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:

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).

	Balances at 31/12/16		Balances at 31/12/15	
Non-recurring impacts (Millions of euros)	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**

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:

	31/12/2016			
(Millions of euros)	External sales	Inter-segment sales	Total	Change 16/15
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%**

	2015		
(Millions of euros)	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			
	Men	Women	Total	Change 16/15
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			
	Men	Women	Total	Change 16/15
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).

	Impact on profit before tax			
(Millions of euros)	Before fair value adjustments	Fair value adjustments	Total 2016	Impact on net profit or loss
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:

	Impact on profit before tax			
(Millions of euros)	Before fair value adjustments	Fair value adjustments	Total 2015	Impact on net profit or loss
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
Finance income on financing	1	1	6%
Finance costs on financing	-306	-463	34%
Financial result on financing of infrastructure projects	-305	-463	34%
Result on derivatives (*)	-12	-188	93%
Other financial results	-8	-12	38%
Other financial results of infrastructure projects	-20	-200	90%
Total financial result of infrastructure projects	**-326**	**-662**	**51%**
Finance income on financing	43	21	109%
Finance costs on financing	-92	-56	-64%
Financial result on financing excluding infrastructure projects	-49	-35	-38%
Result on derivatives (*)	-15	49	-127%
Other financial results	-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
HAH	-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**
Effective rate applicable to taxable profit	25%	19%	39%	19%	27%	11%	32%
Effective tax rate of the country	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
Effective rate applicable to taxable profit	28%	22%	36%	21%	28%
Effective tax rate of the country	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.