its pre-qualification application for the **"Huronario"** project, which consists of the construction and operation of 20 km of light railway in Toronto (Ontario) under a system of availability payment.

TENDER AWARDS

I-66 Toll Road

In October 2016, Cintra was awarded the **"Transform I-66 Project"** (Virginia, USA), the commercial close took place on 8 December 2016.

This is a managed lanes type concession project with dynamic tolling, located to the west of the American capital, Washington D.C. The consortium comprises Cintra together with the Meridiam infrastructure fund, which will be responsible for the design, construction, financing, operation and maintenance of the Transform I-66 Project, for a value of more than EUR3,000mn.

The project includes the construction of 35 km along the I-66 corridor between Route 29, close to Gainesville, and the Washington DC ring road, the I-495, in Fairfax County.

The term allocated for construction of the project runs until 2022, while the concession is granted for 50 years.

With the financing still pending completion (which is forecast for the second half of 2017), the committed capital for this project is estimated at EUR723mn (for Cintra's stake).

COMPLETED FINANCING

On 20 June the financing of the **D4-R7 Bratislava beltway** (Slovakia) project was closed. The project includes the design, construction, financing, operation and maintenance of the Bratislava beltway, for a total of EUR975mn. The consortium also includes the Australian group Macquarie and the Austrian construction company Porr. Cintra will be responsible for the development of this project (availability payment), whose design and construction will be carried out by the JV led by Ferrovial Agroman.

PROJECT DIVESTMENTS

M3 and M4 Toll roads

In September 2015, Ferrovial, through its Toll Motorway division Cintra, reached an agreement with the Dutch infrastructure fund DIF to sell 46% of the M4 toll road and 75% of the M3 toll road for EUR59mn (implying a net capital gain of EUR21mn).

The deal was closed in February 2016, since when the assets have no longer been classified as "Assets Held for Sale". As a result of this deal, Ferrovial became the 20% owner of both concessions, remaining as a core industrial shareholder.

Chicago Skyway Toll Road

In November 2015, Ferrovial, through Cintra, reached an agreement with the Calumet Concession Partners LLC consortium (formed by the Canadian pension funds OMERS, Canada Pension Plan Investment Board and Ontario Teachers' Pension Plan) for the transfer of 100% of the Chicago Skyway toll road (55% belonging to Ferrovial and 45% to Macquarie Atlas Roads and Macquarie Infrastructure Partners).

The deal was closed on 25 February 2016, since when the asset has no longer been classified as "Assets Held for Sale".

The price agreed was USD2,836mn (approximately EUR2,623mn), or EUR230mn in cash for Ferrovial and a net capital gain of EUR103mn.

Norte Litoral & Algarve Toll Roads

In June 2016, Ferrovial, through its toll roads subsidiary Cintra, reached an agreement with the Dutch infrastructure fund DIF to sell 51% of the Norte Litoral and 49% of the Algarve toll roads for a total of EUR159mn. After this transaction, which is pending administrative approval, Ferrovial will continue to hold 49% of the Norte Litoral and 48% of the Algarve, as well as its position as the principal industrial partner in both assets. Completion of this operation remains pending administrative approval.

OTHER EVENTS

Autema

On 16 July 2015, the official journal of the regional government of Catalonia (*Boletín Oficial de la Generalitat de Cataluña*) published Decree 161/2015, which unilaterally approved the modification of the administrative concession of the Tarrasa-Manresa toll road.

On 9 October 2015, the Company filed an appeal against this new Decree with the High Court of Justice in Catalonia (TSJC), which was admitted for process on 13 October 2015. The new tariffs (discounts) applicable under the new decree have been applied since 4 January 2016.

On 2 January 2017, a new Decree came into force, extending the existing discounts and delaying the removal of the discount applied in working days (45%), to those users that do not use VIA-T from 2017 to 2019.

ASSETS IN INSOLVENCY PROCEEDINGS

SH-130

On 31 December 2016, the SH-130 concession company was deconsolidated, as control over the business was considered to have been lost. Deconsolidation has had a positive effect on Ferrovial's net result after tax in the amount of EUR30mn (reversal of accumulated losses) and meant the removal of net debt from the balance sheet of EUR1,421mn.

On 2 March 2016, the concession company that manages the SH-130 toll road requested court protection against its creditors (Chapter 11). In the end a plan was agreed with the banks and TIFIA to transfer its assets and exit from the Chapter 11 process.



407ETR**Profit and loss account**

CAD million	Dec-16	Dec-15	Var.
Revenues	1,135	1,002	13.2%
EBITDA	985	840	17.3%
EBITDA Margin	86.8%	83.8%	
EBIT	880	754	16.7%
EBIT Margin	77.6%	75.2%	
Financial results	-373	-327	-14.0%
EBT	507	427	18.8%
Corporate income tax	-134	-116	-16.0%
Net Income	373	311	19.9%
Contribution to Ferrovial equity accounted result (EUR mn)	98	82	19.6%

Note: following Ferrovial's disposal of 10% in 2010, the toll road switched to being accounted for by the equity method, in line with the percentage stake controlled by Ferrovial (43.23%).

Revenues at 407ETR increased by +13.2% in local currency in 2016 vs. 2015.

- **Toll revenues** (93% of the total): grew by +15.3% to CAD1,056mn, mainly due to the tariff increases applied since February 2016 and the improvement in traffic.
- **Fee revenues** (6% of the total): up by +2.9% to CAD68mn, mainly as a reflection of more transponders and higher tariffs.
- Average revenues per journey rose +11.4%.
- **Contract Revenues** (1% of total), for works carried out for the East Extension Phase I: fell from CAD20mn in 2015 to CAD11mn in 2016 as more work was executed in 2015 than in 2016, due to the construction phase being completed on 20 June 2016.

The toll road also recorded an **increase in EBITDA of +17.3%** in 2016, improving its EBITDA margin from 83.8% to **86.8%**.

Financial result: -CAD373mn, 46mn of more expenses vs 2015 (-14%). Main components:

- **Interest expenses: -CAD350mn.** CAD14mn higher than in 2015 due to the increase in debt, after the recent issuance of CAD500mn senior bonds in May 2016, the issuance of CAD350mn in November 2016 and CAD150mn in March 2015 and higher drawdowns on the lines of credit.
- **Non-cash inflation-linked financial expenses: -CAD34mn.** An increase of CAD33mn vs. 2015, due to a negative impact of the fair value of bonds and higher inflation.
- **Financial income: +CAD11mn** (vs. +CAD9mn in 2015) due to greater returns on investment and higher average cash balance.

407ETR contributed EUR98mn to Ferrovial's equity-accounted results (+19.6% vs. 2015), after the annual amortization of the goodwill following the sale of 10% in 2010, which is being written down over the life of the asset on the basis of the traffic forecast.

Dividends 407ETR

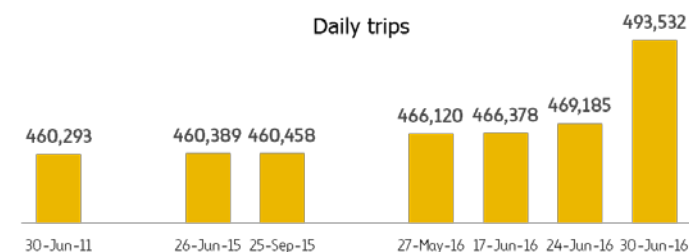
In 2016, 407ETR distributed dividends of CAD790mn, **+5.3% vs. 2015**. Of these, EUR244mn were distributed to Ferrovial (EUR242mn in 2015). The 1Q17 dividend payment was approved in February 2017 in the amount of CAD207.5mn (**+10.7% vs. 1Q16**).

CAD million	2017	2016	2015	2014	2013	2012
Q1	207,5	187,5	188	175	100	87,5
Q2		187,5	188	175	130	87,5
Q3		207,5	188	175	200	87,5
Q4		207,5	188	205	250	337,5
Total		790	750	730	680	600

407ETR Traffic

Traffic (kilometres travelled) rose +4.9% (+7.1% in 3Q16 alone and +6.3% in 4Q16), with an increase in the number of journeys (+2.7%) and an increase in the average distance travelled (+2.2%). Traffic was affected by the economic growth, the low price of oil and the opening of the 407 East Extension Phase I toll road, which opened to the public on 20 June, and which was toll-free in 2016 (began to charge in February 2017).

The toll road recorded four record days of daily journeys in 2016, three of which were in June.

**407ETR net debt**

The net debt figure for 407ETR at 31 December 2016 was CAD6,650mn, at an average cost of 4.51%. There were two bond issues in 2016: on 4 November, in the amount of CAD350mn, maturing in May 2027 with a coupon of 2.43% (series 16-A2), and on 16 May, in the amount of CAD500mn (series 16-A1), a 31-year bond maturing in May 2047 offering an interest rate of 3.6%.

38% of the debt matures in more than 20 years' time. The next maturity dates will occur during 2017 (CAD313mn), 2018 (CAD14mn) and 2019 (CAD15mn).

407ETR credit rating

- **S&P:** In S&P ratings issued on 17 March 2016, the company remained at "A" (Senior Debt), "A-" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.
- **DBRS:** On 4 November 2016, the company remained at "A" (Senior Debt), "A low" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.

407ETR Tariffs

The table below shows a comparison between rates in 2015 and 2016 (valid from 1 February 2016) for light vehicles:

CAD	2016	2015
Regular Zone		
AM Peak Period: <i>Mon-Fri: 6am-7am, 9am-10am</i>	33.00¢ /km	30.56¢ /km
AM Peak Hours: <i>Mon-Fri: 7am-9am</i>	37.54¢ /km	34.13¢ /km
PM Peak Period: <i>Mon-Fri: 3pm-4pm, 6pm-7pm</i>	34.24¢ /km	31.13¢ /km
PM Peak Hours: <i>Mon-Fri: 4pm-6pm</i>	38.90¢ /km	34.73¢ /km
Light Zone		
AM Peak Period: <i>Mon-Fri: 6am-7am, 9am-10am</i>	31.37¢ /km	29.05¢ /km
AM Peak Hours: <i>Mon-Fri: 7am-9am</i>	35.67¢ /km	32.43¢ /km
PM Peak Period: <i>Mon-Fri: 3pm-4pm, 6pm-7pm</i>	32.55¢ /km	29.59¢ /km
PM Peak Hours: <i>Mon-Fri: 4pm-6pm</i>	36.97¢ /km	33.01¢ /km
Midday Rate <i>Weekdays 10am-3pm, Weekend & public holidays 11am-7pm</i>	28.33¢/km	25.75¢/km
Off Peak Rate <i>Weekdays 7pm-6am, Weekend & public holidays 7pm-11am</i>	21.62¢/km	19.74¢/km

407-EAST EXTENSION I

- The toll road opened to traffic on 20 June 2016.
- 22km to the east of Brock Road in Pickering to Harmony Road in Oshawa (Ontario), and a connection, the 412 toll road, which joins the 407 and the 401, of approximately 10km.
- The **407 Extension I** and **Connection 412** are toll roads on which **charges become effective from February 2017**, following an initial free period. Tariffs are established by the province of Ontario, which will collect revenues according to an explicit tariff system.
- **407ETR, through its subsidiary Cantoll, assumed the management of the tolls in a services contract, with no traffic risk**, such that the new sections will be integrated continuously and without interruptions with the 407ETR. Drivers will use a single transponder, will receive a single bill, and will have access to the same consumer assistance centre the whole length of the toll road.
- 407 Extension I will be responsible for maintenance, refurbishment and incident management.
- Ferrovial, through Cintra, owns a **50% stake** in this concession (which is equity-accounted).

NTE

NTE Profit & loss account:

USD million	Dec-16	Dec-15	Var.
Revenues	73	52	41.3%
EBITDA	57	38	49.5%
EBITDA Margin	77.2%	72.9%	
EBIT	40	23	71.3%
EBIT Margin	54.1%	44.6%	
Financial results	-61	-59	-3.2%
EBT	-21	-36	40.6%
Corporate income tax			
Net Income	-21	-36	40.6%

Across the whole of 2016, revenues were +41.3% higher than in 2015, reaching USD73mn, due to traffic growth (+19%) and higher tariffs (+18%).

EBITDA reached USD57mn (+49.5% vs. 2015). The EBITDA margin rose +4.3% over the course of 2016, rising to close to 80% in the second full year of operation as the result of the robust growth in revenues and the management of operational costs.

NTE Quarterly Traffic and EBITDA

In terms of traffic: **in 4Q2016, NTE recorded 6 million transactions, +5.1% more than in 4Q2015** (5.7 million transactions). Traffic continued to increase its market share of traffic on the corridor and maintaining a high percentage of new customers every month. In this fourth quarter, increased construction activity on projects located alongside the NTE have had a negative impact on traffic growth in comparison with the levels recorded in previous quarters.

NTE EBITDA was very positive, with growth of +39.4% in 4Q2016 vs. 4Q2015, reaching **the highest quarterly figure for EBITDA since the toll road was opened, at USD15mn.**

Quarterly results	4Q'16	4Q'15	% var.
Transactions (millions)	6.0	5.7	5.1%
EBITDA (USD mn)	15.2	10.9	39.4%

Since the dynamic tolling system came into operation in April 2015, the tariffs can be adjusted every five minutes, depending on the levels of congestion observed. As a result, at times of heavy congestion, the toll rates applied have reached the maximum permitted under the contract (USD0.84/mile). This maximum tariff can be surpassed when traffic volume in the managed lanes exceeds a certain amount or when the average speed in the managed lanes is lower than 50miles/hr.

The **average toll rate per transaction in 2016 at NTE** reached USD3.05 vs. USD2.58 in December 2015 (an increase of +18.2%).

NTE net debt

As of 31 December 2016, net debt for the toll road amounted to USD1,032mn (USD1,012mn in December 2015), at an average cost of 5.38%.

NTE credit rating

The agencies have assigned the following ratings to NTE's debt:

	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-

LBJ

LBJ profit and loss account

USD million	Dec-16	Dec-15	Var.
Revenues	76	22	247.3%
EBITDA	59	11	424.8%
EBITDA Margin	77.0%	51.0%	
EBIT	39	5	678.5%
EBIT Margin	51.0%	22.8%	
Financial results	-85	-50	-70.3%
EBT	-46	-45	-3.0%
Corporate income tax			
Net Income	-46	-45	-3.0%

*In September 2015 the LBJ toll road was opened to traffic in its final configuration; up until then only two short sections were open.

** 2015 Financial Result includes capitalised interest.

The toll road, which has now been open slightly more than a year in its final configuration, reported revenues of USD76mn in 2016.

EBITDA reached USD59mn, mainly driven by the strong traffic growth since the project has been fully open. The EBITDA margin reached 77%, aided by the growth in revenues and the management of operational costs.

LBJ Quarterly Traffic and EBITDA

In terms of traffic: in 4Q 2016, traffic reached **10 million transactions**, +45% vs. the fourth quarter of last year. This is the quarter year since the project was fully opened (September 2015) that we have comparable year-on-year data. Traffic along the corridor continues to show robust growth and is now reaching levels that are well above those recorded prior to the project's construction; drivers are also becoming increasingly familiar with the project's layout.

EBITDA in 4Q 2016 increased significantly vs. 4Q 2015, +129%:

Quarterly results	4Q'16	4Q'15	% var.
Transactions (millions)	10.0	7.0	45.4%
EBITDA (USD mn)	16.2	7.1	129.4%

Since the dynamic tolling system came into operation, the tariffs have been able to be adjusted every five minutes, depending on the levels of congestion observed. As a result, at times of heavy congestion, the toll rates applied have reached the maximum permitted under the contract (USD 0.84/mile during 2016). This maximum tariff can be surpassed when traffic volume in the managed lanes exceeds a certain amount or when the average speed in the managed lanes is lower than 50miles/hr.

The **average toll rate per transaction at LBJ** reached USD2.11 in 4Q16 vs. USD1.66 in 4Q15 (an increase of +27.1%).

LBJ Net debt

As of 31 December 2016, net debt for the toll road amounted to USD1,449 (USD1,409mn in December 2015), at an average debt cost of 5.48%.

LBJ credit rating

The agencies have given the following credit ratings to LBJ's debt:

	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-



SERVICES

In 2016, Services revenues reached EUR6,078mn, +24.1% vs. 2015.

This growth was due to the contribution from **Broadspectrum, an Australian company acquired in May 2016**, with an enterprise value of EUR934mn (EUR499mn corresponding to 100% of the equity and EUR435mn of net debt). The financial statements of Broadspectrum have been consolidated since 31 May 2016. Thus, the P&L in December includes a seven-month contribution from the company.

With this incorporation, Ferrovial Servicios acquires a leadership position in the services and infrastructure maintenance sector in Australia and New Zealand, and also Ferrovial Servicios's entry into the USA and Canada. Additionally, it allows Ferrovial Servicios access to the telecommunications and oil & gas activities, and to take advantage of the likely recovery of these activities in the medium term.

The following table shows the Profit & Loss Account of the Services division compared with December 2015, taking out the Broadspectrum contribution and the costs associated with the acquisition (EUR7mn):

Excluding Broadspectrum, Services revenues stood at EUR4,631mn, and EBITDA at EUR242mn (5.2% margin). In comparable terms, excluding

the exchange rate impact, sales rose by +2.8% compared to 2015. In Spain, the increase was +5.1%, in the UK +0.7% and International +19.8%.

The EBITDA margin stood at 5.2%, (excluding Broadspectrum) below the 6.4% reported in December 2015, mainly as a consequence of the negative performance in the UK. The EBITDA figure includes EUR21mn of restructuring costs in the UK, the bulk of which are related to personnel layoffs. Excluding these costs, the Services division's EBITDA margin at December 2016 would have been 5.7%.

In December, the order book reached EUR24,431mn, +7.2% up on December 2015. Excluding Broadspectrum and the FX impact, the order book would be 11% below the December level. In general terms, this reduction in the order book has been driven by the lack of public offers and shorter average terms for the contract that come to tender, both in Spain and in the UK. Furthermore, the public tendering process, for the majority of utilities contracts in the UK is set by the regulatory period, therefore up until 2019, when the current period expires, there will be less public tendering processes activity.

	Services ex Broad- spectrum Dec-16	Broadspec- trum	Acquisition Costs	Intangible Amortization	Broadspectrum post acquisition costs & intangible amort	Services + Broadspec- trum Dec-16	Dec-15	Var.	Like-for- Like
Revenues	4,631	1,446			1,446	6,078	4,897	24.1%	2.8%
EBITDA	242	91	-7		84	325	312	4.2%	-12.9%
EBITDA margin	5.2%	6.3%			5.8%	5.4%	6.4%		
EBIT	104	62	-7	-60	-5	99	173	-42.5%	-25.5%
EBIT margin	2.3%	4.3%			-0.4%	1.6%	3.5%		
Order Book	16,617	5,589			5,589	22,205	20,732	7.1%	-11.3%
JVs order book	1,698	528			528	2,226	2,068	7.6%	-7.2%
Global order book + JVs	18,314	6,117			6,117	24,431	22,800	7.2%	-11.0%

SPAIN

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	1,762	1,677	5.1%	5.1%
EBITDA	188	179	5.3%	5.2%
EBITDA Margin	10.7%	10.7%		
EBIT	100	93	7.3%	7.2%
EBIT Margin	5.7%	5.6%		
Order book	5,450	5,815	-6.3%	-6.3%
JVs order book	291	325	-10.5%	-10.5%
Global order book+JVs	5,741	6,140	-6.5%	-6.5%

Revenues in Spain grew by +5.1% compared with 2015 against a background of fewer public tendering processes, due to the successive elections, and uncertainty throughout much of the year regarding the formation of a government. The growth in revenues comes from the greater revenues from infrastructure maintenance, mainly in relation to industrial facilities, and from waste treatment. EBITDA and EBIT margins remained in line with those of 2015.

The order book volume stood at EUR5,741mn (-6.5% compared with December). The decline in the order book is directly related to the reduction in public sector projects out to tender. A notable event this year was the renewal of the contract for the collection and transportation of waste in Madrid (EUR87mn over 4 years) and the extension for 9 years of the contract for overall management of the waste landfill at La Vega in Seville (EUR46mn).

UK

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	2,732	3,103	-12.0%	0.7%
EBITDA	41	122	-66.7%	-45.0%
EBITDA Margin	1.5%	3.9%		
EBIT	0.1	75	-99.9%	-70.2%
EBIT Margin	0.0%	2.4%		
Order book	10,636	14,585	-27.1%	-15.5%
JVs order book	1,262	1,738	-27.4%	-15.9%
Global order book+JVs	11,898	16,323	-27.1%	-15.6%

In the United Kingdom, the profit and loss account showed very significant reductions in both margins and results, due to the current budgetary restrictions affecting public authorities, mainly with regard to local government.

In this regard, the Company drew up a restructuring plan in 2016, with the aim of adapting to this new environment, marked by budgetary restrictions. As a consequence of this plan, the workforce has been reduced by more than 900 people. The cost associated with the restructuring totalled EUR21mn. The annual savings from the restructuring process are estimated in EUR42mn, from which, EUR18mn have been already registered in 2016. In 2017, margins and EBITDA are expected to improve with respect to 2016, as a result of the restructuring plan carried out in 2016, although revenues will be lower. Nevertheless, this evolution will also depend on the impact that government fiscal measures could have regarding public authority budgets in 2017.

EBITDA in 2016 rose to EUR41mn, which included EUR21mn in restructuring costs. Excluding these costs, the EBITDA would be EUR62mn (2.2% of revenues). In comparable terms (excluding the impact of exchange rates and restructuring costs), EBITDA fell by -45% compared with 2015, which in absolute terms represents a fall of EUR50mn in the overall result.

The main impacts causing this negative performance are:

- **Highway maintenance:** As a result of the aforementioned budget restrictions, highway maintenance contract volumes fell by an average of -23%, although in some contracts the reduction reached up to -40%. This fall in volumes has had a very significant impact on results, given that it affects additional works that offer greater profitability, since they allow for optimisation of fixed contract costs. As of December 2016, revenues from traditional road maintenance contracts amounted to EUR365mn. As regards the coming years, a prudent position will be maintained in this market while the current budgetary restrictions remain in place, so no growth is therefore anticipated in this area.
- There have also been negative impacts on contracts that have already ended, due to the final accounts of such contracts, among which we would highlight Herefordshire (-EUR12mn) and Cumbria (-EUR6mn).
- **Remainder of Amey's activities:** the result fell vs 2015, due in large part to the extraordinary income earned in 2015 in railway consulting contracts.

- **The losses for 2016 from the Birmingham contract** amounted to -EUR13mn. In relation to the provision registered in 2015, in 2016 EUR10mn were freed up (GBP8mn) leaving the outstanding balance on the provision at EUR55mn (GBP47mn). The contract result continued to be negative, due to extra Opex and structural costs, as it has not been possible to reduce costs in the way that was expected following completion of the capex phase, due to the lawsuit with the City Council. In 2016, the judge ruled in favour of Amey in this lawsuit. During the final quarter of the year, progress was made in talks with the client with regard to the award of the legal judgement in Amey's favour and the resolution of the commercial disputes, with a view to achieving normalisation of the contract.

INTERNATIONAL

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	137	116	17.4%	19.8%
EBITDA	13	11	14.7%	17.8%
EBITDA Margin	9.3%	9.5%		
EBIT	4	4	-7.8%	-4.3%
EBIT Margin	3.0%	3.9%		
Order book	530	332	59.9%	55.9%
JVs order book	145	5	n.s.	n.s.
Global order book+JVs	675	336	100.7%	95.6%

The International business includes the activities of Ferrovial Servicios in Portugal, Poland, Chile and Qatar.

In comparison with 2015, and ex-FX impact, revenues from this activity rose by +19.8% and EBITDA by +17.8%. The EBIT is marginally lower than in 2015, due to the depreciations of two treatment plants in Poland incorporated over the course of 2016. Revenue performance is positive in all countries: Chile EUR67mn (+15.4% vs. 2015); Poland EUR41mn (+43.2% vs. 2015) and Portugal EUR29mn (+9.6% vs. 2015).

As regards the order book, this stood at EUR675mn vs. EUR336mn in December 2015. The most significant contract award of the year has been the three-year renewal of the Doha Airport maintenance contracts (EUR160mn).

BROADSPECTRUM

	Broadspectrum Dec-16	Acquisition Costs	Intangible Amortization	Broadspectrum post acq. costs & intangible amort
Revenues	1,446			1,446
EBITDA	91	-7		84
EBITDA margin	6.3%			5.8%
EBIT	62	-7	-60	-5
EBIT margin	4.3%			-0.4%
Order Book	5,589			5,589
JVs order book	528			528
Global order book + JVs	6,117			6,117

As mentioned previously, Broadspectrum's financial statements have been consolidated since 31 May. Thus, the P&L to December includes a 7 month contribution from the company.

Broadspectrum's results include EUR7mn of acquisition costs and EUR60mn of intangible amortisation assigned to the contracts. Excluding these impacts, EBITDA would have reached EUR91mn (6.3% margin) and EBIT at EUR62mn (4.3% margin).

The integration of Broadspectrum was carried out in line with the expected plan. The company's pipeline is solid, which together with its investment capacity and service offering complementary to other Group activities, should be reflected in future growth. To take advantage of

these opportunities, the company has reorganised itself around four sectors in Australia and New Zealand, and has made America into an independent management unit.

In **Australia and New Zealand**, the sectors of the new organisation and the revenues of each in June-December are as follows:

- **Government (EUR669mn):** Includes all the current contracts with regional and central governments.
- **Urban Infrastructures (EUR326mn):** Includes activities in the water, electricity, energy and telecommunications sectors.
- **Natural Resources (EUR195mn):** Focused on the maintenance and operation of wells and oil, gas, mining and agricultural installations, as well on solutions for industrial clients.
- **Transport (EUR100mn):** Includes activities related to the highway, railway and public transport networks.

In the **America** unit, (USA, Canada and Chile) revenues in the period between June-December 2016 **reached EUR161mn**. In the USA it carries out highway and natural resource maintenance activities, in Canada highway maintenance, and in Chile, mining services.

In the financial results to June 2016, the company stated that the Australian Department of Immigration had informed Broadspectrum of its right to unilaterally extend its immigration centre contracts for two four-month periods.

Ferrovial stated that it does not consider these contracts strategic for the Company. Broadspectrum will fulfil its contractual obligations until end-October 2017. Until then, its first priority will be caring for the refugees in the centres.



CONSTRUCTION

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	4,194	4,287	-2.2%	-2.7%
EBITDA	342	393	-13.1%	-12.8%
EBITDA Margin	8.1%	9.2%		
EBIT	313	364	-14.1%	-13.7%
EBIT Margin	7.5%	8.5%		
Order book	9,088	8,731	4.1%	2.6%

Decline in revenues in comparable terms (-2.7%), mainly due to the finalisation of projects in the USA, as well as to the slowdown in the domestic market. Neither the growth at Budimex (+8.1% LfL), nor in the other international markets (particularly Australia and the UK) were sufficient to offset this decrease. International revenues was responsible for 83% of the division's revenues, with the regional mix very much focussed on the company's traditional strategic markets (Poland, North America, UK, Chile and Australia).

Profitability also declined, although it remained at high levels, due to the conclusion of very important projects in the USA.

BUDIMEX

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	1,270	1,226	3.6%	8.1%
EBITDA	111	68	62.9%	70.8%
EBITDA Margin	8.7%	5.6%		
EBIT	105	63	67.1%	75.3%
EBIT Margin	8.3%	5.1%		
Order book	2,027	1,974	2.7%	6.0%

2016 continued to follow the same positive trend as previous years. In comparable terms, there was a notable increase in the profitability of the business (EBITDA +70.8%), mainly due to the on-going management of cost of materials and subcontractors, as well as the revenue growth (+8.1%) derived from the accelerated execution of Civil Works and Residential Building projects.

The order book reached close to maximum levels, EUR2,027mn, (+6% LfL vs. December 2015). In 2016, contracts reached more than EUR1,350mn, of which approximately 45% relate to the signing of Civil Works contracts awarded under the 2014-2020 New Highway Plan. Also notable was the award of the combined-cycle incinerator plant in Vilnius, Lithuania (EUR87mn), which marked Budimex's entry into the Lithuanian market and strengthened its position in the market for the construction of energy facilities.

WEBBER

The revenues included the company Pepper Lawson's contribution, which was acquired in March. In comparable terms, excluding the impact from this acquisition, these fell by -9.3%, due to the conclusion of the NTE and LBJ projects. The drop in EBITDA was also due the finalisation of the above-mentioned toll roads. The order book grew by +14.1% thanks to the incorporation of Pepper Lawson and the contracting of around EUR400mn of organic business.

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	708	643	10.1%	-9.3%
EBITDA	44	89	-50.3%	-47.6%
EBITDA Margin	6.2%	13.8%		
EBIT	36	81	-56.0%	-52.9%
EBIT Margin	5.0%	12.6%		
Order book	1,084	950	14.1%	-9.9%

FERROVIAL AGROMAN

	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	2,217	2,419	-8.4%	-6.2%
EBITDA	187	236	-21.1%	-22.5%
EBITDA Margin	8.4%	9.8%		
EBIT	172	220	-21.9%	-23.4%
EBIT Margin	7.7%	9.1%		
Order book	5,977	5,807	2.9%	3.6%

Ferrovial Agroman's revenues fell by -6.2% in comparable terms, mainly as a reflection of the finalisation of US toll roads and the slowdown in the domestic market, which the growth in the rest of the international market (particularly Australia, UK and Chile) was not sufficient to offset. Profitability also declined, although it remained at high levels, due to the aforementioned conclusion of projects in the USA.

ORDER BOOK

	Dec-16	Dec-15	Var.
Civil work	7,088	7,079	0.1%
Residential work	442	336	31.7%
Non-residential work	775	707	9.7%
Industrial	783	610	28.3%
Total	9,088	8,731	4.1%

The order book was up by +4.1% on December 2015 (+2.6% LfL). The Civil Works segment remains the largest segment (at around 80% of the total), very selective criteria are maintained when participating in tenders. The international order book amounted to EUR7,528mn, far more than the domestic order book (EUR1,561mn), and represented 83% of the total.

In 2016 Ferrovial has won some important contracts in its traditional markets, such as High Speed Rail California (EUR296mn), Olsztyn S51 Beltway in Poland (EUR175mn), a section of the US-175 toll road in Dallas (EUR91mn), another section of the SH-249 toll road (EUR88mn) and a combined cycle incinerator plant in Vilnius (Lithuania) (EUR87mn). Another highlight was the entry into the Slovakian market with the award of the D4-R7 Bratislava (EUR858mn).

The December order book does not include the Bucaramanga contracts in Colombia and the I-66 managed lane in Virginia (USA).

AIRPORTS

The Airports division contributed -EUR46mn to Ferrovial's equity-accounted results (vs. +EUR199mn in 2015).

- **HAH:** -EUR57mn in 2016, versus +EUR186mn in 2015. This drop in the result vs. 2015 was mainly due to:
 - i. **The negative impact from mark to market hedges vs. 2015,** non-cash item, (-EUR160mn net profit impact) reflecting the recovery in inflation expectations and the fall in interest rates. Although the uptick in inflation has a negative accounting impact, from a business point of view it means an increase in aeronautical revenues due to the increase in tariffs and the higher value of the Regulated Asset Base. If the higher inflation expectations materialise, these would imply a much higher positive valuation impact than the negative accounting impact.
 - ii. **Heathrow's December 2015 result included a positive non-recurrent non-cash item of +GBP237mn** (EUR67mn given the 25% stake held by Ferrovial), due to changes in the pension plan conditions. In addition, a positive EUR39mn result was included on the back of the positive evolution of the derivative hedges' mark to market.
- **AGS:** Contributed EUR12mn to Ferrovial's 2016 equity-accounted results (vs. EUR14mn in 2015).

As regards the dividends that have been distributed:

- Heathrow paid out GBP325mn, +8.3% vs. 2015 (EUR96mn for Ferrovial in 2016).
- AGS paid out GBP64mn to shareholders, +6.7% vs. 2015 (EUR38mn for Ferrovial in 2016).

HEATHROW

Heathrow Traffic

In 2016, Heathrow Airport handled 75.7 million passengers, up +1.0% vs. 2015. Traffic levels were particularly high in July with 7.4 million passengers using the airport, the highest monthly number on record.

Traffic numbers were positively affected by the additional day in February (leap year), which was responsible for +0.2% of growth over the year. In addition to these impacts, there was an increase in the number of seats due to larger aircraft (with an average number of seats per aircraft of 211.5 vs. 208.7 in 2015). Occupancy levels were slightly lower than 2015 (76% vs. 76.5%).

Traffic performance by destination

Million passengers	Dec-16	Dec-15	Var.
UK	4.6	5.1	-9.6%
Europe	31.7	31.2	1.8%
Long Haul	39.3	38.7	1.7%
Total	75.7	75.0	1.0%

Intercontinental traffic grew by +1.7%, mainly due to the Middle East routes (+8.8%) on larger aircraft and more flights, to the Asia Pacific region (+2.8%) as a result of substantial growth in existing routes to Thailand, China, Vietnam and the Philippines, along with new services to Indonesia with the incorporation of Garuda Airlines, which is the latest airline to transfer its services from Gatwick to Heathrow. This growth was slowed by the poor performance of the African market, mainly due to the planning changes made by Virgin Atlantic and to the performance of the North America routes (-0.5%), as a result of slightly lower seat occupancy levels.

European traffic increased by +1.8%, driven by the increase in the number of seats on British Airways flights.

Greater international traffic offset the drop in **domestic traffic** (-9.6%) due to Virgin Little Red ceasing operations since 2015.

HEATHROW SP Revenue

Revenue growth (+1.5%) thanks to the strong performance of retail revenue (+7.7%), which offset the flat performance in the aeronautical revenues and the slight decrease in Other revenues (-0.4%).

Revenue breakdown

GBP million	Dec-16	Dec-15	Var.	Like-for-Like
Aeronautic	1,699	1,699	0.0%	0.0%
Retail	612	568	7.7%	7.7%
Others	496	498	-0.4%	-0.4%
TOTAL	2,807	2,765	1.5%	1.5%

Average **aeronautical revenue** per passenger decreased (-1.0%) to GBP22.45 (compared with GBP22.67 in 2015), but was compensated for by the increase in traffic (+1.0%).

Retail revenue grew by +7.7%, thanks to the major redesign of the Terminal 5 retail area and was particularly driven in the second half of the year by sterling depreciation after the referendum to leave the EU at the end of June. We would highlight the growth of the World Duty Free (WDF) stores (+7.8%) after the refurbishments of Terminals 4 and 5, specialist shops (+15.0%) due to the addition of new brands, car parks (+6.5%) and catering (+8.9%).

Net retail revenues per passenger reached GBP8.09, +6.7%.

Other Revenues fell slightly by -0.4%, due to a combination of the drop in income from airline re-billing, as a result of the effort to reduce costs (-2.9%) and the +1.5% growth in income generated by the Heathrow Express thanks to pricing strategy improvements, and the rise in rental income (+2.4%), thanks to the new passenger rooms that have been opened in terminals T3 and T4.

HEATHROW SP EBITDA

Heathrow's EBITDA increased by +4.8% in the year vs. sales growth of +1.5%. EBITDA margin reached 59.9% (58.0% in 2015). Amortization fell by -1.9% versus 2015.

The cost controls implemented in 2015 were maintained (operating costs -3% vs. 2015):

- Consumption expenses were -19.6% lower.
- Personnel cost savings (-2.9%), driven by measures such as changes to the pension system in 2015, the adoption of a voluntary redundancy programme and other efficiency measures.
- Reduction of penalties thanks to the improved quality of service.
- Renegotiation of the NATS contract (air traffic control services).

Main HAH figures (like-for-like)

GBP million	Traffic (million passengers)			Revenues			EBITDA			EBITDA Margin		
	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var. (pbs)
Heathrow SP	75.7	75.0	1.0%	2,807	2,765	1.5%	1,682	1,605	4.8%	59.9%	58.0%	187
Exceptionals & adjs				2	2	n.a.	1	3	n.a.	n.a.	n.a.	n.a.
Total HAH	75.7	75.0	1.0%	2,809	2,767	1.5%	1,683	1,608	4.7%	59.9%	58.1%	180

User satisfaction

User satisfaction reached new record levels in 2016, with 84% of passengers rating their experience as "excellent" or "very good" (81% in 2015) and scoring above 4 points out of 5 in the Airport Service Quality (ASQ) survey for twelve consecutive quarters, rounding out the year with the top scoring of 4.19 in 4Q 2016.

In 2016, Heathrow was nominated "Best Airport in Western Europe" for the second time running by Skytrax World Airport Awards. The award, voted by passengers all around the world, also recognised Terminal 5 as the "Best Airport Terminal" for the fifth year running and for the seventh year running, Heathrow won the "Best Shopping Airport award".

For the first time, Heathrow won the prestigious "Best European Airport Award", in the category of more than 40 million passengers, in the 2016 Airports Council International (ASQ) awards. Additionally, ACI named Heathrow Best Airport in Europe for the third time in the category of more than 25 million passengers.

Finally, Heathrow's success was recognised in the Frontier Awards in the categories "Operator of the Year" and "Airport Marketing Campaign of the Year".

Regulatory aspects

Regulatory period: The regulatory period (Q6) started on 1 April 2014 and will initially be extended until 31 December 2018, with an annual maximum tariff increase per passenger of RPI-1.5%.

On 21 December 2016, the CAA confirmed the extension of the current regulatory period (Q6) until 31 December 2019, continuing with the annual maximum tariff increase per passenger of RPI -1.5%.

Regulatory asset Base (RAB): At 31 December 2016, the RAB reached GBP15,237mn (vs. GBP14,921mn in December 2015).

Expansion: On 25 October 2016, the British Government announced its decision to select the building of a third runway at Heathrow Airport to increase airport capacity in the Southeast of England. The Davies Commission, selected to study the airport expansion, already and unanimously recommended it as the best possible solution in July 2016.

The Heathrow extension will imply the construction of a third runway, a new terminal and other associated infrastructures such as platforms, a baggage terminal and parking spaces.

This decision requires parliamentary approval of the National Policy Statement and subsequently approval by the Secretary of State of the Development Consent Order, which are expected between the end of 2017 and end of 2020.

On 2 February 2017, the expansion project passed the first hurdle after the British Government published the first draft of the National Policy Statement.

HAH

The table below shows HAH's Profit & Loss Account.

GBP million	Dec-16	Dec-15	Var.	Like-for-Like
Revenues	2,809	2,767	1.5%	1.5%
EBITDA	1,683	1,845	-8.8%	4.7%
EBITDA margin %	59.9%	66.7%		
Depreciation	708	719	1.5%	1.5%
EBIT	975	1,126	-13.4%	9.7%
EBIT margin %	34.7%	40.7%		
Impairments & disposals	-7	5	240.3%	n.a.
Financial results	-1,231	-571	-115.7%	-6.2%
EBT	-263	560	146.9%	23.3%
Corporate income tax	74	-22	n.s.	-31.7%
Result from discontinued operations				n.s.
Net income	-189	538	-135.1%	20.5%
Contribution to Ferrovial equity accounted result (EUR mn)	-57	186	130.9%	20.5%

Financial Result

The HAH financial result reached -GBP1,231mn vs. -GBP571mn in 2015, mainly explained by fair value adjustments to the derivatives portfolio due to the lower interest-rate and higher inflation expectations (-GBP479mn vs. +GBP138mn in 2015).

HAH net debt

At 31 December 2016, the average cost of Heathrow's external debt was 5.26%, including all the interest-rate, exchange-rate and inflation hedges in place (vs. 4.97% in December 2015).

GBP million	Dec-16	Dec-15	Var.
Loan Facility (ADI Finance 2)	306	498	-38.5%
Subordinated	1,098	916	19.9%
Securitized Group	12,923	12,036	7.4%
Other & adjustments	-20	-14	46.1%
Total	14,307	13,437	6.5%

The net debt figure relates to FGP Topco, HAH's parent company.

UK REGIONAL AIRPORTS (AGS)

AGS Traffic

Million Passengers	Traffic		
	Dec-16	Dec-15	Var.
Glasgow	9.4	8.7	7.4%
Aberdeen	3.1	3.5	-12.2%
Southampton	2.0	1.8	9.8%
Total AGS	14.4	14.0	2.8%

In 2016, the number of passengers at the regional airports grew by +2.8% to 14.4 million, primarily thanks to the increase at Glasgow.

Traffic at **Glasgow** reached 9.4 million passengers (+7.4%). Domestic traffic improved (+5.5%), mainly thanks to the good performance of the routes to London due to higher occupancy levels at Ryanair and more flights at EasyJet, partially offset by lower performance of BA's routes to London. In the rest of the domestic market there was a notable improvement in capacity at EasyJet (Bristol and Belfast), and a good performance at Flybe, with its new routes to Cardiff and Exeter.

AGS results (like-for-like terms)

GBP million	Revenues			EBITDA			EBITDA Margin		
	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var.	Dec-16	Dec-15	Var. (pbs)
Glasgow	112.5	103.8	8.3%	52.5	42.1	24.9%	46.7%	40.5%	620.1
Aberdeen	55.9	63.4	-11.9%	21.2	25.2	-15.6%	38.0%	39.7%	-170.8
Southampton	28.7	27.6	4.2%	9.1	7.6	20.3%	31.8%	27.5%	427.0
Total AGS	197.1	194.8	1.2%	82.9	74.8	10.8%	42.1%	38.4%	365.8

International traffic increased (+9.1%) due to the growth in European traffic thanks to the good performance of Ryanair's routes to Berlin, Dublin, Riga and Sofia, the growth of Wizz Air on its routes to Bucharest, Budapest, Lublin and Vilna, Jet2, Easyjet, Blue Air, Stobart Air, and to the use of larger aircraft by KLM. This was offset by the decline in charter passengers, primarily from Thomas Cook.

Passenger numbers at **Aberdeen** reached 3.1 million (-12.2%). Domestic traffic declined (-13.8%), mainly due to the poor performance of the routes to London, due to the negative impact of the loss of Virgin Little Red (BA and Flybe have only absorbed some of their passengers) and the drop in charter passengers on the routes related to the oil business.

International traffic dropped (-6.0%), mainly due to the loss of passengers on the Scandinavian routes (oil destinations), with reduced schedules and occupancy levels at BMI, and reduced schedules at SAS and Wideroe, to the reduced schedules at Air France and Lufthansa, and to the reduced capacity at KLM due to the use of smaller aircraft. This was partially offset by Wizz Air's new route to Gdansk and Warsaw, and Icelandair's new route to Reykjavik.

Helicopter traffic also dropped (-18.3%) as a result of the reduced demand from the oil business.

Passenger numbers at **Southampton** totalled 2.0 million (+9.8%). Domestic traffic improved (+2.6%), mainly thanks to the growth on the routes to Manchester, Glasgow, Newcastle and Belfast, offset by reduced numbers of passengers on the route to Aberdeen/Leeds.

International traffic increased (+23%) due to the new routes to Charles de Gaulle, Cork, Toulon and Biarritz and the good performance of the routes to Amsterdam, Dusseldorf and Palma, offset by the decline in passengers on the routes to Malaga, Alicante and Faro.

AGS Revenue and EBITDA

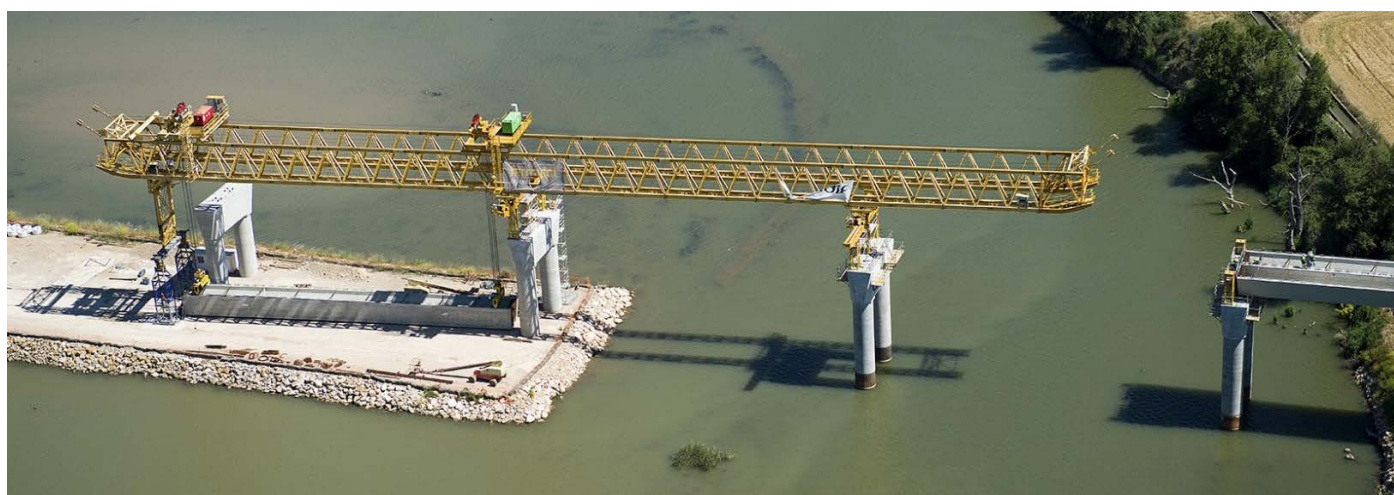
The airports posted EBITDA growth of +10.8% in 2016, on traffic growth of +2.8% and sales growth of +1.2%, coupled with a -4.8% drop in expenses driven by greater cost control.

AGS net bank debt

At 31 December 2016, the regional airports' net bank debt stood at GBP533mn.

BALANCE SHEET

	Dec-16	Dec-15		Dec-16	Dec-15
FIXED AND OTHER NON-CURRENT ASSETS	15,647	16,821	EQUITY	6,314	6,541
Consolidation goodwill	2,170	1,885	Capital & reserves attrib to the Company's equity holders	5,597	6,058
Intangible assets	503	234	Minority interest	717	483
Investments in infrastructure projects	7,145	8,545	DEFERRED INCOME	1,118	1,088
Property	6	15			
Plant and Equipment	731	491	NON-CURRENT LIABILITIES	10,409	9,327
Equity-consolidated companies	2,874	3,237	Pension provisions	174	46
Non-current financial assets	735	755	Other non current provisions	757	851
Long term investments with associated companies	374	411	Financial borrowings	7,874	6,697
Restricted Cash and other non-current assets	249	261	Financial borrowings on infrastructure projects	5,310	5,320
Other receivables	112	83	Financial borrowings other companies	2,564	1,376
Deferred taxes	1,051	1,254	Other borrowings	200	171
Derivative financial instruments at fair value	432	406	Deferred taxes	967	1,124
			Derivative financial instruments at fair value	436	438
CURRENT ASSETS	7,750	8,563	CURRENT LIABILITIES	5,556	8,428
Assets classified as held for sale	624	2,418	Liabilities classified as held for sale	440	2,690
Inventories	516	387	Financial borrowings	302	1,385
Trade & other receivables	2,828	2,320	Financial borrowings on infrastructure projects	200	1,297
Trade receivable for sales and services	2,199	1,821	Financial borrowings other companies	102	88
Other receivables	629	499	Derivative financial instruments at fair value	69	259
Taxes assets on current profits	186	135	Trade and other payables	3,893	3,258
Cash and other temporary financial investments	3,578	3,279	Trades and payables	2,299	1,982
Infrastructure project companies	277	306	Other non comercial liabilities	1,595	1,276
Restricted Cash	62	36	Liabilities from corporate tax	150	138
Other cash and equivalents	215	270	Trade provisions	702	697
Other companies	3,301	2,973			
Derivative financial instruments at fair value	18	23			
TOTAL ASSETS	23,397	25,384	TOTAL LIABILITIES & EQUITY	23,397	25,384



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Before Fair value Adjust- ments	Fair value Adjustments	Dec-16	Before Fair value Adjust- ments	Fair value Adjustments	Dec-15
Revenues	10,759		10,759	9,701		9,701
Other income	7		7	9		9
Total income	10,765		10,765	9,709		9,709
COGS	9,821		9,821	8,683		8,683
EBITDA	944		944	1,027		1,027
EBITDA margin	8.8%		8.8%	10.6%		10.6%
Period depreciation	342		342	256		256
EBIT (ex disposals & impairments)	602		602	770		770
EBIT (ex disposals & impairments) margin	5.6%		5.6%	7.9%		7.9%
Disposals & impairments	330	-6	324	185	-54	131
EBIT	932	-6	926	955	-54	901
EBIT margin	8.7%		8.6%	9.8%		9.3%
FINANCIAL RESULTS	-365	-26	-391	-498	-138	-637
Financial result from financings of infrastructures projects	-305		-305	-463		-463
Derivatives, other fair value adjustments & other financial result from infrastructure projects	-7	-12	-20	-12	-188	-200
Financial result from ex infra projects	-49		-49	-35		-35
Derivatives, other fair value adjustments & other ex infra projects	-4	-13	-18	12	49	61
Equity-accounted affiliates	214	-132	82	275	37	312
EBT	780	-164	617	732	-155	577
Corporate income tax	-245	11	-233	25	30	54
Net Income from continued operations	536	-153	383	757	-126	631
Net income from discontinued operations						
Consolidated Net Income	536	-153	383	757	-126	631
Minorities	-11	4	-7	33	56	89
NET INCOME ATTRIBUTED	525	-149	376	790	-70	720



REVENUES

	Dec-16	Dec-15	Var.	Like-for-Like
Construction	4,194	4,287	-2.2%	-2.7%
Airports	4	8	-49.9%	-68.6%
Toll Roads	486	513	-5.3%	24.8%
Services	6,078	4,897	24.1%	2.8%
Others	-4	-6	n.a.	n.a.
Total	10,759	9,701	10.9%	1.2%

EBITDA

	Dec-16	Dec-15	Var.	Like-for-Like
Construction	342	393	-13.1%	-12.8%
Airports	-18	-13	-45.7%	-54.7%
Toll Roads	297	333	-10.8%	24.9%
Services	325	312	4.2%	-12.9%
Others	-2	1	n.a.	n.a.
Total	944	1,027	-8.1%	-4.0%

DEPRECIATION

Depreciation increased by +33.5% (+14.0% LFL) to EUR342mn.

EBIT

(before impairments and disposals of fixed assets)

	Dec-16	Dec-15	Var.	Like-for-Like
Construction	313	364	-14.1%	-13.7%
Airports	-19	-13	-50.4%	-54.2%
Toll Roads	214	250	-14.4%	16.8%
Services	99	173	-42.5%	-25.5%
Others	-5	-4	n.a.	n.a.
Total	602	770	-21.9%	-9.7%

For the purposes of analysis, all comments regarding EBIT are before impairments and fixed asset disposals.

DISPOSALS & IMPAIRMENTS

The impairments and disposals of fixed assets amounted to EUR324mn at year-end 2016 (EUR131mn in 2015), mainly due to the following impacts:

- The capital gain on the sale of the Chicago Skyway toll road, which amounted to +EUR259mn (before tax).
- The capital gain on the sale of the Irish toll roads, which amounted to +EUR21mn.
- Further impairments at Autema amounting to -EUR21mn.
- The positive impact (+EUR52mn) of the deconsolidation of the SH-130 toll road (reversal of accumulated losses).

FINANCIAL RESULT

	Dec-16	Dec-15	Var.
Infrastructure projects	-305	-463	34.0%
Ex infra projects	-49	-35	-37.1%
Net financial result (financing)	-354	-498	28.9%
Infrastructure projects	-20	-200	90.2%
Ex infra projects	-18	61	-128.9%
Derivatives, other fair value adj & other financial result	-37	-139	73.1%
Financial Result	-391	-637	38.6%

Financial expenses in 2016 were less than the corresponding figure in 2015, as a combination of the following impacts:

- **Financing result:** EUR144mn drop in expenses to EUR354mn. The change compared with 2015 was primarily due to infrastructure projects:
 - Deconsolidation of the Chicago Skyway (contributed for just two months in 2016 vs. the whole of 2015).
 - Deconsolidation of the Ireland toll road debt (since February 2016 consolidated by the equity method).
 - Deconsolidation of the OLR and R4 toll roads (February and December 2015, respectively).
 - Lower financial costs at SH-130 (Chapter 11).
 - These impacts have been partially offset by the increase in expenses after the opening of the LBJ managed lanes.
- **Result from derivatives and other:** EUR101mn less financial expenses (to EUR37mn), primarily due to:
 - The extraordinary negative impact brought in 2015 by the costs resulting from Ausol and SH-130, and which did not take place in 2016.
 - This impact is partially offset by greater financial expenditure for ex-projects and specifically for the equity swaps hedging linked to the remuneration packages (financial income in 2015), although this was a non-cash item. These hedges implied expenses of -EUR18mn at year-end 2016, due to the fall in the share price in 2016, compared to the positive performance in 2015, as shown in the following table:

Date	Closing price (€)
31-Dec-14	16.43
31-Dec-15	20.86
31-Dec-16	17.00

At year-end 2016, the number of shares hedged reached 3,429,600.

EQUITY-ACCOUNTED RESULTS

	Dec-16	Dec-15	Var.
Construction	0	-3	107.2%
Services	19	31	-38.7%
Toll Roads	108	84	28.1%
Airports	-46	199	-122.8%
Total	82	312	-73.8%

At the net profit level, the equity-accounted consolidated assets contributed EUR82mn after tax (against EUR312mn in 2015).

The improvement in the Toll Roads contribution (407ETR's EBITDA increased +17.3%) did not make up for the drop at Airports (-EUR46mn in 2016 vs. +EUR199mn in 2015), due to a double impact:

- i. Heathrow's December 2015 results included a positive non-recurrent non-cash item of +GBP237mn (EUR67mn given the 25% stake held by Ferrovial), due to changes in the pension plan conditions.
- ii. Negative fair value adjustments to the portfolio of interest-rate and inflation derivatives (equity-accounted contribution impacted by -EUR160mn at year-end 2016). These derivatives relate to economic hedging, not accounting, as aeronautical revenues and the value of regulated assets are positively impacted by an increase in inflation.

The contribution made by AGS remained in line with 2015, reaching EUR12mn in 2016 vs. EUR14mn the year before.

TAXES

Corporate tax amounted to -EUR233mn vs +EUR54mn at year-end 2015, which included the recognition of tax credits from prior years.

The tax rate stood at 37.9% (or 43.6% excluding equity-accounted), there are certain extraordinary effects that distort the calculation of the effective tax rate, among which we would highlight:

- **Equity-accounted results (EUR82mn):** companies accounted using equity method which, pursuant to accounting legislation, are presented net of the related tax effect.
- **Results with no tax impact (EUR186mn):**
 - **Losses of fully consolidated concession companies in US,** in which other companies have ownership interest and are fully consolidated. The tax credit is exclusively recognised at the percentage of Ferrovial's ownership when paying tax under a fiscal

transparency regime. Therefore, the adjustment (EUR42mn) corresponds to the tax credit attributable to the other shareholders of the company.

- **Chicago Skyway divestment result:** goodwill allocated to the toll road (EUR 132mn) has been discharged as a result of the sale of the highway (thereby reducing capital gains), with no fiscal impact.

Excluding these extraordinary items, the effective tax rate would be of 32%.

NET PROFIT

Net profit stood at EUR376mn (EUR720mn in 2015). The difference is primarily due to a series of extraordinary impacts in 2016 and 2015:

- **Main extraordinary impacts in 2016:**
 - Positive impact of the capital gain on the sale of the Chicago Skyway: +EUR103mn; and the Irish toll roads: +EUR21mn.
 - Non-recurrent items at HAH: -EUR107mn (vs. +EUR139mn in 2015).
 - The positive impact (+EUR30mn) of the deconsolidation of the SH-130 toll road (reversal of accumulated losses).
 - Impact of fair value adjustments to derivative instruments: -EUR31mn (vs. -EUR53mn in 2015).
 - Impact of the impairment at the Autema toll road: -EUR21mn (vs. -EUR54mn in 2015).
- **Additionally, in 2015:** There was an extraordinary positive impact due to the removal from the perimeter of Ocaña-La Roda and R4 (EUR+122mn).

NET DEBT AND CORPORATE CREDIT RATING

NET DEBT

The net treasury position, excluding infrastructure projects, stood at EUR697mn at 31 December 2016 vs. EUR1,514mn in December 2015.

The main drivers of this decline in the net cash position ex-infrastructure projects included the following:

- **Investment stream of -EUR985mn** (vs. -EUR374mn in 2015), which breaks down as follows:
 - Investment via company acquisitions (-EUR629mn in 2016 vs. -EUR12mn in 2015): highlighting the acquisition of Broadpectrum in Services for -EUR499mn and Transchile in the Airports division for -EUR69mn.
 - Investments related to the organic growth of the company, which reached -EUR356mn in 2016 (-EUR362mn in 2015), and which include fixed asset investments, as well as the Toll Road share capital increases.
- **Shareholder remuneration (-EUR544mn)**, comprising the cash payment of the scrip dividend of -EUR226mn and the share buy-back for -EUR317mn. Dividends to minorities in subsidiaries also reached -EUR23mn.
- **Tax payments in the amount of -EUR125mn.**
- **Interest payments in the amount of -EUR48mn.**
- **Consolidation of Broadpectrum's net debt (-EUR435mn).**

The above-mentioned impacts were partially offset by the following positive factors:

- **Dividends received from projects amounting to EUR477mn**, of which EUR290mn to Toll Roads, EUR134mn to Airports, EUR49mn to Services and EUR4mn to Construction.
- **Disposals amounting to EUR340mn** (vs. EUR74mn in 2015) after the completion of the sales of the Chicago Skyway (EUR230mn) and the Irish toll roads (EUR59mn).

Project net debt stood at EUR4,963mn (EUR6,057mn in December 2015). This net debt includes EUR641mn that relates to toll roads under construction (NTE 35W and I-77).

The main drivers of the net treasury position of the infrastructure projects vs. December 2015, were due to changes to the perimeter during 2016:

- Deconsolidation of SH-130 (EUR1,421mn), following the loss of control of the asset.

- Deconsolidation of the debt of the Portuguese toll roads (+EUR323mn), which are expected to be sold in the coming months has been reclassified as liabilities held for sale.

The Group's **consolidated net Group debt** at 31 December 2016 stood at EUR4,266mn (compared with EUR4,542mn in December 2015).

	Dec-16	Dec-15
NCP ex-infrastructures projects	697	1,514
Toll roads	-4,426	-5,518
Others	-537	-539
NCP infrastructures projects	-4,963	-6,057
Total Net Cash Position	-4,266	-4,542

	Dec-16	Dec-15
Gross financial debt	-8,093	-8,083
Gross debt ex-infrastructure	-2,584	-1,465
Gross debt infrastructure	-5,510	-6,618
Gross Cash	3,827	3,540
Gross cash ex-infrastructure	3,301	2,973
Gross cash infrastructure	526	567
Total net financial position	-4,266	-4,542

CORPORATE CREDIT RATING

Agency	Rating	Outlook
S&P	BBB	Stable
Fitch Ratings	BBB	Stable

EX-PROJECT DEBT MATURITIES

Year	Corporate debt maturities
2017	15
2018	526
2019	352
2020	256
2021 - 2030	1,329
2031 - 2040	7
2041 - 2050	7

CONSOLIDATED CASH FLOW

Dec-16	Ex-infrastructure projects Cash Flow	Infrastructure projects Cash Flow	Adjustments	Total Cash Flow
EBITDA	502	442		944
Dividends received	477		-50	427
Working capital variation (account receivables, account payables and others)	16	-68		-52
Operating flow (before taxes)	995	373	-50	1,319
Tax payment	-125	-23		-147
Tax return from previous exercises				
Operating Cash Flow	870	351	-50	1,172
Investments	-985	-388	72	-1,301
Divestments	340			340
Investment cash flow	-645	-388	72	-961
Activity cash flow	226	-38	22	210
Interest flow	-48	-303		-351
Capital flow from Minorities	2	122	-72	53
Scrip dividend	-226			-226
Treasury share buy-back	-317			-317
Ferrovial shareholder remuneration	-544			-544
Other shareholder remuneration for subsidiary minorities	-23	-50	50	-24
Forex impact	-9	-111		-119
Variation of Bridge Loans (project financing)				
Changes in the consolidated perimeter	-440	1,702		1,262
Other debt movements (non cash)	18	-230		-212
Financing cash Flow	-1,043	1,131	-22	66
Net debt variation	-817	1,093		276
Net debt initial position	1,514	-6,057		-4,542
Net debt final position	697	-4,963		-4,266

Dec-15	Ex-infrastructure projects Cash Flow	Infrastructure projects Cash Flow	Adjustments	Total Cash Flow
EBITDA	580	447		1,027
Dividends received	477		-78	399
Working capital variation (account receivables, account payables and others)	-168	-67	0	-234
Operating flow (before taxes)	889	380	-78	1,191
Tax payment	-29	-31		-61
Tax return from previous exercises				
Operating Cash Flow	860	349	-78	1,130
Investments	-374	-556	92	-839
Divestments	74			74
Investment cash flow	-300	-556	92	-765
Activity cash flow	560	-208	13	366
Interest flow	-35	-309		-344
Capital flow from Minorities	-1	213	-92	121
Scrip dividend	-267			-267
Treasury share buy-back	-265			-265
Ferrovial shareholder remuneration	-532			-532
Other shareholder remuneration for subsidiary minorities	-40	-83	78	-44
Forex impact	-23	-498		-521
Other equity movements		-5		-5
Variation of Bridge Loans (project financing)				
Other debt movements (non cash)	-47	2,695		2,648
Financing cash Flow	-678	2,014	-13	1,322
Net debt variation	-118	1,806	0	1,688
Net debt initial position	1,632	-7,862		-6,230
Net debt final position	1,514	-6,057	0	-4,542

EX-INFRASTRUCTURE PROJECT CASH FLOW

Cash flow from ex-project operations

At year-end 2016, cash flow from ex-infrastructure project operations reached EUR995mn (pre-tax), improving on the 2015 of EUR889mn. This improvement was primarily the result of **balanced contributions with higher dividends from infrastructures (+6.2%) and improved operating cash flow from Services** (which improved significantly in the final quarter). This good performance has enabled the company to increase shareholder payments (EUR544mn against EUR532mn in 2015), as well as carry out the investments required for the organic growth of the company (EUR356mn).

Uses of Operating cash flow (pre-tax)	dic-16
Operating cash flow (pre-tax)	995
Organic Investments	-356
Activity cash flow (pre-tax)	639
Ferrovial shareholder remuneration	-544
Inorganic Investments	-289
Acquisition of companies	-629
Divestments	340
Others (mainly BRS debt)	-428
Taxes	-125
Interest flow	-48
Other shareholder remuneration for subsidiary minorities (Budimex)	-23

Changes in cash flow from ex-Infrastructure project operations by segment in 2016 as compared with 2015 are shown in the following table:

Operating cash flow	Dec-16	Dec-15
Construction	245	272
Services	395	289
Dividends from Toll roads	290	267
Dividends from Airports	134	132
Other	-69	-70
Operating flow (before taxes)	995	889
Tax payment	-125	-29
Total	870	860

The entry "Other" includes the revenues from operations corresponding to Corporate Business, Airports, Toll Roads and Real Estate, as well as remuneration systems linked to the share price of the Airports, Toll Roads and Corporate divisions.

The higher tax payments, is mainly due to the integration of Broadpectrum, which paid its tax during the seven months when it was consolidated.

The following table shows a breakdown of the cash flow from **Construction and Services**:

Construction	Dec-16	Dec-15
EBITDA	342	393
EBITDA from projects	13	13
EBITDA Ex projects	329	380
Dividends received	4	0
Settlement from completed works (provisions & others)	-124	-111
Changes in factoring	12	-118
Ex Budimex Working Capital	38	-9
Budimex Working Capital	-13	130
Working capital variation (account receivables, account payables and others)	-87	-109
Operating Cash Flow before Taxes	245	272

Services	Dec-16	Dec-15
EBITDA	325	312
EBITDA from projects	85	74
EBITDA Ex projects	241	237
Dividends received	49	78
Changes in factoring	47	0
Pensions payments UK	-15	-19
Ex UK Working Capital	86	58
UK Working Capital	-13	-66
Working capital variation (account receivables, account payables and others)	106	-27
Operating Cash Flow before Taxes	395	289

The following table shows the **Services** business detail:

	Spain	UK	Broad-spectrum	International	Services
EBITDA Ex-infrastructure	124	20	84	13	241
Dividends received	15	20	8	6	49
Changes in factoring	47	0	0	0	47
Pension scheme payments	0	-15	0	0	-15
Working capital	43	-13	44	-1	73
Op. cash flow ex-Taxes	230	12	135	17	395

Cash flow from **Toll Roads** at December 2016 includes EUR290mn from dividends and repaid shareholder equity from companies owning toll road infrastructure projects. The detail is shown in the following table.

Dividends and Capital reimbursements	Dec-16	Dec-15
ETR 407	244	242
Irish toll roads	2	7
Portuguese toll roads	37	17
Greek toll roads	0	0
Spanish toll roads	3	0
Other	5	0
Total	290	267

Dividends from **Airports** (EUR134mn) correspond to dividends received from HAH (EUR96mn) and the regional airports (EUR38mn).

Airports	Dec-16	Dec-15
HAH	96	95
AGS	38	38
Total	134	132

Ex-project investment cash flow

The following table shows the breakdown by business segment of investment streams, excluding Infrastructure projects, with a separate entry in each case for the amounts paid for investments undertaken and the amounts received from divestments made:

Dec-16	Investment	Divestment	Investment Cash Flow
Construction	-76	2	-74
Services	-706	48	-658
Toll roads	-113	289	176
Airports	-73	0	-73
Others	-17	1	-16
Total	-985	340	-645

Dec-15	Investment	Divestment	Investment Cash Flow
Construction	-46	16	-30
Services	-207	0	-207
Toll roads	-120	58	-62
Airports	0	0	0
Others	-1	0	-1
Total	-374	74	-300

The gross investment stream of EUR985mn, is broken down as follows:

- **Inorganic growth investments** amounted to **-EUR629mn** by year-end, highlighting the acquisition of Broadspectrum in the Services division (-EUR499mn) and Transchile in the Airports division for -EUR69mn.
- The Company's **organic growth investments** totalled **-EUR356mn** in 2016, including the fixed asset investments and the share capital increases in the Toll Roads division (-EUR113mn), particularly noting the US toll road under construction NTE 35W, the 407EDG toll road in Canada and the *Ruta del Cacao* in Colombia. It also includes the acquisition of minority stakes in the Algarve and Norte Litoral (Portugal).

The following table shows Cintra's capital investment in infrastructure projects:

Equity investment in toll roads	Dec-16	Dec-15
LBJ	0	-41
NTE	0	-3
NTE 35W	-53	-44
SH-130	0	0
Spanish toll roads	-5	-3
Portuguese toll roads	-26	-3
Greek toll roads	0	0
Others	-29	-26
Total	-113	-120

In terms of disposals in 2016, we would highlight Cintra, for the sale of the Chicago Skyway for +EUR230mn; and the Irish toll roads (+EUR59mn), as well as UK services, sale of a fleet of lorries for +EUR30mn.

As regards divestment in 2015, particular mention should be made of Cintra and its sale of ITR for a total of +EUR45mn.

Ex-project financing cash flow

Financing streams include:

- **Shareholder remuneration:** -EUR544mn for Ferrovial shareholders, which includes the cash payment of the scrip dividend of -EUR226mn and the share buy-back for -EUR317mn. Dividends to minorities in subsidiaries reached -EUR23mn.
- **Net interest payments for the year** (-EUR48mn).
- **Exchange rate impact** (-EUR9mn), which originates from the operating cash for the businesses outside the Eurozone and the positions held in currencies, mainly in Polish Zloty and Australian dollars (-EUR30mn), offset by exchange rate derivatives (+EUR21mn).
- **Other non-cash flow debt movements** (-EUR422mn), where particular mentions should be made of the **consolidation of book net debt movements brought by Broadspectrum** (-EUR435mn). This section also includes book debt movements that do not affect cash flow, such as interest that has been accrued and remains unpaid, mainly resulting from interest accrued from corporate bonds.

INFRASTRUCTURE PROJECT CASH FLOW

Cash flow from project operations

As regards cash flows for companies that own Infrastructure project concessions, these basically include revenues from those companies that are currently in operation, though they also include VAT refunds and payments corresponding to projects currently in the construction phase.

The following table shows a breakdown of cash flow operations for Infrastructure projects.

	Dec-16	Dec-15
Toll roads	250	295
Other	101	53
Operating flow	351	349

Project investment cash flow

The following table shows a breakdown of the investment cash flow for infrastructure projects, basically payments made in respect of capex investments over the course of the year.

Investment cash flow	Dec-16	Dec-15
LBJ	-10	-183
North Tarrant Express	-14	-31
North Tarrant Express 35W	-267	-255
SH-130	-10	-2
Portuguese toll roads	-2	-3
Spanish toll roads	-3	-15
Chicago	0	-4
Other	-54	-42
Total toll roads	-361	-535
Other	-43	-152
Projects total	-404	-687
Equity Subsidy	16	131
Total investment cash flow (projects)	-388	-556

As regards investment cash flow, particular mention should be made of the investment in concessions under construction in the Toll Roads business in 2016, notably in the USA (NTE Extension and I-77).

Project financing cash flow

Financing cash flow includes the payment of dividends and the repayment of equity by concessionary companies to their shareholders, along

with the payments for share capital increases received by these companies. In the case of concession holders, which are fully integrated within the consolidated Group, these amounts represent 100% of the amounts paid out and received by the concession-holding companies, regardless of the percentage share that the Group holds in such concessions. No dividend or Equity repayment is included for companies accounted for by the equity method.

The interest cash flow refers to the interest paid by the concession-holding companies, together with other fees and costs closely related to the acquisition of financing. The cash flow for these items relates to interest costs for the period, along with any other item that represents a direct change in the net debt amount for the period.

Interest Cash Flow	Dec-16	Dec-15
Spanish toll roads	-132	-65
US toll roads	-88	-152
Portuguese toll roads	-38	-42
Other toll roads	-3	-15
Total toll roads	-260	-274
Other	-43	-35
Total	-303	-309

The financing cash flow also includes the impact that changes in the interest rate have had on the debt held in foreign currency, which in 2016 was a negative impact in the amount of -USD111mn, mainly as the result of the appreciation of the US dollar against the euro, a circumstance that had a significant effect on the net debt figure for the American toll roads.

Finally, the entry "Other debt movements (non-cash)" (+EUR1,472mn), includes those items that represent a variation in the book debt amount but do not involve any actual cash movement; particular mention should be made of the debt reduction for the deconsolidation of the SH-130 Concession company (EUR1,421mn) and the classification of assets being held for sale of the Portuguese toll roads, which are expected to be sold in the coming months (EUR323mn), as well as the reclassification as debt of the fair value balance amount for the SH-130 derivative (-EUR143mn).

SHAREHOLDERS REMUNERATION

In 2016, Ferrovial paid a total of EUR544mn to its shareholders (EUR317mn via share buy-back and EUR226mn via scrip dividends), which is more than the amount paid in 2015 (EUR532mn).

	Ferrovial shareholder remuneration	Share buy-back	Ferrovial Flexible Dividend
2016	544	317	226
2015	532	265	267
2014	510	235	275

DIVIDEND

The Company held its AGM on 4 May 2016. The AGM approved, for the third consecutive year, two share capital increases by means of the issuance of new ordinary shares, with no issue premium, of the same class and series as those currently in circulation, charged to reserves.

These increases form part of the shareholder remuneration system, known as the “**Ferrovial Flexible Dividend**”, which the company introduced in 2014, and that replace what would have been the traditional complementary dividend payment for 2015 and the 2016 interim dividend.

This programme offers all the company’s shareholders the option, at their choice, of receiving free new shares in the company, or alternatively receive a cash payment by means of selling the free rights that they receive against the shares they already own to the Company (or selling them in the market).

<i>Scrip Dividend Details</i>	Jun-16	Nov-16
Guaranteed set price to purchase rights	0.311	0.408
Rights per share	58	45
% shareholders chose shares as dividend	58.896%	56.04%
% shareholders chose cash as dividend	41.104%	43.96%
Number of new shares issued	7,435,172	9,210,953
Number of rights purchased	300,971,002	325,153,323

SHARE BUY-BACK AND CANCELLATION

The buy-back programme ended, as agreed at the AGM, on 18 November 2016, after the company had acquired 15,547,735 of its own shares (which therefore did not exceed the planned maximum limit of EUR275mn or 19 million shares).

The share capital was subsequently reduced by EUR3,261,745 by means of the cancellation of 16,308,725 treasury shares held in the Company’s own portfolio, including 760,990 treasury shares held prior to the Board of Directors’ proposal, approved at the General Shareholders Meeting, to reduce the company’s capital.

The share capital comprises **732,548,474** ordinary shares of one single class, each with a par value of twenty euro cents (EURO.20), (the share capital as of 31 December 2016 was EUR146,509,694.80).

SHAREHOLDER STRUCTURE

In August 2015, Portman Baela, S.L. and Karlovy, S.L., transferred all the capital that they held in Ferrovial to their associates. After the aforementioned transaction, the effects of the earlier shareholder agreement for Ferrovial, S.A. between these shareholders no longer applies.

Recent changes in the interest of Siemprelara S.L.U. (company controlled by Leopoldo del Pino y Calvo-Sotelo):

- On 13 January 2016, UBS Limited proceeded with the placement of a package of 30,387,965 shares in the company Ferrovial, S.A., representing approximately 4.15% of the company’s share capital, by order of Siemprelara S.L.U., at a price of EUR19.07 per share. These were placed with qualified investors. Additionally, on 21 January 2016, Leopoldo del Pino y Calvo-Sotelo announced his resignation from the Board of Directors.
- On 14 July 2016, Siemprelara S.L.U. informed the CNMV (Spanish securities market regulator) that it had increased its stake in Ferrovial S.A. to 5.003%.

Following the aforementioned transactions, and as published at the CNMV, **the significant shareholdings in Ferrovial S.A.** are now as follows:

- Rijn Capital BV**, (a company controlled by Rafael del Pino y Calvo-Sotelo): 20.3%
- Menosmares, S.L.U.**, (a company controlled by María del Pino y Calvo-Sotelo): 8.2%
- Siemprelara S.L.U.**, (a company controlled by Leopoldo del Pino y Calvo-Sotelo): 5.0%
- Soziancor, S.L.U.**, (company controlled by Joaquin del Pino y Calvo-Sotelo): 2.5%.

Following the close of the financial year, on 9 February 2017, Blackrock notified the CNMV that it had increased its stake in Ferrovial S.A. to 3.2%.

In addition to this, on 19 January 2017, Fidelity International Limited informed the CNMV that it held a stake of 1.007% in Ferrovial.

APPENDIX I: EXCHANGE-RATE MOVEMENTS

Exchange rates expressed in units of currency per Euro, with negative variations representing euro depreciation and positive variations euro appreciation.

	Exchange-rate Last (Balance sheet)	Change 16/15	Exchange-rate Mean (P&L)	Change 16/15
GBP	0.8545	15.86%	0.8230	13.72%
US Dollar	1.0547	-2.94%	1.1034	0.01%
Canadian Dollar	1.4185	-5.60%	1.4590	2.51%
Polish Zloty	4.4046	3.25%	4.3606	4.32%
Australian Dollar	1.4615	-1.95%	1.4853	0.34%

APPENDIX II: ADDITIONAL INFORMATION

TREASURY SHARES TRANSACTIONS:

I. Transaction performed/objective	Number of shares	% of capital	Nominal (thousand euros)	Amount paid (thousand euros)	Number of shares applied to the objective	Total number of shares
II. Closing balance at 31 December 2015						954,805
Capital reduction	15,547,735	2.1%	3,110	-275,000	-16,308,725	-760,990
Discretionary and other	2,407,250	0.3%	481	-42,255	0	2,407,250
Compensation systems	2,670,561	0.4%	534	-50,586	-2,871,399	-200,838
Shares received as payment for the flexible dividend	374,947	0.1%	75	0	0	374,947
III. Closing balance at 31 December 2016						2,775,174

AVERAGE PAYMENT PERIOD

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 of all the Group companies domiciled in Spain in 2016 was 55 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	55	48
Ratio of transactions settled	55	48
Ratio of transactions not yet settled	53	53

	Amount (eu-ros)	Amount (eu-ros)
Total payments made	1,108,783,232	1,007,118,250
Total payments outstanding	52,916,260	54,792,695

The mutual intra-group commercial transactions between companies belonging to the Ferrovial Group are not included in the consolidation process, meaning the consolidated balance sheet contains no outstanding balances due to companies within the group. Thus, the information detailed in the previous table refers solely to suppliers outside of the Group, noting for information purposes that the average payment period between Group companies is generally 30 days.



PHOTO: Construction of Silver Bridge, Texas, (USA).



A REALITY CALLED AUSTRALIA

Australia become one of the strategic markets over recent years. The acquisition of Broadspectrum reinforces Services, but also the rest of the businesses. Australia is a large market, with many infrastructure projects underway. It is central for the development of Ferrovial because of its stability and sustained economic growth.

The initial entry took place at the start of this decade with the acquisition and subsequent sale of Sydney Airport. Currently, Cintra is developing Toowoomba Second Range, valued at 1,100 M€; while Ferrovial Agroman is constructing the Pacific Highway and the accesses to Northern Beaches Hospital in Sydney. Broadspectrum manages a order book of around 5,500 M€. Ferrovial has registered sales in Australia of 1,600 M€ and provides jobs for 15,000 people. Australia is already a reality for Ferrovial.



PHOTO: Works for the Australian Department of Defence.

PEOPLE

EMPLOYEES

96,001
IN 25 COUNTRIES

TURNOVER RATE

5.11%
VOLUNTARY

COMMITTED EMPLOYEES

84%
67% PARTICIPATION IN THE 2015 EMPLOYEE SATISFACTION SURVEY

TALENT

OPTIMIZE THE ORGANIZATION
TALENT MOBILITY.
CORPORATE UNIVERSITY

COMMITMENT

BE A MODEL EMPLOYER.
PROMOTE A FLEXIBLE WORK ENVIRONMENT

CULTURE

DEVELOP LEADERS FOR AN INNOVATIVE CULTURE

Operational excellence and innovation in Ferrovial are made possible by the talent and commitment of its team.

Over 96,000 people work in the company to offer the best solutions in the markets where it operates.

Ferrovial offers its employees a project that encourages them to perform better every day and provides the tools needed to develop their capacities to reach the levels of excellence demanded by the projects and markets in which it operates.

Ferrovial is committed to the management of diversity as a business, social and legal imperative, as well as complying with current legislation on equal opportunity in each of the areas where it operates. Among its strategic priorities are the development of an inclusive style of leadership adapted to the special nature and differences of people and countries.

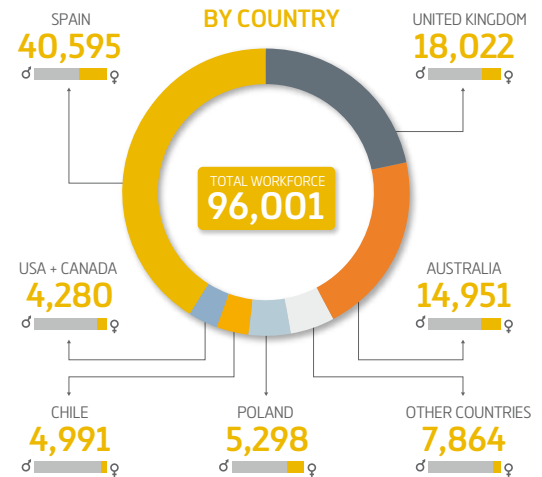
The Human Resources strategy is focused on three areas: Talent, Commitment and Culture.

TALENT

In 2016, with the aim of preparing the leaders of the future, a number of initiatives were implemented based on internal mobility and the development of the necessary capabilities:

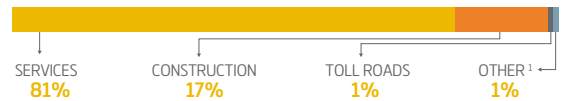
- A new model of skills for 360° evaluation, for which the highest executive level has been evaluated. The aim is to reflect the continuous adaptation of the executive profile as the promoter of a culture adapted to the different multicultural environments. In 2016 a total of 144 executives were evaluated (22% more than in the previous evaluation). The resulting action plans are accompanied by coaching processes and other individual development actions.
- Implementation of the 70/20/10 development model to boost professional development, with a learning model in which 70% of the preparation for the future takes place in the day-to-day environment, resolving daily challenges that form part of employee goals, carrying out tasks and solving problems; 20% through the feedback received and learning from colleagues; and 10% through training. This model has identified the best development actions in the evaluation process in which 30,039 people were involved.

WORKFORCE DESCRIPTION

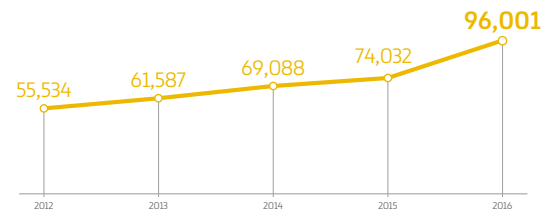


71% MEN
29% WOMEN

EVOLUTION



CHANGE



(1) Includes the workforce of Corporation (0.44%), Airports (0.03%) and Real-Estate (0.13%)

- Use of advanced analytical methodologies in people management data. A project has been initiated for this purpose that analyzes the data that allow a more efficient management and an increase in the capacity for predicting the labor force needed for the future. This project demonstrates that the combination of technology, talent and innovation is a competitive advantage.

COMMITMENT

Ferrovial seeks the involvement and commitment of its employees. With the aim of offering a unique and differential experience for each, a global project has been implemented for the design of the New Employee Value Proposition, which includes elements valued by the employees apart from their remuneration. In 2016 the first pilot project was carried out in the United States, with a participation rate of 44%. It will continue next year.

According to the latest Employee Satisfaction Survey carried out on 100% on the centralized management personnel, 84% of employees are committed to the organization and 7 out of 10 employees recommend Ferrovial as the best place to work. In 2016 the company obtained the Top Employers Spain certificate and achieved 120,000 followers on LinkedIn Spain.

One of the elements of Ferrovial's commitment to its employees and talent retention is reflected in its remuneration policies. They are established according to criteria based on competitiveness in the relevant markets in which it operates. They include:

The **Variable Remuneration System**, which covers 14% of the staff, 13,868 employees, based on the company's targets. If only the structural personnel are considered, in other words personnel not subject to contracts, the percentage increases to 100% of the employees.

The company's **Flexible Remuneration Plan** allows employees to amend their remuneration packages on a voluntary basis and according to their personal needs, replacing part of their remuneration for specific products in order to optimize available cash flows.

The **Share-Based Remuneration Plans** were also in place again during the year. In 2016, 2,042 employees opted for payment of part of the remuneration in company shares.

In addition, Ferrovial has a **Long-Term Variable Remuneration Scheme** consisting of share-based remuneration plans for 324 executives and managers in the company. In order to be eligible, they must remain in the company for a specified period (currently three years) and certain targets must be achieved that are linked to internal or external metrics reflecting economic and financial targets and/or value creation for the company.

CULTURE

In view of the current trends in digital transformation, the company makes provides employees with the appropriate tools to foster a collaborative work environment that is open and inclusive, and that promotes innovation. In 2016 the company received the Hudson Prize for best Human Resources Department for its corporate social network Coffee. It is available to 16,000 employees around the world.

Since 2011 over 2,500 professionals have been trained in innovative methodology and 6,100 employees have taken part in the different internal initiatives that promote innovation, such as the Zuritanken, Innovate, Dragon and CintraSpirit awards. The company promotes internal recognition, which has led to more than 3,500 projects to be launched in 2016.

20.19 STRATEGIC CR PLAN

Guarantee a labor environment that favors a flexible work culture

Boost talent and favor employability through training, reduce the digital gap and encourage people to pursue STEM (Science, Technology, Engineering, Mathematics) careers

Manage diversity as an element of competitive differentiation

CORPORATE UNIVERSITY

Created in 2007, the Corporate University is a fundamental pillar for the development of Ferrovial professionals. It represents:

- A meeting place that acts as a catalyst for learning and knowledge.
- A forum for exchange that fosters synergies and opportunities for global business.
- A school that creates a unique corporate leadership model to prepare innovative leaders and teams capable of anticipating the future and acting as internal models.

In 2016, the university has consolidated its role as an open space (Open University). True to its slogan, it helps to think, create and share knowledge.

On-site training supported by leaders of the organization and the knowledge of internal experts plays a vital role in continuous learning.

FOLLOWERS

283,892

ON GROUP LINKEDIN PROFILE

HOURS OF TRAINING

712,268

MILESTONES

NEW SCHEME OF SKILLS FOR 360° EVALUATION

IMPLEMENTATION OF THE 70/20/10 MODEL OF PROFESSIONAL DEVELOPMENT

TOP EMPLOYERS SPAIN CERTIFICATE

HUDSON AWARD TO THE BEST HUMAN RESOURCES DEPARTMENT FOR ITS CORPORATE SOCIAL NETWORK



HEALTH AND SAFETY

FREQUENCY RATE⁽¹⁾⁽²⁾

-25.0%

FREQUENCY RATE WITH CONTRACTORS⁽¹⁾⁽⁴⁾

-16.2%

MORE THAN 216 MILLION HOURS WORKED

SEVERITY RATE⁽²⁾⁽³⁾

-23.2%

MILESTONES

ESTABLISHMENT OF A ROADMAP TO ALIGN THE MANAGEMENT SYSTEMS OF EACH BUSINESS

REDUCTION IN THE FREQUENCY AND SEVERITY RATES

IMPROVEMENT IN THE PROCESS OF REPORTING PROACTIVE INDICATORS.

Ferrovial works hard to create risk-free environments for all employees, as well as for the users of infrastructures and services.

Two principles govern their action: Target Zero and the idea that any accident can be avoided.

MANAGEMENT COMMITMENT

In 2015, the Board of Directors of Ferrovial approved a new Health and Safety Policy for the whole company, establishing the objective of developing risk-free working environments, based on the conviction that any accident is avoidable.

The maximum executive level of Ferrovial supervises the functions and responsibilities in Health and Safety. Thus the CEO reports the information related to this matter periodically to the Board of Directors. In addition, in all the areas the person responsible for Health and Safety is part of the Business Committee. The annual meeting of Ferrovial Executives begins with this subject.

MANAGEMENT SYSTEMS

The company is committed to the gradual extension of standardized management systems in all business areas under corporate standards. The requirements have therefore been defined that the companies in the group must comply with to achieve an accident-free working environment.

Last year, a roadmap was established to align the management systems in each business area, taking into account the necessary resources and tools. The changes include a new reporting system that gives a greater weight to leading indicators, geared to strengthening the culture of Health and Safety, as a lever for change towards a new model for managing Health and Safety in Ferrovial.

In addition, as part of the roadmap designed to boost Health and Safety, minimum safety standards have been defined for each of the business areas based on an analysis of their critical risks.

Amey has implemented a new simplified management system in line with this scheme of mandatory minimums for significant risks and the requirements established in Ferrovial. At the same time, the IT platform has been renewed to make mobile access easier from work sites.

The company considers inspection, monitoring and participation in the workplace to be a crucial component. The Health and Safety Department carries out an exhaustive on-site monitoring of safety conditions. In 2016 this has led to a total of 81,634 inspections and audits, 52.3% more than in 2015.

All the Health and Safety measures designed to avoid any type of accident have maintained the declining trend in the frequency and severity indices in 2016.

WORKER PARTICIPATION AND TRAINING

The Ferrovial workplaces promote participation of all the workers in detecting insecure acts and situations. Motivational campaigns have been run so that the workers can propose new measures designed to improve conditions in the workplaces.

Ferrovial has spent years increasing its training efforts to involve workers increasingly in the common goal of creating risk-free workplaces.

The company has programs such as the SAFE (Safety Awareness for Ferrovial Employees) Project, whose aim is to involve all the employees in improving Health and Safety on site. Ferrovial Agroman has successfully implemented it in some projects. It affects executives, who demonstrate leadership in safety through specific visits; middle managers, who are appointed leaders and make SAFE inspections; as well as manual workers, who based on their experience in the workplace, make proposals for improvement in working conditions and/or implemented measures. The situations detected, along with those identified in the inspections carried out by the Health and Safety Department, are analyzed jointly with the site manager and the Health and Safety officers and expert assigned to the project, at the periodic meetings that define the actions to be taken to improve safety conditions.

"YO CUIDO MIS MANOS" CAMPAIGN

Steel Ingeniería, the mining services company in Chile, has launched the *Yo cuido mis manos* (I care for my hands) campaign. Within the mining sector a very high percentage of accidents affect the hands. That is why a campaign was launched encouraging the participation of workers, to propose and help implement new ideas for the prevention of accidents to hands.



(1) Year-on-year variation in the index giving the number of accidents occurring during working hours that lead to days lost, for every million hours worked.
 (2) Includes Broadpectrum data for the full year 2016. The variation over 2015 excluding Broadpectrum results in a decrease of -8.4% in the frequency rates and -6% in the severity rate.
 (3) Year-on-year change in the index giving the number of days lost as a result of occupational accidents for every thousand hours worked.
 (4) Broadpectrum data not included.



In addition, Ferrovial Agroman Chile has run the Risk Aversion Test initiative designed to detect potential factors in the reactions and performance of workers on site, using tools approved by the Chilean government, interviews and a variety of tests. The critical teams are composed of those receiving the best scores and the rest improve in the advancement workshops. Using questions that project situations of danger is a way of detecting those who recognize certain situations as dangerous and those who consider them normal.

Amey's Health and Safety Target Zero campaign has been recognized by the HR Excellence Awards 2016 with a first prize in the Most Effective Use of Internal Communications category. The initiative includes a number of communication actions, among them the audiovisual report "Please Wake Up", which tries to help employees understand the emotional impact produced when an occupational accident occurs.

ROAD SAFETY PLAN

In 2016 a Road Safety Plan was prepared, developing a Safe and Sustainable Mobility framework for all Ferrovial workers.

At the end of 2015, the company signed a collaboration agreement with Fesvial (the Spanish Road Safety Foundation) with the aim of reducing accidents "in itinere" and "in mission". Fesvial is a benchmark in Spain in the area of road safety; its trustees include the Spanish Ministries of Interior, Employment and Health and the Madrid City Council.

In 2016 Cintra launched an international campaign with the message "Elige conducir de forma segura" (Choose to Drive Safely). The aim was to raise the awareness of employees and drivers that safe and responsible driving behavior can save lives. In the three months of summer, the

20.19 STRATEGIC CR PLAN

Guarantee a safe and healthy working environment, developing action plans to improve the accident rates under the "harm-free workplaces" premise and involving the workers in Behavioral- Based Safety programs

campaign was focused on spreading road safety information via media such as posters, leaflets and videos. All this material was made known both physically along all the highways, and online through the websites (cintrasafety and ferronet) as well as via email and the social media.

COMMITMENT TO INNOVATION

Ferrovial believes that new standards of performance, technology and safety measures can be developed through innovation, contributing to the achievement of the aspirational "Zero Target" goal. Among the main lines of action in innovation, discussed in the section dedicated to this subject, is the application of technologies in the area of Health and Safety.

One example of this is the Warning Presence of People (WPP) to eliminate accidents in tunnels, where the interaction between man and machine is more complex. It combines sensor technologies (wearable devices) with localization in confined areas to produce a system of proximity warnings and alerts.

HOURS OF HEALTH AND SAFETY TRAINING⁽¹⁾

940,585
+10.3%

HEALTH AND SAFETY INSPECTIONS AND AUDITS⁽¹⁾

81,634
+52.3%

ACTIVITY

85%

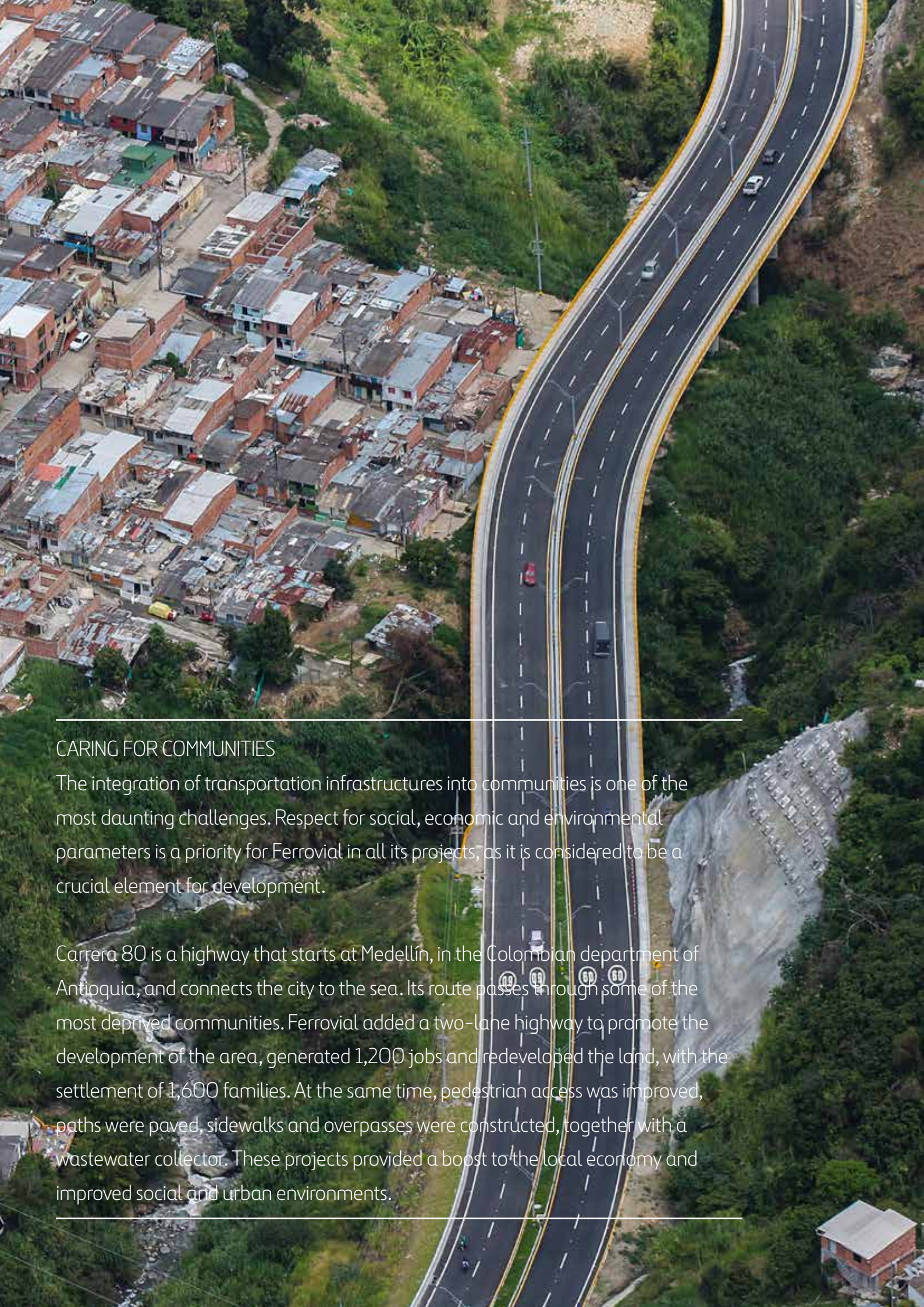
UNDER SAFETY MANAGEMENT SYSTEMS

Marcelo Ocampo, CEO of Steel Ingeniería:

“Safety is a long journey; you can always take one more step: it's a permanent journey”

“The recipe for safety is patience and daily perseverance”

(1) Includes Broadpectrum data for the full year 2016. The variation over 2015 excluding Broadpectrum entails an increase of 0.67% in training hours and 944% in Health and Safety inspections and audits.



CARING FOR COMMUNITIES

The integration of transportation infrastructures into communities is one of the most daunting challenges. Respect for social, economic and environmental parameters is a priority for Ferrovial in all its projects, as it is considered to be a crucial element for development.

Carrera 80 is a highway that starts at Medellín, in the Colombian department of Antioquia, and connects the city to the sea. Its route passes through some of the most deprived communities. Ferrovial added a two-lane highway to promote the development of the area, generated 1,200 jobs and redeveloped the land, with the settlement of 1,600 families. At the same time, pedestrian access was improved, paths were paved, sidewalks and overpasses were constructed, together with a wastewater collector. These projects provided a boost to the local economy and improved social and urban environments.

INNOVATION

Ferrovial believes that innovation is a difference maker that enables the company to lead the transformation of infrastructures and services, providing customers and users with solutions that efficiently, sustainably and safely contribute to the well-being and progress of society as a whole.

The company is committed to incorporating the benefits of digital technologies into the different businesses to meet current needs, anticipating future ones, and establishing a culture that stimulates creativity and transformation.

At Ferrovial, innovation is organized through the Global Innovation Group, which is chaired by the General Manager for Innovation Systems and Innovation. It includes representatives from all the company's business lines and is responsible for developing the innovation strategy, coordinating global programs, sharing information on special projects and best practices, and contributing to establish the culture of innovation at the company.

The main areas for action of this group are cities, innovative construction, toll roads, airports, reuse of waste and water, and works geared to develop sustainable solutions, energy-efficient systems, contribution to the fight against climate change and new product development. This is done while optimizing processes and ensuring they include the latest digital technology.

All this activity is materialized in more than 100 projects underway, which in 2016 have represented investment of 47.8M€, 8.6% more than the previous year and 12% up on the figure for 2014. The number of projects in development has been increasing since 2009, and in recent years has remained at over 100.

Ferrovial is number 389 in the 2015 EU Industrial R&D Investment Score Scoreboard ranking. It has risen to 9th place in the "Construction and Materials", recognizing its investment efforts in R&D. By geographic zone, Ferrovial is in 4th place in Europe.

In the area of innovation, many awards have recognized the company's work. Among them, the Ecofira international environmental solutions fair granted Ferrovial Services' Environment and Cities Competence Centers recognition for its 2016 Innovation.

THE CULTURE OF INNOVATION

Ferrovial promotes a culture of innovation among its employees to foster the generation of ideas and their transformation into projects. This innovative spirit can overcome resistance to change, foster collaborative thought and adapt the company to an environment of constant change.

Ferrovial has a variety of programs such as Zuritanken, Innovative Construction Awards, DEN and CintraSpirit.

Zuritanken aims to recognize talent and innovative ideas that could be implemented to increase process productivity and efficiency, and generate new business opportunities. The third edition of this program in 2016 received over 1,400 ideas submitted and more than 1,700 participants, which is proof of its elevated level of internal acceptance. This program has earned Ferrovial recognition in the digital talent category at the second Expansión Awards for the 50 best digital initiatives.

In addition, the innovation culture is materialized through training in techniques and processes by various programs organized together with Summa, the Ferrovial Corporate University. This is an open space for the acquisition of knowledge, sharing experiences and construction of rela-

INVESTMENT IN R&D (M€)

47.8⁽¹⁾

+9% COMPARED TO 2015

IMPLEMENTED R&D PROJECTS

+100

5 PROJECTS IN PARTNERSHIP WITH MIT

IDEAS PRESENTED BY EMPLOYEES

+1,400

ZURITANKEN 2016

(1) This figure includes € 949,235,95 corresponding to Ferrovial's collaboration with MIT, which has been considered R&D and investment in the community.

DIGITAL HUB CREATION

A *Digital Hub* was created in 2016 as a response to the business opportunities emerging from digital transformation. The hub constitutes an environment for researching the application of emerging technologies such as the Internet of Things, artificial intelligence, drones, 3D printing, customer experience and Big Data.

The working method is based on the combination of processes already existing in the organization, supplemented with Lean Startup and User Experience principles. Over 20 projects are underway.





tions within the company. Since 2010, more than 2,000 employees have received specific training in innovation.

OPEN INNOVATION ECOSYSTEM

Ferrovial develops an open innovation model with partners that best complement the needs and capabilities of the company, such as technology and research centers, universities and engineering schools, businesses, companies, startups and entrepreneurs, Government Administrations, public innovation agencies, financing entities, etc. The aim is to find ideas and solutions to meet the challenges of the businesses so that once they are tested through pilots and/or prototypes, they can be implemented in the contracts under management.

The company views startups as the ideal space for working and developing disruptive ideas, not only due to their setup but also the speed at which they implement their projects. It thus collaborates with the most brilliant entrepreneurs, linking them with the organization to speed up the innovation process. The company also participates in different programs and forums, mentoring and providing advice to startups in events such as *South Summit*, *Startup Olé*, *MIT STEX*, *Pasion>ie*, and *IBM SmartCamp*.

A variety of projects have been developed in 2016 with startups in different fields such as robotics and artificial vision applied to waste collection and treatment, building automations systems for energy efficiency and the development of smart clothing that can monitor physiological parameters.

One notable example of these collaborations is the road cleaning robot A1A3, capable of following the worker around, with an automatic collector that operates via a button on the broom, so that the cleaner does not have to lift weights. Sensors that detect objects and slopes

20.19 STRATEGIC CR PLAN

Drive entrepreneurship and innovative solutions of the company among its employees and stakeholders

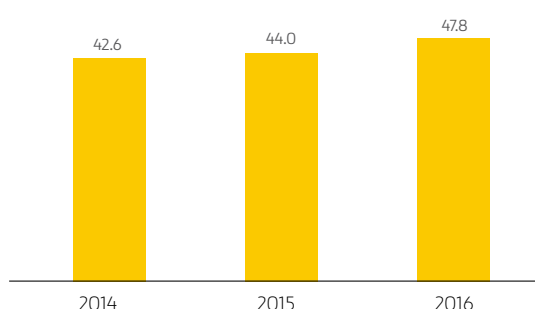
trigger an automatic brake on detecting an obstacle, ensuring that pedestrians, urban furniture or the robot itself is not damaged.

Last year, Ferrovial has continued to identify the main ecosystems of interest, establishing relations that allow the company's innovation process to speed up.

Currently, it is working with a number of innovation systems in Israel, the east coast of the United States and Finland, to identify the capacities and agents with which to establish relations that can speed up the company's innovation.

In addition, Ferrovial and the Massachusetts Institute of Technology (MIT) have extended their partnership agreement to 2020. The company participates as an associate member of the MIT Energy Initiative (MITEI) to support research projects conceived to transform the cities and infrastructures of the future. Both parties actively undertake to ensure that results are aligned with Ferrovial's strategy, knowledge transfer is streamlined, and new opportunities and future fields of research are identified. Eleven projects were carried out in the previous period (2011-2015) in the areas of construction, cities, infrastructures, water treatment, waste management and energy efficiency with satisfactory results for the business. Five new projects were launched in 2016, with investment of almost 1 M\$.

INVESTMENT IN R&D (M€)



INNOVATION PROCESS





GLADYS AIRPORTS

Humanoid robot that will interact with and entertain users at the Glasgow airport for generating a different experience for passengers, and gaining a better understanding of their interaction with a robot of such characteristics



HEFESTO ENERGY EFFICIENCY

IoT platform implementation for capturing and managing data from different sensors, devices and systems with a view to improving the energy efficiency of buildings and public lighting facilities

RAILROAD OF THE FUTURE INNOVATIVE CONSTRUCTION

Incorporation of new technological concepts for increasing railroad infrastructure capacity, reliability and security; while simultaneously optimizing investment and operating costs so that railroad infrastructures can extend their useful service life, generate less maintenance costs and have a better information flow



ROBOT WALL-B WASTE RECYCLING

The Ecoparc 4 Waste Treatment Plant in Barcelona has installed the first robot with artificial intelligence for increasing the recovery of recyclable materials from waste at treatment plants



WATER TREATMENT

URBAN WASTE WATER

Project for studying the possibility of modifying conventional urban wastewater treatment processes by incorporating Upflow Anaerobic Sludge Blanket (UASB) reactors at ambient temperature. The goal is to reduce both generated sludge quantity and energy consumption by optimizing the general layout of a Wastewater Treatment Plant (WWTP)



CINTRA TRAVEL TIMES TOLL ROADS

Project developed by Cintra and Datalab that employ Big Data for route duration studies to extract and organize route durations of previously selected routes made available to individual vehicles by GPS. This enables a refinement on the accuracy of traffic studies while identifying new business opportunities for Cintra



REVIVE CITIES

Digital platform for promoting the reuse of objects in good condition through recycling points



QUALITY AND CUSTOMER SATISFACTION

CERTIFIED ACTIVITY

91%

ISO 9001 AND ISO 14001

HEATHROW PASSENGER EXPERIENCE

4.2

OUT OF 5

INTERNAL AUDITS

1,751

QUALITY AND ENVIRONMENT

MILESTONES

91% OF THE QUALITY AND ENVIRONMENTAL SYSTEMS ARE CERTIFIED

DEVELOPMENT OF A NEW MODEL FOR ACCESSING ENVIRONMENTAL AND OCCUPATIONAL RISK LEGISLATION

USER AND CUSTOMER PERCEPTION ANALYSIS START

One of the greatest challenges facing the company in the coming years will entail reliably ascertaining the experience of drivers riding on toll roads, passengers that transit through terminals and the citizens to whom Ferrovial provides its services.

Acquiring this knowledge will call for creativity and disruptive innovation, even in the technology field. The use of mobile applications and social networking could become part of a more fluid and mutually beneficial relationship with the millions of users to whom Ferrovial provides service.

Ferrovial has quality and environment systems implemented in the contracts managed by its business areas. These systems are mostly certified ISO 9001 and 14001, though some may also be certified under other standards depending on local requirements. The percentage of activities with quality and environmental certifications according to standards ISO 9001 and ISO 14001 both stood at 91% in 2016.

All systems are internally audited by teams of qualified auditors. In line with previous years, 1,751 internal quality and environment audits were performed and 1,484 manufacturing centers were audited. Assessment visits for implementing management systems and technical queries rose to 3,101.

SYSTEMS FOR GUARANTEEING REGULATORY AND LEGISLATIVE COMPLIANCE

Ferrovial has digital platforms, namely Normateca and Ambienteca, which glean environmental legislation and the technical regulations required to guarantee the services throughout all phases of the contract lifecycle. Normateca contains a total of 16,844 technical standards in the fields of safety, quality and the environment. Ambienteca in turn contains 1,945 environmentally-related legal provisions.

The implementation of a new platform to replace Ambienteca will conclude in 2017. This new platform will enable queries on environmental and occupational risk and prevention legislation across all the countries in which Ferrovial has activities.

There are other systems certified in accordance with different standards, some of the more remarkable ones include:

- Standard ISAE 3410 "Assurance Engagements on GHG Statements".
- "Integrated Management System PAS 99" and "Specification PAS for composted materials and Quality Compost".
- UNE-EN 12899-1:2009; UNE 135332:2005; UNE 166002; UNE179002; ISO 50001:2011; ISO 22000, ISO 39001, BS 1100, AQAP 2110:2009, ISO 27001:2013, EMAS and Madrid Excelente.

CUSTOMER AND USER SATISFACTION

The business areas currently conduct surveys to ascertain the expectations and satisfaction levels of customers and users. They are implemented across forms, websites, emails, phone calls, and even focus groups for specific issues. The results are assessed to identify strong points and implement improvements.

In the coming years, Ferrovial has set a goal to analyze the perception of citizens and users regarding the quality of services furnished by the company. This goal seeks to assess the experience of drivers using toll roads, passengers transiting through terminals and the citizens to whom the company provides services. Thus, a project has begun to analyze the feasibility of accessing and quantifying the opinions of users regarding these topics.

All Ferrovial businesses have internal procedures with established methods for detecting, identifying, recording and monitoring complaints submitted by customers and users of products or services provided. Complaints on record are processed and analyzed to offer the most suitable response and establish actions for improvement.

The Quality, Prevention & Environment Department handles complaints submitted by customers requesting a solution from Ferrovial, since they had not been satisfactorily addressed by the business areas. In 2016, Ferrovial companies as a whole received 2,187 complaints from customers and users, of which 97% were closed within the year.

The corporate department provides interested parties with a specific address for complaints, comments and questions: dca@ferrovial.com

20.19 STRATEGIC CR PLAN

Attain the highest levels of quality by developing a method to measure the satisfaction levels of infrastructure users.

TOLL ROAD USER SATISFACTION

Cintra provides affordable and innovative infrastructures that benefit their users every day through enhanced traffic fluidity and mobility for highly congested roads.

The quality of the service provided is measured through surveys completed by the users who use the roads that Ferrovial builds, manages and maintains. The surveys conducted in 2016 revealed the favorable opinions of users regarding the toll roads in Texas (NTE and LBJ) and the Canadian 407 ETR. 80% of the surveyed users had a favorable opinion of the managed lane NTE, 97% of the users are satisfied with the service on the 407 ETR, and 91% said that they had a positive experience after riding on the LBJ.

Additionally, with a view to analyzing user behaviors on the NTE and LBJ toll roads (origin-destination, declared preferences, etc.), telephone surveys were designed for traffic teams, and over 1,200 are conducted yearly. The focus groups created for these toll roads are also salient in that they invite a group of users to share their experiences and expectation with company personnel.

Solutions and replies are also given to any correspondence received by e-mail, telephone or letter. Refer to the chapter on Health and Safety for further information on the road safety plan.

PASSENGER SATISFACTION AT AIRPORTS

Ferrovial Airports is committed to quality service and continuous improvement of operations, leading to higher levels of passenger satisfaction.

Heathrow airport maintains its quality standards through controls in areas such as:

- *Border Force and Central security queues:* the length of waiting lines is calculated as the amount of time waiting at passport and security checkpoints at exits.
- *Service quality scheme:* Heathrow airport has a quality system that complies with *Civil Aviation Authority (CAA)* requirements, with substantial importance on matters such as the security control area, passenger perception of the departure lounge, quality of the computer systems, cleanliness and quality of the facilities or Wi-Fi access.

All the efforts made by the company regarding quality are reflected in the rating obtained in the surveys on passenger satisfaction at *Airport Council International (ACI)* and the numerous awards recognizing the approach to improve passenger experience.

It is worth mentioning that Heathrow received the *ACI Europe* award for "Best European Airport of the Year" in the over 40 million passengers category, and repeated its award-winning trend at the 2016 *Skytrax* awards with recognition as "Best Airport in Western Europe", "Best Airport for Shopping" and "World's Best Airport Terminal" (Terminal 5).

Moreover, Glasgow received the ACI Europe award for "Best Airport in Europe of the year" in the 5-10 million passengers category with further recognition at the *Scottish Transport Awards* as "Airport of the Year". It also received awards such as Best Performing Business of 51 employees and over and the Bank of Scotland Award for Most Outstanding Business.

407 ETR TOLL ROAD



97%
SATISFIED USERS

LBJ TOLL ROAD



91%
POSITIVE EXPERIENCE
BY USERS

NTE HIGHWAY



80%
FAVORABLE OPINION

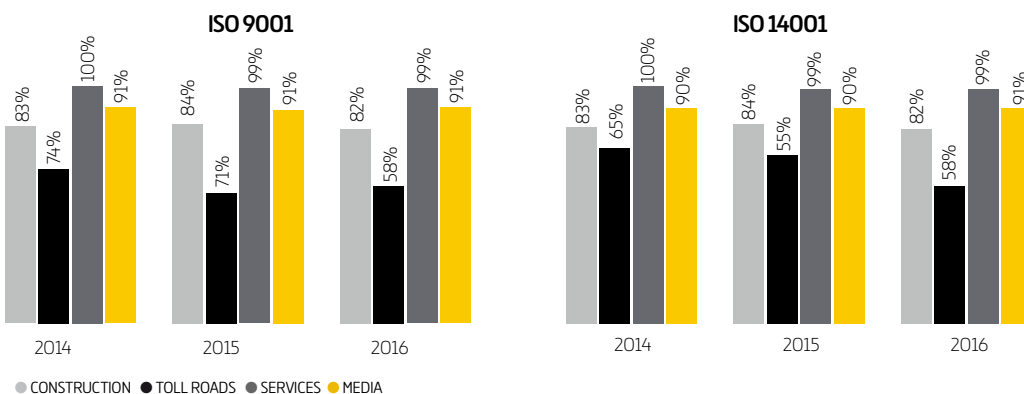
CUSTOMER SATISFACTION (Scale from 1-5)

4.0
2014

4.0
2015

4.1
2016

CERTIFIED ACTIVITY



Glasgow Internat

A close-up photograph of an airplane's wing and engine. The wing is white with a red stripe along the leading edge. The engine is a large, cylindrical turbofan engine with a black intake and a red-painted section. The background is a blurred wall with the text 'Glasgow Internat' in a dark blue font.

AIRPORTS THAT BRING PEOPLE TOGETHER

Over the last 20 years, Ferrovial has consolidated its position as one of the leading private airport operators in the world, while pursuing new privatization opportunities. Around 90 million passengers transit through the terminals of Heathrow, Glasgow, Aberdeen and Southampton. The London airport alone serves 81 airlines that fly to 194 destinations. Passengers and their welfare are the main objective. Heathrow and Glasgow have been recognized as the best airports in Europe in their category and Terminal 5 in Heathrow as the best terminal in the world.

These airports are firmly committed to reducing carbon emissions, supporting the local communities and the economic and social development of their areas of influence.

ational Airport



HUMAN RIGHTS



PHOTO: The Juntos Sumamos Project in India with the Vicente Ferrer Foundation.

As a company joined to the United Nations Global Compact since 2002, Ferrovial considers that the principles therein are a basis for its engagement worldwide and undertakes to guarantee that Human Rights are respected throughout the organization and across its supply chain.

RESPECT, SUPPORT AND PROMOTE

Ferrovial has implemented a number of measures and procedures in the area of Human Rights. In 2014, the Human Rights Policy was approved. Enforcing compliance is the responsibility of Senior Management. This policy is consistent with the Code of Business Ethics, the principles of the United Nations Global Compact, the Universal Decla-

ration of Human Rights, the Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labor Organization (ILO) Declaration on Multinational Enterprises. In addition to the company's listing on the top sustainability indices such as the Dow Jones Sustainability Index and FTSE4Good, this policy affirms the company's commitment to carry out activities according to strict corporate responsibility criteria.

By investigating the incidents included in the Complaints Box, Ferrovial aims to ensure compliance and respect for Human Rights across the whole value chain in all the countries where it operates.

With the aim of identifying, preventing, mitigating and responding to the risks associated with Human Rights, Ferrovial carries out a due diligence process in its main activities. It is supported by an integrated system of corporate risk management, Ferrovial Risk Management, which detects any Human Rights violations.

The social and environmental impact on communities affected by infrastructure projects in sensitive contexts is analyzed. First, an initial previous assessment is carried out on social aspects, and then contingency plans are designed proposing measures to mitigate and/or offset the impact.

An example of this way of acting is the extension of the Carrera 80 highway in Medellín (Colombia). The prior analysis of the social, cultural and economic situation in the region of La Iguaná in the department of Antioquia, led to measures being taken to ensure that the infrastructure was a lever for social improvement. Approximately 1,600 families were thus relocated to neighboring areas. This project promoted the regeneration of one of the most degraded areas in Medellín in addition to creating over 1,250 jobs to boost the local economy.

In May 2016, Ferrovial acquired the Australian services provider Broadspectrum, which at that time held two contracts with the Australian Department of Immigration and Border Protection to provide maintenance services, social support and security to asylum seekers and refugees at the Regional Processing Centers (RPCs) located in Nauru and in the province of Manus in Papua Nueva Guinea. These contracts created some controversy given the criticism of Australia's immigration policy by different entities and organizations, who allege that the RPCs violate Human Rights.

Broadspectrum neither manages nor runs the RPCs, as its role is limited to rendering certain services to the centers together with thirteen other companies. Given their characteristics and elevated quality standards, the services have a positive impact on asylum seekers and refugees. They include catering, social services, security, logistics, transport, cleaning and asset management. Broadspectrum has a solid governance and information system, and

keeps a record and investigates all incidents. The company also reports matters of critical importance to local governments and the Australian Immigration Department.

On completing the acquisition, Ferrovial announced that the two contracts were not strategic activities and would thus not form part of the Broadpectrum portfolio in the future. As a result, the company will not participate in the tender process to renew the service contract and conclude its collaboration when the contracts expire in October 2017. Meanwhile, the company will use all its resources to improve the life of asylum seekers and refugees. Their care and welfare is essential to the company's processes, decisions and actions.

REJECTION OF ANY TYPE OF DISCRIMINATION

Ferrovial rejects discrimination of any sort for reasons of age, race, gender, religion, disability, political ideology, sexual orientation or social origin, and has the necessary procedures in place to take action where necessary.

In 2015, the company updated the Procedure for Prevention of Workplace, Sexual and/or Gender-Based Harassment, which guarantees the right to handle all such matters and the persons involved in the utmost privacy and confidentiality. In the same year, the labor unions subscribed to the 2nd Equality Plan, whose goal is based on guaranteeing the principle of equality of treatment and opportunity between men and women.

This plan includes Ferrovial's commitment against gender violence, materialized in an internal engagement protocol, published in 2016, which sets out guidelines for promoting

the protection of female employees who could be the victims of violence of this sort.

In this regard, Ferrovial has adhered to the project Companies for a Society Free of Gender Violence promoted by the Ministry of Health, Social Services and Equality since 2013. This project raises awareness in communities regarding equality and respect for fundamental rights with a view to promoting a society free of gender violence. Ferrovial's commitment includes the implementation of awareness raising actions under this initiative, as well as actions to bring people who have suffered from maltreatment into the labor market; one of them is in the form of collaboration with the Integra Foundation.

In each country where it is present Ferrovial guarantees workers' rights, such as the right to strike, freedom of association and the right to collective bargaining by appointed workers' representatives and labor unions. Ferrovial employees are protected by collective labor regulations in the different countries and 74% of the workforce is covered by collective labor agreements.

PROMOTION AND DISSEMINATION OF HUMAN RIGHTS

Ferrovial promotes respect for Human Rights in the societies and communities where it operates, and also fosters a respectful and decent working environment for all related people through training and awareness-raising in this regard.

All the training courses in the Code of Business Ethics at executive and management levels include a module on human rights. 1,912 employees took the course, with an accumulated total of 11,697 hours since 2010. Following the 2014 Code of Business Ethics update, a new training program is being developed with a broader scope.

Ferrovial capitalizes on its involvement in international forums and training programs to raise awareness of the need for the private sector to play a role in the protection of human rights. These efforts resulted in Ferrovial election as Secretary of the Executive Committee of Forética and voting member on the Executive Committee of the Global Compact Network and Seres Foundation.

A FRIENDLIER ETHICS CHANNEL

Ferrovial updated its ethics channel in 2016 to improve its accessibility and usability. In addition to the company's Code of Business Ethics and other self-regulating policies, this channel is one of the essential components for guaranteeing ethical conduct with integrity in corporate engagements, assuring confidentiality and anonymity for the matters addressed therein.

The channel is based on a web- and corporate intranet-based digital mailbox and supplemented by a P.O. Box.



MILESTONES

FERROVIAL IS A MEMBER OF THE PRIVATE SECTOR ADVISORY GROUP OF THE UN SUSTAINABLE DEVELOPMENT GOALS FUND.

PUBLICATION IN 2016 OF A NEW PROTOCOL FOR ACTION AGAINST GENDER VIOLENCE.

20.19 STRATEGIC CR PLAN

Continue strengthening the current systems that ensure respect for Human Rights in the company and across its value chain

THE ENVIRONMENT

CO₂ EMISSIONS OVER TIME

-31.6%

IN RELATIVE TERMS
(tCO₂eq/M€)
(2009-2016)
(SCOPE 1 & 2)

CO₂ EMISSIONS OVER TIME

-18.1%

IN ABSOLUTE TERMS
(2009-2016)
(SCOPE 1 & 2)

Ferrovial is firmly committed to reducing its emissions and the environmental impact of its activities. It also promotes the generation of new ideas and business models, to offer its clients and users innovative solutions with a lower impact.

The recent entry into force of the Paris Agreement, the first universal agreement against climate change, confirms the commitment of governments to the effective reduction of CO₂ leading to low-carbon economies.

Ferrovial is aware of its responsibility in this process. For this reason, its activity is based on two lines of action:

ENVIRONMENTAL IMPACT MANAGEMENT

Climate change and carbon footprint

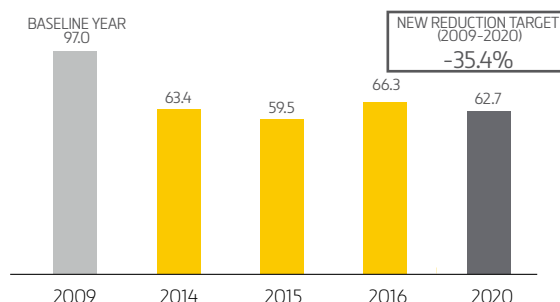
Ferrovial is engaged in the main forums for analyzing the latest trends and anticipating the legislative changes that will take place in the coming years. Worthy of note is Ferrovial's presence in the Climate Change Conference in Marrakech (COP22), as well as its representation in groups such as the Prince of Wales's Corporate Leaders Group and the Spanish Green Growth Group, which it chairs.

In 2016, reflecting its firm commitment with respect to climate change, the company revised its target for reducing CO₂, setting one that is much more ambitious. Thus, the relative **emission reduction target** with respect to Net Revenue (tCO₂eq/M€) for 2020 has risen from 21.3% to 35.4% compared with the baseline year 2009. The reduction target for 2016 with respect to the baseline year is 22.52%.

This would mean maintaining Scope 1 & 2 emissions and energy and electricity consumption at the same level as in 2009, despite higher turnover. Nonetheless, a reduction target was established for 2016 in absolute and comparable terms (revenue and intensity) at 56,652 tCO₂eq against the figure for 2009 (48,154 tCO₂eq and 8,498 tCO₂eq, Scope 1 & 2 respectively).

In conclusion, in 2016 **the target was achieved** and surpassed, with emissions down by 31.66% compared with the baseline year in terms of intensity (9.14 points above the target) and a reduction of 156,790 tCO₂eq in absolute terms.

RELATIVE CO₂ EMISSIONS OVER TIME (tCO₂eq/millions of euros)

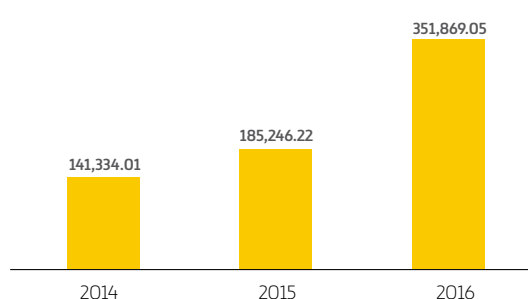


To honor this commitment, Ferrovial developed and implemented actions to reduce emissions in general as well as specific to each business area:

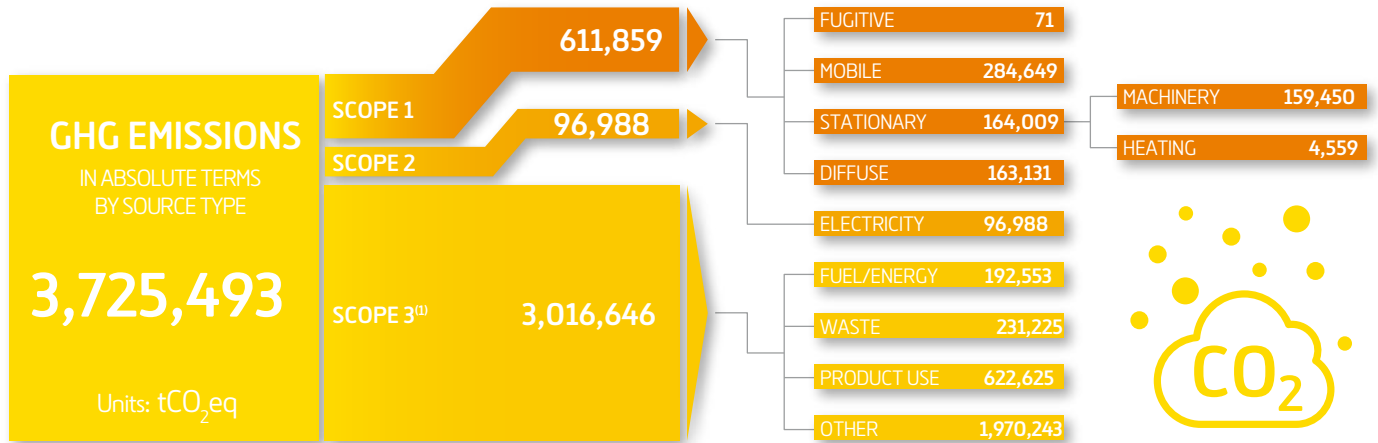
- Incorporation of energy efficiency criteria in purchasing and service subcontracting.
- Sustainable Mobility Strategy for Ferrovial employees. All corporate offices in Spain and the United Kingdom have mobility plans.
- Improved energy efficiency in both industrial vehicle and passenger car fleets.
- Use of cleaner fuels.
- The development of technology and processes to increase emissions avoided.
- Incorporation of energy efficiency measures in buildings used by corporate headquarters.
- Drive toward buying electricity from certified renewable sources. 30.1% of the electricity consumed by Ferrovial comes from renewable sources, which is 41.37% higher than last year's figures.

More information on Ferrovial's carbon footprint at www.ferrovial.com.

RENEWABLE ENERGY (GJ)



GHG EMISSIONS (SCOPES 1, 2, 3 & BIOMASS) IN ABSOLUTE TERMS, BY TYPE OF SOURCE



(1) See scope in the Appendix to GRI indicators.

Fully aware of the challenge undertaken by signing the Paris Agreement to limit global warming to well below 2° and even only 1.5°C, an analysis has begun on the methods contained in the **Science Based Targets (SBT)** with a view to ascertaining the targets on the 2030 and 2050 horizons.

A further line of action initiated in 2016 entailed establishing a **Carbon Price** in the “Shadow pricing” modality as a tool to quantify the risks and opportunities of new investments. This approach considers future changes in market conditions that will increase the cost of carbon emissions and generate changes in the use and need for current products and services.

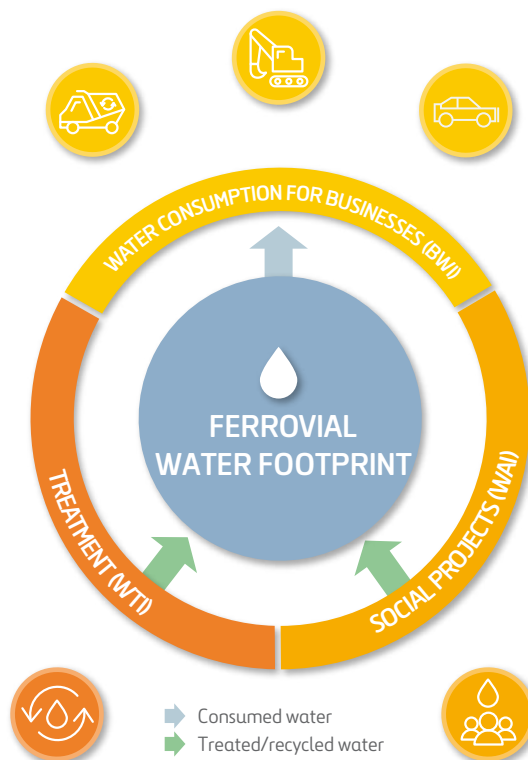
Water footprint

The *World Economic Forum* has identified water as one of the greatest causes of conflict worldwide. The mitigation of this risk clearly involves finding solutions to the increasing demands for drinking water, the deterioration in water quality caused by contamination and the effects of flooding and extreme weather events.

Given its role as consumer and provider of services associated with water resources, Ferrovial began calculating its “water footprint” in 2015. This project was implemented in two stages, the first consisting of defining a calculation and reporting method for consumption and emissions, and the second consisting of analyzing the risks and opportunities related with the resource.

The company has developed a specific methodology based on the principles of the “Water Footprint Assessment Manual” (WFM), “Global Water Tool” (GWT) and GRI-G4. These methods consider aspects such as water stress in the country, impact on water resources and quality, and water accessibility. Water Footprint data were published for the first time in 2016 with a scope of 100%.

Ferrovial first applied for the *CDP Water* program assessment in 2016 and obtained a score of A-, which is a recognition of the company's strategy and efforts.



Ferrovial's Water Footprint comprises three indices:

- **BWI:** Business Water Index: **4,146,441**. Water footprint related to the water consumption and discharge in activities carried out by all the business units at Ferrovial.
- **WTI:** Water Treatment Index: **-322,183,025**. The impact of Cadagua water treatment processes and Ferrovial Services and Arney landfill leachates on Ferrovial's footprint.
- **WAI:** Water Access Index: **-413,738**. The impact that water supply projects for communities in developing nations within the company's Social Action programs have on the Ferrovial water footprint

MILESTONES

REVISION OF THE RELATIVE EMISSION TARGET FOR CO₂ -35.41%

INCLUSION IN THE LEADERSHIP CATEGORY OF THE 2016 CARBON DISCLOSURE PROJECT (CDP):

“CLIMATE A LIST” IN THE CLIMATE CHANGE REPORT

GLOBAL SUPPLY CHAIN REPORT

GLOBAL WATER REPORT

IMPLEMENTATION OF THE METHOD FOR CALCULATING THE WATER FOOTPRINT THROUGH BWI, WTI AND WAI
(refer to the water footprint for further details)

START OF THE "NO NET BIODIVERSITY LOSS" ASSESSMENT

Biodiversity and Natural Capital

Through the “Ferrovial, Natural Capital” program, the company carries out several biodiversity projects for not only assessing and mitigating the impact on natural spaces or ecosystems affected by its activity, but also anticipating market trends and, if applicable, making the most of any opportunities that arise.

In 2016, Ferrovial worked with several scientific institutions (CSIC, Rey Juan Carlos University in Madrid, USAL) to develop a corporate methodology for measuring the company's impact on biodiversity. The aim is to have a proven assessment method for all corporate activities that could be a useful tool in decision-making, incorporating the "No Net Loss of Biodiversity" criterion. Once designed, the methodology will begin to be tested on specific contracts during 2017 and then automated to subsequently have the assessment conducted systematically.

In this regard, Ferrovial Agroman has had a specific procedure in place for several years for quantitatively assessing the risks associated with areas under protection or of high ecological value, and implementing the measures necessary to mitigate and control them.

Ferrovial likewise participates in the Spanish Companies and Biodiversity Initiative, a public-private partnership project with the Biodiversity Foundation and the Spanish Ministry of Agriculture, Fisheries, Food and the Environment. In addition to supporting the various initiatives undertaken, the company aligns its biodiversity strategy with Spanish and European policies, objectives and plans.

Regarding the emerging "biodiversity markets", Ferrovial has been taking further steps in various existing offsetting mechanisms. Ferrovial is monitoring the drafting of the new legal frameworks in countries such as Spain and the United Kingdom.

In 2016, Ferrovial worked on 16 projects subject to Environmental Impact Statements (or equivalent figures) according to each country's legal framework. The existence of protected species resulted in restrictions in ten of them, 16 were situated in Natural Areas affected by some sort of environmental protection arrangement, and nine had high-quality watercourses nearby.

Reducing the environmental impact caused by the activity

Ferrovial maintains a steady goal to annually increase the recycling rate by 5%. There was a substantial increase in recycled materials in 2016, which once again confirms the trends in management policies with a priority on recycling. This trend is also in line with the start of new construction projects with an exceptional volume of recyclable materials.

RECYCLED WASTE

	2014	2015	2016
Total (t)	540,289	1,071,021	2,083,333

GENERATION OF NEW BUSINESS IDEAS AND MODELS

The company leverages its role in the most important global forums on climate change, energy transition and the loss of biodiversity to anticipate trends in these areas and identify new opportunities and business models.

In particular, work is underway to improve energy efficiency in buildings, the intelligent management of cities, challenges of the circular economy, biodiversity markets, low-emissions mobility, waste treatment and the corresponding energy production (energy from waste). Thus, new ideas are already generating business and value for Ferrovial, or will do so in the very near future.

20.19 STRATEGIC CR PLAN

Reduce the carbon footprint through a public commitment to emissions reduction

Water Footprint: implement and verify a method for calculating it with a coverage of 100%

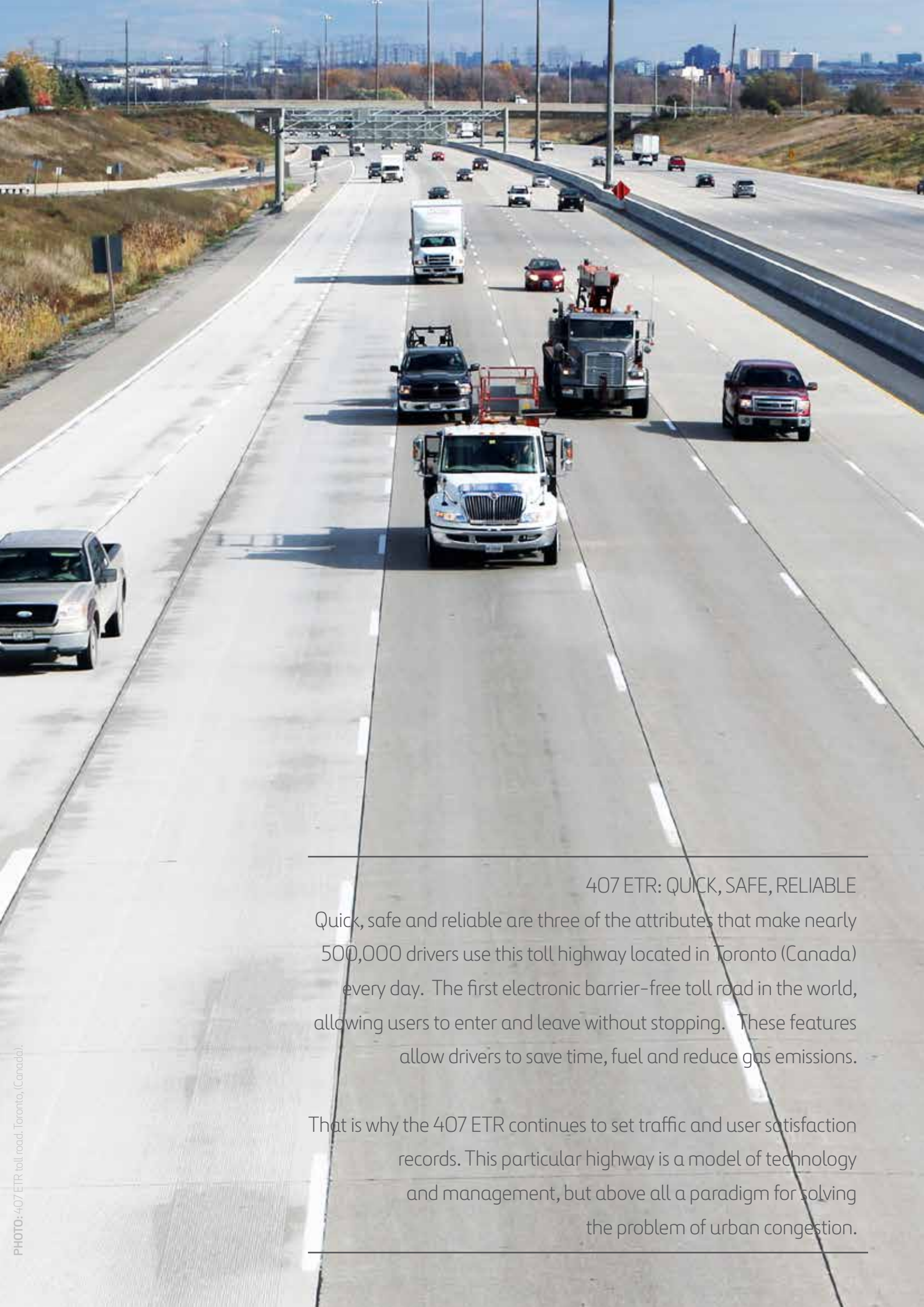
Reduce the impact on the biodiversity and natural capital under a criterion of “No Net Biodiversity Loss”

Promote circular economy

CARBON DISCLOSURE PROJECT

Ferrovial has again been recognized for its climate change strategy, included in the **Climate A List** in the **Climate Change** edition, which ranks companies with best practices for reducing emissions and their management for mitigating the effects of climate change. In addition, Ferrovial has become a bellwether in the **Supplier Climate Performance Leadership Index (SCPLI)**, certifying excellence as a supplier of products and services with low carbon-emission business models. In its first year, Ferrovial applied for the **Water** program assessment and obtained a score of A-.





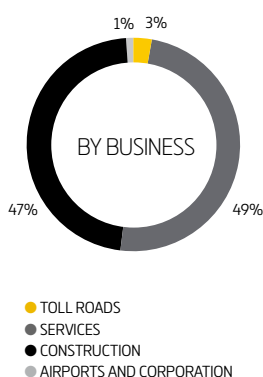
407 ETR: QUICK, SAFE, RELIABLE

Quick, safe and reliable are three of the attributes that make nearly 500,000 drivers use this toll highway located in Toronto (Canada) every day. The first electronic barrier-free toll road in the world, allowing users to enter and leave without stopping. These features allow drivers to save time, fuel and reduce gas emissions.

That is why the 407 ETR continues to set traffic and user satisfaction records. This particular highway is a model of technology and management, but above all a paradigm for solving the problem of urban congestion.

SUPPLY CHAIN

NUMBER OF SUPPLIERS: 80,917



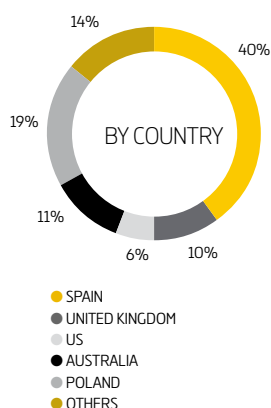
Ferrovial fosters sustainable purchasing as part of a responsible management to favor the acquisition of products and commissioning of services that respect the environment and are rendered in socially fair conditions.

and Human Rights, Health and Safety, respect for the environment and social impact.

GLOBAL PURCHASING PROCEDURE

The focus on the supply chain entails the comprehensive expense cycle, from need management to final payment. To do so, there are procedures and specific computer systems in place at each business unit to ensure the best purchasing conditions and mitigate risks through supplier selection, approval and assessment processes in line with their ability to fulfill the needs of the business. The improvements made to the computer systems reinforce the participation and competition of suppliers, transparency in the selection process and the delegation of authority for approvals.

TOTAL NUMBER OF SUPPLIERS



With a view to maximizing operating efficiency in supplies and services, the company builds long-term relationships with critical suppliers and calls on them to adhere to the company's principles and policies in terms of safety and sustainability, in compliance with its Code of Business Ethics and Corporate Responsibility Policies. These engagement principles are listed in the Global Procurement Policy, whose final purpose is to provide the customer with optimum and competitive services.

The company has adopted a product category-based approach in each business, thus favoring knowledge of the specific purchase requirements of each one.

All contract activities are governed by clearly structured and documented procedures. General coordination in this regard is handled by the Global Procurement Committee, led by Ferrovial's CIO (Chief Information and Innovation Officer) and comprising the purchasing heads for each business area. In addition to capitalizing on potential synergies among areas, the committee assists in sharing good practices and improving overall purchasing activities.

PURCHASER CODE OF ETHICS

The Purchasing Divisions in Ferrovial's different business units are governed by a single Purchaser Code of Ethics. As complementary to the Code of Business Ethics, which marks out the general lines of engagement and conduct, it applies to all staff working in the relevant Purchasing Divisions, who are provided with training and required to comply in this regard. The application of the Corporate Responsibility and Compliance Policy likewise enables a rigorous, ethical and effective management of the supply chain, thus assuring supplier commitment.

In accordance with the company's geographic diversification strategy, supply chain management is based on a Global Procurement Policy, which is applicable at the international level and establishes the basic and common principles of operation, and even specific operating procedures for each country/area where they are implemented by contemplating the local nuances of each market. This policy seeks to shore up the management adapted to the specific requirements of each project in accordance with the local supplier marketplace yet applying an international vision in relevant purchase with a view to benefiting from the extensive knowledge of the global supplier marketplace.

MAIN PRODUCT CATEGORIES

- STEEL
- CONCRETE
- BITUMEN
- ENERGY

Further initiatives certifying Ferrovial's commitment to effective and responsible supply chain management were also launched in 2016 as an extension of the use of new clauses in application of the Code of Business Ethics and Anti-Corruption Policy in orders and contracts with suppliers, Green Purchasing Catalog and a new Recycled/Recyclable Product Supplier Study to foster their use.

Ultimately, the application of these policies and codes establishes the requirements and procedures to ensure the rapport with competent suppliers who share corporate values such as the commitment to good ethical practices

20.19 STRATEGIC CR PLAN

Reinforce ethics criteria in purchasing activities and foster the contracting of renewable energies.



COMPREHENSIVE SUPPLIER MANAGEMENT

Every year Ferrovial allocates a substantial amount to suppliers and providers of goods and services that support key activities of the company. In recognition that suppliers are essential for the businesses to run properly, it is expected from them to be innovative and efficient, provide value at competitive prices, meet all the legal and functional requirements, and adhere to the required ethical practices.

Suppliers and service providers are identified, assessed and commissioned, in accordance with their relevance, by their capabilities to satisfy the needs of the businesses securely, effectively and efficiently.

Before the final contracting process, a selection process is conducted with an in-depth analysis of supplier suitability in terms of not only financial capacity but also environ-

mental and social aspects. This process lets verify whether the potential supplier meets all the requested requirements. A supplier quality control and tracking system is then put into place to detect and propose measures with a view to correcting possible incidents and, in case of serious breaches of contract, taking the pertinent actions.

Of the 9,482 suppliers assessed in 2016, less than 1% were rejected. 26,801 new suppliers were incorporated during the year.

Several tools were developed in Construction and Services for the global management of suppliers, monitoring their quality and coordinating purchases. Construction has developed In-Site, a proprietary computer application implemented at the international level for easily sharing information and optimizing the processes to improve the management of construction work.

INNOVATION AND TECHNOLOGY

Innovation and technology have a critical role in yielding a synchronized supply chain with greater visibility and traceability. The use of new support technologies enables a significant increase in collaboration with the resulting improvement and transparency in information.

During 2016, the company has developed various optimization actions for different purchasing categories, prominent among which is Ferrovial Services' OMEGA project for managing the workshops that carry out maintenance on the vehicle and machinery fleet. This project has enabled to standardize workshop processes, centralize fleet administrative management, render 100% traceability in maintenance plans and reduce costs by 10%.

A system based on electronic multimedia catalogs was launched as a cloud-based solution for sharing information with all suppliers quickly, easily and in real time. A solution for streamlining purchasing processes and assisting in decision-making, mitigating risks.

ASSESSED AND/OR CERTIFIED SUPPLIERS

9,482

MILESTONES

- GREEN PURCHASING CATALOG INITIATIVE
- RECYCLED/ RECYCLABLE PRODUCT SUPPLIER STUDY
- FERROVIAL SERVICES' OMEGA PROJECT, FOR MANAGING VEHICLE AND MACHINERY FLEET WORKSHOPS
- DEVELOPMENT OF THE IN-SITE APPLICATION AT FERROVIAL AGROMAN TO OPTIMIZE PROCESSES AND IMPROVE CONSTRUCTION WORK MANAGEMENT

GREEN PURCHASING CATALOG

Project conceived for shoring up acquisitions of products and services with environmental characteristics that enable a contribution to improving energy efficiency and assisting responsible decision-making for purchasing supplies and commissioning construction work and services.

Some of the more prominent results entail a catalog incorporation of vehicles powered by electricity, or hybrid systems, driven by natural gas and biodiesel B30, and products manufactured with recyclable materials.



COMMUNITY

COMMUNITY SUPPORT PROJECTS

332

BENEFICIARIES IN WATER AND SANITATION PROJECTS

191,769⁽¹⁾

MILESTONES

FERROVIAL'S SOCIAL PROGRAMS HAVE EXCEEDED 800,000⁽²⁾ BENEFICIARIES.

INVESTMENTS ARE BEING MADE IN COMMUNITIES THROUGHOUT COUNTRIES INCLUDING SPAIN, THE UK, US, AUSTRALIA, POLAND, COLOMBIA AND PERU.

WATER AND SANITATION, SOCIAL INCLUSION, SUPPORT TO CULTURE AND WORK WITH INDIGENOUS POPULATIONS CONSTITUTE A PART OF THE MAIN PROGRAMS.

In its commitment to the scope of the Sustainable Development Goals (SDG), Ferrovial actively participates in the community through the development and execution of social programs to significantly improve people's lives. The company has a key role in the social and economic development of the countries where it carries out activities.

As an infrastructure manager, the company is a key player insofar as reducing regional imbalances: contributing to the progress and development of the communities and countries where it operates because it generates employment, buttresses purchases from local suppliers, contributes by paying taxes, and transfers skills, knowledge, innovation and technology.

Ferrovial bases its investment in the community on a framework that is coherent with its business strategy and model. It thus runs different investment programs in the community with social action initiatives focused on groups of people at risk of social exclusion.

COMMUNITY INVESTMENT PROGRAMS

Social Infrastructures

The company has been working since 2011 on this development cooperation program, which extends access to water for human consumption and basic sanitation among socially vulnerable risk groups in Africa and Latin America. Doing so contributes to the attainment of Sustainable Development Goal 6 in the United Nations' New Sustainable Development Agenda, namely to "ensure availability and sustainable management of water and sanitation for all".

Ferrovial partners with NGOs and local governments to develop infrastructures to satisfy needs related to the lack of water and/or sanitation coverage. Company employees in turn participate as volunteers, contributing with their knowledge and experience in the country where the intervention is being carried out.

Throughout 2016, the company carried out four projects benefiting 16,204 people, with an overall investment of 421,333€:

- **Buyende District, Uganda:** improved access to quality water in 15 rural communities together with the Plan Internacional.
- **Municipality of Paccha, Cajamarca, Peru:** increased access to water for the inhabitants of three rural communities after building three drinking water systems together with ANESVAD.
- **Township of El Salado, Bolivar province, Colombia:** refurbishment and extension of the aqueduct system for the inhabitants of Centro Poblado, together with Ayuda en Acción.
- **Municipality of Lebrija, Santander province, Colombia:** improved access and water quality for human consumption in a vulnerable area affected by conflict, together with Acción contra el Hambre.

Juntos Sumamos

This Ferrovial program has been running since its conception in 2005 and lets employees choose a social project to contribute a monthly amount that the company matches, thus doubling the initial donation.

The call is open to international cooperation projects, social action in Spain and the preservation of nature and biodiversity.

Three projects chosen by donating employees in the program were executed in 2016 following a technical pre-selection of the submitted proposals:

- **Adapting:** together with the association La Rueca, retirement homes in Madrid were conditioned by 70 young adults at risk of exclusion who were trained in facility renovation (electricity, plumbing, carpentry), thus improving their prospects of employment and integration.
- **Joal Fadiouth Hospital:** in collaboration with Arquitectura sin Fronteras, the company renovated the roof and improved the health conditions of the maternity ward in a Senegalese hospital.
- **Vulnerable childhood:** with the NGO Mozambique Sur, Ferrovial helped 150 schoolchildren in Mozambique (providing scholastic materials, hygiene products, tuition and monthly fees for one year at an educational center, meal aid and medical treatment).

Social Action in Spain

Ferrovial supports the refurbishment and reconditioning of offices set up for distributing food and delivering social aid packages to underprivileged groups.

(1) Cumulative data since 2008.
(2) This figure has been estimated to the best information available at the date of this Report.

In 2016, Ferrovial provided support with World Vision España to improve conditions six food distribution centers and/or cafeterias in Madrid, Seville, Mieres, Valencia and Barcelona.

OTHER SOCIAL INITIATIVES

Ferrovial supports the activities of the Integra Foundation with a view to contributing to creating employment opportunities for groups of persons at risk of social exclusion. Since 2002, Ferrovial has helped find work for over 500 people through this partnership.

Regarding the integration of people with disabilities, Ferrovial and the Adecco Foundation work together through the Plan Familia to help the disabled family members of company employees. The program was created to improve their quality of life and help in their social and job integration. This plan has helped 58 families in 2016.

The company sponsors cultural institutions in **Spain**, prominently including the Guggenheim Museum, Liceu theater in Barcelona and Teatro Real in Madrid. The company also works together with different local governments in Spain to promote various cultural activities such as concerts, exhibitions and competitions.

UNITED NATIONS PARTNER IN SUSTAINABLE DEVELOPMENT

The participation and involvement of the private sector will prove to be essential to overcome the challenges put forward in the New Sustainable Development Agenda (2015-2030). In this regard, the UN's Sustainable Development Goals Fund (SDGF) created a Private Sector Advisory Group. Ferrovial has joined as member of this Advisory Group, which comprises 13 companies selected worldwide and aims to foster the new Sustainable Development Goals (SDG).

In 2017, Ferrovial will also work together with the UN's SDGF in a joint program "Productive and food secure territories for a peaceful and resilient Cauca" in Colombia's Cauca region.



20.19 STRATEGIC CR PLAN

Reinforce Ferrovial's voluntary social offering in tendering processes as a competitive advantage

Cadagua, in turn, participates in the Unidos Project, pioneer in academic and employment orientation for university students with disabilities while in school and for accessing the job market.

In 2016 Ferrovial Services Spain launched the "Escuela de Oficios" trade school for helping improve the prospects of employment for citizens at risk of social exclusion or with disabilities in the communities where the company operates. Ferrovial Services Spain employs this initiative to contribute to work placement for the unemployed in communities where the company has activities.

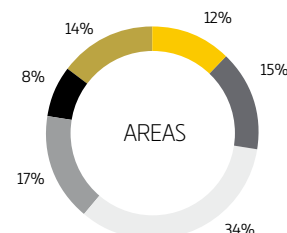
The company also partners with the Èxit Foundation's "Coach", a corporate volunteering initiative conceived to improve the integration of vulnerable young adults enter the job market by providing orientation and motivation to increase their employment prospects.

In the **United Kingdom**, Amey and the Duke of Edinburgh Foundation (DoE) have an agreement for improving the opportunities and employment prospects of thousands of young adults at risk of exclusion. The program is being run in Staffordshire, Birmingham, Liverpool, Sheffield and Wales.

In the **US**, Ferrovial sponsors several educational projects such as "After School Matters", "Black Creativity Gala" and "Illinois Military Families Fund", in Chicago; and "National Math and Science Initiative" in Texas, to help young people further their studies in science, technology, math and engineering.

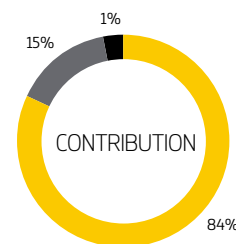
In **Australia**, Broadspectrum is building strong relationships with indigenous communities with a view to creating greater employment opportunities through the Reconciliation Action Plan (RAP), eliminating the life expectancy gap for the indigenous population, and increasing their participation in the company.

COMMUNITY SUPPORT PROJECTS



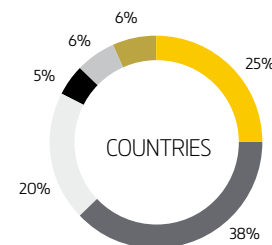
- EDUCATION AND YOUNG PEOPLE
- HEALTH AND SOCIAL WELFARE
- ECONOMIC DEVELOPMENT AND HUMANITARIAN AID
- ENVIRONMENT
- ART AND CULTURE
- OTHERS

COMMUNITY SUPPORT PROJECTS



- MONEY
- TIME
- IN KIND

INVESTMENT IN THE COMMUNITY



- SPAIN
- UNITED KINGDOM
- USA AND CANADA
- AUSTRALIA
- LATIN AMERICA
- REST OF THE WORLD

RESPONSIBLE FISCAL MANAGEMENT

“Ferrovial is committed to developing responsible fiscal management in the markets where it operates”.

As part of development of the Code of Business Ethics, in 2010 the Ferrovial Board of Directors approved the company's adhesion to the Spanish Tax Agency's Good Taxation Practices Code. Three years later, the company extended these standards to all activities worldwide under its own Policy of Compliance and Good Practices in Taxation.

Finally, in February 2015 the company's Board of Directors took yet another step forward by approving the strategy detailed in the Ferrovial Tax Policy document, which complies with the stipulations of Article 529 b under the Spanish Corporations Act.

These policies translate into the following commitments and guidelines:

1. Ferrovial complies with its fiscal obligations in all countries where it operates, managing taxes via a professional, efficient, transparent, cooperative and sensible approach.

a) Compliance: Ferrovial undertakes to pay the correct amount of tax as it becomes due, in accordance with the laws of each country where Ferrovial operates.

b) Professionalism: the Ferrovial Tax Advisory Department, a global and centralized department comprising specialists in the field, manages the firm's taxes and associated risks. As and when necessary, this department is backed by independent consultants from prestigious tax consulting firms.

c) Efficiency: as well as strictly complying with the law and always pursuing legitimate business activities, Ferrovial oversees fiscal aspects in a manner coherent with its business strategy, seeking to comply with its objectives and to optimize value for shareholders.

d) Transparency: Ferrovial provides full information that tax authorities might require in the appropriate form. The company does not make use of any companies domiciled in tax havens or other non-transparent jurisdictions, except when a given activity – for example a specific construction project – is irredeemably connected with such jurisdictions. In such cases, the company will provide full information to the competent authorities regarding the project, what activities are performed, the financial results of the same and employees involved, all in accordance with current legislation.

e) Cooperation: Ferrovial sustains good relations with tax authorities and manages tax matters in a proactive manner in order to avoid any kind of conflict.

f) Sustainability: Ferrovial has procedures and policies in place to manage fiscal risks. The company evaluates the same prior to implementing any transaction that involves fiscal planning.

g) Participation: Ferrovial is indirectly involved in legislative proceedings, contributing its international knowledge

of how other jurisdictions handle tax matters.

h) Market price: all transfers of goods and services between Ferrovial companies are subject to market conditions established between independent parties. The prices established are considered normal for the market and must reflect the true nature of each transaction.

2. Ferrovial has practices in place to undermine relevant fiscal risks and prevent any conduct that may be conducive to risks.

Following the recommendations of the Good Taxation Practices Code, the company:

i) Promotes measures to **prevent and reduce significant fiscal risks.**

ii) Seeks to **reduce conflicts** arising from differing interpretations of regulations, harnessing instruments established in tax legislation such as consulting with fiscal authorities before the fact, and reaching prior understanding agreements.

iii) **Works with the competent tax administrations** to detect potential fraudulent tax practices in any market where Ferrovial operates with a view to preventing and eradicating such practices.

iv) **Provides the information and documentation** requested by tax authorities as quickly and as completely as possible.

v) Makes use of all opportunities offered by the contradictory nature of inspection procedures, strengthening **agreements with tax authorities** in any procedural stage where feasible.

3. Ferrovial's Board of Directors takes an active role in overseeing the company's tax matters.

In compliance with Article 529 b of the Spanish Corporations Act, the Ferrovial Board of Directors performs those fiscal duties that may not be delegated to another body. These include approving a control and management policy for fiscal risks, as well as any operations that carry particular risk.

The Board of Directors was informed of the fiscal policies that the company applied during the year for drawing up the financial statements. The Board was also apprised on the effective compliance with the commitments contained in the Code of Good Taxation Practices. Annual Corporate Governance Report contains this commitment.

The company's Board of Directors, via the Chairman, CEO and senior executives, ensures that Ferrovial adheres to principles and good practices with respect to taxation.

For further information, please refer to section 6.6 in the Consolidated Financial Statements.

RISKS

Ferrovial's is exposed to a range of risk factors arising in countries where it carries out its activities and inherent to the sectors in which it operates. The company seeks to detect and assess risks, and implement timely control measures to mitigate their probability of occurrence and/or potential impact according to the strategic objectives set. Moreover, new business opportunities can be identified because of the effective and efficient management of certain risks.

EFFECTIVE RISK MANAGEMENT. FERROVIAL RISK MANAGEMENT

Ferrovial has a Risk Control and Management Policy that was approved by the Board of Directors to establish the acceptable risk and tolerance level per risk factor. This policies sets the general engagement framework for controlling and managing risk of diverse sorts that the managing team could encounter when attempting to attain business objectives.

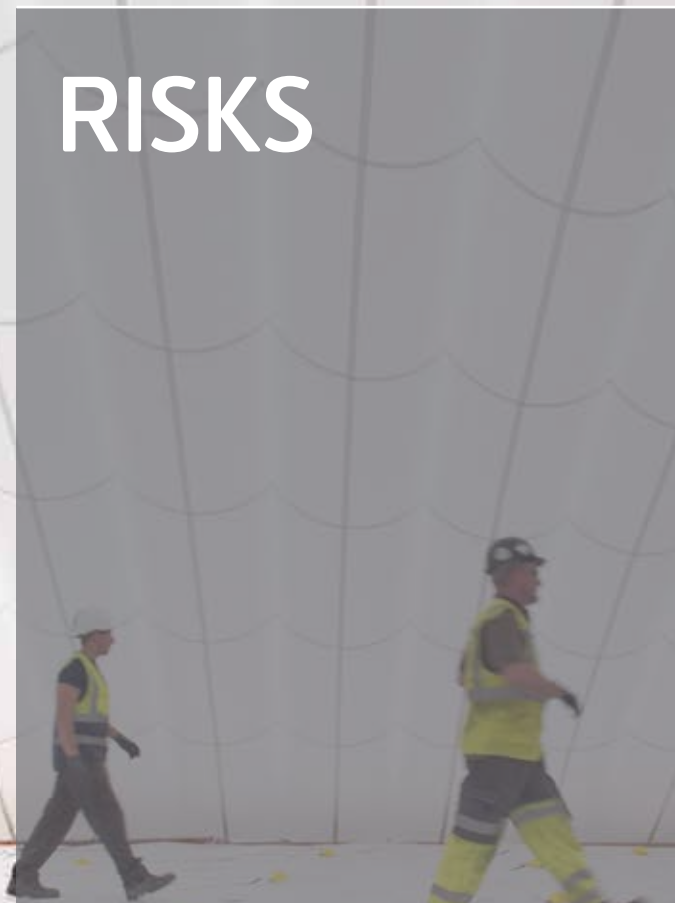
Ferrovial Risk Management (FRM) is the company's risk identification and assessment process, which is supervised by the Board of Directors and Management Committee, and implemented in all business areas.

FRM was created for the early detection and assessment of risk events based on their likelihood of occurrence and potential impact on strategic objectives, including corporate reputation. This enables Ferrovial to roll out the most suitable management and protective measures according to the nature and location of the risk.

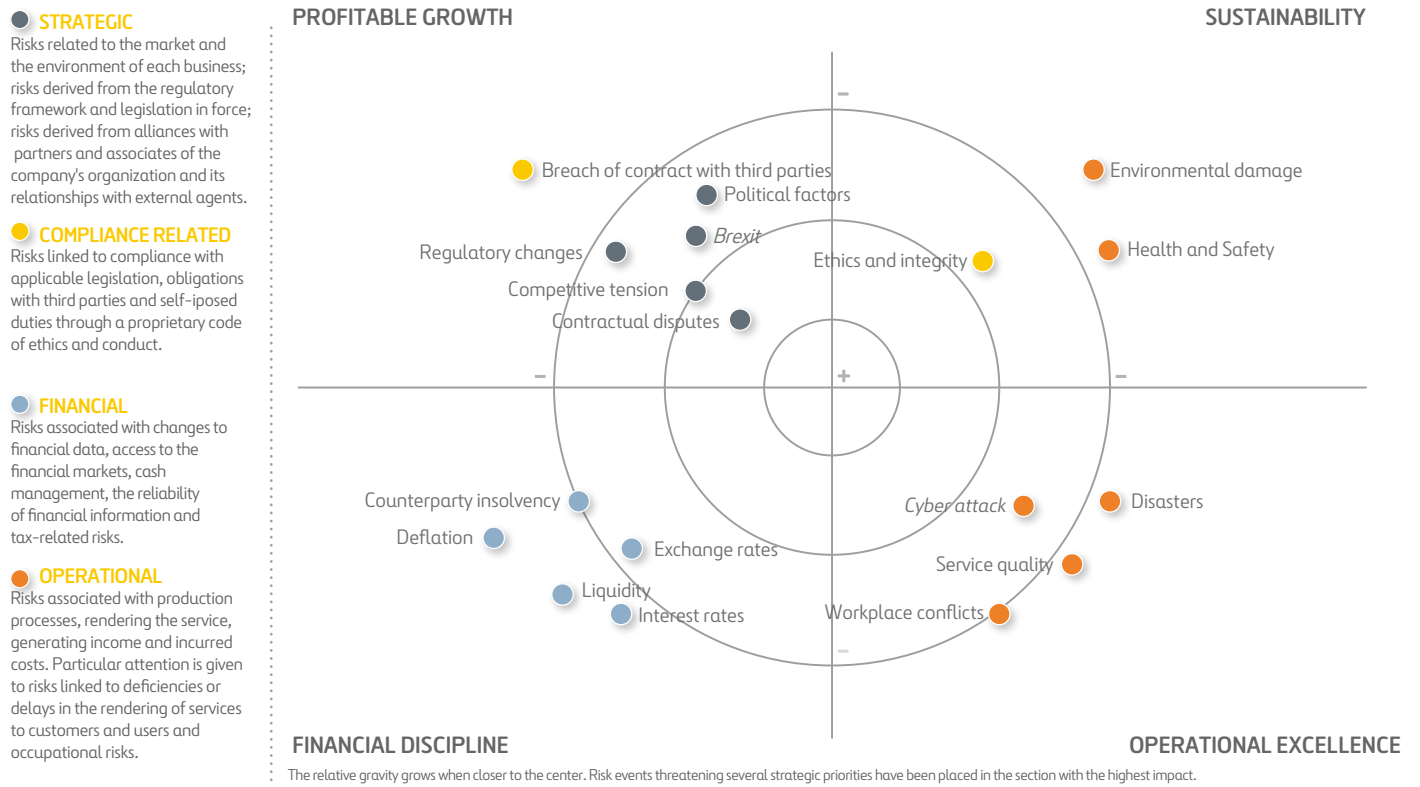
The identified risk events are assessed using common metrics: one inherent, before the specific control implemented to mitigate the risk, whether impact or likelihood, and one residual, after implementing specific control measures. In addition to determining the relative importance of each risk event in the risk matrix, it enables the assessment of the effectiveness of the implemented measures for managing them.

For further details, please refer to section E in the Annual Corporate Governance Report.

RISKS



The chart displays the most relevant risk events according to their residual assessment (after controls) that threaten the execution of Ferrovial's corporate strategy



MAIN RISKS

The following risks are prominent among the main risks affecting the implementation of the Ferrovial strategy:

- Contractual disputes:** fiscal consolidation policies in force in some of the areas where Ferrovial carries out its activities are negatively affecting the financial capacities of public sector customers and, therefore, their investment capabilities. The financial tensions affecting some public sector customers with whom Ferrovial operates increases exposure to contractual dispute risks, which could affect the profitability of some projects. However, the elevated level of legal security in the areas where projects are underway partly mitigate this risk. In this regard, there were some noteworthy decisions ruling in favor of Ferrovial during 2016, including yet not restricted to the ones on contractual disputes with the public sector, concerning roads in Madrid (M-203), and with the Birmingham Council.
- Competitive tension:** the economic recovery slow-down in the Europe and emerging countries negatively affects public sector investment capacity and could therefore affect the demand on infrastructures. This circumstance increases competitive tension in the

international markets where Ferrovial operates with the resulting pressures on prices and profit margins in projects that, by their very nature, have significant execution risks. As a response to these risks, the company has an investment approval procedure in place for identifying and assessing the most relevant project risks, including risks generated by the competitive environment, and opts to tender projects for which it has the most appropriate risk management tools that will yield a competitive advantage.

- Ethics and Integrity:** the markets in which Ferrovial competes may be exposed, in some of their activities, to ethical risks. Ferrovial is governed by principles of honesty, integrity and respect for legality in all its activities. To mitigate these risks, Ferrovial, in accordance with its Zero Tolerance commitment, identifies and assesses risks of this type, implementing follow-up and control measures that avoid them. Ferrovial has a Code of Business Ethics, as well as Anti-corruption and Human Rights Policies, which are known to all employees through information and training campaigns. The company has been a signatory to the United Nations Global Compact since 2002, while it is included in the most prestigious indices such as the Dow Jones Sustainability Index or FTSE4Good.

As discussed in the Human Rights section, Broad-spectrum provide services to the Regional Processing Centers (RPC) of Nauru and Manus Island, which have been the subject of controversy by different entities and organizations opposed to this policy of immigration from the Government of Australia, claiming that these centers violate Human Rights.

Broadspectrum does not manage or operate the RPCs, it merely provides social care, security and maintenance services, with the highest standards of quality and focused on improving the living conditions of these asylum seekers or refugees.

Immediately after the acquisition of Broadspectrum, Ferrovial announced that the provision of such services were not strategic activities and therefore would not form part of the Broadspectrum portfolio in the future. Although the service will continue until the end of the contracts in October 2017. Therefore, Broadspectrum will not bid for a renewal of the contracts to operate the RPCs of the Australian Government Department of Immigration and Border Protection.

Broadspectrum will not bid for a renewal of the contracts to operate the Regional Processing Centers of the Australian Government Department of Immigration and Border Protection.

- **Brexit:** the victory favoring the United Kingdom's exit from the European Union in the recent referendum of 23 June 2016 opened up negotiations between the British government and a European Union facing an elevated degree of uncertainty. The final result of the negotiations and its repercussions on British and European Union economies could influence Ferrovial assets in the United Kingdom (representing 21% of the total assets value according to the estimates of analysts), affecting their profitability and capability of creating value for Ferrovial. The initial estimates made following the referendum expect to see considerable GDP easing in the UK with a possible short-term slowdown. However, these estimates have been tweaked toward a more optimistic outlook.

Heathrow airport is the largest asset in which Ferrovial participates in the United Kingdom but the forecast for a potential slowdown in the British economy is not expected to significantly affect its activity when compared to similar situations in the past in light of the relevance of the asset and its current full-capacity status. Moreover, the British government's decision to continue with the third runway project, albeit pending final parliamentary approval, clearly demonstrates Heathrow airport's importance for the United Kingdom and, therefore, its abated exposure to this risk.

Turning to the Services business (Amey), the impact of the public sector budget constraints could continue affecting business, though Services and Construction businesses alike could even be positively affected by the need to improve the transportation network, which is embodied in more me-

dium-term investment and maintenance tenders.

Section 5.4h in the Financial Statements addresses how *Brexit* has affected the main financial figures, comparing the negative effect of exchange rate fluctuations with the positive effects that an increased inflation rate would have and the reduction of interest rates and, therefore, the discount rate on regulated assets at Heathrow airport. Regulated assets indexed at inflation increase their value as inflation increases.

In response to the risks that could emerge from *Brexit*, Ferrovial will continue monitoring the developments in negotiations between the United Kingdom and the European Union, foster operating efficiency measures across its diverse business areas to adapt to arising market circumstances, and continue tracking the trends in the financial markets to take the appropriate coverage measures.

- **Political Factors:** In general, most of Ferrovial's operations are in countries with a high level of legal certainty and where there is an expectation of socio-economic stability and transparent tax regulations, as in the case of the United Kingdom, the United States, Canada, Poland, Australia and Spain. Nevertheless, recent political events characterized by the exponential growth of protectionist policies and fiscal consolidation could affect the legal and regulatory environments in which the company operates, negatively affecting the objectives of profitability and growth. In fact, Ferrovial monitors closely the regulatory and legislative processes that could affect its activities, in order to anticipate potential changes sufficiently in advance and manage them accordingly.

Emerging risks: Ferrovial assesses and monitors the status of emerging risks that could negatively affect its ability to meet strategic targets or risks that, despite their low likelihood of occurrence, could nevertheless have negative effects on targets. Some of the more prominent risks include cyberattacks, natural disasters or risks caused by human action, terrorism of any sort, humanitarian crisis, anti-globalization and protectionist political movements to reduce international investment and jeopardize free competition, technological obsolescence and impact on technology innovation in managing infrastructures. The company seeks to anticipate the occurrence of these risks to adapt its strategy sufficiently in advance.

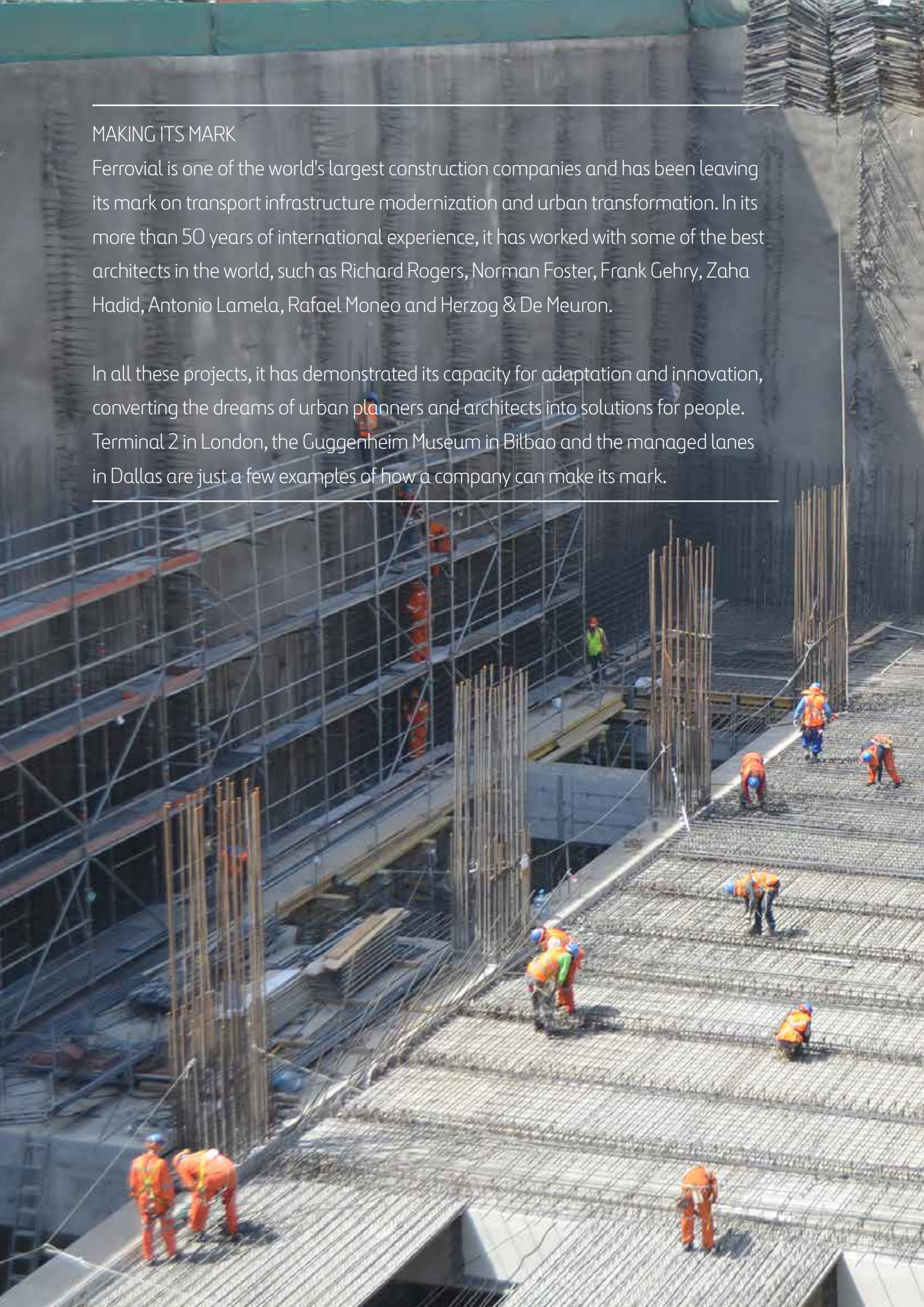
FINANCIAL RISKS

Ferrovial analyzes its exposure level and the suitability of its management in relation to the interest rate, exchange rate, share price, liquidity and credit and the main financial risks. This analysis makes a distinction between the policies applied in infrastructure project companies and the rest of businesses for cases in which such a difference is relevant. The financial risks are described in section 5.4 of the Consolidated Financial Statements.

MAKING ITS MARK

Ferrovial is one of the world's largest construction companies and has been leaving its mark on transport infrastructure modernization and urban transformation. In its more than 50 years of international experience, it has worked with some of the best architects in the world, such as Richard Rogers, Norman Foster, Frank Gehry, Zaha Hadid, Antonio Lamela, Rafael Moneo and Herzog & De Meuron.

In all these projects, it has demonstrated its capacity for adaptation and innovation, converting the dreams of urban planners and architects into solutions for people. Terminal 2 in London, the Guggenheim Museum in Bilbao and the managed lanes in Dallas are just a few examples of how a company can make its mark.



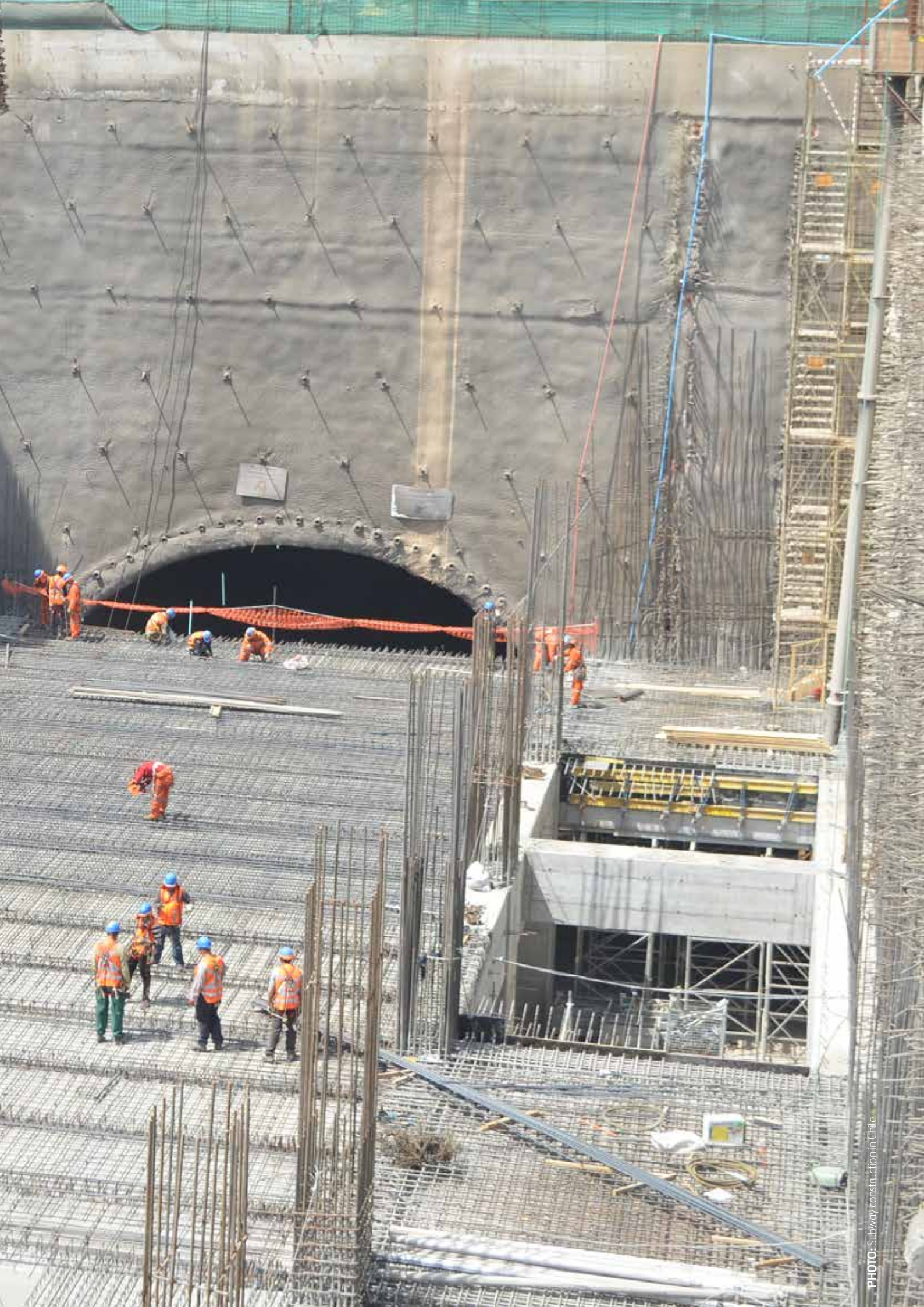


PHOTO: Subway construction in Chile

CORPORATE GOVERNANCE

Ferrovial's corporate governance seeks to guarantee integrity, which is construed as ethical, transparent and responsible conduct towards shareholders, employees and the different agents affected by the company's activities. This principle is key to ensuring profitable business and long-term sustainability in line with the company's strategy while strengthening the trust that shareholders and the different stakeholders have in the company.

In compliance with commercial law, the Annual Corporate Governance Report (ACGR) forms part of this management report, which was drawn up by the Board of Directors and filed with the Spanish Securities Commission. The ACGR details all corporate governance aspects at Ferrovial and is available at www.ferrovial.com.

Notwithstanding the foregoing, the most prominent elements of corporate governance at Ferrovial is summarized below.

ETHICS AND TRANSPARENCY

The following developments in 2016 for the area of good governance are particularly noteworthy:

- Update by the Board of Directors of the Ferrovial compliance model:
 - Approval of a new Compliance Policy.
 - Update of the Anti-Corruption Policy.
 - Revision of the Crime Prevention Model with a view to adapting its content to the regulations regarding the criminal liability of legal entities as contemplated in the Spanish Penal Code.
 - Amendment of the Risk Control and Management Policy to include the content of recommendations 43 and 44 of the Code of Good Governance for listed companies.
- Amendment by the Board of Directors of the Internal Regulations for Conduct in the Securities Markets with a view to adapting its content to Regulation (EU) No 596/2014 on market abuse and the implementing provisions thereof*.
- Approval by the Board of Directors of the Policy regarding communication and contacts with shareholders, investors, proxy advisers and credit rating agencies* with a view to comply with recommendation 4 of the Code of Good Governance for listed companies.
- Approval of a corporate procedure regarding representation expenses.

CORPORATE GOVERNANCE

Corporate Governance
Remuneration
Board of Directors
Management Committee

- Approval of a corporate procedure for hiring people and companies linked to employees.
- Update of the corporate procedures regarding the complaints box.
- Modification of the internal procedure for commissioning external auditors and other jobs with external auditors to adapt the wording to the new Spanish Audit Act.
- Amendment of the contracts with the Executive Directors of the company to include a clawback clause regarding their variable remuneration for cases in which their payment was made on the basis of data that are partially or entirely inaccurate.
- Publication on the website for the session of the Annual General Meeting, of a report on the independence of the auditor drawn up by the Audit and Control Committee, thus fulfilling article 21 II f) of the Board of Directors Regulations (recommendation 6.a) under the Code of Good Governance for listed companies.

CODE OF BUSINESS ETHICS

Ferrovial's Code of Business Ethics* was last updated in 2014 and applies to all group companies, directors, employees and managers as they go about their duties, and which includes a specific commitment to compliance with certain applicable laws. The following are among the included areas:

- **Relations with the public sector:** Ferrovial is committed to maintaining open and honest communications in its rapport with public sector agents.
- **Anti-corruption Laws:** the company requires compliance of all applicable laws prohibiting bribery or any other form of corruption. This is bolstered by the new Anti-Corruption Policy approved by the company in 2014 and subsequently updated in 2016.
- **Use of privileged information:** those possessing non-public and specific information that, should it become public, could have a significant effect on the price of the securities of Ferrovial (or another issuing company to which said privileged information may refer), must strictly adhere to the pertinent legislation in force and, in particular, may not: attempt to execute or execute any sort of transaction involving said instruments on his/her own behalf or on the behalf of a third party, whether directly or indirectly; recommend, mislead or induce third parties to execute such transactions; disclose said information to third parties unless within the normal course of business, profession or duties.
- **Anti-money laundering laws:** employees must comply with all legislation against money laundering, doing business with partners who have good reputations and receive funds only from legitimate sources.
- **Fair competition:** Ferrovial proscribes any action that could entail unfair competition practices and thus undertakes to ensure compliance with the competition laws applicable in the countries where it operates. In 2014, Ferrovial's Board of Directors approved a Corporate Competition Policy.

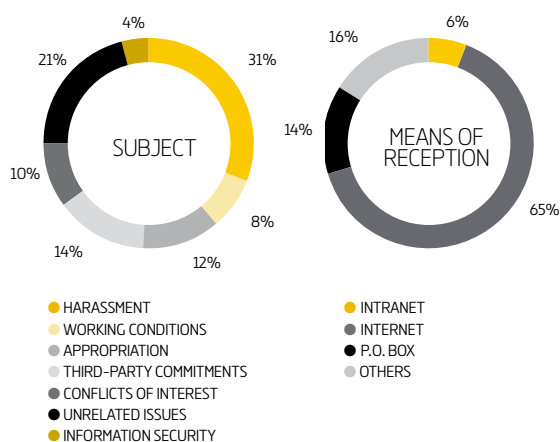
- **Accurate accounts and records:** Ferrovial subsidiaries across the world must implement accounting practices that ensure accurate accounts and record keeping. Since 2015, Ferrovial has had a software-based organizational procedure in place for guaranteeing the reliability of financial information and monitoring its efficient functioning.

WHISTLEBLOWING CHANNEL

Ferrovial's Whistleblowing Channel was set up in 2009 to complement other internal channels and ensure compliance with the Code of Business Ethics, internal procedures and protocols by enabling the whistleblowing of irregularities, non-compliance and any unethical or illegal conduct. The channel may be used by the public via the website and enables communications in full confidentiality, whether submitted anonymously or by name.

A postbox was also set up to make such communications. In 2016 a total of 51 complaints were filed, 23 of which were anonymous and 28 made by name.

COMPLAINTS RECEIVED IN 2016



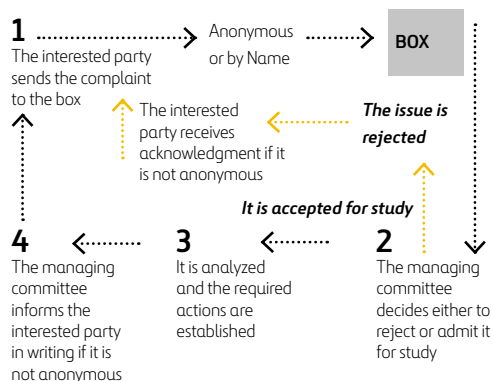
All complaints are investigated by the Complaints Box Managing Committee, which includes the Director of Internal Audits and the General Director of Human Resources. The Committee meets regularly, except when a report warranting immediate attention is received.

Ferrovial also has a corporate procedure in place to protect the company's business assets and prevent fraud. This document was updated in 2012 to prevent any illegal conduct that might harm the company.

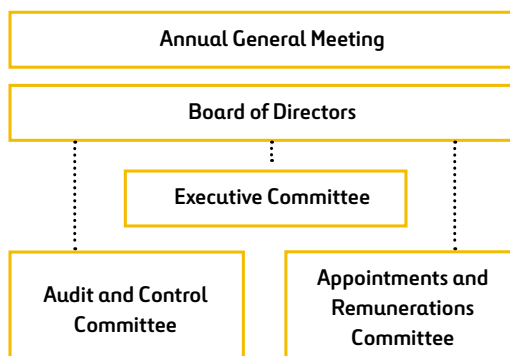
CORPORATE GOVERNANCE: NEWS

- Amendment of company Bylaws to, inter alia, adapt the content thereof to the changes in the Spanish Corporate Enterprises Act in light of the new Spanish Audit Act.
- Total or partial compliance with the majority (56 of 59)

FUNCTIONING OF THE WHISTLEBLOWING CHANNEL



STRUCTURE OF THE GOVERNING BODIES



of applicable recommendations under the Code of Good Governance for listed companies.

- Appointment of Philip Bowman as Independent Director.
- Drawing up by the Appointments and Remunerations Committee, and posting on the website, for the recent session of the Annual General Meeting, of a report on the needs of the Board of Directors insofar as its composition.*
- Further corporate policies were also approved in 2016, including:
 - Remuneration policy for directors*, approval by the Annual General Meeting.
 - Remuneration policy for senior management.
 - Treasury Share Policy, included in the Internal Regulations for Conduct in the Securities Markets*, to incorporate the criteria that the Spanish Securities Commission (CNMV) recommends that issuing firms observe in their discretionary treasury share operations.

GOVERNING BODIES

The ACGR details how the company's management bodies and the decision-making process work, with emphasis on the roles of the Annual General Meetings and Board of Directors as the company's most senior management bodies.

Ferrovial observes the standards and principles of domestic and international best practices in relation to good governance, as adapted to the company's nature, structure and evolution.

Board of Directors

The Board performs its duties with unity of purpose and independent judgment. It treats all shareholders in the same position equally, and works in the social interest, with the same understood to mean securing a profitable business that is sustainable in the long term, supporting its continuity and seeking optimal economic value for the company. A total of 8 sessions were held in 2016 with an average duration of 5 hours and 20 minutes per meeting and an attendance of 98.82%.

Items addressed by the Board of Directors in 2016

Every year and whenever requested by its Chairman, the Board of Directors draws up a program of dates and matters to address at each of the scheduled sessions for the following year, notwithstanding additional matters that could arise throughout the year. The main matters addressed at the Board meetings in 2016 are detailed below.

Executive Committee

This body has all delegated powers corresponding to the Board of Directors, except for powers that cannot be delegated for legal or statutory reasons.

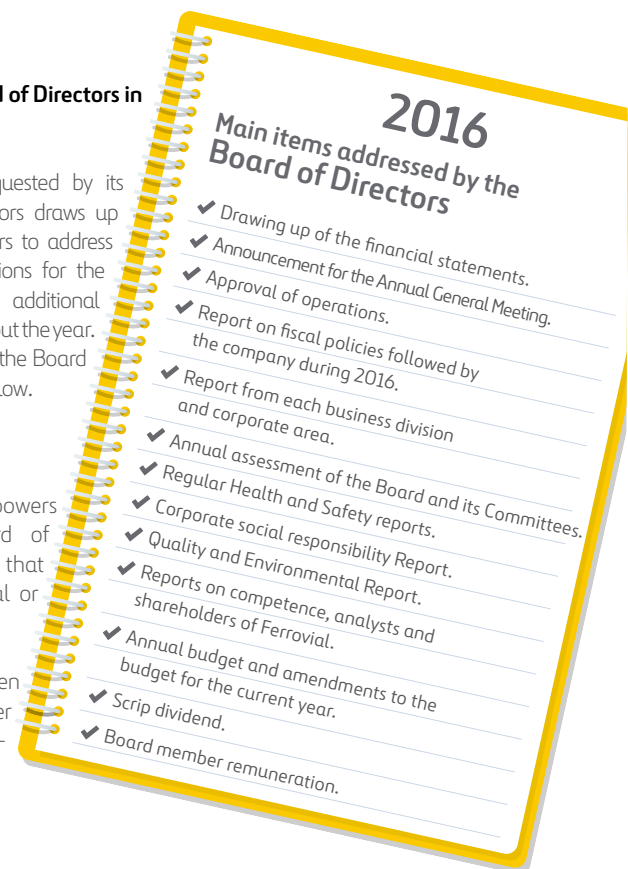
The committee comprises seven members. In addition to other matters, it monitors the performance of key business indicators and operations underway at Ferrovial.

Appointments and Remunerations Committee

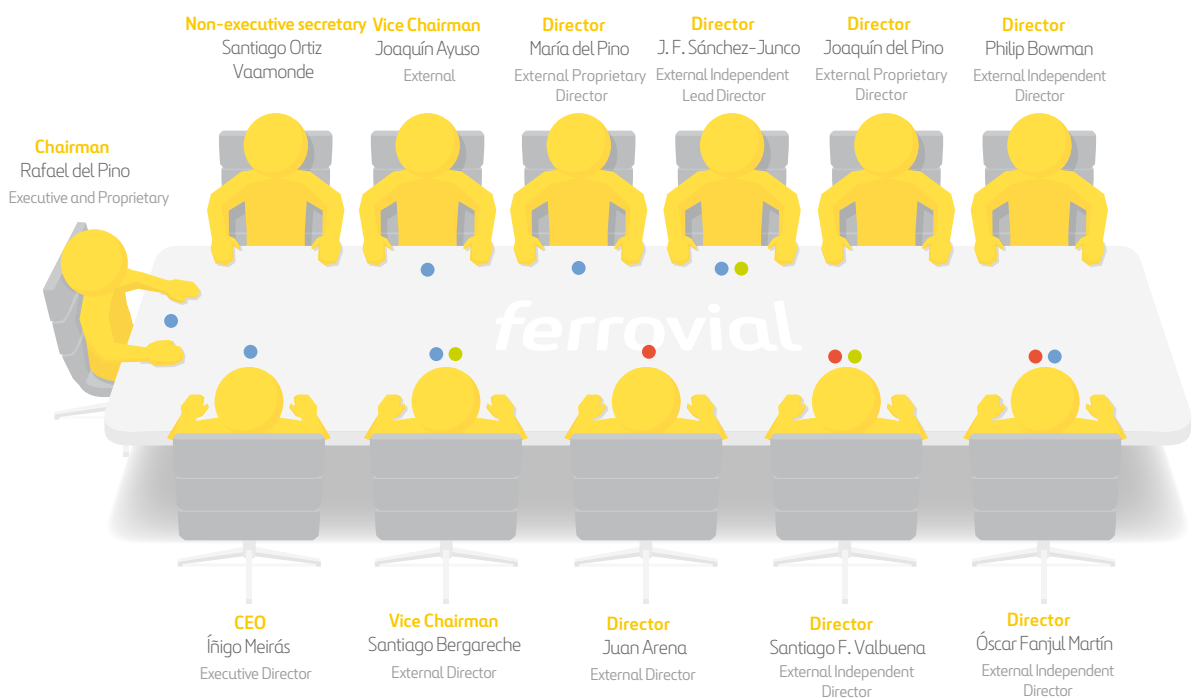
The Committee comprises three Non-Executive Directors, the majority of whom are independent, including the Chairman.

Their main duties, other than those attributed by law, are described below, representing the adoption of recommendations under the code of good governance for listed companies:

- Proposing basic terms for senior management contracts.
- Ensuring that all non-executive directors have sufficient time to duly perform their duties.
- Ensuring compliance with the remuneration policy established by the company.



* Available at the website www.ferrovial.com



COMMITTEES: ● EXECUTIVE COMMITTEE ● AUDIT AND CONTROL COMMITTEE ● APPOINTMENTS AND REMUNERATIONS COMMITTEE

- 12
 members
 (1 vacancy)
- 30%
 Target of 30% female representation
 on the Board by 2020
- 1
 Lead Director (Coordinator)
- 2
 consecutive years of
 external Board assessment
- Board members reelected every
3 years
- 31.39%
 voting rights assigned to
 Board of Directors

- Verifying information on remunerations for directors and senior management contained in the various corporate documents, including the Annual Board of Directors' Remuneration Report.
- Ensuring that any conflicts of interest do not impair the independence of the advice provided to the Committee.

The activities that the Committee carried out during the five sessions held in 2016 are detailed in the report regarding its operation*

Audit and Control Committee

The Committee comprises three Non-Executive Directors, the majority of whom are independent, including the Chairman. All of them were appointed in consideration of their knowledge and experience in accounting, auditing or risk management.

Their main duties, other than those attributed by law, are described below, representing the adoption of recommendations under the code of good governance for listed companies:

- Supervising the generation and presentation of mandatory financial information, and ensuring that the Board seeks to present accounts to the Annual General Meeting without any limitations or qualifications in the audit report.
- Supervising effectiveness of the internal financial information control system.

- Ensuring that the company and the accounts auditor adhere to rules governing the provision of services other than auditing, limits on the concentration of auditor services and other general regulations concerning the independence of account auditors.
- Ensure that the remuneration of the auditor of accounts does not compromise quality or independence.
- Receiving regular information on activities from the Internal Audit Department.
- Ensuring the independence of the Internal Audit Department.
- Establishing and supervising a system that allows employees to confidentially and, if possible and deemed appropriate, anonymously report any irregularities with potentially serious implications that may be identified at Ferrovial, particularly regarding financial and accounting matters.
- Supervising compliance with internal corporate governance and conduct standards for securities markets, and proposing improvements.
- Coordinating the process for reporting non-financial information according to the applicable legislation and benchmark international standards.

The activities that the Committee carried out during the five sessions held in 2016 are detailed in the report regarding its operation*.

* Available at the website www.ferrovial.com

REMUNERATION

REMUNERATION MIX OF THE CHAIRMAN AND CEO

13%

FIXED

20%

VARIABLE

67%

LONG-TERM INCENTIVE

(Includes Performance Shares and Stock Options)

Remuneration of Ferrovial's Board of Directors is established on the basis of the best practices in the marketplace and backed by studies on remuneration conducted by external consultants, internal rules and regulations, and pertinent legislation in force

EXECUTIVE DIRECTORS' REMUNERATION

Fixed components

The fixed remuneration of the Executive Directors is calculated on the basis of market benchmarks from a comparison group comprising 24 national and international companies in their reference markets.

Variable components

Only Executive Directors have variable component elements in their remuneration. It comprises an Annual Variable Remuneration and Long-Term Incentive Plans.

a) Annual Variable Remuneration

It is linked to individual performance and the attainment of specific economic-financial, industrial and operational targets, which are pre-established, quantifiable and coherent with the social interest, and contemplated in the Strategic Plans. They could be quantitative or qualitative objectives.

In 2016, **quantitative objectives** have a weight of 50% on the total variable remuneration for the Chairman and 60% for the CEO. They are as follows:

- 45% Net Income.
- 40% Cash Flow.
- 15% Degree of compliance with the initiatives arising from the strategic plan.

Qualitative objectives determine the rest of the Annual Variable Remuneration and in 2016 constitute 50% for the Chairman and 40% for the CEO. The overall results of the Group are assessed for the Chairman while the following objectives are established for the CEO:

- Overall assessment of the results from the reference year.
- Adjustment and monitoring of procedures linked to assuming controlled risks.
- Improvements regarding employee Health & Safety, measured through the accident rate.
- Development of professional teams to guarantee stability in the management and achievement of strategic objectives.
- Innovation and corporate social responsibility.

The target amount of the annual variable remuneration for Executive Directors, i.e., the remuneration corresponding to a standard level of achievement insofar as objectives is equivalent to 125% of the Fixed Remuneration for the Chairman and CEO. The quantitative targets have an associated scale for compensating overachieved targets up to a certain limit, hence the annual variable remuneration has a ceiling of 225% on the Fixed Remuneration for Executive Directors.

PRINCIPLES AND CRITERIA

- Creating long-term value by aligning remuneration systems with the Strategic Plan.
- Attracting and retaining the finest professionals.
- External competitiveness in the setting of remuneration.
- Periodic involvement in plans linked to this activity and connected with achieving certain profitability metrics.
- Objective compliance pursuant to the Risk Management Policy.
- Maintenance of a reasonable balance between the different fixed remuneration components (short term) and variable components (annual and long term).
- Transparency.

Executive Director Remuneration (thousands of €)	Fixed	Variable	Plans linked to shares ⁽¹⁾⁽²⁾	Other ⁽³⁾	Total 2016
Rafael del Pino and Calvo-Sotelo	1,455	2,261	11,301	8	15,025
Joaquín Ayuso García ⁽⁴⁾	0	0	1,616	36	1,652
Íñigo Meirás Amusco	1,200	1,872	2,088	4	5,164
TOTAL	2,655	4,133	15,005	48	21,841

(1) In March 2016, having fulfilled the agreed metrics, an equivalent number of shares to the units allocated in 2013 were paid after the corresponding retentions were made. The CNMV was informed on 15 March 2016.

(2) The number of stock options in Plan 2008 exercised by Íñigo Meirás was 20,000, while Rafael del Pino exercised 1,179,600, thus finalizing the plan with this period. Similar to all stock option or other plans referenced to the value of the shares granted by Ferrovial since 2000, the Executive Chairman has exercised his option right in the last quarter before the expiration of the plan.

(3) Life assurance premiums/Boards in other companies of the group

(4) Joaquín Ayuso exercised 200,000 options. This stock options plan was granted to him in 2008 when he was the Executive Director.

b) Long-Term Incentive Plans

Executive Directors participate in a long-term variable remuneration system consisting of share-based remuneration plans. They are structured on overlapping multi-year cycles (currently at 3 years) with yearly unit assignments, which are converted into shares at the end of the cycle (currently 3 years).

For the valid plan (2016 – 2018), they are determined with the relative weighting of the following metrics:

- 70% on the basis of the EBITDA⁽¹⁾ on net productive assets⁽²⁾.
- 30% based on the Total Shareholder Return (TSR) compared to a group of companies.

In the case of EBITDA/Net productive assets, the incentive maximum will be attained for the allocation in 2016 if the average of this rate at the close of the three-year cycle exceeds 10.5%, with no remuneration under 9%.

The incentive maximum will be attained for the TSR for the allocation in 2016, if Ferrovial ranks among the top 5 for the comparison group at the end of the three years, with no remuneration when underneath the average for this group.

LONG-TERM INCENTIVE PLANS COMPLIANCE SCALES (ALLOCATION 2016)

	Maximum	Minimum
EBITDA⁽¹⁾/ Net assets⁽²⁾	≥10.5%	< 9%
TSR	Positions 1 to 5	Positions 11 to 18

(1). The consolidated EBITDA will be construed as the gross operating result before depreciation, adding the EBITDA from the companies incorporated based on the equity method in the consolidated financial statements in the percentage of stake that the company holds in them.

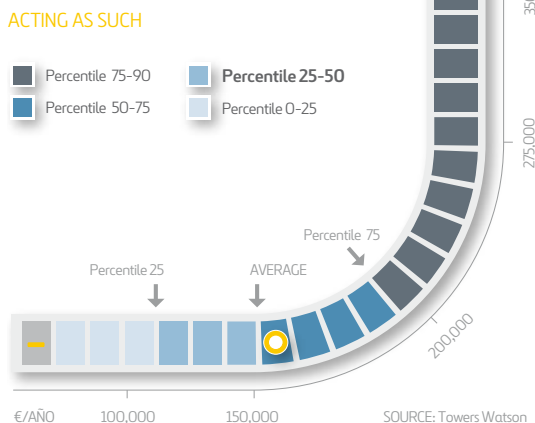
(2). Net productive assets will be construed for the total amount of the assets in the consolidated balance of the company excluding assets allocatable to projects in an unpaid construction phase. The value corresponding to the proportional part of the net productive assets from the companies integrated by the equity method will then be added to this result, with the exception in any case of the part corresponding to the revaluations of companies stemming from divestment processes with loss of control.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of non-executive directors is determined by a fixed assignment, allowances and a complementary fixed assignment.

Ferrovial's internal regulations states that remuneration for External Directors will be determined so as to adequately

AVERAGE REMUNERATION OF DIRECTORS ACTING AS SUCH



compensate for the responsibility and dedication required by the position without compromising their independence.

Remuneration formulas involving the delivery of shares, options, share-linked instruments or instruments linked to the company's performance will only apply to Executive Directors.

INTERNAL RULES AND REGULATIONS

Regarding the internal rules and regulations associated with the remuneration of the Board, the following developments in 2016 are noteworthy:

- Approval by the Annual General Meeting of the Remuneration Policy for Directors.
- Adoption of the recommendations of the CNMV's Code of Good Governance.
- Inclusion of a clawback clause on the variable remuneration of executive directors for cases in which their payment was made on the basis of inaccurate data, and a share tenancy policy.

Further information on the remuneration of the Board of Directors and Senior Management, and on the remuneration policy is available at the Ferrovial website:

www.ferrovial.com

Senior management remuneration (thousands of €)	2016
Fixed remuneration	5,094
Variable remuneration	4,994
Plans linked to shares	7,751
Other (*)	46
TOTAL	17,885

(*) Life assurance premiums/Boards in other companies of the group

VARIABLE REMUNERATION OF EXECUTIVE DIRECTORS

125%

TARGET VARIABLE REMUNERATION

225%

MAXIMUM VARIABLE REMUNERATION

BOARD OF DIRECTORS

Chairman

Rafael del Pino ■

Executive and Proprietary

Civil Engineer (Polytechnic University of Madrid, 1981). MBA (Sloan School of Management, MIT, 1986). Chairman of Ferrovial since 2000 and CEO since 1992. Chairman of Cintra from 1998 to 2009. Member of the MIT Corporation, IESE's International Advisory Board, the MIT Energy Initiative's External Advisory Board and the MIT Sloan European Advisory Board, and the Harvard Business School European Advisory Board. He is also a member of the Royal Academy of Engineering of Spain. He has been Director of Zurich Insurance Group, Banesto and Uralita.

Vice Chairmen

Santiago Bergareche ■■

External Director

Degree in Economics and Law (Universidad Comercial de Deusto). 1st Vice-Chairman of Ferrovial and member of the Board of Directors since 1999. Joined Ferrovial in 1995 as Chairman of Agroman. In February 1999, after the merger of Ferrovial and Agroman, appointed CEO of Ferrovial. Chairman of Vocento; Vice-Chairman of Alantra Partners; Director of Maxam Corp Holding and Deusto Business School; Trustee of the Foundation Casa Ducal de Medinaceli. Former Managing Director of Banco Bilbao Vizcaya Argentaria (BBVA); Chairman of Metrovacesa and Cepsa.

Joaquín Ayuso ■

External Director

Degree in Civil Engineering (Universidad Politécnica de Madrid). 2nd Vice-Chairman of Ferrovial and member of the Board of Directors since 2002. Chairman of the Board of Directors of Autopista del Sol. Joined Ferrovial in 1982. Managing Director of Construction since 1992, CEO of Ferrovial Agroman (1999-2002), CEO of Ferrovial (2002-2009), executive Vice-Chairman of Ferrovial (2009-2012) and Vice-Chairman of Cintra (2002-2009). Former Director of BAA (UK), Budimex (Poland) and 407 ETR (Canada). Director of Bankia, National Express Group (UK) and Hispania Activos Inmobiliarios. Member of the Advisory Boards of "Benjamin Franklin" Institute at the University of Alcalá de Henares, TRANSYT (Transport Investigation Center of the School of Civil Engineering) and A.T. Kearney for Spain, as well as the Board of Círculo de Empresarios.

CEO

Íñigo Meirás ■

Executive Director

Degree in Law (Universidad Complutense de Madrid); MBA (IE Business School). CEO of Ferrovial since 2009. Joined Ferrovial in 1992; former Managing Director of Autopista del Sol and Director of Toll Roads at Cintra. CEO of Ferrovial Services from 2000 to 2007; later appointed CEO of Ferrovial Airports. Previously worked at Holcim Group and Carrefour Group.

Directors

Juan Arena ■

External Director

PhD in Industrial Engineering (ICAI), Degree in Business Administration (ICADE), Degree in Psychology, Diploma in Tax Studies and AMP (Harvard Business School). Director of Ferrovial since 2000. Director of Laboratorios Almirall and Meliá Hotels International; Chairman of the Advisory Board of Consulnor and the Professional Council of ESADE; member of the International Advisory Board of Everis and the Advisory Boards of Marsh and Panda; Director of Deusto Business School and member of the World Advisory Board of Harvard Business School; member of the Executive Committee of SERES Foundation and Chairman of its Governance Committee. Former CEO and Executive Chairman of Bankinter; Director of UBS Spain, TPI, Everis, Panda, Dinamia and Prisa; member of the Board of Trustees of ESADE and member of the Advisory Board of Spencer Stuart; professor in Harvard Business School and IESE.

María del Pino ■

External Proprietary Director

Degree in Economics and Business Administration (Universidad Complutense de Madrid); Management Development Program (IESE). Director of Ferrovial since 2006. Chairman of the Rafael del Pino Foundation. Rotating Chairman / Vice-Chairman of the Board of Directors of Casa Grande de Cartagena, S.L.U. Member of the Board of Trustees of the Princess of Asturias. Trustee of the Codespa Foundation. Former member of the Governing Board of the Asociación para el Progreso de la Dirección and trustee of the Fundación Científica de la Asociación Española contra el Cáncer.

Santiago Fernández Valbuena ■■

External Independent Director

Degree in Economics (Universidad Complutense de Madrid); PhD and Master's Degree in Economics (Northeastern University, Boston). Director of Ferrovial since 2008. Vice-Chairman of EBN Banco de Negocios. Former Chairman of Telefónica Latinoamérica; Director and Chief Strategy, Finance and Corporate Development Officer at Telefónica; Managing Director of Société Générale Valores and Head of Equities at Beta Capital; Professor of Applied Economics at the Universidad Complutense and Professor at IE Business School.

José Fernando Sánchez-Junco ■■

External Independent Director

Lead Director

Degree in Industrial Engineering (Universidad Politécnica de Barcelona). ISMP Graduate at Harvard Business School. Member of the State Corps of Industrial Engineers. Director of Ferrovial since 2009. Director of Cintra from

2004 to 2009. Chairman and CEO of Maxam Group. Former Managing Director of Industrias Siderometalúrgicas y Navales and Managing Director of Industry at the Ministry of Industry and Energy.

Joaquín del Pino

External Proprietary Director

Degree in Economics and Business Administration; MBA (IESE). Director of Ferrovial since 2015 (and has represented the Director Karlovy, S.L. of Ferrovial since 2010, reelected in 2013). Rotating Chairman / Vice-Chairman of the Board of Directors of Casa Grande de Cartagena, S.L.U.; legal representative of Soziancor, S.L.U., Chairman of the Board of Directors of Pactio Gestión, SGILC, S.A.U.; and Trustee of the Rafael del Pino Foundation and the Plan España Foundation. Former Director of Banco Pastor.

Óscar Fanjul Martín ■■

External Independent Director

Professor of Economic Theory on leave of absence. Director of Ferrovial since 2015. Vice-Chairman of Omega Capital; Director of LafargeHolcim and Marsh & McLennan Companies; Trustee of the Foundation of Friends of the Prado Museum, of the Center for Monetary and Financial Studies, (Bank of Spain) and of the Aspen Institute (Spain). Former founding Chairman and CEO of Repsol; Chairman of Hidroeléctrica del Cantábrico; non-executive Chairman of NH Hoteles and Deoleo; Director of Acerinox, Unilever, BBVA, London Stock Exchange and Areva.

Philip Bowman

External Independent Director

Degree with honors in Natural Science (University of Cambridge); Master in Natural Science (University of Cambridge); Fellow of the Institute of Chartered Accountants in England & Wales. Director of Ferrovial since 2016. Chairman of The Miller Home Group (UK) Ltd. and of Majid Al Futtaim Properties LLC; Senior Independent Director of Burberry Group; Director of Better Capital. Former Chairman of Coral Eurobet and Liberty; CEO of Smiths Group, Scottish Power and Allied Domecq; Director of Berry Bros. & Rudd, Scottish & Newcastle Group, Bass, British Sky Broadcasting Group and Coles Myer.

Secretary

Santiago Ortiz Vaamonde

Spanish State Attorney; PhD in Law (Universidad Complutense de Madrid). General Counsel and Secretary of the Board of Directors of Ferrovial since 2009. Former partner at Cuatrecasas and Ramón y Cajal law firms, in charge of Trial Law and Public and Regulatory Law; Agent of the Kingdom of Spain before the Court of Justice of the European Union; professor at the Diplomatic School and the Carlos III University.

MANAGEMENT COMMITTEE



1. Íñigo Meirás CEO

Bachelor's Degree in Law and MBA from the IE Business School. Former Managing Director of Autopista del Sol and Director of Toll Roads for Cintra. As Managing Director and CEO he led the expansion of Ferrovial Servicios. In 2007 he was appointed CEO of Ferrovial Aeropuertos. He previously worked for the Holcim Group and the Carrefour Group.

2. María Dionis Managing Director of Human Resources

Graduate in Psychology (Universidad Complutense de Madrid) and Master's Degree in Human Resources Management (University of Maryland). Worked at Andersen Consulting, Watson Wyatt, Soluziona and Getronics Iberia. At Ferrovial, she was the Director of Human Resources Development and then head of Human Resources and Communications in the Services business.

3. Alejandro de la Joya CEO of Ferrovial Agroman

Civil Engineer. He developed his career working in Spain, Morocco, Italy, Portugal and later in Poland (Budimex). Former Foreign Business Director and International Construction Director since 2007.

4. Enrique Díaz-Rato CEO of Cintra

Graduate in Civil Engineering and Economic Sciences, and MBA from the EOI. Former Managing

Director of Cintra Chile, General Manager of the 407 ETR Toll Road in Toronto (Canada), and Director of Toll Roads for the United States, Canada, Chile and Ireland.

5. Alvaro Echániz CEO of Ferrovial FISA (Real Estate Division)

Graduate in Business Studies. Former Chief Financial Officer of Ferrovial Agroman and Chief Financial Officer of Cintra. After commencing his career at Arthur Andersen consulting, he held various posts at Banco de Vitoria and Banesto.

6. Federico Flórez Chief Information Officer and Innovation Officer (CIO)

Naval Engineer; Master's Degree in Business Administration and IT Management, PAD (IESE), Advanced Management Program (INSEAD). Diplomas in Senior Management from Harvard, MIT and Cranfield. He developed his career in companies such as IBM, Alcatel and Telefónica. He is also CIO of the Bank of Spain.

7. Jorge Gil CEO of Ferrovial Airports

Graduate in Business and Law (ICADE). He began his career at The Chase Manhattan Bank, in the area of Corporate Finance and M&A. Former Director of Corporate and Business Development, Director of the 407 ETR, Chicago Skyway and Indiana Toll Road, and Director of Finance and Capital Markets at Ferrovial.

8. Ernesto López Mozo Chief Financial Officer

Graduate in Civil Engineering (Universidad Politécnica de Madrid) and MBA from the Wharton School (University of Pennsylvania). Held various executive posts at the Telefónica Group, JP Morgan and Banco Santander.

9. Santiago Olivares CEO of Ferrovial Services

Industrial Engineer (ICAI) and MBA (MIT). Former Services Business Development Director and Director of the international area of this division. Before joining Ferrovial, he worked at McKinsey & Co.

10. Santiago Ortiz Vaamonde General Counsel

Spanish State Attorney; PhD in Law from Complutense University, Madrid. General Secretary of the Board of Directors of Ferrovial since 2009. Former partner in Trial Law, Public Law and Regulatory Law at Cuatrecasas and Ramón y Cajal; Agent for the Kingdom of Spain before the Court of Justice of the European Communities; professor at the Diplomatic School and at the Carlos III University.

11. María Teresa Pulido Director of Corporate Strategy

Graduate in Economics (Columbia University) and MBA. She developed his career at McKinsey, Citigroup, Deutsche Bank and Bankers Trust. Member of MIT's Sloan EMSAEB Board.

EXPECTED PERFORMANCE IN 2017

In line with the strategy and the opportunities and challenges discussed in Chapter 1.2 of this report, Ferrovial elaborated a forecast about the performance of its business activities in 2017.

TOLL ROADS

The foreseeable behavior of toll roads in operation during 2017 will depend on macroeconomic developments in the countries or States where the assets are located and their impact on traffic volumes and revenues. The company will continue to focus its efforts on maximizing revenues within the framework allowed by the concession rights, as well as on the fulfillment of its contractual obligations at the lowest cost.

In the rotation of mature assets will stand out the closure of partial sale agreements for the North Litoral and Vía do Infante toll roads in Portugal, pending administrative approvals.

Financing is expected to close and work is planned to begin in 2017 on the recently awarded I-66 highway in Virginia (USA), and work on several projects under construction will continue: 407 Extension II, in Canada; I-77, in North Carolina, USA; Toowoomba, Australia; Ruta del Cacao, in Colombia; and D4R7, in Slovakia. There is no provision for the entry into operation of any of these projects in 2017.

In addition, Cintra will continue its bidding activities in the target countries of the company (North America, Europe, Australia, New Zealand, Colombia, Chile and Peru), focusing primarily on complex greenfield projects, given its high potential for value creation.

SERVICES

The expected performance of the situation in the markets where Ferrovial Services operates differs depending on the countries and customer types. Therefore, potentially negative macroeconomic factors could be compensated by improvements on certain customers, especially in the private sector and vice versa.

- **United Kingdom:** the uncertainty facing the marketplace following the Brexit victory in the June 2016 referendum has negatively affected the British economy, which has contributed to additional reductions in expenses by several customers, primarily in the public sector scope. The GDP growth predicted for 2017 will be 1.4% (compared to the 2.1% estimated for 2016). However, the Government's announcement to increase infrastructure spending by an additional 23 B (up to 170 B) in the next 5 years is rather positive and should generate new business opportunities for Amey, particularly in the rendering of asset management services. Additionally, the favorable decision in Amey's dispute with the Birmingham City Council entails a first step in returning the rapport between the two parties back to normal and redefining their relationship model for the next 19 years.
- **Spain:** following the formation of the new Government and a year of deceleration for tendering, there is now an emerging increase in political will to promote large-scale projects at different levels of the government. Moreover, the positive performance expected for the 2017 GDP allows

EXPECTED BUSINESS PERFORMANCE

for a moderate optimism regarding the company's operations with private customers.

- **Australia:** the economy continues its solid growth with greater weight in the services sector compared to mineral resources. For Ferrovial Services, the boost in new infrastructures and public expenditures should partly compensate the existing uncertainty regarding the gas and oil sectors, and the forecast for a lower contribution from immigration contracts, ending in October 2017.
- **Other markets:** sound growth in sales is expected for Portugal, Poland and even Chile, despite the low copper prices and political uncertainty in election years. In Qatar, gas prices have yet to recover, which translates into pressure on customers that is in turn passed on to suppliers. Finally, the macroeconomic scenario in the United States is healthy and should have positive results on highway maintenance and oil & gas businesses, though the new political situation presents uncertainties, particularly regarding regulatory matters.

CONSTRUCTION

Construction revenue figures are expected to grow in 2017 with the execution of international projects that will compensate a new decrease in activities in Spain.

- **USA and Canada:** following the US presidential elections, a strong increase in transportation investment is expected, particularly in private funded projects where Cintra and Ferrovial Agroman are market leaders. This trend, the approval of the Fast Act federal financing plan and the growing budgetary contribution in US States and their Departments of Transportation (DOTs) should provide continuity to recently awarded contracts such as California's HSR Package 4, I-66 in Virginia, US-175 Dallas Country, and other major projects underway such as the NTE Extension highway in Texas, I-285 in Georgia or I-77 in North Carolina.
- **Poland:** notwithstanding the delay in tendering contracts associated with the 2014-20 European Funds framework, re-assumed by the new Government in the second half of 2016, a slight increase in revenue is expected for 2017 thanks to relevant contract awards such as the Olsztyn beltway, the first railroad design and construction projects and the execution of projects in the industrial sector.
- **United Kingdom:** despite the risks emerging from Brexit (currency, prices, human resources, etc.), there is however sound political willingness to execute major projects in the infrastructure plan, e.g., the contract awarded to Ferrovial Agroman for the preliminary railroad work on the Central Section of the HS2 connecting London and Birmingham. The execution of other major projects will also continue in 2017, including the expansion of

the Northern Line of the London Underground and the Thames Tideway Tunnel.

- **Australia:** after reinforcing the company's position in the country by securing various relevant tenders through Ferrovial Agroman and Ferrovial Services' purchase of Broadspectrum, 2017 will see the resumption of work to build the Toowoomba motorway that began midway through 2016, in addition to other major roadwork contracts such as the Warrell Creek motorway to Nambucca Heads or Northern Beaches, and the Bridge at Clarence River Crossing in NSW awarded in 2016. The robust pipeline of projects to tender also remains ready in the short and medium terms in Australia and New Zealand, with particular relevance for projects that include tunneling.
- **Spain:** the forecast for 2017 calls for a reduction in activity due to the slowdown in public work in favor of the new engagement decisions following the creation of the new Government, maintaining the elevated competence of recent years, where the only positive aspect is the nascent reactivation of private construction. The contracting focus will remain selective, prioritizing return on sales volume.
- **Other markets:** in accordance with the defined strategy, the tendering of projects in regions with a stable presence such as Latin America (Chile, Colombia, Brazil or Peru) and, albeit selectively, additional countries with specific opportunities. In 2016, contracts were awarded for the D4R7 toll road in Slovakia and the Al Bustan Street North in Qatar.

AIRPORTS

Ferrovial Airports will focus most of its efforts on its assets:

- Heathrow to secure approval of the "*National Policy Statement*" to build the third runway at Heathrow, which should be approved by British Parliament, together with different stakeholders (airlines, regulators and communities) in such a decisive contribution for the British economy.
- AGS, in increasing passengers on new routes and retail earnings, while also improving operating costs.
- Denver, expecting to reach the commercial and financial close on the concession contract at the end of 2017.
- Transchile, for consolidating the acquisition and continue growing by harnessing the credentials of this assets and its knowledge.

Additionally, Ferrovial Airports will continue its bidding activity, participating in projects, US and European airports, electricity transmission in Chile and Brazil, and others.

ALTERNATIVE PERFORMANCE MEASURES

The company presents its results in accordance with generally accepted accounting practices (IFRS). Additionally, Management provides both in the Management Report and the Consolidated Annual Accounts other financial measures non-IFRS regulated, called APMs (Alternative Performance Measures) according to the Directives of European Securities and Markets Authority (ESMA). Management uses those APMs in decision-taking and to evaluate the performance of the company. Below there are details of disclosures required by ESMA on definition, reconciliation, explanation of use, comparisons and coherence of each APM. It is provided more detailed information on the corporate web page: <http://www.ferrovial.com/en/ir-shareholders/financial-information/quarterly-financial-information/>.

EBITDA = GROSS OPERATING RESULT

- **Definition:** operating result before charges for fixed asset depreciation and amortisation.
- **Reconciliation:** the Company presents the calculation of EBITDA in the Consolidated P&L (see Consolidated P&L in section 1.3. of the Management Report and the Financial Statements included in the Consolidated Financial Statements) as: Gross Operating Profit = Total Operating Revenues – Total Operating Expenses (excluding those relative to fixed assets depreciation and amortisation which are reported in a separate line).
- **Explanation of use:** EBITDA provides an analysis of the operating results, excluding depreciation and amortisation, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is the best approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. Therefore we use EBITDA as a starting point to calculate cash flow, adding the variation in working capital. Finally, it is an APM indicator which is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, by comparing EBITDA with net debt.
- **Comparisons:** the Company presents comparative figures for previous years.
- **Coherence:** the criteria used to calculate EBITDA is the same as the previous year.

COMPARABLE (“LIKE FOR LIKE GROWTH”)

- **Definition:** relative year-on-year variation in comparable terms of revenues, EBITDA and EBIT. The comparable is calculated by adjusting the present year and the previous one, in accordance with the following rules:
 - Elimination of the exchange-rate effect, calculating the results of both periods at the current period rate.
 - Elimination from both periods EBIT of the fixed asset impairments impact and the results from company disposals (corresponds with the figure reported in the line “Impairments and disposals of fixed assets”).
 - In the case of company disposals and loss of control, the homogenisation of the operating result is undertaken by eliminating the operating results of the sold company when the impact occurred in the previous year, or if it occurred in the year under analysis, considering the same amount of months in both periods.
 - Elimination of restructuring costs in both periods.
 - In acquisitions of new companies which are considered material, elimination in the current period of the operating results derived from those

APPENDIX

Alternative Performance Measures
Corporate Responsibility
GRI-G4 Indicators
Appendix to GRI Indicators
Verification Report

companies, except in the case where this elimination is not possible due to the high level of integration with other reporting units (material companies are those whose revenues represent $\geq 5\%$ of the reporting unit's revenues before the acquisition).

- Elimination in both periods of other non-recurrent impacts (mainly related to tax and human resources) considered relevant for a better understanding of the company's underlying results.
- Note: the new contracts in the Toll Roads division coming into operation are not considered acquisitions and thus are not adjusted in the comparable.
- **Reconciliation:** the comparable growth is presented in separate columns on Business Performance in section 1.3. Business Performance of the Management Report.
- **Explanation of use:** Ferrovial uses the comparable to provide a more homogenous measure of the underlying profitability of its businesses, excluding those non recurrent elements which would induce a misinterpretation of the reported growth, impacts such as exchange-rate movements or changes in the consolidation perimeter which distort the comparability of the information. Additionally, it also allows the Company to present homogenous information, thus ensuring its uniformity, providing a better understanding of the performance of each of its businesses.
- **Comparisons:** the comparable breakdown is only shown for the current period compared with the previous period.
- **Coherence:** the criteria used to calculate Like-for-like is the same as the previous year.

FAIR VALUE ADJUSTMENTS

- **Definition:** the adjustments to the consolidated P&L relative to previous results derived from: changes in the fair value of derivatives and other financial assets and liabilities, asset impairment and the impact of the two above elements in the 'equity-accounted results'.
- **Reconciliation:** a detailed breakdown of the fair value adjustments is included in the Consolidated P&L (section 1.3. of the Management Report and the Financial Statements included in the Consolidated Financial Statements).
- **Explanation of use:** the fair value adjustments can be useful for investors and financial analysts when evaluating the underlying profitability of the company, as they can exclude elements that do not generate cash and which can vary substantially from one year to another due to the accounting methodology used to calculate the fair value.
- **Comparisons:** the company presents comparisons with previous years.
- **Coherence:** the criteria used to calculate the fair value adjustments is the same as previous year.

NET CONSOLIDATED DEBT

- **Definition:** this is the net balance of Cash and cash equivalents (including short- and long-term restricted cash), minus short- and long-term financial debt (bank

debt and bonds). Includes the balance of exchange-rate derivatives hedging debt issued in currencies other than that of the issuer.

- **Reconciliation:** the detailed reconciliation is shown on Note 5.2 Consolidated Net Debt of our Consolidated Financial Statements and in the 1.3. Business Performance section of the Management Report.
- **Explanation of use:** this is a financial indicator used by investors, financial analysts, rating agencies, creditors and other parties to determine the company's debt position. In addition, Ferrovial breaks down its net debt into two categories:
 - **Net debt of infrastructure projects.** This is the ring-fenced debt which has no recourse to the shareholder or with recourse limited to the guarantees issued (see Note 6.5.2. Guarantees of the Consolidated Financial Statements). This is the debt corresponding to infrastructure project companies (see definition in Note 1.1. Basis of presentation, company activities and scope of consolidation of the Consolidated Financial Statements).
 - **Net debt ex-projects.** This is the net debt of Ferrovial's other businesses, including the group holding companies and other companies that are not considered infrastructure projects. The debt included in this calculation is mainly with recourse, and is thus the measure used by investors, financial analysts and rating agencies to assess the company's leverage, financial strength, flexibility and risks.
- **Comparisons:** the company presents comparisons with previous years.
- **Coherence:** the criteria used to calculate net debt is the same as previous year.

ORDER BOOK

- **Definition:** the revenues pending execution, which correspond to contracts which the Company has signed up to a certain date, and over which it has certainty on its future execution. The total revenues of a contract correspond to the price or fee for the goods delivered and/or provision of services which have been agreed. If the implementation of a contract has its financing still pending, the revenues of said contract will not be added to the order book until the financing has been completed. The order book is calculated by adding the contracts of the current year to the balance of the contract order book of the previous year, then eliminating the revenues which have already been recognised in the current year.
- **Reconciliation:** the order book is presented under Key figures in section 1.1. and under Services and Construction in section 1.2. of the Management Report. There is no comparable financial measure in IFRS. Therefore no conciliation will be made with the financial statements of the contract order book.
- **Explanation of use:** Management believes the order book is a useful indicator with respect to the Company's future revenues.
- **Comparisons:** the company present comparatives with previous years.

- **Coherence:** the criteria used to calculate order book is the same as previous year.

WORKING CAPITAL VARIATION

- **Definition:** measurement that explains the difference between the EBITDA and the operating cash flow before taxes. It is the result of the non-cash-convertible gross income primarily from changes in debt balance and commercial liabilities.
- **Reconciliation:** in Note 5.3. Cash flow of the Consolidated Annual Financial Statements, the company provides a reconciliation between the working capital variation on the balance (see description on Section 4. Working Capital of the Consolidated Annual Accounts) and the working capital variation reported in the Cash Flow Statement.
- **Explanation of use:** the working capital variation reflects the company's ability to convert EBITDA into cash. It is the result of company activities related with inventory management, collection from customers and payments to suppliers. It is useful for users and investors because it allows a measurement on the efficiency and short-term financial situation of the company.
- **Comparisons:** the company presents comparative reports from previous years.
- **Coherence:** the criteria employed for calculating the working capital variation is the same as the previous year.

TOTAL SHAREHOLDER RETURN

- **Definition:** sum of the dividends received by shareholders, revaluation/depreciation of the shares and other payments such as the delivery of shares or buy-back plans.
- **Reconciliation:** the total shareholder return is presented under Market Figures in section 1.1 of the

Management Report. There is no comparable financial measure in IFRS. Therefore no conciliation will be made with the financial statements of the shareholder return.

- **Explanation of use:** financial indicator used by investors and financial analysts to evaluate the yield that shareholders received throughout the year in exchange for their contribution to company capital.
- **Comparisons:** the company presents comparative reports from previous years.
- **Coherence:** the criteria employed for calculating shareholder return is the same as the previous year

MANAGED INVESTMENT

- **Definition:** managed investment is presented under Toll Roads in section 1.2. of the Management Report. During the construction phase, it is the total investment to be made. During the operating phase, this amount is increased by the capital expenditures. Projects are included after signing the contract with the corresponding Administration (commercial close), date on which the provisional financing terms and conditions, which will be confirmed after the financial closing, are normally available. Regardless of Ferrovial's participation, including the projects integrated by the equity method, 100% of participation is considered. Projects are excluded with criteria in line with the exclusion from the consolidation perimeter.
- **Reconciliation:** no conciliation will be made with the financial statements due to the fact that there is not an accounting comparable measure.
- **Explanation of use:** data useful by Management to indicate the size of the portfolio of managed assets.
- **Comparisons:** no comparisons with previous years are disclosed, though it is nevertheless a figure provided annually.
- **Coherence:** the criteria employed for calculating the managed investment is the same as the previous year.

CORPORATE RESPONSIBILITY

NEW STRATEGIC
CORPORATE
RESPONSIBILITY PLAN
(20.19 PLAN)

UPDATE OF MATERIAL
ISSUES MATRIX

NON-FINANCIAL INFORMATION REPORTING PRINCIPLES

SCOPE OF INFORMATION

Ferrovial comprises the parent company Ferrovial, S.A. and its subsidiaries. For detailed information on the companies included, see the scope in the Consolidated Financial Statements. There were a number of transactions in 2016 that resulted in changes to the perimeter, including the acquisition of the Australian service provider Broadpectrum in May 2016.

CONSOLIDATION PROCESS

Non-financial information reporting includes all companies in which Ferrovial has economic control, construed as a stake larger than 50% in them. In these cases, 100% of the information is reported.

Likewise, following the indications of the GRI G4 Guidelines, Ferrovial provides information on the indicators and material aspects "outside the organization" so long as the data are of sufficient quality and always separately. Ferrovial considers that the most significant impacts are those relating to the 407 ETR highway in Canada and the airports in the United Kingdom.

TRACEABILITY

Since 2007 Ferrovial has employed a reporting and information consolidation system for corporate responsibility that to ensure information quality. This process allows information to be broken down by business and country. All the companies report fiscal year data unless indicated otherwise. Data (393 indicators) are entered from the source (124 companies) by the responsible parties (208 users) and go through a validation and internal control process to be consolidated and subsequently verified by a third party.

In 2016, Ferrovial's Internal Audit Department reviewed the process of preparing non-financial information for the Integrated Annual Report.

REFORMULATION OF THE INFORMATION

In 2016 there were a number of company perimeter changes that could affect the comparability of data contained in the Report. To guarantee maximum data transparency and comparability, the environmental indicators for which historical series have provided have been recalculated taking into account the current scope of

consolidation. Nevertheless, the text of the Report itself indicates when an indicator from previous years has been modified or presents significant changes that affect the comparability of information.

STAKEHOLDERS

Ferrovial is committed to transparency in the information reported to the market and thus implements continuous improvements to its communication channels with all stakeholders on the basis of innovative corporate information that not only includes financial aspects but also considers environmental and social variables.

The company considers stakeholders to be any individuals or social groups with a legitimate interest and who are affected by the company's current or future activities. This definition includes both stakeholders that form part of the company's value chain (shareholders, employees, investors, clients and suppliers) who are considered partners in the development of businesses, and external stakeholders (governments and Public Authorities, the media, analysts, the business sector, labor unions, the third sector and society in general), starting with the local communities in which the company operates.

This relationship is dynamic, because the climate in which the company operates is changing more rapidly than ever. Ferrovial's business is highly dependent on relationships with the public authorities of the countries in which it operates. Ferrovial holds decision-making positions in organizations that boost corporate responsibility in Spain and abroad, such as Fundación SERES, Forética, the Spanish Global Compact Network, and the Spanish Quality Association (AEC). In 2016, Ferrovial formed part of the United Nations SDG Fund Advisory Group to promote the new UN Sustainable Development Goals, as well as holding the chair of the Spanish Green Growth Group. Its relations with each stakeholder group are detailed in www.ferrovial.com.

Ferrovial's consideration of the principles related to the content of the Report is developed in the specific sections on materiality and engagement with stakeholders. For more information on AA1000 and GRI standards, please see page 111 of GRI indicators.

MATERIAL ISSUES

Ferrovial considers relevant any issue that may have a substantial influence on the evaluations and decisions of stakeholders, affecting its ability to address existing needs

without compromising future generations.

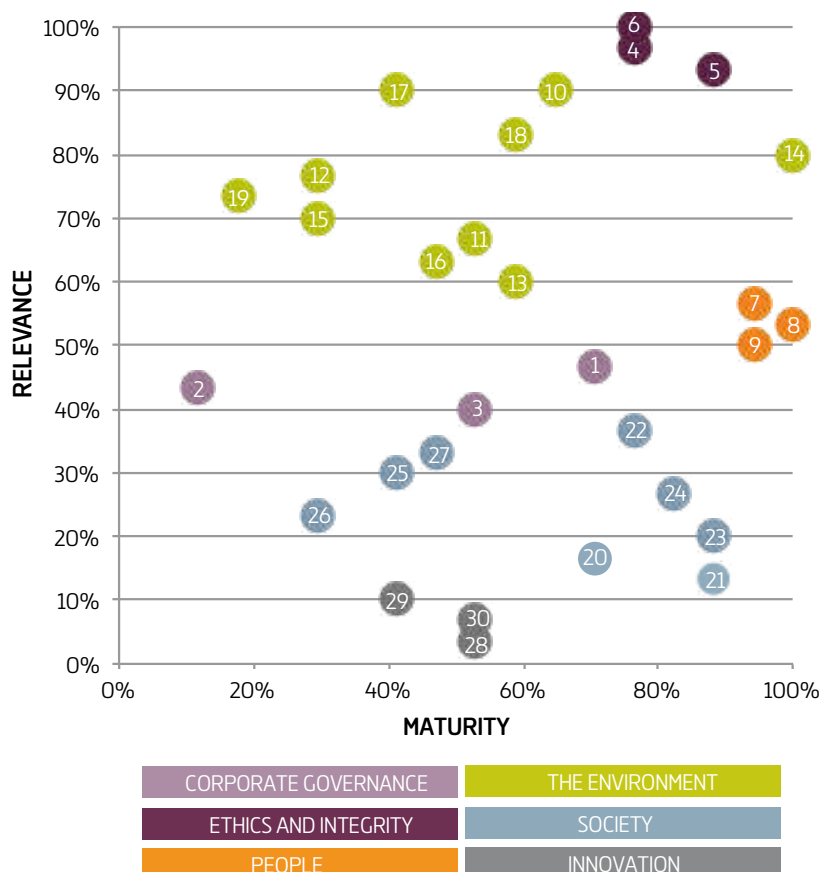
A new materiality analysis was conducted during 2016 as part of the regular bi-yearly update process and to define the 20.19 Plan.

The process was implemented in various stages:

- Identification and validation of matters. The examination of various relevant sources of information [GRI Sustainability Topics, Sustainability Accountant Standard Board (SASB), World Economic Forum, media coverage, queries with socially responsible investors, etc.] was useful to identify the main trends and most relevant matters for the sector in which Ferrovial operates. After securing the initial list of matters, the main corporate directors concurred on the final list of 30 matters
- Ascertainment of the relevance. An online survey was conducted with the main internal and external stake-

holders, who were asked to prioritize the matters previously identified and validated according to their own criteria. With a view to guaranteeing the representativeness across all the stakeholders, each one was assigned a specific independent weighting regardless of the number of replies received.

- Maturity analysis. Maturity is construed as the analysis of the depth with which matters are handled in public information, a benchmarking analysis was conducted to determine the level of thoroughness with which matters are handled before being identified as material.
- Prioritization. The result of graphically crossing relevance and maturity, which appears in the materiality matrix.
- The materiality analysis ascertained that the most material matters for Ferrovial concern “ethics and integrity” and the “environment”, particularly "regarding Human Rights" and the reduction of greenhouse gas emissions, respectively, though there should also be a



1. Incorporate corporate governance best practices into the Board of Directors
2. Responsible activity in the securities market
3. Provide information about the company's tax payments in the various countries where it operates
4. Have suitable compliance programs in place to prevent the perpetration of crime
5. Have communication channels for reporting unethical practices
6. Respect human rights in all the countries where the company operates
7. Guarantee a safe and healthy work environment for all employees in accordance with the "harm-free workplace" principle
8. Progressively reduce the rate of work accidents in Ferrovial's activities
9. Attracting and retaining talent
10. Reduce the environmental impact of activities, considering the life cycle of the infrastructures and services provided by Ferrovial
11. Manage waste in a sustainable manner in accordance with the principles of the circular economy
12. Assess and control risks to prevent environmental accidents
13. Determine the impact on ecosystems and biodiversity and apply the "no net loss" principle
14. Mitigation: public commitments to reduce emissions in line with the global agenda
15. Risk management: implement a "carbon pricing" system into investment decisions
16. Adaptation: capability of protecting assets and activities from the effects of climate change
17. Take advantage of global agenda opportunities to provide sustainable solutions to help combat the effects of climate change
18. Ascertain the water impact of the company's operations and establish actions to minimize associated consumption
19. Take advantage of business opportunities provided by the redistribution of water resources on a global scale
20. Have customer communication channels and complaint resolution procedures
21. Determine the level of customer and user satisfaction with the infrastructures and services provided by Ferrovial
22. Provide infrastructures and services that are safe for users
23. Have a purchasing policy that integrates suppliers in accordance with the company's ethical principles
24. Have a methodology in place to assess suppliers based on their sustainability risk
25. Implement control and monitoring mechanisms for contractors and subcontractors in matters related to Health & Safety and human rights
26. Include social aspects when assessing investments (social due diligence)
27. Have a social action strategy in line with business objectives
28. Foster innovation, both internally and through collaboration agreements with research centers
29. Have an innovation strategy in place to guide the company's investments
30. Innovation with a focus on improving business processes

progressive reduction in rate of work accidents.

Ferrovial has assumed the most material matters as priorities, including specific objectives for improving performance in the Strategic Corporate Responsibility Plan (20.19 Plan).

CORPORATE POLICY

Ferrovial understands Corporate Responsibility to mean a voluntary commitment to driving the economic, social and environmental development of communities in which it operates. This policy is founded on the principles of the Global Compact and internationally accepted agreements and resolutions, the content of which cover CR-related issues. The Ferrovial Board of Directors is tasked with ensuring adherence to these principles to which the company has voluntarily committed itself. The policy is available at www.ferrovial.com

CORPORATE RESPONSIBILITY COMMITTEE

The Corporate Responsibility Committee is the nexus joining business and corporate areas with senior management, reporting results and proposing actions to the Management Committee, and informing the rest of the company of the approval of proposals and reported results.

This Committee is entrusted with ensuring the tracking of the Strategic Corporate Responsibility Plan. The Chair of the Corporate Responsibility Committee reports annually to the Board of Directors.

The Communications and CR Director chairs the CR Committee, which comprises representatives from all business areas (Toll Roads, Services, Construction and Airports) and corporate areas (Human Resources, General Secretary's Office and Occupational Safety, Quality and the Environment, Risks, and Innovation).

Its functions can be summarized as follows:

- Developing, implementing and supervising the company's CR policies.
- Defining and tracking the Strategic Corporate Responsibility Plan.
- Coordinating the reporting processes: Annual Report and indices.

- Information and application of CR legislation.
- Approval and tracking of projects and sponsorships.
- Tracking of recommendations following external verification.
- Advising other departments in CR matters.

STRATEGIC CORPORATE RESPONSIBILITY PLAN (2017-2019)

The Corporate Responsibility Committee set out Ferrovial's third strategic plan for 2017-2019 (20.19 Plan) during 2016 and presented it to the Board of Directors.

It is drawn up as part of the concept that is a Ferrovial strategic duty related to the company's sustainability, competitiveness and reputation for the sake of generating long-term value for all stakeholders and society as a whole.

The 20.19 Plan is a continuation of the 20.16 Plan, updating and addressing matters of most interest to stakeholders. It contains the essential engagement areas and lines for correctly implementing Ferrovial's Corporate Responsibility strategy so that it can be useful as an indispensable tool for developing business, building the trust of stakeholders and fulfilling medium- and long-term objectives. The 20.19 Plan was conceived to establish Ferrovial as a bellwether company in economic, social and environmental matters.

It also consolidates the progress made in the field of corporate responsibility and was conceived to make Ferrovial a benchmark in the field, particularly regarding the attainment of UN's Sustainable Development Goals, which the company is aligned, primarily with goals 6 (clean water and sanitation), 9 (industry, innovation and infrastructure) and 11 (sustainable cities and communities).

In this regard, the plan was drawn up so that the actions therein enable the alignment of corporate responsibility with corporate objectives, which is subsequently extended throughout the value chain from customers to suppliers.

The 20.19 Plan is configured on the basis six areas, each one in engagement lines broken down in turn into specific, measurable and quantifiable objectives. The six engagement areas are:

- Ethics and integrity.
- Corporate Governance.
- People.
- The Environment.
- Society.
- Innovation.



PHOTO: Worker at the Autema toll road, Barcelona (Spain)



OCCUPATIONAL SAFETY: "*TARGET ZERO*"

Following the acquisition of Broadspectrum, Ferrovial has nearly 100,000 employees around the world, mostly in Services and Construction. The company has set a "*Target Zero*" for occupational accidents. Awareness, training, and implementation of continuous inspection and systems aim to improve the levels of frequency and seriousness of occupational accidents. It is an ambitious goal that calls for committed involvement from all the company

GRI - G4 INDICATORS

GENERAL STANDARD DISCLOSURES GRI G4			
STRATEGY AND ANALYSIS		Page	Revision
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	6-7	✓
G4-2	Provide a description of key impacts, risks, and opportunities.	6-7,14-15, 81-83	✓
ORGANIZATIONAL PROFILE		Page	Revision
G4-3	Report the name of the organization.	Note 1.1 of 2016 Annual Consolidated Financial Statements	✓
G4-4	Report the primary brands, products, and services.	10	✓
G4-5	Report the location of the organization's headquarters.	Note 1.1 of 2016 Annual Consolidated Financial Statements	✓
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	9	✓
G4-7	Report the nature of ownership and legal form.	Note 1.1 of 2016 Annual Consolidated Financial Statement	✓
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	9	✓
G4-9	Report the scale of the organization, including: <ul style="list-style-type: none"> - Total number of employees - Total number of operations - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) - Quantity of products or services provided 	7-12,58 and Appendix	✓
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	9, 58, and Appendix	✓ (3)
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	71	✓
G4-12	Describe the organization's supply chain.	76,77 and Appendix	✓
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Note 1.1.2 of 2016 Annual Consolidated Financial Statements	✓
Commitments to external initiatives			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	81-83	✓
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	99	✓
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic 	99	✓
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		Page	Revision
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Appendix II of 2015 Annual Consolidated Financial Statements	✓
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	99-100	✓
G4-19	List all the material Aspects identified in the process for defining report content.	100	✓
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	100	✓
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	100	✓
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	99	✓
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	99	✓
STAKEHOLDER ENGAGEMENT		Page	Revision
G4-24	Provide a list of stakeholder groups engaged by the organization.	99	✓
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	3, 6, 7, 99-100	✓
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	6, 7, 99-100	✓
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	6, 7, 99-100	✓
REPORT PROFILE		Page	Revision
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Fiscal Year 2016	✓
G4-29	Date of most recent previous report (if any).	Fiscal Year 2015	✓
G4-30	Reporting cycle (such as annual, biennial).	Annual	✓
G4-31	Provide the contact point for questions regarding the report or its contents.	Back cover	✓
GRI CONTENT INDEX			
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.	2, 116-117	✓
ASSURANCE			
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	116-117	✓

GOVERNANCE		Page	Revision
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	88-89 Annual Corporate Governance Report 2016, Section C.	✓
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	101 Annual Corporate Governance Report 2016, Section C.	✓
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	101 Annual Corporate Governance Report 2016, Section C.	✓
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	99-101	✓
G4-38	Report the composition of the highest governance body and its committees.	88-89 Annual Corporate Governance Report 2016, Section C.	✓
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	88-89 Annual Corporate Governance Report 2016, Section C.1.2 and C.1.3	✓
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	88-89 Annual Corporate Governance Report 2016, Section C.1.19	✓
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	88-89 Annual Corporate Governance Report 2015, Section D.6	✓
HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES AND STRATEGY			
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	88	✓
HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION			
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	The Board of Directors is informed annually of the issues related to the company's environmental management as well as the follow-up of the Strategic Plan on Corporate Responsibility. In addition, the Board reserves, directly or through its Commissions, the knowledge of a series of matters on which it must decide. Among them, to approve policies in diverse subjects. In 2016, Ferrovial has updated and approved several Compliance, Risk Control and Management Policies. For more information, see Annual Corporate Governance Report.	✓
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Annual Corporate Governance Report 2016, Section from C.1.19 to C.1.21	✓ (2)
HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT			
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	88-89 Annual Corporate Governance Report 2016, Section E	✓
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.		✓
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.		✓
HIGHEST GOVERNANCE BODY'S ROLE IN SUSTAINABILITY REPORTING			
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Board of Directors	✓
HIGHEST GOVERNANCE BODY'S ROLE IN EVALUATING ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE			
G4-49	Report the process for communicating critical concerns to the highest governance body.	101	✓
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	101	✓
REMUNERATION AND INCENTIVES			
G4-51	a. Report the remuneration policies for the highest governance body and senior executives. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Remuneration Report 90-91	✓
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Remuneration Report 90-91	✓
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Remuneration Report 90-91	✓
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	See Appendix	✓
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	See Appendix	✓
ETHICS AND INTEGRITY		Page	Revision
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	14, 70, 86-87	✓
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	86-87	✓
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	86-87	✓

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Economic dimension					
Economic performance					
Profitable growth Transparency in the information provided to the market Activity in the securities market	G4-EC1	Direct economic value generated and distributed.	See Appendix	Ferrovial	✓
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Risks and opportunities are disclosed in the Carbon Disclosure Project report, which is publicly-available on the CDP website. Information for 2016 will be made available during 2017.	Ferrovial	✓ (1)
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	Note 6.6.4 of 2016 Annual Consolidated Financial Statements Note 6.2 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
	G4-EC4	Financial assistance received from government.	Note 6.4. of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
Presence in the market					
Establishing a methodology for evaluating suppliers based on risk Diversity and equal opportunities Supply chain	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	The relationship between entry level wage and the local minimum wage in relevant countries is as follows: Spain: 1.09 United Kingdom: 1 United States: 1.38 Poland: 1 Chile: 1.52 Australia: 1.48	Ferrovial	✓
	G4-EC6	Proportion of senior management, direct employees, contractors and sub-contractors hired from the local community at significant locations of operation.	En 2016, la proporción de Directivos Locales ha sido del 91%.	Ferrovial	✓ (3)
Indirect economic consequences					
Social footprint Community Corporate Volunteering	G4-EC7	Development and impact of infrastructure investments and services supported.	78-79	Ferrovial	✓
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.	18, 19, 20, 23, 24, 70, 72, 73, 74, 78 y 79	Ferrovial	✓
Purchasing practices					
Supply chain	G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	In 2016, the proportion of spending on local suppliers has been higher than 93%.	Ferrovial	✓(4)
Environmental dimension					
Materials					
Developing a sustainable construction strategy. Eco-efficiency. Having procedures and protocols in place for handling, use and storage of hazardous substances	G4-EN1	Materials used by weight, value or volume.	See Appendix	See note	✓ (5)
	G4-EN2	Percentage of materials used that are recycled input materials.	See Appendix	Ferrovial	✓ (6)
Energy					
Eco-efficiency. Climate change. Leading the sector on sustainability issues	G4-EN3	Energy consumption within the organization.	See Appendix	Ferrovial	✓(7)
	G4-EN4	Energy consumption outside of the organization.	Energy use from consumption of fuels, electricity and losses due to electricity transport stood at 2,479,001 GJ.	Ferrovial	✓(7)
	G4-EN5	Energy intensity.	Energy intensity stood at 867.27 GJ/net revenues.	Ferrovial	✓(7)
	CRE1	Building energy intensity.	Not applicable, as this indicator is associated with real estate, which does not represent a significant activity for Ferrovial.		
	G4-EN6	Reduction of energy consumption.	Energy consumption increased 17.5% compared to 2015.	Ferrovial	✓(7)
	G4-EN7	Reductions in energy requirements of products and services.	72-74	Ferrovial	✓ (1)
Water					
Water Footprint	G4-EN8	Total water withdrawal by source.	See Appendix	Ferrovial	✓ (7) (9)
	G4-EN9	Water sources significantly affected by withdrawal of water.	Water withdrawal requires an authorization whereby the volume of water withdrawn is restricted. It must always be below the maximum limits established by the competent authority. This is why it is considered that, in accordance with these authorizations, the water withdrawn by Ferrovial does not affect the hydric resource significantly.	Ferrovial	✓ (1)
	G4-EN10	Percentage and total volume of water recycled and reused.	The consumption of recycled and reused water stood at 1,006,348.54 m³	Ferrovial	✓ (7) (10)
	CRE2	Building water intensity.	Not applicable, as this indicator is associated with real estate, which does not represent a significant activity for Ferrovial.		
Biodiversity					
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	74	Ferrovial Agroman, S.A., F. Agroman US Corp, F. Servicios Portugal, F. Agroman Australia y F. Agroman Canada, Inc	✓
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	74	Ferrovial Agroman	✓

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Biodiversity	G4-EN13	Habitats protected or restored.	74	F.Agroman Australia y F.Agroman US Corp	✓
	G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	See Apependix	F. Agroman Canadá, F. Agroman US Corp., F. Agromán Australia, F. Agroman, S.A., Broadspectrum y Amey UK Plc.	✓
Emissions					
Climate change Environmental damages Leading the sector on sustainability issues	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	72-73, See Appendix	Ferrovial	✓ (7) (10)
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	72-73, See Appendix	Ferrovial	✓ (7) (10)
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	72-73, See Appendix	See footnote	✓ (7) (8)
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	The greenhouse gas (GHG) emissions intensity stood at 66.34 tCO ₂ /INCN	Ferrovial	✓ (7)
	CRE3	Greenhouse gas emissions intensity from buildings.	Not applicable, as this indicator is associated with real estate, which does not represent a significant activity for Ferrovial.		
	CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity.	Not applicable as this indicator is associated with real estate, which is not a significant activity for Ferrovial.		
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	See Appendix	Ferrovial	✓
	G4-EN20	Emissions of ozone-depleting substances (ODS).	See Appendix	Ferrovial	✓
G4-EN21	NOX, SOX, and other significant air emissions.	See Appendix	Ferrovial	✓ (7) (11)	
Effluent and waste					
Having programs to respond to spill emergencies Environmental damage	G4-EN22	Total water discharge by quality and destination.	In 2016, the total wastewater discharge stood at 846,050 m ³ .	Ferrovial	✓ (12) (13)
	G4-EN23	Total weight of waste by type and disposal method.	74 and Appendix	Ferrovial	✓ (7) (10) (14)
	G4-EN24	Total number and volume of significant spills.	In 2016, there were no spills that have undergone significant penalty.	Ferrovial	✓ (15)
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Appendix I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not reported.	Ferrovial	N✓
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	74	Ferrovial Agroman	✓ (1)
Degradation, contamination and soil remediation					
No material	CRE5	Land and other assets remediated and in need of remediation for the existing or intended land use according to applicable legal designations.	Not reported.	Ferrovial	N✓
Products and services					
Developing a sustainable construction strategy.	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	See Appendix	Ferrovial	✓ (1)
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	The company's activities do not include the production of goods sold with packaging.	Ferrovial	✓
Regulatory compliance					
Non-compliance with legislation	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The total amount of fines paid in the year due to breach of environmental legislation stood at 10,509€ Note 6.5. of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
Transport					
Climate change	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	The most significant impact caused by the transport of products, materials and persons are greenhouse gas emissions caused by the same. Said emissions are included in Scope 3 under the "Business travel" and "Upstream transportation and distribution" categories.	Ferrovial	✓
General					
Eco-efficiency Climate Change	G4-EN31	Total environmental protection expenditures and investments by type.	Total environmental investment and spending in 2016 stood at 50,297,830 €breaking down into the following main items: - Environmental Responsibility Insurance: 1,274,832.01 € - Waste Management: 16,455,617.25€ - Certifications: 244,603.46 € - Training: 155,883.74 € - Personnel expenses: 15,085,337.77 € - Investment in equipment 16,417,595.96 € - Various projects: 663,959.76 €	Ferrovial	✓

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Environmental evaluation of suppliers					
Having a purchasing policy. Establishing a methodology for evaluating suppliers based on risk. Including suppliers in the company's corporate responsibility policy	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	76-77	Ferrovial	✓ (1)
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	In Construction, the negative environmental impacts had by the supply chain are evaluated, identifying potential risks and substandard work. The measures adopted range from expulsion from the project and/or rejection of the supplier, to warnings that improvements are required in less serious cases.	Ferrovial	✓
Environmental evaluation of suppliers					
Non material.	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	Information not available.	Ferrovial	N✓
Social dimension					
LABOR PRACTICES AND DIGNITY OF LABOR					
Employment					
Attracting and retaining talent. Diversity and equal opportunities.	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	See appendix.	Ferrovial	✓ (3) (16) (17)
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Social benefits are offered equally to full-time employees and part-time employees. In some cases, employees need to have held their posts for at least one year to be eligible for certain social benefits.	Ferrovial	✓ (1) (17)
	G4-LA3	Return to work and retention rates after parental leave, by gender.	Ferrovial does not consider this a risk, as the countries where it operates have protectionist legislation in place for such matters. Such information is therefore not subject to specific managerial procedures.	Ferrovial	✓ (1)
Relations between staff and management					
Human Rights	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Ferrovial complies with the advance notice periods established in labor legislations or those enshrined, if applicable, in the collective agreements pertinent to each business, with no corporate advance notice periods having been established.	Ferrovial	✓ (1)
Health and safety in the workplace					
Occupational health and safety. Having a corporate policy on employee health and safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	See appendix.	Ferrovial	✓
	CRE6	Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system.	61	Ferrovial	✓ (23)
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	60 and Appendix	Ferrovial	✓ (17) (18) (19)
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	Risk of developing occupational diseases is detected through risk assessments conducted by the Safety and Health Department and controlled through the health surveillance, where relevant protocols according to the risk exposure of the workers are defined and applied.	Ferrovial	✓
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	The agreements in this matter covered with the trade-union organizations are developed through sector agreements that specifically regulate matters such areas as training and information, collective protection, work teams, etc.	Ferrovial	✓
Training and education					
Training and development	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	See appendix.	Ferrovial	✓ (18) (20)
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	All training and development programs are aimed at improving the employability of the candidate. In the case of early retirement or restructuring plans (e.g. redundancy packages), specific training plans may be negotiated as part of other outplacement plans.	Ferrovial	✓ (1)
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	The percentage of employees receiving regular performance and professional development assessments is 31.29%.	Ferrovial	✓ (18) (20)
Diversity and equal opportunities					
Diversity and equal opportunities	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	See Appendix. Annual Corporate Governance Report 2016, Section C.	Ferrovial	✓ (20) (21)
Equal remuneration between women and men					
Diversity and equal opportunities	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Company management, in particular the Remuneration and Benefits Department, monitors compliance with confidentiality requirements and ensures that its remuneration policy is compliant with internal and external equality standards.	Ferrovial	✓ (2)
Continuous evaluation of supplier labor practices					
Having a purchasing policy. Establishing a methodology for evaluating suppliers based on risk. Including suppliers in the company's corporate responsibility policy	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	77	Ferrovial	✓ (1)
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	As for occupational health and safety practices, incidents range from non-compliance with employee training requirements, improper maintenance of machinery, failure to provide the required safety documentation and breach of instructions given by the project manager. The measures taken range from expulsion from the project and/or rejection of the supplier, to warnings that improvements are required in less serious cases.	Ferrovial	✓ (1)

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Labor practices claim procedures					
Having communication channels for reporting unethical practices	G4-LA16	Total number of incidents of discrimination and corrective actions taken.	87	Ferrovial	✓(22)
HUMAN RIGHTS					
Investment					
Human Rights	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	70-71	Ferrovial	✓ (1)
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	70-71	España	✓
Non-discrimination					
Codes of conduct Human rights Diversity and equal opportunities Having specific policies on ethics and integrity issues	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	71, 87	Ferrovial	✓(22)
Freedom of association and collective bargaining					
Human rights Workplace conflicts	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	70-71	Ferrovial	✓
Child labor					
Human rights	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	70-71, 77	Ferrovial	✓
Forced labor					
Human rights	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor.	70-71, 77	Ferrovial	✓
Security measures					
Human rights	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Security guards at Ferrovial offices are hired via a company that certifies that said personnel have received the due training.	Ferrovial Headquarters	✓ (1)
Rights of the indigenous population					
Human rights Community	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	70 No incidents involving the violation of the rights of indigenous populations were recorded in 2016. Controversies identified are described on page 70.	Ferrovial	✓
Evaluation					
Human rights	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	70-71 During 2016 Ferrovial did not conduct any specific studies to evaluate any impact on human rights issues.	Ferrovial	✓
Evaluation of suppliers in terms of human rights					
Having a purchasing policy. Establishing a methodology for evaluating suppliers based on risk. Including suppliers in the company's corporate responsibility policy	G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	77	Ferrovial	✓ (1)
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	76-77 On the social front, incidents of non-compliance in the provision of documentation and failure to pay their own suppliers are also evaluated. The measures taken range from expulsion from the project and/or rejection of the supplier, to warnings that improvements are required in less serious cases.	Ferrovial	✓
Human rights claim procedures					
Having communication channels for reporting unethical practices	G4-HR12	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	87	Ferrovial	✓ (22)
SOCIETY					
Local communities					
Social footprint. Community.	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	78-79	Ferrovial	✓ (1)
	G4-S02	Operations with significant actual and potential negative impacts on local communities.	No situations were identified in 2016 in which Ferrovial's activities have had any significant negative impacts on local communities.	Ferrovial	✓ (1)
	CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.	70	Ferrovial	✓
Combating corruption					
Having specific policies on ethics and integrity issues. Fraud/Corruption	G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	86-87	Ferrovial	✓ (1)
	G4-S04	Communication and training on anti-corruption policies and procedures.	86-87	Ferrovial	✓
	G4-S05	Confirmed incidents of corruption and actions taken.	86-87	Ferrovial	✓
Public policy					
Publishing policies on ethics and integrity issues Having a specific corporate governance policy	G4-S06	Total value of political contributions by country and recipient/beneficiary.	Ferrovial's Code of Ethics indicates the approval levels that all payments to third parties must be subject to, and states that Ferrovial forbids bribing of authorities and civil servants, and prohibits its employees from making any kind of undue payments to third parties, or giving to or receiving from third parties any undue payments, presents, gifts or favors that are not regular market practices, or which, by reason of their value, characteristics or circumstances, may reasonably be considered to alter the commercial, administrative or professional relations of its companies.		Ferrovial ✓ (2)

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Unfair competition practices					
Non-compliance with legislation	G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Ferrovial has three claims for competition cases that have not been subject to final judgment. Note 6.3 of 2016 Annual Consolidated Financial Statements Note 6.5 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
Regulatory compliance					
Non-compliance with legislation	G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Note 6.3 of 2016 Annual Consolidated Financial Statements Note 6.5 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
Evaluation of social repercussions of suppliers					
Having a purchasing policy. Establishing a methodology for evaluating suppliers based on risk. Including suppliers in the company's corporate responsibility policy	G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society.	77	Ferrovial	✓ (1)
	G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken.	76-77 In the social area, impacts have been identified for non-compliance in the delivery of documentation and due to lack of payments to its own suppliers. Measures taken in all cases have gone from expulsion of the work and / or rejection of the supplier, until warnings for the adoption of improvements in less relevant cases.	Ferrovial	✓
Social impact claim procedures					
Having communication channels for reporting unethical practices	G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	86-89	Ferrovial	✓ (22)
RESPONSIBILITY WITH REGARD TO PRODUCTS					
Health and safety of clients					
Having policies and management systems to ensure that products/services do not pose a risk to customer health, security, integrity or privacy	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	63-65	Ferrovial	✓ (1)
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	By 31 December 2016, Ferrovial has open 55 claims due to such incidents. Note 6.3 of 2016 Annual Consolidated Financial Statements Note 6.5 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
Labeling of products and services					
Service quality Having policies and management systems to ensure that products/services do not pose a risk to customer health, security, integrity or privacy. Making channels of communication available to customers and complaint resolution procedures Non-compliance with legislation	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	66-67	Ferrovial	✓ (1)
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	There were no infringements identified in this area.	Ferrovial	✓
	G4-PR5	Results of surveys measuring customer satisfaction.	66-67	Ferrovial Agroman S.A., Edytesa, S.A. Técnicas del Pretensado y Servicios Auxiliares, S.L (Tecpresa) F. Agroman Chile, S.A.*	✓
	CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	See Appendix	Ferrovial	✓

SPECIFIC BASIC CONTENT GRI G4					
Material issues identified on the materiality matrix, in the 20.19 Plan and the risks map.	Indicator		Page/Direct reference	Scope*	Revision
Marketing Communication					
Non-compliance with legislation	G4-PR6	Sale of banned or disputed products	Note 6.3 of 2016 Annual Consolidated Financial Statements Note 6.5 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	No incidents involving non-compliance were detected during 2016	Ferrovial	✓
Client privacy					
Service quality Having policies and management systems to ensure that products/services do not pose a risk to customer health, security, integrity or privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No claims were received in 2016 regarding breaches of privacy or the mishandling of customers' personal information.	Ferrovial	✓
Regulatory compliance					
Non-compliance with legislation	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Note 6.3 of 2016 Annual Consolidated Financial Statements Note 6.5 of 2016 Annual Consolidated Financial Statements	Ferrovial	✓

(1) Reported qualitatively.
 (2) Only information about the existing Policy is given.
 (3) No information about contractors and sub-contractors is included.
 (4) Locally-hired non-centralized suppliers are classified as local suppliers. Percentage of local suppliers is reported, but not the proportion of expending.
 (5) The most representative material of each division is reported. The most significant material can change every year so it is not comparable. Arney data is not included.
 (6) Only recycled paper consumption is reported.
 (7) 2016 data includes estimations according to the best available information at the time of preparing this report, subsequently its level of accuracy is limited.
 (8) Scope 3 emissions are limited to the scope described in table EN17 of the Appendix GRI Indicators.
 (9) Only information regarding water withdrawal from municipal water supplies and water purchased from a third parties is reported. Main consumptions have been estimated on the basis of the water consumption average price.
 (10) The review of this information has consisted of checking the gathering process of the data reported by the different companies of the group and the analysis of trends in comparison with the previous year.
 (11) Emissions data for NOx, SOx and other significant emissions to the air correspond to direct energy and electricity consumption.
 (12) Water discharge information was calculated based on standard indicators of water discharge of certain activities published by various sources. Therefore, this information does not represent real measurements of water discharge.
 (13) The quality and destination of water discharges is not reported.
 (14) Not broken down by disposal method.
 (15) Information about total volume of spills is not reported.
 (16) The employee turnover refers only to the number of employees who voluntarily leave the organization.
 (17) Not broken down by country or region.
 (18) Not broken down by gender.
 (19) Information concerning contractors is only included in the calculation of the overall variation frequency index. This information is partial and estimated, thus not representative. The review of this information has consisted of checking the gathering process of the data reported by the different companies of the group.
 (20) Not broken down by professional category.
 (21) Not broken down by age group, minority group membership and other indicators of diversity.
 (22) Information about complaints received through the Corporate Whistleblowing Channel in Spain is given.
 (23) The percentage of sales under a Health and Safety Certified Management System is calculated on the basis of revenues rather than using the number of own employees and subcontractors.

* Broadspectrum's data have generally been consolidated since June 2016. However, in some cases, due to the impossibility of knowing the information for that period, it has been decided to consolidate the full year. This is the case of Safety, Environment, Water and Waste.

REPORTING PRINCIPLES

AA1000 Standard

The standard is based on three fundamental principles:

- Inclusiveness: This principle analyzes whether the company has identified and understood the relevant aspects of its sustainable performance and presents sufficient information in terms of quality and quantity. For more information, please refer to the "Material Issues" section in this chapter.
- Materiality: The information must be the information required by the stakeholders. In other words, it ensures disclosure of all those material aspects whose omission or distortion could influence its stakeholders' decisions or actions. For more information, please refer to the GRI-G4 Indicators Table.
- Responsiveness: This report includes the information relating to Ferrovial's response to stakeholder expectations.

GRI4 Guidelines

The GRI Guidelines principles are:

- Establishing report contents:

- Materiality: Aspects that reflect the significant social, environmental and economic impacts had by the organization or those that could have a substantial influence on stakeholder decisions.
- Stakeholder engagement: Identifying stakeholders and describing in the report how their expectations and interests have been addressed.
- Sustainability context: Presenting the company's performance within the broader context of sustainability.
- Completeness: Coverage should enable stakeholders to assess the performance of the reporting organization.

- Establishing the quality of the report:

- Balance: The report must reflect both the positive and the negative aspects of the company's performance.
- Comparability: Stakeholders should be able to compare the information over time and with other companies.
- Accuracy: The published information must be accurate and detailed.
- Clarity: The information must be presented in a way that is clear and accessible to everyone.
- Reliability: The information must be of high quality and it should establish the company's materiality.

APPENDIX GRI INDICATORS

G4-10. WORKFORCE CHARACTERISTICS

Number of employees by type of contract and gender

	Total		2015	2016
Full - time	81,770	Men	47,790	63,637
		Women	13,659	18,133
Partial - time	14,231	Men	4,148	4,742
		Women	8,435	9,489

Number of employees by type of contract and gender

	Total		2015	2016
Temporary contract	20,865	Men	11,908	15,662
		Women	4,197	5,203
Undefined contract	75,136	Men	40,030	52,717
		Women	17,897	22,419

Number of employees by region

	2015	2016		
		Men	Women	Total
Spain	38,062	24,655	15,940	40,595
UK	20,798	13,436	4,586	18,022
Others	4,824	6,964	900	7,864
USA and CANADA	2,406	3,707	573	4,280
Poland	4,638	4,082	1,216	5,298
Chile	3,242	4,592	399	4,991
Australia	62	10,943	4,008	14,951
TOTAL	74,032	68,379	27,622	96,001

G4-12. DESCRIBE THE ORGANIZATION'S SUPPLY CHAIN.

Due to the diversity of activities carried out by Ferrovial, the structure of the supply chain is different for each business. Around 96% of suppliers are concentrated on Construction and Services, registering the highest volumes of orders. The Global Purchasing Committee, composed of the top representatives of business purchases, coordinates this activity, seeking possible synergies and sharing best practices.

Most procurement in the Construction division is for works that are underway at a given time. A small proportion is accounted for by the offices, departments and services supporting these works. The supply chain is comprised of suppliers (manufacturers and distributors) and sub-contractors: those executing work units and companies renting machinery and auxiliary equipment. The supply chain in the sector is shaped by the following factors: numerous suppliers; extensive use of subcontractors, depending on the type and size of the project and the country in question; a high percentage of local suppliers, as the sector is closely associated with the country/region where each project is implemented; a wide variety of supplier types, from major global and highly technical multi-nationals to small, less qualified providers (mainly sub-contractors); a need to adapt to the local requirements of each market.

In the Services division the supply chain includes all the primary and secondary suppliers (providing raw materials, industrial supplies or energy; capital goods, machinery and finished products), as well as sub-contractors and service providers involved in the company's operations, evaluating the same to ensure that they have the required capabilities. In Spain, the Procurement and Fleet department establishes guidelines for each business area with regard to contracting third parties, while it also oversees all critical suppliers involved in service provision and supplying products to the company. Internationally, each country has a procurement protocol in place based on a procedure established by central offices. In the United Kingdom the supply chain is highly diverse in nature due to the extensive range of businesses pursued in the country.

G4-54. CALCULATE THE RATIO BETWEEN THE TOTAL ANNUAL COMPENSATION OF THE HIGHEST PAID PERSON IN THE ORGANIZATION IN EACH COUNTRY WHERE THE COMPANY IS SIGNIFICANTLY ACTIVE AND THE TOTAL AVERAGE ANNUAL COMPENSATION OF THE ENTIRE STAFF (EXCLUDING THE HIGHEST PAID PERSON) OF THE CORRESPONDING COUNTRY.

	2015	2016
TOTAL	186.70	195.44
USA	6.68	12.54
Spain	28.83	34.97
Poland	21.27	23.08
UK	39.09	23.85
Australia	-	48.31
Chile	-	19.80

G4-55. CALCULATE THE RATIO BETWEEN THE PERCENT INCREASE OF THE TOTAL ANNUAL COMPENSATION OF THE HIGHEST PAID PERSON IN THE ORGANIZATION IN EACH COUNTRY WHERE THE COMPANY IS SIGNIFICANTLY ACTIVE AND THE PERCENT INCREASE OF THE TOTAL AVERAGE ANNUAL COMPENSATION OF THE ENTIRE STAFF (EXCLUDING THE HIGHEST PAID PERSON) OF THE CORRESPONDING COUNTRY.

	2015	2016
TOTAL Ferrovial	2.21%	32.43%
USA	14.25%	-0.23%
SPAIN	2.67%	8.60%
POLAND	4.89%	8.45%
UK	6.73%	27.61%
CHILE	-	24.60%

Note indicators G4-54 and G4-55: in the salary of the highest paid person, the 8-year apportionment of the Stock Options Plan has been considered.

G4-EC1. DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

VALUE CREATION ECONOMIC VALUE GENERATED	2014	2015	2016
a) Revenue:	8,802	9,701	10,759
Turnover	8	9	7
Other operating revenue	25	34	44
Financial revenue	0	185	330
Disposals of fixed assets	159	277	214
	8,994	10,206	11,354

DISTRIBUTED ECONOMIC VALUE (M€)

b) Consumption and expenses ⁽¹⁾			
Consumption	1,131	1,143	1,267
Other operating expenses	4,121	4,735	4,736
c) Payroll and employee benefits			
Personnel expenses	2,575	2,805	3,819
d) Financial expenses and dividends			
Dividends to shareholders	278	269	226
Treasury share repurchase ⁽²⁾	235	247	317
Financial expenses	430	533	447
e) Taxes			
Corporate income tax	138	-30	245
	8,908	9,702	11,057
RETAINED ECONOMIC VALUE(M€)	86	504	297

(1) The Group's social action expenses, together with the Foundation's expenses, are set out in the Social Commitment chapter.

(2) Reduction of capital by amortization of treasury shares. For more information, note 5.1 Shareholders' Equity of Consolidated Annual Accounts.

G4-EN1. MATERIALS BY WEIGHT, VALUE AND VOLUME

	2014	2015	2016
Paper (kg)	596,291.12	940,303.12	748,106.49
Timber (m ³)	320,298.50	9,980.62	63,946.43
Bitumen (t)	890,000.00	1,222,000.00	195,585.00
Concrete (t)	7,747,000.00	7,692,545.00	6,571,997.00
Tropical timber (m ³), of Ferrovial Agroman	2.67	26.40	22.90
Madera de origen garantizado (%)	100.00	98.60	73.95

G4-EN2. PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED MATERIALS

	2014	2015	2016
Percentage of paper with FSC seal	38.00%	62.15%	72.73%
Percentage of recycled paper	36.00%	31.70%	26.98%

G4-EN3. INTERNAL ENERGY CONSUMPTION

		2014	2015	2016
Fuels used by stationary and mobile sources (total) (GJ)	Diesel	4,014,658.47	3,864,022.94	5,214,133.68
	Fuel oil	90,487.73	75,709.34	37,269.24
	Gasoline	326,871.24	244,814.45	352,611.99
	NG	1,786,842.66	2,514,034.67	2,224,775.94
	LPG	969.86	1,022.28	17,757.28
	Propane	10,192.16	7,969.02	5,482.99
	Coal	86,252.30	206,180.13	276,997.69
		Coal	706,067.12	759,019.18
Consumption of energy acquired, by primary sources (GJ)	Diesel	121,260.00	120,163.86	138,881.99
	Gas	623,985.86	630,100.40	756,225.50
	Biomass	51,758.49	67,724.79	76,191.14
	Waste	9,928.77	12,112.65	14,429.57
	Other	346,846.98	448,336.57	532,407.93
Electricity consumption from non-renewable sources (GJ)	Services	226,378.32	244,505.92	298,999.04
	Construction	503,532.07	416,886.73	392,064.31
	Toll Roads	109,863.60	121,591.64	90,602.36
	Corporate	4,432.56	4,575.39	4,549.02
Electricity consumption from renewable sources (GJ)	Services	92,870.23	93,149.98	104,771.54
	Construction	48,463.78	92,096.24	243,007.32
	Toll Roads	0.00	0.00	4,090.20
	Corporate	0.00	0.00	0.00
TOTAL (GJ)		9,161,662.21	9,924,016.17	11,639,225.50

G4-EN3. INTERNAL ENERGY CONSUMPTION

ENERGY PRODUCED (GJ)	2014	2015	2016
Electricity produced by biogas recovery	482,034	415,569	369,675
Thermal energy produced by biogas recovery	136,964	241,604	197,104
Electricity generated at water treatment plants	114,192	157,595	41,405
Electricity generated at thermal sludge drying plants	13,617	32,637	262,051
TOTAL	746,808	847,405	870,235

G4-EN8. TOTAL WATER CAPTURE BY SOURCE

	2014	2015	2016
Consumption of reused water (m ³)	1,751,878	5,753,782*	5,405,901*

* Not comparable in relation to 2014 due to change in methodology. The published data corresponding to 2015 compared to that published that year were modified due to new information available in 2016. This change resulted in a reduction in consumption of 18.5%.

G4-EN14. NUMBER OF SPECIES INCLUDED IN THE IUCN RED LIST AND IN NATIONAL CONSERVATION LISTINGS WHOSE HABITATS ARE IN AREAS AFFECTED BY OPERATIONS, ACCORDING TO THE EXTINCTION LEVEL OF THE SPECIES.

Species (scientific name)	EPBC Act	TSC Act	IUCN Red List	Birds of Conservation Concern in Ireland (BoCCB)	Livro Vermelho dos Vertebrados de Portugal	ESA
Anthus pratensis			Near threatened (NT)	"Red Status"		
Ardea ibis	Rare		Least Concern (LC)			
Austropotamobius pallipes			Endangered (EN)			
Canis lupus			Least Concern (LC)		En Peligro	
Caretta caretta			Endangered (EN)		En Peligro	
Dasyurus maculatus	Endangered		Near threatened (NT)			
Dolichonyx oryzivorus			Least Concern (LC)			En Peligro
Egretta alba	Threatened		Least Concern (LC)			
Ephippiorhynchus asiaticus		Endangered	Near threatened (NT)			
Grus rubicundus		Endangered	Least Concern (LC)			
Hirundo rustica			Least Concern (LC)			En Peligro
Juglans cinerea						En Peligro de extinción
Margaritifera margaritifera			Endangered (EN)			
Mixophyes iteratus	Endangered		Endangered (EN)			
Motacilla cinerea			Least Concern (LC)	"Red Status"		
Mustela lutreola			Critically endangered (CR)			
Myotis lucifugus			Least Concern (LC)			En Peligro de extinción
Ninox strenua		Vulnerable	Least Concern (LC)			
Numerius arquata			Near threatened (NT)	"Red Status"		
Nyctalus azoreum			Endangered (EN)		En Peligro Crítico	
Pandion haliaetus	Vulnerable		Least Concern (LC)			
Phascolarctos cinereus	Vulnerable		Vulnerable (VU)			
Pluvialis apricaria			Least Concern (LC)	"Red Status"		
Pseudophryne australis		Vulnerable	Vulnerable (VU)			
Pteropus poliocephalus	Vulnerable		Vulnerable (VU)			
Rostratula australis	Vulnerable	Endangered				
Salmo Salar			Least Concern (LC)		En Peligro Crítico	
Sclerophyll		Vulnerable				
Sturnella magna			Least Concern (LC)			En Peligro

G4-EN15. DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1).**G4-EN16. ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2).**

	2009 (base year)	2014	2015	2016
Budimex	47,665	60,974	55,495	60,011
Cadagua	63,221	27,960	19,296	14,672
Ferrovial Agroman	74,934	70,110	75,544	121,029
Webber	52,194	30,629	30,796	38,626
Ferrovial Corporación	896	781	704	703
Cintra	15,684	15,045	17,671	13,739
Amey	147,608	128,927	113,241	107,967
Broadspectrum	59,161	59,161	59,161	59,161
Ferrovial Serviss	404,274	250,855	285,213	292,939
TOTAL tCO₂e	865,637	644,443	657,121	708,847

Biogenic CO ₂ (tCO ₂ e)	2009 (año base)	2014	2015	2016
Cadagua	1,191	53,339	52,143	59,149
Ferrovial Services	33,108	43,672	29,553	44,322
TOTAL	34,299	97,010	81,696	103,471

Base year has been adjusted based on the 2016 Broadspectrum's annual emissions extrapolated to the consolidation period (from June 2016).

G4-EN17. OTHER INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (Scope 3).

Below are the activities, products and services subject to scope 3 calculations:

- Purchased goods and services:** include the life cycle related issues of materials purchased by Ferrovial that have been used in products or services that the company offers. This includes emissions from the purchase of paper, wood, water and other relevant materials (concrete and bitumen) described in indicator EN1. Subcontractor data are not included.
- Capital goods:** includes all upstream emissions (i.e. cradle-to-gate) from the production of capital goods bought or acquired by the company in the year, according to information included in 2016 Consolidated Financial Statements.
- Fuel and energy related activities:** this section includes the energy required for producing the fuel and electricity consumed by the company and electricity lost during transport.
- Upstream transportation and distribution:** includes emissions from the transport and distribution of the main products acquired over the year.
- Waste generated in operations:** emissions under this heading are linked to waste generated by the company's activities reported in 2016.
- Business travel:** includes emissions associated with business travel: train, plane and taxi, reported by the main travel agency that the group works with in Spain.
- Employee commuting:** this includes emissions from journeys made by employees commuting from their homes to central offices in Spain.
- Investments:** this calculates emissions linked to investments in British airports. Data for 2016 is not available as of the report release date, and therefore emission figures for 2015 are used.
- Use of sold products:** Ferrovial calculates emissions generated by use of land transport infrastructure managed by Cintra.
- End of life treatment of sold products:** this category includes emissions exclusively from the elimination of waste generated at the end of the useful lives of products sold by Ferrovial in the reporting year. Only emissions derived from products reported in the "purchased goods and services" category are taken into account.
- Upstream leased assets:** includes emissions related to the consumption of electricity at client buildings where maintenance and cleaning services, as well as consumption management, are provided by Amey.

	2009 (base year)	2014	2015*	2016
Business travel	403	11,271	9,900	9,117
Capital Goods		672,295	607,931	354,953
Employee commuting		1,379	1,547	3,183
End of life treatment of sold products		171,155	23,130	44,605
Fuel and energy related activities		147,894	164,466	192,553
Purchased goods and services		750,808	601,164	503,661
Upstream leased	1,728	2,009		
Upstream transportation and distribution		451,359	492,843	418,575
Use of sold product		732,877	844,645	622,625
Waste generated in operations		221,378	261,947,00	231,225
Investments	814,108	650,761	636,150	636,150
TOTAL	816,239	3,813,186	3,643,724	3,016,646

* Scope 3 emissions data for 2015 have been recalculated based on the best information available in 2016, with impact less than 1%.

G4-EN19. REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS

	2014	2015	2016
EMISSIONS AVOIDED BY SORTING AND BIOGAS CAPTURE			
Greenhouse gas avoided by sorting (t CO ₂ e)	491,507	525,627	594,121
Greenhouse gas avoided by biogas capture (t CO ₂ e)	953,942	889,483	795,586
EMISSIONS AVOIDED THROUGH POWER GENERATION			
In landfills (t CO ₂ e)	40,932	37,718	33,509
At water treatment plants (t CO ₂ e)	10,332	16,681	25,739
EMISSIONS PREVENTED BY PURCHASING ELECTRICITY FROM RENEWABLE SOURCES			
Electricity bought from third parties (t CO ₂ e)	17,338	23,156	31,964
TOTAL	1,514,051	1,492,665	1,480,919

EN20. EMISSIONS OF OZONE DEPLETING SUBSTANCES

Use of coolants (kg)	HFC227ea	R407C	R410A
Amey	4.00	9.00	20.00

Emissions associated to these consumptions are 70.59 tCO₂e

EN21. NOx, SOx AND OTHER SIGNIFICANT ATMOSPHERIC EMISSIONS

	NOx (Tn)	CO (Tn)	COVNM (Tn)	SOx (Tn)	Particuls (Tn)
Emissions from boilers	115.64	46.03	11.23	154.57	30.39
Emissions caused by motor vehicles	1,030.84	1,455.16	203.41	0.00	137.67
Emissions caused by electricity	147.02	60.41	1.13	220.59	12.45
Emissions caused by mobile equipment used in construction works	NOx (g/kg)	CO (g/kg)	COVNM (g/kg)	SOx (g/kg)	Particuls (g/kg)
Emissions caused by mobile equipment used in construction works	2,268.43	6,053.80	647.26	0.00	88.74

G4-EN23. TOTAL WEIGHTING OF WASTE. BY TYPE AND TREATMENT METHOD (m³)

	2014	2015	2016
Waste produced from construction and demolition	1,182,554.78	2,353,518.92	1,628,147.24
Total soil from excavation	9,446,621.55	21,284,729.00	19,759,576.13
Topsoil reused	989,773.00	440,204.00	558,310.45
Material sent to landfill outside the worksite	1,751,227.88	4,984,918.00	1,447,743.43
Materials reused at worksite	6,176,211.39	5,910,889.00	11,692,838.70
Materials sent to other worksite or authorized landfill	6,830,360.30	9,698,718.00	6,060,683.55
Hazardous waste(t)	73,245.00	214,356.00	27,601.69
Non-hazardous waste (t)	622,614.00	549,399.00	627,897.69

G4-EN27. DEGREE OF MITIGATION OF THE ENVIRONMENTAL IMPACT HAD BY PRODUCTS AND SERVICES CRE8. Type and number of certifications, classifications and labelling systems regarding the sustainability of new constructions, management, occupation and reconstruction.

Over 2016 work was performed on the following projects seeking to obtain certification:

Location	Description	Certification
Barcelona	Library rehabilitation LES CORTS - VIDRE	Certification BREEAM
Madrid	Building of logistics distribution platform in plots P1.1.1 and 2 of the SUNP Northwest sector of Torrejón de Ardoz, Madrid	Certification LEED

LA1. NUMBER AND RATE OF hirings AND AVERAGE EMPLOYEE ROTATION, BROKEN DOWN BY AGE GROUP, GENDER AND REGION

During 2016, the total number of new hires was 25,699, which corresponds to a total recruitment rate of 26.77% in relation to the workforce at year-end. By gender and age group, the breakdown is as follows:

	Men	Women
Under 30	6.31%	1.81%
Between 30 and 45	7.56%	2.99%
Over 45	5.61%	2.51%

The turnover average rate for 2016 broken down by gender and age is as follows:

	Men	Women
Under 30	1.15%	0.48%
Between 30 and 45	1.49%	0.60%
Over 45	1.08%	0.31%

LA5. PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT-WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS.

	2014	2015	2016
Percentage of total workforce represented in formal joint management-worker health and safety committees	59	68	61.2

CRE6. PERCENTAGE OF THE ORGANIZATION OPERATING IN VERIFIED COMPLIANCE WITH AN INTERNATIONALLY RECOGNIZED HEALTH AND SAFETY MANAGEMENT SYSTEM.

	2014	2015	2016
Percentage of the organization operating in verified compliance with an internationally recognized health and safety management system	80	80	85

LA12. COMPOSITION OF THE GOVERNING BODIES AND BREAKDOWN OF THE STAFF BY PROFESSIONAL CATEGORY AND GENDER, AGE, BELONGING TO MINORITIES AND OTHER DIVERSITY INDICATORS

		2016					Subtotal	Total
		Directives	Graduates	Administratives	Technicians			
Corporation	Men	64	141	31	3	239	419	
	Women	12	128	40	0	180		
Construction	Men	150	4,664	454	9,479	14,747	16,919	
	Women	9	1,617	355	191	2,172		
Services	Men	185	4,330	3,136	45,177	52,828	77,776	
	Women	42	1,390	4,076	19,440	24,948		
Toll Roads	Men	51	172	32	238	493	727	
	Women	11	101	76	46	234		
Real Estates	Men	5	47	0	0	52	128	
	Women	1	74	1	0	76		
Airports	Men	0	20	0	0	20	32	
	Women	0	7	5	0	12		
TOTAL	Men	455	9,374	3,653	54,897	68,379	96,001	
	Women	75	3,317	4,553	19,677	27,622		

LA6. TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES, BY REGION AND BY GENDER.

	2014	2015	2016
Frequency rate	23.34	20.00	15.00
Severity index	0.45	0.43	0.33
Absenteeism rate	5.26	5.16	4.31
Occupational disease frequency index	0.52	0.86	0.40

Frequency Rate = number accidents involving absence * 1,000,000 / No. hours worked

Severity Index = No. days lost * 1,000 / No. hours worked

LA9. AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE, BREAKDOWN BY GENDER AND BY PROFESSIONAL CATEGORY

	2015	2016	Hours per employee
Corporation	22,872	24,128	59.80
Construction	154,435	121,855	12.90
Services	1,464,542	539,636	9.40
Toll Roads	21,937	24,871	30.70
Real Estates	108	304	2.60
Airports	3,362	1,475	57.80
TOTAL	1,667,255	712,268	10.50

* The information only refers to 71% of the perimeter of the organization.

ASSURANCE REPORT

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Independent Assurance Report on the Corporate Responsibility information of the 2016 Integrated Annual Report of Ferrovial

To the Board of Directors of Ferrovial S.A.

Scope of our work

We have performed the review, with a limited assurance, of the Corporate Responsibility Information (CRI) of the 2016 Integrated Annual Report (IAR) of Ferrovial, S.A. and subsidiaries (hereinafter referred to as Ferrovial), the scope of which is defined in the chapter "Corporate Responsibility" Appendix. Our work consisted of the review of:

- The adherence of the CRI to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 4 (hereinafter referred to as G4 Guidelines) and the reliability and adequacy of the contents, including the Construction and Real Estate Sector Supplement, proposed in the aforementioned guidelines for 2016.
- The information included in the IAR relating to the application of the principles of inclusivity, materiality and responsiveness set out in the AccountAbility's AA1000 AccountAbility Principles Standard 2008 (AA1000APS).

Procedures performed

We conducted a limited assurance engagement in accordance with International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with Guidelines for engagements relating to the review of Corporate Responsibility Reports issued by the Spanish Institute of Certified Public Accountants to achieve limited assurance. Also, we have applied AccountAbility's 1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted of making enquiries to management of Ferrovial involved in the preparation of the IAR, and of carrying out the following analytical procedures and sample-based review tests:

- Meetings with Ferrovial personnel to ascertain the principles, systems and management approaches applied.
- Review of the 2016 meetings minutes of the Board of Directors, its Committees and Corporate Responsibility Committee.
- Review of the steps taken in relation to the identification and consideration of the stakeholders during the year and of the stakeholders' participation processes through the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the CRI on the basis of the understanding of Ferrovial of its stakeholders' requirements in relation to the material issues identified by the organisation and described under "Corporate Responsibility" Appendix.
- Review of the information related to the management approaches applied to sustainability.
- Analysis of the adherence of the contents of the CRI to those recommended in the G4 Guidelines and verification that the indicators included agree with those recommended by the GRI Guidelines.
- Review on a sample basis, of the quantitative and qualitative information relating to the GRI indicators included in the CRI and of the adequate compilation thereof based on the data furnished by the information sources of Ferrovial.

Responsibilities of Ferrovial management and of Deloitte

- The preparation and contents of the IAR is the responsibility of Ferrovial's Directors, who are also responsible for defining, adopting and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue a limited assurance report based on the procedures applied in our review.
- This report has been prepared in the interest of Ferrovial in accordance with the terms and conditions of our Engagement Letter.
- We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- Deloitte maintains, in accordance with the International Standard on Quality Control 1 (ISQC1), a global system of quality control including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the IAR.
- Our team consisted of professionals with assurance on Corporate Responsibility Reports qualifications and, specifically on economic, social and environmental performance and stakeholders' participation processes.

Conclusions

The "GRI-G4 Indicators" provides details of the contents reviewed and of the limitations in the scope of our work, and identifies any contents that do not cover all the areas recommended by the GRI, including the contents of the Construction & Real Estate Sector Supplement. Based on the procedures performed and evidence obtained, except for the issues identified in the "GRI-G4 Indicators", nothing has come to our attention that causes us to believe that:

- Corporate Responsibility information included in the IAI has not been prepared in all material aspects, including the reliability and adequacy of the indicators, in accordance with the guidelines of the GRI G4.
- Ferrovial has not applied the principles of inclusivity, materiality and responsiveness as described in "Corporate Responsibility" Appendix, in accordance with standard AA1000 2008 APS:
 - ✓ Inclusivity: participation process for stakeholders that facilitates their involvement in the development of a responsible approach.
 - ✓ Materiality: the process of determining materiality requires an understanding of the important or relevant issues for Ferrovial and its stakeholders.
 - ✓ Responsiveness: specific actions and commitments related to the material issues identified previously.

Observations and recommendations

In addition, we presented the Management of Ferrovial our recommendations relating to the areas for improvement in Corporate Responsibility (CR) management and information and in the application of the principles of inclusivity, materiality and responsiveness. The most significant recommendations, which do not modify the conclusions expressed in this report, are summarised as follows.

Inclusivity and materiality

As indicated in the "Corporate Responsibility" Appendix, in 2016 Ferrovial updated its materiality study by making various analyses and consultations. The matters identified were prioritised according to industry maturity and their importance for a sample of the main internal and external stakeholder groups. To improve the representation of the stakeholder groups consulted and their inclusivity it would be advisable to take into account the various businesses and countries in which Ferrovial has a significant presence when selecting the sample.

On the other hand, 2016 was the last year of Plan 20.16 and that of the definition of the New Plan 20.19. Although this new Plan proposes specific areas of action and actions, Ferrovial should continue working on setting objectives and the allocation of specific resources in each area of activity, as well as on the monitoring method used, so that it can measure the contribution of the CR Plan to achieving the objectives set and manage the risks and opportunities in terms of sustainability.

Responsiveness

In 2016, Ferrovial updated and approved various compliance and risk control and management policies. In 2017 Ferrovial must continue to work on giving the training and developing the procedures to ensure effective implementation of these policies throughout the Group.

As regards the supply chain, the Construction business has made progress in defining a catalogue of green purchases and incorporating the new anticorruption policy into agreements with suppliers. In this respect, it would be appropriate to extend and standardise the assessment of suppliers with regard to social, environmental and governance aspects throughout the Group, and adapt systems for evaluating the nature and special characteristics of each business and geographical area.

Ferrovial has implemented a methodology for calculating the carbon footprint throughout its organisation which it continues adjusting and extending each year in terms of Scope 3. The information obtained by applying this methodology, together with other supplementary analyses, will be very useful for assessing the impact on climate change of the new projects or contracts using tools such as analysis of the lifecycle. In addition, the knowledge built up can be used to evaluate the financial implications of climate change, to identify new areas for innovation and provide information to customers on the emissions avoided in the performance of the contracts.

Deloitte Advisory, S.L.



Helena Redondo
Madrid, February 27th, 2017



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PHOTO: Asfaltado de circuito en Torancón, Cuenca, (España)



II. CONSOLIDATED FINANCIAL STATEMENTS

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A. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 AND 2015

Assets (Millions of euros)	Notes	2016	2015
Non-current assets		15,647	16,821
Goodwill arising on consolidation	3.1	2,170	1,885
Intangible assets (*)	3.2	503	234
Investments in infrastructure projects	3.3	7,145	8,544
Intangible asset model		6,168	6,957
Financial asset model		977	1,587
Investment property (*)		6	15
Property, plant and equipment (*)	3.4	731	491
Investments in associates	3.5	2,874	3,237
Non-current financial assets	3.6	735	755
Loans granted to associates		374	411
Restricted cash relating to infrastructure projects and other financial assets		249	261
Other receivables		112	83
Deferred tax assets	2.8	1,051	1,254
Non-current derivative financial instruments at fair value	5.5	432	406
Current assets		7,750	8,563
Assets classified as held for sale	1.2	624	2,418
Inventories	4.1	516	387
Current income tax assets		186	135
Current trade and other receivables	4.2	2,828	2,320
Trade receivables for sales and services		2,199	1,821
Other current receivables		629	499
Cash and cash equivalents	5.2	3,578	3,279
Infrastructure projects		277	306
Restricted cash		62	36
Other cash and cash equivalents		215	270
Excluding infrastructure projects		3,301	2,973
Current derivative financial instruments at fair value	5.5	18	23
TOTAL ASSETS		23,397	25,384

Equity and liabilities (Millions of euros)	Notes	2016	2015
Equity	5.1	6,314	6,541
Equity attributable to the shareholders		5,597	6,058
Equity attributable to non-controlling interests		717	483
Deferred income	6.1	1,118	1,088
Non-current liabilities		10,409	9,314
Pension plan deficit	6.2	174	46
Long-term provisions	6.3	757	838
Borrowings	5.2	7,874	6,697
Debt securities and bank borrowings of infrastructure projects		5,310	5,320
Debt securities and borrowings excluding infrastructure projects		2,564	1,376
Other payables	6.4	200	171
Deferred tax liabilities	2.8	967	1,124
Derivative financial instruments at fair value	5.5	436	438
Current liabilities		5,556	8,442
Liabilities classified as held for sale	1.2	440	2,690
Borrowings		302	1,385
Debt securities and bank borrowings of infrastructure projects		200	1,297
Bank borrowings excluding infrastructure projects		102	88
Derivative financial instruments at fair value	5.5	69	259
Current income tax liabilities		150	138
Current trade and other payables	4.3	3,893	3,346
Trade payables		2,299	1,996
Customer advances and amounts billed in advance for construction work		989	887
Other current payables		605	464
Operating provisions	6.3	702	622
TOTAL EQUITY AND LIABILITIES		23,397	25,384

(*) The intangible assets, property, plant and equipment and investment property used in infrastructure projects are included under "Investments in Infrastructure Projects". The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of financial position as at 31 December 2016.

B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR 2016 AND 2015

(Millions of euros)	Notes	2016			2015		
		Before fair value adjustments	(*) Fair value adjustments	Total 2016	Before fair value adjustments	(*) Fair value adjustments	Total 2015
Revenue		10,759	0	10,759	9,701	0	9,701
Other operating income		7	0	7	9	0	9
TOTAL OPERATING INCOME	2.1	10,765	0	10,765	9,709	0	9,709
Materials consumed	2.2	1,267	0	1,267	1,143	0	1,143
Other operating expenses	2.2	4,736	0	4,736	4,735	0	4,735
Staff costs	2.3	3,819	0	3,819	2,805	0	2,805
TOTAL OPERATING EXPENSES		9,821	0	9,821	8,683	0	8,683
Gross profit from operations	2.4	944	0	944	1,027	0	1,027
Depreciation and amortisation charge		342	0	342	256	0	256
Profit from operations before impairment and disposals of non-current assets	2.4	602	0	602	770	0	770
Impairment and disposals of non-current assets (**)	2.5	330	-6	324	185	-54	131
Profit from operations		932	-6	926	955	-54	901
Financial result on financing		-305	0	-305	-463	0	-463
Result on derivatives and other financial results		-7	-12	-20	-12	-188	-200
Financial result of infrastructure projects		-313	-12	-325	-474	-188	-662
Financial result on financing		-49	0	-49	-35	0	-35
Result on derivatives and other financial results		-4	-13	-18	12	49	61
Financial result excluding infrastructure projects		-53	-13	-66	-24	49	26
Financial result	2.6	-365	-26	-391	-498	-138	-637
Share of profits of companies accounted for using the equity method	3.5	214	-132	82	275	37	312
Consolidated profit before tax		780	-164	617	732	-155	577
Income tax	2.8	-245	11	-233	25	30	54
Consolidated profit from continuing operations		536	-153	383	757	-126	631
Net profit from discontinued operations		0	0	0	0	0	0
Consolidated profit for the year		536	-153	383	757	-126	631
Profit or loss for the year attributable to non-controlling interests	2.9	-11	4	-7	33	56	89
Profit for the year attributable to the Parent		525	-149	376	790	-70	720
Net earnings per share attributable to the Parent (Basic / Diluted)	2.10			0.51/0.51			0.98/0.98

(*) Relating to gains and losses arising from changes in the fair value of derivatives and other financial assets and liabilities (see Note 5.5), asset impairment (see Note 2.5) and the impact of the two items on "Share of Profits of Companies Accounted for Using the Equity Method" (see Note 2.7).

(**) "Impairment and Disposals of Non-Current Assets" includes mainly the gains and losses arising from asset impairment and from the sale and disposal of investments in Group companies and associates. When control is lost as a result of these disposals, the gain relating to the recognition at fair value of the investment retained is presented in the "Fair Value Adjustments" column.

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2016.

C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR 2016 AND 2015

(Millions of euros)	Notes	2016	2015
a) Consolidated profit for the year		383	631
Attributable to the Parent		376	720
Attributable to non-controlling interests		7	-89
b) Income and expense recognised directly in equity	5.1	-435	96
<u>Fully consolidated companies</u>		-202	191
Impact on reserves of hedging instruments	5.5	-38	69
Impact on reserves of defined benefit plans (*)	6.2	-153	48
Translation differences		-83	111
Tax effect		72	-38
<u>Companies classified as held for sale</u>		-99	-11
Impact on reserves of hedging instruments		-148	15
Impact on reserves of defined benefit plans (*)		0	0
Translation differences		49	-25
Tax effect		0	-1
<u>Companies accounted for using the equity method</u>		-134	-84
Impact on reserves of hedging instruments		-17	23
Impact on reserves of defined benefit plans (*)		-90	-1
Translation differences		-45	-95
Tax effect		17	-12
c) Transfers to profit or loss	5.1	141	190
<u>Fully consolidated companies</u>		-48	188
Transfers to profit or loss		15	244
Tax effect		-63	-57
<u>Companies accounted for using the equity method</u>		189	2
Transfers to profit or loss		192	3
Tax effect		-3	-1
α+β+γ) Total comprehensive income		88	916
Attributable to the Parent		89	898
Attributable to non-controlling interests		-1	19

(*) The impact on reserves of defined benefit plans is the only item of income and expense recognised directly in equity that cannot be reclassified subsequently to profit or loss (see Note 5.1).

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2016.

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 2016 AND 2015

(Millions of euros)	Share capital	Share premium	Merger premium	Treasury shares	Valuation adjustments	Retained earnings and other reserves	Attributable to the shareholders	Attributable to non-controlling interests	Total equity
Balance at 31/12/15	146	1,202	963	-16	-805	4,567	6,058	483	6,541
Consolidated profit for the year						376	376	7	383
Income and expense recognised directly in equity					-287		-287	-8	-295
Total comprehensive income	0	0	0	0	-287	376	89	-1	88
Scrip dividend	3					-230	-226		-226
Other dividends							0	-25	-25
Treasury share transactions	-3		-313	-26		25	-317		-317
Remuneration of shareholders	0	0	-313	-26	0	-205	-544	-25	-569
Capital increases/reductions							0	45	45
Share-based payment						-17	-17	0	-17
Other changes			0	1		9	10	215	225
Other transactions	0	0	0	1	0	-8	-7	260	253
Balance at 31/12/16	147	1,202	650	-41	-1,092	4,731	5,597	717	6,314

(Millions of euros)	Share capital	Share premium	Merger premium	Treasury shares	Valuation adjustments	Retained earnings and other reserves	Attributable to the shareholders	Attributable to non-controlling interests	Total equity
Balance at 31/12/14	146	1,202	1,218	-4	-983	4,092	5,672	349	6,021
Consolidated profit for the year						720	720	-89	631
Income and expense recognised directly in equity					178		178	108	285
Total comprehensive income	0	0	0	0	178	720	898	19	916
Scrip dividend	2					-269	-267		-267
Other dividends							0	-48	-48
Treasury share transactions	-2		-247	-16			-265		-265
Remuneration of shareholders	0	0	-247	-16	0	-269	-532	-48	-580
Capital increases/reductions							0	100	100
Share-based payment						-51	-51	-1	-52
Other changes			-9	4		76	71	64	136
Other transactions	0	0	-9	4	0	25	20	164	184
Balance at 31/12/15	146	1,202	963	-16	-805	4,567	6,058	483	6,541

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2016.

E. CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2016

(Millions of euros)	Notes	2016	2015
Net profit attributable to the Parent	2.10	376	720
Adjustments for:		568	307
<i>Non-controlling interests</i>		7	-89
<i>Tax</i>		233	-54
<i>Result of companies accounted for using the equity method</i>		-82	-312
<i>Financial result</i>		391	637
<i>Impairment and disposals of non-current assets</i>		-324	-131
<i>Depreciation and amortisation charge</i>		342	256
Gross profit from operations	2.4	944	1,027
Income taxes paid	2.8.1	-147	-61
Change in working capital (receivables, payables and other)	5.3	-52	-234
Dividends from infrastructure project companies received	3.5	427	399
Cash flows from operating activities	5.3	1,172	1,130
Investments in property, plant and equipment and intangible assets	3.2 y 3.4	-177	-177
Investments in infrastructure projects	3.3	-388	-556
Loans granted to associates/acquisition of companies		-736	-106
Investment of long-term restricted cash		-12	85
Divestment of infrastructure projects		0	0
Divestment/Sale of companies	1.1.3	340	74
Cash flows from investing activities		-973	-680
Cash flows before financing activities		198	450
Capital proceeds from non-controlling interests		53	119
<i>Scrip dividenda</i>		-226	-267
<i>Acquisition of treasury shares</i>		-317	-265
Remuneration of shareholders	5.1	-544	-532
Dividends paid to non-controlling shareholders of investees		-24	-44
Other changes in shareholders' equity		0	0
Cash flows from shareholders and non-controlling interests		-515	-457
Interest paid	2.6	-385	-354
Interest received	2.6	34	10
Increase in borrowings		1,529	837
Decrease in borrowings		-548	-580
Cash flows from financing activities		115	-544
Effect of foreign exchange rate changes on cash and cash equivalents		18	-36
Change in cash and cash equivalents due to changes in the scope of consolidation		-32	-30
Change in cash and cash equivalents	5.2	299	-160
Cash and cash equivalents at beginning of year		3,279	3,439
Cash and cash equivalents at end of year		3,578	3,279

The accompanying Notes 1.1 to 7.1 are an integral part of the consolidated statement of cash flows for 2016.

F. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

SECTION 1: BASIS OF PRESENTATION AND SCOPE OF CONSOLIDATION

This section presents the information considered important to know prior to reading the consolidated financial statements of Ferrovial.

BASIS OF PRESENTATION AND NEW ACCOUNTING POLICIES

The consolidated financial statements of Ferrovial were prepared in accordance with the IFRSs adopted by the European Union. The accounting policies applied are disclosed in Note 1.3 of this section.

In 2016 there were no changes in accounting policies or new standards applied that had a significant effect.

As regards the new standard IFRS 15 (Revenue from Contracts with Customers), although the standard is not mandatorily applicable until 2018, the Company has decided to apply it early in 2017. Note 1.3.1 contains a more in-depth analysis of the estimated impacts of early application, together with an analysis of possible impacts of standards IFRS 9 (Financial Instruments) and IFRS 16 (Leases).

COMPANY ACTIVITIES

The disclosures presented in these consolidated financial statements include most notably, due to their importance, those relating to the distinction between infrastructure project companies and non-infrastructure project companies (see Note 1.1.2 for a definition). Also noteworthy are the disclosures relating to two of the Group's main assets, i.e. its investments of 25% in HAH, the company that owns Heathrow Airport, and of 43.23% in the concession operator of the ETR 407 toll road in Toronto (Canada).

Changes in the scope of consolidation and assets and liabilities held for sale:

Note 1.1.3 provides detailed information on the main changes in the scope of consolidation in the reporting period.

The most significant changes in 2016 were as follows:

- In the Services Division, the acquisition of the Australian company Broadspectrum in May 2016.

- In the Toll Roads Division, the sale of Chicago Skyway and an ownership interest in the Irish M3 and M4-M6 toll roads, the classification of the Portuguese toll roads as held for sale, and the exclusion from the scope of consolidation of the US SH-130 toll road, since control was considered to have been lost as a result of the developments in the Chapter 11 bankruptcy proceedings in which the concession operator is involved..

The main effect of these transactions on the consolidated financial statements is observed in net borrowings. There was a reduction in the net cash position of non-infrastructure project companies, due mainly to the acquisition of Broadspectrum, which had an impact of EUR -934 million (EUR 499 million relating to the purchase of the shares and EUR 435 million relating to the debt contributed), as well as in the net borrowings of infrastructure projects, which fell by EUR 1,420 million as a result of the exclusion from consolidation of SH-130 and by EUR 388 million due to the classification of the Portuguese toll roads as held for sale.

USE OF JUDGEMENTS AND ESTIMATES

This section includes the main estimates made by Ferrovial when measuring its assets, liabilities, income, expenses and obligations (see Note 1.3.4).

EXCHANGE RATES

Although Ferrovial's functional currency is the euro, a significant portion of its activities is carried on in countries outside the eurozone, its exposure including most notably that to the pound sterling, the US dollar, the Canadian dollar, the Australian dollar and the Polish zloty. The evolution of these currencies vis-à-vis the euro is shown in Note 1.4.

In the course of 2016 the euro appreciated significantly against the pound sterling, influenced by the United Kingdom's exit from the European Union (Brexit), the possible risks of which are discussed in Note 5.4, Management of financial risks and capital, as well as in the Risk section of the directors' report. With regard to the other currencies, the euro depreciated against the US dollar and the Canadian dollar (the currencies of the Group's main toll roads), and it appreciated against the Polish zloty.

1.1 BASIS OF PRESENTATION, COMPANY ACTIVITIES AND SCOPE OF CONSOLIDATION

1.1.1. Basis of presentation

The consolidated financial statements are presented in accordance with the regulatory financial reporting framework applicable to the Group and, accordingly, present fairly the Group's equity, financial position and results. The regulatory framework consists of International Financial Reporting Standards (IFRSs), as established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

1.1.2. Company activities

Ferrovial comprises the Parent, Ferrovial, S.A., and its subsidiaries, which are detailed in Appendix II. Its registered office is in Madrid, at calle Príncipe de Vergara 135.

Through these companies, Ferrovial engages in the following lines of business, which are its reporting segments pursuant to IFRS 8:

- Construction: design and performance of all manner of public and private works, including most notably the construction of public infrastructure.

- Services: maintenance and upkeep of infrastructure, facilities and buildings; waste collection and treatment; and rendering of other kinds of public services. As a result of the new acquisitions, other services such as the maintenance of energy and industrial facilities were added in 2016.
- Toll roads: development, financing and operation of toll roads.
- Airports: development, financing and operation of airports.

For a more detailed description of the various areas of activity in which the consolidated Group conducts its business operations, please consult the Group's website: www.ferrovial.com.

For the purpose of understanding these consolidated financial statements, it should be noted that a part of the activity carried on by the Group's business divisions consists of the performance of infrastructure projects, primarily in the toll road and airport areas, but also in the construction and services fields.

These projects are conducted through long-term arrangements with public authorities under which the concession operator, in which the Group generally has an ownership interest together with other shareholders, finances the construction or upgrade of public infrastructure, mainly with borrowings secured by the cash flows from the project and with the shareholders' capital contributions, and subsequently maintains the infrastructure. The investment is recovered by means of the collection of tolls or regulated charges for the use of the infrastructure or through amounts paid by the grantor public authority based on the availability for use of the related asset. In most cases the construction and subsequent maintenance of the infrastructure is subcontracted by the concession operators to the Group's Construction and Services Divisions.

From the accounting standpoint, most of these arrangements fall within the scope of application of IFRIC 12.

Accordingly, and in order to aid understanding of the Group's financial performance, these consolidated financial statements present separately the impact of projects of this nature in "Investments in Infrastructure Projects" (distinguishing between those to which the intangible asset model is applied and those to which the financial asset model is applied), in non-current financial assets, and, mainly, in the net cash position and the cash flow disclosures, in which the cash flows called "non-infrastructure projects", which comprise the flows generated by the construction and services businesses, the dividends from the capital invested in infrastructure projects and investments in or divestments of the share capital of these projects, are presented separately from the cash flows of the infrastructure projects, which include the flows generated by the related concession operators. In addition, a list of the companies regarded as infrastructure project companies can be consulted in Appendix II.

It is also important to highlight that two of the Group's main assets are its 25% ownership interest in Heathrow Airport Holdings (HAH), the company that owns Heathrow Airport in London (UK), and its 43.23% ownership interest in ETR 407, the concession operator of the ETR 407 toll road in Toronto (Canada), which have been accounted for using the equity method since 2011 and 2010, respectively. In order to provide detailed information on the two companies, Note 3.5 on investments in companies accounted for using the equity method includes information relating to the changes in the two companies' balance sheets and statements of profit or loss, and this information is completed in other Notes with data considered to be of interest.

1.1.3. Changes in the scope of consolidation

Set forth below is a description of the most significant changes in the scope of consolidation in 2016. The information was prepared taking into account IFRS 3 and the other disclosures required by the standard that do not appear in this Note are included in the Note on goodwill arising on consolidation (see Note 3.1).

Services: acquisition of Broadspectrum

The most significant change with respect to 2015 arose as a result of the acquisition of Broadspectrum, a leading company in the Australian services industry, which provides a wide range of services, such as maintenance of infrastructure and of industrial and energy facilities, and various services of a social nature. The company also has a presence in other countries such as New Zealand, the US, Canada and Chile.

Ferrovial achieved control of this company through a takeover bid that was ultimately closed for a price of AUD 1.50 per share, and which was completed on 13 May 2016, with the obtainment of control, once the new members of the company's Board of Directors had been appointed. Therefore, Broadspectrum's financial statements were included in the scope of consolidation of the Group from 31 May 2016. The price paid for the shares amounted to AUD 769 million (EUR 499 million). Broadspectrum's revenue for the period to 2016 year-end was EUR 1,446 million (seven months), while the result contributed to Ferrovial amounted to EUR -18 million, which includes the amortisation of the intangible asset generated in the purchase price allocation process (see Note 3.1).

Services: other acquisitions

In addition, in the course of 2016 a further three acquisitions were completed in the Services business, two in Spain and one in Poland. The main data relating to these acquisitions are shown in the table below:

	Siemsa	Biotrán	Amest Kamiensk
Line of business	Services for the energy, petrochemicals and industrial sectors	Waste management for the pharmaceutical industry	Waste treatment plant
Date of acquisition	25 February	22 July	18 January
Acquisition price (EUR)	17 million	11 million	8 million
% of ownership acquired	100%	100%	80%
Sales	47	4	4
Profit	2	1	0

Construction: acquisition of Pepper Lawson

In 2016 the Group acquired the US construction company Pepper Lawson Construction, which specialises in water infrastructure and non-residential building construction work. This transaction was completed for a price of USD 12 million (EUR 11 million) on 6 April, the date on which Pepper Lawson's financial statements began to be consolidated within the Group. Pepper Lawson's revenue for the period to 31 December 2016 was EUR 124 million, while it reported a loss of EUR -3 million.

Toll roads: definitive sale of the Chicago Skyway and Irish toll roads

In addition, in the first half of 2016 the agreements were concluded for the sale of the Chicago Skyway and Irish Eurolink M3 and M4-M6 toll roads. These transactions, which commenced in 2015, are described in Note 1.2 to the consolidated financial statements as at 31 December 2015. In the case of the Chicago Skyway, the transaction gave rise to a net gain of EUR 103 million. In the case of the Irish toll roads, the total gain was EUR 21 million, recognised in net profit, including the recognition at fair value of the 20% ownership interest retained (EUR 6 million in net profit).

The proceeds received in 2016 in connection with these transactions totalled EUR 289 million (EUR 230 million for the sale of Chicago Skyway and EUR 59 million for the sale of the Irish toll roads), which together with other disposals of lesser amounts had a total impact on the Group's cash flow of EUR 340 million (see Note 5.3).

Toll roads: agreement to sell the Portuguese toll roads

Also, in June 2016 an agreement was entered into for the sale of the Portuguese toll roads Euroscut Algarve and Norte Litoral to the Dutch fund management company DIF for EUR 159 million, with Ferrovial retaining interests of 48% in Euroscut Algarve and 49% in Norte Litoral. At the date of these consolidated financial statements, these sales had not yet been authorised by the related authorities and, therefore, the assets and liabilities of the toll roads were reclassified as held for sale (see Note 1.2).

Toll roads: exclusion from consolidation of SH-130

SH-130 Concession Company, LLC, which was excluded from the scope of consolidation in December 2016, had been involved in Chapter 11 bankruptcy proceedings since March 2016. As a solution to these proceedings, on 5 December the judge appointed to hear the case approved all the documentation required for a subsequent vote on the reorganization plan for the concession operator that had been proposed by its creditors. Under this plan, Cintra would sell its ownership interest to the creditors for a symbolic price of USD 1, and thus no longer form part of SH-130's shareholder structure.

For their part, on 8 December the concession operator and the main creditors entered into an agreement to support the aforementioned reorganization plan, which resulted in Cintra losing control over SH-130. The plan support agreement was approved by creditors representing 50% of the interest-bearing debt, which is the majority required by the US Bankruptcy Code for the reorganization plan to come into effect. This approval was subsequently ratified in a vote held before the judge on 11 January.

Ultimate implementation of the plan is subject to completion of a series of procedural formalities to facilitate the orderly transfer of the company's management. As a result of the agreement entered into on 8 December, it was concluded that, in accordance with IFRS 10, the ownership interest in SH-130 should be excluded from consolidation at 2016 year-end, since the Group no longer had the current ability to direct the relevant activities of the company and it was not exposed, and did not have rights, to variable returns from its involvement with the investee. The commitments assumed by SH-130 vis-à-vis its creditors, approved as part of the bankruptcy court proceedings, prevent it from directing the company's operations as if it were not involved in such proceedings, since it does not have the ability to manage its most relevant activities, and the sole objective of the actions of the managing body and the management team is to minimise any impact that might jeopardise the viability plan approved by the creditors.

This transaction gave rise to the recognition of a gross gain of EUR 52 million (EUR 30 million in net profit or loss), relating to the losses previously recognised in excess of the capital invested in the project (EUR 169 million) and a EUR 1,421 million reduction in the net debt.

Airports: acquisition of Transchile

On 6 October 2016, Ferrovial acquired Transchile Charrúa Transmisión, the company which owns a 204-kilometre transmission line between the Charrúa and Cautín substations in Chile, for an initial investment of USD 115 million (EUR 102 million); USD 45 million (EUR 40 million) of this investment were subsequently refunded, giving a net investment of USD 70 million (EUR 62 million). Transchile's revenue amounted to EUR 2 million, and it reported a loss of EUR -1 million.

This acquisition signalled Ferrovial's entry into the electricity transmission infrastructure development business. Since this new area will be managed by the team responsible for managing the Airports segment, as indicated in paragraph 5 of IFRS 8, the new activity will be reported on as part of the Airports business segment.

New projects: I-66 and Slovakian toll roads

I-66

In November 2016 Cintra, in consortium with the infrastructure fund manager Meridiam, was selected to design, construct, finance, operate and maintain the project to transform the I-66 toll road in Virginia, which is worth more than EUR 3,000 million. The project comprises the construction of 35 kilometres along the Interstate 66 corridor (Washington access) between Route 29 and Interstate 495, in which Ferrovial Agromán and the US constructor Allan Myers will be involved. The road will have three regular toll-free lanes and two managed express lanes. Construction of the project is scheduled to end in 2022, whereupon the 50-year concession term will begin.

The concession operator for the project will be I-66 Express Mobility Partners LLC, which will be accounted for using the equity method (50% ownership interest), while the company in charge of construction will be FAM Construction LLC, which will be fully consolidated (70% ownership interest). The financial close of this project will foreseeably take place in 2017.

Slovakia

Furthermore, Cintra, in this case in consortium with a Macquarie infrastructure fund, was also selected to design, construct, finance, operate and maintain the D4 bypass and the R7 expressway in Bratislava in Slovakia. The financial close of this project was reached in May, with a total expected investment of EUR 975 million. The concession, which is a payment-for-availability arrangement, will have a 30-year term that will start after completion of the construction period.

The concession operator for this project will be Zero Bypass, Ltd., whose financial statements will be included in those of the group using the equity method (45% ownership interest). The company in charge of construction of the roads will be D4R7, which is 65% owned by the Group and, therefore, will be fully consolidated.

1.2. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In 2016 certain milestones were reached which resulted in the exclusion from the scope of consolidation, as well as the reclassification as assets and liabilities held for sale, of certain investments in projects within the Toll Road business unit:

- In 2015 an agreement was entered into for the sale of the investment in the Chicago Skyway project in the United States, which was ultimately sold in February 2016. As a result of the sale, this investment was derecognised from "Assets/Liabilities Classified as Held for Sale" and, consequently, excluded from the scope of consolidation.
- In addition, the sale agreements relating to the investment in the Irish M3 and M4 toll road projects were completed in February 2016. In both projects, Ferrovial's stake was reduced to a 20% non-controlling interest, as a result of which the investees were accounted for using the equity method.
- Lastly, on 13 June 2016 agreements were signed for the sale of majority ownership interests in the operators of two concessions in Portugal, namely the Norte Litoral toll road (51%) and the Via do Infante toll road (49%), for a total price of EUR 159 million. Following the sale of these holdings, non-controlling interests of 49% and 48%, respectively, will be retained.

At 31 December 2016, neither of the outstanding sale agreements had been completed, since both were subject to authorisation and confirmation by the Portuguese authorities and the banks involved.

As a result of the above-mentioned sale agreements, the assets and liabilities associated with the corresponding companies were reclassified to "Assets Classified as Held for Sale" and "Liabilities Classified as Held for Sale", respectively.

The impact of this reclassification is shown in the tables below:

Assets Millions of euros	Chicago Skyway	Irish toll roads	Auto- Estradas Norte	Algarve toll road	Total
Balance at 01/01/16	1,889	529	0	0	2,418
Investments in infrastructure projects	-1,647	-442	284	154	-1,651
Restricted cash and cash and cash equivalents	-113	-30	31	34	-78
Other assets	-129	-57	62	58	-66
Balance at 31/12/16	0	0	378	246	623

Liabilities Millions of euros	Chicago Skyway	Irish toll roads	Auto- Estradas Norte	Euroscut Algarve	Total
Balance at 01/01/16	2,183	507	0	0	2,690
Borrowings	-1,483	-316	211	177	-1,411
Derivative financial instruments at fair value	-667	-43	30	0	-680
Other liabilities	-33	-148	12	6	-163
Balance at 31/12/16	0	0	253	183	436

1.3 ACCOUNTING POLICIES

1.3.1. New accounting standards

1.3.1.a) New standards, amendments and interpretations adopted by the European Union mandatorily applicable for the first time in 2016.

On 1 January 2016, the following standards which might have an impact on the consolidated financial statements came into force in the European Union: Amendments to IAS 1, Disclosure Initiative; Improvements to IFRSs, 2012-2014 cycle; Amendments to IASs 16 and 38, Clarification of Acceptable Methods of Depreciation and Amortisation; and Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations. None of these amendments had a significant impact on the consolidated financial statements for the year that began on 1 January 2016.

1.3.1.b) New standards, amendments and interpretations mandatorily applicable in annual reporting periods subsequent to 2016.

The new standards, amendments and interpretations approved by the IASB but not yet mandatorily applicable that might have an effect on the Group are as follows:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Not yet applied but already approved for use in the EU		
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
Not yet approved for use in the EU		
IFRS 16	Leases	1 January 2019
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Clarifications to IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Annual improvements	2014–2016 cycle	1 January 2017/2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40	Investment Property	1 January 2018

Expected impacts on application of the most important standards:

IFRS 15. Revenue from Contracts with Customers

Although the standard is not mandatorily applicable until 2018, in view of its significance for the business activities in which Ferrovial operates, mainly Construction and Services, the Group has decided to early apply it in 2017. To this end, a plan has been launched featuring the following milestones:

- After conducting an analysis of the standard in the last few months of 2016, Ferrovial developed a new internal policy with the aim of defining practical criteria for the application of IFRS 15 in all its business activities.
- This was followed by a qualitative assessment and an initial quantification of the main changes that may arise from the new standard, as well as an analysis of the possible impacts on reporting systems.
- Before the end of the first quarter of 2017, a more detailed quantification will be made of the effects of initial application, which will be accounted for retrospectively at the end of that quarter, recognising an adjustment in reserves to the opening balance at 1 January 2017 (“cumulative effect adjustment to equity”).
- Lastly, these adjustments will be reviewed in greater detail by the auditors of the Group's subsidiaries when they perform the limited review of the interim financial statements.

The main impacts identified relate basically to the following three issues:

(i) Definition of different performance obligations in long-term services contracts and allocation of a price to each obligation.

These are mainly long-term contracts (more than ten years) in the Services Division in which Ferrovial carries out various different activities throughout the life of the infrastructure (Capex, Opex and Lifecycle). Currently, these contracts are regarded as having a single performance obligation, and the result thereof is recognised by reference to the overall profitability of the project. Under the new standard, unlike the above-mentioned method, several performance obligations will be

recognised (IFRS 15.27), to which the prices established in the contract, provided they are deemed to be market prices, will be allocated (IFRS 15.73–80). The effect of this new criterion may be to delay the recognition of revenue, insofar as the expected margin on the performance obligations already satisfied will be lower than that forecast for the contract as a whole. The negative impact (net of tax) of this adjustment in reserves, according to an initial estimate, would amount to approximately EUR 70 million.

(ii) **Requirement of approval versus probability in the recognition of revenue arising from contract modifications and claims.** Under IFRS 15 customer approval is required in order for such revenue to be recognised (IFRS 15.18), a stricter criterion than the probability requirement in the current IAS 11 and IAS 18. This change will give rise to a delay in the recognition of revenue, which can only be recognised when the customer has approved the contract modification, and not when it is probable that it will approve it. In the case of contract modifications or claims in which the customer has approved the revised scope of the work but the corresponding change in price has not yet been determined, revenue will be recognised for the amount with respect to which it is highly probable that a significant reversal will not occur in the future. The negative impact (net of tax) of this adjustment in reserves, according to an initial estimate, would amount to approximately EUR 60 million.

(iii) **Establishment of a consistent revenue recognition method for contracts with similar characteristics.** The new standard requires a consistent revenue recognition method to be used for contracts and performance obligations with similar characteristics (IFRS 15.40). The Group has chosen the output method as its preference for measuring the value of assets or services of which control is transferred to the customer over time, provided that the progress of the work performed can be measured during the course of the agreement (IFRS 15.B17). In contracts to provide different highly interrelated goods or services in order to produce a combined output, which occurs habitually in contracts with a construction component, the applicable output method is that of measurement of units produced (“surveys of performance completed to date” output method). Also, in routine service contracts in which the goods or services are substantially the same and are transferred with the same pattern of consumption, in such a way that the customer receives and consumes the benefits of the goods or services as the entity provides them, the method selected by the Group to recognise revenue is the time elapsed (output method), whereas costs are recognised on an accrual basis. On the basis of the foregoing, the input method (based on resources consumed) will only be used when the progress of the work cannot be measured reliably. The use of this rule will give rise to a change of recognition method for certain projects, and the negative impact (net of tax) of this adjustment in reserves, according to an initial estimate, would be approximately EUR 30 million.

Based on the foregoing, the estimated net total negative adjustment arising from the first-time application of IFRS 15 amounts to approximately EUR 160 million. However, the precise quantification of this adjustment will depend on the achievement of all the aforementioned milestones, the tasks for which will be completed in the first six months of 2017.

The new standard will require the Group to review its internal processes and controls relating to revenue recognition. Although this review is already in progress, it has not yet been completed.

The reporting systems currently in place will be maintained, although the controls established in them will have to be adapted.

IFRS 9. Financial Instruments:

The impacts identified are less important than those of IFRS 15, since the entities most affected by IFRS 9 are financial institutions. The Company is analysing the possibility of applying the standard early, although it has not yet taken a decision in this respect.

Set forth below is a summary of the main impacts, following an initial analysis of the three phases of the standard:

- (i) **Hedge accounting.** IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. IFRS 9 permits the designation of specific components of non-financial items and the inflation risk component of financial instruments as hedged items, provided that they are separately identifiable and reliably measurable, and it has to be proved that there is a liquid market for the items concerned. The Group has identified a possible impact relating to the inflation-indexed derivatives arranged at HAH, which under IFRS 9 might meet the requirements for hedge accounting. Lastly, it should be noted that under the new standard it is possible to designate an aggregated exposure (including a derivative and another non-derivative component) as a hedged item, and to consider currency basis spreads as a cost of the hedge, which could have an impact on the derivatives arranged by HAH.
- (ii) **Impairment of financial assets.** IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The Group initially expects to avail itself of the simplified approach (allowance for lifetime expected credit losses of an asset) for its accounts receivable. It does not foresee a significant impact in this regard, in view of the fact that there is a procedure already in place, which not only writes down accounts receivable when they are no longer recoverable (incurred losses), but also takes into consideration possible expected losses, based on the evolution of customers' collection periods (Ferrovial will adapt this procedure to meet the specific requirements of IFRS 9 and will extend it to companies where it is not currently applied), and in view of the credit risk of its customers (mostly public authorities) and the internal classification systems in place for contracting with those customers.
- (iii) **Classification and measurement of financial assets.** A new classification is introduced that reflects the business model within which financial assets are held. The main classification categories are: financial assets measured at amortised cost (assets held to maturity in order to collect contractual cash flows: principal and interest), financial assets at fair value through profit or loss (assets held for trading) and financial assets at fair value through other comprehensive income, in cases where both business models apply. The IAS 39 available-for-sale category of financial instruments is therefore eliminated. As regards the measurement of financial liabilities, IFRS 9 does not introduce any changes with respect to IAS 39, except that, in relation to the fair value option, any changes in fair value of a financial liability attributable to own credit risk must be recognised in other comprehensive income (provided this does not give rise to an accounting mismatch). Based on its preliminary analysis of this phase, the Group does not expect any significant impact, since most of its assets and liabilities will continue to be recognised at amortised cost.

Unlike IFRS 15, the hedge accounting requirements of IFRS 9, which is where the main impact is expected to arise, as described above, will be applied prospectively and, therefore, there will be no first-time application adjustment. The expected impact of adoption of IFRS 9 on the Group's consolidated financial statements is not disclosed because it cannot be estimated reliably, since this impact will depend on both the financial instruments held by the Group and the economic conditions prevailing at the date of adoption.

IFRS 16. Leases:

The analysis of the impact of IFRS 16 is at an earlier stage than that of the aforementioned standards. IFRS 16 is mandatorily applicable in 2019 and the Group does not intend to apply the standard early.

The impact is no different to that at other companies, where the amounts in the statement of financial position will be increased due to the recognition of right-of-use assets and financial liabilities for future payment obligations relating to leases classified to date as operating leases. The detail of operating leases is included in Note 6.5.3 to the consolidated financial statements and the related expense amounts to approximately EUR 412 million (detail of commitments under operating leases in the consolidated financial statements as at 31 December 2016). In addition, the aforementioned note includes a detail, by maturity and business line, of the amount of the future minimum lease payments for non-cancellable operating leases.

1.3.2. Basis of consolidation

In 2016 and 2015 the reporting dates of the separate financial statements of all the companies included in the scope of consolidation were either the same as, or were temporarily brought into line with, that of the Parent.

As indicated above, the consolidated Group applied consolidation criteria in accordance with IFRSs as adopted by the European Union (EU-IFRSs).

In this connection, set forth below is a detail of only those consolidation criteria that were adopted by the consolidated Group in preparing these consolidated financial statements either as an option permitted by IFRSs or, as the case may be, due to the specific nature of the industry in which it operates:

The contracts that are undertaken through unincorporated temporary joint ventures (UTEs) or similar entities that meet the IFRS 11 requirements for being classified as "joint operations" are proportionately consolidated. It is considered that, in these cases of joint control, the venturers have direct control over the assets, liabilities, income and expenses, and joint and several liability for the obligations, of these entities. Operations of this nature contributed to the consolidated Group assets, profits and sales of EUR 829 million, EUR 55 million and EUR 1,380 million, respectively, in 2016 (2015: EUR 499 million, EUR 4 million and EUR 987 million, respectively). Some of these entities could be considered material to the Group, since they account for more than 0.5% of consolidated sales:

Project	Activity	% ownership	Sales (€ million)
407 East Extension	Design and construction of the 407 East toll road in Toronto	50%	95
Ferrovial Lagan JV	Design and construction of the Scottish M8, M73 and M74 motorways	80%	154
Bam Ferrovial Kier JV	Work for the Farringdon railway station in London	33%	59
Flo JV	Construction of the Northern Line Extension and Thames Tideway Tunnel (Central Section), in London	50%	135
UTE Warrell Creek to Nambucca	Construction of a stretch of the Pacific Highway, in NSW Australia	50%	75
UTE Toowoomba	Construction of a bypass around the city of Toowoomba	50%	57
Total			575

The companies over which Ferrovial, S.A. exercises significant influence or joint control in cases which do not meet the requirements in IFRS 11 for being classified as “joint operations” are accounted for using the equity method. A detail of the companies accounted for using this method can be found in Note 3.5. and in Appendix II.

- Intra-Group balances and transactions are eliminated on consolidation. However, the transactions recognised in the statement of profit or loss in relation to construction contracts performed by the Construction Division for infrastructure project concession operators are not eliminated on consolidation, since contracts of this kind are treated as construction contracts under which the Group performs work for the concession grantor or regulator in exchange for the right to operate the infrastructure under the terms pre-established by the grantor or regulator. The grantor or regulator thus controls the asset from inception and grants the above-mentioned right in exchange for the work performed, and, therefore, the conclusion may be reached that at Group level the work is performed for third parties. This is in line with IFRIC 12. The non-elimination of these transactions had an impact of EUR 35 million on the consolidated statement of profit or loss, after taxes and non-controlling interests (2015: EUR 93 million). The detail of the transactions not eliminated on the basis of the foregoing is shown in Note 6.8, Related party transactions.

Appendix II contains a list of subsidiaries and associates.

1.3.3. Accounting policies applied to each item in the consolidated statement of financial position and consolidated statement of profit or loss

In line with the disclosures in Note 1.3.2 above, set forth below is a detail of only those accounting policies that were adopted by the consolidated Group in preparing these consolidated financial statements either as an option permitted by IFRSs or, as the case may be, due to the specific nature of the industry in which it operates or the materiality of the policy concerned.

1.3.3.1. Property, plant and equipment, investment property and intangible assets

- Subsequent to initial recognition, the items included under “Intangible Assets”, “Investment Property” and “Property, Plant and Equipment” are measured at cost less any accumulated depreciation or amortisation and any accumulated impairment losses.
- The Group uses the straight-line method to calculate the depreciation and amortisation charge for the assets included under “Intangible Assets”, “Investment Property” and “Property, Plant and Equipment”, except in the case of certain machinery in the construction business, which is depreciated using the diminishing balance method.

The consolidated companies depreciate their various items of property, plant and equipment basically within the following ranges of years of useful life:

	Years of useful life
Buildings and other structures	10-50
Machinery, fixtures and tools	2-25
Furniture	2-15
Transport equipment	3-20
Other items of property, plant and equipment	2-20

1.3.3.2. Investments in infrastructure projects

This line item includes the investments in infrastructure made by infrastructure concession operators within the scope of IFRIC 12 (mainly toll roads), the remuneration for which consists of the right to collect the related charges based on the level of usage of the public service.

The assets acquired by the concession operator to provide the concession services but which do not form part of the infrastructure (vehicles, furniture, computer hardware, etc.) are not included in this line item because they are not returned to the concession grantor. Assets of this nature are classified under “Property, Plant and Equipment” and are depreciated over their useful life, using a method that reflects the pattern of consumption of their future economic benefits.

IFRIC 12 intangible asset model

All initial investments relating to the infrastructure that is subsequently returned to the grantor, including compulsory purchase costs and borrowing costs capitalised during construction, are amortised on the basis of the expected pattern of consumption applicable in each case (normally forecast vehicle numbers in the case of toll roads) over the term of the concession.

The investments contractually agreed on at the start of the concession on a final and irrevocable basis to be made at a later date during the term of the concession, and provided they are not investments made to upgrade infrastructure, are considered to be initial investments. For investments of this nature, an asset and an initial provision are recognised for the present value of the future investment, applying a discount rate to calculate the present value that is equal to the cost of the borrowings associated with the project. The asset is amortised based on the pattern of consumption over the entire term of the concession and the provision is increased by the related interest cost during the period until the investment is made.

Where a payment is made to the grantor to obtain the right to operate the concession, this amount is also amortised based on the pattern of consumption over the concession term.

A provision is recognised systematically for replacement investments over the period in which the related obligations accrue, which must have been set up in full by the time the replacement becomes operational. The provision is recognised on the basis of the pattern of consumption over the period in which the obligation arises, on a time proportion basis.

Infrastructure upgrade investments are those that increase the infrastructure's capacity to generate revenue or reduce its costs. In the case of investments that will be recovered over the concession term, since the upgrade investments increase the capacity of the infrastructure, they are treated as an extension of the right granted and, therefore, they are recognised in the consolidated statement of financial position when they come into service. They are amortised as from the date on which they come into service based on the difference in the pattern of consumption arising from the increase in capacity. However, if, on the basis of the terms and conditions of the concession, these investments will not be offset by the possibility of obtaining increased revenue from the date on which they are made, a provision is recognised for the best estimate of the present value of the cash outflow required to settle the obligations related to the investments that will not be offset by the possibility of obtaining increased revenue from the date on which the investments are made. The balancing item is a higher acquisition cost of the intangible asset.

In the case of the proportional part of the upgrade or increase in capacity that is expected to be recovered through the generation of increased future revenue, the general accounting treatment used for investments that will be recovered in the concession term will be applied.

The main assumptions used in relation to these arrangements correspond to vehicle number and replacement investment estimates, which are updated each year by technical departments.

Set forth below is a detail of the main toll road concessions in force to which the intangible asset model is applied, showing their duration, their status and the accounting method applied:

Toll road concessions accounted for using the intangible asset model:

Concession operator	Country	Concession term (years)	Status	First year of concession (*)	Accounting method
NTE Mobility Partners, LLC	US	52	Operating	2014	FC
NTE Mobility Partners Seg 3 LLC (1)	US	43	Construction	2013	FC
LBJ Express	US	52	Operating	2014	FC
I-66 Mobility Partners LLC (3)	US	50	Construction	2016	Eq.
I-77 Mobility Partners LLC (2)	US	50	Construction	2014	FC
M-203 Alcalá O'Donnell	Spain	30	Construction	2005	FC
Autopista del Sol	Spain	55	Operating	1999	FC
Euroscut Azores	Portugal	30	Operating	2011	FC
Eurolink Motorway Operations (M4-M6)	Ireland	30	Operating	2005	Eq.
Nea Odos	Greece	30	Operating	2007	Eq.
Central Greece	Greece	30	Operating	2008	Eq.

(*) First year of the concession (if in operation) or year of commencement of construction (if at the construction phase).

(1) The concession term is 43 years from the commencement of operation services, scheduled for 2018.

(2) The concession term is 50 years from the completion of the construction work, estimated at 44 months from the reporting date.

(3) The concession term is 50 years from the completion of the construction work, estimated at 60 months from the reporting date.

Other concession arrangements accounted for using the intangible asset model:

In addition to the toll road concessions shown in the foregoing table, there are other arrangements to which the IFRIC 12 intangible asset model is applied, including most notably a concession of the Services Division held through Autovía de Aragón Sociedad Concesionaria, S.A. for the rehabilitation and subsequent maintenance of a stretch of the Nacional II road in Spain. The main contracts of the Services Division are as follows:

Concession operator	Country	Concession term (years)	First year of concession (*)	Accounting method
Autovía Aragón	Spain	19 years	2007	FC
Servicios Urbanos de Murcia	Spain	20 years	2011	FC
Planalto Beirao	Portugal	25 years	2006	FC
Ecoparc Can Mata (1)	Spain	14 years	2011	FC
Gesmat (1)	Spain	20 years	2012	FC
Amey Hallam Highways (1)	UK	25 years	2012	Eq.
Secado Térmico Butarque	Spain	25 years	2002	Prop.

(1) Bifurcated models (intangible asset / financial asset).

Infrastructure project receivables - IFRIC 12

"Investments in Infrastructure Projects - Financial Asset Model" includes the service concession arrangements related to infrastructure in which the consideration consists of an unconditional contractual right to receive cash or another financial asset, either because the grantor guarantees to pay the operator specified or determinable amounts or because it guarantees to pay the operator the shortfall between amounts received from users of the public service and specified or determinable amounts. Therefore, these are concession arrangements in which demand risk is borne in full by the grantor. In these cases, the amount due from the grantor is accounted for as a loan or receivable in assets in the consolidated statement of financial position.

To calculate the amount due from the grantor, the value of the construction, operation and/or maintenance services provided and the interest implicit in arrangements of this nature are taken into consideration.

Revenue from the services (mainly construction and maintenance) provided in each period increases the amount of the related receivables with a credit to sales. The interest on the consideration for the services provided also increases the amount of the receivables with a credit to sales. Amounts received from the grantor reduce the total receivable with a charge to cash.

This interest is accounted for in accordance with IAS 18, Revenue. Under IAS 18, revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity. In this regard, it can be considered that the interest income from concessions of this type should be classified as revenue, since it forms part of the ordinary concession activity and is earned on a regular and periodic basis.

At 31 December 2016, the interest recognised as revenue amounted to EUR 189 million (31 December 2015: EUR 194 million). Also, the borrowing costs associated with the financing of concessions to which the financial asset model is applied amounted to EUR 87 million in 2016 (2015: EUR 87 million) (see breakdown by contract).

Set forth below is a detail of the main toll road concessions in force to which the financial asset model is applied, showing their duration, their status and the accounting method applied:

Toll road concessions accounted for using the financial asset model

Concession operator	Country	Concession term (years)	Status	First year of concession (*)	Accounting method
Autopista Terrasa Manresa	Spain	50	Operating	1989	FC
Auto-Estradas Norte Litoral (1)	Portugal	30	Operating	2006	FC
Autoestrada do Algarve, S.A. (1)	Portugal	30	Operating	2004	FC
Eurolink M3	Ireland	45	Operating	2010	Eq.
A66 Benavente - Zamora	Spain	30	Operating	2015	Eq.
A-334 Autovía del Almanzora	Spain	30	Design	2012	Eq.
407 East Extension	Canada	30	Operating	2016	Eq.
Scot Roads Partnership Project Limited (2)	UK	30	Construction	2014	Eq.
Nexus Infr. Unit Trust (Toowoomba) (3)	Australia	25	Construction	2015	Eq.
Blackbird Infrastructure Group (4) (407 East Phase 2)	Canada	30	Construction	2015	Eq.
Ruta del Cacao, S.A.S. (5)	Colombia	20	Construction	2015	Eq.
Zero Bypass Ltd. (6)	Slovakia	30	Construction	2016	Eq.

(1) Projects reclassified to "Assets Classified as Held for Sale"

(2) The concession term is 30 years from the completion of the construction work, scheduled for September 2017.

(3) The concession term is 25 years from the completion of the construction work, scheduled for December 2018.

(4) The concession term is 30 years from the completion of the construction work, scheduled for December 2019.

(5) The concession term is 20 years from the completion of the construction work, scheduled for June 2021.

(6) The concession term is 30 years from the completion of the construction work, scheduled for December 2020.

FC: Full consolidation; Eq. = Equity method.

Other concession arrangements accounted for using the financial asset model:

The other arrangements to which the financial asset model is applied relate to the Services and Construction Divisions.

Following is a detail of the most significant concession arrangements of the Construction Division:

Concession operator	Country	Concession term (years)	First year of concession (*)	Accounting method
Concesionaria de Prisiones Lledoners	Spain	32	2008	FC
Conc. Prisiones Figueras, S.A.U.	Spain	32	2011	FC
Depusa Aragón, S.A.	Spain	25	2015	FC
Aparcamiento Budimex	Poland	30 years and 4 months	2012	FC
Urbica Ciudad de la Justicia	Spain	35 years	2003	Eq.
Concesionaria Vía Olmedo Pedralba	Spain	25 years	2013	Eq.

As regards the Services Division, the most significant arrangements are as follows:

Concession operator	Country	Concession term (years)	Status (*)	First year of concession	Accounting method
CTR Oris	Spain	16 years	1	2014	FC
Juan Grande	Spain	18 years	3	2014	Prop.
Salto del Negro	Spain	16 years	3	2014	Prop.
Smart Hospital Cantabria	Spain	20 years	1	2014	FC
Toll Road IM08 DDS	Poland	6 years	1	2014	FC
IM009 DDS	Poland	5 years	1	2016	FC
AmeyCespa WM East	UK	28 years	1	2008	FC
AmeyCespa MK SPV	UK	18 years	2	2013	FC
Amey (IOW) SPV Ltd	UK	25 years	3	2015	FC
Madrid Calle 30 Integrated	Spain	35 years	1	2005	Eq.
Bradford SPV One Ltd	UK	27 years	1	2006	Eq.
Integrated Bradford SPV Two Ltd	UK	27 years	1	2009	Eq.
Amey Lagan Roads Ltd	UK	30 years	1	2007	Eq.
Amey Lighting Norfolk Limited	UK	25 years	1	2007	Eq.
E4D&G Project Co Ltd	UK	32 years	1	2008	Eq.
Amey Belfast Schools Partnership Pfi Co Ltd	UK	31 years	1	2008	Eq.
The Renfrewshire Schools Partnership Ltd	UK	33 years	1	2005	Eq.
Amey Birmingham Highways Ltd	UK	25 years	2	2010	Eq.
Amey Highways Lighting Manchester Limited	UK	25 years	1	2004	Eq.
Amey Highways Lighting Wakefield Limited	UK	25 years	1	2003	Eq.
Services Support A&S Ltd	UK	30 years	1	2004	Eq.
Scot Roads Partnership Project Ltd	UK	33 years	2	2014	Eq.
AmeyCespa (AWRP) SPV Ltd	UK	29 years	2	2014	Eq.

(*) 1: Operating; 2: Construction; 3: Construction/Operating.

FC: Full consolidation; Eq. = Equity method; Prop. = Proportionate consolidation.

1.3.3.3. Other items in the consolidated statement of financial position and consolidated statement of profit or loss

Cash and cash equivalents of infrastructure projects: Restricted cash (Note 5.2)

"Cash and Cash Equivalents - Infrastructure Projects - Restricted Cash" includes short-term, highly liquid investments assigned to the financing of certain infrastructure projects, the availability of which is restricted under the financing contracts as security for certain obligations relating to the payment of debt principal and interest and to the maintenance and operation of the infrastructure.

Fair value measurement

The Group only uses fair value measurements in the case of derivative financial instruments. In such measurements, the credit risk of the parties to the related agreement is taken into account. The impact of credit risk is recognised in profit or loss, except when the derivatives qualify as effective hedges, in which case it is recognised in reserves. The Group uses appropriate measurement techniques based on the circumstances and on the volume of inputs available for each item, attempting to maximise the use of relevant observable inputs and avoiding the use of unobservable inputs. The Group establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into the following three levels:

- Level 1: quoted prices for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

As indicated in Note 5.5, Derivative financial instruments at fair value, all the Group's derivative financial instruments fall into Level 2.

Non-refundable grants related to assets

Non-refundable grants related to assets are measured at the amount granted under "Deferred Income" (see Note 6.1) in the consolidated statement of financial position, and are taken to profit or loss gradually in proportion to the period depreciation on the assets financed with these grants and are recognised under "Depreciation and Amortisation Charge". From the cash flow standpoint, the amount of the grants collected in the year is presented as a reduction of the amount of the investments made.

Trade payables

"Trade Payables" includes the balances payable to suppliers under reverse factoring arrangements with banks.

These balances are classified as trade payables and the related payments as cash flows from operating activities, since the payments are made to the banks in the same periods as those agreed on with the suppliers in the operating cycle of the business, with no additional deferral or special guarantees to secure the payments to be made.

1.3.3.4 Revenue recognition

Set forth below are specific details of the methods applied to recognise revenue in each of the segments in which Ferrovial operates. See Note 1.3.1.b for a description of the changes and expected impacts of the new standard IFRS 15, Revenue from Contracts with Customers.

Construction businessi) General revenue recognition methods

Construction business revenue is recognised in accordance with IAS 11, whereby revenue and associated costs are recognised in the statement of profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period, provided that the outcome of the construction contract can be estimated reliably (stage of completion). Any expected loss on the construction contract is recognised as an expense immediately.

The Group habitually conducts surveys of the work performed (output method, based on measurement of units produced), which is made possible in practice by the existence in all the contracts of a definition of all the units of work and the price at which each unit is to be certified

and by budgeting tools for monitoring variances. At the end of each month, the units executed in each contract are measured and the output for the month is recognised as revenue. Contract costs are recognised on an accrual basis, and the costs actually incurred in completing the units of work are recognised as an expense, together with those which, even though they may be incurred in the future, have to be allocated to the project units completed. In certain jurisdictions in which the policy applied in accordance with generally accepted practice is to recognise revenue on the basis of the stage of completion measured in terms of the costs incurred (input method), the proportion that contract costs incurred bear to the estimated total contract costs is used to determine the revenue to be recognised, by reference to the margin for the entire term of the contract.

In exceptional cases, where it is not possible to estimate the margin for the entire contract, the total costs incurred are recognised and sales that are reasonably assured with respect to the completed work are recognised as contract revenue, subject to the limit of the total contract costs incurred.

The new standard IFRS 15, Revenue from Contracts with Customers, which is the same as the standard issued by the FASB, will make it possible for the Group to adopt a uniform revenue recognition method, irrespective of the various jurisdictions in which Ferrovial operates.

For construction contracts, a single performance obligation will be identified owing to the high degree of integration and customisation of the various goods and services to provide a combined output that is transferred to the customer over time. The Group will recognise revenue over time using, as its preferred option, the output method in those contracts for which there is a breakdown of the units produced and unitary prices or for which this information is available and is used by management for decision-taking purposes. Use of the cost to complete method (input method based on resources consumed) will only be permitted as a residual approach in fixed fee lump-sum contracts, in which the aforementioned requirements are not met.

ii) Recognition of revenue from contract modifications and claims

Contract modifications are work additional to those envisaged in the original contract that require approval by the customer. Contract modifications normally give rise to changes in both the work to be performed and the price.

Claims are amounts not covered by the principal contract, which are the subject of dispute with the customer and can arise from modifications that have not been agreed by the customer or other types of consideration requested of the customer, such as the reimbursement of unforeseen costs.

Modifications to the initial contract require the customer's technical and financial approval prior to the issue of billings and collection of the amounts relating to additional work. The Group does not recognise revenue from such additional work until approval is reasonably assured and the revenue can be measured reliably. The costs associated with these additional units of output are recognised when incurred.

If the modifications become claims because they are subject to a dispute with the customer or are taken to arbitration or before the courts, no additional revenue is recognised and the revenue previously recognised only continues to be recognised if there is a legal report that supports the high probability of recovering the amount in dispute. This method is also followed in other types of claim process.

As mentioned in Note 1.3.1-b) on new standards, under IFRS 15 customer approval is required in order for revenue arising from contract modifications and claims to be recognised. In cases where the additional work has been approved but the corresponding change in price has not been determined, the requirement for variable consideration will be applied: namely, to recognise revenue for an amount with respect to which it is highly probable that a significant reversal will not occur.

iii) Statement of financial position balances relating to revenue recognition

Unlike the method used to recognise contract revenue, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document called "certificate of completion". Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In contracts for which the amount of revenue recognised exceeds the amount billed or certified, the difference is recognised in an asset account called "Amounts to be Billed for Work Performed" under "Trade Receivables for Sales and Services", while in contracts for which the amount of revenue recognised is less than the amount billed or certified, the difference is recognised in a liability account called "Amounts Billed in Advance for Construction Work" under "Current Trade and Other Payables".

iv) Other aspects

Initial contract costs incurred in the formalisation of the principal contract, costs of moving plant to the contract site, costs incurred in design, technical assistance and studies, building insurance costs, perimeter fencing costs and other initial contract costs are recognised as prepaid expenses. These costs are recognised as inventories provided that it is probable that they will be recovered in the future and they are recognised in profit or loss based on actual production with respect to estimated production under each contract. Otherwise, the costs are taken directly to the statement of profit or loss.

Late-payment interest arising from delays in the collection of billings is recognised when it is probable that the interest will be collected and its amount can be measured reliably, and is recognised as a financial result.

v) Judgements and estimates

Due to the very nature of contracts of this kind, and as can be inferred from the preceding paragraphs, the main factors affecting revenue and cost recognition are subject to significant judgements and estimates, such as the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the measurement of the work completed in the period, the reasonableness of the accounting for a modification to the initial contract and the amount to be recovered from a claim. All these judgements and estimates are made by the persons in charge of performing the construction work, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

Toll Road business

The arrangements included in this line of business are accounted for in accordance with IFRIC 12, which provides for the classification of the assets assigned to such arrangements on the basis of the intangible asset model and the financial asset model (bifurcated arrangements can also exist) (see Note 1.3.3.2).

The impact of the new standard IFRS 15, Revenue from Contracts with Customers will depend on the model applicable to each concession. In the case of concession arrangements accounted for using the intangible asset model, the customer is the user of the infrastructure and, therefore, each use made of the infrastructure by users is considered a performance obligation, and the related revenue is recognised at a point in time. In the case of concession arrangements accounted for using the financial asset model, in which the customer is the concession grantor, revenue recognition will depend on the various services provided (e.g. construction or maintenance), which will be accounted for as different performance obligations, to which market prices have to be allocated.

Services business

In general, the revenue from contracts involving various tasks and unit prices is recognised in the consolidated statement of profit or loss when the services are provided, in accordance with IAS 18, Revenue. In the case of certain long-term contracts with a single payment or annual payments revenue and costs are recognised by reference to the stage of completion, established both in the aforementioned IAS 18 and in IAS 11, Construction Contracts, on the basis of the costs incurred as a percentage of the total estimated costs (input method) as explained in the section on the Construction business. Revenue from contract modifications and claims is defined in the same way as in the case of the construction business, and is recognised based on a probability criterion as indicated in IAS 11. With respect to the first-time application of standard IFRS 15, the main impacts envisaged correspond to the three concepts mentioned in Note 1.3.1.

Lastly, it should be noted that the revenue from certain contracts that fall within the scope of IFRIC 12 is recognised as described in Note 1.3.3.2.

1.3.4. Accounting estimates and judgements

In the consolidated 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:

- Estimates to define the methods for accounting for investees, including most notably in 2016 those relating to the SH-130 toll road, which led to the conclusion that it should be excluded from consolidation this year.
- The estimates taken into consideration when recognising the results of contracts by reference to the stage of completion in the Construction and Services segments, in relation to the expected outcome of the contract, the estimate of possible budgeted losses, the amount of costs to be incurred at the end of the construction work, the measurement of the contract work performed in the period or the reasonableness of the accounting for a modification to the initial contract. All these judgements and estimates are made by the persons in charge of performing the construction work or services contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied (see Note 1.3.3.4 on revenue recognition in the Construction and Services businesses).
- The assessment of possible legal contingencies (see Note 6.5, Contingent liabilities, contingent assets, obligations and commitments and Note 6.3, Provisions).
- The assessment of possible impairment losses on certain assets (see Note 3.1, Goodwill and acquisitions, and Note 3.5, Investments in associates).

- Estimates relating to the fair value of assets and liabilities acquired in the business combinations detailed in Note 1 on changes in the scope of consolidation.
- Business performance projections that affect the estimates of the recoverability of tax assets (see Note 2.8 on tax matters).
- Estimates regarding the valuation of derivatives and the expected flows associated with them in order to determine the existence of hedging relationships (see Note 5.5, Derivative financial instruments at fair value).
- Estimates taking into account the future vehicle numbers on toll roads for the purpose of preparing financial information for toll roads pursuant to IFRIC 12 (see Note 3.3, Investments in infrastructure projects and Note 6.3, Provisions).
- The assumptions used in the actuarial calculation of pension and other obligations to employees (see Note 6.2, Pension plan deficit).
- The measurement of stock options and share award plans (see Note 6.7, Share-based payment).

Although these estimates were made using the best information available at 31 December 2016 on the events analysed, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8.

1.3.5. Disclosures

It should also be noted that in preparing these consolidated financial statements the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

1.4. EXCHANGE RATES

As indicated above, Ferrovial carries out transactions outside the eurozone through various subsidiaries. The exchange rates used to translate their financial statements for their inclusion in the consolidated Group's consolidated financial statements are as follows:

Items in the balance sheets (exchange rates at 31 December 2016 and at 31 December 2015 for the comparative figures):

Closing exchange rate	2016	2015	Change 16/15 (*)
Pound sterling	0.8545	0.7375	15.86%
US dollar	1.0547	1.0866	-2.94%
Canadian dollar	1.4185	1.5026	-5.60%
Australian dollar	1.4615	1.4906	-1.95%
Polish zloty	4.4046	4.2659	3.25%
Chilean peso	705.71	769.98	-8.35%

(*) A negative change represents a depreciation of the euro against the reference currency and a positive change represents an appreciation.

Items in the statements of profit or loss and statements of cash flows (cumulative average rates at 31 December 2016 and at 31 December 2015 for the comparative figures):

Average exchange rate	2016	2015	Change 16/15 (*)
Pound sterling	0.8230	0.7237	13.72%
US dollar	1.1034	1.1032	0.01%
Canadian dollar	1.4590	1.4233	2.51%
Australian dollar	1.4853	1.4802	0.34%
Polish zloty	4.3606	4.1800	4.32%
Chilean peso	742.4625	727.7625	-2.02%

(*) A negative change represents a depreciation of the euro against the reference currency and a positive change represents an appreciation.

The main change in the year was the depreciation of the pound sterling prompted by the decision to leave the European Union taken in the UK referendum held on 23 June 2016 (Brexit).

Note 5.4 also contains an in-depth analysis of the impact that Brexit has had or might have in the future vis-à-vis the different financial risks affecting Ferrovial. This perspective is complemented by a global analysis of Brexit in the Risks section of the directors' report.

1.5. SEGMENT REPORTING

The segment statements of financial position and segment statements of profit or loss, for both 2016 and the comparative period, are shown in Appendix III.

Additionally, a breakdown by segment is included in those sections of this report where this information is material or is required by accounting legislation.

SECTION 2: PROFIT FOR THE YEAR

This section comprises the Notes relating to the profit for the year.

Net profit for the year amounted to EUR 375 million, down 47.9% on 2015 (EUR 720 million).

This decrease is affected by a series of non-recurring results related mainly to divestments, derivatives and taxes, per the following breakdown, and which are explained in more detail in the Notes indicated in the table:

Non-recurring impacts (Millions of euros)	Balances at 31/12/16		Balances at 31/12/15	
	Profit before tax	Net profit	Profit before tax	Net profit
Impact of financial derivatives (Note 2.6)	-26	-18	-140	-55
Divestment, exclusion from consolidation and impairment of infrastructure projects (Note 2.5)	324	153	131	116
Non-recurring impacts, HAH (Note 2.7)	-105	-105	138	138
Non-recurring tax impacts (Note 2.8)	0	20	0	157
Other impacts	-4	-4	17	18
TOTAL	189	46	145	373

Notwithstanding these non-recurring impacts, revenue grew by 10.9%; however, profit from operations was down 21.9% on 2015. In like-for-like terms (see definition in the section on alternative performance measures), the aforementioned changes were growth of 1.2% and a fall of -9.7%, respectively (see the directors' report for a detailed explanation of the changes by business division).

2.1. OPERATING INCOME

The detail of the Group's operating income at 31 December 2016 is as follows:

(Millions of euros)	2016	2015
Revenue	10,759	9,701
Other operating income	7	9
TOTAL OPERATING INCOME	10,765	9,709

"Revenue" includes the financial consideration for the services provided by the concession operators that apply the financial asset model, amounting to EUR 189 million (2015: EUR 194 million), as described in Note 1.3.3.2.

"Other Operating Income" includes the impact of the grants related to income received in 2016 amounting to EUR 6 million (2015: EUR 8 million).

The detail, by segment, of revenue in 2016 and 2015 is as follows:

(Millions of euros)	31/12/2016			Change 16/15
	External sales	Inter-segment sales	Total	
Construction	3,721	474	4,194	-2%
Toll roads	486	1	486	-5%
Airports	4	0	4	-50%
Services	6,067	11	6,078	24%
Other and adjustments	84	-88	-4	-29%
TOTAL	10,362	397	10,759	11%

(Millions of euros)	2015		
	External sales	Inter-segment sales	Total
Construction	3,561	726	4,287
Toll roads	511	3	513
Airports	8	1	8
Services	4,891	6	4,897
Other and adjustments	77	-84	-6
TOTAL	9,048	652	9,701

The inter-segment sales that are not eliminated in the Group's consolidated financial statements are the sales made by the Construction Division to the infrastructure concession operators, as discussed in Notes 1.3.3.2 and 6.8.

The detail of sales, by geographical area, is as follows:

(Millions of euros)	2016	2015	Change 16/15
Spain	2,629	2,694	-65
UK	3,171	3,471	-300
Australia	1,627	100	1,527
US	1,181	1,344	-163
Canada	107	173	7
Poland	1,316	1,263	54
Other	727	656	-3
TOTAL	10,759	9,701	1,058

The Ferrovial Group's sales in its six main markets account for 93% of total sales.

2.2. MATERIALS CONSUMED AND OTHER OPERATING EXPENSES

“Materials Consumed” includes mainly the raw materials used and the changes in inventories in 2016.

“Other Operating Expenses” includes mainly services rendered by third parties under subcontracting arrangements and independent professional services.

The sum of these headings increased by EUR 125 million from EUR 5,878 million at 31 December 2015 to EUR 6,003 million at 31 December 2016. This increase is explained basically by the inclusion of Broadspectrum in the scope of consolidation, which gave rise to an impact of EUR 364 million. This change was partially cushioned by the changes in exchange rates, which gave rise to an impact of EUR -314 million.

2.3. STAFF COSTS

The detail of “Staff Costs” is as follows:

(Millions of euros)	2016	2015	Change
Wages and salaries	3,270	2,286	984
Social security costs	428	409	19
Pension plan contributions	56	55	1
Share-based payment	17	18	-1
Other employee benefit costs	48	37	11
TOTAL	3,819	2,805	1,014

The 36% increase in staff costs in 2016 is related to the acquisition of Broadspectrum and its workforce and the growth in activity.

The changes in the number of employees at 31 December 2016 with respect to that at 2015 year-end, by professional category and gender, were as follows:

Category	31/12/16			Change 16/15
	Men	Women	Total	
Executive directors	2	0	2	0%
Senior executives	10	2	12	-8%
Executives	443	73	516	23%
University and further education college graduates	9,374	3,317	12,691	21%
Clerical staff	3,653	4,553	8,206	100%
Manual workers and unqualified technicians	54,897	19,677	74,574	26%
TOTAL	68,379	27,622	96,001	30%

Category	31/12/15		
	Men	Women	Total
Executive directors	2	0	2
Senior executives	11	2	13
Executives	365	53	418
University and further education college graduates	7,910	2,618	10,528
Clerical staff	1,254	2,854	4,108
Manual workers and unqualified technicians	42,396	16,567	58,963
TOTAL	51,938	22,094	74,032

The average number of employees, by business division, for the two periods is as follows:

Business	31/12/16			Change 16/15
	Men	Women	Total	
Construction	14,516	2,077	16,593	1,368
Toll roads	494	238	732	-167
Airports	16	10	26	1
Services	46,908	22,367	69,275	14,127
Other	284	236	520	33
TOTAL	62,219	24,927	87,146	15,362

Business	31/12/15		
	Men	Women	Total
Construction	13,430	1,795	15,225
Toll roads	610	289	899
Airports	15	10	25
Services	36,122	19,025	55,148
Other	277	210	487
TOTAL	50,455	21,329	71,784

The changes in the average number of employees for the two years is due mainly to the inclusion of Broadspectrum.

2.4. GROSS PROFIT FROM OPERATIONS (EBITDA) AND PROFIT FROM OPERATIONS BEFORE IMPAIRMENT AND DISPOSALS OF NON-CURRENT ASSETS

EBITDA at December 2016 amounted to EUR 944 million (December 2015: EUR 1,027 million), representing a decrease of 8% with respect to 2015.

In addition, profit from operations before impairment and disposals of non-current assets at December 2016 amounted to EUR 602 million (December 2015: EUR 770 million), representing a fall of 22% with respect to 2015.

The directors' report provides a detailed analysis of the changes in these heading by business.

2.5. IMPAIRMENT AND DISPOSALS OF NON-CURRENT ASSETS

The detail of the main gains and losses relating to impairment and disposals is as follows:

Gains and losses recognised in 2016:

The net gains corresponding to impairment and disposals in 2016 amounted to EUR 324 and relate mainly to the following:

- Gain on the sale of the US Chicago Skyway toll road amounting to EUR 259 million (EUR 103 million in net profit attributable to Ferrovial). This transaction is described in Note 1.1.3, Changes in the scope of consolidation.
- Exclusion from the scope of consolidation of the investment in the SH-130 toll road, following its entry into Chapter 11 bankruptcy proceedings in March 2016 and the consequent loss of control over the investment in December 2016, with an impact of EUR 52 million relating to the losses recognised in excess of the capital invested (EUR 30 million in net profit) (see Note 1.1.3, Changes in the scope of consolidation). This result does not have an impact on cash.
- Gain on the partial disposal of the Irish toll roads EuroLink M3 and M4/M6 of EUR 22 million (EUR 21 million in net profit). The pre-tax gain of EUR 22 million includes EUR 6 million relating to the recognition at fair value of the investment retained following loss of control (20% in both companies)(see Note 1.1.3, Changes in the scope of consolidation).
- Impairment of the goodwill allocated to the Terrasa Manresa toll road (AUTEMA) amounting to EUR -21 million (see Note 3.1.). This amount is taken to income in full as it is not tax deductible.
- Reversal of impairment of EUR 16 million (EUR 14 million in net profit) at M-203, as the grounds for the recognition in prior years no longer existed, and the recognition of other impairment losses of EUR -4 million (EUR 5 million in net profit).

(Millions of euros)	Impact on profit before tax			Impact on net profit or loss
	Before fair value adjustments	Fair value adjustments	Total 2016	
Chicago Skyway	259		259	103
SH-130	52		52	30
M4-M6	16	6	22	20
M3	0		0	1
Other gains	1		1	0
Result on fair value adjustments and disposals	327	6	333	154
Autema	0	-21	-21	-21
M-203	0	16	16	14
Other impairment losses	3	-7	-4	5
Impairment	3	-12	-9	-2
TOTAL IMPAIRMENT AND DISPOSALS OF NON-CURRENT ASSETS	330	-6	324	153

The net gains corresponding to impairment and disposals in 2015 related mainly to the following:

(Millions of euros)	Impact on profit before tax			Impact on net profit or loss
	Before fair value adjustments	Fair value adjustments	Total 2015	
Madrid Levante	64	0	64	64
R4 Madrid Sur	77	0	77	77
Autema	0	-55	-55	-55
Indiana Toll Road	46	0	46	30
Other	-1	1	-1	0
Impairment and gains and losses on disposals of non-current assets	185	-54	131	116

2.6. FINANCIAL RESULT

The table below shows the detail of the changes in the financial result from 2015 to 2016. The result of infrastructure projects is presented separately from the result of non-infrastructure project companies and in each of them a further distinction is made between the financial result on financing -which includes the finance costs on bank borrowings and bonds, and the returns on financial assets and loans granted- and the financial result on derivatives and other items, which includes the impact of the fair value measurement of ineffective hedges and other income and expenses not related to financing.

(Millions of euros)	2016	2015	Change
<i>Finance income on financing</i>	1	1	6%
<i>Finance costs on financing</i>	-306	-463	34%
Financial result on financing of infrastructure projects	-305	-463	34%
<i>Result on derivatives (*)</i>	-12	-188	93%
<i>Other financial results</i>	-8	-12	38%
Other financial results of infrastructure projects	-20	-200	90%
Total financial result of infrastructure projects	-326	-662	51%
<i>Finance income on financing</i>	43	21	109%
<i>Finance costs on financing</i>	-92	-56	-64%
Financial result on financing excluding infrastructure projects	-49	-35	-38%
<i>Result on derivatives (*)</i>	-15	49	-127%
<i>Other financial results</i>	-4	12	-136%
Other financial results excluding infrastructure projects	-19	61	-129%
Total financial result excluding infrastructure projects	-67	26	-358%
FINANCIAL RESULT	-393	-637	39%

(*) Included in the "Fair Value Adjustments" column in relation to the financial result in the consolidated statement of profit or loss for a total amount of EUR -26 million (2015: EUR -138 million).

- a) **The financial result on the financing of the infrastructure project companies:** amounted to EUR -305 million in 2016 (31 December 2015: EUR -463 million). Of this net result, EUR -306 million relate to these companies' borrowing costs, which were offset slightly by the interest earned on cash and cash equivalent and non-current financial asset balances (mainly restricted cash) amounting to EUR 1 million. The financial result on financing also includes the effect of capitalised borrowing costs relating to construction projects, the detail being as follows:

Financial result on financing of infrastructure projects (Millions of euros)	2016	2015
Accrued finance income and costs	-341	-523
Borrowing costs capitalised during the construction period	36	60
Finance costs and income recognised in profit or loss	-305	-463

The improved financial result on financing is due mainly to the sale of the Chicago Skyway toll road in February 2016 (see Note 1.1.3.). In 2015 this company contributed a result on financing of EUR -114 million, compared to the EUR -20 million recognised in 2016 until the date of disposal.

- b) **Other financial results of infrastructure projects:** include the result on derivatives and other fair value adjustments, primarily as a result of ineffective derivatives, most notably Autopista del Sol (EUR -11 million) (see Note 5.5, Derivatives). The other financial results include exchange differences and other results considered to be of a financial nature but not directly related to financing.

It must be noted that in 2015 the impacts of the discontinuation of the hedges qualifying for hedge accounting of the SH-130 toll road (EUR -139 million) were recognised under this heading and, as in 2016, those of Autopista del Sol (EUR -48 million).

- c) **The financial result on financing excluding infrastructure projects** in 2016 amounted to EUR -49 million (31 December 2015: EUR -35 million), corresponding to borrowing costs (EUR -92 million) net of the interest obtained mainly from financial investments (EUR 43 million). The worsening vis-à-vis 2015 is related mainly to the borrowings to fund the purchase of the Australian company Broadspectrum (see Note 5.2.2).
- d) **Other financial results excluding infrastructure projects** include the impact of derivatives and other fair value adjustments relating mainly to the impact of the derivatives considered to be ineffective, including most notably the equity swaps arranged by the Group to hedge the impact on equity of the share option plans (see Note 6.7), with a negative impact in 2016 of EUR -18 million due to the decrease in the share price.

Excluding the impact of derivatives, the detail of other financial results excluding infrastructure projects is as follows:

Other financial results excluding infrastructure projects (Millions of euros)	2016	2015	Change 16/15
Cost of guarantees	-30	-34	4
Late-payment interest	12	20	-8
Interest on loans to companies accounted for using the equity method	24	25	-1
Other	-11	1	-12
TOTAL	-4	12	-16

e) **Impact on cash flows**

As can be observed in the following table, the difference between the financial result due to financing and the interest cash flows reported in the statement of cash flows is not significant.

(Millions of euros)	Financial result due to financing	Interest cash flows	Difference
Infrastructure projects	-305	-303	-2
Excluding infrastructure projects	-49	-48	-1
Total	-354	-351	-3

However, it must be borne in mind that opposite sign effects are offset at infrastructure project level, since although borrowing costs of EUR 36 million incurred on projects under construction were capitalised, giving rise to a reduction in the result compared to the amount recognised, this is offset by the accrual of certain borrowings on which interest is added to the principal in the first few years.

2.7. SHARE OF PROFITS OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The share of the net profit of companies accounted for using the equity method in 2016 amounted to EUR 82 million (2015: EUR 312 million). The detail of the most significant companies is as follows:

Result of companies accounted for using the equity method (Millions of euros)	2016	2015
H AH	-57	186
407 ETR	98	82
Other	41	44
TOTAL	82	312

In 2016 HAH's results include most notably non-recurring impacts totalling EUR -105 million due to the effect of fair value adjustments, relating mainly to the measurement of index-linked derivatives (EUR -121 million), net of a positive tax effect (EUR 15 million) due to the reduction of the tax rate in the UK. Also, it should be noted that HAH's profit for 2015 included non-recurring gains of EUR 138 million relating to pensions, derivatives and taxes. The difference between the non-recurring results in 2016 and those in 2015 explains the difference between the results of companies accounted for using the equity method in the two years.

With regard to the impact of the fair value adjustments relating to index-linked derivatives, it is important to note that, if the expected increase in inflation were to materialise, the increase in value of the assets would significantly exceed the increase in value of the derivatives, since the borrowings exposed to inflation (normally fixed-rate borrowings + ILSs) represent less than 48% of the value of the regulated asset base, which is also exposed to fluctuations in inflation.

Note 3.5 provides greater detail on the results of these companies.

2.8. INCOME TAX AND DEFERRED TAXES

2.8.1. Explanation of the income tax expense for the year and the applicable tax rate

The income tax expense for 2016 amounted to EUR 233 million. This expense compares with an income tax benefit of EUR 54 million recognised in 2015 which, as discussed in the consolidated financial statements for 2015, was due mainly to the recognition of tax assets from prior years.

The tax rate resulting from dividing the income tax expense for 2016, EUR 233 million, by the profit before tax of EUR 615 million is 37.7%. This rate is affected by a series of one-off impacts that must be eliminated for the purposes of calculating the effective tax rate. As can be observed in the following table, after eliminating these effects, the effective tax rate would be 32%, a figure that is in line with the rate applicable in the main countries in which the Ferrovial has a presence.

2016 (Millions of euros)	Spain	UK	US	Poland	Canada	Other countries (*)	Total
Profit/Loss before tax	113	-81	259	115	112	99	617
Result of companies accounted for using the equity method	-10	45	0	0	-103	-13	-82
Permanent differences	-19	10	4	6	14	-2	13
Results arising from consolidation with no tax impact	2	0	186	0	0	-17	171
Taxable profit/Tax loss	87	-26	450	121	22	67	719
Current income tax expense	7	5	-208	-24	-10	-4	-233
Change in estimate of prior years' taxes	-29	0	32	1	4	-3	5
Adjusted tax expense	-22	5	-176	-23	-6	-7	-229
<i>Effective rate applicable to taxable profit</i>	25%	19%	39%	19%	27%	11%	32%
<i>Effective tax rate of the country</i>	25%	20%	39%	19%	27%		

(*) "Other Countries" includes mainly the profit generated in Portugal, Ireland and Australia.

Following is an explanation of the various items that must be adjusted in order to calculate the effective tax rate:

- **Results of companies accounted for using the equity method:** this item relates to companies accounted for using the equity method (see Notes 2.7 and 3.5) which, pursuant to accounting legislation, are presented net of the related tax effect. In 2016 these companies recognised profits net of tax of EUR 82 million.
- **Permanent differences:** this item relates to period expenses or income which, pursuant to the tax legislation applicable in each of the countries, are not deductible (expenses) or taxable (income) in the year, nor are they expected to be deductible in future years. The cumulative balance in this connection is an expense of EUR 13 million.

- **Results arising from consolidation with no tax impact:** this item relates to results derived from accounting consolidation criteria which do not have any tax implications. The adjustment relates mainly to the US (EUR 186 million) for two items:
 - Losses of infrastructure project companies in the US in which other companies have ownership interests and which are fully consolidated. The tax asset is recognised solely at Ferrovial's percentage of ownership as these companies are taxed under the pass-through tax rules; the shareholders of these companies are the taxpayers, at the percentage of ownership that they hold therein. The adjustment in this connection amounts to EUR 42 million and relates to the tax asset assignable to the other shareholders.
 - Results on divestments in the US: this item relates mainly to the goodwill assigned to the Chicago Skyway toll road for EUR 132 million. This goodwill was derecognised as a result of the sale of the Chicago Skyway toll road (thus reducing the gain), without giving rise to a tax effect. Also, there is a loss of EUR 12 million relating to the exclusion from consolidation of the SH-130 toll road, which has no tax effect.
- **Change in estimate of prior years' taxes.** In addition to the adjustments made to the profit before taxes, it must be borne in mind that the income tax expense balance recognised includes certain adjustments relating to recalculations of tax assets from prior years, either because they were not recognised at the time, but are now considered to meet the conditions for recognition, or vice versa. The impact of these adjustments is to increase the expense by EUR 5 million, which is adjusted for the purposes of calculating the effective tax rate and relates mainly to:
 - US: an expense of EUR 32 million. This item relates to tax assets recognised in prior years the recoverability of which, following the review of the model for the recovery of tax loss carryforwards (see section 3 of this Note), is considered to be at risk.
 - Spain: income of EUR 29 million. This item relates mainly to tax assets from prior years (EUR 34 million), but not recognised at the time, relating to the ownership interest in a company, which were realised in 2016 as the company was sold. This impact was partially offset by the adverse effect of the application of Royal Decree-Law 3/2016, which obliges impairment losses on securities representing ownership or equity interests in entities, which historically had been deducted, to be reversed in five parts in this and the following four years. The fifth of the reversal to be made in 2016 gave rise to an increase in the tax payable of EUR 15 million, a liability that is offset partially by a deferred tax asset of EUR 10 million in relation to the companies that had suffered impairment at which the adjustment is expected to be recovered through a liquidation process and, accordingly, the impact on the expense is EUR 5 million.

The following table includes the detail of the calculation of the effective tax rate for 2015.

2015 (Millions of euros)	Spain	UK	US	Other countries	Total
Profit/Loss before tax	191	230	-8	164	577
Result of companies accounted for using the equity method	-3	-215	0	-94	-312
Permanent differences	-34	-32	13	88	35
Results arising from consolidation with no tax impact	-53	0	119	0	66
Taxable profit/Tax loss	100	-17	124	159	366
Current income tax expense/benefit	57	-11	-128	27	-54
Change in estimate of prior years' taxes	-29	8	172	7	157
Adjusted tax expense	28	-4	44	34	103
<i>Effective rate applicable to taxable profit</i>	28%	22%	36%	21%	28%
<i>Effective tax rate of the country</i>	28%	20%	35%		

2.8.2. Detail of the current and deferred tax expense and the tax paid in the year

The breakdown of the income tax expense for 2016 and 2015, differentiating between current tax, deferred tax and changes in estimates of prior years' taxes, is as follows:

(Millions of euros)	2016	2015
Income tax expense for the year	-233	54
Current tax expense	-100	-307
Deferred tax expense	-128	205
Change in estimate of prior years' taxes and other adjustments	-5	157

The amount of income tax paid in the year was EUR 147 million, as shown in the note on cash flows (see Note 5.3).

2.8.3. Changes in deferred tax assets and liabilities

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2016 is as follows:

Assets (Millions of euros)	Balance at 01/01/16	Transfers and other	Change in estimate of prior years' taxes	Charge/ Credit to profit or loss	Charge/ Credit to equity	Exchange rate effect	Balance at 31/12/16
Tax assets	600	23	-42	-268	0	-3	311
Differences between tax and accounting income and expense recognition methods	459	98	-13	3	0	2	548
Deferred tax assets arising from valuation adjustments	173	-19	11	-5	-7	-9	144
Other	23	10	7	8	0	0	48
TOTAL	1,255	112	-37	-263	-7	-10	1,051

Liabilities (Millions of euros)	Balance at 01/01/16	Transfers and other	Change in estimate of prior years' taxes	Charge/ Credit to profit or loss	Charge/ Credit to equity	Exchange rate effect	Balance at 31/12/16
Deferred tax liabilities relating to goodwill	197	72	-1	-11	0	1	258
Differences between tax and accounting income and expense recognition methods	735	-31	-12	-124	0	7	575
Deferred tax liabilities arising from valuation adjustments	104	1	0	0	-15	-7	82
Other	89	-39	6	1	0	-4	52
TOTAL	1,124	2	-7	-134	-15	-3	967

The main changes take place on the one hand under the "Transfers" column of the deferred tax assets and deferred tax liabilities tables primarily as a result of the inclusion in the scope of consolidation of the Australian company Broadspectrum (See Note 1.1.3, Changes in the scope of consolidation) and the deferred taxes associated with this investment (EUR 57 million, net).

On the other hand, the balance of deferred tax assets decreased significantly as a result of the use of US tax loss carryforwards due to the gain arising on the sale of the Chicago Skyway toll road. A portion of this change in deferred tax assets was offset by a decrease in deferred tax liabilities due to the recovery of temporary differences as a result of the aforementioned sale.

The deferred tax assets and liabilities recognised at 31 December 2016 arose mainly from:

a) Tax assets

These relate to tax assets which have not yet been deducted by the Group companies. This item does not include all the existing tax assets, but rather only those that, based on the Group's projections, are expected to be able to be used before they expire. The balance recognised totalled EUR 311 million, of which EUR 277 million related to recognised tax losses and the remainder to unused tax credits.

The detail of the total tax loss carryforwards, distinguishing between the maximum tax asset and the tax asset recognised based on the projected recoverability thereof, is as follows:

Country	Tax loss	Last years for offset	Maximum tax asset	Tax asset recognised
Spanish consolidated tax group	766	No expiry date	191	191
US consolidated tax group	151	2026-2037	53	16
Australia	213	No expiry date	64	50
UK	62	No expiry date	12	0
Other	346	2017-No expiry date	87	20
Total	1,537		407	277

Additionally, Ferrovial had unused double taxation, reinvestment and other tax credits of EUR 207 million at 31 December 2016 (2015: EUR 203 million), of which EUR 33 million have been recognised.

Spanish consolidated tax group:

The tax loss carryforwards of the consolidated tax group in Spain at 2016 year-end totalled EUR 191 million. For the purpose of ascertaining the recoverability of these assets, a model was designed that takes into account the changes introduced by Royal Decree 3/2016 and uses the Group companies' latest available earnings projections. Based on this model, the Group will recover all the tax loss carryforwards, since profits will be generated on a recurring basis in the projected period, as well as the tax credits already recognised (EUR 33 million), and, accordingly, they have been retained in the consolidated statement of financial position.

US consolidated tax group:

At 31 December 2016, the balance of tax loss carryforwards of the consolidated tax group in the US totalled EUR 84 million, of which EUR 53 million had been recognised in prior years. In a similar fashion to the consolidated tax group in Spain, a model was designed that uses the latest available earnings projections of the US consolidated tax group companies. On the basis of these projections, it is concluded that the tax group will only generate taxable profit in 2017 and tax losses in 2018–2026, and that these earnings projections could also vary significantly depending on the new infrastructure projects that are awarded. Based on this estimate, a decision was made to write-off the tax losses that will not be recovered in 2017, giving rise to a negative impact of EUR -37 million, thereby reducing the balance recognised in the consolidated statement of financial position to EUR 16 million.

Australian consolidated tax group:

Following the acquisition of Broadspectrum, Ferrovial established a consolidated tax group with all of its Australian companies. The losses recognised relate mainly to historical losses incurred by Broadspectrum. As in the foregoing cases, a projections model was prepared in which it is concluded that the group will generate taxable profits on a systematic basis in the coming years. On the basis of this conclusion, a decision was made to continue to recognise the tax losses.

UK:

In the case of the UK consolidated tax group, the tax loss carryforwards relate to losses incurred in 2015 and 2016 at certain Amey Group companies. Pursuant to the tax rules in force, they can only be offset in the future against profits generated at the same companies. On the basis of the projections model prepared, it is not certain that these companies will generate taxable profit in the coming years and, therefore, a decision was made to not recognise these tax loss carryforwards.

b) Assets and liabilities arising from timing differences between the accounting and tax income and expense recognition methods

This item relates to the tax impact resulting from the fact that the timing of recognition of certain expenses or depreciation and amortisation charges is different for accounting and tax purposes.

The recognition of a tax asset in this connection means that certain expenses have been recognised for accounting purposes before their recognition for tax purposes and, therefore, the Company will recover these expenses for tax purposes in future years. Conversely, a liability represents an expense that is recognised for tax purposes before its recognition for accounting purposes.

The deferred tax assets include most notably:

- Provisions recognised for accounting purposes which do not have a tax effect until they are materialised (EUR 271 million).
- Deferred tax assets of EUR 137 million arising as a result of differences between the tax and accounting methods used to recognise income, mainly in the Construction Division.
- Differences relating to borrowing costs at concession operators in Spain, which for tax purposes are recognised as an asset and subsequently amortised whereas for accounting purposes they are expensed currently (EUR 80 million).
- Accelerated depreciation and amortisation for accounting purposes (EUR 46 million).

Within liabilities, the balance is related mainly to:

- Differences between tax and accounting criteria in relation to the recognition of provisions (EUR 383 million).
- Differences between the tax base and carrying amount of companies held for sale (EUR 35 million).
- Deferred tax assets of EUR 44 million arising as a result of differences between the tax and accounting methods used to recognise income in conformity with IFRIC 12, mainly in the Toll Road Division.

c) Deferred taxes arising from valuation adjustments

This reflects the cumulative tax impact resulting from valuation adjustments recognised in reserves. This impact appears as an asset or liability since there is generally no direct tax effect until this amount in reserves is transferred to profit or loss.

The asset balance relates to accumulated losses in reserves that will result in tax income when it is recognised in profit or loss. The liability balance relates to gains not yet recognised for tax purposes. Noteworthy are the deferred tax asset and liability relating to financial derivatives amounting to EUR 114 million and EUR 82 million, respectively.

d) Deferred taxes relating to goodwill

These correspond to deferred tax liabilities relating to the international tax credit for goodwill amounting to EUR 258 million.

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2015 is as follows:

Assets (Millions of euros)	Balance at 01/01/15	Transfers and other	Change in estimate of prior years' taxes	Charge/ Credit to profit or loss	Charge/ Credit to equity	Exchange rate effect	Balance at 31/12/15
Tax assets	731	-448	223	58	0	36	600
Differences between tax and accounting income and expense recognition methods	394	22	12	28	-2	4	459
Deferred tax assets arising from valuation adjustments	300	-113	5	67	-100	14	173
Other	13	4	0	6	0	0	23
TOTAL	1,438	-535	240	159	-102	53	1,254

Liabilities (Millions of euros)	Balance at 01/01/15	Transfers and other	Change in estimate of prior years' taxes	Charge/Credit to profit or loss	Charge/Credit to equity	Exchange rate effect	Balance at 31/12/15
Deferred tax liabilities relating to goodwill	194	1	0	-2	0	4	197
Differences between tax and accounting income and expense recognition methods	951	-334	104	-50	0	65	735
Deferred tax liabilities arising from valuation adjustments	90	1	-1	7	6	0	104
Other	75	-4	1	-1	17	2	89
TOTAL	1,310	-337	104	-46	23	71	1,124

2.8.4. Years open to tax audit

There are no significant tax audits currently in progress at Ferrovial S.A. and its consolidated tax group. In 2015 the tax audit in Spain of income tax, VAT, withholdings from salary income and withholdings from income from movable capital for 2007 to 2011 was completed and, accordingly, the years open for review, provided the statute of limitations period has not expired, are basically income tax since 2012 and the other taxes since 2013.

The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. It is considered that any possible material tax contingencies were adequately provisioned at year-end.

2.8.5. Tax regime applicable to Ferrovial, S.A.

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. Also, in 2014 the Company opted to be taxed under the tax regime provided for in Articles 107 and 108 of Spanish Income Tax Law 27/2014, of 27 November. Since the application of that tax regime affects the taxation of possible dividends or gains obtained by the Company's shareholders, attached as Appendix I to these consolidated financial statements is a note describing the tax treatment applicable to the shareholders, together with information on the taxable profits obtained by Ferrovial, S.A. that the shareholders should be aware of for the purpose of applying that regime.

2.9. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

In 2016 the profit attributable to non-controlling interests amounted to EUR 7 million (December 2015: loss of EUR 89 million).

The detail of the main profit or loss items by company at 31 December 2016 is as follows:

Millions of euros	2016	2015	Change 16/15	% non-controlling interests
Budimex Group	-38	-23	-15	40.9%
US 460 Mobility Partners LLC	-4	-31	27	30.0%
Autopista R4 Madrid Sur	0	13	-13	45.0%
Autopista Madrid Levante	0	2	-2	46.3%
Autopista del Sol	1	8	-7	20.0%
Autop. Terrasa Manresa, S.A.	-13	-11	-3	23.7%
SH-130 Concession Company, LLC	14	73	-59	35.0%
Skyway Concession Co. LLC.	5	28	-23	45.0%
LBJ Infrastructure Group	21	20	1	49.0%
NTE Mobility Partners	8	14	-6	43.3%
Other companies	-2	-5	3	
TOTAL	-7	89	-96	

2.10. NET PROFIT AND EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the Parent is as follows:

Millions of euros	2016	2015
Net profit attributable to the Parent (millions of euros)	376	720
Weighted average number of shares outstanding (thousands of shares)	738,112	735,635
Less average number of treasury shares (thousands of shares)	-7,188	-3,775
Average number of shares to calculate basic earnings per share	730,923	731,860
Basic earnings per share (euros)	0.51	0.98

Diluted earnings per share: at 31 December 2016 and 2015, the Group did not have any dilutive potential ordinary shares, since no convertible debt instruments were issued and the share-based or stock option remuneration plans discussed in Note 6.7 will not give rise to any capital increases at the Group, as explained in that Note. Consequently, no dilutive impact is envisaged when employee rights under the plans are exercised.

The detail by geographical area is as follows:

Millions of euros	2016	2015	Change 16/15
Spain	101	139	-38
UK	-76	241	-317
US	102	232	-130
Australia	-30	-4	-27
Canada	102	70	32
Poland	53	15	37
Other	125	26	99
TOTAL	376	720	-344

The earnings by business segment are shown in Appendix III.

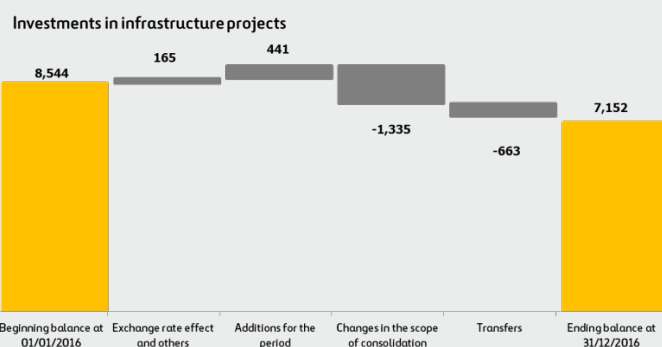
SECTION 3: NON-CURRENT ASSETS

This section includes the Notes on non-current assets in the consolidated statement of financial position, excluding deferred tax assets (Section 2) and financial derivatives (Section 5).

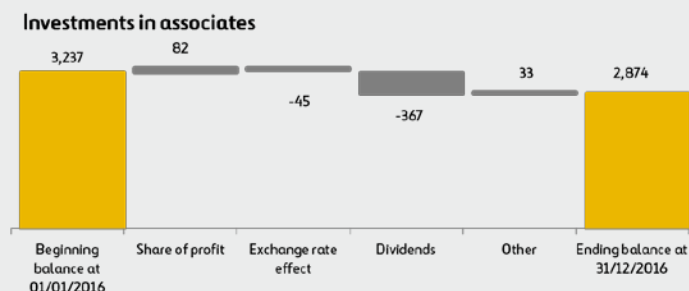
The main components of the non-current assets at 31 December 2016 at Ferrovial are goodwill arising on consolidation (EUR 2,170 million) which represents 9% of total assets, “Investments in Infrastructure Projects” (EUR 7,153 million), accounting for 30% of total assets (see Note 3.3) and investments in associates (see Note 3.5), amounting to EUR 2,876 million (relating mainly to the investments in HAH and 407 ETR), accounting for 12% of total assets.

As regards the changes in goodwill, there was an increase of EUR 285 million in goodwill, due mainly to the goodwill arising on the acquisition of Broadspectrum (EUR 377 million), which was partially offset by the decrease in goodwill of Amey due to the exchange rate effect (EUR -138 million) resulting from the depreciation of the pound sterling.

The decrease in investments in infrastructure projects with respect to 2015 was due mainly to the exclusion from the scope of consolidation of various infrastructure project companies, which was offset by the exchange rate effect and the investments made in the year:



The decrease of EUR 363 million in investments in associates was due largely to the dividends paid amounting to EUR 367 million, mainly by HAH and ETR407, and to the effect of the exchange rate mainly as a result of the fall in the value of the pound sterling (EUR -155 million), partially offset by the share of the profits of those companies (EUR 82 million).



3.1. GOODWILL AND ACQUISITIONS

The table below details the changes in goodwill in 2016:

(Millions of euros)	Balances at 31/12/15	Changes in the scope of consolidation	Impairment losses	Exchange rate effect	Balances at 31/12/16
Services	1,483	380	0	-116	1,747
Amey	1,016	0	0	-138	878
Broadspectrum	0	377	0	20	397
Services Spain	433	3	0	0	436
Other	34	0	0	2	36
Construction	197	10	0	3	210
Webber	128	10	0	5	143
Budimex	69	0	0	-2	67
Toll Roads	205	-15	-21	0	169
Euroscut	15	-15	0	0	0
Algarve	70	0	0	0	70
Ausol	120	0	-21	0	99
Airports	0	42	0	3	45
Transchile	0	42	0	3	45
TOTAL	1,885	417	-21	-110	2,170

3.1.1. Changes in 2016

Following is a description of the main changes by type of change:

Changes in the scope of consolidation

Broadspectrum

The main change relates to the inclusion in the scope of consolidation of Broadspectrum. As described in Note 1, Ferrovial obtained control of Broadspectrum on 13 May, and the company's financial statements have been consolidated since 31 May. The following table summarises the main figures relating to the acquisition of that company, together with the carrying amounts of the assets and liabilities acquired, the fair value adjustments made, the acquisition price and the intangible asset generated:

	Millions of AUD	Millions of EUR
Acquisition-date equity	583	379
Fair value adjustments	-394	-256
<i>Fair value of the debt</i>	-61	-40
<i>Contingencies</i>	-18	-12
<i>Elimination of intangible asset</i>	-541	-351
<i>Allocation of intangible asset</i>	309	201
<i>Tax impact of PPA</i>	-59	-38
<i>Other adjustments</i>	-24	-16
Equity following adjustments	189	122
Ferrovial investment	769	499
Goodwill	580	377

Since the acquisition was made in May, there is a one-year period from that month in which to make the purchase price allocation (PPA). The Company provisionally made the following adjustments:

- Adjustment to fair value of the company's borrowings, since a portion thereof bears interest at a fixed rate (see Note 5.2, Net cash position). The value of the net borrowings included at the acquisition date was EUR 435 million, which includes the aforementioned adjustment of EUR 40 million.
- Adjustment due to the identification of certain contingent liabilities measured at fair value.
- Elimination of the intangible assets in the balance sheet of the acquiree arising from prior acquisitions made by the company.
- Allocation of the intangible assets corresponding to the value of the contracts currently signed with customers and to the contractual relationship with them. This asset was calculated based on the net cash flows envisaged in those contracts and an estimate of future cash flows based on the probability of renewal. The diminishing amortisation charge on these intangible assets will be taken over ten years based on the estimated cash flows of the contracts.
- Tax impact of PPA This line item reflects the tax effect of the fair value adjustments.
- Other adjustments

The difference between the price paid (AUD 769 million) and the value of the company's equity following the aforementioned adjustments (AUD 189 million) amounted to AUD 580 million, which was recognised as goodwill. At 31 December 2016, an intangible asset amortisation charge of EUR 56 million was recognised, a figure estimated on the basis of the results of the contracts currently being performed, as a result of which the profit from operations contributed by the company was close to zero.

Other acquisitions

Another three acquisitions took place in the Services segment:

- Biotrán, a company specialising in integral industrial waste management for the pharmaceuticals industry. The value of this investment was EUR 11 million and it gave rise to goodwill on consolidation of EUR 3 million.
- Siemsa, a company specialising in technical services for the energy, petrochemicals and industrial sectors, was acquired for a price of EUR 17 million. An intangible asset relating to Siemsa's customer portfolio was identified and recognised for EUR 6 million. There is no additional difference between the fair values of the assets acquired and liabilities assumed and the cost of the combination and, accordingly, no goodwill arose.
- These two companies will be included in the business structure of Ferrovial Services Spain and, accordingly, the goodwill generated will be included in the goodwill of that area of business for the purposes of the impairment test.

- Amest Kamiensk: in this case 80% of this company, which owns a waste treatment plant in the Polish city of Ruszczyn, was acquired for PLN 35 million (EUR 8 million). Its financial statements have been consolidated with those of the Group since 31 January. The table at the end of this section shows the provisional purchase price allocation (PPA) in 100% terms, since the portion corresponding to the non-controlling shareholder was recognised. This process gave rise to the allocation of EUR 11 million to an intangible asset relating to the right to deposit waste at the treatment plant and, accordingly, there was no additional difference between the fair value of assets acquired and liabilities assumed and the cost of the business combination.
- In the Construction segment, as indicated in Note 1.1, Company activities and changes in the scope of consolidation, the US company specialising in water infrastructure and non-residential building construction Pepper Lawson Construction LLC was acquired for EUR 11 million. At the date of authorisation for issue the Company was performing a PPA, and EUR 10 million of the purchase price had been provisionally recognised as goodwill. For organisational purposes, this company was integrated in the structure of Webber and, accordingly, the impairment of goodwill will be analysed jointly with the goodwill of Webber

In the Airports segment, Ferrovial acquired Transchile Charrúa Transmisión, a company owning an electricity transmission line of 204 km in length between the Charrúa and Cautín substations. The acquisition price was EUR 102 million. Also, a PPA process is being carried out, and goodwill of EUR 42 million has been provisionally recognised.

The provisional allocation of the purchase price of all the acquisitions made in 2016 can be consulted in the following table:

(Millions of euros)	Biotrán	Siemsa	Amest Kamiensk	Transchile	Pepper Lawson
Acquisition-date equity	4	13	1	48	6
Fair value adjustments	4	4	9	12	-5
Equity following adjustments	9	17	10	60	1
Ferrovial investment	11	17	10	102	11
Goodwill	3	0	0	42	10

Held for sale - Toll roads

As indicated above (see Note 1.1, Company activities and changes in the scope of consolidation), in 2016 the assets of the Portuguese toll road Euroscut Algarve were reclassified to "Assets Classified as Held for Sale", which had a negative impact of EUR 15 million on this line item.

Impairment losses

With respect to the Autema toll road, the goodwill on consolidation of EUR 21 million allocated to this toll road was written off.

Exchange rate effect

As regards the changes caused by the exchange rate effect, the appreciation of the euro against the pound sterling and the Polish zloty had a negative impact of EUR 110 million on goodwill, including most notably the change in this item in the Services Division, where the goodwill decreased by EUR 116 million, due mainly to the fall in value of the pound sterling, partially offset by the appreciation of the Australian dollar. In addition to the Australian dollar, the appreciation of the US dollar and the Chilean peso slightly offset the change in this connection.

3.1.2. Goodwill impairment tests

A. Services Division goodwill:

Methodology and discount rate

The goodwill of Amey (UK), Ferrovial Services Spain and Broadspectrum (Australia), amounting to EUR 878 million, EUR 436 million and EUR 397 million, respectively, at 31 December 2016 (31 December 2015: EUR 1,016 million and EUR 433 million in the case of Amey (UK) and Ferrovial Services Spain, respectively), is tested for impairment by using cash flow projections for a five-year period, except in the case of Broadspectrum, for which a ten-year period was used since this coincides with the projection period used to value the company at the time of its acquisition and is consistent with the model used to value the contracts. The residual value is based on the cash flow for the last year projected, provided this represents a cash flow with no exceptional factors, and the growth rate applied in no case exceeds the estimated long-term growth rate for the market in which each company operates. Other Services' goodwill, EUR 36 million, comprises mainly the goodwill generated by the acquisition of the Chilean mining services company Steel (Chile), amounting to EUR 29 million.

Cash flows are discounted using a rate based on the weighted average cost of capital (WACC) for assets of this nature. In order to value companies, Ferrovial uses a risk-free rate usually taking as a reference a ten-year sovereign bond based on the location of the company in question and a market premium of 6.0% (compared to 5.5% in 2015), based on studies of historical long-term and current market premiums demanded (mainly Dimson, Marsh & Staunton, Damodaran, etc.). As regards the risk-free interest rate, it should be noted that the Company considers that the current rate for sovereign bonds in some countries may be artificially low. For the impairment tests the risk-free interest rate used is a normalised rate of 2.0% for the UK (Amey) and 2.7% for Spain (Ferrovial Services Spain), which entails an upward adjustment with respect to the rate for sovereign bonds at 31 December 2016 of 77 basis points in the UK and 129 basis points in Spain. The risk-free interest rate used at Broadspectrum is 3.2% (44 basis points above the ten-year Australian bond) and the risk-free interest rate used in Chile is 4.2% (the same as the rate for the Chilean ten-year sovereign bond). Additionally, in order to reflect each company's exposure, portfolios of comparable companies were selected to obtain unlevered betas. The betas obtained were compared with other sources habitually used by analysts and investment banks (Barra Beta, Bloomberg, etc.).

The discount rates (WACC) used to perform the impairment test are 6.7% in the UK, 7.3% in Spain (compared to the rates of 6.8% and 6.9%, respectively, used in 2014) and 8.4% at Broadspectrum. The WACC used in the Steel impairment test is 8.8% (the same as the rate used in 2015).

Main factors that affect the valuation and performance compared with 2015 and budget

The projected flows are based on the latest estimates approved by the Company, which take into account recent historical data. The main factors that affect the cash flow projections of the Services Division are revenue forecasts and the projected revenue margins. These projections are based on four basic components:

- a) The existing backlog, which offers certainty of a high percentage of revenue in the coming years. In 2016 the backlog was reduced both in the UK and in Spain (-27.1% and -6.3%) due to the reduction in public tendering. However, in the case of the UK, if the exchange rate effect is excluded, the fall was significantly lower (-15.5%). On the other hand, Ferrovial Servicios Internacional's backlog rose by almost 60% in 2016. The backlog at Broadspectrum amounted to EUR 6,117 million at 31 December 2016.
- b) Winning new contracts, which is calculated by applying a success rate (based on historical company data and market prospects) to the estimate of the contracts for which bids will be submitted in the coming years.
- c) The estimate of future margins, which are based on the company's historical margins adjusted by certain factors that might affect the markets in the future. In 2016 the EBITDA margin of the Services Division (excluding Broadspectrum) fell by approximately 120 basis points, due largely to the decline of the results of Amey (UK) as a result of the reduction in spending of local authorities, non-recurring restructuring costs and the performance of certain contracts, mainly the upkeep of roads.

The projections used in the 2016 impairment test of Amey were adjusted downwards in comparison to 2015, considering similar revenue figures to the last two years and EBITDA margins that will be recovered in the future, but that will not exceed pre-2014 figures.

In 2016 the profit from operations of Ferrovial Services Spain was in line with the budget estimates (used as the starting point for the impairment test model for 2015) and with the EBITDA margin for 2015 (10.7%). The business plan envisages the consolidation of the increase in margins achieved up to the present.

- d) The perpetuity growth rate ("g"), based on the prospects of the markets and industries in which the Company operates. The rates used are: 1.75% at Services Spain, and 2% at Amey (UK) and Steel (Chile) and 2.4% at Broadspectrum (Australia). These perpetuity growth rates are in line with the long-term inflation estimates in these four countries.

Impairment test results

The value of Amey resulting from application of this impairment test model is 231% higher than its carrying amount (2015: 234%). In this case the buffer is similar to that of 2015, despite the value being lower because the carrying amount of Amey (UK) fell as a result of the losses recognised in the year. In the case of Ferrovial Services Spain, the positive difference is 49% (2015: 66%).

The value of Steel resulting from application of this impairment test model is 146% higher than its carrying amount (2015: 18%).

The residual value after the projection period represents approximately 78% of the total value at Amey, 74% at Ferrovial Services Spain, and 69% at Broadspectrum.

In the case of Broadspectrum, the model used for the valuation is based on the projections used for the acquisition of the company and, accordingly, there is no significant difference between the carrying amount and the valuation performed.

Sensitivity analysis

Sensitivity analyses are also performed on this goodwill, mainly in relation to the gross profit from operations, the discount rate and the perpetuity growth rate, so as to ensure that possible changes in the estimate do not have an impact on the possible recovery of the goodwill recognised.

Specifically, a pessimistic scenario was taken into consideration with a perpetuity growth rate of 1% and a reduction in the gross profit from operations of 100 basis points. The valuation disclosed in this scenario evidences a buffer over the carrying amount of 111% in the case of Amey, 26% in the case of Ferrovial Services Spain, and 90% in the case of Steel.

On this basis, the valuation disclosed would equal the carrying amount if the reduction in the margin with respect to the base case was of 274 basis points for Amey, 287 basis points for Ferrovial Services Spain and 520 basis points for Steel, thereby leaving the assumption of perpetuity growth ("g") at 1%.

Lastly, it should be stated that in the case of both Amey and Ferrovial Services Spain, in a scenario in which the projected margins remain the same and assuming a zero perpetuity growth rate, there would be no impairment.

B. Construction Division goodwill (Webber and Budimex):

Methodology and discount rate

The goodwill of Webber and Budimex amounted to EUR 143 million and EUR 67 million, respectively, at 31 December 2016 (31 December 2015: EUR 128 million and EUR 69 million, respectively).

The impairment test methodology used for Webber was similar to that described above for the Services companies and included a discount rate (WACC) of 8.7% (compared to 8.2% in 2015) and a perpetuity growth rate of 2% (same rate as in 2015). The risk-free interest rate used to calculate the foregoing WACC is 2.4%, the same as the rate of the ten-year US bond at 31 December 2016.

In the case of Budimex, since it is listed on the Warsaw Stock Exchange, the goodwill was tested for impairment by ascertaining whether the closing market price at 31 December 2016 of Budimex shares was higher than its carrying amount plus the allocated goodwill. The test did not evidence the existence of any impairment.

Main factors that affect the valuation and performance compared with 2015 and budget

The projected flows are based on the latest estimates approved by the company, which take into account recent historical data. The main factors that affect the cash flow projections of Webber are revenue forecasts and the projected operating margins. These projections are based on four basic components, similar to those described in the preceding section on Services (the existing backlog, the obtainment of new contracts, the estimate of future margins and the perpetuity growth rate). It should be noted that the projected operating margins are lower than the historical margins of recent years, in line with average margins in the industry. The perpetuity growth rate used was 2%, which is similar to long-term inflation forecasts for the US without considering actual economic growth.

Impairment test results

The value of Webber resulting from application of this impairment test model is 23% higher than its carrying amount (compared to 26% in 2015).

The residual value of Webber represents 39% of the total value after the projection period.

The quoted market price of the Budimex share at 31 December 2016 was 321% higher than its carrying amount (compared to 393% in 2015).

Sensitivity analysis

A sensitivity analysis was performed on Webber's goodwill, particularly in relation to the profit from operations, the discount rate and the perpetuity growth rate, so as to ensure that possible changes in the estimate do not have an impact on the possible recovery of the goodwill recognised.

Specifically, a pessimistic scenario was taken into consideration with a perpetuity growth rate of 1% and a reduction in the profit from operations of 50 basis points. The value disclosed in this scenario evidences a buffer of 9% over the carrying amount.

On this basis, the valuation disclosed would equal the carrying amount if the reduction in the margin with respect to the base case was of 120 basis points, thereby leaving the assumption of perpetuity growth ("g") at 1%.

Lastly, it should be stated that in a scenario in which the margins remain the same but assuming a zero perpetuity growth rate (compared to 2%), there would be no impairment.

At Budimex, due to the significant buffer of the quoted market price over the carrying amount, the company believes that there is no evidence of impairment.

C. Toll Road Division goodwill:

Methodology and discount rate

The goodwill of the Toll Road business at 31 December 2016 amounted to EUR 169 million (31 December 2015: EUR 205 million). This goodwill arose on the merger transaction performed in 2009 by Ferrovial, S.A. and Cintra, S.A., and corresponds to the acquisition of the percentage of ownership of the non-controlling shareholders of Cintra. The goodwill arising on the difference between the acquisition price of the aforementioned ownership interest and the carrying amount thereof was allocated by calculating the difference between the fair value of the main shareholdings in concession operators held by Cintra, S.A. at that time and the carrying amount thereof, adjusted by the percentage acquired.

The recoverable amount of the toll roads was calculated as the higher of fair value less estimated costs to sell and value in use. The recoverable amount of concession operators with an independent financial structure and limited duration was calculated by discounting the cash flows expected to be received by shareholders until the end of the concession term. The Group considers that value in use must be obtained using models that cover the entire concession term, as the assets are in different phases of investment and growth and there is sufficient visibility to use a specific economic and financial plan for each phase during the concession term. Therefore, no residual value is considered to exist in these valuations. The projections were updated based on the historical evolution and specific features of each asset, using long-term modelling tools to estimate traffic, extraordinary maintenance, etc.

To calculate the discount rates shown in the table below, a normalised risk-free rate usually referenced to a 30-year bond, taking into account the location of each concession operator, a beta coefficient reflecting the company's leverage and risk, and a market premium of 6.0% (2015: 5.5%) are used. The table below shows the discount rate used for each asset in 2016 and 2015.

Discount rate (cost of equity or Ke)	2016	2015
Autema	8.4%	7.9%
Ausol	10.0%	8.1%

The increase in the discount rate for Ausol in 2016 was due to the use of more conservative parameters in the above-mentioned beta coefficient and market risk premium, as well as a slight increase in leverage following the refinancing in 2016.

Main factors that affect the valuation and performance compared with 2015 and budget

The main factor affecting cash flow projections of the toll roads are the revenue projections, which differ depending on whether the operator bears the demand risk (in which case the intangible asset model is used) or whether the grantor bears the demand risk and makes payments for capacity availability (in which case the financial asset model is used).

If the operator bears the demand risk, its revenue depends on traffic volumes and toll prices, which are generally updated with inflation. Of the two toll roads with goodwill, the intangible asset model is applied at Ausol, while the financial asset model is used at Autema, since the demand risk is assumed by the Catalonia Autonomous Community Government.

Traffic projections are prepared using long-term modelling tools that use data from public (or external) sources to estimate traffic in the corridor (which depends mainly on the growth in the population and car ownership) and the level of toll road capture.

Valuation projections and models begin with the budget for the following year approved by management. Any variances in traffic volumes in the year under way are taken into consideration when the initial budget and the long-term projections are reviewed. In 2016 Ausol's revenue grew by 10% compared with 2015 and 7% compared with the budget.

In the case of Autema, a project classified as a financial asset, the only uncertainties relate to counterparty credit risk and possible penalties arising from the service.

Impairment test results

In the case of Ausol, the measurement evidences a buffer of 250% over carrying amount (compared with 254% in 2015).

In 2016 Autema recognised impairment of goodwill amounting to EUR 21 million. The impairment loss was recognised as a result of the possible impact of the change of concession arrangement for the toll road approved by the Catalonia Autonomous Community Government through Decrees 161/2015 and 337/2016, which were appealed by the company as it considered that there are no legal grounds for this decision, as described in Note 6.5.1., Contingent liabilities and litigation. On the basis of the Company's legal position, the scenario assumed for the calculation of impairment takes into consideration that after winning litigation the amounts collectible will be received progressively over the coming years based on the previous concession arrangement. After recognising this impairment loss, the net value of the assets and liabilities relating to this investment is close to zero.

Sensitivity analysis

In the case of Ausol, a pessimistic scenario was built, taking into consideration a revenue reduction of around 10%. The value disclosed in this scenario evidences a buffer of 132% over the carrying amount.

3.2. INTANGIBLE ASSETS

At 2016 year-end, the balance of intangible assets other than infrastructure projects amounted to EUR 503 million (2015 year-end: EUR 234 million). The changes in "Intangible Assets" in the consolidated statement of financial position were as follows:

Changes in 2016 (Millions of euros)	Rights on concessions	Computer software	Commercial portfolio and customer databases	Contracts: intangibles and other	TOTAL
Investment:					
Balances at 01/01/16	203	110	135	28	476
Additions	0	27	0	2	29
Disposals	0	-2	0	0	-2
Transfers and other	-124	-40	0	144	-20
Changes in the scope of consolidation	0	108	201	43	352
Exchange rate effect	-17	-4	-8	-7	-35
Balances at 31/12/16	62	199	180	211	800
Accumulated amortisation:					
Balances at 01/01/16	-113	-85	-34	-11	-243
Additions	-3	-23	-72	-11	-109
Disposals	1	2	0	0	2
Transfers and other	72	44	0	-90	26
Changes in the scope of consolidation	0	0	0	0	0
Exchange rate effect	10	7	4	5	26
Balances at 31/12/16	-34	-55	-102	-108	-297
Carrying amount at 31/12/16	28	145	227	103	503

The most significant changes in this line item in 2016 relate mainly to the acquisition of certain companies in the Services segment (see Note 1.1.3) where the value of the related intangible assets were allocated (see Note 3.1.1) and the other intangible assets thereof were included. The total impact amounts to EUR 352 million, of which:

- The acquisition of Broadspectrum gave rise to an impact of EUR 201 million relating to the value of the contract backlog and the customer relationships.
- In addition, the inclusion of this company resulted in an additional impact of EUR 108 million in relation to the value of additions to software.
- The acquisition of Amest Kamiensk gave rise to an impact of EUR 11 million relating to the waste treatment plant management contract.
- The acquisition of Siemsa and Biotran gave rise to impacts of EUR 6 million and EUR 4 million, respectively, in relation to the measurement of the management contracts in the energy and pharmaceuticals industries and the rights to perform them.
- The acquisition of Transchile Charrúa Transmisión resulted in the addition of EUR 21 million relating to the value of the owned contract for electricity transmission management.

“Rights on Concessions” includes the rights to operate the tenders won in the Services industry in Spain, amounting to EUR 28 million (31 December 2015: EUR 29 million).

The carrying amount of software was EUR 145 million (31 December 2015: EUR 25 million).

Also, the value of the commercial portfolio and customer databases includes, in addition to the impact of the acquisition of companies discussed above, the contract backlog of Enterprise (UK), amounting to EUR 110 million (31 December 2015: EUR 101 million).

“Contracts: Intangibles and Other” also includes other intangibles associated with several concession arrangements in the UK managed outside the scope of IFRIC 12 (Tubelines for management and technical assistance on the London Underground, a Waste Management PFI and Amey Cespa WM with rights to operate in the waste treatment industry), amounting to EUR 87 million (31 December 2015: EUR 87 million).

The cash flow impact of the additions to intangible assets amounted to EUR -8 million (see Note 5.3), an amount lower than the additions recognised in the consolidated statement of financial position, mainly due to investments made in computer software which have not been paid in full.

No impairment losses were recognised or reversed in relation to these assets in 2016.

3.3. INVESTMENTS IN INFRASTRUCTURE PROJECTS

3.3.1. Intangible asset model

(Millions of euros)	Balance at 01/01/16	Total additions	Total disposals	Changes in the scope of consolidation and transfers	Exchange rate effect	Balances at 31/12/16
Spanish toll roads	793	0	0	0	0	793
US toll roads	5,764	437	0	-1,375	198	5,025
Other toll roads	384	0	0	0	0	384
Investment in toll roads	6,941	437	0	-1,375	198	6,202
Accumulated amortisation	-261	-75	0	40	-4	-300
Impairment losses	-28	0	11	0	0	-18
Net investment in toll roads	6,651	362	11	-1,334	195	5,885
Investment in other infrast. projects	485	12	-11	0	0	486
Amortisation - Other infrast. projects	-179	-27	11	0	0	-195
Total net investment - Other infrast. projects	306	-15	0	0	0	291
TOTAL INVESTMENT	7,426	449	-11	-1,375	198	6,689
Total amortisation and impairment losses	-469	-102	22	40	-4	-513
Total net investment	6,957	347	11	-1,334	195	6,176

The most significant changes in 2016 were as follows:

Exchange rate fluctuations resulted in an increase of EUR 195 million (2015: EUR 690 million) in the balance of these assets, the full amount of which was attributable to the change in the euro/US dollar exchange rate at the US toll roads (see Note 1.4).

As regards the US toll roads, the most significant impact relates to the exclusion from consolidation of the SH-130 toll road as a result of the loss of control, as explained in Note 1.1., the impact of which amounts to EUR -1,375 million (EUR -1,334 million as a net investment).

In addition, there were significant increases in the assets of the following toll roads: North Tarrant Express (EUR 12 million -2015: EUR 72 million-), North Tarrant Express Extension (EUR 281 million -2015: EUR 256 million-), LBJ (EUR 74 million -2015: EUR 362 million-) and I-77 Mobility Partners LLC (EUR 67 million -2015: EUR 29 million-). The total investment in these toll roads includes a balance at 31 December 2016 of EUR 807 million (2015: EUR 575 million) relating to property, plant and equipment in the course of construction (see Note 5.3).

Also, “Investment in Other Infrastructure Projects” includes concession arrangements awarded to the Services Division that are classified as intangible assets under IFRIC 12, basically those relating to Autovía de Aragón Sociedad Concesionaria, S.A., with a net investment of EUR 127 million (2015: EUR 138 million) and various integral waste treatment plants located in Spain, mainly in Barcelona, Toledo and Murcia (Ecoparc de Can Mata, S.L.U. , Gestión Medioambiental de Toledo, S.A. and Servicios Urbanos de Murcia, S.A.) among others, for a net amount of EUR 162 million (2015: EUR 165 million).

“Impairment Losses” includes the estimated impairment losses on arrangements to which no goodwill has been allocated. These possible impairment losses were calculated using the method indicated in Section 3.1.

In the case of the infrastructure project companies, all their concession assets have been pledged as security for the existing borrowings (see Note 5.2). The borrowing costs capitalised in this connection in 2016 are detailed in Note 2.6.

The changes in these assets in 2015 were as follows:

(Millions of euros)	Balance at 01/01/15	Total additions	Total disposals	Changes in the scope of consolidation/transfers	Exchange rate effect	Balances at 31/12/15
Spanish toll roads	2,615	4	-13	-1,813	0	793
US toll roads	6,098	686	0	-1,763	742	5,764
Other toll roads	982	0	-3	-595	0	384
Investment in toll roads	9,695	691	-16	-4,171	742	6,941
Accumulated amortisation	-575	-60	3	384	-14	-261
Impairment losses	-144	0	0	116	0	-28
Net investment in toll roads	8,976	631	-13	-3,671	728	6,651
Investment in other infrast. projects	453	16	0	16	0	485
Amortisation - Other infrast. projects	-139	-26	0	-14	0	-179
Total net investment - Other infrast. projects	314	-10	0	2	0	306
TOTAL INVESTMENT	10,147	707	-16	-4,154	742	7,426
Total amortisation and impairment losses	-858	-86	3	485	-14	-469
Total net investment	9,290	621	-13	-3,669	728	6,957

3.3.2. Financial asset model

The assets accounted for using the financial asset model pursuant to IFRIC 12 relate mainly to amounts receivable at long term (more than twelve months) from governments in return for services rendered or investments made under a concession arrangement. The changes in the years ended 31 December 2016 and 2015 were as follows:

Concession operator (Millions of euros)	Country	Concession term (years)	First year of concession	Balances at 31/12/16			Balances at 31/12/15		
				Long-term account receivable	Short-term account receivable (Note 4.2)	Total 2016	Long-term account receivable	Short-term account receivable (Note 4.2)	Total 2015
Autopista Terrasa Manresa, S.A.	Spain	50	1986	571	77	648	552	39	591
Auto-Estradas Norte, S.A.	Portugal	30	2001	0	0	0	291	48	339
Autoestrada do Algarve, S.A.	Portugal	30	2001	0	0	0	155	40	194
Toll roads				571	77	648	998	126	1,124
Concesionaria de Prisiones Lledoners	Spain	32	2008	68	1	70	70	1	71
Concesionaria de Prisiones Figueras	Spain	32	2011	114	2	116	116	3	120
Depusa Aragón	Spain	25	2015 (*)	13	0	13	3	0	3
Budimex Parking Wroctaw	Poland	30	2012	10	0	10	11	0	11
Construction				206	4	209	200	5	204
Hospital de Cantabria	Spain	20	2006-2013	79	10	89	79	3	83
Waste treatment plants in Spain	Spain	16-20	2010-2012	51	10	61	58	12	70
Waste treatment plants in the UK and Poland	UK	18-28	2008-2016	71	169	239	252	0	252
Services				200	189	389	389	15	404
TOTAL GROUP				977	270	1,247	1,586	146	1,732

(*) Year in which concession was granted.

Changes (Millions of euros)	2016 infrastructure project receivables	2015 infrastructure project receivables
Beginning balance	1,586	1,467
Additions	298	386
Disposals	-215	-286
Transfers and other	-664	12
Changes in the scope of consolidation	0	0
Exchange rate effect	-29	7
Ending balance	977	1,586

Note: balances presented net of allowances.

"Transfers and Other" in 2016 includes, on the one hand, a decrease of EUR -438 million in relation to the assets classified as held for sale of the Portuguese AutoEstrada Norte and Autoestrada do Algarve toll roads (see Note 1.2.) and, on the other, the transfer to "Other Current Receivables" of EUR -226 million which, relating mainly to the Milton Keynes waste treatment plant in the UK (EUR -175 million), mature in 2017 (see Note 4.2).

With respect to the account receivable relating to the Autema project, no significant developments arose in relation to the change in the project concession regime introduced by the Catalonia Autonomous Community Government in 2015 (see Note 9.1). As indicated in the aforementioned Note, the Company considers that this change infringed the rule of law and appealed against the Decree in which the change was approved. Since it is considered that there are very sound legal arguments to win the appeal, it was resolved to continue to recognise the project as a financial asset. An impairment test was performed with respect to the goodwill that had been allocated to this project, and a loss of EUR 21 million was recognised (see Note 3.1.2). Based on the same assumptions as those used to calculate the impairment test on the goodwill, it was concluded that there was no impairment of the financial asset recognised at year-end.

3.3.3 Cash Flow Impact

The total cash flow impact of the additions to projects accounted for using the intangible asset and financial asset models amounted to EUR -388 million (see Note 5.3), which differs from the additions recognised in the consolidated statement of financial position primarily due to the following reasons:

- In projects in which the intangible asset model is applied, due to differences between the accrual basis and cash basis of accounting, as well as the capitalisation of the borrowing costs attributable to projects under construction, which do not generate cash outflows.
- In projects in which the financial asset model is applied, due to the increases in the account receivable as a balancing entry to income for services rendered, which do not generate cash outflows either.

3.4. PROPERTY, PLANT AND EQUIPMENT

The changes in “Property, Plant and Equipment” in the consolidated statement of financial position were as follows:

Changes in 2016 (Millions of euros)	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Total
Investment: Balances at 01/01/16	174	859	675	1,707
Additions	19	47	74	141
Disposals	-1	-91	-29	-121
Changes in the scope of consolidation and transfers	5	167	83	255
Exchange rate effect	-8	-9	1	-15
Balances at 31/12/16	189	973	804	1,967
Accumulated depreciation and impairment losses at 01/01/16	-47	-682	-488	-1,217
Depreciation charge for the year	-7	-55	-51	-112
Disposals	0	54	23	77
Changes in the scope of consolidation and transfers	6	4	-7	2
Exchange rate effect	3	10	2	14
Impairment losses on property, plant and equipment	0	0	0	0
Balances at 31/12/16	-45	-669	-522	-1,236
Carrying amount at 31/12/16	144	305	282	731

The most significant changes in 2016 were as follows:

Additions:

Of the total additions, amounting to EUR 141 million, the most significant arose at the Services Division amounting to EUR 61 million in relation to the investments made in the expansion of the capacity of landfills, the installation of new waste transfer and treatment facilities and the renewal of cleaning, transport equipment and luminaires associated with contracts in force. Also, in the Construction Division, acquisitions totalling EUR 60 million were made in relation to specific construction machinery.

Most noteworthy was the contribution to property, plant and equipment of EUR 148 million relating to the inclusion of Broadpectrum in the scope of consolidation. Similarly, the acquisition of Transchile gave rise to an increase of EUR 62 million in the Airports Division.

In addition, in 2016 the change in value of the euro against the US dollar and pound sterling reduced the balance of property, plant and equipment by EUR 16 million.

Disposals or reductions:

The property, plant and equipment disposals and reductions amounted to EUR 121 million, due largely to the write-off of fully depreciated or obsolete items, which did not have a material effect on the consolidated statement of profit or loss. Specifically, EUR 22 million were derecognised at the Construction Division and EUR 98 million at the Services Division.

Impact on cash flows:

The impact on cash flows arising from additions to property, plant and equipment amounted to EUR -169 million (see Note 5.3), an amount which is higher than the additions in the year (EUR 141 million), mainly as a result of payments relating to property, plant and equipment recognised in the consolidated statement of financial position in 2015. Disposals had no impact since, as indicated above, they related to the write-off of fully depreciated or obsolete items.

Other disclosures relating to property, plant and equipment:

The property, plant and equipment not used in operations are not material with respect to the ending consolidated balances. Impairment losses on other items of property, plant and equipment total EUR 68 million (2015: EUR 61 million), associated mainly with the Services Division.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The property, plant and equipment in the course of construction amount to EUR 58 million (2015: EUR 21 million), corresponding basically to the Services Division (EUR 39 million). The changes relate mainly to the acquisition of Transchile.

The detail, by business segment, of the additions to property, plant and equipment is as follows:

(Millions of euros)	2016	2015
Construction	60	43
Toll Roads	4	5
Services	61	117
Other	16	0
TOTAL	140	165

Changes in 2015 (Millions of euros)	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Total
Investment: Balances at 01/01/15	162	844	637	1,643
Additions	6	72	86	165
Disposals	-5	-70	-40	-115
Changes in the scope of consolidation and transfers	4	-3	-10	-8
Exchange rate effect	6	15	2	23
Balances at 31/12/15	174	859	675	1,707
Accumulated depreciation and impairment losses at 01/01/15	-35	-672	-485	-
Depreciation charge for the year	-8	-63	-42	-113
Disposals	1	55	29	49
Changes in the scope of consolidation and transfers	-3	6	6	10
Exchange rate effect	-1	-9	-2	-12
Impairment losses on property, plant and equipment	0	0	6	6
Balances at 31/12/15	-47	-682	-488	-
				1,217
Carrying amount at 31/12/15	127	176	187	490

3.5. INVESTMENTS IN ASSOCIATES

The detail of the investments in companies accounted for using the equity method at 2016 year-end and of the changes therein in 2016 is shown in the table below. Due to their significance, the investments in 407 ETR (43.23%) and Heathrow Airport Holdings (HAH) (25%) are presented separately.

2016 (Millions of euros)	HAH (25%)	407 ETR (43.23%)	Other	Total
Balance at 31/12/15	1,213	1,909	116	3,237
Share of results	-57	98	41	82
Dividends	-102	-234	-31	-367
Exchange differences	-155	109	1	-45
Pensions	-55	0	-18	-73
Other	-6	0	47	40
Balance at 31/12/16	837	1,881	156	2,874

Changes: The changes in "Investments in Associates" were due mainly to the distribution of dividends of EUR 367 million, partially offset by the share of results for the year (EUR 82 million), and the appreciation in value of the euro against the pound sterling and its depreciation with respect mainly to the Canadian dollar, which had a net negative effect of EUR -45 million. The negative effect of changes in the actuarial assumptions relating to the pension plans of HAH (EUR -55 million) is also worthy of mention.

Impact on cash flows: The difference between dividends of EUR 367 million in the foregoing table and dividends of EUR 427 million disclosed in the consolidated statement of cash flows (see Note 5.3) relate mainly to interest received on loans granted to companies accounted for using the equity method and the effect of certain foreign currency hedges related to dividends received.

In view of the importance of the investments in HAH and 407 ETR, set forth below is a detail of the balance sheets and statements of profit or loss of these two companies, adjusted to bring them into line with Ferrovial's accounting policies, together with comments on the changes therein in 2016.

Also, since both ownership interests were remeasured when control was lost, pursuant to IAS 28.40 and subsequent paragraphs, the possible existence of indications of impairment is assessed on an annual basis.

3.5.1. Information relating to HAH

a. Impairment test

It is important to note in relation to the measurement of this asset that the various sale transactions involving shares of this company carried out in recent years are an indication that the asset has not become impaired. Specifically, in the most recent sale transaction of 8.65% of HAH, carried out by Ferrovial in 2013, the sale price was 58% higher than the current consolidated carrying amount, and 35% higher if the effect of the sale of Glasgow, Southampton and Aberdeen Airports is adjusted.

The trend was also positive in 2016, highlights being the fact that gross profit from operations was 1.2%, higher than the 2016 budget used as the first year of the impairment test in 2015 and that the RAB grew by 2.1% in the year to stand at GBP 15,237 million. Also, traffic growth stood at 1.0% above the figure obtained in 2015.

Despite this, and because the gain recognised when control was lost was allocated mainly to goodwill, the investment was tested for impairment.

The main assumptions used to measure this asset for impairment testing purposes were as follows:

- The most recent business plan approved by the company was considered. This plan is based on the 5.35% return on assets established by the regulator for the current five-year period (Q6: 2014-2019), representing an annual price reduction of -1.5% ("x" factor) + inflation (RPI) until December 2019.
- In compliance with IAS 36.44, possible plans to increase the capacity of Heathrow airport (third runway project) were not taken into account. However, it should be stated that on 25 October 2016 the UK government announced its decision to select the construction of a third runway at Heathrow Airport in order to increase airport capacity in the southeast of England. The Davies Commission, which was created to study the various capacity expansion options, had unanimously recommended this as the best option in July 2015. However, this decision requires parliamentary approval of the National Policy Statement and subsequently the grant of a Development Consent Order by the Secretary of State, which are expected to be obtained between late 2017 and the end of 2020.
- The value of the investment was calculated by discounting the future cash flows per the business plan, using the adjusted present value (APV) method until 2048 and an exit multiple for that year. The unlevered discount rate (Ku) is approximately 7% (similar to that in 2015) and the tax shield generated by the debt is discounted at the cost of the debt.

The result of the valuation is higher than the carrying amount. Also, sensitivity tests were performed on the main variables (discount rate, long-term inflation and an exit multiple) and in all cases the amount of the valuation exceeds the carrying amount.

Also, it should be noted that the average valuation of HAH made by the stock market analysts that follow Ferrovial (more than 20 analysts) is 66% more than its carrying amount.

Based on the internal valuations performed and those of the analysts, on the positive evolution of the asset in the year and on the references of the most recent transactions performed by third parties, it was concluded that there were no indications of impairment in the year.

b. Changes in the balance sheet and statement of profit or loss 2016-2015

In view of the importance of this investment, following is a detail of the balance sheet and statement of profit or loss for this group of companies, adjusted to bring them into line with Ferrovial's accounting policies, together with comments on the changes therein in 2016.

The balance sheet figures shown relate to the full balances of HAH and are presented in pounds sterling. The exchange rates used in 2016 are EUR 1=GBP 0.85447 (2015: GBP 0.73749) for the balance sheet figures and EUR 1=GBP 0.82301 (2015: GBP 0.72374) for the statement of profit or loss.

Balance sheet

HAH (100%) GBP million	2016	2015	Change 16/15
Non-current assets	16,834	16,431	403
Goodwill	2,753	2,753	0
Investments in infrastructure projects	13,347	13,347	0
Non-current financial assets	32	31	1
Pension plan surplus	0	104	-104
Deferred tax assets	0	0	0
Financial derivatives	676	173	502
Other non-current assets	27	23	4
Current assets	1,025	996	29
Trade and other receivables	617	775	-158
Financial derivatives	78	0	78
Cash and cash equivalents	319	210	109
Other current assets	11	11	0
TOTAL ASSETS	17,860	17,428	432
Equity	540	1,255	-715
Non-current liabilities	15,439	14,729	710
Provisions for pensions	113	28	85
Borrowings	13,125	12,661	464
Deferred tax liabilities	761	922	-160
Financial derivatives	1,419	1,103	317
Other non-current liabilities	20	15	4
Current liabilities	1,881	1,444	437
Borrowings	1,501	986	515
Trade and other payables	365	358	7
Financial derivatives	2	90	-87
Other current liabilities	13	10	3
TOTAL LIABILITIES	17,860	17,428	432

Equity

At 31 December 2016, equity amounted to GBP 540 million, down GBP -715 million from the year ended 31 December 2015. In addition to the loss for the period of GBP -189 million, the main noteworthy changes are the negative impact of GBP -182 million recognised in reserves relating to pension plans, GBP -21 million relating to effective derivatives and the dividends paid to shareholders amounting to GBP -325 million.

25% of the equity of the investee does not correspond to the carrying amount of the investment, since the carrying amount also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the sale of a 5.88% ownership interest in HAH in October 2011. The gain was recognised as an addition to goodwill. Therefore, in order to obtain the carrying amount at Ferrovial, it would be necessary to increase the 25% of the shareholders' equity presented above (GBP 135 million) by the amount of the aforementioned gain (GBP 581 million), giving a total of GBP 716 million which, translated at the year-end exchange rate (EUR 1 = GBP 0.85447), gives the investment of EUR 837 million.

Borrowings

The borrowings of HAH (current and non-current) amounted to GBP 14,626 million at 31 December 2016, an increase of GBP 979 million with respect to 31 December 2015 (31 December 2015: GBP 13,647 million). This increase was due mainly to the effect of:

- A bond issue of GBP 829 million, increase of GBP 290 million of bank and other borrowings.
- Redemption of bonds amounting to GBP -761 million, repayment of GBP -234 million of bank and other borrowings.
- Increase of GBP 844 million as a result of the fair value adjustments made to bonds issued in foreign currencies and of the related exchange rate effect. This impact is offset by the changes in value of the cross-currency swaps arranged to hedge this debt (EUR 833 million).
- Other changes of EUR 11 million (mainly accrued interest payable and fees and commissions).
- Derivative financial instruments at fair value
- The notional principal amount of HAH's derivatives portfolio at 31 December 2016 totalled GBP 12,377 million, including interest rate derivatives (IRSs) with a notional amount of GBP 2,963 million (hedging floating-rate borrowings), cross-currency swaps hedging bonds issued in foreign currencies (notional amount of GBP 4,298 million) and index-linked swaps (ILSs) (notional amount of GBP 5,116 million). The purpose of the index-linked swaps is to offset the imbalance that can arise between the business revenue and the regulated asset base, which are indexed to inflation, and the interest payments on fixed-rate borrowings, which do not fluctuate in response to changes in inflation.
- The change in the net value (asset/liability position) of these financial instruments gave rise to a GBP 350 million decrease in liabilities in the year. The main impacts relate to:
 - Cash settlements (net payments) of GBP 115 million.
 - Accrual of borrowing costs (result on financing) of GBP -81 million.
 - Effect on reserves of GBP -15 million.

- Fair value adjustments to these instruments (fair value-related result) of GBP 332 million, due mainly to the index linked swaps (GBP -425 million), interest rate swaps (GBP -76 million) and cross-currency swaps (GBP 833 million, although these are partially offset by the fair value adjustments of the cross-currency swaps associated with these financial instruments).

Statement of profit or loss 2016-2015

The following table shows the changes in HAH's statement of profit or loss in 2016 with respect to 2015.

HAH (100%) GBP million	2016	2015	Change 16/15
Operating income	2,809	2,767	42
Operating expenses	-1,126	-922	-204
Gross profit from operations	1,683	1,845	-162
Depreciation and amortisation charge	-708	-719	11
Profit from operations before impairment and disposals of non-current assets	975	1,126	-151
Impairment and disposals of non-current assets	-7	5	-11
Profit from operations	969	1,131	-162
Financial result	-1,231	-571	-660
Profit or loss before tax	-263	560	-822
Income tax	74	-22	95
Profit or loss from continuing operations	-189	538	-727
Profit/Loss from discontinued operations	0	0	0
Net profit/loss	-189	538	-727
Profit attributable to Ferrovial (Millions of euros)	-57	186	-243

Operating income improved mainly as a result of the increase in commercial revenue. The rise in operating expenses was due to the recognition in 2015 of a positive adjustment relating to pension plans (GBP 237 million). Disregarding this impact, cost efficiencies were achieved in the O&M sphere, which were partially offset by the additional expense required to maintain service levels and guarantee operating capacity. These effects were reflected in the gross profit from operations, which improved by 4.7% in like-for-like terms, i.e. eliminating the aforementioned reduction in operating expenses in relation to pension plans.

However, the financial result was adversely affected by the fair value adjustments to derivatives and liabilities at fair value (mainly index linked swaps and interest rate swaps), which totalled GBP -479 million (EUR -121 million net attributable to Ferrovial), caused mainly by higher inflation forecasts and the drop in interest rates. At 31 December 2015, these items totalled a positive amount of GBP 138 million (effect of EUR 39 million on the net profit of Ferrovial).

As indicated above, this negative impact on the statement of profit or loss caused by higher inflation is positive for business valuation purposes, since if these expectations are fulfilled, the increase in the value of the assets will be far higher than that of the derivatives, because the borrowings exposed to inflation represent less than 48% of the value of the regulated asset base, which is also exposed to inflation.

"Income Tax" includes the impact of the change in the tax rate in the UK from the current 18% to 17%, which will foreseeably take place in 2020 (GBP 50 million, EUR 15 million attributable to Ferrovial). In 2015 income of GBP 91 million (EUR 32 million attributable to Ferrovial) was recognised as a result of the reduction from 20% to 18%.

3.5.2. Information relating to 407 ETR

a. Impairment test

The evolution of this asset over the last ten years has been very positive, with average annual growth in revenue of 14%, in EBITDA of 17% and in dividends of 44%.

As regards the measurement of this concession, it should be noted that in 2016 the 407 ETR toll road outperformed the estimates in the budget used as the starting point for the impairment test in the previous year; sales increasing by 4.2% with respect to 2015, in local currency terms. On a year-on-year basis revenue increased by 13.2% due to the 9.5% increase in tolls and a 4.5% increase in traffic. Along similar lines, EBITDA increased by 17.3% with respect to 2015 and was 6.1% higher than budgeted. It should be noted that in both the in-house valuation of this concession carried out by Ferrovial and the average valuation of 407 ETR made by the stock market analysts that follow Ferrovial (more than 20 analysts) is more than three times its carrying amount.

Bearing in mind the aforementioned performance and the fact that the gain recorded when control was lost was recognised as an addition to the value of the concession and is being amortised, as required by IAS 28.40, it was not considered necessary to carry out an in-depth impairment test.

b. Changes in the balance sheet and statement of profit or loss for 2016-2015 relating to this group of companies at 31 December 2016 and 2015

These figures relate to the full balances of 407 ETR and are presented in millions of Canadian dollars. The exchange rates used in 2015 are EUR 1=CAD 1.4185 (2015: CAD 1.5026) for the balance sheet figures and EUR 1=CAD 1.4590 (2015: CAD 1.4232) for the statement of profit or loss.

Balance sheet 2016-2015

407 ETR (100%) CAD million	2016	2015	Change 16/15
Non-current assets	4,362	4,398	-35
Investments in infrastructure projects	3,938	3,965	-27
Non-current financial assets	383	338	45
Deferred tax assets	41	94	-53
Other non-current assets	1	1	-1
Current assets	965	730	235
Trade and other receivables	188	156	32
Cash and cash equivalents	778	575	203
TOTAL ASSETS	5,328	5,128	200
Equity	-3,059	-2,641	-418
Non-current liabilities	7,310	6,733	577
Borrowings	6,819	6,256	562
Deferred tax liabilities	491	477	15
Current liabilities	1,077	1,036	41
Borrowings	993	953	40
Trade and other payables	85	83	1
TOTAL LIABILITIES	5,328	5,128	200

Set forth below is a description of the main changes in the balance sheet of 407 ETR at 31 December 2016 with respect to the end of the preceding period:

- Borrowings: (current and non-current) borrowings as a whole increased by CAD 602 million with respect to December 2015, due mainly to a bond issue in May with a face value of CAD 500 million (Series 16-A1 maturing in 2047) and another series issued in November with a face value of CAD 350 million (Series 16-A2 maturing in 2027). These increases were offset by the repayment of Series 99-A4 in December 2016 for CAD -208 million.
- In net debt terms the change is smaller, since, parallel to the increase in borrowings, there was also an increase in cash and cash equivalents, including restricted cash, of EUR 203 million.
- Equity: equity dropped by CAD 418 million with respect to 2015, as a result of a profit for the year of CAD 373 million and a reduction due to the payment of a dividend of CAD 790 million to shareholders.

43.23% of the equity of the investee does not correspond to the consolidated carrying amount of the holding, since the latter also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the sale of a 10% ownership interest in this company in 2010, recognised as an addition to the value of the concession, and the goodwill that arose in 2009 as a result of the merger of Grupo Ferrovial, S.A. and Cintra Concesiones de Infraestructuras de Transportes, S.A. Therefore, in order to obtain the consolidated carrying amount at Ferrovial, it is necessary to increase the 43.23% of shareholders' equity presented above (CAD -1,322 million) by the amount of the aforementioned gain and of the goodwill (CAD 2,672 million and CAD 1,319 million, respectively), giving a total of CAD 2,669 million which, translated at the year-end exchange rate (EUR 1 = CAD 1.4185), gives the investment of EUR 1,881 million.

Statement of profit or loss 2016-2015

The following table shows the changes in the statement of profit or loss of 407 ETR in the year ended 31 December 2016 with respect to 2015:

407 ETR (100%) CAD million	2016	2015	Change 16/15
Operating income	1,135	1,002	132
Operating expenses	-150	-162	13
Gross profit from operations	985	840	145
Depreciation and amortisation	-105	-86	-19
Profit from operations	880	754	126
Financial result	-373	-327	-46
Profit before tax	507	427	80
Income tax	-134	-116	-18
Net profit	373	311	62
Profit attributable to Ferrovial (Millions of euros)	98	82	16

The main change in the statement of profit or loss relates to "Profit from Operations" (CAD +132 million) as a result of the increase in tolls and the increase in toll road traffic.

It must be stated that the profit attributable to Ferrovial also includes the depreciation and amortisation over the concession term of the

remeasurement recognised following the loss of control of the company as a result of the sale in 2010 mentioned above. Thus, EUR -19 million of depreciation and amortisation would have to be deducted from 43.23% of the local profit (CAD 161 million). Translating the resulting CAD 142 million by the average exchange rate (EUR 1 = CAD 1.4590) gives the EUR 98 million allocable to Ferrovial in 2016.

3.5.3. Other associates

See Appendix II for a detail of the associates, including their carrying amount accounted for using the equity method and their main aggregates.

The changes in 2016 in the investments in these companies were as follows:

2016 (Millions of euros)	Other
Balance at 31/12/15	116
Share of profits	41
Dividends received and equity reimbursed	-31
Exchange differences	1
Pensions	-18
Other	47
Balance at 31/12/16	156

The share of the profits includes most notably the contribution of the joint ventures of the Services Division (EUR 19 million), AGS Airports Holding (EUR 12 million), 407 East Development (EUR 5 million) and other associates (EUR 5 million).

Also, the dividends received relate to the Services Division (-EUR 23 million- arising mainly from the joint ventures of Amey, from FMM Company (Doha airport maintenance agreement) and from Calle 30), to the Toll Roads Division (-EUR 5 million- mainly 407 EDG) and to the Construction Division (-EUR 3 million- Poland). An impact of EUR -18 million was recognised relating to pension plans at AGS. The most noteworthy of the other impacts is the inclusion of Broadspectrum in the scope of the companies accounted for using the equity method (EUR 65 million).

The main company included in this balance is AGS Airports, which owns Aberdeen, Glasgow and Southampton airports. The carrying amount of AGS is EUR 251 million, the aggregate of the investment of EUR -2 million and the value of the participating loan recognised at EUR 253 million (see Note 3.6, Non-current financial assets). AGS was valued using an unlevered discount rate (Ku) of around 7.4% and evidences a significant buffer over its carrying amount. In addition, the analysts' average valuation stood at EUR 399 million, 1.6 times higher than AGS' carrying amount.

In addition to the companies mentioned above, there are other associates with a carrying amount of zero. Under IAS 28, if an investor's share of losses of an associate equals or exceeds its interest in the associate, the investor discontinues recognising its share of further losses, unless the investor has incurred legal or constructive obligations that make it necessary to recognise a liability for additional losses after the investor's interest is reduced to zero.

3.5.4. Other disclosures relating to companies accounted for using the equity method

There are no significant restrictions on the capacity of associates to transfer funds to the Parent in the form of dividends, debt repayments or advances other than such restrictions as might arise from the financing agreements of those associates or from their own financial situation, and there are no contingent liabilities relating to associates that might ultimately be assumed by the Group.

The most significant companies accounted for using the equity method in which the ownership interest is below 20% are Madrid Calle 30 and Amey Ventures Investment Limited (AVIL). The equity method is used because, although Ferrovial only has an indirect ownership interest of 10%, it has the power to appoint one member of the Board of Directors in the two cases and retains the capacity to block important decisions in matters that are not of a protective nature.

There are no significant companies in which the ownership interest exceeds 20% that are not accounted for using the equity method.

The guarantees granted by Group companies to companies accounted for using the equity method are detailed in Note 6.5.

The changes in this heading in the consolidated statement of financial position in 2015 were as follows:

2015 (Millions of euros)	HAH (25%)	407 ETR (43.23%)	Other	Total
Balance at 31/12/14	1,062	2,188	66	3,317
Share of profits	186	82	44	312
Dividends received and equity reimbursed	-90	-228	-19	-337
Exchange differences	41	-133	-2	-95
Other	14	0	26	40
Balance at 31/12/15	1,213	1,909	116	3,237

3.6. NON-CURRENT FINANCIAL ASSETS

The changes in “Non-Current Financial Assets” in the year ended 31 December 2016 were as follows:

Changes in 2016 (Millions of euros)	Non-current loans to associates	Restricted cash relating to infrastructure projects and other financial assets	Other long-term accounts receivable	Total
Balance at 01/01/16	411	261	83	755
Additions	52	153	-2	204
Disposals	-27	-112	-16	-154
Transfers and other	-17	-61	0	-78
Changes in the scope of consolidation	4	0	41	45
Exchange rate effect	-47	7	8	-32
Balance at 31/12/16	376	249	112	738

Note: balances presented net of allowances.

- “Long-Term Loans to Associates” includes mainly the loan granted to AGS amounting to EUR 253 million; participating loans to associates amounting to EUR 38 million (2015: EUR 38 million) and other ordinary loans to associates totalling EUR 85 million (2015: EUR 58 million).
- “Restricted Cash Relating to Infrastructure Projects and Other Financial Assets” relates primarily to deposits made at toll road concession operators, the use of which is limited to certain purposes established in the concession arrangement, such as payment of future investments or operating expenses and debt servicing. The additions relate mainly to two projects; LBJ Infrastructure Group for EUR 63 million and NTE Mobility Partners for EUR 62 million. The Note on Net cash position, provides detail on the main balances and changes recognised under this heading.
- Lastly, “Other Receivables” includes:
 - Trade accounts receivable by the Services Division from various public authorities, mainly municipal councils and autonomous community governments, which had been renegotiated at long term, amounting to approximately EUR 26 million (2015: EUR 25 million).
 - Other trade receivables, mainly from various public authorities in connection with long-term contracts, amounting to EUR 42 million (31 December 2015: EUR 51 million).
 - Long-term deposits and guarantees amounting to EUR 7 million (December 2015: EUR 6 million).
 - Available-for-sale financial assets of EUR 37 million relating to the Services Division. Specifically, this refers to a financial asset belonging to Broadpectrum, corresponding to non-controlling interests in certain companies.
 - The changes in these items in 2015, for information purposes, were as follows:

Changes in 2015 (Millions of euros)	Non-current loans to associates	Restricted cash relating to infrastructure projects and other financial assets	Other long-term accounts receivable	Total
Balance at 01/01/15	375	405	76	856
Additions	24	114	51	189
Disposals	0	-186	-9	-195
Transfers	-4	-102	-18	-124
Changes in the scope of consolidation	0	0	0	0
Exchange rate effect	16	31	-17	30
Balance at 31/12/15	411	261	83	754

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SECTION 4: WORKING CAPITAL

This section contains the Notes on current trade and other receivables (see Note 4.2), current trade and other payables (see Note 4.3) and inventories (see Note 4.1). The net balance of these items is called working capital.

Millions of euros	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Inventories	387	-5	26	108	516
Current trade and other receivables	2,320	-84	414	178	2,828
Current trade and other payables	-3,346	88	-380	-255	-3,893
TOTAL	-639	-1	60	31	-549

The increase in “Current Trade and Other Receivables” and “Current Trade and Other Payables” is due mainly to the inclusion of Broadpectrum (changes to the scope of consolidation), excluding the changes in the scope of consolidation and the exchange rate effect. The net change in working capital is EUR 31 million (see detail in Note 5.3).

The items detailed above include those arising from the recognition of Construction and Services revenue. It should be noted that, since there are differences between the billings made and the revenue recognised in the year as a result of the method used to recognise revenue from the majority of the contracts performed by these divisions (see Note 1.3.3.4), it is important to analyse the disclosures relating to contracts of this nature.

4.1. INVENTORIES

The detail of inventories at 31 December 2016 and 2015 is as follows:

(Millions of euros)	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Commercial inventories	246	-5	24	54	319
Raw materials and other supplies	98	-2	2	30	128
Precontract expenses and general fixtures	43	2	0	24	69
Inventories	387	-5	26	108	516

Of the commercial inventories recognised at 31 December 2016, EUR 239 million (2015: EUR 190 million) relate to the Real Estate business in Poland, of which EUR 100 million (2015: EUR 74 million) relate to land and building lots and EUR 139 million (2015: EUR 116 million) relate to property developments at different stages of completion.

EUR 100 million of raw materials and other supplies relate to the Construction Division, mainly at its subsidiaries in the US and Canada, amounting to EUR 49 million (2015: EUR 46 million), and Budimex, amounting to EUR 32 million (2015: EUR 13 million). In addition, at the end of 2016 EUR 27 million had been recognised in relation to the Services Division, mainly at its subsidiary Amey amounting to EUR 22 million (2015: EUR 25 million).

Lastly, as regards precontract expenses and general project fixtures, at 31 December 2016 EUR 66 million had been recognised, mainly in respect of the Construction Division (2015: EUR 42 million).

4.2. CURRENT TRADE AND OTHER RECEIVABLES

The detail of “Current Trade and Other Receivables” at 31 December 2016 and 2015 is as follows:

(Millions of euros)	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Trade receivables for sales and services	1,821	-64	456	-14	2,199
Other receivables	499	-20	-42	192	629
TOTAL RECEIVABLES	2,320	-84	414	178	2,828

a) Trade receivables for sales and services

The detail of “Trade Receivables for Sales and Services” at 31 December 2016 and 2015 is as follows:

Millions of euros	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
<i>Trade receivables</i>	1,254	-6	267	-76	1,439
<i>Write-downs</i>	-283	2	-10	4	-287
Net trade receivables	971	-4	257	-72	1,152
<i>Amounts to be billed for work performed</i>	802	-65	215	71	1,023
<i>Write-downs</i>	-27	3	-35	-22	-81
Amounts to be billed for work performed, net	775	-62	180	49	942
Retentions	75	2	19	9	105
TRADE RECEIVABLES FOR SALES AND SERVICES	1,821	-64	456	-14	2,199

“Trade Receivables for Sales and Services” increased by EUR 378 million from EUR 1,821 million at 31 December 2015 to EUR 2,199 million at 31 December 2016. This change is explained fundamentally by:

- The main change arose as a result of changes in the scope of consolidation, noteworthy among which is the acquisition of Broadspectrum, contributing a balance on inclusion of EUR 394 million. Other important changes arising as a result of changes in the scope of consolidation relate to the inclusion of Pepper Lawson (EUR 43 million) and Siemsa (EUR 18 million).
- The exchange rate effect reducing this heading by EUR 64 million, mainly in relation to “Amounts to be Billed for Work Performed”, the change in which amounted to EUR 62 million. This reduction is a result mainly of the depreciation of the pound sterling against the euro, as explained in Note 1.4.

Also, at 31 December 2016 a total of EUR 60 million had been deducted from “Trade Receivables for Sales and Services” relating to assets derecognised as a result of factoring arrangements, since it was considered that they met the conditions stipulated in IAS 39.20 regarding the derecognition of financial assets. At 31 December 2015, no amount had been deducted in this connection.

Following is a detail, by type of debtor, of the main trade receivables:

	Construction		Services		Other and adjustments		Total	
Public sector	368	51%	888	58%	10	n/a	1,254	58%
Private-sector customers	241	33%	581	39%	41	n/a	875	39%
Group companies and associates	112	16%	53	3%	-96	n/a	70	3%
TOTAL	721	100%	1,522	100%	-45	n/a	2,199	100%

This detail shows that 58% of the Group's customers are public authorities and the rest are private-sector customers.

In order to manage credit risk relating to private customers, the Group has implemented pre- and post-contracting measures. Pre-contracting measures include the consultation of debtor registers, ratings, solvency studies, etc., while post-contracting measures during the execution of construction work include the follow-up of contractual incidents, non-payment events, etc.

The changes in the allowance for bad debts were as follows:

(Millions of euros)	2016	2015
Beginning balance	283	306
Changes in the scope of consolidation	9	0
Amounts charged to profit or loss	-1	-9
Charges for the year	22	22
Reversals	-22	-31
Amounts used	-4	-15
Exchange rate effect	-2	-1
Transfers and other	1	0
Ending balance	287	283

The provision recognised for Amounts to be billed for work performed amounts to EUR 81 million and relates to the Services business in the UK (EUR 57 million) and Australia (EUR 24 million).

Group management considers that the carrying amount of trade receivables approximates their fair value.

b) Other receivables

The detail of “Other Receivables” at 31 December 2016 and 2015 is as follows:

Millions of euros	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Advances to suppliers	127	-10	0	-20	97
Sundry accounts receivable	119	-2	37	5	159
Infrastructure project receivables	146	-6	-85	215	270
Receivable from public authorities	107	-2	6	-8	103
OTHER RECEIVABLES	499	-20	-42	192	629

“Sundry Accounts Receivable” includes mainly receivables not relating to normal business activities amounting to EUR 84 million (at December 2015: EUR 75 million). There are no items included in the change that are material taken individually.

Also, “Accounts Receivable Relating to Infrastructure Projects” includes current financial assets arising from the application of IFRIC 12 relating mainly to amounts receivable from public authorities in return for services rendered or investments made under a concession arrangement, as detailed in Note 3.3.

In this connection an infrastructure project receivable of Services UK amounting to EUR 175 million was reclassified from non-current to current, as mentioned in Note 3.3, Investments in infrastructure projects. “Changes in the Scope of Consolidation” includes the impact of the reclassification to “Assets Classified as Held for Sale” (see Note 1.2) of the Portuguese toll roads.

Lastly, “Receivable from Public Authorities” includes tax receivables from public authorities other than income tax receivables.

4.3. CURRENT TRADE AND OTHER PAYABLES

The detail of “Current Trade and Other Payables” at 31 December 2016 and 2015 is as follows:

(Millions of euros)	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Trade payables	1,995	-75	209	170	2,299
Amounts billed in advance for construction work	549	-6	21	0	565
Advances	337	-3	0	90	424
Other non-trade payables	464	-4	150	-5	605
TRADE AND OTHER PAYABLES	3,346	-88	380	255	3,893

a) Trade payables

The detail of the trade payables at 31 December 2016 and 2015 is as follows:

Millions of euros	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Trade payables	1,523	-74	198	172	1,819
Trade payables sent for reverse factoring	251	0	0	2	253
Retentions made from suppliers	221	-1	11	-4	227
TRADE PAYABLES	1,995	-75	209	170	2,299

The balance of “Trade Payables” increased by EUR 303 million compared to the balance recognised at 31 December 2015, mainly as a result of inclusions in the scope of consolidation, of which EUR 191 million related to Broadpectrum. The changes under “Other” relate to the increase in this item in construction activities in Poland and at Services UK, although the impact at the latter is mitigated as a result of changes in the pound sterling.

“Trade Payables” includes the balances payable to suppliers sent for reverse factoring (see Note 1.3.3.4 in Accounting policies) amounting to EUR 251 million (31 December 2015: EUR 253 million).

The carrying amount of the trade payables approximates their fair value.

b) Disclosure obligation in relation to payments to suppliers provided for in Additional Provision Three of Law 15/2010

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 of all the Group companies domiciled in Spain in 2016 was 55 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	55	48
Ratio of transactions settled	55	48
Ratio of transactions not yet settled	53	53

	Amount (euros)	Amount (euros)
Total payments made	1,108,783,232	1,007,118,250
Total payments outstanding	52,916,260	54,792,695

Reciprocal trade receivables and payables between Ferrovial Group companies are eliminated on consolidation and, accordingly, no balances payable to Group companies are presented in the consolidated statement of financial position. Therefore, the information shown in the foregoing table refers only to the Group's external suppliers, although it is hereby stated for information purposes that the average payment period between Group companies is normally 30 days.

c) Other non-trade payables

The detail of “Other Non-Trade Payables” is as follows:

(Millions of euros)	2015	Exchange rate effect	Changes in the scope of consolidation	Other	2016
Remuneration payable	151	6	132	-18	271
Accounts payable to public authorities	253	-10	20	11	274
Other payables	60	0	-2	2	60
OTHER NON-TRADE PAYABLES	464	-4	150	-5	605

“Remuneration Payable” relates to the employee remuneration earned but not paid during the year amounting to EUR 271 million. The change of EUR 131 million relates to the inclusion in the scope of consolidation of Broadspectrum.

Also, “Accounts Payable to Public Authorities” includes tax payables other than income tax, mainly VAT and employer social security taxes.

4.4. INFORMATION ON CONSTRUCTION CONTRACTS AND OTHER CONTRACTS UNDER WHICH THE RELATED REVENUE AND COSTS ARE RECOGNISED BY REFERENCE TO THE STAGE OF COMPLETION

Contract revenue associated with construction contracts and certain services contracts is recognised by reference to the stage of completion pursuant to IAS 11, as described in Note 1.3.3. Summary of the main accounting policies.

As indicated in that Note, the difference between the revenue recognised and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under “Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed” (see Note 4.2), whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under “Current Trade and Other Payables - Amounts Billed in Advance for Construction Work”.

Also, in certain construction contracts “advances” are agreed upon that are paid by the customer when work is commenced on the contract, the balance of which is offset against the various progress billings as the contract work is performed (these balances are recognised under “Trade Payables” in liabilities in the consolidated statement of financial position - see Note 4.3-a).

In contrast to the advances, in certain contracts the customer retains a portion of the price to be paid in each progress billing to guarantee the satisfaction of certain obligations under the contract. These “retentions” are not reimbursed until the contract is definitively settled (these balances are recognised under “Trade Receivables for Sales and Services” in assets in the consolidated statement of financial position (see Note 4.2).

Unlike “Amounts to Be Billed for Work Performed” and “Amounts Billed in Advance for Construction Work”, the “advances” and “retentions” are balances that will have an impact on future cash flows, since in the case of the “advances” a lower amount will be collected in the future as the advances are discounted from the progress billings, whereas the “retentions” will give rise to higher collections in the future, since the customer will reimburse the related amounts as and when the contract work is settled.

The detail of the amounts recognised in this connection at 31 December 2016 and 2015 is as follows:

(Millions of euros)	2015	Exchange rate effect	Changes in the scope of consolidation	Others	Transfers	2016
Amounts to be billed for works performed (Note 4.2. a)	775	-62	179	50	0	942
Amounts billed in advanced for construction work	-549	4	-94	0	75	-565
Contracts accounted for by reference to the stage of completion, net	226	-58	85	50	75	377
Retentions (Note 4.2. a)	75	2	19	9	0	105
Advances	-240	0	0	-50	0	-291
Amount net of advances and retentions	-165	2	19	-41	0	-186

The main impacts under this heading are due to the inclusion in the scope of consolidation of Broadspectrum, which represents an increase in “Amounts to Be Billed for Work Performed” (EUR 167 million), in “Amounts Billed in Advance for Construction Work” (EUR 83 million) and in “Retentions” (EUR 4 million).

Within “Amounts to be Billed for Work Performed”, three types of balances must be defined.

- Balances relating to modifications and claims (see Note 1.3.3.4 for the definition), for approximately EUR 90 million, which have not yet been approved by the customer and on which revenue of EUR 23 million was recognised in 2016. These amounts were recognised as assets using the probability criteria established in IAS 11. As indicated in Note 1.3.1, since following the entry into force of the new revenue recognition standard, IFRS 15, customer approval is required, this amount will foreseeably be adjusted against reserves at the date of first-time application. The estimated impact on reserves arising from this adjustment is EUR 60 million, including the tax effect (section (ii) in the Note on IFRS 15).
- Balances relating to contracts recognised by the input method. In this case, the revenue will depend on the advance on costs and the expected margin for the end of the contract. During the contract, the revenue recognised could differ from the amounts billing to the customer, but at the end, will be the same. The estimated balance is approximately EUR 230 million. A portion of these balances will be subject to adjustment due to the application of IFRS 15, arising from the identification of various performance obligations, the allocation of the price thereof and the change of revenue recognition method in certain contracts, as explained in Note 1.3.1. b). The estimated impact on reserves arising from these adjustments is approximately EUR 100 million, including the tax effect (sections (i) and (iii) in the Note on IFRS 15).
- Remaining balance of amounts to be billed for work performed, amounting to approximately EUR 620 million, which would relate to the difference between the date the projects covered by the principal contract are performed and the date the customer is billed for them (progress billings). This figure, in respect of the annual billing figure assignable to these balances, is approximately equal to one month’s billings.

SECTION 5: CAPITAL STRUCTURE AND FINANCING

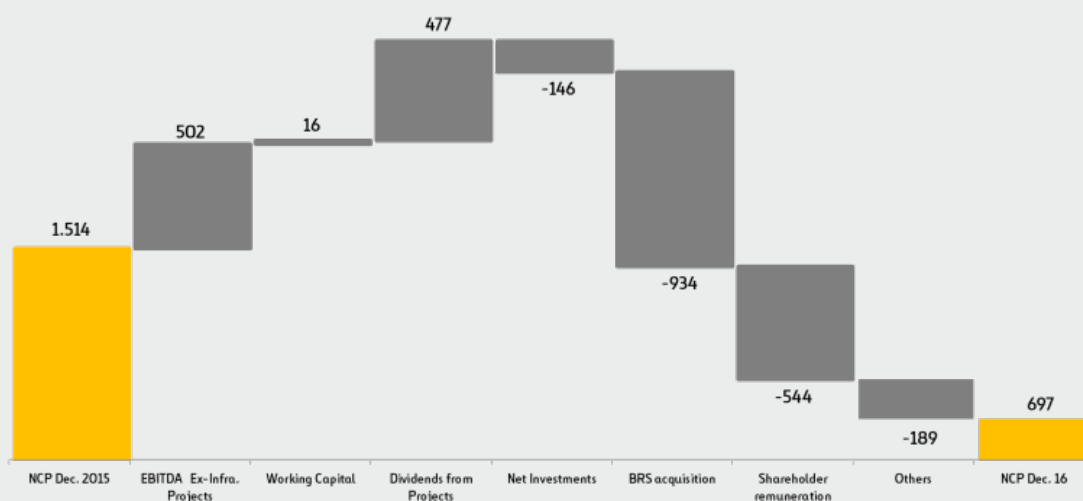
The Notes in this section describe the changes in the financial structure of Ferrovial as a result of variations in equity (see Note 5.1) and in its consolidated net debt (see Note 5.2), taken to be the balance of cash and cash equivalents net of the financial debt, bank borrowings and debt securities, making a distinction between non-infrastructure project companies and infrastructure projects. They also describe the Group's exposure to the main financial risks and the policies for managing them (see Note 5.4), as well as the derivatives arranged in connection with those policies (see Note 5.5).

The equity attributable to the shareholders (see Note 5.1) decreased with respect to 2015, due to the impact of expense recognised directly in equity (arising from the exchange rate effect, pensions and derivatives) and to shareholder remuneration, which was offset in part by the increase in the consolidated net profit.

Equity attributable to the shareholders (Millions of euros)	
Beginning balance at 01/01/16	6,058
Net profit	376
Income and expense recognised directly in equity	-428
Transfers to profit or loss	141
Shareholder remuneration	-544
Other	-7
Ending balance at 31/12/16	5,597

The consolidated net debt of Ferrovial's non-infrastructure project companies is a positive net cash position of EUR 697 million, lower than it was at 31 December 2015 (EUR 1,514 million), mainly due to the effect of acquisition of Broadpectrum, with a total impact of EUR 934 million on the net cash position (EUR 499 million relating to the purchase price and EUR 435 million relating to the net cash position included on the acquisition date). The other changes are analysed through cash flows (see Note 5.3).

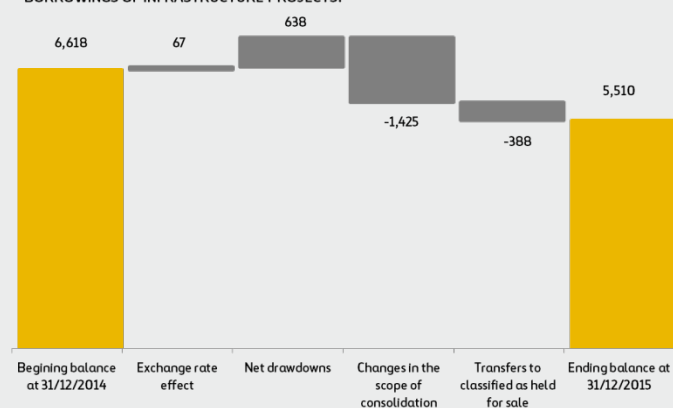
NET CASH POSITION NON-INFRASTRUCTURE PROJECT COMPANIES:



The consolidated net borrowings continue to make it possible to amply achieve the objective of maintaining an investment grade rating, where the Company considers a relevant metric a ratio, for non-infrastructure projects, of net debt (gross debt less cash) to gross profit from operations (EBITDA) plus dividends from projects of no more than 2:1. Ferrovial's rating remains unchanged at BBB.

There was a drop in the gross borrowings of infrastructure projects, due largely to the exclusion from consolidation of the SH-130 toll road, as discussed in Note 1.3, and the reclassification of the liabilities of the Portuguese toll roads to "Liabilities Classified as Held for Sale".

BORROWINGS OF INFRASTRUCTURE PROJECTS:



5.1. EQUITY

5.1.1 Changes in equity

The detail of the main impacts net of taxes that affected the changes in equity in 2016 and which explain the changes in equity in the period from December 2015 to December 2016 is as follows:

2016 (Millions of euros)	Attributable to the shareholders	Attributable to non- controlling interests	Total equity
Equity at 31/12/15	6,058	483	6,541
Consolidated profit for the year	376	7	383
Impact on reserves of hedging instruments	-80	-74	-154
Impact on reserves of defined benefit plans	-203	0	-203
Translation differences	-144	66	-78
Income and expense recognised directly in equity	-428	-8	-435
Amounts transferred to profit or loss	141	0	141
TOTAL COMPREHENSIVE INCOME	89	-1	88
Scrip dividend/other dividends	-226	-25	-252
Treasury share transactions	-317	0	-317
REMUNERATION OF SHAREHOLDERS	-544	-25	-569
Capital increases/reductions	0	45	45
Share-based payment	-17	0	-17
Other changes	10	215	225
OTHER TRANSACTIONS	-7	260	253
Equity at 31/12/16	5,597	717	6,314

Following is a description of the main changes in shareholders' equity in 2016, which gave rise to a reduction of EUR 461 million in equity attributable to the shareholders.

The profit for the year attributable to the Parent totalled EUR 376 million.

The income and expense recognised directly in equity relate to:

- Hedging instruments: recognition of the changes in value of the effective portion of derivatives qualifying for hedge accounting (see Note 5.5), the impact of which was EUR -80 million.
- Defined benefit plans: this item includes the impact on equity of actuarial gains and losses arising from adjustments and changes to the Group's defined benefit plan assumptions, as described in Note 6.2, which had an impact for the Parent of EUR -203 million net of taxes (EUR -130 million at fully consolidated companies (Amej) and EUR -73 million at the companies accounted for using the equity method (HAH/AGS)).
- Translation differences: the currencies in which Ferrovial has the greatest exposure in terms of its equity (mainly the Canadian dollar and the pound sterling), as detailed in Note 5.4, performed

in opposite ways in 2016, giving rise to translation differences of EUR -144 million attributable to the Parent. Thus, the depreciation of the pound sterling, exacerbated by the Brexit effect, had a negative effect of GBP -358 million: The appreciation of the Canadian dollar gave rise to translation gains of EUR 130 million. The impact of the other currencies was EUR 85 million (EUR 45 million relating to changes in the US dollar, EUR 13 million to changes in the Australian dollar, EUR 13 million to changes in the Chilean peso and EUR 14 million to changes in other currencies).

Amounts transferred to profit or loss:

- Amounts transferred to profit or loss: this relates to the transfer to profit or loss of translation differences relating to the exclusion from consolidation of the SH-130 toll road (EUR 15 million) and to the transfer to profit or loss of fair value changes in derivatives and translation differences relating to the sale of the Chicago Skyway toll road and the Eurolink M3 and M4/M6 toll roads (EUR 125 million). See Note 1.1.3, Changes in the scope of consolidation.

Remuneration of shareholders:

- Scrip dividend: for the third successive year, the shareholders at the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 approved a flexible shareholder remuneration scheme, whereby the shareholders can freely choose to receive newly issued shares of the Company by subscribing a capital increase against reserves or an amount in cash through the transfer to the Company (if they had not done so through the market) of the bonus issue rights corresponding to the shares held by them. As a result of this resolution, in 2016 two capital increases were performed with the following characteristics:
 - In May 2016 7,435,172 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a capital increase of EUR 1 million, and EUR 94 million of bonus shares were purchased, representing a payment per share of EUR 0.311.
 - In October 2016 9,210,953 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a capital increase of EUR 1 million, and EUR 133 million of bonus shares were purchased, representing a payment per share of EUR 0.408.
 - EUR -226 million are included in this connection in the foregoing table.
- Acquisition of treasury shares: the shareholders at the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 approved a treasury share purchase plan the objective of which was a subsequent capital reduction through the retirement of the shares purchased. This transaction is described in Note 5.1.2-c below.

As can be observed in the preceding table, the cash flow impact of the remuneration of shareholders in 2016 amounted to EUR 544 million (see Note 5.3), of which EUR 226 million related to the scrip dividend and EUR 317 million to treasury share transactions.

Other transactions:

- Capital increases corresponding to non-controlling interests: increase of EUR 45 million in the equity attributable to non-controlling interests, principally at the US North Tarrant Express Segments 3 toll road.
- Share-based remuneration schemes: in 2016 a total of 2,670,561 treasury shares were acquired, representing 0.36% of the share capital of Ferrovial and with a total par value of EUR 0.5 million, which were subsequently delivered, together with the treasury shares existing at the beginning of the year, to beneficiaries under share-based remuneration schemes. The total cost of acquisition of these shares was EUR 51 million and the result recognised on these transactions in the Company's equity amounts to EUR -17 million (EUR -13 million corresponding to share options, EUR -8 million to performance shares and EUR 4 million for other items).
- It should be noted, as discussed in Note 5.5, 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 million and the changes in the fair value thereof had an impact on the financial result of EUR -18 million.

5.1.2. Components of equity

Following is an explanation of each of the equity items presented in the consolidated statement of changes in equity:

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 the preceding paragraph:

Shares	Number	Par value
Beginning balance	732,211,074	146,442,214.80
Scrip dividend	16,646,125	3,329,225.00
Capital reduction	-16,308,725	-3,261,745.00
ENDING SHARES	732,548,474	146,509,694.80

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 million, 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 million. Both line items are considered to be unrestricted reserves.

c) 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 ACQUIRED	NO. OF SHARES USED FOR OBJECTIVE	TOTAL NO. OF SHARES
Balance at 31/12/15			954.805
Capital reduction	15,547,735	-16,308,725	-760,990
Discretionary shares and other	2,407,250	0	2,407,250
Compensation systems	2,670,561	-2,871,399	-200,838
Shares received as payment for the scrip dividend	374,947	0	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 million 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 275 million. Subsequently, it was resolved to reduce capital by 16,308,725 shares, giving rise to a capital reduction of EUR 3 million and an impact of EUR -291 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 million were also acquired. Thus, treasury shares totalling EUR 317 million were acquired.

The fair value of the treasury shares held by Ferrovial at 31 December 2016 (2,775,174 shares) was EUR 47 million.

d) Valuation adjustments

"Valuation Adjustments" in the consolidated statement of changes in equity, the balance of which at 31 December 2016 was EUR -1,092 million, includes mainly the accumulated amount in reserves of the valuation adjustments made to derivatives (EUR -690 million), pension plans (EUR -563 million) and translation differences (EUR -135 million).

As regards the requirements of IAS 1 in relation to the disclosure of "income and expense recognised directly in equity", it is important to note that the only items that under the related accounting legislation may not be transferred in a future period to profit or loss are the valuation adjustments relating to pension plans.

f) Retained earnings and other reserves

This line items includes prior years' retained earnings and other reserves totalling EUR 4,731 million (2015: EUR 4,567 million). The other reserves include restricted reserves of the Parent, relating mainly to the legal reserve of EUR 29 million.

Adjustments relating to share-based remuneration schemes are also recognised under this heading.

g) Proposed distribution of profit

It is planned for the Board of Directors to propose to the Company's duly convened Annual General Meeting that the profit of FERROVIAL, S.A. be distributed as follows:

(Millions of euros)	Amount
Profit of FERROVIAL, S.A. (euros)	62,893,105.96
Distribution (euros)	
To voluntary reserves (euros)	62,893,105.96

The legal reserve has reached the legally required minimum.

h) Non-Group companies with significant ownership interests in subsidiaries

At 31 December 2016, the non-controlling interests in the share capital of the most significant fully consolidated Group companies were as follows:

Ferrovial Group subsidiary	Non-Group %	Non-Group shareholder
Toll Roads		
Autopista Terrassa-Manresa, S.A.	23.72%	Acesa (Autopista Concesionaria Española, S.A.)
Autopista del Sol, C.E.S.A.	20%	Unicaja
LBJ Infrastructure Group Holding LLC	26.4576%-15.9424%-6.6%	LBJ Blocker (APG)- Meridiam Infr. S.a.r.l. (MI LBJ)- Dallas Police and Fire P.S.
NTE Mobility Partners Holding, LLC	33.33% - 10%	Meridiam Infrastructure S.a.r.l. - Dallas Police and Fire Pension System
NTE Mobility Partners SEG 3 Holding LLC	28.8399%-17.4949%	NTE Segments 3 Blocker, Inc. (APG) - Meridiam Infrastructure NTE 3A/3B LLC
Construction		
Budimex S.A.	6.7%-34.2%	AVIVA OFE Aviva BZ WBK (listed on the stock exchange)

The main financial statement aggregates of the most significant Group companies in which other shareholders own interests are as follows (data in 100% terms):

2016 (Millions of euros)	Assets	Liabilities	Equity	Net cash position	Net profit (loss)
Autema	1,166	333	833	5	56
Autopista del sol	791	703	87	(490)	(5)
LBJ Express	2,421	1,943	477	(1,374)	(42)
NTE Mobility Partners, LLC	1,969	1,662	307	(979)	(19)
NTE Mobility Partners Segment 3 LLC	719	453	266	(507)	-
Budimex	1,314	1,084	230	592	92

The main changes in "Equity Attributable to Non-Controlling Interests" in 2016 were as follows:

Company	Balance at 31/12/15	Profit or loss	Derivatives	Translation differences	Dividends	Capital increase	Other impacts	Balance at 31/12/16
Autopista Terrasa Manresa	149	13	-6	0	0	0	0	156
Autopista del Sol	-3	-1	0	0	0	1	0	-3
LBJ Infrastructure Group	248	-21	0	7	0	0	0	234
NTE Mobility Partners	138	-8	0	4	0	0	0	133
NTE Mobility Partners Segments 3 LLC	84	0	0	4	0	43	-7	123
Budimex	54	38	0	-2	-19	0	0	70
Other	-186	-14	-67	54	-6	1	222	4
TOTAL	483	7	-73	66	-25	45	215	717

Worthy of note, in addition to the changes arising from the profit or loss for the year, derivatives, translation differences, dividends and capital increases, was the impact of the exclusion from consolidation in the year of the SH-130 toll road (EUR 28 million) and the sales of the Chicago Skyway toll road (EUR 213 million) and the Irish toll roads (EUR 4 million), as described in Note 1.1.3, Changes in the scope of consolidation. Also, "Equity Attributable to Non-Controlling Interests" decreased (EUR -26 million) as a result of the increased ownership interest in the Portuguese toll roads. These effects are included in the "Other Impacts" column

5.2. CONSOLIDATED NET DEBT

In order to present an analysis of the Group's net debt position, the following table contains a breakdown of the net cash position, distinguishing between infrastructure project companies and the other companies. The net cash position is understood to be the balance of the items included under "Cash and Cash Equivalents", together with restricted cash classified at long term relating to the infrastructure

projects, less financial debt (bank borrowings and debt securities) at short and long term.

Also, the net cash position includes cross-currency swaps with a positive value of EUR 83 million associated mainly with the Broadpectrum bonds, the positive impact of which amounts to EUR 68 million. The derivatives are accounted for in this way because they are associated in

full with the aforementioned borrowings and the related exchange rate effect is netted off therefrom.

Millions of euros	31/12/16						Total
	Bank borrowings/ Bonds	Cross currency swaps	Cash and cash equivalents	Long-term restricted cash	Net borrowing position	Intra-Group balances	
Non-infrastructure project companies	-2,667	83	3,301	0	717	-20	697
Infrastructure projects	-5,510	0	277	249	-4,983	20	-4,963
Total consolidated net debt	-8,185	83	3,578	249	-4,266	0	-4,266

The change in the year in consolidated net debt, which improved from EUR -4,542 million to EUR -4,266 million, amounted to EUR 276 million (see Note 5.3).

Millions of euros	31/12/15						Total
	Bank borrowings/ Bonds	Cross-currency swaps	Cash and cash equivalents	Long-term restricted cash	Net borrowing position	Intra-Group balances	
Non-infrastructure project companies	-1,464	0	2,973	0	1,509	6	1,514
Infrastructure projects	-6,618	0	306	261	-6,051	-6	-6,057
Total consolidated net debt	-8,082	0	3,279	261	-4,542	0	-4,542

5.2.1. Infrastructure projects

a) Cash and cash equivalents and restricted cash

Infrastructure project financing agreements occasionally impose the obligation to arrange certain restricted accounts to cover short-term or long-term obligations relating to the repayment of the principal or interest on the borrowings and to infrastructure maintenance and operation.

Restricted cash is classified as short-term or long-term depending on whether it must remain restricted for less than or more than one year. In any event, these funds are invested in highly-liquid financial products earning floating interest. The type of financial product in which the funds may be invested is also restricted by the financing agreements or, where no restrictions are stipulated, the decision is made on the basis of the Group's policy for the placement of cash surpluses.

Short-term balances, which amount to EUR 62 million (31 December 2015: EUR 36 million), are recognised under "Cash and Cash Equivalents" in the consolidated statement of financial position whereas long-term balances, of EUR 249 million (31 December 2015: EUR 261 million), are classified as financial assets. Therefore, the restricted cash at 31 December 2016 amounted to EUR 311 million (December 2015: EUR 297 million), including both long- and short-term amounts. Accordingly, there was a net change of EUR 15 million, due to:

- The transfer of the restricted cash (EUR -48 million) of the Portuguese toll roads Norte Litoral and Euroscut Algarve to "Assets Classified as Held for Sale" (see Note 1.2).
- Drawdowns of EUR 58 million (excluding the exchange rate effect), mainly at Autopista del Sol C.E.A.S.A. (EUR 24 million), in connection with the obligations arising from the refinancing carried out in 2016 (see point b) below); and the Amey Group (EUR 21 million) as more financing was arranged.
- The exchange rate effect had a positive impact of EUR 5 million (see Note 1.4).

The other cash and cash equivalents relate to bank accounts and highly-liquid investments subject to interest rate risk.

b) Infrastructure project borrowings

b.1) Breakdown by project, significant changes in the year and main characteristics of the borrowings

Following is a breakdown of the borrowings by project, distinguishing between bonds and bank borrowings, short- and long-term, and of the changes in the year.

Millions of euros	31/12/16			Change 16/15		
	Bonds	Bank borrowings	Total	Bonds	Bank borrowings	Total
Non-current maturities	1,790	3,520	5,310	437	-447	-10
US toll roads	1,294	1,937	3,231	38	-132	-94
Spanish toll roads	496	684	1,179	496	30	525
Portuguese toll roads	0	328	328	-97	-292	-390
Other toll roads		67	67	0	67	67
Construction		143	143	0	3	3
Services		362	362	0	-122	-122
Current maturity	6	194	200	5	-1,103	-1,097
Spanish toll roads	6	9	15	6	-461	-455
US toll roads		0	0	0	-735	-735
Other	0	184	184	-1	92	92
TOTAL	1,796	3,714	5,510	442	-1,550	-1,108

Millions of euros	31/12/15		Total
	Bonds	Bank borrowings	
Non-current maturities	1,353	3,967	5,320
US toll roads	1,256	2,069	3,325
Spanish toll roads		654	654
Portuguese toll roads	97	620	718
Other toll roads	0	0	0
Construction		140	140
Services		484	484
Current maturity	1	1,297	1,297
Spanish toll roads		470	470
US toll roads		735	735
Other	1	92	92
TOTAL	1,354	5,264	6,618

Infrastructure project borrowings decreased by EUR -1,108 million with respect to December 2015, due mainly to the following:

- In relation to the changes in the scope of consolidation, as indicated in Note 1.2., the reclassification of the Portuguese toll roads Norte Litoral and Euroscut Algarve had an impact of EUR -388 million.
- Also, the acquisition of Transchile Charrúa Transmisión, S.A. gave rise to the inclusion of its borrowings amounting to EUR 67 million (see Note 1.1.3).
- SH-130. As discussed in the consolidated financial statements as at 31 December 2015, as a result of the reduction in traffic with respect to initial forecasts, the US toll road SH-130 was in the process of restructuring its borrowings, as a result of which it entered into a waiver agreement with its financing banks. In 2016 the company filed for Chapter 11 insolvency, the US equivalent of insolvency proceedings, as part of which, on 5 December the judge approved the "Plan of reorganization" and the "Disclosure Statement" whereby the Group's departure from the shareholder structure through a share sale procedure was resolved. This gave rise to a loss of control over the toll road, as discussed in the changes in the scope of consolidation (see Note 1.1.3) the impact of which on the debt for accounting purposes was EUR -1,425 million.
- Additional drawdowns against the borrowings already arranged at the end of 2015 amounting to EUR 570 million, of which:
 - EUR 191 million relate to the NTE-Segment 3 toll road, EUR 187 million relate mainly to the SH-130 toll road until the date of loss of control (see preceding paragraph), EUR 43 million to I-77 Mobility Partners LLC, and EUR 37 million to LBJ.
- With respect to the Spanish toll roads, the refinancing of the two stretches of the Autopista del Sol (Ausol I and Ausol II) concession was completed in 2016, as indicated in the notes to the consolidated financial statements for 2015. The amount of the new financial structure totalled EUR 558 million, without recourse to the shareholders (the main characteristics of the borrowings are summarised below), and was used to repay the existing financing. Thus, at 31 December 2016 borrowings amounted to EUR 541 million (nominal amount of EUR 546 million), a net increase of EUR 71 million on 2015, due largely to the conversion into debt of the value of the hedges existing at the refinancing date.
- In the Services Division EUR 40 million were drawn down mainly in relation to the Milton Keynes waste treatment plant (Amey).
- Increase in borrowings as a result of the depreciation of the euro against the US dollar (see Note 1.4), which increased the value of the borrowings by EUR 97 million, offset by the appreciation of the euro against the pound sterling associated with the UK projects amounting to EUR -30 million, giving rise to a net impact on infrastructure project borrowings of EUR 67 million at 31 December 2016.

US toll roads:

North Tarrant Express Managed Lanes - NTE

This project is financed through a USD 400 million issue of Private Activity Bonds (PABs) with final maturity in 2039 (USD 60 million bearing fixed interest at 7.50% of which EUR 29 million mature in 2030 and EUR 31 million in 2031 and USD 340 million bearing fixed interest at 6.875% with final maturity in 2039). It also has a TIFIA loan of USD

759.3 million bearing fixed interest at 4.52% (USD 650.0 million of principal and USD 109.3 million of interest added to the principal) granted by the US Federal Government, which was drawn down in full at 31 December 2016 and has a repayment profile from 2035 to final maturity in 2050.

NTE Mobility Partners Seg 3 LLC

In September 2013 the financial close of the concession arrangement for the extension of the North Tarrant Express (NTE) toll road in Texas was achieved. The borrowings for this project were structured through the issue of USD 274 million of Private Activity Bonds (PABs), maturing at 25 and 30 years (7.00% fixed interest on USD 128 million and 6.75% fixed interest on USD 146 million), and a TIFIA loan of USD 531 million bearing a fixed rate of 3.84%, against which USD 281.9 million had been drawn down at 31 December 2016 (USD 274.3 million of principal and USD 7.6 million of interest added to the principal), with final maturity in 2054.

LBJ

This concession operator is financed through a USD 615 million issue of PABs with final maturity in 2040 (7.00% fixed interest on USD 473 million, of which USD 419 million have final maturity in 2040 and USD 54.5 million in 2034; and 7.50% fixed interest on USD 142 million, of which USD 91 million have final maturity in 2032 and USD 51 million in 2033). LBJ also has a TIFIA loan of USD 850 million granted by the US Federal Government with a repayment profile from 2036 to 2050, against which USD 992.1 million had been drawn down at 31 December 2016 (USD 850.0 million of principal and USD 142.1 million of interest added to the principal). This loan bears interest at a fixed rate of 4.22% and has final maturity in 2050.

I-77 Mobility Partners

This concession operator is financed through a USD 100 million issue of PABs (5.00% fixed interest), of which USD 7 million have final maturity between 2026 and 2030, USD 13 million have final maturity in 2037 and 80 million have final maturity in 2054. It also has a TIFIA loan of USD 189 million against which USD 48.2 million had been drawn down at 31 December 2016 (USD 47.7 million of principal and USD 0.4 million of interest added to the principal). This loan bears interest at a fixed rate of 3.04% and has final maturity in 2053.

Spanish toll roads:

Ausol I and II

In March 2016 the refinancing of the toll road was obtained. The new borrowings were structured in the form of senior bonds and debentures for EUR 507 million maturing in 30 years with a coupon of 3.75% (EUR 351.5 million for AUSOL I and EUR 155.5 million for AUSOL II) and a junior loan of EUR 50.8 million maturing in 10 years with a fixed interest rate of 7% (EUR 35.2 million for AUSOL I and EUR 15.6 million for AUSOL II).

The outstanding borrowings at 31 December 2016 amounted to EUR 505 million of senior bonds and EUR 41 million of the junior loan.

Cintra Inversora Autopistas de Cataluña / A. Terrasa Manresa

Following the refinancing transaction in 2008 through a syndicated structuring arrangement, the company is now financed through a credit facility with a tranche A and a tranche B with limits of EUR 300 million and EUR 316 million, respectively, both bearing interest at 6-month EURIBOR of -0.176%+1.50%. Both tranches have been drawn down in full and have final maturity in 2035. The company has also been granted a liquidity line of EUR 80 million, against which it has drawn down EUR 42.8 million (bearing interest at 6-month EURIBOR of -

0.176%+1.50%). It should also be noted that this company has a derivative with a notional amount of EUR 606 million, a guaranteed interest rate of 4.735% and maturity in 2035. The fair value of the derivative arranged (recognised under “Derivative Financial Instruments at Fair Value”, see Note 5.5) was EUR -307.7 million at year-end.

Portuguese toll roads:

Euroscut Azores

Syndicated bank financing with final maturity in 2033, against which EUR 338.3 million had been drawn down at 31 December 2016 (bearing interest at 6-month EURIBOR of -0.178%+0.80%). In relation to these borrowings, the concession operator has arranged a derivative with a notional amount of EUR 292.1 million, a guaranteed fixed interest rate of 4.115% and maturity in 2033. The fair value of the derivative arranged (recognised under “Derivative Financial Instruments at Fair Value”, see Note 5.5) was EUR -91.4 million at year-end.

b.2) Maturities by currency and fair value of infrastructure project borrowings

(Millions of euros)	Currency	Fair value 2016	Fair value 2015	Carrying amount 2016	2016	2017	2018	2019	2020	2021 and subsequent years	Total maturities
Bonds of infrastructure projects		1,983	1,605	1,796	0	0	0	0	0	1,822	1,822
TOLL ROADS		1,983	1,605	1,796	0	0	0	0	0	1,822	1,822
	USD	1,481	1,507	1,294	0	0	0	0	0	1,317	1,317
	EUR	502	98	502	0	0	0	0	0	505	505
Bank borrowings of infrastructure projects		3,714	5,264	3,714						3,351	3,351
TOLL ROADS		2,965	4,593	2,965	6	8	12	15	17	2,954	3,011
	USD	1,937	2,804	1,937						1,973	1,973
	EUR	1,028	1,790	1,028	6	8	12	15	17	980	1,038
AIRPORTS		68	0	68	2	2	2	2	62	0	70
	USD	68	0	68	2	2	2	2	62	0	70
CONSTRUCTION		147	147	147	2	2	2	2	2	138	148
	EUR	147	147	147	2	2	2	2	2	138	148
SERVICES		534	524	534	20	174	26	26	32	259	537
	GBP	213	209	213	2	153	1	1	1	56	213
	EUR	321	315	321	18	21	25	25	31	204	323
TOTAL BORROWINGS OF INFRASTRUCTURE PROJECTS		5,697	6,869	5,510	29	186	41	45	114	5,173	5,588

- The differences between the total maturities of the bank borrowings (EUR 5,588 million) and the carrying amounts thereof at 31 December 2016 (EUR 5,510 million) are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation. Thus, the accrued interest payable and the application of the amortised cost method represent an impact of EUR 78 million, taking into account that the maturities of the borrowings do not include interest.

The fair value reflected in the table above is calculated as follows:

- For fixed-rate bonds, subject to changes in value due to fluctuations in market interest rates: since they are quoted in an active market, the related market value is used.
- For fixed-interest bank borrowings, also subject to changes in value due to fluctuations in rates: future cash flows are discounted using a market interest rate, calculated using an internal valuation model.
- Lastly, for floating-rate bank borrowings: no significant differences are deemed to exist between the fair value of the borrowings and their carrying amount and, therefore, the carrying amount is used.

b.3) Information on credit limits and credit drawable for infrastructure projects

Set forth below is a comparative analysis of borrowings not drawn down at year-end:

2016 Millions of euros	Debt limit	Amount drawn down	Amount drawable	Carrying amount of debt
Toll roads	5,242	4,833	409	4,760
US toll roads	3,667	3,290	377	3,231
Spanish toll roads	1,237	1,205	32	1,195
Other toll roads	338	338	0	335
Airports	70	70	0	68
Construction	164	148	16	147
Services	542	537	6	534
TOTAL BORROWINGS	6,018	5,588	430	5,510

2015 Millions of euros	Debt limit	Amount drawn down	Amount drawable	Carrying amount of debt
Toll roads	6,497	6,041	456	5,947
US toll roads	4,562	4,138	424	4,059
Spanish toll roads	1,161	1,129	32	1,124
Other toll roads	775	775	0	764
Airports	0	0	0	0
Construction	169	148	21	147
Services	568	532	36	524
TOTAL BORROWINGS	7,234	6,722	512	6,618

The differences between the total bank borrowings drawn down and the carrying amount of the related debt at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (basically accrued interest payable and the application of the amortised cost method, which are detailed in point b.2 above).

Of the EUR 430 million drawable (31 December 2015: EUR 512 million), EUR 377 million relate mainly to amounts not drawn down against borrowings that were obtained to finance toll roads under construction in the US. It should be noted that this drawable amount is associated exclusively with the projects, based on the nature and performance thereof, as discussed below.

b.4) Guarantees and covenants for infrastructure project borrowings

The borrowings classified as project borrowings are without recourse to the shareholders of the projects or with recourse limited to the guarantees provided. The guarantees provided by subsidiaries of Ferrovial in connection with the borrowings of these projects are described in Note 6.5, Contingent liabilities. Bridge loans granted to infrastructure project companies prior to subsequent capital increases to be subscribed by the shareholders and guaranteed in full by the latter (equity bridge loans) are classified as borrowings of non-infrastructure project companies (see Note 5.2.2. below).

At 31 December 2016, all the toll road concession operators were achieving the significant covenants in force, except for the SH-130 toll road. As discussed in point b.1 above, the toll road is in insolvency proceedings, and expects an effective exit therefrom in the first quarter of 2017.

5.2.2. Net cash position excluding infrastructure projects

a) Borrowings of non-infrastructure project companies

a.1) Breakdown between current and non-current borrowings, changes in the year and main characteristics

(Millions of euros)	2016			Change 16/15		
	Non-current maturities	Current maturity	Total	Non-current maturities	Current maturity	Total
Corporate debt	2,044	29	2,073	745	1	746
Broad spectrum borrowings	395	12	407	395	12	407
Other borrowings	43	61	103	-36	2	-34
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS	2,481	102	2,584	1,105	14	1,119

2015 Millions of euros	Non-current maturities	Current maturity	Total
Corporate debt	1,298	29	1,327
Broad spectrum borrowings	0	0	
Other borrowings	78	59	138
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS	1,376	88	1,464

a.1.1) Corporate debt

The corporate debt comprises the following debt instruments:

- a) On the one hand, the debt consists of four corporate bonds totalling EUR 1,824 million at 31 December 2016 (31 December 2015: EUR 1,327 million). The characteristics of these bonds are as follows:

Issue date	Amount (nominal) (millions of euros)	Maturity	Annual coupon
30/01/13	500	30/01/18	3.375%
07/06/13	500	07/06/21	3.375%
15/07/14	300	15/07/24	2.500%
09/09/16	500	09/09/22	0.375%

The bonds issued in 2013 are traded on the secondary market of the London Stock Exchange, while those issued in 2014 and 2016 are admitted to trading on the Spanish AIAF fixed-income market. All these issues are guaranteed by Ferrovial S.A., the Parent of the Group. It must be stated that interest rate derivatives arranged in relation to the corporate bonds with a notional amount of EUR 250 million convert the fixed interest rate into a floating one, see Note 5.5.

- b) On the other hand, the Group has a liquidity facility, negotiated in 2014 with a series of creditor banks, with a current limit of EUR 1,250 million (31 December 2015: EUR 1,250 million), against which a nominal amount of USD 279 million was drawn down in 2016, which matures on 26 March 2021. The foreign currency and interest rate risks on these borrowings were hedged using the cross currency swaps described in Note 5.5, guaranteeing a hedged notional amount of EUR 250 million at a fixed interest rate of -0.4390%, thus giving rise to revenue for the Group.

Also, the Group has other facilities negotiated in 2015 with a current limit of EUR 20 million (31 December 2015: EUR 10 million).

The interest rate negotiated is tied to EURIBOR plus a spread based on the average rating assigned to the borrowings of Ferrovial S.A., the Parent of the Group.

Information on the credit limits and credit drawable of the corporate debt

The detail of the limits and the amounts drawable of the corporate debt at 31 December 2016 and at 31 December 2015 is as follows:

(Millions of euros)	2016			Consolidated debt
	Debt limit	Amount drawn down	Amount drawable	
Bonds	1,800	1,800	0	1,808
Syndicated facility	1,250	250	1,000	264
Other facilities	20	0	20	0
TOTAL CORPORATE DEBT	3,070	2,050	1,020	2,073

(Millions of euros)	2015			Consolidated debt
	Debt limit	Amount drawn down	Amount drawable	
Bonds	1,300	1,300	0	1,327
Syndicated facility	1,250	0	1,250	0
Other facilities	10	0	10	0
TOTAL CORPORATE DEBT	2,560	1,300	1,260	1,327

Corporate rating

The financial rating agencies Standard & Poor's and Fitch issued their opinions on the credit rating of Ferrovial's corporate debt at December 2016, which was assigned ratings of BBB and BBB, respectively, with a stable outlook, and, therefore, came under the "investment grade" category.

a.1.2) Broadspectrum borrowings

As mentioned in Note 1.1., in 2016 shares of Broadspectrum were acquired for EUR 499 million, as a result of which both the assets and the liabilities of this company were included in the Group's consolidated financial statements. The detail of the company's financial structure at 31 December 2016 is as follows:

Type of debt instrument	Limit (millions)	Amount drawn down (millions)	Balance (millions of euros)	Maturity	Interest rate
Bonds: High-yield bonds	USD 325	USD 325	273	2020	8.38%
Debentures: United States private placement (USPP)	USD 100	USD 100	95	2019	7.29% coupon
Syndicated loan	AUD 148 + USD 42 + NZD 32	AUD 36	25	2018	Ref. + 1.65%
Other borrowings	CLP 29,900 + CAD 25 + AUD 7 + NZD 5	CLP 1,400 + CAD 11	15	2016-2021	Between 3.98% and 4.05%
TOTAL BROADSPECTRUM BORROWINGS			407		

The high-yield bonds were issued on 13 May 2014 with an annual coupon of 8.375%. Certain cross-currency swaps have been arranged to convert the debt into a nominal amount equivalent to AUD 348 million at a floating rate.

The United States private placement (USPP) relates to long-term debentures issued without security to institutional investors. These debentures carry a coupon of 7.29%.

The syndicated loan comprises five revolving facilities denominated in various currencies other than the euro, which mature in July 2018. The applicable interest spread ranges between 1.30% and 2.65% depending on a ratio called the Total Leverage Ratio, which is the result of dividing net financial debt by cumulative EBITDA over the last twelve months.

Lastly, the other debt includes mainly the payables under finance leases and credit lines arranged with a series of banks totalling EUR 15 million at 31 December 2016.

The changes in the year associated with Broadspectrum's debt structure were as follows:

	Inclusion in scope of consolidation 31/05/16	Exchange rate effect	Other net change	31/12/16
Bonds: High-yield bonds	322	16	2	341
Debentures: United States private placement (USPP)	135	8	-47	95
Syndicated loan	85	0	-60	25
Other debt	43	5	-34	15
TOTAL BROADSPECTRUM BORROWINGS	585	29	-140	475
Cross-currency swaps	-68	0	0	-68
TOTAL BORROWINGS AFTER CURRENCY SWAPS	518	29	-140	407

It must be stated that the carrying amount of Broadspectrum's borrowings at 31 December 2016 includes a fair value adjustment made at 31 May 2016 (date of first-time consolidation) of EUR 40 million. To this end, the market price at that date was used for bonds traded on the market (the high-yield bonds) and, for the bonds not traded on the market (the USPP), the present value of the future flows discounted at a market interest rate was calculated. See point a.2) below for the calculation of the fair value of the bonds at 31 December 2016.

In relation to the changes in 2016, it should be noted that at the acquisition date of the company USD 150 million of USPP debentures had been issued. Of the USD 150 million, USD 50 million were settled at maturity on 29 December 2016. The EUR 95 million outstanding mature on 29 December 2019.

Furthermore, Broadspectrum's main sources of financing (USPP, syndicated loans and high-yield bonds) included a change in control clause, whereby the lenders could claim repayment as a result of the acquisition of the company. In this regard, at 31 December 2016 no repayment had been claimed in connection with the USPP (the deadline for which ended on 27 July) or the high-yield bonds. However, certain banks participating in the syndicated loan did submit claims, resulting in the repayment of EUR 60 million.

Lastly, mention must be made of the fact that Broadspectrum's total debt, except for the high-yield bonds, is guaranteed by assets of the aforementioned subgroup.

Information on Broadspectrum's credit limits and drawable credit

Set forth below is a comparative analysis of Broadspectrum's borrowings not drawn down at year-end:

(Millions of euros)	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
High-yield bonds	238	238	0	273
USPP	95	95	0	95
Syndicated loan	161	25	137	25
Other borrowings	71	19	52	15
Total Broadspectrum	566	377	189	407

a.1.3) Other borrowings

“Other Borrowings” of EUR 103 million (31 December 2015: EUR 138 million) include mainly the bank loans and finance leases of the Construction and Services Divisions (excluding Broadspectrum of EUR 23 million, see point a.1.2. above). Thus, the non-infrastructure project companies have finance leases of EUR 31 million (31 December 2015: EUR 51 million), mainly in the Services and Construction Divisions.

With respect to the project finance bridge loans, in 2016 the project finance bridge loan for EUR 15 million existing at 31 December 2015 relating to the financing of the Milton Keynes waste treatment plant, was cancelled.

a.2) Maturities by currency and fair value of borrowings excluding infrastructure projects

Borrowings (millions of euros)	Currency	Fair value 2016	Carrying amount 2016	2017	2018	2019	2020	2021	2022 and subsequent years	Total maturities
Corporate debt		2,176	2,073	0	500	250	0	500	800	2,050
	EUR	2,176	2,073	0	500	250	0	500	800	2,050
Broadspectrum borrowings		455	407	0	25	95	248	2	7	377
	AUD	344	303	0	25	0	248	0	0	273
	USD	101	95	0	0	95	0	0	0	95
	CAD	7	7	0	0	0	0	0	7	7
	CLP	3	2	0	0	0	0	2	0	2
Other borrowings		104	104	15	1	7	8	10	24	65
	EUR	51	51	15	0	0	0	3	2	19
	GBP	12	12	0	0	1	3	0	9	12
	PLN	25	25	0	0	1	4	7	14	26
	OMR	9	9	0	0	0	0	0	0	0
	CLP	7	7	0	1	5	2	0	0	8
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS		2,735	2,584	15	526	352	256	512	832	2,492

The differences between the total maturities of borrowings and the carrying amounts of the debt at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (basically accrued interest payable and the application of the amortised cost method).

The fair value of bank borrowings excluding infrastructure projects coincides with the related carrying amount because the borrowings are tied to floating market interest rates and, therefore, changes in the benchmark interest rates do not affect their fair value.

Information on limits and amounts drawable – Other borrowings:

The detail of the limits and the amounts drawable of the other borrowings at 31 December 2016 and at 31 December 2015 is as follows:

Millions of euros)	2016			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Other borrowings	327	65	262	103

(Millions of euros)	2015			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Other borrowings	404	104	300	138

The differences between total bank borrowings and the carrying amount thereof at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation.

Since the corporate bonds and the Broadspectrum bonds (high-yield bonds) are fixed-interest bonds traded on an active market, their fair value was taken to be the market price at the analysis date. In addition (as discussed in Note a.1.1. above), interest rate derivatives with a notional amount of EUR 250 million were arranged in relation to the corporate bonds, and cross-currency swaps were arranged at Broadspectrum converting the fixed rate associated with the bonds in US dollars into a floating rate in Australian dollars, with a notional amount of EUR 280 million (see Note 5.5). As regards the USPP bonds, since the bonds are not traded on the market, the present value of the discounted cash flows was calculated using a market interest rate.

Based on the aforementioned criteria, the estimated total fair value of bank borrowings and bonds excluding infrastructure projects was EUR 2,735 million at 31 December 2016 (31 December 2015: EUR 1,530 million).

The 2017 maturities amount to EUR 15 million and relate mainly to borrowings associated with Inagra, S.A. totalling EUR 11 million. The debt maturities do not include interest.

b) Cash and cash equivalents of non-infrastructure project companies

The method used to classify cash and cash equivalents at both short and long term is the same as that applied in the financial statements for 2015. The cash and cash equivalents correspond to bank accounts and highly liquid investments subject to interest rate risk. The changes therein are analysed in Note 5.3, Cash flow.

Also, at 31 December there were certain restricted accounts totalling EUR 37 million (31 December 2015: EUR 84 million) associated with the developments in progress of Budimex.

5.3. CASH FLOW

The consolidated statement of cash flows was prepared in accordance with IAS 7. This Note provides an additional breakdown in this connection. This breakdown is based on internal criteria established by

the Company for business purposes, which in certain cases differ from the provisions of IAS 7. The main criteria applied are as follows:

- In order to provide a clearer explanation of the cash generated, the Group separates cash flows into “Cash Flows Excluding Infrastructure Projects” where infrastructure project concession operators are treated as financial assets and the investments in the capital of these companies are therefore included in cash flows from investing activities and the yields from the investments (dividends and capital reimbursements) are included in cash flows from operating activities, and “Cash Flows of Infrastructure Projects”, consisting of cash flows from the operating and financing activities of infrastructure project concession operators.
- The treatment given to interest received on cash and cash equivalents differs from that in the statement of cash flows prepared in accordance with IAS 7, since this interest is included in cash flows from financing activities as a reduction of the amount recognised under “Interest Cash Flows”.
- Lastly, the statement of cash flows endeavours to present the changes in the net cash position as the net amount of borrowings, cash and cash equivalents and restricted cash. This method also departs from that established in IAS 7, which explains the changes in cash and cash equivalents.

December 2016	Note:	December 2016 (Millions of euros)			
		Cash flow excluding infrastructure projects	Cash flow of infrastructure projects	Eliminations	Consolidated cash flow
EBITDA (Gross profit from operations)	2.4	502	442	0	944
Dividends received	3.5	477	0	-50	427
Change in working capital (receivables, payables and other)	5.3	16	-68	0	-52
Cash flows from operating activities before tax		995	373	-50	1,319
Taxes paid in the year	2.8.1	-125	-23	0	-147
Cash flows from operating activities		870	351	-50	1,172
Investments	3.2, 3.3 & 3.4	-985	-388	72	-1,301
Disposals	1.1.3	340	0	0	340
Cash flows from investing activities		-645	-388	72	-961
Cash flows from operating and investing activities		226	-38	22	210
Interest cash flows	2.6	-48	-303	0	-351
Capital proceeds from non-controlling interests		2	122	-72	53
<i>Scrip dividend</i>		-226	0	0	-226
<i>Acquisition of treasury shares</i>		-317	0	0	-317
Remuneration of shareholders	5.1	-544	0	0	-544
Dividends paid to non-controlling shareholders of investees		-23	-50	50	-24
Exchange rate effect		-9	-111	0	-119
Change in the scope of consolidation	1.1.3	-440	1,702	0	1,262
Other changes in borrowings (not giving rise to cash flows)		18	-230	0	-212
Cash flows from financing activities		-1,043	1,131	-22	66
Change in net cash position	5.2	-817	1,093	0	276
Opening position		1,514	-6,057	0	-4,542
Final position		697	-4,963	0	-4,266

Changes in working capital (cash flow impact):

The variations in working capital disclosed in the foregoing table are the metric that explain the difference between the Group's EBITDA (Gross profit from operations) and its cash flows from operating activities before tax and arose from the difference between the timing of revenue and expenses for accounting purposes and the date on which the aforementioned revenue and expenses were transformed into cash, mainly due to changes in the balances of trade accounts receivable and payable to suppliers or other items in the consolidated statement of financial position. Thus a reduction in the balance of trade accounts receivable will give rise to an improvement in working capital and a reduction of the balance of payable to suppliers will give rise to a worsening of working capital.

The changes in this item do not exactly coincide with the changes in working capital (balance sheet) reported in Section 4 of the consolidated financial statements for the following reasons:

	Non-infrastructure project companies	Infrastructure projects and adjustments	TOTAL
Change in working capital (Balance Sheet). Section 4	118	-149	-31
Changes in working capital with an impact on cash flows from investing activities	-5	97	91
Changes in provisions with an impact on gross profit from operations or on working capital	-117	0	-117
Changes in other statement of financial position items with an impact on cash flows from operating activities	20	-16	5
Total working capital reported in statement of cash flows	16	-68	-52

The cash flows reported in 2015 were as follows:

December 2015	Note:	December 2015 (Millions of euros)			Consolidated cash flow
		Cash flow excluding infrastructure projects	Cash flow of infrastructure projects	Eliminations	
EBITDA (Gross profit from operations)	2.4	580	447	0	1,027
Dividends received	3.5	477	0	-78	399
Change in working capital (receivables, payables and other)		-168	-67	0	-234
Cash flows from operating activities before tax		889	380	-78	1,191
Taxes paid in the year	2.8.1	-29	-31	0	-61
Cash flows from operating activities		860	349	-78	1,130
Investments		-374	-556	92	-839
Disposals	1.1	74	0	0	74
Cash flows from investing activities		-300	-556	92	-765
Cash flows from operating and investing activities		560	-208	13	366
Interest cash flows	2.6	-35	-309	0	-344
Capital proceeds from/payments to non-controlling interests		-1	212	-92	119
<i>Scrip dividend</i>		-267	0	0	-267
<i>Acquisition of treasury shares</i>		-265	0	0	-265
Remuneration of shareholders	5.1	-532	0	0	-532
Dividends paid to non-controlling shareholders of investees		-40	-83	78	-44
Exchange rate effect		-23	-498	0	-521
Other changes in borrowings (not giving rise to cash flows)		-47	2,691	0	2,644
Cash flows from financing activities		-678	2,014	-13	1,322
Change in net cash position	5.2	-118	1,806	0	1,688
Opening position		1,632	-7,862	0	-6,230
Final position		1,514	-6,057	0	-4,542

The differences discussed above relate to the following items:

- Changes in working capital with an impact on cash flows from investing activities. The working capital accounts reported in Section 4, especially the items payable to suppliers, can relate to transactions that do not affect cash flows from operating activities, such as non-current asset purchases.
- Changes in provisions with an impact on gross profit from operations or on working capital. These relate to the recognition/reversal of provisions with an impact on gross profit from operations, which does not have an impact on cash, or provisions used with a balancing entry in working capital accounts (see Note 6.3).
- Changes in other statement of financial position items with an impact on cash flows from operating activities. The changes in working capital reported in Section 4 reflect only movements in items included under "Current Trade and Other Receivables", "Current Trade and Other Payables" and "Inventories". In certain cases, operating income and expenses relate not only to items shown in working capital (current items) but also to certain items recognised as non-current assets and liabilities, such as non-current trade receivables and non-current payables to suppliers, or even to items in equity accounts such as transactions relating to share-based remuneration schemes.

5.4. MANAGEMENT OF FINANCIAL RISKS AND CAPITAL

The Group's activities are exposed to a variety of financial risks, particularly interest rate risk, foreign currency risk, credit risk, liquidity risk and equity risk. The policies adopted by the Group in managing these risks are explained in detail in the directors' report.

Following are specific data on the Group's exposure to each of these risks and an analysis of the sensitivity to a change in the various variables, together with a brief description of the management of each risk.

In addition, in view of the importance of the UK's Brexit decision, this Note includes a separate in-depth analysis of the impact it has had for Ferrovial with respect to the various financial risks and how these risks are being managed.

a. Exposure to interest rate risk

Ferrovial's business is subject to economic cycles and interest rate risk management is taken into consideration. When interest rates are low, these levels are guaranteed in the future at non-infrastructure project level. At infrastructure project level, the banks and rating agencies require a higher percentage of fixed-rate debt. These strategies are achieved by issuing fixed-rate debt or by arranging hedging financial derivatives, a detail of which is provided in Note 5.5, Derivative financial instruments at fair value. The aim of these hedges is to optimise the finance costs borne by the Group.

The accompanying table shows a breakdown of the Group's debt, indicating the percentage of the debt that is considered to be hedged (either by a fixed rate or by derivatives). Not all the assets are hedged (the case of cash and cash equivalents and long-term restricted cash associated with the debt).

Borrowings (Millions of euros)	2016			
	Total gross debt	% of debt hedged	Net debt exposed to interest rate risk	Impact on results of + 100 b.p.
Non-infrastructure project companies	2,584	77%	587	6
Toll roads	4,760	98%	97	1
Construction	147	93%	10	0
Services	534	66%	179	2
Airports	68	100%	0	0
Infrastructure projects	5,510	95%	285	3
TOTAL BORROWINGS	8,093	90%	871	9

Borrowings (Millions of euros)	2015			
	Total gross debt	% of debt hedged	Net debt exposed to interest rate risk	Impact on results of + 100 b.p.
Non-infrastructure project companies	1,465	78%	324	3
Toll roads	5,947	92%	466	5
Construction	147	93%	11	0
Services	524	94%	33	0
Infrastructure projects	6,618	92%	510	5
TOTAL BORROWINGS	8,083	90%	834	8

Also, it must be borne in mind that the results relating to companies accounted for using the equity method include the results corresponding to the 25% ownership interest in HAH and the ownership interest of 43.23% in 407 ETR. As indicated in Note 3.5, the two companies have a significant volume of debt, of which 80% (HAH) and 100% (407 ETR) is hedged against interest rate risk.

Based on the foregoing, at the fully consolidated companies, a linear increase of 100 basis points in the market yield curves at 31 December 2016 would increase the finance costs in the statement of profit or loss by an estimated EUR 9 million, of which EUR 3 million relate to infrastructure projects and EUR 6 million to non-infrastructure project companies, with a net impact on the profit attributable to Ferrovial of EUR -7 million.

It is also necessary to take into account changes in the fair value of the financial derivatives arranged, which are indicated in Note 5.5.

As regards these interest rate hedging instruments, a linear decrease of 100 basis points in the market yield curves at 31 December 2016 would, in the case of the effective hedges, have a net impact of EUR -266 million on the equity attributable to the Parent (EUR -161 million at companies accounted for using the equity method, EUR -98 million at fully consolidated companies and EUR -7 million at companies classified as held for sale).

b. Exposure to foreign currency risk

Ferrovial analyses the changes in both short- and long-term exchange rates, establishing monitoring mechanisms such as equilibrium exchange rates, which, together with the planned net exposure per currency for the coming years both for dividends receivable and equity contributions in new projects, enables it to define its hedging strategy. These hedges are established by using foreign currency deposits or arranging derivatives (see Note 11 for more details).

The following tables show, by type of currency, the values of assets, liabilities, non-controlling interests and equity attributable to the Parent at December 2016, adjusted by the aforementioned currency forwards corresponding to each currency:

Currency (Millions of euros)	2016			
	Assets	Liabilities	Equity attrib. to the Parent	Non-controlling interests
Euro	7,116	5,963	996	157
Pound sterling	3,736	1,866	1,869	1
US dollar	6,802	5,855	459	487
Canadian dollar	2,019	517	1,502	0
Australian dollar	1,814	1,441	373	0
Polish zloty	1,401	1,156	173	72
Chilean peso	247	123	124	0
Other	262	162	100	0
TOTAL GROUP	23,397	17,083	5,597	717

Note 1.4 contains a detail of the changes in the year in the closing exchange rates. As a result of these changes, the impact of translation differences on equity at 31 December 2016 was EUR -144 million for the Parent and EUR 66 million for non-controlling interests. Of the aforementioned EUR -144 million, EUR -358 million correspond to changes in the pound sterling, EUR 130 million to changes in the Canadian dollar, EUR 44 million to changes in the US dollar and EUR 40 million to changes in other currencies.

Also, Ferrovial has estimated that a 10% appreciation of the euro at year-end against the main currencies in which the Group has investments would have an impact on the Parent's equity of EUR -459 million, of which 45% would relate to the impact of the pound sterling and 36% to that of the Canadian dollar. This fluctuation in the value of the euro would have an impact on total assets of EUR -1,578 million, of which 48% would relate to the investments in US dollars, 26% to the investments in pounds sterling and 14% to the investments in Canadian dollars.

Also, the detail of the net profit attributable to the Parent by type of currency for 2016 and 2015 is as follows:

Currency (Millions of euros)	Net profit	
	2016	2015
Euro	204	186
Pound sterling	-76	266
US dollar	101	232
Canadian dollar	102	70
Australian dollar	-30	-4
Polish zloty	53	15
Chilean peso	-9	-10
Other	31	-36
TOTAL GROUP	376	720

Note 1.4 contains a detail of the changes in the average exchange rates for the year. In this regard, the impact of a 10% appreciation of the euro against the other currencies on the statement of profit or loss would have amounted to EUR -23 million.

c. Exposure to credit and counterparty risk

The Group's main financial assets exposed to credit risk or counterparty risk are as follows:

(Millions of euros)	2016	2015	Change 16/15
Investments in financial assets (1)	693.95	991.36	-297.41
Non-current financial assets	1,714.13	2,341.26	-627.13
Financial derivatives (assets)	-1.75	-267.48	265.73
Trade and other receivables	2,819.74	2,319.82	499.92

(1) Included in "Cash and Cash Equivalents".

In managing this risk, Ferrovial monitors on an ongoing basis the ratings of the various counterparties, establishing diversification criteria, minimum rating requirements for financial counterparties and customer credit risk monitoring and selection.

d. Exposure to liquidity risk

The Group has established the necessary mechanisms that reflect the cash generation and need projections, in order to guarantee solvency, in relation to both short-term collections and payments and obligations to be met at long term.

Non-infrastructure project companies

At 31 December 2016, cash and cash equivalents amounted to EUR 3,301 million (2015: EUR 2,973 million). Also, at that date undrawn credit lines totalled EUR 1,471 million (2015: EUR 1,560 million).

Infrastructure projects

At 31 December 2016, cash and cash equivalents (including short-term restricted cash) amounted to EUR 277 million (2015: EUR 306 million). Also, at that date undrawn credit lines amounted to EUR 430 million (2015: EUR 512 million), which were arranged mainly to cover committed investment needs.

e. Exposure to equity risk

Ferrovial is also exposed to the risk relating to the evolution of its share price. This exposure arises specifically in equity swaps used to hedge against risks of appreciation of share-based remuneration schemes, the detail of which is shown in Note 11 to these consolidated financial statements.

Since these equity swaps are not classified as hedging derivatives, their market value has an impact on profit or loss and, accordingly, a EUR 1 increase/decrease in the Ferrovial share price would have a positive/negative impact of EUR 3 million on the net profit of Ferrovial.

f. Exposure to inflation risk

Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of the prices of both the toll road concession contracts and the HAH airports accounted for using the equity method.

Therefore, a scenario of rising inflation would result in an increase the cash flow from assets of this nature.

Unlike the company's assets, from the accounting standpoint the derivatives arranged at HAH the objective of which is to convert fixed-rate borrowings into index linked debt are measured at fair value through profit or loss, since they are considered to be ineffective derivatives. In this regard, an increase of 100 b.p. throughout the inflation curve would have an effect on the net profit attributable to Ferrovial (in proportion to its percentage of ownership) of EUR -133 million.

Also, in the case of the toll road concession operator Autema, there is a derivative tied to inflation that is deemed to qualify for hedge accounting, in which an increase of 100 b.p. throughout the inflation curve would have an effect on reserves of EUR -115 million.

g. Capital management

The Group aims to achieve a debt-equity ratio that makes it possible to optimise costs while safeguarding its capacity to continue managing its recurring activities and the capacity to continue to grow through new projects in order to create shareholder value.

Ferrovial's objective with regard to financial debt is to maintain a low level of indebtedness, excluding infrastructure project debt, such that it can retain its investment grade credit rating. In order to achieve this target it has established a clear and adequate financial policy in which a relevant metric refers to a maximum ratio, for non-infrastructure projects, of net debt (gross debt less cash) to gross profit from operations plus dividends from projects of 2:1.

At 31 December 2015, the net cash position was positive (assets higher than liabilities) and, therefore, the difference with respect to the maximum debt-equity ratio established is very significant. For the purpose of calculating this ratio, "net debt excluding infrastructure projects" is defined in Note 5.2 and "gross profit from operations plus dividends" is the profit from operations before impairment losses, disposals and depreciation and amortisation of the Group companies other than infrastructure concession operators, plus the dividends received from infrastructure projects.

h. Impact of Brexit on financial risks

Ferrovial's UK exposure on the basis of the different financial and business variables is detailed in the following table.

(Millions of euros)	2016		
	Total Ferrovial	United Kingdom exposure	% of total
Sales	10.759	3.171	29,5%
Gross profit from operations	944	35	3,7%
Net profit	376	-76	-
Equity	5.597	1.425	25,5%
Valuation - analyst consensus	-	-	21%
Construction backlog	9.089	749	8%
Services backlog	24.431	11.898	49%
Airports managed	HAH (25%), AGS (50%)		

This section includes an in-depth analysis of the impact that Brexit has had for Ferrovial with respect to the various financial risks and how these risks are being managed. The risk section of the directors' report contains a comprehensive analysis of Brexit and how it may affect the Group's various business areas.

Exchange rate

The Brexit result prompted a sharp depreciation of the pound sterling against the euro and other currencies. At 31 December 2016, the pound sterling had fallen by 13.72% compared with the year-ago exchange rate. In order to hedge its foreign currency risk, Ferrovial has arranged hedges with a notional amount of GBP 380 million, which approximately cover the dividends it expects to receive on its UK assets over the next three years. However, since the assets denominated in

pounds sterling represent 33% of the value of shareholders' equity and 21% of the value estimated by analysts, a depreciation of the pound sterling has a significant impact on the value of Ferrovial. The depreciation of the pound had an effect of EUR -358 million on equity. On the other hand, a series of factors should be borne in mind which may counterbalance this risk, such as the fall in interest rates, which has a positive effect on the value of assets, the rise in inflation or the possible impact of the infrastructure plans or the ultimate construction of the third runway at Heathrow airport. It should also be noted that the depreciation of the pound sterling did not have a significant impact on the consolidated statement of profit or loss, insofar as the gross profit from operations generated in the United Kingdom was relatively small (accounting for 3.8% of the total) due to the problems experienced by Amey during the year, and Heathrow contributed a net loss due to the impact of the inflation index-linked derivatives.

Interest rate

Another of the effects of Brexit was a reduction in interest rates. This scenario may well persist in the medium term if the Bank of England continues to pursue its expansionary policy aimed at boosting the economy. Lower interest rates should entail a lower discount rate when measuring Ferrovial's businesses in the United Kingdom and, therefore, have a positive impact on their value. By contrast, the fall in interest rates resulted in a negative impact on equity due to the lower discount rate applied when measuring liabilities, which could give rise to increased future payment obligations in respect of pension plan deficits. The impact on Ferrovial's equity due to the increase in pension plan deficits in 2016 was EUR -203 million. In addition, the aforementioned reduction in interest rates affected the value of the interest-rate derivatives arranged by Heathrow, with a net impact on equity of EUR -21 million (EUR -2 million in reserves, EUR -19 million in profit or loss).

Inflation

Lastly, Brexit resulted in higher inflation expectations. Such an increase is positive for regulated businesses such as Heathrow airport, whose regulatory asset base (RAB) and charges are indexed to inflation. The Company does in fact index a portion of its borrowings to inflation, mainly through derivatives, and the change in value of these derivatives had a negative impact of EUR -110 million for Ferrovial in 2016 due to the higher inflation expectations. However, if these expectations are fulfilled, the increase in the value of the assets will significantly exceed the increase in value of the derivatives since the value of the borrowings indexed to inflation represents 48% of the regulatory asset base (RAB), the value of which is also indexed to inflation.

Operational activities

The operational risk arising from Brexit is described in the section dedicated to risks in the directors' report (integrated report).

5.5. DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE

a) Breakdown by type of derivative, changes, expiry dates and main features

The table below includes a detail of the fair values of the derivatives arranged at 31 December 2016 and 2015, as well as the maturities of the notional amounts to which the derivatives relate (maturities of notional amounts are shown as positive figures and already-arranged future increases are presented as negative amounts):

Type of instrument (Millions of euros)	Fair value		Notional maturities					TOTAL
	Balances at 31/12/16	Balances at 31/12/15	2017	2018	2019	2020	2021 and subsequent years	
ASSET BALANCES	450	430	410	147	378	345	436	1,716
Index linked swaps, Toll Roads	321	355	-2	-2	-3	-1	62	53
Interest rate swaps, Corporate	16	15	0	0	0	0	250	250
Cross-currency swaps, Corporate	16	0	0	0	250	0	0	250
Cross-currency swaps, Broadpectrum	82	0	0	0	0	308	0	308
Equity swaps (*)	0	43	0	0	0	0	0	0
Exchange rate derivatives, Corporate	5	7	287	0	0	0	0	287
Other derivatives	11	11	126	149	131	38	124	567
LIABILITY BALANCES	505	697	1,695	219	39	42	1,197	3,192
Interest rate swaps, Toll Roads	399	613	7	8	11	14	858	898
Equity swaps (*)	4	0	62	0	0	0	0	62
Cross-currency swaps, Broadpectrum	3	0	25	0	0	0	0	25
Exchange rate derivatives, Corporate	6	0	951	0	0	0	0	951
Other derivatives	93	84	650	211	28	28	339	1,256
NET BALANCES (LIABILITY)	-55	-267	2,105	365	417	387	1,633	4,908

The cash flows composing the fair value of the derivatives mature as follows:

Type of instrument Millions of euros	Fair value		Cash flow maturities					TOTAL
	Balances at 31/12/16	Balances at 31/12/15	2017	2018	2019	2020	2021 and subsequent years	
ASSET BALANCES	450	430	1	25	22	88	315	450
Index linked swaps, Toll Roads	321	355	-22	10	11	12	309	321
Interest rate swaps, Corporate	16	15	4	4	3	3	3	16
Cross-currency swaps, Corporate	16	0	5	7	4	0	0	16
Cross-currency swaps, Broadpectrum	82	0	5	3	2	72	0	82
Equity swaps (*)	0	43	0	0	0	0	0	0
Exchange rate derivatives, Corporate	5	7	5	0	0	0	0	5
Other derivatives	11	11	5	2	1	1	3	10
LIABILITY BALANCES	505	697	79	54	52	48	272	505
Interest rate swaps, Toll Roads	399	613	42	42	41	39	236	399
Equity swaps (*)	4	0	4	0	0	0	0	4
Cross-currency swaps, Broadpectrum	3	0	3	0	0	0	0	3
Exchange rate derivatives, Corporate	6	0	6	0	0	0	0	6
Other derivatives	93	84	24	12	11	9	36	93
NET BALANCES (LIABILITY)	-55	-267	-78	-30	-30	39	43	-55

(*) The items indicated are the main derivatives arranged by the Group that do not qualify for hedge accounting, as explained in this Note.

Following is a description of the main types of derivatives and of the most significant changes therein in 2016:

Toll Road Division derivatives

Interest rate swaps, Toll Roads

In order to hedge the interest rate risk in toll road infrastructure projects, the concession holders have arranged interest rate hedges on the projects' debt, establishing a fixed or increasing interest rate for a total notional amount of EUR 898 million at 31 December 2016. Overall, the fair value of these hedges increased from EUR -613 million at 31 December 2015 to EUR -399 million at 31 December 2016, due largely to:

- The derecognition of the derivative relating to the SH-130 toll road (EUR 150 million), following the exclusion of the SH-130 concession operator from the scope of consolidation, effective December 2016, as described in Note 1.1.3, Changes in the scope of consolidation.
- The reclassification of the derivative of Auto Estradas Norte to "Assets Classified as Held for Sale" for EUR 33 million (see Note 1.1.3, Changes in the scope of consolidation).
- The termination of the derivative of Autopista del Sol, as part of its refinancing process, with an impact on cash of EUR 59 million (impact on profit or loss in 2016 up to termination of EUR -11 million).

In general, since these derivatives are considered to be effective, the changes in their fair value are recognised in reserves, with an impact of EUR -8 million (EUR -3 million attributable to the Parent, after tax and non-controlling interests).

The changes in settlements and accruals gave rise to an impact of EUR -48 million on the financial result and a net cash outflow (excluding Ausol, which is mentioned above) of EUR 43 million. There were also translation differences of EUR -4 million.

Index linked swaps, Toll Roads

This item relates exclusively to Autema, which in 2008 arranged an index linked swap to hedge income variability, by means of which an annual CPI of 2.50% was fixed. This hedge, which was considered effective, had an impact of EUR -35 million on reserves (EUR -20 million after tax attributable to the Parent).

Corporate derivatives

Interest rate swaps, Corporate

In relation to the bond issues launched in 2013, the Group arranged interest rate derivatives for a notional amount of EUR 250 million expiring in 2021. Since they convert a portion of the fixed interest rate on the bonds into a floating interest rate, these derivatives constitute a partial fair value economic hedge of the aforementioned bond issues and they all qualify for hedge accounting.

Cross-currency swaps, Corporate

In September 2016 Ferrovial arranged cross-currency swaps to hedge a drawdown of borrowings in US dollars (see Note 5.2.2). The notional amount of these instruments is USD 279 million (EUR 250 million) and they expire in 2019.

Equity swaps

Ferrovial has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes granted to its employees.

The modus operandi of these equity swap contracts is as follows:

- The calculation base is a given number of Ferrovial shares and a reference price, which is normally the market price of the share on the grant date.
- For the duration of the contract, Ferrovial pays interest equivalent to a given interest rate (EURIBOR plus a spread, to be applied to the result of multiplying the number of shares by the exercise price) and receives remuneration equal to the dividends corresponding to those shares.
- When the swap expires, if the share price has increased, Ferrovial will receive the difference between the market price and the reference price. If the share price has fallen, Ferrovial will pay the difference to the bank.

At 2016 year-end, these derivatives had a notional amount equivalent to 3.4 million shares, which, based on the exercise price of the equity swaps (the price at which they must be settled with the banks), represented a total notional amount of EUR 62 million.

Exchange rate derivatives, Corporate

These derivatives relate to Corporate hedges of foreign currency risk, the main aim of which is to protect against the volatility of future cash flows in foreign currencies (basically the pound sterling, the Australian dollar and the US dollar). Their notional value amounted to EUR 1,237 million at 31 December 2016, of which EUR 682 million relate to the US dollar, EUR 365 million to the Australian dollar, EUR 150 million to the pound sterling and EUR 40 million to the New Zealand dollar. They expire at short term.

Derivatives, Services Division

Cross-currency swaps, Broadspectrum

The Australian company Broadspectrum, which was acquired in 2016 (see Note 1.1.3, Changes in the scope of consolidation), contributes cross-currency swaps with a notional amount of EUR 333 million, which are hedging debt issues denominated in US dollars and Chilean pesos.

These instruments had a net value of EUR 79 million at 31 December 2016 (of which EUR 82 million relate to US dollar hedges and EUR -3 million to Chilean peso hedges).

b) Main effects on profit or loss and equity

The changes for accounting purposes in the main derivatives arranged by fully consolidated companies, detailing the fair values thereof at 31 December 2016 and 2015, and the impact on reserves, profit or loss and other statement of financial position items are as follows:

Type of instrument (Millions of euros)	Balance at 31/12/16	Balance at 31/12/15	Change	Impact on reserves (I)	Changes in the scope of consolidation (II)	Impact on profit or loss due to fair value changes (III)	Impact on financial result (IV)	Cash (V)	Exchange rate (VI)	Other impacts on equity or profit or loss (VII)	Total
Index linked swaps, Toll Roads	321	355	-34	-35	0	0	0	-6	0	7	-34
Interest rate swaps, Toll Roads	-399	-613	214	-8	183	-11	-48	103	-4	0	214
Interest rate swaps, Corporate	16	15	2	0	0	5	0	-4	0	0	2
Cross-currency swaps, Corporate	16	0	16	1	0	0	1	-3	0	16	16
Cross-currency swaps, Broadspectrum	79	0	79	-9	82	-2	7	-3	4	0	79
Equity swaps	-4	43	-47	0	0	-18	0	-31	0	2	-47
Exchange rate derivatives, Corporate	-1	7	-8	0	0	4	0	15	-37	10	-8
Other derivatives	-83	-74	-9	12	0	-2	-16	-39	47	-12	-9
TOTAL	-55	-267	212	-38	265	-24	-56	32	10	23	212

- Derivatives are recognised at market value at the arrangement date and at fair value at subsequent dates. Changes in the value of these derivatives are recognised for accounting purposes as follows:
- The changes in the year in the fair value of the derivatives that qualify for hedge accounting are recognised in reserves (column I).
- The derivatives relating to inclusions and exclusions from the scope of consolidation are presented as Changes in the scope of consolidation (column II).
- The changes in fair value of the derivatives that do not qualify for hedge accounting or that are considered to be held for speculative purposes are recognised as a fair value adjustment in Group profit or loss (column III) and are reflected separately in the statement of profit or loss.
- **“Impact on Financial Result”** (column IV) reflects the impacts on the financial result due to financing arising from the interest flows accrued during the year.
- **“Cash”** (column V) indicates net payments and collections during the year.
- The impact of the difference between closing exchange rates at December 2016 and 2015 is also presented separately (column VI).
- Lastly, **“Other Impacts”** shows the impacts on profit or loss from operations or other impacts not considered in the other columns (column VII).

c) Derivative measurement methods

All the Group's derivative financial instruments and other financial instruments carried at fair value are included in LEVEL 2 of the fair value measurement hierarchy, since although they are not quoted on regulated markets, the inputs on which their fair values are based are observable, either directly or indirectly.

Although the fair value measurements are performed by the Company using an internally developed valuation tool based on best market practices, they are in any event compared with the valuations received from the counterparty banks on a monthly basis.

Equity swaps are measured as the difference between the market price of the share on the calculation date and the unit settlement (strike) price agreed at inception, multiplied by the number of shares under the contract.

The other instruments are measured by quantifying the net future cash inflows and outflows, discounted to present value, with the following specific features:

- Interest rate swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.

- **Index linked swaps:** the future cash flows are estimated by projecting the future behaviour implicit in the market curves on the measurement date for each currency and settlement frequency, for both reference interest rates and reference inflation rates. As in the cases described above, the flows are discounted using the discount rates obtained at the measurement date for each flow settlement period and currency.
- **Cross-currency swaps:** the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date, including the cross-currency basis spreads. The present value of the flows in a currency other than the measurement currency is translated at the spot exchange rate prevailing at the measurement date.
- **Foreign currency derivatives:** as a general rule, the future cash flows are estimated by using the exchange rates and market curves associated with each currency pair (forward points curve), and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date. For other more complex instruments (options, etc.), the valuation models appropriate for each instrument are employed, taking into consideration the necessary market data (volatilities, etc.).

Lastly, credit risk, which is included in the measurement of derivatives pursuant to IFRS 13, is estimated as follows:

In order to calculate the adjustments associated with own and counterparty credit risk (CVAs/DVAs), Ferrovial applies a methodology based on calculating the future exposure of the various financial products using Monte Carlo simulations. To this potential exposure, a probability of default and a loss given default based on the parties' business and credit quality are applied, as well as a discount factor based on the currency and applicable maturity at the measurement date.

In order to calculate the probabilities of default of the Ferrovial Group companies, the Credit Risk Management department assesses the rating of the counterparty (company, project, etc.) using a proprietary, rating agency-based methodology. This rating is used to obtain market spread curves according to the currency and term in question (generic curves by rating level).

In order to calculate the probabilities of default of the counterparties, the CDS curves of those companies are used, if available; otherwise, the CDS curves of a similar entity (proxy) or a generic spread curve (by rating level) are used.

SECTION 6: OTHER DISCLOSURES

This section includes other Notes required under the applicable legislation.

Of particular note due to its importance is Note 6.5, Contingent liabilities and investment commitments, in which the main lawsuits that affect the Group companies are described, with particular emphasis on the guarantees provided by non-infrastructure project companies on behalf of infrastructure project companies.

The changes in liabilities other than current liabilities and borrowings, such as pension obligations (see Note 6.2) and provisions (see Note 6.3), are also analysed.

6.1. DEFERRED INCOME

The balance of “Deferred Income” totalled EUR 1,118 million at the end of 2016 (2015: EUR 1,088 million), of which EUR 1,112 million correspond to grants related to assets received from the infrastructure concession grantors, primarily in the Toll Roads Division (EUR 1,089 million) and in the Services Division (EUR 23 million).

Within the Toll Roads Division, these grants are mainly broken down into the following projects: LBJ Infrastructure Group (EUR 459 million); NTE Mobility Partners (EUR 561 million); NTE Mobility Partners Segments 3 LLC (EUR 56 million); and, lastly, I-77 Mobility Partners (EUR 13 millions).

The main change in 2016 took place at NTE Mobility Partners Segments 3 and I-77 Mobility Partners, subsidiaries of Cintra in the US, which received additional grants in 2016 amounting to EUR 10 million and EUR 5 million, respectively, offset by a decrease of EUR 9 million and EUR 5 million as a result of the grants being taken to profit or loss in the framework of the NTE Mobility Partners and LBJ Infrastructures projects.

There was also an increase of EUR 32 million at the US companies due to the appreciation of the US dollar with respect to the euro.

These grants related to assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised. The impact of these grants on cash flows is presented as a reduction of cash flows from investing activities.

6.2. PENSION PLAN DEFICIT

This line item reflects the deficit relating to pension and other employee retirement benefit plans, including both defined benefit and defined contribution plans. The provision recognised in the consolidated statement of financial position at 31 December 2016 amounted to EUR 174 million (31 December 2015: EUR 46 million). Of this amount, EUR 172 million (31 December 2015: EUR 44 million) relate to defined benefit plans of the Amey Group in the UK.

The accompanying table analyses the changes in Amey’s pension plan deficit. As the table shows, the main change arises from the increase in the related liability, within “Actuarial Gains and Losses”, due to the decrease in the discount rate applied.

Millions of euros	Assets	Liabilities	Total
Balances at 31/12/15	955	-999	-44
Actuarial gains and losses	103	-257	-153
Contributions	21	0	21
Impact on profit or loss	30	-38	-8
Plan settlement	-31	31	0
Exchange rate effect	-135	147	12
Balances at 31/12/16	944	-1.116	-172

The Amey Group has nine defined benefit plans covering a total of 8,136 employees and nine defined contribution plans covering 12,191 employees. The most significant changes in 2016 that led to a EUR 128 million worsening in the deficit were as follows:

Amey defined benefit plans (Millions of euros)	2016
Actuarial gains and losses	-153
Company contributions	21
Impact on profit or loss	-8
Exchange rate effect	12
TOTAL CHANGES	-128

- An impact of EUR -153 million arising from actuarial gains and losses which increased the pension plan deficit (an increase in the related liability) recognised in equity: In relation to the obligations, there was a worsening in the actuarial assumptions used due to a decrease in the discount rate. This negative impact was offset partially by the return on the pension plan assets as a result of the positive performance of the related markets. More details are provided in section a) of this Note.
- Contributions of EUR +21 million made by the Company to the pension plans, which reduced the pension plan deficit (a decrease in the related liability). The ordinary contributions amounted to EUR 5 million, while the extraordinary contributions aimed at improving the pension plan deficit totalled EUR 16 million.
- A negative impact of EUR -8 million on profit or loss, which increased the pension plan deficit (an increase in the related liability), as detailed in section b) of this Note.
- A positive impact of EUR 12 million due to the exchange rate effect, giving rise to a decrease in the deficit.

Also, although they did not have any effect on the pension plan deficit, there were curtailments and settlements as a result of the payment of obligations to employees, which therefore reduced the related obligation at year-end and gave rise to a reduction of the same amount in the plan assets. In 2016 these curtailments and settlements totalled EUR 31 million.

a) Actuarial gains and losses recognised in reserves

The effects of changes in the actuarial assumptions relating to the defined benefit pension plans of the Amey Group are recognised directly in equity and are summarised (before taxes) in the following table:

Amey Group defined benefit plans (Millions of euros)	2016	2015
Actuarial gains/losses on obligations	257	-66
Actuarial gains/losses on plan assets due to the difference between the expected return at the beginning of the year and the actual return	-103	18
IMPACT ON EQUITY RECOGNISED	153	-47

The main actuarial assumptions used to calculate the defined benefit pension plan obligations are summarised as follows:

Amey Group defined benefit plans Main assumptions	2016	2015
Salary increase	2.77%	2.50%
Discount rate	2.65%	3.90%
Expected inflation rate	3.35%	3.15%
Expected return on assets	2.65%	3.90%
Mortality (years)	86-93	86-93

The mortality assumptions used by the Amey Group to calculate its pension obligations are based on the actuarial mortality tables, with an estimated life expectancy of between 86 and 93 years.

The defined benefit pension plan assets stated at their fair value for 2016 and 2015 are summarised as follows:

Amey Group defined benefit plans (Millions of euros)	2016	2015
Plan assets (fair value)		
Equity instruments	277	370
Debt instruments	563	511
Buildings	62	61
Cash and other	42	13
TOTAL PLAN ASSETS	944	955

b) Impact on profit or loss

The detail of the impact of the defined benefit pension plans on profit or loss is as follows:

Amey Group defined benefit plans (Millions of euros)	2016	2015
Impact on profit or loss before tax		
Current service cost	-4	-5
Interest cost	-34	-38
Expected return on plan assets	33	35
Other	-2	-1
TOTAL AMOUNT RECOGNISED IN PROFIT OR LOSS	-8	-10

c) Complete actuarial reviews

The Amey Group performs complete actuarial valuations every three years, depending on the plan, having completed the most recent reviews of all the plans in 2013 and 2014.

Based on these reviews, the extraordinary contributions to be made in the coming years have been reduced.

For 2017 the ordinary contributions agreed with the trustees shall remain the same as those made in 2016 (EUR 5 million for ordinary contributions and EUR 16 million for extraordinary contributions).

d) Sensitivity analysis

Set forth below is a sensitivity analysis showing the impact on profit or loss and on equity of a change of 50 basis points in the discount rate.

Amey Group defined benefit plans Sensitivity analysis discount rate (+ / - 50 b.p.)	Annual impact on profit or loss		Annual impact on equity	
	Before tax	After tax	Before tax	After tax
+ 50 b.p.	3	2	98	81
- 50 b.p.	-2	-2	-121	-100

6.3. PROVISIONS

The provisions recognised by the consolidated Group are intended to cover the risks arising from its various operating activities. They are recognised using the best estimates of the existing risks and uncertainties and their possible evolution.

This Note provides a breakdown of all the items composing "Long-Term Provisions" and "Operating Provisions" in liabilities in the consolidated statement of financial position. In addition to these items, there are other impairment losses and allowances that are presented as a reduction of certain asset line items and which are disclosed in the Notes relating to those specific assets.

The changes in the long- and short-term provisions presented separately in liabilities in the consolidated statement of financial position were as follows:

(Millions of euros)	Provision for landfills	Provision for compulsory purchases	Provision for replacements and upgrades pursuant to IFRIC 12	Provisions for litigation and taxes	Provisions for other long-term risks	Total long-term provisions	Short-term provisions	Total
Balance at 31 December 2015	113	30	99	416	179	837	622	1,459
Changes in the scope of consolidation and transfers	5	0	-19	66	-62	-6	137	131
Charges for the year:	11	0	29	37	7	83	159	242
<i>Gross profit from operations</i>	<i>7</i>	<i>0</i>	<i>0</i>	<i>35</i>	<i>7</i>	<i>50</i>	<i>159</i>	<i>209</i>
<i>Financial result</i>	<i>4</i>	<i>0</i>	<i>4</i>	<i>1</i>	<i>0</i>	<i>9</i>	<i>0</i>	<i>9</i>
<i>Impairment and disposals of non-current assets</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Income tax</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>
<i>Depreciation and amortisation charge</i>	<i>0</i>	<i>0</i>	<i>24</i>	<i>0</i>	<i>0</i>	<i>24</i>	<i>0</i>	<i>24</i>
Reversals:	-2	-1	-3	-94	-14	-114	-157	-271
<i>Gross profit from operations</i>	<i>-2</i>	<i>-1</i>	<i>-3</i>	<i>-96</i>	<i>-2</i>	<i>-101</i>	<i>-157</i>	<i>-258</i>
<i>Financial result</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>3</i>
<i>Impairment and disposals of non-current assets</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-12</i>	<i>-12</i>	<i>0</i>	<i>-12</i>
<i>Income tax</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-1</i>	<i>0</i>	<i>-1</i>	<i>0</i>	<i>-1</i>
<i>Depreciation and amortisation charge</i>	<i>0</i>	<i>0</i>	<i>-3</i>	<i>0</i>	<i>0</i>	<i>-2</i>	<i>0</i>	<i>-2</i>
Amounts used recognised in current assets or liabilities	-2	0	0	-7	-11	-18	-49	-67
Amounts used recognised in other assets	0	0	3	0	-16	-15	0	-15
Exchange differences	-1	0	1	-8	-4	-12	-10	-22
Balance at 31 December 2016	124	29	109	415	79	757	702	1,459

The table above shows the changes in the year by detailing separately, on the one hand, the charges for the year and reversals that had an impact on the different lines in the consolidated statement of profit or loss and, on the other, other changes which did not have an impact thereon, such as: changes in the scope of consolidation and transfers, amounts used recognised in different headings in the consolidated statement of financial position and exchange rate effect.

In this regard, on analysing the effect on the consolidated statement of profit or loss, mention should be made of the net reversal (income) of EUR 49 million with an impact on gross profit from operations, as well as EUR 67 million relating to amounts used recognised in current assets or liabilities. The sum of both figures is consistent with the EUR 117 million allocated for the purpose of working capital in cash flows (see Note 5.3).

Also, the EUR 131 million relating to changes in the scope of consolidation and other reclassifications include mainly the acquisitions of companies in 2016 discussed in Note 1.2, the most significant of which was Broadpectrum.

Provision for landfills

“Provision for Landfills” contains the estimated cost of landfill closure and post-closure activities relating to the landfills operated by the Ferrovial Services business in Spain and UK. The provision is calculated based on a technical estimate of the consumption to date of the total capacity of the respective landfills. This provision is recognised and reversed with a charge/credit, respectively, to changes in provisions within gross profit from operations in the consolidated statement of profit or loss, as the costs required for closure of the landfill are incurred.

Provision for compulsory purchases

The provision for compulsory purchases recognised by the Spanish toll roads, totalling EUR 29 million (31 December 2015: EUR 30 million). This provision is charged against the concession infrastructure as the costs are incurred over the concession term

Provision for replacements and upgrades pursuant to IFRIC 12

This line item includes the provisions for investments in replacements established by IFRIC 12 (see Note 1.3.3.2). The balance of this heading increased by EUR 10 million from EUR 99 million at December 2015 to EUR 109 million at 31 December 2016. The exclusion from consolidation of the SH-130 toll road, as explained in Note 1.2., gave rise to an impact of EUR -14 million, the difference being the charges for the year. This provision is recognised and reversed with a charge/credit, respectively, to the depreciation and amortisation charge over the period in which the obligations accrue, until the replacement becomes operational.

Provisions for litigation and taxes

This line item includes:

- Provisions to cover the possible risks resulting from litigation in progress, amounting to EUR 168 million (31 December 2015: EUR 170 million), of which EUR 121 million (31 December 2015: EUR 174 million) relate to the Construction Division and EUR 42 million correspond to lawsuits involving the Services Division (31 December 2015: EUR 59 million), the details of which are in Note 6.5. to these consolidated financial statements. This provision is recognised and reversed with a charge/credit, respectively, to changes in provisions within gross profit from operations in the consolidated statement of profit or loss.
- Provisions for tax claims, amounting to EUR 247 million (31 December 2015: EUR 246 million), arising in relation to local or central government duties, income taxes and other taxes, as a result of the varying interpretations that can be made of the tax legislation in the various countries in which the Group operates. This provision is recognised and reversed with a charge/credit to gross profit from operations, financial result and/or income tax, depending on the nature of the tax for which the provision has been recognised (penalties, related interest, and/or tax deficiencies in assessments signed on a contested basis).

Provisions for other long-term risks

This line item includes the provisions recognised to cover certain long-term risks other than those attributable to litigation or taxes, such as third-party liability resulting from the performance of contracts, guarantees provided with enforcement risk and other similar items, which amounted to EUR 79 million at 31 December 2016 (31 December 2015: EUR 179 million).

Short-term provisions

These relate to provisions for risks in contracts in progress, mainly in the Construction Division, where they consist of provisions for construction work completion, site removals and losses amounting to EUR 540 million (2015: EUR 493 million). In the Services Division, these provisions amount to EUR 152 million (31 December 2015: EUR 120 million). These provisions are recognised and reversed with a charge/credit, respectively, to changes in provisions within gross profit from operations.

6.4. OTHER NON-CURRENT LIABILITIES

“Non-Current Liabilities - Other Payables” includes mainly the following:

- The participating loans granted by the State to several infrastructure project concession operators amounting to EUR 154 million (31 December 2015: EUR 153 million), of which EUR 104 million relate to the Toll Roads Division, EUR 40 million to the Services Division and EUR 10 million to the Construction Division.
- Long-term deposits and guarantees amounting to EUR 8 million (31 December 2015: EUR 8 million), of which EUR 5 million relate to the Services Division and EUR 3 million to the Toll Roads Division.
- Long-term trade payables of the Services Division in the UK, amounting to EUR 6 million (31 December 2016: EUR 11 million).

6.5. CONTINGENT LIABILITIES, CONTINGENT ASSETS, OBLIGATIONS AND COMMITMENTS

6.5.1. Litigation

In carrying on its activities the Group is subject to possible contingent liabilities of varying kinds. These contingent liabilities lead to lawsuits or litigation in relation to which a provision is recognised based on the best estimate of the foreseeable disbursements required to settle the obligation. Therefore, it is not expected that any significant liabilities will arise, other than those for which provisions have already been recognised, that might represent a material adverse effect.

The detail of the most significant litigation, in terms of amount, in the Group's various business divisions is as follows:

a) Litigation in relation to the Toll Road business

Autopista Terrasa Manresa (Autema):

In January 2015 the Catalonia Autonomous Community Government notified Autema of its intention to change the concession regime of the project established under Decree 137/1999 from a regime under which the Catalonia Autonomous Community Government undertook to pay the concession operator the difference between the tolls collected and the operating surplus established in the Economic and Financial Plan to a system whereby the remuneration earned by the concession operator will depend on the number of the infrastructure's users, with the Catalonia Autonomous Community Government subsidising a portion of the toll paid by the users. On 14 July the Catalonia Autonomous Community Government officially published Decree 161/2015 which included the amendment to the toll road concession arrangement. The company considers that there are sound arguments to conclude that the Catalonia Autonomous Community Government, on issuing Decree 161/2015, clearly exceeded the limits of the power to amend the arrangements. Accordingly, the company filed an appeal against the aforementioned Decree at the High Court of Catalonia.

As a result of the amendment to the concession regime and taking into consideration the solid legal position against this amendment, classification of this concession as a financial asset has been maintained. However, the test for impairment on goodwill has been revised and an impairment loss of EUR 55 million was recognised on the basis of the assumptions described in Note 3.1.2.

M-203 toll road:

On 24 April 2014, the concession operator filed a claim at the Madrid High Court requesting the termination of the concession arrangement due to a breach by the grantor and the annulment of the penalties imposed on the concession operator. Following the submission of the defence by the Autonomous Community Government of Madrid, and following the submission of evidence, the lawsuit proceedings were concluded awaiting judgment. On 12 February 2015 a judgment was received upholding in full the appeal for judicial review filed, i.e. ruling in favour of the termination of the concession arrangement requested by the concession operator and rendering null and void the order imposing penalties handed down on 6 August 2013. A cassation appeal has been filed by the Autonomous Community Government of Madrid against this judgment.

At 31 December 2015, the carrying amount of this asset was EUR 63 million. The aforementioned carrying amount is the amount that the Company considers to be recoverable from the Government adjusted for the risk of enforcement of certain guarantees provided in relation to this project (see Note 6.5.2).

I-77 toll road, North Carolina (US):

I-77 Mobility Partners LLC and the North Carolina Department of Transportation ("NCDOT") are subject to a joint lawsuit in a proceeding which seeks to annul the comprehensive agreement entered into by I-77 Mobility Partners LLC and NCDOT relating to an access toll road to Charlotte under a managed-lane regime. The claims of the claimants were dismissed by the judge on 8 January 2016. The period in which the claimants can file an appeal is currently open. If this appeal succeeds the impact would be to annul the concession arrangement currently granted to I-77, which would give rise to a right to indemnification for any damage and losses for the concession operator. The investment in this infrastructure project in which an ownership interest of 50.1% is held is EUR X million at 31 December.

AP 36 Ocaña - La Roda and Radial 4 toll roads:

With respect to the insolvency proceedings of the AP36 toll road, the company is currently in the liquidation process. Specifically, in December 2016 the Madrid Provincial Appellate Court definitively set aside the arrangement proposal submitted by the Government through SEITSA. Accordingly, at 31 December 2016 the only viable solution appears to be the definitive liquidation of the company.

With respect to the Radial 4 toll road, there have been no significant changes in the insolvency proceedings in 2016. Although the liquidation process has not yet commenced, taking into consideration the changes at the other companies involved in these proceedings, it appears that the final solution will be a liquidation process. On the basis of the foregoing, and in line with the conclusions reached in 2015, the conditions of loss of control continue to exist: there is no exposure to variable returns from the involvement with the investees and there is no real ability to use the aforementioned power over the investees, which led to the exclusion from the scope of consolidation of both projects in 2015.

b) Litigation relating to the Construction business

The Group's Construction Division is involved in various lawsuits relating primarily to possible defects in the construction of completed projects and claims for third-party liability.

The provisions recognised in relation to these risks at 31 December 2016 totalled EUR 134 million (2015: EUR 161 million) and relate to a total of approximately 127 lawsuits. The most significant litigation, in terms of amount, in this business area is as follows:

- **Muelle del Prat:** this corresponds to a claim relating to the construction project for the new container terminal at the Port of Barcelona. The work was performed by Ferrovial Agroman as part of an unincorporated temporary joint venture (UTE) with other companies. The claim -for an amount of EUR 97 million- was lodged by the Port of Barcelona in September 2011 against all the companies involved in the performance of the project and arose as a result of the damage caused by an accident during construction work. A judgment was handed down in 2013 partially upholding the claim filed by the customer, ordering the defendants jointly and severally to pay EUR 20.9 million plus interest. In the first six months of 2014 the insurance companies partially covered the payment of the aforementioned judgment. On 16 March, the Barcelona Provincial Appellate Court handed down a decision ruling in favour of the defendants and dismissing in full the claim lodged by the Barcelona Port Authority; the Port Authority has lodged a cassation appeal against this ruling.
- **Arbitration in relation to the construction project for Warsaw airport:** this corresponds to a claim filed against the UTE made up of Ferrovial Agroman and Budimex in relation to the termination of the contract to construct Terminal 2 of Warsaw Airport. In 2007 the customer executed the guarantee provided amounting to EUR 13.5 million and filed a claim against the construction joint venture for a total of EUR 67 million. In turn, the construction joint venture filed claims against the customer for the unlawful execution of the guarantee and for uncollected amounts totalling EUR 54.5 million. In September 2012, after the favourable award of the Arbitration Court (confirmed in 2013 by the Supreme Court), the customer returned the executed guarantee and paid the interest accrued from when the guarantee was executed. The Arbitration Court has not yet handed down an award on the core issue.

- Claim of the Directorate-General for Roads and Toll Roads in Poland: On 31 October 2016 the Polish Public Treasury (Directorate-General for Roads and Toll Roads - "GDDKiA") lodged a civil claim against a consortium in which Budimex was participating in order to submit a tender for the project to construct a section of the S8 Piotrkow Trybunalski - Rawa Mazowiecka expressway, which was ultimately awarded to another consortium. GDDKiA accused the consortium in which Budimex was participating of price fixing between competitors, which allegedly would have given rise to significant cost overruns in the performance of the construction work. The amount claimed included principal of EUR 123 million and unquantified interest (since July 2009). In February 2017 the company was notified that GDDKiA had withdrawn the claim, and at the date of preparation of these consolidated financial statements the withdrawal of the claim was pending acceptance by the Court. On the basis of the foregoing, it was not considered necessary to recognise a provision for this lawsuit at 2016 year-end.

c) Litigation relating to the Services business

- With respect to the Services business in the UK, the main lawsuit in which the Company was involved in December 2016 relates to the agreement entered into by Amey and Birmingham City Council. On 5 September 2016 a court decision was handed down ruling in Amey's favour with respect to all the matters disputed by the parties, although the other party has requested permission for the case to be heard at the appeal court. The company is currently negotiating with Birmingham City Council in order to reach an out-of-court settlement. At the end of the year the company had recognised a provision of EUR 50 million to cover risks arising from the final ruling on the dispute.
- With respect to the Services business in the UK, the process to settle the Services contract with Cumbria County Council (CCC) should be also noted. As a result of the termination of the contract in 2012, Amey claimed GBP 27.2 million from the customer and, in answer to the claim, CCC filed a counterclaim for GBP 22.4 million. In November 2013, Amey instigated a court proceeding in this connection. On 11 November 2016, a court decision was handed down ruling in Amey's favour acknowledging an account receivable of GBP 5.5 million. The customer has not lodged an appeal against this decision and, therefore, the litigation is considered to be concluded with respect to the principal claimed. The parties are currently discussing the final amount of the legal costs to be recovered from the customer, in accordance with the judge's orders in this connection, with judicial remedy being a possibility in the event the parties do not come to an agreement.

With respect to the Services business in Spain, the main lawsuit in which the Company was involved at 31 December 2016 related to a resolution of the Spanish National Markets and Competition Commission imposing a penalty on Cespa Group companies and Cespa, G.R. and other companies from the waste management and urban cleaning industry for participating in a market share agreement. In particular, the penalty imposed on Cespa, S.A. and Cespa, G.R. amounted to EUR 13.6 million. At the end of the year the National Appellate Court had not handed down a judgment in connection with the appeal filed on 11 March 2015 against the enforcement proceedings of the Spanish National Markets and Competition Commission. In the opinion of the company's legal advisers, there are robust arguments to challenge the judgment and, accordingly, on the basis of such arguments, the Group decided not to recognise any type of provision in this connection.

d) Tax litigation

As indicated in Note 6.3. the Group companies recognise provisions for taxes due to the varying interpretations that can be made of the tax legislation in the different countries in which the Group operates.

e) Other litigation

In addition to the litigation discussed above, of particular note is the Group continuing to maintain its contractual position vis-à-vis certain tax claims that had been filed by Promociones Habitat, S.A., which was sold by Ferrovial Fisa, S.L. on 28 December 2016. These claims are currently pending resolution or payment and a provision for the amount thereof has been duly recognised in the consolidated financial statements.

6.5.2. Guarantees

a) Bank guarantees and performance bonds issued by insurance companies and sureties

In carrying on its activities the Group is subject to possible contingent liabilities -uncertain by nature- relating to the liability arising from the performance of the various contracts that constitute the activity of its business divisions.

In order to cover the aforementioned liability, the Group has provided bank guarantees and performance bonds issued by insurance companies and sureties. At 31 December 2016, the balance provided amounted to EUR 5,944 million (2015: EUR 4,827 million).

The following table contains a breakdown by business area.

(Millions of euros)	2016	2015
Construction	3,992	3,106
Toll roads	317	290
Services	1,183	925
Services excluding Broadspectrum	896	925
Broadspectrum	287	-
Airports	7	8
Other	445	499
TOTAL	5,944	4,827

The EUR 5,944 million, by type of instrument, relate to EUR 2,935 million of bank guarantees, EUR 965 million of guarantees provided by insurance companies and EUR 2,044 million provided by bonding agencies. These guarantees cover the liability to customers for correct performance in construction or services contracts involving Group companies. Thus, if a project was not performed the customer would enforce the guarantee.

Despite the significant amount of these guarantees, the impact that might arise on the consolidated financial statements is very low, since the Group companies perform contracts in accordance with the terms and conditions agreed upon with the customers and recognise provisions within the results of each contract for risks that might arise from performance thereof (see Note 6.3). Accordingly, the only provisions relating to a possible enforcement of guarantees recognised at December 2016 amounted to EUR 2 million.

In relation to the responsibility for the correct performance of the agreements, it is important to indicate that in certain cases, these obligations are also guaranteed by guarantees granted by Group companies different from the ones that perform the contract. Moreover, a portion of these risks is covered by insurance policies such as third party liability or construction defect insurance policies.

Finally, of the total amount of the Group's bank guarantees listed in the above table, EUR 317 million (see Note 6.5.3.) secure its commitments to invest in the capital of infrastructure projects.

b) Guarantees provided by Group companies to other companies in the Group

As mentioned previously, in general there are guarantees provided among Group companies to cover third-party liability claims arising from contractual, commercial or financial relationships.

Although these guarantees do not have an effect on the consolidated Group, there are certain guarantees provided by non-infrastructure project companies to infrastructure project companies (see Note 1.1.2.) which, due to the classification of project borrowings as being without recourse, it is relevant to disclose (see b.1. below).

Other noteworthy guarantees have also been provided to companies accounted for using the equity method (see b.2. below).

b.1) Guarantees provided by non-infrastructure projects to infrastructure projects related to these projects' debt that could give rise to future additional capital disbursements if the events guaranteed take place (contingent capital guarantees)

Guarantees provided by non-infrastructure projects to infrastructure projects could be divided between the following two categories:

- Guarantees that address the correct performance in construction and service contracts which have been mentioned in Note 6.5.2-a).
- Guarantees related to risks different from the correct performance in construction and service contracts, which could give rise to future additional capital disbursements if the events guaranteed take place.

The latter guarantees are the ones that are going to be explained in further detail in this section since, as mentioned in Note 5.2. Net cash position, the borrowings for infrastructure projects are without recourse to the shareholders or with limited recourse to the guarantees provided and, therefore, it is relevant to distinguish those guarantees that if the guaranteed event occurs, could be executed and could result in disbursements to the infrastructure projects or holders of their debt other than the committed capital or investment mentioned in Note 6.5.3. (such guarantees are called contingent capital guarantees).

The detail, by beneficiary company, purpose and maximum amount, of the outstanding guarantees of this nature at 31 December 2016 relating to fully consolidated infrastructure project companies is as follows. It should be noted that the amounts below relate to Ferrovial participation:

	Guarantee purpose	Amount
Auto-Estradas Norte Litoral	Guarantee limited to compulsory purchase overruns	2
Ausol	Guarantee limited to covering compulsory purchase proceedings for 11 lots in Mijas (EUR 20 million) and the investment to bring tunnels into line with European legislation (EUR 13.7 million).	34
Subtotal guarantees - Cintra projects		36
Conc. Prisiones Lledoners	Technical guarantee to repay amounts to the bank in the event of termination of the contract. Does not cover insolvency (default) or breach by the grantor	73
Conc. Prisiones Figueras	Technical guarantee for failure to repay amounts to the bank in three specific cases relating to construction permit, General Urban Zoning Plan and modifications. Does not cover insolvency (default) or breach by the grantor	61
Subtotal guarantees - Construction projects		134
Servicios Urbanos de Murcia	Technical guarantee to obtain the certificate relating to the permit obtained through administrative silence, activities for the environmental authorisation and grant of a security interest up to a combined limit of EUR 70 million. Technical guarantee made available for vehicles with a limit of EUR 31.9 million (pdte confirmar con Servicios).	70
Subtotal guarantees - Services projects		70
TOTAL GUARANTEES - FULLY CONSOLIDATED INFRASTRUCTURE PROJECTS		241

The detail of the amounts of the guarantees (corresponding to the Ferrovial Group's percentage interest) in relation to the financing of the infrastructure projects accounted for using the equity method and, accordingly, the borrowings of which are not included in the Group's consolidated financial statements is as follows:

Beneficiary company	Guarantee purpose	Amount
Serrano Park (Cintra)	Limited guarantee to cover the debt service and maintenance reserve accounts in the event of a cash deficit.	2
URBICSA (Construction)	Technical guarantee for repayment in the event of termination of the agreement or breach of certain contracts on grounds attributable to the borrower or its shareholders. Does not cover insolvency or breach by the grantor.	49
TOTAL GUARANTEES - INFRASTRUCTURE PROJECTS ACCOUNTED FOR USING THE EQUITY METHOD		51

Of the aforementioned guarantees detailed by fully consolidated infrastructure projects and infrastructure projects accounted for using the equity method, only bank guarantees are provided to Ausol.

b.2) Other guarantees provided to companies accounted for using the equity method other than infrastructure projects

Certain construction and services contracts are performed by companies accounted for using the equity method often created specifically to perform contracts previously awarded to their shareholders. In these cases, the shareholders of those companies provide performance bonds relating to those contracts. The liability secured is similar to that indicated in Note 6.5.2.a).

Notable in this respect are the performance bonds provided by the Services Division in favour of various companies accounted for using the equity method, which total EUR 1,060 million, of which the most relevant are those related to contracts for the UK Ministries of Defence and Justice and for Doha international airport. It should be noted that the foregoing amounts correspond to works pending execution and to the percentage of ownership of Ferrovial.

c) Assets pledged as collateral

The assets pledged as collateral are described in the Notes as follows:

- Pledges of property, plant and equipment, see Note 3.4.
- Pledges of deposits or restricted cash, see Note 5.2.

d) Guarantees received from third parties

At 31 December 2016, Ferrovial had received guarantees from third parties totalling EUR 1,056 million, mainly in the Construction Division in relation to the fulfilment of certain rights held mostly by the Ferrovial Agroman companies in the United States (EUR 836 million), the Budimex Group (EUR 114 million) and the other construction companies (EUR 106 million).

6.5.3. Commitments

As described in Note 1.1, the infrastructure projects carried out by the Group are performed through long-term contracts where the concession operator is a company in which the Group has interests, either alone or together with other partners, and the borrowings necessary for financing the project are allocated to the project itself, without recourse to the shareholders or with recourse limited to the guarantees provided, under the terms set forth in Note 5.2. From the management viewpoint, therefore, Ferrovial takes into account only the investment commitments relating to the capital of the projects, since the investment in the assets is financed by the borrowings of the projects themselves.

a) Investment commitments

The investment commitments of the Group in relation to the capital of its projects are as follows:

(Millions of euros)	2017	2018	2019	2020	2021	2022 and subsequent years	TOTAL
Investments in fully consolidated infrastructure projects	72	132	0	0	20	0	224
Toll roads	69	132	0	0	20	0	221
Services	0	1	0	0	0	0	1
Construction	3	0	0	0	0	0	3
Investments in infrastructure projects accounted for using the equity method	41	37	28	398	210	136	849
Toll roads	34	4	28	398	210	136	810
Services	6	33	0	0	0	0	39
Construction	0	0	0	0	0	0	1
Total investments infrastructure projects	112	169	28	398	230	136	1,074

At 31 December 2016, the total investment commitments amounted to EUR 1,074 million (2015: EUR 460 million). The increase in investment commitments relates mainly to the equity investment of EUR 723 million for our 50% ownership interest in the I-66 toll road (tentative figure until financial close of the project), netted off by the investment made in 2016 in toll road infrastructure projects in the US and the UK.

As indicated in 6.5.2-a), a portion of these commitments, amounting to EUR 317 million, are secured by bank guarantees. It should be mentioned that the EUR 1,074 million include EUR 34 million that also appear in the guarantees referred to in section b.1) corresponding to the contingent capital of Ausol.

It should be noted that, although it is not included in the commitments in the table above, in relation to I-77, Ferrovial is guaranteeing the investment commitments of one partner amounting to 70 million euros. In return for granting this guarantee, if the partner fails to meet its disbursement, its participation will be diluted in proportion to the investment not paid out.

There are also property, plant and equipment purchase commitments in the Services Division totalling EUR 121 million (2015: EUR 92 million) which relate mainly to the acquisition of machinery or the construction of treatment plants, and EUR 4 million (2015: EUR 28 million) relating to the purchase of two waste treatment companies in Poland. The schedule of the commitments of the Services Division is as follows:

(Millions of euros)	2017	2018	2019	2020	2021	2022 and subsequent years	TOTAL
Acquisition of property, plant and equipment	59	19	3	2	36	1	121
Acquisition of companies	1	1	2	0	0	1	4
TOTAL SERVICES	60	20	5	2	36	2	125

It should be noted that the foregoing commitments of the Services Division are not secured by bank guarantees.

b) Commitments under operating and finance leases

The expense recognised in relation to operating leases in the statement of profit or loss for 2016 totals EUR 412 million (2015: EUR 376 million).

The future total minimum lease payments for non-cancellable operating leases are shown below:

2016 (Millions of euros)	Corporate	Construction	Toll roads	Services	Airports	Total
Within one year	4	35	3	97	0	138
Between one and five years	21	47	4	176	0	247
After five years	0	10	0	40	0	50
Lessee	25	92	7	312	0	435

2015 (Millions of euros)	Corporate	Construction	Toll roads	Services	Airports	Total
Within one year	4	59	3	21	0	87
Between one and five years	13	80	3	22	0	118
After five years	0	21	0	19	0	40
Lessee	18	160	6	62	0	245

The Group does not have any significant commitments as a lessor under operating leases.

c) Environmental commitments

Any operation designed mainly to prevent, reduce or repair damage to the environment is treated as an environmental activity.

Costs incurred to protect and improve the environment are taken to the income statement in the year in which they are incurred, irrespective of when the resulting monetary or financial flow takes place.

Provisions for probable or certain environmental liability, litigation in progress and indemnities or other outstanding obligations of undetermined amount not covered by insurance policies are recorded when the liability or obligation giving rise to the indemnity or payment arises. These provisions include most notably the provisions for landfill closure discussed in Note 6.3, the balance of which at 31 December 2016 was EUR 124 million (31 December 2015: EUR 113 million).

6.6. REMUNERATION OF THE BOARD OF DIRECTORS

6.6.1. 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 maximum annual remuneration for all the members of the Board of Directors, which is revised on the basis of the indices or aggregates defined by the General Meeting. This remuneration comprises (i) fixed remuneration and (ii) fees for actual attendance at Board and Committee meetings. Remuneration is linked solely to the functions and responsibilities assigned to each director, their membership of Board Committees and other objective circumstances that the Board of Directors deems relevant, thereby ensuring their independence and commitment in the 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 applicable in the year 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 table below shows the itemised bylaw-stipulated emoluments of the members of the Board of Directors earned in 2016 and 2015. It also includes the supplementary fixed remuneration relating to the bylaw-stipulated emolument paid in a single payment after year-end. If because there are more meetings than initially envisaged or for any other reason the amount of the attendance fees added to that of the fixed components exceeds the total maximum amount of remuneration for Board membership established for the year in question, the difference is deducted from the amount of the supplementary fixed remuneration proportionally for each director on the basis of his or her position on the Board.

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	58	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 29/07/16)	15	12	20	46
Leopoldo del Pino y Calvo-Sotelo (until 21/01/16)	2	0	3	5
Howard Lance (until 14/04/16)	10	12	13	35
TOTAL	377	699	588	1,663

(Thousands of euros)	2015			Total
	Fixed remuneration	Attendance fees	Supplementary fixed remuneration	
Rafael del Pino y Calvo-Sotelo	35	112	92	239
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 29/10/15)	6	12	8	26
Leopoldo del Pino y Calvo-Sotelo (since 29/10/15)	6	12	8	26
Howard Lance (since 18/10/14)	35	30	46	111
Oscar Fanjul Martín (since 31/07/15)	15	19	19	53
Jaime Carvajal Urquijo (until 30/07/15)	20	47	27	94
Portman Baela, S.L. (until 09/09/15)	24	31	32	87
Karlovy, S.L. (until 29/10/15)	29	24	38	91
TOTAL	415	708	638	1,762

6.6.2. 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 (Thousands of euros)	2016			TOTAL
	Rafael del Pino	Joaquín Ayuso (3)	Iñigo 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 15/03/16.

(2) Rafael del Pino exercised 1,179,600 share options and Iñigo Meirás exercised 20,000 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. He was granted this share-option plan in 2008 when he discharged the position of executive director.

Remuneration of executive directors (Thousands of euros)	2015			TOTAL
	Rafael del Pino	Joaquín Ayuso (3)	Iñigo 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 conditions had been complied with in full, 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 March 2015.

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

(3) Joaquín Ayuso exercised 409,600 options in 2015. This 2008 Share Option Plan, to which he retains entitlement, was awarded to him when he was an executive director.

b) Share-based payment systems

Following is a detail of the targets-based remuneration schemes linked to the performance of the share, entitlement to which has not yet accrued.

Executive Directors' Plan Situation at 31/12/16	Units	No. of voting rights	% of voting power	
Rafael del Pino y Calvo-Sotelo	Assignment	78,500	78,500	0.01%
Assignment	69,800	69,800	0.01%	
Assignment	74,000	74,000	0.01%	
Iñigo Meirás Amusco	Assignment	78,500	78,500	0.01%
Assignment	69,800	69,800	0.01%	
Assignment	74,000	74,000	0.01%	

6.6.3. Remuneration of the members of the Board of Directors due to membership of other managing bodies of Group companies or associates

The Ferrovial, S.A. director Joaquín Ayuso García, who is in turn a member of the managing bodies of other Group companies or associates, received EUR 36 thousand in this connection in 2016. In turn, Howard Lee Lance, Ferrovial, S.A. director until 14 April 2016, received up to that date EUR 24 thousand as a result of his membership of the managing bodies of other Group companies or associates (2015: both of them received EUR 31 thousand in this connection).

6.6.4. 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.

Lastly, Ferrovial, S.A. took out a third-party liability insurance policy. The insureds under this policy are the directors and executives of the Group companies the parent of which is Ferrovial, S.A. The directors of Ferrovial, S.A. are included among the insureds of this policy. The premium paid in 2016 for this insurance policy amounted to EUR 577,849.

6.6.5. 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.

6.6.6. Remuneration of senior executives

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

Remuneration of senior executives (Millions 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	0	1,899
Total	17,885	26,996

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 6.6.2.

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).

6.6.7. 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 eleven 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 policyholder 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.

6.7. SHARE-BASED PAYMENT

a) Share option plan

Until 2008 Ferrovial used a remuneration system based on the delivery of share options. In 2016 the directors and executives who held share options under the aforementioned 2008 share option plan exercised the share options for the following amounts (the achievement in full of the objectives meant that all the share options could be exercised): Chairman: EUR 9,383 thousand; Chief Executive Officer: EUR 170 thousand; Second Deputy Chairman: EUR 1,616 thousand. Following the exercise of these share option plans, there are no more share option plans in place.

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.

The summary of the changes in the Company's share option plans in 2016 and 2015 is as follows:

	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

At 2016 year-end, Ferrovial had two remuneration systems in place for directors, consisting of the performance-based award of shares:

- The three-year plan approved by the Board of Directors on 19 December 2012: this plan consists 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, to cash flows from operating and investing activities and total shareholder return with respect to a comparable group.
- The three-year plan approved by the Board of Directors on 29 October 2015 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).

There were 3,266,221 shares outstanding at 31 December 2016 relating to these two plans.

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 6.6. on remuneration of executive directors and senior executives.

In 2016 the staff costs recognised at the Company in relation to these remuneration systems amounted to EUR 4,781 thousand (2015: EUR 4,693 thousand) with a charge to 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 they 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.

6.8. RELATED PARTY TRANSACTIONS

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 consolidated 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 other related companies

The transactions performed with the Company's directors and senior executives in 2016 are shown below. The table also includes the transactions performed with persons or entities considered to be related to the Company (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 other related parties (1 of 2)				2016			2015		
(Thousands of euros)				Amount	Profit or loss	Balance	Amount	Profit or loss	Balance
Name/ Company name	Ferrovial Group company	Nature of transaction	Type of transaction						
Rafael del Pino y Calvo-Sotelo	Ferrovial Servicios / subsidiaries		Maintenance, cleaning and gardening services	(-)	(-)	(-)	16	1	8
	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work monitoring and advisory services	6	0	0	53	4	105
María del Pino y Calvo-Sotelo	Ferrovial Agroman / subsidiaries	Commercial	Real estate renovation	99	0	0	4	0	0
Joaquín del Pino y Calvo-Sotelo	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	17	2	0	53	2	0
Ana María Calvo-Sotelo y Bustelo	Ferrovial Servicios / subsidiaries	Commercial	Maintenance and cleaning services	27	2	2	(-)	(-)	(-)
Joaquín Ayuso García	Ferrovial Agroman / subsidiaries	Commercial	Real estate renovation	2	0	0	4	0	0
Almirall Laboratorios	Ferrovial Servicios / subsidiaries	Commercial	Waste collection services	8	0	5	8	1	2
Criu, S.L.	Ferrovial Servicios / subsidiaries	Commercial	Maintenance and cleaning services	16	2	2	(-)	(-)	(-)
	Ferrovial Agroman / Subsidiaries	Commercial	Construction, maintenance and repair work	460	0	129	(-)	(-)	(-)
Maxam Europe and group companies	Ferrovial Agroman / subsidiaries	Commercial	Receipt of supplies of explosives and detonators	857	(*)	-74	816	(*)	-87
Telefónica and group companies	Several	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	Maintenance and waste collection services	800	67	0	3,035	402	1,121
Marsh and group companies	Several	Commercial	Receipt of consultancy and insurance services	4,432	(*)	-65	1,719	(*)	-123
Meliá Hotels and group companies	Several	Commercial	Receipt of hotel and catering services	4	(*)	-1	2	(*)	-1
	Ferrovial Servicios / subsidiaries	Commercial	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	Several	Commercial	Receipt of financial services	525	(*)	0	1,235	(*)	0
	Several	Commercial	Financing agreements. Guarantee purpose	87,456	(*)	87,456	295,300	(*)	295,300
	Several	Commercial	Interest received	147	147	0	66	66	0
	Several	Commercial	Payment of interest	1,520	(*)	0	5,698	(*)	0
	Several	Commercial	Balance drawn down against guarantee facilities	125,707	(*)	125,707	132,700	(*)	132,700
	Several	Commercial	Transactions with derivatives	14,283	(*)	0	11,078	(*)	0
	Ferrovial Servicios / subsidiaries	Commercial	Maintenance services	1	0	5	8	1	5
Bankinter	Several	Commercial	Receipt of financial services	18	(*)	0	17	(*)	0
	Several	Commercial	Payment of interest	176	(*)	0	1,189	(*)	0
	Several	Commercial	Interest received	261	261	0	317	317	0
	Several	Commercial	Balance drawn down against guarantee facilities	9,882	(*)	9,882	3,000	(*)	3,000
	Several	Commercial	Financing agreements	10,898	(*)	10,898	7,100	(*)	0
	Ferrovial Servicios / subsidiaries	Commercial	Maintenance services	176	7	0	168	6	35

Transactions with directors, senior executives and other related parties (1 of 2)				2016			2015		
(Thousands of euros)				Amount	Profit or loss	Balance	Amount	Profit or loss	Balance
Name/ Company name	Ferrovial Group company	Nature of transaction	Type of transaction						
Bimaran Pozuelo, S.L.	Ferrovial Agroman / subsidiaries	Commercial	Construction and renovation work	1,207	-184	60	282	191	0
Polan, S.A.	Ferrovial Servicios / subsidiaries	Commercial	Integrated management of services	162	12	79	(-)	(-)	(-)
Fundación Rafael del Pino	Ferrovial Servicios / subsidiaries	Commercial	Cleaning	2	0	1	(-)	(-)	(-)
Red Eléctrica 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	Construction advisory services	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
	Several	Commercial	Arrangement of insurance policies	2,043	(*)	0	7,774	(*)	2
Zurich Insurance	Ferrovial Servicios / subsidiaries	Commercial	Lease of offices	88	(*)	-6	300	(*)	-6
	Ferrovial Servicios / subsidiaries	Commercial	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 6.6.

c) Intra-Group transactions

Set forth below is information on transactions between Ferrovial, S.A. companies which, in all cases forming part of their ordinary businesses as regards purpose and conditions, were not eliminated on consolidation for the following reason.

As explained in detail in Note 1.3.2, the balances and transactions relating to construction work performed by the Construction Division for the Group's infrastructure concession operators are not eliminated on consolidation since, at consolidated level, contracts of this type are classed as construction contracts in which the work -to the extent that it is completed- is deemed to be performed for third parties, as the ultimate owner of the work is the grantor both from a financial and legal viewpoint.

In 2016 Ferrovial's Construction Division billed those concession operators for EUR 112,252 thousand (2015: EUR 439,532 thousand) for work performed and related advance payments and, in this respect, recognised sales totalling EUR 397,122 thousand (2015: EUR 652,303 thousand).

In 2016 the profit from these transactions attributable to Ferrovial, S.A.'s holdings in the concession operators in question and not eliminated on consolidation, net of taxes and non-controlling interests, was EUR 34,694 thousand. In 2015 it was EUR 93,359 thousand.

6.9. 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 of the Company (or its Group companies) 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 discussion and vote on a transaction with the Telefónica Group since he holds the position of non-executive chairman of SP Telecomunicações Participações LTDA, a Telefónica, S.A. subsidiary.

6.10. FEES PAID TO AUDITORS

Pursuant to Royal Decree 1514/2007, of 16 November, approving the Spanish National Chart of Accounts, following is a disclosure of the total fees relating to the "audit services" and "other consultancy services" provided by the auditors of the 2016 and 2015 financial statements of the Group companies, including both the principal auditor of Ferrovial, S.A. and the other auditors of all its investees, both in Spain and abroad.

“Fees for Audit Services” includes the following items:

- “Audit Services” relates to strictly statutory audit services.
- “Audit-Related Services” relates to services other than statutory audit services which by law or by regulation can only be provided by the Company's auditor, such as the review of financial information in bond issues and services which due to their nature are normally provided by the Company's auditor, such as the review of tax returns.

The total of “Other Consultancy Services” provided by the principal auditor represented 12.99% of the total fees for audit services in 2016. This amount also includes EUR 0.1 million for tax advisory services provided by the auditor.

Millions of euros	2016	2015
Fees for audit services	5.8	5.1
Principal auditor	4.8	5.0
Audit services	4.5	4.6
Audit-related services	0.3	0.4
Other auditors	1.1	0.1
Audit services	1.0	0.1
Audit-related services	0.0	0.0
Other consultancy services	2.0	0.8
Principal auditor	0.6	0.6
Other auditors	1.4	0.2

6.11. EVENTS AFTER THE REPORTING PERIOD

At the date of authorisation for issue of these consolidated financial statements, no significant events had taken place.

6.12. APPENDICES

APPENDIX I. DISCLOSURES ON THE TAX REGIME ESTABLISHED IN ARTICLES 107 AND 108 OF LAW 27/2014.

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:

- 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.
- 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:
 - 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.
 - 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.
 - 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".

- The capital gains obtained by the shareholders of Ferrovial arising from the transfer of their ownership interests in the Company are treated as follows:
 - 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.
 - 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.

- 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:

A) EXEMPTION FOR FOREIGN SOURCE DIVIDENDS AND INCOME

a.1 Exemption for foreign source dividends

Amounts in euros	
Cintra Global Holding, LTD	12,400,000.00
Financinfrastructures Ltd. dividend	7,600,000.00
407 Toronto Highway B.V. dividend	4,800,000.00
Cintra Infraestructuras Internacional, S.L.U.	5,300,150.00
Cinsac, LTD dividend	5,000,000.00
Eurolink Motorway Operation (M4-M6) Ltd. dividend	300,150.00
Cintra Infraestructuras, S.A.	36,595,827.21
Norte Litoral dividend	22,239,997.72
Algarve BV dividend	13,207,843.09
Via Livre dividend	1,147,986.40
Ferrovial, S.A.	4,650,000.00
Hellas Toll dividend	4,650,000.00
Ferrovial Agroman Internacional, S.L.U.	50,413,410.94
Valivala dividend	50,413,410.94
Total	109,359,388.15

a.2 Exemption for income of permanent establishments abroad

No income was obtained from permanent establishments abroad in 2016.

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:

200

	Amounts in euros
Ferrovial, S.A.	-73,944
TOTAL	-73,944

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

	Amounts in euros
Ferrovial, S.A.	3,045,684,105.03
Ferrovial Internacional, S.L.U.	755,050,176.77
Cintra Infraestructuras Internacional, S.L.U.	7,614,702.38
TOTAL	3,808,348,984.18

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 89%.

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:

- (iv) 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;
- (v) 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;
- (vi) 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) (Millions of euros)

The participation percentage and the net cost of the ownership interest correspond to the present values of the "Parent Company" over the "Company".

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
CORPORATE					
SPAIN (Registered office: Madrid, Spain)					
Betonal, S.A. (a)	Ferrovial, S.A. (a)		99.0%	4	
Ferrovial Inversiones, S.A. (a)	Ferrovial, S.A. (a)		99.6%	0	
Frin Gold, S.A. (a)	Ferrovial, S.A. (a)		99.0%	0	
Inversiones Trenza, S.A. (a)	Ferrovial, S.A. (a)		99.9%	1	
Promotora Ibérica de Negocios, S.A. (a)	Ferrovial, S.A. (a)		99.0%	0	
Can-Am, S.A. (a)	Ferrovial, S.A. (a)		100.0%	3	
Ferrovial Emisiones, S.A. (a)	Ferrovial, S.A. (a)		99.0%	0	■
Triconitex, S.L. (a)	Ferrovial, S.A. (a)		100.0%	2	
Ferrovial CORPORATE, S.A. (a)	Ferrovial, S.A. (a)		100.0%	5	■
Ferrofin, S.L. (a)	Ferrovial, S.A. (a)		85.6%	1.554	■
Ferrovial Internacional, S.L.U. (a)	Ferrovial, S.A. (a)		100.0%	6.329	■
Tetabomoa, S.A. (a)	Ferrovial, S.A. (a)		99.0%	0	
Teraoui, S.A. (a)	Ferrovial, S.A. (a)		99.0%	0	
Temaui, S.L. (a)	Ferrovial, S.A. (a)		100.0%	(1)	
UNITED KINGDOM (Registered office: Oxford, United Kingdom)					
Ferrocop UK Ltd.	Ferrovial, S.A. (a)		100.0%	1	■
Ferrovial International, Ltd. (a)	Ferrovial Internacional, S.L.U. (a)		100.0%	5.704	■
IRELAND (Registered office: Dublin, Ireland)					
Landmille Ireland DAC	Ferrovial Internacional, S.L.U. (a)		100.0%	633	■
LUXEMBOURG: Luxembourg					
Krypton RE, S.A.	Ferrovial, S.A. (a)		100.0%	4	■
NETHERLANDS (Registered office: Amsterdam, Netherlands)					
Landmille Netherlands BV	Ferrovial Internacional, Ltd. (a)		100.0%	43	
UNITED STATES (Registered office: Austin, USA)					
Landmille US LLC	Ferrovial Holding US Corp		100.0%	0	
Ferrovial Holding US Corp	Cintra Infraestructuras, S.E. (a)		100.0%	694	
REAL ESTATE					
SPAIN (Registered office: Madrid, Spain)					
Ferrovial FISA, S.L. (a)	Ferrovial, S.A. (a)		100.0%	60	
Vergarapromoinvest, S.L. (a)	Ferrovial FISA, S.L. (a)		99.7%	26	
AIRPORTS					
SPAIN (Registered office: Madrid, Spain)					
Ferrovial Aeropuertos Internacional, S.A.U. (a)	Project	Ferrovial Internacional, S.L.U. (a)	100.0%	17	■
Ferrovial Aeropuertos SPAIN, S.A. (a)		Ferrovial, S.A. (a)	99.0%	25	■
NETHERLANDS (Registered office: Amsterdam, Netherlands)					
Hubco Netherlands B.V.		Ferrovial Airports International, Ltd. (a)	100.0%	783	■
CHILE (Registered office: Santiago, Chile)					
Ferrovial Transco Chile SpA	Project	Ferrovial Aeropuertos Internacional, S.A.U. (a)	65.9%	36	■
Ferrovial Transco Chile II SpA	Project	Ferrovial Transco Chile SpA	100.0%	0	■
Transchile Charrúa Transmisión	Project	Ferrovial Transco Chile SpA	100.0%	99	■
UNITED KINGDOM (Registered office: Oxford, United Kingdom)					
Faero UK Holding Limited		Hubco Netherlands B.V.	100.0%	288	■
Ferrovial Airports International, Ltd. (a)		Ferrovial International, Ltd. (a)	100.0%	0	■
Ferrovial Airports Denver UK Ltd.		Ferrovial Airports International, Ltd. (a)	100.0%	4	■
UNITED STATES (Registered office: Denver, USA)					
Ferrovial Airports Denver Corp	Project	Ferrovial Airports Denver UK Ltd.	100.0%	4	■
Ferrovial Airports Great Hall Partners LLC	Project	Ferrovial Airports Denver Corp	100.0%	4	■
Denver Great Hall Holding LLC	Project	Ferrovial Airports Great Hall Partners LLC	80.0%	1	■
Denver Great Hall LLC	Project	Denver Great Hall Holding LLC	100.0%	1	■
SERVICES					
SPAIN (Registered office: Madrid, Spain)					
Ferrovial Servicios (a)		Ferrovial, S.A. (a)	100.0%	264	■
Albaida Residuos, S.L. (a)		Cespa Gestion de Residuos, S.A. (a)	100.0%	5	
Autovía de Aragón, Sociedad Concesionaria, S.A. (a)	Project	Ferroser Infraestructuras (a)	60.0%	11	■
Ferroser Infraestructuras (a)		Ferrovial Servicios (a)	100.0%	18	■
Ferroser Servicios Auxiliares, S.A. (a)		Ferrovial Servicios (a)	100.0%	10	■
Siemsa Control y Sistemas S.A.U.		Siemsa Industria S.A.	100.0%	1	■
Siemsa Industria S.A.		Ferrovial Servicios (a)	100.0%	17	■
Sitkol, S.A. (a)		Compañía Española de Servicios Públicos Auxiliares S.A. (a)	99.0%	5	
Valorizaciones Farmacéuticas, S.L		Biotran Gestion de Residuos, S.L.U	50.0%	0	
SPAIN (Registered office: Madrid, Albacete)					
Ayora Gestión Biogás, S.L. (a)		Compañía Española de Servicios Públicos Auxiliares S.A (a)	80.0%	0	■
SPAIN (Registered office: Madrid, Alicante)					
Reciclados y Compostaje Piedra Negra, S.A. (a)		Cespa Gestion de Residuos, S.A. (a)	100.0%	7	■
SPAIN (Registered office: Madrid, Almería)					
Técnicas Medioambientales Avanzadas, S.L		Albaida Residuos, S.L. (a)	55.0%	0	
Tratamiento Residuos Medioambientales, S.L					
SPAIN (Registered office: Madrid, Barcelona)					
Cespa Gestion de Residuos, S.A. (a)		Compañía Española de Servicios Públicos Auxiliares S.A (a)	100.0%	87	■
Cespa Gestión y Tratamiento de Residuos, S.A. (a)		Cespa Gestion de Residuos, S.A. (a)	100.0%	21	■
Compañía especial de recuperaciones i recondicionaments, S.L (a)		Cespa Gestion de Residuos, S.A. (a)	81.1%	0	
Compañía Española de Servicios Públicos Auxiliares S.A (a)		Ferrovial Servicios (a)	100.0%	533	■
Ecoenergia Can Mata A.I.E.		Cespa Gestion de Residuos, S.A. (a)	70.0%	0	
Ecoparc de Can Mata, S.L. (a)	Project	Compañía Española de Servicios Públicos Auxiliares S.A (a)	100.0%	11	■
Ecoparc del Mediterrani		Cespa Gestion de Residuos, S.A. (a)	48.0%	3	■
Company Mixta de Limpieza de Almendra-lejo, S.A.		Compañía Española de Servicios Públicos Auxiliares S.A (a)	51.0%	0	
Residuos del Maresme, S.L.		Compañía Española de Servicios Públicos Auxiliares S.A (a)	51.0%	0	
SPAIN (Registered office: Madrid, Cáceres)					
Biogas Extremadura		Biotran Gestion de Residuos, S.L.U	51.0%	0	
SPAIN (Registered office: Madrid, Ciudad Real)					
Reciclum, Reciclaje y valorización de residuos, S.L		Biotran Gestion de Residuos, S.L.U	100.0%	0	
SPAIN (Registered office: Madrid, Granada)					
Ingeniería ambiental Granadina, S.A (a)		Compañía Española de Servicios Públicos Auxiliares S.A (a)	80.0%	3	■
SPAIN (Registered office: Madrid, Guipuzcoa)					
Oneder S.A.		Cespa Gestion de Residuos, S.A. (a)	51.6%	0	
SPAIN (Registered office: Madrid, Málaga)					
Andaluz de Señalizaciones, S.A. (a)		Ferroser Infraestructuras (a)	100.0%	1	
SPAIN (Registered office: Madrid, Murcia)					
Cespa Servicios Urbanos de Murcia, S.A (a)	Project	Compañía Española de Servicios Públicos Auxiliares S.A (a)	100.0%	10	■
SPAIN (Registered office: Madrid, Tarragona)					
Contenedores de Reus, S.A. (a)		Cespa Gestion de Residuos, S.A. (a)	100.0%	1	■
SPAIN (Registered office: Madrid, Cantabria)					
SMART Hospital Cantabria, SA (a)	Project	Ferrovial Servicios (a)	85.0%	8	■
SPAIN (Registered office: Madrid, Toledo)					
Gestion Medioambiental de Toledo, S.A	Project	Compañía Española de Servicios Públicos Auxiliares S.A (a)	60.0%	8	■
SPAIN (Registered office: Madrid, Valencia)					
Tratamientos, Residuos y Energías Valencianas, S.A		Cespa Gestion de Residuos, S.A. (a)	55.0%	2	
SPAIN (Registered office: Madrid, Valladolid)					
Biotran Gestion de Residuos, S.L.U		Cespa Gestion de Residuos, S.A. (a)	100.0%	11	■
Valveni soluciones para el desarrollo sostenible		Biotran Gestion de Residuos, S.L.U	50.0%	0	
SPAIN (Registered office: Madrid, Vizcaya)					
Cespa Jardinería, S.L. (a)		Compañía Española de Servicios Públicos Auxiliares S.A (a)	100.0%	7	■
POLAND (Registered office: Warsaw, Poland)					
Fbserwis SA		Ferrovial Services International, Ltd (a)	51.0%	13	■
Fbserwis Dolny Śląsk Sp. z o.o.		FbSerwis, SA	100.0%	6	■
Fbserwis A Sp. z o.o.		FbSerwis, SA	100.0%	0	■
Fbserwis B SP. z o.o.		FbSerwis, SA	100.0%	0	■
Amest Kamieński Sp. z o.o. (S)		FbSerwis, SA	80.0%	8	■
PORTUGAL (Registered office: Lisbon, Portugal)					
Ferrovial Serviços, SA		Ferrovial Services International Ltd (a)	100.0%	23	■
Sopovico Soc. Part. Vias de Com-Cons. Infraestructuras		Ferrovial Serviços, SA	100.0%	0	■
PORTUGAL (Registered office: Maia, Portugal)					
Citrup, Lda		Ferrovial Serviços, SA	70.0%	0	■
Ferrovial Serviços - Ecoambiente, ACE		Ferrovial Serviços, SA	60.0%	0	
COLOMBIA (Registered office: Bogotá, Colombia)					
Ferrovial Servicios Colombia SAS		Ferrovial Services International, Ltd (a)	100.0%	0	
Ferrovial Servicios Públicos Colombia, SAS ESP		Ferrovial Services International, Ltd (a)	100.0%	0	
Ferrovial Servicios, S.A, Sucursal Colombia		Ferrovial Servicios, S.A. (a)	100.0%	0	
UNITED KINGDOM (Registered office: Oxford, United Kingdom)					
Ferrovial Services International, Ltd. (a)		Ferrovial Internacional, Ltd. (a)	100.0%	562	■
Ferrovial Services UK, Ltd.		Ferrovial Services International, Ltd. (a)	100.0%	521	
Amey UK Plc		Ferrovial Internacional, S.L.U. (a)	100.0%	566	■
A.R.M. Services Group Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Access Hire Services Ltd		Enterprise Managed Services Ltd	100.0%	0	
Accord Asset Management Ltd		Accord Ltd	100.0%	0	
Accord Consulting Services Ltd		Accord Ltd	100.0%	0	
Accord Environmental Services Ltd		Accord Ltd	100.0%	0	
Accord Ltd		Enterprise plc	100.0%	0	■
Accord Network Management Ltd		Accord Asset Management Ltd	100.0%	0	
Allerton Waste Recovery Park Interim SPV Ltd		AmeyCespa Ltd	100.0%	0	
Amey (IOW) SPV Ltd	Project	Amey Ventures Asset Holdings Ltd	100.0%	0	■
Amey Airports Ltd		Amey plc	100.0%	0	

■ Deloitte
■ BDO
■ KPMG
■ El Sayed, El Ayouty & co
■ Valdés, García, Marín & Martínez, LLP

■ Marison Finanzista Audit Sp. Z O.O.
■ Mahinder Puri & Company
■ Hlb Lebrija Álvarez y Cía S.C.
■ Blasco y Asociados S.C.

(a) Form part of Ferrovial, S.A. tax framework and subsidiary companies.

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
Amey Building Ltd		Amey plc	100.0%	0	
Amey Community Ltd		Amey plc	100.0%	0	■
Amey Construction Ltd		Amey plc	100.0%	0	■
Amey Datel Ltd		Amey OW Ltd	100.0%	0	
Amey Facilities Partners Ltd		Comax Holdings Ltd	100.0%	0	
Amey Finance Services Ltd		Amey plc	100.0%	0	■
Amey Fleet Services Ltd		Amey plc	100.0%	0	■
Amey Group Information Services Ltd		Amey plc	100.0%	0	■
Amey Group Services Ltd		Amey plc	100.0%	0	■
Amey Highways Ltd		Amey plc	100.0%	0	■
Amey Holdings Ltd		Amey UK plc	100.0%	0	■
Amey Investments Ltd		Amey plc	100.0%	0	■
Amey IT Services Ltd		Amey plc	100.0%	0	■
Amey LG Ltd		Amey plc	100.0%	0	■
Amey LUL 2 Ltd		Amey Tube Ltd	100.0%	0	■
Amey Mechanical & Electrical Services Ltd		Amey Community Ltd	100.0%	0	■
Amey Metering Ltd		Enterprise Managed Services Ltd	100.0%	0	■
Amey OW Group Ltd		Amey plc	100.0%	0	
Amey OW Ltd		Amey OW Group Ltd	100.0%	0	■
Amey OWR Ltd		Amey OW Group Ltd	100.0%	0	■
Amey plc		Amey Holdings Ltd	100.0%	0	■
Amey Power Services Ltd		Enterprise Managed Services Ltd	100.0%	0	■
Amey Programme Management Ltd		Amey plc	100.0%	0	■
Amey Public Services LLP		Amey LG Ltd	66.7%	0	■
Amey Rail Ltd		Amey plc	100.0%	0	■
Amey Railways Holding Ltd		Amey plc	100.0%	0	
Amey Roads (North Lanarkshire) Ltd		Amey LG Ltd	66.7%	0	■
Amey Services Ltd		Amey plc	100.0%	0	■
Amey Technology Services Ltd		Amey plc	100.0%	0	
Amey TPT Limited		Amey OWR Ltd	100.0%	0	■
Amey Tramlink Ltd		Amey Technology Services Ltd	100.0%	0	
Amey Tube Ltd		JNP Ventures Ltd	100.0%	0	
Amey Utility Services Ltd		ARM Services Group Ltd	100.0%	0	■
Amey Ventures Asset Holdings Ltd		Amey Investments Ltd	100.0%	0	■
Amey Ventures Ltd		Amey plc	100.0%	0	■
Amey Ventures Management Services Ltd		Amey Investments Ltd	100.0%	0	■
Amey Wye Valley Ltd		Amey LG Ltd	80.0%	0	■
AmeyCespa (AWRP) ODC Ltd		AmeyCespa Ltd	100.0%	0	■
AmeyCespa (East) Holdings Ltd		AmeyCespa Ltd	100.0%	0	■
AmeyCespa (East) Ltd		AmeyCespa (East) Holdings Ltd	100.0%	0	■
AmeyCespa (MK) Holding Co Ltd		Amey Ventures Asset Holdings Ltd	50.0%	0	■
AmeyCespa (MK) Holding Co Ltd		Cespa Ventures Limited	50.0%	0	■
AmeyCespa (MK) ODC Ltd	Project	AmeyCespa Ltd	100.0%	0	■
AmeyCespa (MK) SPV Ltd	Project	AmeyCespa (MK) Holding Co Ltd	100.0%	0	■
AmeyCespa Ltd		Amey LG Ltd	50.0%	0	■
AmeyCespa Ltd		Cespa UK Ltd	50.0%	0	■
AmeyCespa Services (East) Ltd		AmeyCespa (East) Ltd	100.0%	0	■
AmeyCespa WM (East) Ltd	Project	AmeyCespa Services (East) Ltd	100.0%	0	■
Brophy Grounds Maintenance Ltd		Enterprise Public Services Ltd	100.0%	0	■
Byzak Ltd		Globemile Ltd	100.0%	0	■
Cespa UK Ltd		Cespa Compañía Española de Servicios Públicos Auxiliares, S.A (a)	100.0%	0	■
Cespa Ventures Ltd		Cespa UK Ltd	100.0%	0	■
Comax Holdings Ltd		Amey plc	100.0%	0	■
Countrywide Property Inspections Ltd		Durley Group Holdings Ltd	100.0%	0	
CRW Maintenance Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Durley Group Holdings Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise (AOL) Ltd		Accord Ltd	100.0%	0	■
Enterprise (ERS) Ltd		Trinity Group Holdings Ltd	100.0%	0	
Enterprise (Venture Partner) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
Enterprise Building Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Business Solutions 2000 Ltd		Enterprise Holding Company No 1 Ltd	90.0%	0	
Enterprise Fleet Ltd		Enterprise Managed Services Ltd	54.5%	0	
Enterprise Foundation (ETR) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Holding Company No.1 Ltd		Enterprise plc	100.0%	0	■
Enterprise Islington Ltd		Accord Ltd	99.0%	0	
Enterprise Lighting Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Managed Services (BPS) Ltd		Enterprise Managed Services Ltd	100.0%	0	■
Enterprise Managed Services Ltd		Amey Utility Services Ltd	100.0%	0	■
Enterprise plc		Amey plc	100.0%	0	■
Enterprise Public Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
EnterpriseManchester Partnership Ltd		Enterprise Managed Services Ltd	80.0%	0	■
Globemile Ltd		Enterprise Managed Services Ltd	100.0%	0	■
Haringey Enterprise Ltd		Accord Ltd	100.0%	0	

- Deloitte
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- Valdés, García, Marín & Martínez, Llp

- Marison Finanzista Audit Sp. Z.O.O.
- Mahinder Puri & Company
- Hlb Lebrija Álvarez y Cia S.C.
- Blasco y Asociados S.C.

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
Heating and Building Maintenance Company Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
Hillcrest Developments (Yorkshire) Ltd		Durley Group Holdings Ltd	100.0%	0	
ICE Developments Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
J J McGinley Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
JDM Accord Ltd		Accord Ltd	100.0%	0	
JNP Ventures 2 Ltd		Amey Tube Ltd	100.0%	0	
JNP Ventures Ltd		Amey Ventures Ltd	100.0%	0	
MRS Environmental Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
MRS St Albans Ltd		MRS Environmental Services Ltd	100.0%	0	
Nationwide Distribution Services Ltd		Amey LG Ltd	100.0%	0	■
Novo Community Ltd		Amey Community Ltd	100.0%	0	■
Sherard Secretariat Services Ltd		Amey plc	100.0%	0	■
Slough Enterprise Ltd		Accord Environmental Services Ltd	100.0%	0	■
TPI Holdings Ltd		Amey OW Ltd	100.0%	0	
Transportation Planning International Ltd		TPI Holdings Ltd	100.0%	0	
Trinity Group Holdings Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Wimco Ltd		Amey Railways Holding Ltd	100.0%	0	
UNITED KINGDOM (Registered office: Glasgow, United Kingdom)					
Byzak Contractors (Scotland) Ltd		Byzak Ltd	100.0%	0	
C.F.M Building Services Ltd		Enterprise Managed Services Ltd	100.0%	0	■
UNITED KINGDOM (Registered office: Liverpool, United Kingdom)					
Fleet and Plant Hire Ltd		Enterprise Managed Services Ltd	100.0%	0	■
UNITED KINGDOM (Registered office: Manchester, United Kingdom)					
Accord Leasing Ltd		Accord Ltd	100.0%	0	
Arkeco Environmental Services Ltd		MRS Environmental Services Ltd	100.0%	0	
Brophy Enterprise Ltd		Brophy Grounds Maintenance Ltd	100.0%	0	
CCMR Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Datamerse Ltd		Durley Group Holdings Ltd	100.0%	0	
Enterprise Consulting and Solutions Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Maintenance Services Ltd		First Claims Response (Manchester) Ltd	100.0%	0	
Enterprise Transport Services Ltd		Accord Ltd	100.0%	0	
Enterprise Utility Services (DCE) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Utility Services (TBC) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprisekeepmoat Ltd		Accord Ltd	100.0%	0	
First Claims Response (Manchester) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
First Claims Response Ltd		First Claims Response (Manchester) Ltd	100.0%	0	
Lancashire Enterprises (Europe) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Prism Research Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Rhuburt Street Lighting Ltd		Enterprise Public Services Ltd	100.0%	0	
Schofield Lathian Group Ltd		Accord Ltd	100.0%	0	
TSC Services Ltd		Trinity Group Holdings Ltd	100.0%	0	
W.M.Y. Consulting Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
UNITED ARAB EMIRATES (Registered office: Dubai, UAE)					
Ferrovial Technical Services Middle East LLC		Ferrovial Services International, Ltd (a)	85.0%	0	
MOROCCO (Registered office: Tánger, Morocco)					
Cespa Nadafara S.A.R.L		Compañía Española de Servicios Públicos Auxiliares S.A (a)	98.8%	0	
AUSTRALIA (Registered office: Melbourne, Australia)					
Amey Consulting Australia Pty Ltd		Amey OW Ltd	100.0%	0	
AUSTRALIA (Registered office: Sydney, Australia)					
Ferrovial Services Australia PTY, Ltd.		Ferrovial Services UK LTD	100.0%	514	■
Ferrovial Services Consolidated PTY, Ltd.		Ferrovial Services Australia PTY, Ltd.	100.0%	0	
Broadspectrum Ltd.		Ferrovial Services Australia PTY, Ltd.	100.0%	499	■
APP Corporation Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	1	■
Appoint Consulting Pty Ltd		APP Corporation Pty Ltd	100.0%	0	■
Aquas ERS Pty Ltd		Broadspectrum Limited	100.0%	0	■
Australian Quality Assurance & Superintendence Pty Ltd		Appoint Consulting Pty Ltd	100.0%	0	■
BR & I Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Australia) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Chile) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (East Timor) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (Finance) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Holdings) Pty Ltd		Broadspectrum Limited	100.0%	57	
Broadspectrum (India) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (International) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	55	
Broadspectrum (IP) Holdings Pty Limited		Broadspectrum Pty Limited	100.0%	0	
Broadspectrum (Oil and Gas) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	■
Broadspectrum (Sydney Ferries) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (USM) Holdings Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	100	
Broadspectrum Holdings (Delaware) Pty Ltd LLC (Australian incorporation only)		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum Protection Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Services Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	

(a) Form part of Ferrovial, S.A. tax framework and subsidiary companies.

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Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
BRS Employee Plan Co Pty Limited		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
CI Australia Pty Limited		APP Corporation Pty Ltd	100.0%	0	
ICD (Asia Pacific) Pty Limited		Broadspectrum (Australia) Pty Ltd	100.0%	0	
Ten Rivers Pty Ltd (previously Transfield Services (NWDf) Pty Ltd)		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Transhare Plan Company Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
TS (Procurement) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Eastern Catering Services Holdings Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Eastern Catering Services Pty Ltd		Eastern Catering Services Holdings Pty Ltd	100.0%	0	
Eastern Well Service No 2 Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Drilling Holdings Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Energy Rigs Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Easternwell Group Assets Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Group Investments Pty Limited		Piver Pty Ltd	100.0%	0	
Easternwell Group Operations Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Group Pty Ltd		Broadspectrum (Oil and Gas) Pty Ltd	100.0%	175	
Easternwell Training Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell WA Pty Ltd		Piver Pty Ltd	100.0%	0	
O.G.C. Services Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Piver Pty Ltd		Easternwell Group Pty Ltd	100.0%	0	
BE & MG Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Asset Management Optimisation) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum Australia (QLD) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Australia (WA) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Metrolink Pty Ltd		Broadspectrum Limited	100.0%	0	
Collinsville Operations Pty Ltd		Broadspectrum Limited	100.0%	0	
Transfield Services (Brisbane Ferries) Pty Ltd		Broadspectrum Limited	100.0%	0	
Australian Drilling Solutions Pty Ltd		Piver Pty Ltd	100.0%	0	
Colby Corporation Pty Limited		Porcelain Holdings Pty Ltd	100.0%	0	
Easternwell Drilling Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Easternwell Engineering Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell TS Pty Ltd		ETSH Pty Ltd	100.0%	0	
ETSH Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
EWG Aircraft Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
EWS Aircraft Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Gorey & Cole Drillers Pty Ltd		Gorey & Cole Holdings Pty Ltd	100.0%	0	
Gorey & Cole Holdings Pty Ltd		Piver Pty Ltd	100.0%	0	
Peak Drilling Pty Ltd		Piver Pty Ltd	100.0%	0	
Porcelain Holdings Pty Ltd		Piver Pty Ltd	100.0%	0	
SDC Plant & Equipment Pty Ltd		Sides Drilling Pty Ltd	100.0%	0	
Sides Drilling Contractors Pty Ltd		Sides Drilling Pty Ltd	100.0%	0	
Sides Drilling Pty Ltd		Piver Pty Ltd	100.0%	0	
Silver City Drilling (QLD) Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Drilling Services Holdings Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	1	■
Easternwell Drilling Services Assets Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	■
Easternwell Drilling Services Labour Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	■
Easternwell Drilling Services Operations Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	■
CANADA (Registered office: Alberta, Canada)					
Broadspectrum (Alberta) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	0	
Broadspectrum (Canada) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	1	
Broadspectrum (Ontario) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	0	
Broadspectrum Canada (Holdings) Limited		Broadspectrum (International) Pty Ltd	100.0%	1	
CHILE (Registered office: Los Andes, Chile)					
Steel Ingeniería		Ferrovial Servicios Chile, S.L.	100.0%	35	■
CHILE (Registered office: Santiago, Chile)					
Ferrovial Servicios Chile, S.L.		Ferrovial Servicios International, Ltd (a)	99.0%	12	■
Ferrovial Servicios Salud, S.L.		Ferrovial Servicios, S.A. (a)	100.0%	0	■
Ingeniería Ambiental y Servicios S.A.		Broadspectrum Chile S.p.A.	92.7%	0	
Siemsa Chile, SPA		Siemsa Industria S.A.	100.0%	0	■
CHILE (Registered office: Antofagasta, Chile)					
Broadspectrum Chile S.p.A.		Inversiones Broadspectrum (Chile) Limitada	100.0%	21	■
Inversiones Broadspectrum (Chile) Holdings Limitada		Broadspectrum (International) Pty Ltd	100.0%	4	

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
Inversiones Broadspectrum (Chile) Limitada		Inversiones Broadspectrum (Chile) Holdings Limitada	100.0%	0	
MAURITIUS (Registered office: Ebene Cybercity, mauritius)					
Broadspectrum (Mauritius) Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
NEW ZEALAND (Registered office: Auckland, New Zealand)					
Broadspectrum (New Zealand) Limited		Broadspectrum (International) Pty Ltd	100.0%	81	■
TSNZ Pulp & Paper Maintenance Limited		Broadspectrum (New Zealand) Limited	100.0%	0	■
APP Corporation (New Zealand) Limited		Broadspectrum (New Zealand) Limited	100.0%	1	■
UNITED STATES (Registered office: Houston, USA)					
Broadspectrum Americas Inc.		Broadspectrum (Delaware) General Partnership	100.0%	153	
Broadspectrum Downstream Services, Inc.		Broadspectrum Oil and Gas, Inc	100.0%	0	
Broadspectrum Holdings (Delaware) Pty Ltd (US incorporation only)		Broadspectrum (International) Pty Ltd	100.0%	143	
Broadspectrum Infrastructure Inc		Broadspectrum Americas Inc.	100.0%	25	
Broadspectrum Oil and Gas, Inc.		Broadspectrum Americas Inc.	100.0%	0	
Broadspectrum Oilfields, LLC		Broadspectrum Upstream Holdings, LLC	100.0%	0	
Broadspectrum Specialty Services, Inc		Broadspectrum Oil and Gas, Inc	100.0%	0	
Broadspectrum Upstream Holdings, LLC		Broadspectrum Oil and Gas, Inc	100.0%	0	
Amey Consulting USA, Inc.		Amey OW Ltd	100.0%	0	
UNITED STATES (Registered office: New York, USA)					
Broadspectrum (Delaware) General Partnership		Broadspectrum Holdings (Delaware) Pty Ltd LLC (US incorporation only)	61.7%	212	
UNITED STATES (Registered office: State College, USA)					
HRI, Inc.		Broadspectrum Oil and Gas, Inc	100.0%	5	
QATAR (Registered office: Doha, Qatar)					
Transfield Services Mannai Oil and Gas WLL		Broadspectrum (International) Pty Ltd	49.0%	0	■
Amey Consulting LLC		Amey OW Ltd	49.0%	0	
MALASIA (Registered office: Kuala Lumpur, Malasia)					
Transfield Services (Asia) Sdn Bhd (Malaysia)		Broadspectrum (International) Pty Ltd	100.0%	0	■
INDIA (Registered office: Pune, India)					
TS (Technology and Consulting) Private Limited		Broadspectrum (India) Pty Ltd	75.0%	0	
CONSTRUCTION					
SPAIN (Registered office: Madrid, Spain)					
Ferrovial Agroman, S.A. (a)		Ferrovial, S.A. (a)	100.0%	711	■
Ferroconservación, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	20	■
Arena, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	0	
Editesa, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.1%	2	
Cadagua, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	40	■
Compañía de Obras Castillejos, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	8	■
Ditecpesa, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	1	■
Técnicas de Pretensado y Serv.Aux, S.A. (a)		Editesa, S.A. (a)	100.0%	3	
Urbaoste, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	0	
Ferrovial Railway, S.A. (a)		Ferrovial Agroman, S.A. (a)	98.8%	0	
Ferrovial Medio Ambiente y Energía, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	1	
Norvarem, S.A. (a)		Ferrovial Internacional, S.L.U (a)	100.0%	141	
SPAIN (Registered office: Barcelona, SPAIN)					
Concesionaria de Prisiones Lledoners, S.A.U. (a)		Project Ferrovial Agroman, S.A. (a)	100.0%	16	■
Conc. de Prisiones Figueras S.A.U. (a)		Project Ferrovial Agroman, S.A. (a)	100.0%	11	■
SPAIN (Registered office: Zaragoza, SPAIN)					
Depusa Aragón S.A. (a)		Project Cadagua, S.A. (a)	51.7%	1	■
ARABIA SAUDI (Registered office: Riyadh, Arabia Saudi)					
Ferrovial Agroman Company		Ferrovial Agroman, S.A. (a)	95.0%	2	■
AUSTRALIA (Registered office: Sidney, Australia)					
FA Australia PTY LTD		Ferrovial Agroman Ltda.	100.0%	15	■
BRASIL (Registered office: Sao Paulo, Brasil)					
Ferrovial Agromán Ltda Brasil		Ferrovial Agroman International, Ltd. (a)	99.0%	10	■
CANADA (Registered office: Ontario, Canada)					
F&A Canada		Contsco Holdings B.V.	100.0%	20	■
CHILE (Registered office: Las Condes, Chile)					
Ferrovial Agroman Company Constructora Ltda.		Ferrovial Agroman International, Ltd. (a)	99.99%	24	■
CHILE (Registered office: Santiago, Chile)					
Constructora Agroman Ferrovial Ltda.		Ferrovial Agroman Company Constr. Ltda.	97.2%	0	■
Ferrovial Agroman Chile S.A.		Ferrovial Agroman Company Constr. Ltda.	100.0%	30	■
UNITED STATES (Registered office: Atlanta, USA)					
Ferrovial Agromán Southeast, LLC		Ferrovial Agroman US Corp	100.0%	(0)	■
UNITED STATES (Registered office: Austin, USA)					
Ferrovial US Construction Corp		Ferrovial Holding US	100.0%	179	■
Ferrovial Agroman Texas LLC		Ferrovial Agroman US Corp	100.0%	0	■
Ferrovial Agroman Indiana		Ferrovial Agroman US Corp	100.0%	0	■
Ferrovial Agroman S6 LLC		Ferrovial Agroman Texas LLC	100.0%	0	■
Cadagua US, LLC		Ferrovial US Construction Corp	100.0%	0	

■ Deloitte	■ Marison Financista Audit Sp. Z O.O.
■ BDO	■ Mahinder Puri & Company
■ KPMG	■ Hlb Lebrija Álvarez y Cía S.C.
■ El Sayed, El Ayouty & co	■ Blasco y Asociados S.C.
■ Valdés, García, Marín & Martínez, LLP	

(a) Form part of Ferrovial, S.A. tax framework and subsidiary companies.

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
Ferrovial Agroman US Corp		Ferrovial US Construction Corp	100.0%	101	■
UNITED STATES (Registered office: Charlotte, USA)					
Trinity Infrastructure LLC		Ferrovial Agroman Texas LLC	60.0%	0	
UNITED STATES (Registered office: Fort Worth, USA)					
North Tarrant Infrastructures		Ferrovial Agroman Texas LLC	75.0%	0	■
UNITED STATES (Registered office: Georgia, USA)					
North Perimeter Contractors LLC		Ferrovial Agroman Southeast, LLC	100.0%	0	■
UNITED STATES (Registered office: Katy, USA)					
52 Block Builders		Pepper Lawson Construction LP	100.0%	0	
UNITED STATES (Registered office: Los Angeles, USA)					
California Rail Builders, LLC		Ferrovial Agroman West, LLC	80.0%	0	■
Ferrovial Agroman West, LLC		Ferrovial Agroman US CORP	100.0%	(0)	
UNITED STATES (Registered office: North Richland Hills, USA)					
Bluebonnet Constructor, LLC		Ferrovial Agroman Texas LLC	60.0%	0	
UNITED STATES (Registered office: Suffolk, USA)					
US 460 Mobility Partners LLC		Ferrovial Agroman Southeast, LLC	70.0%	0	
UNITED STATES (Registered office: The Woodlands, USA)					
Webber Management Group, LLC		Norvarem, S.A. (a)	100.0%	41	■
Southern Crushed Concrete, LLC		Norvarem, S.A. (a)	100.0%	88	■
W.W. Webber LLC		Ferrovial US Construction Corp	100.0%	79	■
DBW Construction LLC		W.W. Webber LLC	100.0%	0	■
Webber Barrier Services		W.W. Webber LLC	100.0%	6	■
Central Texas Mobility Partners		W.W. Webber LLC	55.0%	0	■
Webber Holdings, LLC		Ferrovial US Construction Corp.	100.0%	0	
Katy Equipment LP		W.W. Webber, LLC	99.0%	0	
Pepper Lawson Waterworks, LLC		Pepper Lawson Construction LP	100.0%	1	
Pepper Lawson Construction LP		W.W. Webber, LLC	99.0%	12	
FAM Construction LLC (I-66)		Ferrovial Agroman US Corp	70.0%	0	
Webber Equipment & Materials LLC		W.W. Webber LLC	100.0%	0	
SLOVAKIA (Registered office: Bratislava, Eslovaquia)					
Ferrovial Agroman Slovakia S.R.O.		Ferrovial Agroman Ltda.	99.0%	0	
D4R7 Construction S.R.O.		Ferrovial Agroman, S.A. (a)	65.0%	0	■
ALEMANIA (Registered office: Colonia, Alemania)					
Budimex Bau GmbH		Budimex, S.A.	100.0%	0	
NETHERLANDS (Registered office: Amsterdam, Netherlands)					
Valivala Holdings, B.V.		Ferrovial Agroman International, Ltd. (a)	100.0%	141	
Contsco Holdings B.V.		Ferrovial Agroman International, Ltd. (a)	100.0%	40	
INDIA (Registered office: Nueva Delhi, India)					
Cadagua Ferrovial India		Cadagua, S.A. (a)	95.0%	0	■
IRELAND (Registered office: Dublin, Ireland)					
Ferrovial Agroman Ireland, Ltd.		Ferrovial Agroman Ltda.	100.0%	9	■
MÉXICO (Registered office: México DF, México)					
Cadagua Ferr. Industrial México		Cadagua, S.A. (a)	75.1%	0	■
Ferrovial Agroman Mexico		Ferrovial Agroman International, Ltd. (a)	100.0%	1	■
NEW ZEALAND (Registered office: Wellington, New Zealand)					
FA New Zealand Limited		FA Australia PTY LTD	100.0%	5	
POLAND (Registered office: Cracovia, Polonia)					
Mostostal Kraków S.A.		Budimex, S.A.	100.0%	3	■
POLAND (Registered office: Poznan, Polonia)					
Elektromontaż Poznań SA		Budimex, S.A.	92.3%	9	■
Instal Polska Sp. z o.o.		Elektromontaż Poznań SA	92.3%	0	
POLAND (Registered office: Warsaw, Poland)					
Bx Budownictwo Sp. z o.o.		Budimex, S.A.	100.0%	0	■
Bx Kolejnictwo SA		Budimex, S.A.	100.0%	1	■
Bx Parking Wrocław Sp. z o.o.		Budimex, S.A.	100.0%	1	■
SPV-BN 1 Sp. z o.o.		Budimex Nieruchomości Sp. z o.o.	100.0%	0	
Bx Nieruchomości Sp. z o.o.		Budimex, S.A.	100.0%	150	■
Elektromontaż Warszawa SA		Elektromontaż Poznań SA	92.3%	0	■
Elektromontaż Import Sp. z o.o.		Elektromontaż Poznań SA	92.3%	0	
Budimex, S.A.		Valivala Holdings, B.V.	59.1%	98	■
PUERTO RICO (Registered office: Puerto Rico)					
Ferrovial Agroman LLC		Ferrovial Agroman International, Ltd. (a)	100.0%	6	■
UNITED KINGDOM (Registered office: County Louth, United Kingdom)					
Ferrovial Agroman Ireland del Norte		Ferrovial Agroman Ireland, Ltd.	100.0%	0	■
UNITED KINGDOM (Registered office: Oxford, United Kingdom)					
Ferrovial Agroman International, Ltd. (a)		Ferrovial Agroman International, Ltd. (a)	100.0%	258	■
UNITED KINGDOM (Registered office: Londres, United Kingdom)					
Ferrovial Agroman UK Ltd. (a)		Ferrovial Agroman Ltda.	100.0%	21	■
Ferrovial Agroman Ltda.		Ferrovial Agroman International, Ltd. (a)	100.0%	84	■
Cadagua Al Ghubrah UK Ltd.		Cadagua, S.A. (a)	100.0%	5	■

■ Deloitte
■ BDO
■ KPMG
■ El Sayed, El Ayouty & co
■ Valdés, García, Marín & Martínez, LLP

■ Morison Finanzista Audit Sp. Z O.O.
■ Mahinder Puri & Company
■ Hib Lebrija Álvarez y Cía S.C.
■ Blasco y Asociados S.C.

Company	Type of company	Parent	% of ownership	Net cost of the ownership interest	Audit.
TOLL ROADS					
SPAIN (Registered office: Madrid, Spain)					
Cintra Infraestructuras SPAIN, S.L. (a)		Ferrovial, S.A. (a)	100.0%	572	■
Cintra Infraestructuras, S.E. (a)		Ferrovial International, Ltd. (a)	100.0%	916	■
Cintra Infraestructuras Internacional, S.L. (a)		Ferrovial Internacional, S.L.U. (a)	100.0%	3	■
Autopista del Sol, C.E.S.A. (a)	Project	Cintra Infraestructuras SPAIN, S.L. (a)	80.0%	219	■
Cintra Inversora Autopistas de Cataluña, S.A. (a)	Project	Cintra Infraestructuras, S.E. (a)	100.0%	0	■
Inversora Autopistas de Cataluña, S.A. (a)	Project	Cintra Inversora Autopistas de Cataluña, S.A. (a)	100.0%	0	■
Cintra Inversiones, S.L. (a)		Cintra Infraestructuras SPAIN, S.L. (a)	100.0%	305	■
Cintra Servicios de Infraestructuras, S.A. (a)		Cintra Infraestructuras SPAIN, S.L. (a)	100.0%	15	■
Cintra Autopistas Integradas, S.A. (a)		Cintra Infraestructuras SPAIN, S.L. (a)	100.0%	0	
M-203 Alcalá-O'Donnell (a)	Project	Cintra Autopistas Integradas, S.A. (a)	100.0%	60	■
SPAIN (Registered office: Barcelona, SPAIN)					
Autopista Terrasa Manresa, S.A	Project	Inversora Autopistas de Cataluña, S.A. (a)	76.3%	445	■
PORTUGAL (Registered office: Lisbon, Portugal)					
Auto-Estradas Norte, S.A.	Project	Cintra Infraestructuras, S.E. (a)	100.0%	83	■
Autoestrada do Algarve, S.A.	Project	Cintra Infraestructuras, S.E. (a)	97.0%	30	■
Via Livre, S.A.	Project	Cintra Infraestructuras, S.E. (a)	84.0%	0	■
Euroscut Azores S.A.	Project	Cintra Infraestructuras, S.E. (a)	97.0%	(0)	■
NETHERLANDS (Registered office: Amsterdam, Netherlands)					
Algarve International B.V.	Project	Cintra Infraestructuras, S.E. (a)	94.0%	1	■
407 Toronto Highway B.V.		Cintra Global Ltd	100.0%	2.664	
POLAND (Registered office: Warsaw, Poland)					
Autostrada Poludnie, S.A		Cintra Infraestructuras, S.E. (a)	93.6%	1	■
CANADA (Registered office: Toronto, Canada)					
Cintra 407 East Development Group Inc.		407 Toronto Highway, BV	100.0%	6	
Cintra OM&R 407 East Development Group Inc		407 Toronto Highway, BV	100.0%	0	
435238 Cintra Canada Inc.		407 Toronto Highway B.V.	100.0%	0	■
Blackbird Maintenance 407 Cintra GP		407 Toronto Highway B.V.	100.0%	0	
Blackbird INF. 407 Cintra		407 Toronto Highway B.V.	100.0%	0	■
IRELAND (Registered office: Dublin, Ireland)					
Financinfrastructures		Cintra Global Ltd	100.0%	32	■
Cinsac, Ltd		Cintra Infraestructuras Internacional, S.L. (a)	100.0%	0	■
UNITED STATES (Registered office: Austin, USA)					
Cintra Holding US Corp		Ferrovial Holding US Corp	100.0%	548	
Cintra Texas Corp.		Cintra Holding US Corp	100.0%	0	
Cintra US Services, LLC		Cintra Texas Corp	100.0%	0	
Cintra Skyway LLC		Cintra Holding US Corp	100.0%	0	
Skyway Concession Company Holdings LLC	Project	Cintra Skyway LLC	55.0%	0	■
Cintra Texas 56, LLC		Cintra Holding US Corp	100.0%	0	
Cintra LBJ, LLC		Cintra Holding US Corp	100.0%	325	
Cintra I-77 Mobility Partners LLC		Cintra Holding US Corp	100.0%	2	■
Cintra NTE, LLC		Cintra Holding US Corp	100.0%	229	
Cintra NTE Mobility Partners Seg 3 LLC		Cintra Holding US Corp	100.0%	150	
Cintra I-66 Express Mobility Partners LLC	Project	Cintra I-66 Express Corp	100.0%	0	
Cintra Toll Services, LLC		Cintra Holding US Corp	100.0%	0	
Cintra I-66 Express Corp		Cintra I-66 Express UK Ltd	100.0%	0	
UNITED STATES (Registered office: Charlotte, USA)					
I-77 Mobility Partners LLC	Project	I-77 Mobility Partners Holding LLC	50.1%	2	■
I-77 Mobility Partners Holding LLC	Project	Cintra I-77 Mobility Partners LLC	50.1%	1	
UNITED STATES (Registered office: Chicago, USA)					
Cintra ITR LLC		Cintra Holding US Corp	49.0%	21	
UNITED STATES (Registered office: Dallas, USA)					
LBJ Infrastructure Group, LLC	Project	LBJ Infrastructure Group Holding, LLC	100.0%	637	■
LBJ Infrastructure Group Holding, LLC	Project	Cintra LBJ, LLC	51.0%	325	
UNITED STATES (Registered office: North Richland Hills, USA)					
NTE Mobility Partners, LLC	Project	NTE Mobility Partners Holding, LLC	100.0%	404	■
NTE Mobility Partners Holding, LLC	Project	Cintra NTE, LLC	56.7%	229	
NTE Mobility Partners Seg 3 Holding LLC	Project	Cintra NTE Mobility Partners Seg 3 LLC	53.7%	150	
NTE Mobility Partners Seg 3 LLC	Project	NTE Mobility Partners Seg 3 Holding LLC	100.0%	278	■
UNITED KINGDOM (Registered office: Oxford, United Kingdom)					
Cintra Global Ltd (a)		Ferrovial International, Ltd. (a)	100.0%	2.870	■
Cintra Infraestructuras UK Limited (a)		Cintra Global Ltd	100.0%	(0)	
Cintra Toowoomba Limited		Cintra Infraestructuras UK	100.0%	1	■
Cintra UK I-77 Limited		Cintra Infraestructuras, S.E. (a)	100.0%	2	■
Cintra Slovakia, Ltd		Cintra Global Ltd	100.0%	0	■
Cintra I-66 Express UK Ltd		Cintra Infraestructuras UK Limited (a)	100.0%	0	■
AUSTRALIA (Registered office: Sidney, Australia)					
Cintra Developments Australia PTY Ltd.		Cintra Infraestructuras UK Limited (a)	100.0%	0	
COLOMBIA (Registered office: Bogotá, Colombia)					
Cintra Infraestructuras Colombia S.A.S		Cintra Global Ltd	100.0%	8	■

(a) Form part of Ferrovial, S.A. tax framework and subsidiary companies.

Company	Type of company	Parent	% of ownership	Equity-accounted value	Assets	Liabilities	Revenue	Profit/Loss	Auditor
Scot Roads Partnership Project Ltd	Project	Scot Roads Partnership Holdings Ltd	20,0%	0	0	0	0	0	■
Scot Roads Partnership Finance Ltd		Scot Roads Partnership Holdings Ltd	20,0%	0	0	0	0	0	■
MTCNovo Ltd		Novo Community Ltd	50,0%	0	26	(21)	51	0	■
The Thames Valley Community Rehabilitation Company Ltd		MTCNovo Ltd	50,0%	0	0	0	0	2	■
The London Community Rehabilitation Company Ltd		MTCNovo Ltd	50,0%	0	0	0	0	0	■
CONSTRUCTION									
SPAIN									
Participaciones Construcción SPAIN			22% a 50%	3	423	502	38	2	
Sociedad Concesionaria BAI0	Project	Ferrovial Agroman, SA	50,0%	2	4	0	0	(0)	
Tecnológica Lena, S.L.		Ferrovial Agroman, SA	50,0%	0	0	0	0	(0)	
Via Olmedo Pedralba, S.A.		Ferrovial Agroman, SA	25,2%	1	18	16	5	(0)	■
Boremer, S.A.		Cadagua, S.A.	50,0%	0	16	18	0	(2)	■
Urbs Iudex Caudidicus, S.A.	Project	Ferrovial Agroman, SA	22,0%	0	385	468	34	4	■
OMÁN									
Participaciones Construcción Omán			7% a 37,5%	5	393	243	46	10	
Muscat City Desalination Co SAOC.	Project	Cadagua Al Ghubrah	10,0%	4	385	225	30	4	■
Muscat City Desalination O&M CO LLC		Cadagua, S.A.	7,0%	0	5	5	10	2	■
International Water Treatment LLC		Cadagua, S.A.	37,5%	0	3	13	7	3	■
EEUU									
Pepper Lawson Horizon Intl. Group		Pepper Lawson Construction LP	70,0%	0	4	5	2	(0)	
POLAN									
PPHU Promos Sp. z o.o.		Budimex S.A.	26,3%	0	3	1	2	(0)	
TOLL ROADS									
SPAIN									
Serrano Park, S.A.	Project	Cintra Infraestructuras SPAIN, S.L.	50,0%	(5)	95	105	5	(3)	■
A-334 Autovía del Almanzora	Project	Cintra Infraestructuras, S.E.	23,8%	1	7	1	1	(0)	■
A66 Benavente - Zamora	Project	Cintra Infraestructuras, S.E.	25,0%	12	229	180	24	11	■
Bip & Drive S.A.	Project	Cintra Infraestructuras SPAIN, S.L.	20,0%	2	18	10	171	(1)	■
CANADA									
407 International Inc.	Project	4352238 Cintra Canada Inc.	43,2%	1.881	3.756	5.913	778	256	■
407 East Development Group General Partnership	Project	Cintra 407 East Development Group Inc.	50,0%	20	136	95	51	9	■
OMR and R407 East Development Group General Partnership	Project	Cintra OMR&R 407 East Development Group Inc	50,0%	1	5	2	3	0	
Blackbird Maintenance 407 GP	Project	Blackbird Maintenance 407 Cintra GP	50,0%	0	1	0	1	1	
Blackbird Inf. 407 GP	Project	Blackbird Inf. 407 Cintra	50,0%	(1)	288	290	138	1	■
UNITED KINGDOM									
Scot Roads Partnership Holdings LTD	Project	Cintra Infrastructures UK	20,0%	0	0	0	0	0	■
Scot Roads Partnership Finance LTD	Project	Scot Roads Partnership Holdings LTD	20,0%	0	422	422	0	0	■
Scot Roads Partnership Project LTD	Project	Scot Roads Partnership Holdings LTD	20,0%	0	433	433	163	(0)	■
Zero Bypass Holdings	Project	Cintra Slovakia	45,0%	(1)	0	0	0	0	
Zero Bypass Limited	Project	Zero Bypass Holdings	45,0%	0	0	0	0	0	■
GRECIA									
Nea Odos, S.A.	Project	Ferrovial, S.A.	21,4%	0	957	852	77	0	■
Central Greece Motorway Project	Project	Ferrovial, S.A.	21,4%	0	1.218	1.275	50	0	■
Hellas Tolls	Project	Ferrovial, S.A.	33,3%	0	5	3	4	2	
AUSTRALIA									
Nexus Infrastructures Holdings Unit Trust	Project	Cintra Toowoomba LTD	40,0%	4	30	0	0	0	■

Company	Type of company	Parent	% of ownership	Equity-accounted value	Assets	Liabilities	Revenue	Profit/Loss	Auditor
Nexus Infrastructures Unit Trust	Project	Nexus Infrastructures Unit Trust	40,0%	9	73	49	176	3	■
COLOMBIA									
Ruta del Cacao	Project	Cintra Infraestructuras Colombia	40,0%	7	97	80	44	(2)	■
IRELAND									
Eurolink Motorway Operation (M4-M6), Ltd.	Project	Cintra Infraestructuras Internacional, S.L.	20,0%	4	301	309	27	3	■
Eurolink Motorway Operation (M3), Ltd.	Project	Cinsac, Ltd	20,0%	(1)	221	226	22	6	■
SLOVAKIA									
Zero Bypass Limited, Organizacna Zlozka	Project	Zero Bypass Limited	45,0%	-3	133	136	86	(3)	■
UNITED STATES									
I-66 Express Mobility Partners Holdings LLC		Cintra I-66 Express Mobility Partners LLC	50,0%	0	0	0	0	0	
I-66 Express Mobility Partners LLC	Project	I-66 Express Mobility Partners Holdings LLC	50,0%	0	0	0	0	0	
Total equity-accounted value				2.874					

- Deloitte
- BDO
- KPMG
- PWC
- Grant Thornton
- Vir Audit
- Gabinete Técnico de Auditoría y Consultoría S.A
- Ernst & Young
- EY
- Martins Pereira, João Careca & Associados, SROC.

APPENDIX III - SEGMENT REPORTING

The Company's Board of Directors analyses the performance of the Group mainly from a business perspective. From this perspective, the Board assesses the performance of the Construction, Toll Roads, Airports and Services segments. Set forth below are the consolidated statements of financial position and consolidated statements of profit or loss for 2016 and 2015, broken down by business segment. The "Other" column includes the assets and/or liabilities and income and/or expenses of the companies not assigned to any of the business segments, including most notably the Parent, Ferrovial, S.A., and its smaller subsidiaries, the current Polish real estate business, and inter-segment adjustments.

Segment statement of financial position: 2016 (Millions of euros)

Assets	Construction	Toll roads	Airports	Services	Other	Total
Non-current assets	876	9,880	1,199	3,826	-133	15,647
Goodwill	210	170	45	1,746	0	2,170
Intangible assets	8	5	21	469	1	503
Investments in infrastructure projects	209	6,613	2	489	-167	7,145
Investment property	6	0	0	0	0	6
Property, plant and equipment	130	16	66	481	38	731
Investments in associates	8	1,931	836	99	0	2,874
Non-current financial assets	26	547	224	167	-229	735
Deferred tax assets	279	285	3	293	191	1,051
Non-current derivative financial instruments at fair value	1	314	3	82	32	432
Current assets	4,336	2,186	303	2,542	-1,615	7,750
Assets classified as held for sale	0	624	0	0	0	624
Inventories	184	8	0	56	268	516
Current income tax assets	22	63	10	37	54	186
Current trade and other receivables	870	170	4	1,861	-77	2,828
Cash and cash equivalents	3,256	1,311	289	588	-1,865	3,578
Receivable from Group companies	1,345	948	215	29	-2,538	0
Other	1,911	363	73	558	673	3,578
Current derivative financial instruments at fair value	4	10	0	0	5	18
TOTAL ASSETS	5,211	12,066	1,502	6,367	-1,749	23,397

Equity and liabilities	Construction	Toll roads	Airports	Services	Other	Total
Equity	1,559	4,405	1,241	1,766	-2,657	6,314
Equity attributable to the shareholders	1,547	3,775	1,241	1,750	-2,716	5,597
Equity attributable to non-controlling interests	12	630	0	17	59	717
Deferred income	0	1,089	0	29	0	1,118
Non-current liabilities	674	5,868	72	2,547	1,249	10,409
Pension plan deficit	2	0	0	173	0	174
Long-term provisions	140	163	0	310	144	757
Borrowings	419	4,759	67	1,630	1,000	7,874
Payable to Group companies	257	18	0	784	-1,060	0
Other	161	4,741	67	846	2,059	7,874
Other payables	11	110	0	74	5	200
Deferred tax liabilities	82	489	5	296	96	967
Derivative financial instruments at fair value	20	347	0	65	4	436
Current liabilities	2,979	705	189	2,025	-341	5,556
Liabilities classified as held for sale	0	440	0	0	0	440
Borrowings	2	124	191	327	-342	302
Payable to Group companies	-19	101	189	101	-372	0
Other	21	24	2	226	30	302
Current derivative financial instruments at fair value	3	58	0	2	6	69
Income tax liabilities	83	-26	-10	27	76	150
Current trade and other payables	2,351	108	7	1,517	-90	3,893
Operating provisions and allowances	540	0	1	152	10	702
TOTAL EQUITY AND LIABILITIES	5,211	12,066	1,502	6,367	-1,749	23,397

Segment statement of financial position: 2015 (Millions of euros)

Assets	Construction	Toll roads	Airports	Services	Other	Total
Non-current assets	846	11,300	1,515	3,064	97	16,821
Goodwill	197	205	0	1,483	0	1,885
Intangible assets	5	5	0	221	2	234
Investments in infrastructure projects	203	7,878	0	692	-229	8,545
Investment property	6	0	0	0	10	15
Property, plant and equipment	111	16	0	352	10	491
Investments in associates	7	1,940	1,222	69	0	3,237
Non-current financial assets	24	274	286	143	27	755
Deferred tax assets	294	633	6	103	219	1,254
Non-current derivative financial instruments at fair value	0	349	0	0	58	406
Current assets	4,002	3,900	963	1,885	-2,188	8,563
Assets classified as held for sale	0	2,418	0	0	0	2,418
Inventories	131	9	0	29	218	387
Current income tax assets	16	301	3	31	-216	135
Current trade and other receivables	810	223	13	1,390	-116	2,320
Cash and cash equivalents	3,044	937	948	431	-2,081	3,279
Receivable from Group companies	1,353	612	931	75	-2,971	0
Other	1,691	326	17	355	890	3,279
Current derivative financial instruments at fair value	1	11	0	4	7	23
TOTAL ASSETS	4,848	15,200	2,478	4,949	-2,091	25,384

Equity and liabilities	Construction	Toll roads	Airports	Services	Other	Total
Equity	1,245	3,752	2,437	1,561	-2,455	6,541
Equity attributable to the shareholders	1,254	3,336	2,437	1,546	-2,515	6,058
Equity attributable to non-controlling interests	-8	416	0	15	60	483
Deferred income	1	1,056	0	30	0	1,088
Non-current liabilities	478	6,007	0	1,716	1,113	9,314
Pension plan deficit	2	0	0	44	0	46
Long-term provisions	189	172	0	326	151	838
Borrowings	160	4,696	0	1,030	810	6,697
Payable to Group companies	2	0	0	485	-488	0
Other	157	4,696	0	545	1,298	6,697
Other payables	11	105	0	55	0	171
Deferred tax liabilities	98	667	0	207	152	1,124
Derivative financial instruments at fair value	17	367	0	54	0	438
Current liabilities	3,123	4,385	41	1,641	-749	8,442
Liabilities classified as held for sale	0	2,690	0	0	0	2,690
Borrowings	43	1,307	43	384	-392	1,385
Payable to Group companies	9	55	43	312	-419	0
Other	34	1,253	0	72	27	1,385
Current derivative financial instruments at fair value	13	247	0	0	0	259
Income tax liabilities	39	-23	-3	28	98	138
Current trade and other payables	2,536	164	1	1,110	-464	3,346
Operating provisions and allowances	493	0	0	120	10	622
TOTAL EQUITY AND LIABILITIES	4,848	15,200	2,478	4,949	-2,091	25,384

The detail of total assets by geographical areas:

Millions of euros	2016	2015	Change
Spain	5,731	6,114	-383
UK	3,694	4,335	-641
US	6,618	9,426	-2,809
Canada	2,019	2,032	-13
Australia	1,814	83	1,731
Poland	1,401	1,227	174
Other	2,121	2,167	-46
Total	23,397	25,384	-1,987

Segment statement of profit or loss: 2016 (Millions of euros)

	Construction	Toll roads	Airports	Services	Other	Total
Revenue	4,194	486	4	6,078	-4	10,759
Other operating income	1	0	0	6	0	7
Total operating income	4,195	486	4	6,083	-4	10,765
Materials consumed	751	3	0	521	-8	1,267
Other operating expenses	2,375	126	17	2,275	-58	4,736
Staff costs	727	61	5	2,962	63	3,819
Total operating expenses	3,853	189	23	5,758	-2	9,821
Gross profit from operations	342	297	-18	325	-2	944
Depreciation and amortisation charge	29	83	1	226	4	342
Profit from operations before impairment and disposals of non-current assets	313	214	-19	99	-5	602
Impairment and disposals of non-current assets	0	327	0	0	-2	324
Profit from operations	313	541	-19	99	-8	926
Financial result on financing	-9	-263	-2	-32	0	-305
Result on derivatives and other financial results	0	-16	-2	-2	0	-20
Financial result of infrastructure projects	-9	-279	-4	-34	1	-325
Financial result on financing	25	22	1	-58	-39	-49
Result on derivatives and other financial results	-10	-5	19	-7	-16	-18
Financial result excluding infrastructure projects	15	17	21	-65	-55	-66
Financial result	6	-261	17	-99	-54	-391
Share of profits of companies accounted for using the equity method	0	108	-46	19	0	82
Consolidated profit before tax	319	388	-48	19	-61	617
Income tax	-83	-194	1	-7	49	-233
Consolidated profit from continuing operations	236	194	-47	12	-12	383
Net profit from discontinued operations	0	0	0	0	0	0
Consolidated profit for the year	236	194	-47	12	-12	383
Profit for the year attributable to non-controlling interests	-39	37	0	-1	-3	-7
Profit for the year attributable to the Parent	197	230	-47	11	-16	376

Segment statement of profit or loss: 2015 (Millions of euros)

	Construction	Toll roads	Airports	Services	Other	Total
Revenue	4,287	513	8	4,897	-6	9,701
Other operating income	2	0	0	7	0	9
Total operating income	4,290	513	8	4,904	-6	9,709
Materials consumed	765	3	0	377	-2	1,143
Other operating expenses	2,452	110	15	2,221	-64	4,735
Staff costs	679	67	6	1,994	59	2,805
Total operating expenses	3,896	180	21	4,592	-7	8,683
Gross profit from operations	393	333	-13	312	1	1,027
Depreciation and amortisation charge	30	83	0	139	5	256
Profit from operations before impairment and disposals of non-current assets	364	250	-13	173	-4	770
Impairment and disposals of non-current assets	4	131	0	-1	-4	131
Profit from operations	368	382	-13	172	-8	901
Financial result on financing	-9	-427	0	-27	0	-463
Result on derivatives and other financial results	0	-195	0	-4	0	-200
Financial result of infrastructure projects	-9	-622	0	-31	0	-662
Financial result on financing	26	17	9	-28	-61	-35
Result on derivatives and other financial results	-3	-12	24	-7	58	61
Financial result excluding infrastructure projects	24	5	34	-34	-2	26
Financial result	14	-617	34	-66	-2	-637
Share of profits of companies accounted for using the equity method	-3	84	199	31	0	312
Consolidated profit before tax	380	-151	220	137	-10	577
Income tax	-111	222	-4	-3	-49	54
Consolidated profit from continuing operations	269	71	216	134	-60	631
Net profit from discontinued operations	0	0	0	0	0	0
Consolidated profit for the year	269	71	216	134	-60	631
Loss for the year attributable to non-controlling interests	-52	144	0	-1	-2	89
Profit for the year attributable to the Parent	217	215	216	134	-62	720

SECTION 7:

7.1 EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

ISSUE OF THE FINANCIAL STATEMENTS

The foregoing pages contain the consolidated financial statements –the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements– and the consolidated management report of Ferrovial, S.A. for the year ended 31 December 2016, which were issued 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 Capital Companies Act, the directors attending sign below.

Mr. Rafael del Pino y Calvo-Sotelo
Chairman

Mr. Santiago Bergareche Busquet
Vice-Chairman

Mr. Joaquín Ayuso García
Vice-Chairman

Mr. Íñigo Meirás Amusco
Chief Executive Officer

Mr. Juan Arena de la Mora
Director

Ms. María del Pino y Calvo-Sotelo
Director

Mr. Santiago Fernández Valbuena
Director

Mr. José Fernando Sánchez-Junco Mans
Director

Mr. Joaquín del Pino y Calvo-Sotelo
Director

Mr. Óscar Fanjul Martín
Director

Mr. 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.

Mr Santiago Ortiz Vaamonde
Secretary of the Board of Directors

AUDITORS REPORT

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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1.1 and 7.1). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
FERROVIAL, S.A.,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ferrovial, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Ferrovial, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's directors of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Ferrovial, S.A. and Subsidiaries as at 31 December 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

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

DELOITTE, S.L.
Registered in ROAC under no. S0692

Javier Parada Pardo
27 February 2017

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Communications & Corporate

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