

SECTION 3: NON-CURRENT ASSETS

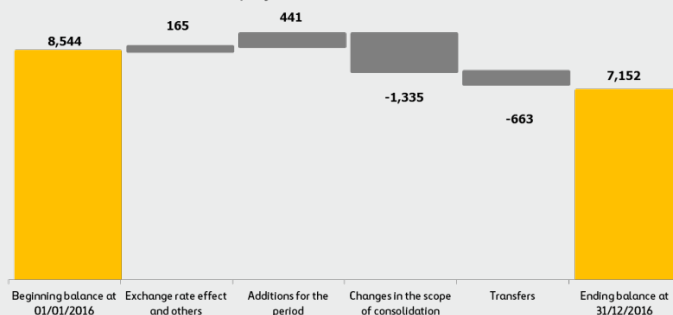
This section includes the Notes on non-current assets in the consolidated statement of financial position, excluding deferred tax assets (Section 2) and financial derivatives (Section 5).

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.

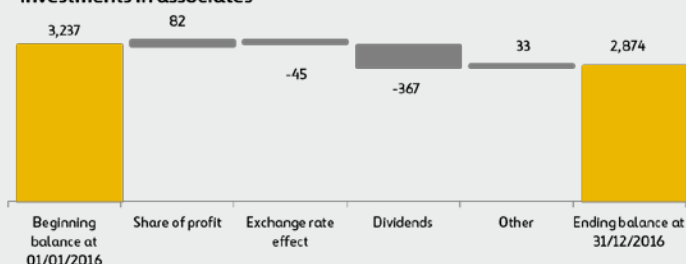
The decrease in investments in infrastructure projects with respect to 2015 was due mainly to the exclusion from the scope of consolidation of various infrastructure project companies, which was offset by the exchange rate effect and the investments made in the year:

Investments in infrastructure projects



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).

Investments in associates



3.1. GOODWILL AND ACQUISITIONS

The table below details the changes in goodwill in 2016:

(Millions of euros)	Balance s at 31/12/15	Changes in the scope of consolidation	Impairmen t losses	Exchang e 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
Autema	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 Ruszczyń, 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		Total 2016	Balances at 31/12/15		Total 2015
				Long-term account receivable	Short-term account receivable (Note 4.2)		Long-term account receivable	Short-term account receivable (Note 4.2)	
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 Wrocław	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 Broadspectrum 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	-
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

•