SECTION 5: CAPITAL STRUCTURE AND FINANCING

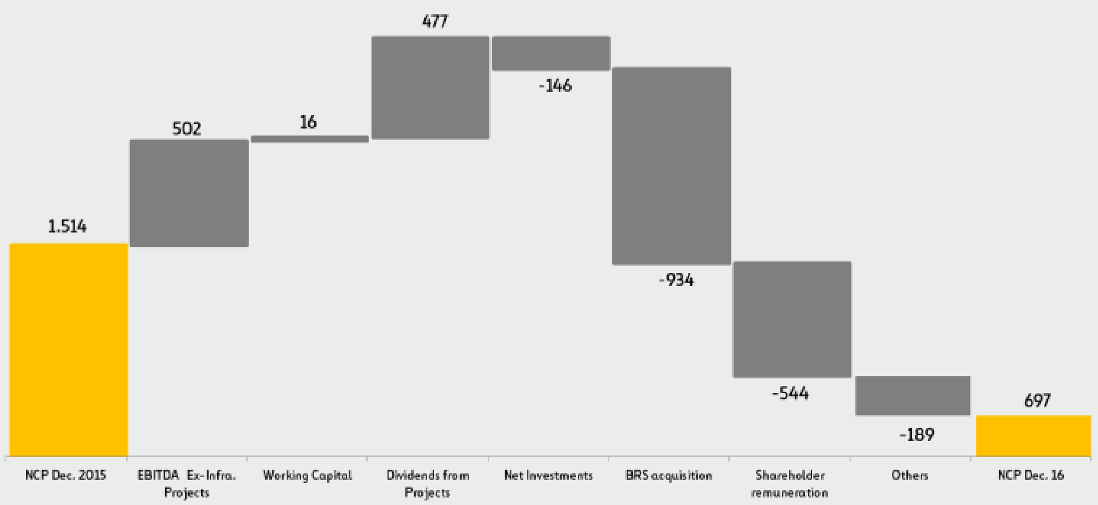
The Notes in this section describe the changes in the financial structure of Ferrovial as a result of variations in equity (see Note 5.1) and in its consolidated net debt (see Note 5.2), taken to be the balance of cash and cash equivalents net of the financial debt, bank borrowings and debt securities, making a distinction between non-infrastructure project companies and infrastructure projects. They also describe the Group's exposure to the main financial risks and the policies for managing them (see Note 5.4), as well as the derivatives arranged in connection with those policies (see Note 5.5).

The equity attributable to the shareholders (see Note 5.1) decreased with respect to 2015, due to the impact of expense recognised directly in equity (arising from the exchange rate effect, pensions and derivatives) and to shareholder remuneration, which was offset in part by the increase in the consolidated net profit.

Equity attributable to the shareholders (Millions of euros)	
Beginning balance at 01/01/16	6,058
Net profit	376
Income and expense recognised directly in equity	-428
Transfers to profit or loss	141
Shareholder remuneration	-544
Other	-7
Ending balance at 31/12/16	**5,597**

The consolidated net debt of Ferrovial's non-infrastructure project companies is a positive net cash position of EUR 697 million, lower than it was at 31 December 2015 (EUR 1,514 million), mainly due to the effect of acquisition of Broadspectrum, with a total impact of EUR 934 million on the net cash position (EUR 499 million relating to the purchase price and EUR 435 million relating to the net cash position included on the acquisition date). The other changes are analysed through cash flows (see Note 5.3).

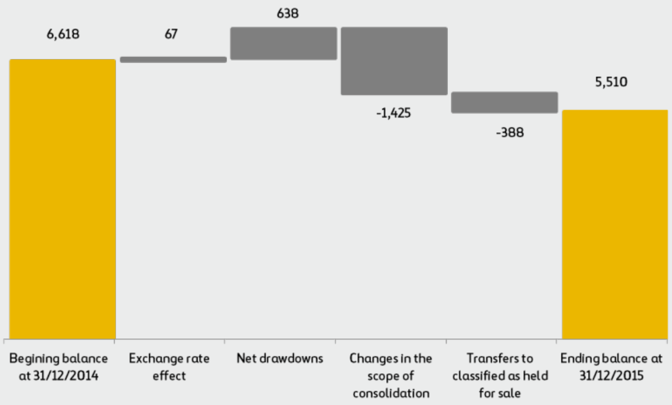
NET CASH POSITION NON-INFRASTRUCTURE PROJECT COMPANIES:



The consolidated net borrowings continue to make it possible to amply achieve the objective of maintaining an investment grade rating, where the Company considers a relevant metric a ratio, for non-infrastructure projects, of net debt (gross debt less cash) to gross profit from operations (EBITDA) plus dividends from projects of no more than 2:1. Ferrovial's rating remains unchanged at BBB.

There was a drop in the gross borrowings of infrastructure projects, due largely to the exclusion from consolidation of the SH-130 toll road, as discussed in Note 1.3, and the reclassification of the liabilities of the Portuguese toll roads to "Liabilities Classified as Held for Sale".

BORROWINGS OF INFRASTRUCTURE PROJECTS:



5.1. EQUITY

5.1.1 Changes in equity

The detail of the main impacts net of taxes that affected the changes in equity in 2016 and which explain the changes in equity in the period from December 2015 to December 2016 is as follows:

2016 (Millions of euros)	Attributable to the shareholders	Attributable to non-controlling interests	Total equity
Equity at 31/12/15	**6,058**	**483**	**6,541**
Consolidated profit for the year	**376**	**7**	**383**
Impact on reserves of hedging instruments	-80	-74	-154
Impact on reserves of defined benefit plans	-203	0	-203
Translation differences	-144	66	-78
Income and expense recognised directly in equity	**-428**	**-8**	**-435**
Amounts transferred to profit or loss	**141**	**0**	**141**
TOTAL COMPREHENSIVE INCOME	**89**	**-1**	**88**
Scrip dividend/other dividends	-226	-25	-252
Treasury share transactions	-317	0	-317
REMUNERATION OF SHAREHOLDERS	**-544**	**-25**	**-569**
Capital increases/reductions	0	45	45
Share-based payment	-17	0	-17
Other changes	10	215	225
OTHER TRANSACTIONS	**-7**	**260**	**253**
Equity at 31/12/16	**5,597**	**717**	**6,314**

Following is a description of the main changes in shareholders' equity in 2016, which gave rise to a reduction of EUR 461 million in equity attributable to the shareholders.

The profit for the year attributable to the Parent totalled EUR 376 million.

The income and expense recognised directly in equity relate to:

- Hedging instruments: recognition of the changes in value of the effective portion of derivatives qualifying for hedge accounting (see Note 5.5), the impact of which was EUR -80 million.
- Defined benefit plans: this item includes the impact on equity of actuarial gains and losses arising from adjustments and changes to the Group's defined benefit plan assumptions, as described in Note 6.2, which had an impact for the Parent of EUR -203 million net of taxes (EUR -130 million at fully consolidated companies (Amey) and EUR -73 million at the companies accounted for using the equity method (HAH/AGS)).
- Translation differences: the currencies in which Ferrovial has the greatest exposure in terms of its equity (mainly the Canadian dollar and the pound sterling), as detailed in Note 5.4, performed in opposite ways in 2016, giving rise to translation differences of EUR -144 million attributable to the Parent. Thus, the depreciation of the pound sterling, exacerbated by the Brexit effect, had a negative effect of GBP -358 million: The appreciation of the Canadian dollar gave rise to translation gains of EUR 130 million. The impact of the other currencies was EUR 85 million (EUR 45 million relating to changes in the US dollar, EUR 13 million to changes in the Australian dollar, EUR 13 million to changes in the Chilean peso and EUR 14 million to changes in other currencies).

Amounts transferred to profit or loss:

- Amounts transferred to profit or loss: this relates to the transfer to profit or loss of translation differences relating to the exclusion from consolidation of the SH-130 toll road (EUR 15 million) and to the transfer to profit or loss of fair value changes in derivatives and translation differences relating to the sale of the Chicago Skyway toll road and the Eurolink M3 and M4/M6 toll roads (EUR 125 million). See Note 1.1.3, Changes in the scope of consolidation.

Remuneration of shareholders:

- Scrip dividend: for the third successive year, the shareholders at the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 approved a flexible shareholder remuneration scheme, whereby the shareholders can freely choose to receive newly issued shares of the Company by subscribing a capital increase against reserves or an amount in cash through the transfer to the Company (if they had not done so through the market) of the bonus issue rights corresponding to the shares held by them. As a result of this resolution, in 2016 two capital increases were performed with the following characteristics:
    - In May 2016 7,435,172 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a capital increase of EUR 1 million, and EUR 94 million of bonus shares were purchased, representing a payment per share of EUR 0.311.
    - In October 2016 9,210,953 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a capital increase of EUR 1 million, and EUR 133 million of bonus shares were purchased, representing a payment per share of EUR 0.408.
    - EUR -226 million are included in this connection in the foregoing table.
- Acquisition of treasury shares: the shareholders at the Annual General Meeting of Ferrovial, S.A. held on 4 May 2016 approved a treasury share purchase plan the objective of which was a subsequent capital reduction through the retirement of the shares purchased. This transaction is described in Note 5.1.2-c below.

As can be observed in the preceding table, the cash flow impact of the remuneration of shareholders in 2016 amounted to EUR 544 million (see Note 5.3), of which EUR 226 million related to the scrip dividend and EUR 317 million to treasury share transactions.

Other transactions:

- Capital increases corresponding to non-controlling interests: increase of EUR 45 million in the equity attributable to non-controlling interests, principally at the US North Tarrant Express Segments 3 toll road.
- Share-based remuneration schemes: in 2016 a total of 2,670,561 treasury shares were acquired, representing 0.36% of the share capital of Ferrovial and with a total par value of EUR 0.5 million, which were subsequently delivered, together with the treasury shares existing at the beginning of the year, to beneficiaries under share-based remuneration schemes. The total cost of acquisition of these shares was EUR 51 million and the result recognised on these transactions in the Company's equity amounts to EUR -17 million (EUR -13 million corresponding to share options, EUR -8 million to performance shares and EUR 4 million for other items).
- It should be noted, as discussed in Note 5.5, that the Company has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes. These instruments gave rise to cash inflows of EUR 31 million and the changes in the fair value thereof had an impact on the financial result of EUR -18 million.

5.1.2. Components of equity

Following is an explanation of each of the equity items presented in the consolidated statement of changes in equity:

a) Share capital

At 31 December 2016, the share capital amounted to EUR 146,509,694.80 and had been fully subscribed and paid. The share capital is represented by 732,548,474 ordinary shares of a single class and with a par value of twenty euro cents (EUR 0.20) per share. The changes in 2016 detailed in the table below relate to the capital increase and reduction transactions described in the preceding paragraph:

Shares	Number	Par value
Beginning balance	732,211,074	146,442,214.80
Scrip dividend	16,646,125	3,329,225.00
Capital reduction	-16,308,725	-3,261,745.00
ENDING SHARES	**732,548,474**	**146,509,694.80**

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

b) Share premium and merger premium

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

c) Treasury shares

At 31 December 2015, 954,805 treasury shares were held. The following changes took place in 2016:

TRANSACTION PERFORMED / OBJECTIVE	NO. OF SHARES ACQUIRED	NO. OF SHARES USED FOR OBJECTIVE	TOTAL NO. OF SHARES
Balance at 31/12/15			**954.805**
Capital reduction	15,547,735	-16,308,725	-760,990
Discretionary shares and other	2,407,250	0	2,407,250
Compensation systems	2,670,561	-2,871,399	-200,838
Shares received as payment for the scrip dividend	374,947	0	374,947
Balance at 31/12/16			**2.775.174**

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

The fair value of the treasury shares held by Ferrovial at 31 December 2016 (2,775,174 shares) was EUR 47 million.

d) Valuation adjustments

"Valuation Adjustments" in the consolidated statement of changes in equity, the balance of which at 31 December 2016 was EUR -1,092 million, includes mainly the accumulated amount in reserves of the valuation adjustments made to derivatives (EUR -690 million), pension plans (EUR -563 million) and translation differences (EUR -135 million).

As regards the requirements of IAS 1 in relation to the disclosure of "income and expense recognised directly in equity", it is important to note that the only items that under the related accounting legislation may not be transferred in a future period to profit or loss are the valuation adjustments relating to pension plans.

f) Retained earnings and other reserves

This line items includes prior years' retained earnings and other reserves totalling EUR 4,731 million (2015: EUR 4,567 million). The other reserves include restricted reserves of the Parent, relating mainly to the legal reserve of EUR 29 million.

Adjustments relating to share-based remuneration schemes are also recognised under this heading.

g) Proposed distribution of profit

It is planned for the Board of Directors to propose to the Company's duly convened Annual General Meeting that the profit of FERROVIAL, S.A. be distributed as follows:

(Millions of euros)	Amount
Profit of FERROVIAL, S.A. (euros)	62,893,105.96
Distribution (euros)	
To voluntary reserves (euros)	62,893,105.96

The legal reserve has reached the legally required minimum.

h) Non-Group companies with significant ownership interests in subsidiaries

At 31 December 2016, the non-controlling interests in the share capital of the most significant fully consolidated Group companies were as follows:

Ferrovial Group subsidiary	Non-Group %	Non-Group shareholder
Toll Roads		
Autopista Terrassa-Manresa, S.A.	23.72%	Acesa (Autopista Concesionaria Española, S.A.)
Autopista del Sol, C.E.S.A.	20%	Unicaja
LBJ Infrastructure Group Holding LLC	26.4576%-15.9424%-6.6%	LBJ Blocker (APG)- Meridiam Infr. S.a.r.l. (MI LBJ)- Dallas Police and Fire P.S.
NTE Mobility Partners Holding, LLC	33.33% - 10%	Meridiam Infrastructure S.a.r.l. - Dallas Police and Fire Pension System
NTE Mobility Partners SEG 3 Holding LLC	28.8399%-17.4949%	NTE Segments 3 Blocker, Inc. (APG) - Meridiam Infrastructure NTE 3A/3B LLC
Construction		
Budimex S.A.	6.7%-34.2%	AVIVA OFE Aviva BZ WBK (listed on the stock exchange)

The main financial statement aggregates of the most significant Group companies in which other shareholders own interests are as follows (data in 100% terms):

2016 (Millions of euros)	Assets	Liabilities	Equity	Net cash position	Net profit (loss)
Autema	1,166	333	833	5	56
Autopista del sol	791	703	87	(490)	(5)
LBJ Express	2,421	1,943	477	(1,374)	(42)
NTE Mobility Partners, LLC	1,969	1,662	307	(979)	(19)
NTE Mobility Partners Segment 3 LLC	719	453	266	(507)	-
Budimex	1,314	1,084	230	592	92

The main changes in "Equity Attributable to Non-Controlling Interests" in 2016 were as follows:

Company	Balance at 31/12/15	Profit or loss	Derivatives	Translation differences	Dividends	Capital increase	Other impacts	Balance at 31/12/16
Autopista Terrasa Manresa	149	13	-6	0	0	0	0	156
Autopista del Sol	-3	-1	0	0	0	1	0	-3
LBJ Infrastructure Group	248	-21	0	7	0	0	0	234
NTE Mobility Partners	138	-8	0	4	0	0	0	133
NTE Mobility Partners Segments 3 LLC	84	0	0	4	0	43	-7	123
Budimex	54	38	0	-2	-19	0	0	70
Other	-186	-14	-67	54	-6	1	222	4
TOTAL	**483**	**7**	**-73**	**66**	**-25**	**45**	**215**	**717**

Worthy of note, in addition to the changes arising from the profit or loss for the year, derivatives, translation differences, dividends and capital increases, was the impact of the exclusion from consolidation in the year of the SH-130 toll road (EUR 28 million) and the sales of the Chicago Skyway toll road (EUR 213 million) and the Irish toll roads (EUR 4 million), as described in Note 1.1.3, Changes in the scope of consolidation. Also, "Equity Attributable to Non-Controlling Interests" decreased (EUR -26 million) as a result of the increased ownership interest in the Portuguese toll roads. These effects are included in the "Other Impacts" column

5.2. CONSOLIDATED NET DEBT

In order to present an analysis of the Group's net debt position, the following table contains a breakdown of the net cash position, distinguishing between infrastructure project companies and the other companies. The net cash position is understood to be the balance of the items included under "Cash and Cash Equivalents", together with restricted cash classified at long term relating to the infrastructure projects, less financial debt (bank borrowings and debt securities) at short and long term.

Also, the net cash position includes cross-currency swaps with a positive value of EUR 83 million associated mainly with the Broadspectrum bonds, the positive impact of which amounts to EUR 68 million. The derivatives are accounted for in this way because they are associated in full with the aforementioned borrowings and the related exchange rate effect is netted off therefrom.

Millions of euros	31/12/16 Bank borrowings/ Bonds	Cross currency swaps	Cash and cash equivalents	Long-term restricted cash	Net borrowing position	Intra-Group balances	Total
Non-infrastructure project companies	-2,667	83	3,301	0	**717**	-20	**697**
Infrastructure projects	-5,510	0	277	249	**-4,983**	20	**-4,963**
Total consolidated net debt	**-8,185**	**83**	**3,578**	**249**	**-4,266**	**0**	**-4,266**

The change in the year in consolidated net debt, which improved from EUR -4,542 million to EUR -4,266 million, amounted to EUR 276 million (see Note 5.3).

Millions of euros	31/12/15 Bank borrowings/Bonds	Cross-currency swaps	Cash and cash equivalents	Long-term restricted cash	Net borrowing position	Intra-Group balances	Total
Non-infrastructure project companies	-1,464	0	2,973	0	**1,509**	6	**1,514**
Infrastructure projects	-6,618	0	306	261	**-6,051**	-6	**-6,057**
Total consolidated net debt	**-8,082**	**0**	**3,279**	**261**	**-4,542**	**0**	**-4,542**

5.2.1. Infrastructure projects

a) Cash and cash equivalents and restricted cash

Infrastructure project financing agreements occasionally impose the obligation to arrange certain restricted accounts to cover short-term or long-term obligations relating to the repayment of the principal or interest on the borrowings and to infrastructure maintenance and operation.

Restricted cash is classified as short-term or long-term depending on whether it must remain restricted for less than or more than one year. In any event, these funds are invested in highly-liquid financial products earning floating interest. The type of financial product in which the funds may be invested is also restricted by the financing agreements or, where no restrictions are stipulated, the decision is made on the basis of the Group's policy for the placement of cash surpluses.

Short-term balances, which amount to EUR 62 million (31 December 2015: EUR 36 million), are recognised under "Cash and Cash Equivalents" in the consolidated statement of financial position whereas long-term balances, of EUR 249 million (31 December 2015: EUR 261 million), are classified as financial assets. Therefore, the restricted cash at 31 December 2016 amounted to EUR 311 million (December 2015: EUR 297 million), including both long- and short-term amounts. Accordingly, there was a net change of EUR 15 million, due to:

- The transfer of the restricted cash (EUR -48 million) of the Portuguese toll roads Norte Litoral and Euroscut Algarve to "Assets Classified as Held for Sale" (see Note 1.2).
- Drawdowns of EUR 58 million (excluding the exchange rate effect), mainly at Autopista del Sol C.E.A.S.A. (EUR 24 million), in connection with the obligations arising from the refinancing carried out in 2016 (see point b) below); and the Amey Group (EUR 21 million) as more financing was arranged.
- The exchange rate effect had a positive impact of EUR 5 million (see Note 1.4).

The other cash and cash equivalents relate to bank accounts and highly-liquid investments subject to interest rate risk.

b) Infrastructure project borrowings

b.1) Breakdown by project, significant changes in the year and main characteristics of the borrowings

Following is a breakdown of the borrowings by project, distinguishing between bonds and bank borrowings, short- and long-term, and of the changes in the year.

Millions of euros	31/12/16 Bonds	Bank borrowings	Total	Change 16/15 Bonds	Bank borrowings	Total
Non-current maturities	**1,790**	**3,520**	**5,310**	**437**	**-447**	**-10**
US toll roads	1,294	1,937	3,231	38	-132	-94
Spanish toll roads	496	684	1,179	496	30	525
Portuguese toll roads	0	328	328	-97	-292	-390
Other toll roads		67	67	0	67	67
Construction		143	143	0	3	3
Services		362	362	0	-122	-122
Current maturity	**6**	**194**	**200**	**5**	**-1,103**	**-1,097**
Spanish toll roads	6	9	15	6	-461	-455
US toll roads		0	0	0	-735	-735
Other	0	184	184	-1	92	92
TOTAL	**1,796**	**3,714**	**5,510**	**442**	**-1,550**	**-1,108**

Millions of euros	31/12/15 Bonds	Bank borrowings	Total
Non-current maturities	**1,353**	**3,967**	**5,320**
US toll roads	1,256	2,069	3,325
Spanish toll roads		654	654
Portuguese toll roads	97	620	718
Other toll roads	0	0	0
Construction		140	140
Services		484	484
Current maturity	**1**	**1,297**	**1,297**
Spanish toll roads		470	470
US toll roads		735	735
Other	1	92	92
TOTAL	**1,354**	**5,264**	**6,618**

Infrastructure project borrowings decreased by EUR -1,108 million with respect to December 2015, due mainly to the following:

- In relation to the changes in the scope of consolidation, as indicated in Note 1.2., the reclassification of the Portuguese toll roads Norte Litoral and Euroscut Algarve had an impact of EUR -388 million.
- Also, the acquisition of Transchile Charrúa Transmisión, S.A. gave rise to the inclusion of its borrowings amounting to EUR 67 million (see Note 1.1.3).
- SH-130. As discussed in the consolidated financial statements as at 31 December 2015, as a result of the reduction in traffic with respect to initial forecasts, the US toll road SH-130 was in the process of restructuring its borrowings, as a result of which it entered into a waiver agreement with its financing banks. In 2016 the company filed for Chapter 11 insolvency, the US equivalent of insolvency proceedings, as part of which, on 5 December the judge approved the "Plan of reorganization" and the "Disclosure Statement" whereby the Group's departure from the shareholder structure through a share sale procedure was resolved. This gave rise to a loss of control over the toll road, as discussed in the changes in the scope of consolidation (see Note 1.1.3) the impact of which on the debt for accounting purposes was EUR -1,425 million.
- Additional drawdowns against the borrowings already arranged at the end of 2015 amounting to EUR 570 million, of which:
- EUR 191 million relate to the NTE-Segment 3 toll road, EUR 187 million relate mainly to the SH-130 toll road until the date of loss of control (see preceding paragraph), EUR 43 million to I-77 Mobility Partners LLC, and EUR 37 million to LBJ.
- With respect to the Spanish toll roads, the refinancing of the two stretches of the Autopista del Sol (Ausol I and Ausol II) concession was completed in 2016, as indicated in the notes to the consolidated financial statements for 2015. The amount of the new financial structure totalled EUR 558 million, without recourse to the shareholders (the main characteristics of the borrowings are summarised below), and was used to repay the existing financing. Thus, at 31 December 2016 borrowings amounted to EUR 541 million (nominal amount of EUR 546 million), a net increase of EUR 71 million on 2015, due largely to the conversion into debt of the value of the hedges existing at the refinancing date.
- In the Services Division EUR 40 million were drawn down mainly in relation to the Milton Keynes waste treatment plant (Amey).
- Increase in borrowings as a result of the depreciation of the euro against the US dollar (see Note 1.4), which increased the value of the borrowings by EUR 97 million, offset by the appreciation of the euro against the pound sterling associated with the UK projects amounting to EUR -30 million, giving rise to a net impact on infrastructure project borrowings of EUR 67 million at 31 December 2016.

<u>US toll roads:</u>

North Tarrant Express Managed Lanes - NTE
This project is financed through a USD 400 million issue of Private Activity Bonds (PABs) with final maturity in 2039 (USD 60 million bearing fixed interest at 7.50% of which EUR 29 million mature in 2030 and EUR 31 million in 2031 and USD 340 million bearing fixed interest at 6.875% with final maturity in 2039). It also has a TIFIA loan of USD 759.3 million bearing fixed interest at 4.52% (USD 650.0 million of principal and USD 109.3 *million of interest added to the principal) granted by the US Federal Government*, which was drawn down in full at 31 December 2016 and has a repayment profile from 2035 to final maturity in 2050.

NTE Mobility Partners Seg 3 LLC
In September 2013 the financial close of the concession arrangement for the extension of the North Tarrant Express (NTE) toll road in Texas was achieved. The borrowings for this project were structured through the issue of USD 274 million of Private Activity Bonds (PABs), maturing at 25 and 30 years (7.00% fixed interest on USD 128 million and 6.75% fixed interest on USD 146 million), and a TIFIA loan of USD 531 million bearing a fixed rate of 3.84%, against which USD 281.9 million had been drawn down at 31 December 2016 (USD 274.3 million of principal and USD 7.6 million of interest added to the principal), with final maturity in 2054.

LBJ
This concession operator is financed through a USD 615 million issue of PABs with final maturity in 2040 (7.00% fixed interest on USD 473 million, of which USD 419 million have final maturity in 2040 and USD 54.5 million in 2034; and 7.50% fixed interest on USD 142 million, of which USD 91 million have final maturity in 2032 and USD 51 million in 2033). LBJ also has a TIFIA loan of USD 850 million granted by the US Federal Government with a repayment profile from 2036 to 2050, against which USD 992.1 million had been drawn down at 31 December 2016 (USD 850.0 million of principal and USD 142.1 million of interest added to the principal). This loan bears interest at a fixed rate of 4.22% and has final maturity in 2050.

I-77 Mobility Partners
This concession operator is financed through a USD 100 million issue of PABs (5.00% fixed interest), of which USD 7 million have final maturity between 2026 and 2030, USD 13 million have final maturity in 2037 and 80 million have final maturity in 2054. It also has a TIFIA loan of USD 189 million against which USD 48.2 million had been drawn down at 31 December 2016 (USD 47.7 million of principal and USD 0.4 million of interest added to the principal). This loan bears interest at a fixed rate of 3.04% and has final maturity in 2053.

<u>Spanish toll roads:</u>

Ausol I and II
In March 2016 the refinancing of the toll road was obtained. The new borrowings were structured in the form of senior bonds and debentures for EUR 507 million maturing in 30 years with a coupon of 3.75% (EUR 351.5 million for AUSOL I and EUR 155.5 million for AUSOL II) and a junior loan of EUR 50.8 million maturing in 10 years with a fixed interest rate of 7% (EUR 35.2 million for AUSOL I and EUR 15.6 million for AUSOL II).

The outstanding borrowings at 31 December 2016 amounted to EUR 505 million of senior bonds and EUR 41 million of the junior loan.

Cintra Inversora Autopistas de Cataluña / A. Terrasa Manresa
Following the refinancing transaction in 2008 through a syndicated structuring arrangement, the company is now financed through a credit facility with a tranche A and a tranche B with limits of EUR 300 million and EUR 316 million, respectively, both bearing interest at 6-month EURIBOR of -0.176%+1.50%. Both tranches have been drawn down in full and have final maturity in 2035. The company has also been granted a liquidity line of EUR 80 million, against which it has drawn down EUR 42.8 million (bearing interest at 6-month EURIBOR of -

0.176%+1.50%). It should also be noted that this company has a derivative with a notional amount of EUR 606 million, a guaranteed interest rate of 4.735% and maturity in 2035. The fair value of the derivative arranged (recognised under "Derivative Financial Instruments at Fair Value", see Note 5.5) was EUR -307.7 million at year-end.

Portuguese toll roads:

Euroscut Azores

Syndicated bank financing with final maturity in 2033, against which EUR 338.3 million had been drawn down at 31 December 2016 (bearing interest at 6-month EURIBOR of -0.178%+0.80%). In relation to these borrowings, the concession operator has arranged a derivative with a notional amount of EUR 292.1 million, a guaranteed fixed interest rate of 4.115% and maturity in 2033. The fair value of the derivative arranged (recognised under "Derivative Financial Instruments at Fair Value", see Note 5.5) was EUR -91.4 million at year-end.

b.2) Maturities by currency and fair value of infrastructure project borrowings

(Millions of euros)	Currency	Fair value 2016	Fair value 2015	Carrying amount 2016	2016	2017	2018	2019	2020	2021 and subsequent years	Total maturities
Bonds of infrastructure projects		1,983	1,605	1,796	0	0	0	0	0	1,822	1,822
TOLL ROADS		**1,983**	**1,605**	**1,796**	**0**	**0**	**0**	**0**	**0**	**1,822**	**1,822**
	USD	1,481	1,507	1,294	0	0	0	0	0	1,317	1,317
	EUR	502	98	502	0	0	0	0	0	505	505
Bank borrowings of infrastructure projects		3,714	5,264	3,714						3,351	3,351
TOLL ROADS		**2,965**	**4,593**	**2,965**	**6**	**8**	**12**	**15**	**17**	**2,954**	**3,011**
	USD	1,937	2,804	1,937						1,973	1,973
	EUR	1,028	1,790	1,028	6	8	12	15	17	980	1,038
AIRPORTS		**68**	**0**	**68**	**2**	**2**	**2**	**2**	**62**	**0**	**70**
	USD	68	0	68	2	2	2	2	62	0	70
CONSTRUCTION		**147**	**147**	**147**	**2**	**2**	**2**	**2**	**2**	**138**	**148**
	EUR	147	147	147	2	2	2	2	2	138	148
SERVICES		**534**	**524**	**534**	**20**	**174**	**26**	**26**	**32**	**259**	**537**
	GBP	213	209	213	2	153	1	1	1	56	213
	EUR	321	315	321	18	21	25	25	31	204	323
TOTAL BORROWINGS OF INFRASTRUCTURE PROJECTS		**5,697**	**6,869**	**5,510**	**29**	**186**	**41**	**45**	**114**	**5,173**	**5,588**

- The differences between the total maturities of the bank borrowings (EUR 5,588 million) and the carrying amounts thereof at 31 December 2016 (EUR 5,510 million) are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation. Thus, the accrued interest payable and the application of the amortised cost method represent an impact of EUR 78 million, taking into account that the maturities of the borrowings do not include interest.

The fair value reflected in the table above is calculated as follows:

- For fixed-rate bonds, subject to changes in value due to fluctuations in market interest rates: since they are quoted in an active market, the related market value is used.
- For fixed-interest bank borrowings, also subject to changes in value due to fluctuations in rates: future cash flows are discounted using a market interest rate, calculated using an internal valuation model.
- Lastly, for floating-rate bank borrowings: no significant differences are deemed to exist between the fair value of the borrowings and their carrying amount and, therefore, the carrying amount is used.

b.3) Information on credit limits and credit drawable for infrastructure projects

Set forth below is a comparative analysis of borrowings not drawn down at year-end:

2016 Millions of euros	Debt limit	Amount drawn down	Amount drawable	Carrying amount of debt
Toll roads	5,242	4,833	409	4,760
US toll roads	3,667	3,290	377	3,231
Spanish toll roads	1,237	1,205	32	1,195
Other toll roads	338	338	0	335
Airports	70	70	0	68
Construction	164	148	16	147
Services	542	537	6	534
TOTAL BORROWINGS	**6,018**	**5,588**	**430**	**5,510**

2015 Millions of euros	Debt limit	Amount drawn down	Amount drawable	Carrying amount of debt
Toll roads	6,497	6,041	456	5,947
US toll roads	4,562	4,138	424	4,059
Spanish toll roads	1,161	1,129	32	1,124
Other toll roads	775	775	0	764
Airports	0	0	0	0
Construction	169	148	21	147
Services	568	532	36	524
TOTAL BORROWINGS	**7,234**	**6,722**	**512**	**6,618**

The differences between the total bank borrowings drawn down and the carrying amount of the related debt at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (basically accrued interest payable and the application of the amortised cost method, which are detailed in point b.2 above).

Of the EUR 430 million drawable (31 December 2015: EUR 512 million), EUR 377 million relate mainly to amounts not drawn down against borrowings that were obtained to finance toll roads under construction in the US. It should be noted that this drawable amount is associated exclusively with the projects, based on the nature and performance thereof, as discussed below.

b.4) Guarantees and covenants for infrastructure project borrowings
The borrowings classified as project borrowings are without recourse to the shareholders of the projects or with recourse limited to the guarantees provided. The guarantees provided by subsidiaries of Ferrovial in connection with the borrowings of these projects are described in Note 6.5, Contingent liabilities. Bridge loans granted to infrastructure project companies prior to subsequent capital increases to be subscribed by the shareholders and guaranteed in full by the latter (equity bridge loans) are classified as borrowings of non-infrastructure project companies (see Note 5.2.2. below).

At 31 December 2016, all the toll road concession operators were achieving the significant covenants in force, except for the SH-130 toll road. As discussed in point b.1 above, the toll road is in insolvency proceedings, and expects an effective exit therefrom in the first quarter of 2017.

5.2.2. Net cash position excluding infrastructure projects

a) Borrowings of non-infrastructure project companies

a.1) Breakdown between current and non-current borrowings, changes in the year and main characteristics

(Millions of euros)	2016			Change 16/15		
	Non-current maturities	Current maturity	Total	Non-current maturities	Current maturity	Total
Corporate debt	2,044	29	2,073	745	1	746
Broadspectrum borrowings	395	12	407	395	12	407
Other borrowings	43	61	103	-36	2	-34
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS	**2,481**	**102**	**2,584**	**1,105**	**14**	**1,119**

2015 Millions of euros	Non-current maturities	Current maturity	Total
Corporate debt	1,298	29	1,327
Broadspectrum borrowings	0	0	
Other borrowings	78	59	138
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS	**1,376**	**88**	**1,464**

a.1.1) Corporate debt

The corporate debt comprises the following debt instruments:

a) On the one hand, the debt consists of four corporate bonds totalling EUR 1,824 million at 31 December 2016 (31 December 2015: EUR 1,327 million). The characteristics of these bonds are as follows:

Issue date	Amount (nominal) (millions of euros)	Maturity	Annual coupon
30/01/13	500	30/01/18	3.375%
07/06/13	500	07/06/21	3.375%
15/07/14	300	15/07/24	2.500%
09/09/16	500	09/09/22	0.375%

The bonds issued in 2013 are traded on the secondary market of the London Stock Exchange, while those issued in 2014 and 2016 are admitted to trading on the Spanish AIAF fixed-income market. All these issues are guaranteed by Ferrovial S.A., the Parent of the Group. It must be stated that interest rate derivatives arranged in relation to the corporate bonds with a notional amount of EUR 250 million convert the fixed interest rate into a floating one, see Note 5.5.

b) On the other hand, the Group has a liquidity facility, negotiated in 2014 with a series of creditor banks, with a current limit of EUR 1,250 million (31 December 2015: EUR 1,250 million), against which a nominal amount of USD 279 million was drawn down in 2016, which matures on 26 March 2021. The foreign currency and interest rate risks on these borrowings were hedged using the cross currency swaps described in Note 5.5, guaranteeing a hedged notional amount of EUR 250 million at a fixed interest rate of -0.4390%, thus giving rise to revenue for the Group.

Also, the Group has other facilities negotiated in 2015 with a current limit of EUR 20 million (31 December 2015: EUR 10 million).

The interest rate negotiated is tied to EURIBOR plus a spread based on the average rating assigned to the borrowings of Ferrovial S.A., the Parent of the Group.

Information on the credit limits and credit drawable of the corporate debt
The detail of the limits and the amounts drawable of the corporate debt at 31 December 2016 and at 31 December 2015 is as follows:

(Millions of euros)	2016			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Bonds	1,800	1,800	0	1,808
Syndicated facility	1,250	250	1,000	264
Other facilities	20	0	20	0
TOTAL CORPORATE DEBT	**3,070**	**2,050**	**1,020**	**2,073**

(Millions of euros)	2015			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Bonds	1,300	1,300	0	1,327
Syndicated facility	1,250	0	1,250	0
Other facilities	10	0	10	0
TOTAL CORPORATE DEBT	**2,560**	**1,300**	**1,260**	**1,327**

Corporate rating
The financial rating agencies Standard & Poor's and Fitch issued their opinions on the credit rating of Ferrovial's corporate debt at December 2016, which was assigned ratings of BBB and BBB, respectively, with a stable outlook, and, therefore, came under the “investment grade” category.

a.1.2) Broadspectrum borrowings

As mentioned in Note 1.1., in 2016 shares of Broadspectrum were acquired for EUR 499 million, as a result of which both the assets and the liabilities of this company were included in the Group's consolidated financial statements. The detail of the company's financial structure at 31 December 2016 is as follows:

Type of debt instrument	Limit (millions)	Amount drawn down (millions)	Balance (millions of euros)	Maturity	Interest rate
Bonds: High-yield bonds	USD 325	USD 325	273	2020	8.38%
Debentures: United States private placement (USPP)	USD 100	USD 100	95	2019	7.29% coupon
Syndicated loan	AUD 148 + USD 42 + NZD 32	AUD 36	25	2018	Ref. + 1.65%
Other borrowings	CLP 29,900 + CAD 25 + AUD 7 + NZD 5	CLP 1,400 + CAD 11	15	2016-2021	Between 3.98% and 4.05%
TOTAL BROADSPECTRUM BORROWINGS			**407**		

The high-yield bonds were issued on 13 May 2014 with an annual coupon of 8.375%. Certain cross-currency swaps have been arranged to convert the debt into a nominal amount equivalent to AUD 348 million at a floating rate.

The United States private placement (USPP) relates to long-term debentures issued without security to institutional investors. These debentures carry a coupon of 7.29%.

The syndicated loan comprises five revolving facilities denominated in various currencies other than the euro, which mature in July 2018. The applicable interest spread ranges between 1.30% and 2.65% depending on a ratio called the Total Leverage Ratio, which is the result of dividing net financial debt by cumulative EBITDA over the last twelve months.

Lastly, the other debt includes mainly the payables under finance leases and credit lines arranged with a series of banks totalling EUR 15 million at 31 December 2016.

The changes in the year associated with Broadspectrum's debt structure were as follows:

	Inclusion in scope of consolidation 31/05/16	Exchange rate effect	Other net change	31/12/16
Bonds: High-yield bonds	322	16	2	341
Debentures: United States private placement (USPP)	135	8	-47	95
Syndicated loan	85	0	-60	25
Other debt	43	5	-34	15
TOTAL BROADSPECTRUM BORROWINGS	**585**	**29**	**-140**	**475**
Cross-currency swaps	-68	0	0	-68
TOTAL BORROWINGS AFTER CURRENCY SWAPS	**518**	**29**	**-140**	**407**

It must be stated that the carrying amount of Broadspectrum's borrowings at 31 December 2016 includes a fair value adjustment made at 31 May 2016 (date of first-time consolidation) of EUR 40 million. To this end, the market price at that date was used for bonds traded on the market (the high-yield bonds) and, for the bonds not traded on the market (the USPP), the present value of the future flows discounted at a market interest rate was calculated. See point a.2) below for the calculation of the fair value of the bonds at 31 December 2016

In relation to the changes in 2016, it should be noted that at the acquisition date of the company USD 150 million of USPP debentures had been issued. Of the USD 150 million, USD 50 million were settled at maturity on 29 December 2016. The EUR 95 million outstanding mature on 29 December 2019.

Furthermore, Broadspectrum’s main sources of financing (USPP, syndicated loans and high-yield bonds) included a change in control clause, whereby the lenders could claim repayment as a result of the acquisition of the company. In this regard, at 31 December 2016 no repayment had been claimed in connection with the USPP (the deadline for which ended on 27 July) or the high-yield bonds. However, certain banks participating in the syndicated loan did submit claims, resulting in the repayment of EUR 60 million.

Lastly, mention must be made of the fact that Broadspectrum's total debt, except for the high-yield bonds, is guaranteed by assets of the aforementioned subgroup.

Information on Broadspectrum's credit limits and drawable credit

Set forth below is a comparative analysis of Broadspectrum's borrowings not drawn down at year-end:

(Millions of euros)	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
High-yield bonds	238	238	0	273
USPP	95	95	0	95
Syndicated loan	161	25	137	25
Other borrowings	71	19	52	15
Total Broadspectrum	**566**	**377**	**189**	**407**

a.1.3) Other borrowings

"Other Borrowings" of EUR 103 million (31 December 2015: EUR 138 million) include mainly the bank loans and finance leases of the Construction and Services Divisions (excluding Broadspectrum of EUR 23 million, see point a.1.2. above). Thus, the non-infrastructure project companies have finance leases of EUR 31 million (31 December 2015: EUR 51 million), mainly in the Services and Construction Divisions.

With respect to the project finance bridge loans, in 2016 the project finance bridge loan for EUR 15 million existing at 31 December 2015 relating to the financing of the Milton Keynes waste treatment plant, was cancelled.

Information on limits and amounts drawable - Other borrowings:

The detail of the limits and the amounts drawable of the other borrowings at 31 December 2016 and at 31 December 2015 is as follows:

Millions of euros)	2016			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Other borrowings	327	65	262	103

(Millions of euros)	2015			
	Debt limit	Amount drawn down	Amount drawable	Consolidated debt
Other borrowings	404	104	300	138

The differences between total bank borrowings and the carrying amount thereof at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation.

a.2) Maturities by currency and fair value of borrowings excluding infrastructure projects

Borrowings (millions of euros)	Currency	Fair value 2016	Carrying amount 2016	2017	2018	2019	2020	2021	2022 and subsequent years	Total maturities
Corporate debt		**2,176**	**2,073**	**0**	**500**	**250**	**0**	**500**	**800**	**2,050**
	EUR	2,176	2,073	0	500	250	0	500	800	2,050
Broadspectrum borrowings		**455**	**407**	**0**	**25**	**95**	**248**	**2**	**7**	**377**
	AUD	344	303	0	25	0	248	0	0	273
	USD	101	95	0	0	95	0	0	0	95
	CAD	7	7	0	0	0	0	0	7	7
	CLP	3	2	0	0	0	0	2	0	2
Other borrowings		**104**	**104**	**15**	**1**	**7**	**8**	**10**	**24**	**65**
	EUR	51	51	15	0	0	0	3	2	19
	GBP	12	12	0	0	1	3	0	9	12
	PLN	25	25	0	0	1	4	7	14	26
	OMR	9	9	0	0	0	0	0	0	0
	CLP	7	7	0	1	5	2	0	0	8
TOTAL BORROWINGS EXCLUDING INFRASTRUCTURE PROJECTS		**2,735**	**2,584**	**15**	**526**	**352**	**256**	**512**	**832**	**2,492**

The differences between the total maturities of borrowings and the carrying amounts of the debt at 31 December 2016 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (basically accrued interest payable and the application of the amortised cost method).

The fair value of bank borrowings excluding infrastructure projects coincides with the related carrying amount because the borrowings are tied to floating market interest rates and, therefore, changes in the benchmark interest rates do not affect their fair value.

Since the corporate bonds and the Broadspectrum bonds (high-yield bonds) are fixed-interest bonds traded on an active market, their fair value was taken to be the market price at the analysis date. In addition (as discussed in Note a.1.1. above), interest rate derivatives with a notional amount of EUR 250 million were arranged in relation to the corporate bonds, and cross-currency swaps were arranged at Broadspectrum converting the fixed rate associated with the bonds in US dollars into a floating rate in Australian dollars, with a notional amount of EUR 280 million (see Note 5.5). As regards the USPP bonds, since the bonds are not traded on the market, the present value of the discounted cash flows was calculated using a market interest rate.

Based on the aforementioned criteria, the estimated total fair value of bank borrowings and bonds excluding infrastructure projects was EUR 2,735 million at 31 December 2016 (31 December 2015: EUR 1,530 million).

The 2017 maturities amount to EUR 15 million and relate mainly to borrowings associated with Inagra, S.A. totalling EUR 11 million. The debt maturities do not include interest.

b) Cash and cash equivalents of non-infrastructure project companies

The method used to classify cash and cash equivalents at both short and long term is the same as that applied in the financial statements for 2015. The cash and cash equivalents correspond to bank accounts and highly liquid investments subject to interest rate risk. The changes therein are analysed in Note 5.3, Cash flow.

Also, at 31 December there were certain restricted accounts totalling EUR 37 million (31 December 2015: EUR 84 million) associated with the developments in progress of Budimex.

5.3. CASH FLOW

The consolidated statement of cash flows was prepared in accordance with IAS 7. This Note provides an additional breakdown in this connection. This breakdown is based on internal criteria established by the Company for business purposes, which in certain cases differ from the provisions of IAS 7. The main criteria applied are as follows:

- In order to provide a clearer explanation of the cash generated, the Group separates cash flows into “Cash Flows Excluding Infrastructure Projects” where infrastructure project concession operators are treated as financial assets and the investments in the capital of these companies are therefore included in cash flows from investing activities and the yields from the investments (dividends and capital reimbursements) are included in cash flows from operating activities, and “Cash Flows of Infrastructure Projects”, consisting of cash flows from the operating and financing activities of infrastructure project concession operators.
- The treatment given to interest received on cash and cash equivalents differs from that in the statement of cash flows prepared in accordance with IAS 7, since this interest is included in cash flows from financing activities as a reduction of the amount recognised under “Interest Cash Flows”.
- Lastly, the statement of cash flows endeavours to present the changes in the net cash position as the net amount of borrowings, cash and cash equivalents and restricted cash. This method also departs from that established in IAS 7, which explains the changes in cash and cash equivalents.

December 2016	Note:	December 2016 (Millions of euros) Cash flow excluding infrastructure projects	Cash flow of infrastructure projects	Eliminations	Consolidated cash flow
EBITDA (Gross profit from operations)	2.4	502	442	0	944
Dividends received	3.5	477	0	-50	427
Change in working capital (receivables, payables and other)	5.3	16	-68	0	-52
Cash flows from operating activities before tax		**995**	**373**	**-50**	**1,319**
Taxes paid in the year	2.8.1	-125	-23	0	-147
Cash flows from operating activities		**870**	**351**	**-50**	**1,172**
Investments	3.2, 3.3 & 3.4	-985	-388	72	-1,301
Disposals	1.1.3	340	0	0	340
Cash flows from investing activities		**-645**	**-388**	**72**	**-961**
Cash flows from operating and investing activities		**226**	**-38**	**22**	**210**
Interest cash flows	2.6	-48	-303	0	-351
Capital proceeds from non-controlling interests		2	122	-72	53
Scrip dividend		*-226*	*0*	*0*	*-226*
Acquisition of treasury shares		*-317*	*0*	*0*	*-317*
Remuneration of shareholders	5.1	-544	0	0	-544
Dividends paid to non-controlling shareholders of investees		-23	-50	50	-24
Exchange rate effect		-9	-111	0	-119
Change in the scope of consolidation	1.1.3	-440	1,702	0	1,262
Other changes in borrowings (not giving rise to cash flows)		18	-230	0	-212
Cash flows from financing activities		**-1,043**	**1,131**	**-22**	**66**
Change in net cash position	5.2	**-817**	**1,093**	**0**	**276**
Opening position		1,514	-6,057	0	-4,542
Final position		697	-4,963	0	-4,266

Changes in working capital (cash flow impact):

The variations in working capital disclosed in the foregoing table are the metric that explain the difference between the Group's EBITDA (Gross profit from operations) and its cash flows from operating activities before tax and arose from the difference between the timing of revenue and expenses for accounting purposes and the date on which the aforementioned revenue and expenses were transformed into cash, mainly due to changes in the balances of trade accounts receivable and payable to suppliers or other items in the consolidated statement of financial position. Thus a reduction in the balance of trade accounts receivable will give rise to an improvement in working capital and a reduction of the balance of payable to suppliers will give rise to a worsening of working capital.

The changes in this item do not exactly coincide with the changes in working capital (balance sheet) reported in Section 4 of the consolidated financial statements for the following reasons:

	Non-infrastructure project companies	Infrastructure projects and adjustments	TOTAL
Change in working capital (Balance Sheet). Section 4	**118**	**-149**	**-31**
Changes in working capital with an impact on cash flows from investing activities	-5	97	91
Changes in provisions with an impact on gross profit from operations or on working capital	-117	0	-117
Changes in other statement of financial position items with an impact on cash flows from operating activities	20	-16	5
Total working capital reported in statement of cash flows	**16**	**-68**	**-52**

The differences discussed above relate to the following items:

- Changes in working capital with an impact on cash flows from investing activities. The working capital accounts reported in Section 4, especially the items payable to suppliers, can relate to transactions that do not affect cash flows from operating activities, such as non-current asset purchases.
- Changes in provisions with an impact on gross profit from operations or on working capital These relate to the recognition/reversal of provisions with an impact on gross profit from operations, which does not have an impact on cash, or provisions used with a balancing entry in working capital accounts (see Note 6. 3).
- Changes in other statement of financial position items with an impact on cash flows from operating activities. The changes in working capital reported in Section 4 reflect only movements in items included under "Current Trade and Other Receivables", "Current Trade and Other Payables" and "Inventories". In certain cases, operating income and expenses relate not only to items shown in working capital (current items) but also to certain items recognised as non-current assets and liabilities, such as non-current trade receivables and non-current payables to suppliers, or even to items in equity accounts such as transactions relating to share-based remuneration schemes.

The cash flows reported in 2015 were as follows:

		December 2015 (Millions of euros)			
December 2015	Note:	Cash flow excluding infrastructure projects	Cash flow of infrastructure projects	Eliminations	Consolidated cash flow
EBITDA (Gross profit from operations)	2.4	580	447	0	1,027
Dividends received	3.5	477	0	-78	399
Change in working capital (receivables, payables and other)		-168	-67	0	-234
Cash flows from operating activities before tax		**889**	**380**	**-78**	**1,191**
Taxes paid in the year	2.8.1	-29	-31	0	-61
Cash flows from operating activities		**860**	**349**	**-78**	**1,130**
Investments		-374	-556	92	-839
Disposals	1.1	74	0	0	74
Cash flows from investing activities		**-300**	**-556**	**92**	**-765**
Cash flows from operating and investing activities		**560**	**-208**	**13**	**366**
Interest cash flows	2.6	-35	-309	0	-344
Capital proceeds from/payments to non-controlling interests		-1	212	-92	119
Scrip dividend		*-267*	*0*	*0*	*-267*
Acquisition of treasury shares		*-265*	*0*	*0*	*-265*
Remuneration of shareholders	5.1	-532	0	0	-532
Dividends paid to non-controlling shareholders of investees		-40	-83	78	-44
Exchange rate effect		-23	-498	0	-521
Other changes in borrowings (not giving rise to cash flows)		-47	2,691	0	2,644
Cash flows from financing activities		**-678**	**2,014**	**-13**	**1,322**
Change in net cash position	**5.2**	**-118**	**1,806**	**0**	**1,688**
Opening position		1,632	-7,862	0	-6,230
Final position		1,514	-6,057	0	-4,542

5.4. MANAGEMENT OF FINANCIAL RISKS AND CAPITAL

The Group's activities are exposed to a variety of financial risks, particularly interest rate risk, foreign currency risk, credit risk, liquidity risk and equity risk. The policies adopted by the Group in managing these risks are explained in detail in the directors' report.

Following are specific data on the Group's exposure to each of these risks and an analysis of the sensitivity to a change in the various variables, together with a brief description of the management of each risk.

In addition, in view of the importance of the UK's Brexit decision, this Note includes a separate in-depth analysis of the impact it has had for Ferrovial with respect to the various financial risks and how these risks are being managed.

a. Exposure to interest rate risk

Ferrovial's business is subject to economic cycles and interest rate risk management is taken into consideration. When interest rates are low, these levels are guaranteed in the future at non-infrastructure project level. At infrastructure project level, the banks and rating agencies require a higher percentage of fixed-rate debt. These strategies are achieved by issuing fixed-rate debt or by arranging hedging financial derivatives, a detail of which is provided in Note 5.5, Derivative financial instruments at fair value. The aim of these hedges is to optimise the finance costs borne by the Group.

The accompanying table shows a breakdown of the Group's debt, indicating the percentage of the debt that is considered to be hedged (either by a fixed rate or by derivatives). Not all the assets are hedged (the case of cash and cash equivalents and long-term restricted cash associated with the debt).

	2016			
Borrowings (Millions of euros)	Total gross debt	% of debt hedged	Net debt exposed to interest rate risk	Impact on results of + 100 b.p.
Non-infrastructure project companies	**2,584**	**77%**	**587**	**6**
Toll roads	4,760	98%	97	1
Construction	147	93%	10	0
Services	534	66%	179	2
Airports	68	100%	0	0
Infrastructure projects	**5,510**	**95%**	**285**	**3**
TOTAL BORROWINGS	**8,093**	**90%**	**871**	**9**

	2015			
Borrowings (Millions of euros)	Total gross debt	% of debt hedged	Net debt exposed to interest rate risk	Impact on results of + 100 b.p.
Non-infrastructure project companies	**1,465**	**78%**	**324**	**3**
Toll roads	5,947	92%	466	5
Construction	147	93%	11	0
Services	524	94%	33	0
Infrastructure projects	**6,618**	**92%**	**510**	**5**
TOTAL BORROWINGS	**8,083**	**90%**	**834**	**8**

Also, it must be borne in mind that the results relating to companies accounted for using the equity method include the results corresponding to the 25% ownership interest in HAH and the ownership interest of 43.23% in 407 ETR. As indicated in Note 3.5, the two companies have a significant volume of debt, of which 80% (HAH) and 100% (407 ETR) is hedged against interest rate risk.

Based on the foregoing, at the fully consolidated companies, a linear increase of 100 basis points in the market yield curves at 31 December 2016 would increase the finance costs in the statement of profit or loss by an estimated EUR 9 million, of which EUR 3 million relate to infrastructure projects and EUR 6 million to non-infrastructure project companies, with a net impact on the profit attributable to Ferrovial of EUR -7 million.

It is also necessary to take into account changes in the fair value of the financial derivatives arranged, which are indicated in Note 5.5.

As regards these interest rate hedging instruments, a linear decrease of 100 basis points in the market yield curves at 31 December 2016 would, in the case of the effective hedges, have a net impact of EUR -266 million on the equity attributable to the Parent (EUR -161 million at companies accounted for using the equity method, EUR -98 million at fully consolidated companies and EUR -7 million at companies classified as held for sale).

b. Exposure to foreign currency risk

Ferrovial analyses the changes in both short- and long-term exchanges rates, establishing monitoring mechanisms such as equilibrium exchange rates, which, together with the planned net exposure per currency for the coming years both for dividends receivable and equity contributions in new projects, enables it to define its hedging strategy. These hedges are established by using foreign currency deposits or arranging derivatives (see Note 11 for more details).

The following tables show, by type of currency, the values of assets, liabilities, non-controlling interests and equity attributable to the Parent at December 2016, adjusted by the aforementioned currency forwards corresponding to each currency:

	2016			
Currency (Millions of euros)	Assets	Liabilities	Equity attrib. to the Parent	Non-controlling interests
Euro	7,116	5,963	996	157
Pound sterling	3,736	1,866	1,869	1
US dollar	6,802	5,855	459	487
Canadian dollar	2,019	517	1,502	0
Australian dollar	1,814	1,441	373	0
Polish zloty	1,401	1,156	173	72
Chilean peso	247	123	124	0
Other	262	162	100	0
TOTAL GROUP	**23,397**	**17,083**	**5,597**	**717**

Note 1.4 contains a detail of the changes in the year in the closing exchange rates. As a result of these changes, the impact of translation differences on equity at 31 December 2016 was EUR -144 million for the Parent and EUR 66 million for non-controlling interests. Of the aforementioned EUR -144 million, EUR -358 million correspond to changes in the pound sterling, EUR 130 million to changes in the Canadian dollar, EUR 44 million to changes in the US dollar and EUR 40 million to changes in other currencies.

Also, Ferrovial has estimated that a 10% appreciation of the euro at year-end against the main currencies in which the Group has investments would have an impact on the Parent's equity of EUR -459 million, of which 45% would relate to the impact of the pound sterling and 36% to that of the Canadian dollar. This fluctuation in the value of the euro would have an impact on total assets of EUR -1,578 million, of which 48% would relate to the investments in US dollars, 26% to the investments in pounds sterling and 14% to the investments in Canadian dollars.

Also, the detail of the net profit attributable to the Parent by type of currency for 2016 and 2015 is as follows:

	Net profit	
Currency (Millions of euros)	2016	2015
Euro	204	186
Pound sterling	-76	266
US dollar	101	232
Canadian dollar	102	70
Australian dollar	-30	-4
Polish zloty	53	15
Chilean peso	-9	-10
Other	31	-36
TOTAL GROUP	**376**	**720**

Note 1.4 contains a detail of the changes in the average exchange rates for the year. In this regard, the impact of a 10% appreciation of the euro against the other currencies on the statement of profit or loss would have amounted to EUR -23 million.

c. Exposure to credit and counterparty risk

The Group's main financial assets exposed to credit risk or counterparty risk are as follows:

(Millions of euros)	2016	2015	Change 16/15
Investments in financial assets (1)	693.95	991.36	-297.41
Non-current financial assets	1,714.13	2,341.26	-627.13
Financial derivatives (assets)	-1.75	-267.48	265.73
Trade and other receivables	2,819.74	2,319.82	499.92

(1) Included in "Cash and Cash Equivalents".

In managing this risk, Ferrovial monitors on an ongoing basis the ratings of the various counterparties, establishing diversification criteria, minimum rating requirements for financial counterparties and customer credit risk monitoring and selection.

d. Exposure to liquidity risk

The Group has established the necessary mechanisms that reflect the cash generation and need projections, in order to guarantee solvency, in relation to both short-term collections and payments and obligations to be met at long term.

Non-infrastructure project companies

At 31 December 2016, cash and cash equivalents amounted to EUR 3,301 million (2015: EUR 2,973 million). Also, at that date undrawn credit lines totalled EUR 1,471 million (2015: EUR 1,560 million).

Infrastructure projects

At 31 December 2016, cash and cash equivalents (including short-term restricted cash) amounted to EUR 277 million (2015: EUR 306 million). Also, at that date undrawn credit lines amounted to EUR 430 million (2015: EUR 512 million), which were arranged mainly to cover committed investment needs.

e. Exposure to equity risk

Ferrovial is also exposed to the risk relating to the evolution of its share price. This exposure arises specifically in equity swaps used to hedge against risks of appreciation of share-based remuneration schemes, the detail of which is shown in Note 11 to these consolidated financial statements.

Since these equity swaps are not classified as hedging derivatives, their market value has an impact on profit or loss and, accordingly, a EUR 1 increase/decrease in the Ferrovial share price would have a positive/negative impact of EUR 3 million on the net profit of Ferrovial.

f. Exposure to inflation risk

Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of the prices of both the toll road concession contracts and the HAH airports accounted for using the equity method.

Therefore, a scenario of rising inflation would result in an increase the cash flow from assets of this nature.

Unlike the company's assets, from the accounting standpoint the derivatives arranged at HAH the objective of which is to convert fixed-rate borrowings into index linked debt are measured at fair value through profit or loss, since they are considered to be ineffective derivatives. In this regard, an increase of 100 b.p. throughout the inflation curve would have an effect on the net profit attributable to Ferrovial (in proportion to its percentage of ownership) of EUR -133 million.

Also, in the case of the toll road concession operator Autema, there is a derivative tied to inflation that is deemed to qualify for hedge accounting, in which an increase of 100 b.p. throughout the inflation curve would have an effect on reserves of EUR -115 million.

g. Capital management

The Group aims to achieve a debt-equity ratio that makes it possible to optimise costs while safeguarding its capacity to continue managing its recurring activities and the capacity to continue to grow through new projects in order to create shareholder value.

Ferrovial's objective with regard to financial debt is to maintain a low level of indebtedness, excluding infrastructure project debt, such that it can retain its investment grade credit rating. In order to achieve this target it has established a clear and adequate financial policy in which a relevant metric refers to a maximum ratio, for non-infrastructure projects, of net debt (gross debt less cash) to gross profit from operations plus dividends from projects of 2:1.

At 31 December 2015, the net cash position was positive (assets higher than liabilities) and, therefore, the difference with respect to the maximum debt-equity ratio established is very significant. For the purpose of calculating this ratio, "net debt excluding infrastructure projects" is defined in Note 5.2 and "gross profit from operations plus dividends" is the profit from operations before impairment losses, disposals and depreciation and amortisation of the Group companies other than infrastructure concession operators, plus the dividends received from infrastructure projects.

h. Impact of Brexit on financial risks

Ferrovial's UK exposure on the basis of the different financial and business variables is detailed in the following table.

	2016		
(Millions of euros)	Total Ferrovial	United Kingdom exposure	% of total
Sales	10.759	3.171	29,5%
Gross profit from operations	944	35	3,7%
Net profit	376	-76	-
Equity	5.597	1.425	25,5%
Valuation - analyst consensus	-	-	21%
Construction backlog	9.089	749	8%
Services backlog	24.431	11.898	49%
Airports managed	HAH (25%), AGS (50%)		

This section includes an in-depth analysis of the impact that Brexit has had for Ferrovial with respect to the various financial risks and how these risks are being managed. The risk section of the directors' report contains a comprehensive analysis of Brexit and how it may affect the Group's various business areas.

Exchange rate

The Brexit result prompted a sharp depreciation of the pound sterling against the euro and other currencies. At 31 December 2016, the pound sterling had fallen by 13.72% compared with the year-ago exchange rate. In order to hedge its foreign currency risk, Ferrovial has arranged hedges with a notional amount of GBP 380 million, which approximately cover the dividends it expects to receive on its UK assets over the next three years. However, since the assets denominated in pounds sterling represent 33% of the value of shareholders' equity and 21% of the value estimated by analysts, a depreciation of the pound sterling has a significant impact on the value of Ferrovial. The depreciation of the pound had an effect of EUR -358 million on equity. On the other hand, a series of factors should be borne in mind which may counterbalance this risk, such as the fall in interest rates, which has a positive effect on the value of assets, the rise in inflation or the possible impact of the infrastructure plans or the ultimate construction of the third runway at Heathrow airport. It should also be noted that the depreciation of the pound sterling did not have a significant impact on the consolidated statement of profit or loss, insofar as the gross profit from operations generated in the United Kingdom was relatively small (accounting for 3.8% of the total) due to the problems experienced by Amey during the year, and Heathrow contributed a net loss due to the impact of the inflation index-linked derivatives.

Interest rate

Another of the effects of Brexit was a reduction in interest rates. This scenario may well persist in the medium term if the Bank of England continues to pursue its expansionary policy aimed at boosting the economy. Lower interest rates should entail a lower discount rate when measuring Ferrovial's businesses in the United Kingdom and, therefore, have a positive impact on their value. By contrast, the fall in interest rates resulted in a negative impact on equity due to the lower discount rate applied when measuring liabilities, which could give rise to increased future payment obligations in respect of pension plan deficits. The impact on Ferrovial's equity due to the increase in pension plan deficits in 2016 was EUR -203 million. In addition, the aforementioned reduction in interest rates affected the value of the interest-rate derivatives arranged by Heathrow, with a net impact on equity of EUR -21 million (EUR -2 million in reserves, EUR -19 million in profit or loss).

Inflation

Lastly, Brexit resulted in higher inflation expectations. Such an increase is positive for regulated businesses such as Heathrow airport, whose regulatory asset base (RAB) and charges are indexed to inflation. The Company does in fact index a portion of its borrowings to inflation, mainly through derivatives, and the change in value of these derivatives had a negative impact of EUR -110 million for Ferrovial in 2016 due to the higher inflation expectations. However, if these expectations are fulfilled, the increase in the value of the assets will significantly exceed the increase in value of the derivatives since the value of the borrowings indexed to inflation represents 48% of the regulatory asset base (RAB), the value of which is also indexed to inflation.

Operational activities

The operational risk arising from Brexit is described in the section dedicated to risks in the directors' report (integrated report).

5.5. DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE

a) Breakdown by type of derivative, changes, expiry dates and main features

The table below includes a detail of the fair values of the derivatives arranged at 31 December 2016 and 2015, as well as the maturities of the notional amounts to which the derivatives relate (maturities of notional amounts are shown as positive figures and already-arranged future increases are presented as negative amounts):

	Fair value		Notional maturities					
Type of instrument (Millions of euros)	Balances at 31/12/16	Balances at 31/12/15	2017	2018	2019	2020	2021 and subsequent years	TOTAL
ASSET BALANCES	**450**	**430**	**410**	**147**	**378**	**345**	**436**	**1,716**
Index linked swaps, Toll Roads	321	355	-2	-2	-3	-1	62	53
Interest rate swaps, Corporate	16	15	0	0	0	0	250	250
Cross-currency swaps, Corporate	16	0	0	0	250	0	0	250
Cross-currency swaps, Broadspectrum	82	0	0	0	0	308	0	308
Equity swaps (*)	0	43	0	0	0	0	0	0
Exchange rate derivatives, Corporate	5	7	287	0	0	0	0	287
Other derivatives	11	11	126	149	131	38	124	567
LIABILITY BALANCES	**505**	**697**	**1,695**	**219**	**39**	**42**	**1,197**	**3,192**
Interest rate swaps, Toll Roads	399	613	7	8	11	14	858	898
Equity swaps (*)	4	0	62	0	0	0	0	62
Cross-currency swaps, Broadspectrum	3	0	25	0	0	0	0	25
Exchange rate derivatives, Corporate	6	0	951	0	0	0	0	951
Other derivatives	93	84	650	211	28	28	339	1.256
NET BALANCES (LIABILITY)	**-55**	**-267**	**2,105**	**365**	**417**	**387**	**1,633**	**4,908**

The cash flows composing the fair value of the derivatives mature as follows:

	Fair value		Cash flow maturities					
Type of instrument Millions of euros	Balances at 31/12/16	Balances at 31/12/15	2017	2018	2019	2020	2021 and subsequent years	TOTAL
ASSET BALANCES	**450**	**430**	**1**	**25**	**22**	**88**	**315**	**450**
Index linked swaps, Toll Roads	321	355	-22	10	11	12	309	321
Interest rate swaps, Corporate	16	15	4	4	3	3	3	16
Cross-currency swaps, Corporate	16	0	5	7	4	0	0	16
Cross-currency swaps, Broadspectrum	82	0	5	3	2	72	0	82
Equity swaps (*)	0	43	0	0	0	0	0	0
Exchange rate derivatives, Corporate	5	7	5	0	0	0	0	5
Other derivatives	11	11	5	2	1	1	3	10
LIABILITY BALANCES	**505**	**697**	**79**	**54**	**52**	**48**	**272**	**505**
Interest rate swaps, Toll Roads	399	613	42	42	41	39	236	399
Equity swaps (*)	4	0	4	0	0	0	0	4
Cross-currency swaps, Broadspectrum	3	0	3	0	0	0	0	3
Exchange rate derivatives, Corporate	6	0	6	0	0	0	0	6
Other derivatives	93	84	24	12	11	9	36	93
NET BALANCES (LIABILITY)	**-55**	**-267**	**-78**	**-30**	**-30**	**39**	**43**	**-55**

(*) The items indicated are the main derivatives arranged by the Group that do not qualify for hedge accounting, as explained in this Note.

Following is a description of the main types of derivatives and of the most significant changes therein in 2016:

Toll Road Division derivatives

Interest rate swaps, Toll Roads

In order to hedge the interest rate risk in toll road infrastructure projects, the concession holders have arranged interest rate hedges on the projects' debt, establishing a fixed or increasing interest rate for a total notional amount of EUR 898 million at 31 December 2016. Overall, the fair value of these hedges increased from EUR -613 million at 31 December 2015 to EUR -399 million at 31 December 2016, due largely to:

- The derecognition of the derivative relating to the SH-130 toll road (EUR 150 million), following the exclusion of the SH-130 concession operator from the scope of consolidation, effective December 2016, as described in Note 1.1.3, Changes in the scope of consolidation.
- The reclassification of the derivative of Auto Estradas Norte to "Assets Classified as Held for Sale" for EUR 33 million (see Note 1.1.3, Changes in the scope of consolidation).
- The termination of the derivative of Autopista del Sol, as part of its refinancing process, with an impact on cash of EUR 59 million (impact on profit or loss in 2016 up to termination of EUR -11 million).

In general, since these derivatives are considered to be effective, the changes in their fair value are recognised in reserves, with an impact of EUR -8 million (EUR -3 million attributable to the Parent, after tax and non-controlling interests).

The changes in settlements and accruals gave rise to an impact of EUR -48 million on the financial result and a net cash outflow (excluding Ausol, which is mentioned above) of EUR 43 million. There were also translation differences of EUR -4 million.

Index linked swaps, Toll Roads
This item relates exclusively to Autema, which in 2008 arranged an index linked swap to hedge income variability, by means of which an annual CPI of 2.50% was fixed. This hedge, which was considered effective, had an impact of EUR -35 million on reserves (EUR -20 million after tax attributable to the Parent).

Corporate derivatives

Interest rate swaps, Corporate
In relation to the bond issues launched in 2013, the Group arranged interest rate derivatives for a notional amount of EUR 250 million expiring in 2021. Since they convert a portion of the fixed interest rate on the bonds into a floating interest rate, these derivatives constitute a partial fair value economic hedge of the aforementioned bond issues and they all qualify for hedge accounting.

Cross-currency swaps, Corporate
In September 2016 Ferrovial arranged cross-currency swaps to hedge a drawdown of borrowings in US dollars (see Note 5.2.2). The notional amount of these instruments is USD 279 million (EUR 250 million) and they expire in 2019.

Equity swaps
Ferrovial has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes granted to its employees.

The modus operandi of these equity swap contracts is as follows:

- The calculation base is a given number of Ferrovial shares and a reference price, which is normally the market price of the share on the grant date.
- For the duration of the contract, Ferrovial pays interest equivalent to a given interest rate (EURIBOR plus a spread, to be applied to the result of multiplying the number of shares by the exercise price) and receives remuneration equal to the dividends corresponding to those shares.
- When the swap expires, if the share price has increased, Ferrovial will receive the difference between the market price and the reference price. If the share price has fallen, Ferrovial will pay the difference to the bank.

At 2016 year-end, these derivatives had a notional amount equivalent to 3.4 million shares, which, based on the exercise price of the equity swaps (the price at which they must be settled with the banks), represented a total notional amount of EUR 62 million.

Exchange rate derivatives, Corporate
These derivatives relate to Corporate hedges of foreign currency risk, the main aim of which is to protect against the volatility of future cash flows in foreign currencies (basically the pound sterling, the Australian dollar and the US dollar). Their notional value amounted to EUR 1,237 million at 31 December 2016, of which EUR 682 million relate to the US dollar, EUR 365 million to the Australian dollar, EUR 150 million to the pound sterling and EUR 40 million to the New Zealand dollar. They expire at short term.

Derivatives, Services Division

Cross-currency swaps, Broadspectrum
The Australian company Broadspectrum, which was acquired in 2016 (see Note 1.1.3, Changes in the scope of consolidation), contributes cross-currency swaps with a notional amount of EUR 333 million, which are hedging debt issues denominated in US dollars and Chilean pesos.

These instruments had a net value of EUR 79 million at 31 December 2016 (of which EUR 82 million relate to US dollar hedges and EUR -3 million to Chilean peso hedges).

b) Main effects on profit or loss and equity

The changes for accounting purposes in the main derivatives arranged by fully consolidated companies, detailing the fair values thereof at 31 December 2016 and 2015, and the impact on reserves, profit or loss and other statement of financial position items are as follows:

Type of instrument (Millions of euros)	Balance at 31/12/16	Balance at 31/12/15	Change	Impact on reserves (I)	Changes in the scope of consolidation (II)	Impact on profit or loss due to fair value changes (III)	Impact on financial result (IV)	Cash (V)	Exchange rate (VI)	Other impacts on equity or profit or loss (VII)	Total
Index linked swaps, Toll Roads	321	355	-34	-35	0	0	0	-6	0	7	-34
Interest rate swaps, Toll Roads	-399	-613	214	-8	183	-11	-48	103	-4	0	214
Interest rate swaps, Corporate	16	15	2	0	0	5	0	-4	0	0	2
Cross-currency swaps, Corporate	16	0	16	1	0	0	1	-3	0	16	16
Cross-currency swaps, Broadspectrum	79	0	79	-9	82	-2	7	-3	4	0	79
Equity swaps	-4	43	-47	0	0	-18	0	-31	0	2	-47
Exchange rate derivatives, Corporate	-1	7	-8	0	0	4	0	15	-37	10	-8
Other derivatives	-83	-74	-9	12	0	-2	-16	-39	47	-12	-9
TOTAL	-55	-267	212	-38	265	-24	-56	32	10	23	212

- Derivatives are recognised at market value at the arrangement date and at fair value at subsequent dates. Changes in the value of these derivatives are recognised for accounting purposes as follows:
- The changes in the year in the fair value of the derivatives that qualify for hedge accounting are recognised in reserves (column I).
- The derivatives relating to inclusions and exclusions from the scope of consolidation are presented as Changes in the scope of consolidation (column (II).
- The changes in fair value of the derivatives that do not qualify for hedge accounting or that are considered to be held for speculative purposes are recognised as a fair value adjustment in Group profit or loss (column III) and are reflected separately in the statement of profit or loss.
- "Impact on Financial Result" (column IV) reflects the impacts on the financial result due to financing arising from the interest flows accrued during the year.
- "Cash" (column V) indicates net payments and collections during the year.
- The impact of the difference between closing exchange rates at December 2016 and 2015 is also presented separately (column VI).
- Lastly, "Other Impacts" shows the impacts on profit or loss from operations or other impacts not considered in the other columns (column VII).

c) Derivative measurement methods

All the Group's derivative financial instruments and other financial instruments carried at fair value are included in LEVEL 2 of the fair value measurement hierarchy, since although they are not quoted on regulated markets, the inputs on which their fair values are based are observable, either directly or indirectly.

Although the fair value measurements are performed by the Company using an internally developed valuation tool based on best market practices, they are in any event compared with the valuations received from the counterparty banks on a monthly basis.

Equity swaps are measured as the difference between the market price of the share on the calculation date and the unit settlement (strike) price agreed at inception, multiplied by the number of shares under the contract.

The other instruments are measured by quantifying the net future cash inflows and outflows, discounted to present value, with the following specific features:

- Interest rate swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.

- Index linked swaps: the future cash flows are estimated by projecting the future behaviour implicit in the market curves on the measurement date for each currency and settlement frequency, for both reference interest rates and reference inflation rates. As in the cases described above, the flows are discounted using the discount rates obtained at the measurement date for each flow settlement period and currency.
- Cross-currency swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date, including the cross-currency basis spreads. The present value of the flows in a currency other than the measurement currency is translated at the spot exchange rate prevailing at the measurement date.
- Foreign currency derivatives: as a general rule, the future cash flows are estimated by using the exchange rates and market curves associated with each currency pair (forward points curve), and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date. For other more complex instruments (options, etc.), the valuation models appropriate for each instrument are employed, taking into consideration the necessary market data (volatilities, etc.).

Lastly, credit risk, which is included in the measurement of derivatives pursuant to IFRS 13, is estimated as follows:

In order to calculate the adjustments associated with own and counterparty credit risk (CVAs/DVAs), Ferrovial applies a methodology based on calculating the future exposure of the various financial products using Monte Carlo simulations. To this potential exposure, a probability of default and a loss given default based on the parties' business and credit quality are applied, as well as a discount factor based on the currency and applicable maturity at the measurement date.

In order to calculate the probabilities of default of the Ferrovial Group companies, the Credit Risk Management department assesses the rating of the counterparty (company, project, etc.) using a proprietary, rating agency-based methodology. This rating is used to obtain market spread curves according to the currency and term in question (generic curves by rating level).

In order to calculate the probabilities of default of the counterparties, the CDS curves of those companies are used, if available; otherwise, the CDS curves of a similar entity (proxy) or a generic spread curve (by rating level) are used.