

The logo for Ferrovial, consisting of the word "ferrovial" in a white, lowercase, sans-serif font, centered within a solid yellow rectangular background.

**Ferrovial Netherlands B.V.**

*(incorporated with limited liability under the laws of The Netherlands)*

**EUR 500,000,000 Undated 5.5 Year Non-Call  
Deeply Subordinated Guaranteed Fixed Rate Reset Securities unconditionally and  
irrevocably guaranteed on a subordinated basis by**

**Ferrovial, S.A.**

*(incorporated with limited liability under the laws of the Kingdom of Spain)*

The EUR 500,000,000 Undated 5.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Securities**") are issued by Ferrovial Netherlands B.V. (the "**Issuer**") and unconditionally and irrevocably guaranteed on a subordinated basis by Ferrovial, S.A. (the "**Guaranteee**", and the "**Guarantor**", the "**Parent**" or "**Ferrovial**", respectively).

As described in the Terms and Conditions of the Securities (the "**Conditions**"), the Securities will bear interest on their principal amount (i) at a fixed rate of 2.124 per cent. per annum from (and including) the Issue Date to (but excluding) the First Reset Date (as defined in the Conditions) payable annually in arrear on 14 May in each year, with the first Interest Payment Date (as defined in the Conditions) on 14 May 2018; and (ii) from (and including) the First Reset Date, at the applicable 5 year Swap Rate (as defined in the Conditions) in respect of the Reset Period (as defined in the Conditions), plus: (A) in respect of the period commencing on (and including) the First Reset Date to (but excluding) 14 May 2043, 2.127 per cent. per annum; and (B) in respect of the period commencing on (and including) 14 May 2043, 2.877 per cent. per annum, all as determined by the Agent Bank (as defined in the Conditions), payable annually in arrear on 14 May in each year (each an Interest Payment Date), commencing on 14 May 2024.

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in the "*Terms and Conditions of the Securities — Optional Interest Deferral*". Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate (as defined in the Conditions) applicable from time to time), shall constitute Arrears of Interest (as defined in the Conditions). The Issuer may pay outstanding Arrears of Interest, in whole or in part, at any time in accordance with the Conditions. Notwithstanding the foregoing, the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date (as defined in the Conditions) following the Interest Payment Date on which any outstanding Deferred Interest Payment (as defined in the Conditions) was first deferred, all as more particularly described in "*Terms and Conditions of the Securities — Optional Interest Deferral — Mandatory Settlement of Arrears of Interest*".

The Securities will be undated securities in respect of which there is no specific maturity date and shall be redeemable (at the option of the Issuer) in whole, but not in part, (i) on any date during the period commencing on (and including) 14 February 2023 and ending on (and including) the First Reset Date (as defined in the Conditions) or (ii) upon any Interest Payment Date thereafter, at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date (as defined in the Conditions) and any outstanding Arrears of Interest (including any Additional Amounts (as defined in the Conditions) thereon). In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each such term as defined in the Conditions), the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the amount set out, and as more particularly described, in "*Terms and Conditions of the Securities — Redemption and Purchase*".

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event or a Withholding Tax Event, the Issuer may, without the consent of Holders, (i) substitute the Securities with new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with the guarantee of the Guarantor, or (ii) vary the terms of the Securities, in each case provided that certain conditions are met, as more particularly described in "*Terms and Conditions of the Securities — Meetings of Holders of Securities and Modification, Substitution and Variation — Substitution and Variation*".

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves, all as more particularly described in "*Terms and Conditions of the Securities — Status and Subordination of the Securities and Coupons*". The payment obligations of the Guarantor under the Guarantee will constitute direct, unsecured and subordinated obligations of the Guarantor and will at all times rank *pari passu* and without any preference among themselves. In the event of the Guarantor being declared in insolvency under Spanish Insolvency Law (as defined below), the rights and claims of Holders (as defined in the Conditions) against the Guarantor in respect of or arising under the Guarantee will rank, as against the other obligations of the Guarantor, in the manner described in "*Terms and Conditions of the Securities - Guarantee, Status and Subordination of the Guarantee*".

Payments in respect of the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature of The Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions set out in "*Terms and Conditions of the Securities - Taxation*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**") which is the competent authority for the purpose of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Plc (the "**Irish Stock Exchange**") for the Securities to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). This Prospectus constitutes a "prospectus" for the purpose of the Prospectus Directive.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Joint Bookrunners (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities will be in bearer form and in the denomination of EUR 100,000 each and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000. No Definitive Securities will be issued with a denomination above EUR 199,000. The Securities will initially be represented by a temporary global security (the "**Temporary Global Security**"), without interest coupons or talons, which will be deposited with a common depository on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**") on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in the permanent global security (the "**Permanent Global Security**" and together with the Temporary Global Security, the "**Global Securities**") in the circumstances set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for definitive Securities (the "**Definitive Securities**") in the circumstances set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".

The Securities are expected to be rated BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and BB+ by Fitch Ratings Limited ("**Fitch**"). Each of S&P and Fitch is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.**

*Structuring Advisor*

HSBC

*Joint Bookrunners*

BofA Merrill Lynch  
HSBC  
Morgan Stanley

Crédit Agricole CIB  
J.P. Morgan  
Santander Global Corporate Banking  
Société Générale Corporate & Investment Banking

8 November 2017

## IMPORTANT NOTICES

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import. Information appearing in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The business, financial condition, results of operations and prospects of the Issuer and the Guarantor may have changed since such date.

Each of the Issuer and the Guarantor has confirmed to the Joint Bookrunners named under "*Subscription and Sale*" below (the "**Joint Bookrunners**") that this Prospectus contains all information regarding the Issuer, the Guarantor and the Securities which is (in the context of the issue of the Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or (as the case may be) the Guarantor are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Information contained in this Prospectus under the headings "*Risk Factors - Risks relating to Ferrovial's business and the market in which it operates - Ferrovial's business could be adversely affected by the deterioration of global or Spanish economic conditions*" and "*Description of Ferrovial – Ferrovial, S.A. – Toll Roads Business Division - Summary*" was derived from the International Monetary Fund ("**IMF**") and Public Works Financing, respectively. Neither the Issuer nor the Guarantor accepts any responsibility for the accuracy of such information, nor have the Issuer or the Guarantor independently verified any such information. The Issuer and the Guarantor confirm that this information has been accurately reproduced, and so far as the Issuer and the Guarantor are aware and are able to ascertain from information available from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Bookrunners.

Neither the Joint Bookrunners nor any of their respective affiliates have authorised the whole or any part of this Prospectus nor do any of them accept any responsibility whatsoever for the contents of this Prospectus and, accordingly, disclaim all and any liability, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Each person receiving this Prospectus acknowledges that it has not relied on any of the Joint Bookrunners in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own assessments of the Issuer, the Guarantor or the Securities. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

The distribution of this Prospectus and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on distribution of this Prospectus and other offering material relating to the Securities, see "*Subscription and Sale*".

In particular, the Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to US persons.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**US\$**", and "**US dollar**" are to United States dollars, the lawful currency of the United States of America, references to "**sterling**", "**pound sterling**" or "**£**" are to the currency of the United Kingdom and references to "**EUR**", "**euro**" or "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

The Securities are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters, and may not be a suitable investment for all investors. Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (ii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iii) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (iv) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities, and the impact this investment will have on the potential investor's overall investment portfolio.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein. Potential investors should not construe anything in this Prospectus as legal, tax, business or financial advice. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Securities.

**In connection with the issue of the Securities HSBC Bank plc (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.**

#### **Certain terms and conventions**

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

As used herein, "**Ferrovial**", "**Ferrovial Group**", "**Group**" and "**the Company**" mean Ferrovial, S.A. and its consolidated subsidiaries, unless the context requires otherwise.

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## **RISK FACTORS**

*Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should carefully consider risk factors associated with any investment in the Securities, the business of the Issuer and the Guarantor and the industries in which each of them operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Securities" below, or elsewhere in this Prospectus, have the same meanings in this section.*

*The Issuer and the Guarantor have identified in this Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Securities and believes that the factors described below represent the principal risks inherent in investing in the Securities.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Securities and should be used as guidance only. Additional risks and uncertainties relating to the Issuer and the Guarantor that are not currently known to the Issuer and the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Guarantor and, if any such risk should occur, the price of the Securities may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Securities is suitable for them in light of the information in this Prospectus and their personal circumstances.*

### **Risks relating to the Issuer and the Guarantor**

#### **Risks Relating to the Issuer**

The Issuer is an indirectly wholly-owned subsidiary of the Parent, whose corporate purposes are, inter alia, to borrow, lend and raise funds, including the issue of bonds, and therefore the proceeds of the issue of the Securities will be made available to the Parent (see – "Use of Proceeds"). This means that any payments, whether principal or interest, under the Securities may be adversely affected if the Parent suffers from any of the risks set out in the section below. Therefore, the risks relating to the Issuer could be deemed to be the same as those relating to Ferrovia, as set forth in the section below.

The Issuer is not required to be licensed, registered or authorised under any current relevant laws in The Netherlands, and will operate without supervision by any authority in any jurisdiction. Regulatory authorities in one or more jurisdictions may decide, however, that the Issuer is subject to certain laws in such jurisdiction, which could have an adverse impact on the Issuer or the holders of Securities.

#### **Risks relating to Ferrovia's business and the market in which it operates**

*Ferrovia's business could be adversely affected by the deterioration of global or Spanish economic conditions.*

In the past, Ferrovia's business performance has been closely linked to the economic cycle in the countries, regions and cities in which it operates. Normally, robust economic growth in those areas where it is located results in greater demand for its services, while slow economic growth or economic contraction adversely affects demand for its services.

The global economy significantly deteriorated beginning in 2008 as a result of an acute financial and liquidity crisis. Concerns over geopolitical issues, the availability and cost of credit, sovereign debt and the instability of the euro have contributed to increased volatility since then and diminished expectations for the global economy in the future. These factors, combined with volatile oil prices, declining global business and consumer confidence and rising unemployment, precipitated an economic slowdown and led to a recession and weak economic growth in many economies, including Spain. This crisis has had a global impact, affecting both emerging and developed economies in which Ferrovia conducts a significant portion of its operations.

Economic growth, globally and in the European Union, has recovered since then but remains fragile and subject to constraints on private sector lending, concerns about future interest rate increases and continuing uncertainty about the ultimate resolution of the Eurozone crisis. While the probability of

country defaults has decreased since 2012, the possibility of a European sovereign default still exists. As a result, the risk that the effect of any sovereign state default spreads by contagion to other EU economies including the Spanish economy remains. Continuing disruptions in the global economy and in the global markets may, therefore, have a material adverse effect on Ferrovial's business, results of operations and financial condition.

Moreover, even in the absence of a market downturn, Ferrovial is exposed to substantial risk stemming from volatility in areas such as consumer spending, business investment, government spending, capital markets conditions and price inflation, which affect the business and economic environment and, consequently, the size and profitability of its business. Unfavourable economic conditions could lead to lower prices for toll road projects, reduced air travel, reduced investment in the construction sector and reduced demand for the services provided by the Group. Furthermore, any financial difficulties suffered by Ferrovial's subcontractors or suppliers could increase its costs or adversely affect its project schedules. In addition, financial markets in Central, Eastern and South Eastern Europe have been under pressure since 2013 as a result of the financial and liquidity crisis, with the region facing net capital outflows. Countries with weak economic foundations and those that had larger previous capital inflows have been worst affected. Since the second half of 2015, growth has picked up in this region due to accommodative macroeconomic policies, as well as buoyant consumption supported by strong real wage and employment growth. Although the sources of downside risks remain largely unchanged, these risks have become more pronounced due to an economic slowdown in China, tighter and more volatile global financial conditions and continued weakness in many emerging economies. In addition, political uncertainty and instability risks have been on the rise across the region with inward-looking policies and protectionism possibly leading to increased pressures for policy reversals or failure to implement needed reforms. (Source: IMF, World Economic and Financial Surveys, "Central, Eastern and South-eastern Europe", November 2016).

Since 2013, the economy in Spain has progressed on a gradually improving path that enabled it to exit the contractionary phase dating back to early 2009. This came about against a background of easing tensions on financial markets, the progressive normalisation of external funding flows, and improved confidence in, and a better performance by, the labour market. However, a number of concerns remain for the Spanish economy. The bank credit shortage linked to the deleveraging process may affect the economic recovery negatively, since bank lending is the main source of finance for Spanish non-financial corporations (in particular, smaller corporations). There is consensus that, despite the expected improvement in the labour market, the unemployment rate will remain high in the months to come in Spain. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports, so that an interruption in the recovery of the Eurozone might have an adverse effect on Spanish economic growth. Growth prospects may also be affected due to uncertainties arising from the political situation within Spain, which may slow the pace of reform or result in changes to laws, regulations and policies. This applies not only to specific Spanish regions such as Catalonia (as explained further below) but also to the central Spanish government where, after the June 2016 Spanish general election result, further instability cannot be ruled out during the legislature due to the forming of a minority government. The fragmented parliament impacts the government's ability to obtain sufficient legislative support to pass certain laws in Spain and may therefore slow the pace of reform or result in changes to laws, regulations and policies, or impact economic growth in Spain, which could have a material adverse effect on Ferrovial's business, financial condition and results of operations of the Group. The Catalanian region has recently experienced several social and political movements calling for the region's secession from Spain. Increasing political tension has been accompanied by growing social unrest. As of the date of this Prospectus, considerable uncertainty exists regarding the outcome of political and social tensions in Catalonia.

Such national and regional political uncertainties may also result in a significant decrease in investor confidence which, coupled with a potential recurrence of Spain's sovereign debt crisis, may have a negative effect on the stability of the Spanish economy. A decline in the performance of the Spanish economy all of which could have a material adverse effect on the business, financial condition or results of operations of the Group. Robust global recovery requires a rebalancing in global demand. As output gaps close, external imbalances may increase again. The materialisation of downside risk to emerging markets could have similar effects if current account balances were to improve sharply in these economies because of capital flow reversals. The sustainability of the partial recovery from the global recession remains dependent on a number of factors that are not within the control of the Group, such as the stability of currencies, a return of job growth and investment in the private sector and the strengthening of housing sales and construction, among several other factors. Furthermore, other factors or events may affect Spanish, European and global economic conditions, such as continuing uncertainty



surrounding the exit of countries from the European Union (in particular see "*The United Kingdom's impending departure from the European Union could adversely affect the Group*" below), a negative market reaction to interest rate increases by the United States Federal Reserve, heightened geopolitical tensions, war, acts of terrorism, natural disasters or other similar events outside the Group's control. A further deterioration of the economy of continental Europe, or in the other geographical zones, could have a material adverse effect on the financial condition and results of operations of the Group.

***Ferrovial's business is subject to risks related to its international operations.***

As a result of its process of diversification, a large part of Ferrovial's operating revenue is generated outside of Spain, in countries such as the United States, Canada, the United Kingdom, Australia, Ireland, Portugal and Poland. The revenues of, market value of, and dividends payable by, subsidiaries within the Group are exposed to risks inherent to the countries where they operate. The operations in some of the countries where Ferrovial is present are exposed to various risks related to investments and business, such as:

- fluctuations in local economic growth;
- changes in inflation rates;
- devaluation, depreciation or excessive valuation of local currencies;
- foreign exchange controls or restrictions on profit repatriation;
- changing interest rate environment;
- changes in financial, economic and tax policies;
- instances of fraud, bribery or corruption;
- social conflicts; and
- political and macroeconomic instability.

Ferrovial is exposed to these risks in all of its foreign operations to some degree, and such exposure could be material to its business, financial condition and results of operations, particularly in emerging markets where the political and legal environment is less stable. Ferrovial cannot assure that it will not be subject to material adverse developments with respect to its international operations or that any insurance coverage it has will be adequate to compensate the Group for any losses arising from such risks.

***The United Kingdom's impending departure from the European Union could adversely affect the Group.***

The United Kingdom held a referendum on 23 June 2016 in which a majority voted to exit the European Union ("Brexit"). On 2 October 2016, the Prime Minister of the United Kingdom announced that the government would commence the exit process by the end of March 2017. The United Kingdom's Supreme Court ruled on 24 January 2017 that commencement of the exit process must be approved by Parliament. On 14 March 2017, the House of Commons voted to give the Prime Minister the power to notify under Article 50(2) of the Treaty on European Union, the United Kingdom's intention to withdraw from the European Union. On 29 March 2017, the exit process was formally triggered and on 19 June 2017 a two-year period of negotiation began to determine the new terms of the United Kingdom's relationship with the European Union, after which period its European Union membership will cease. It is too early to know the implications of the vote to leave; which will only become clear once these negotiations are complete.

These negotiations are expected to run in parallel to standalone bilateral negotiations with the numerous individual countries and multilateral counterparties with which the United Kingdom currently has trading arrangements by virtue of its membership of the European Union. The timing of, and process for, such negotiations and the resulting terms of the United Kingdom's future economic, trading and legal relationships are uncertain.

The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently, as well as the timing of such negotiations and agreements. For instance, the United Kingdom could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members and this could affect the attractiveness of the United Kingdom as a global investment centre and, as a result, could have a detrimental impact on United Kingdom growth. Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate.

Brexit has also given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom, as well as the potential for other Member States to consider withdrawal. For example, the outcome of the referendum was not supported by the majority of voters in Scotland, who voted in favour of remaining in the European Union. This has revived the political debate on a second referendum on Scottish independence.

Furthermore, the results of the referendum have had a significant impact on the exchange rate between the British pound and other currencies, including the euro. Any of these effects of Brexit, and any other unforeseen consequences thereof, could adversely affect Ferrovial's business, financial condition and results of operations.

***The Group may suffer adverse effects as a result of economic and sovereign debt tensions in the Eurozone.***

Conditions in the economy generally in the Eurozone continue to show signs of fragility and volatility, with political tensions in Europe being particularly heightened in the past twelve months.

Brexit has also encouraged anti-EU parties in other member states, raising the potential for other countries to seek to conduct referenda with respect to their continuing membership of the European Union. On 4 December 2016, voters in Italy rejected constitutional reform proposals put forward by the Italian Prime Minister by way of referendum (the "Italian Referendum"), which was generally regarded as portraying an anti-European Union sentiment. Following Brexit and the result of the Italian Referendum, the risk of further instability in the Eurozone cannot be excluded.

In the past, the European Central Bank ("ECB") and European Council have taken actions with the aim of reducing the risk of contagion in the Eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by Eurozone (and other) nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

The Group has direct and indirect exposure to financial and economic conditions throughout the Eurozone economies. Concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, have significantly increased in light of the political and economic factors mentioned above. This could materially and adversely affect Ferrovial's financial instruments and debt as well as Ferrovial's business, financial condition and results of operations.

***Ferrovial's business, financial condition and results of operations may be adversely affected if it does not effectively manage its exposure to interest rate and foreign exchange rate risks.***

Certain of Ferrovial's indebtedness bears interest at variable rates, generally linked to market benchmarks such as EURIBOR and LIBOR. Any increase in interest rates would increase its finance costs relating to variable rate indebtedness and increase the costs of refinancing existing indebtedness and of issuing new debt. This interest rate fluctuation risk is particularly important in the financing of infrastructure projects and other projects, which are heavily leveraged in their early stages and the performance of which depends on possible changes in the interest rate. Ferrovial enters into hedging arrangements to cover interest rate fluctuations on a portion of its debt. In addition, Ferrovial is exposed to exchange rate risks and in order to mitigate these risks Ferrovial enters into foreign exchange

derivatives to cover its significant future expected operations and cash flows. Any current or future hedging contracts or foreign exchange derivatives entered into by Ferrovial may not adequately protect its operating results from the effects of interest rate or exchange rate fluctuations. Ferrovial is subject to the creditworthiness of, and in certain circumstances early termination of the hedging agreements by, hedge counterparties. There can be no assurance that future interest rate or exchange rate fluctuations will not have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***Ferrovial's ability to effectively manage its credit risk exposure may affect its business, financial condition and results of operations.***

Ferrovial is exposed to the credit risk implied by default on the part of a counterparty (customer, provider, partner or financial entity), which could impact its business, financial condition and results of operations.

In spite of signs of recovery in the global economy, the risk of late payment in both the public and private sectors is currently increased due to the effects of the global financial crisis. The cost of government financing and financing of other public entities has also increased due to financial stress in Europe, and this may represent an increased risk for Ferrovial's public sector clients. However, in recent years, such risk was partially mitigated by the enactment of Royal Decree-Law 7/2012 developing three phases that enabled distressed public entities to make certain payments which allowed them to reduce their commercial debts with suppliers, with the following milestones: 1st phase (Royal Decree-Law 4/2012 of 24 February) and 2nd phase (Royal Decree-Law of 4/2013 of 22 February) for invoices previous to 2012; and the 3rd phase (Royal Decree-Law 8/2013 of 28 June) of two tranches, for invoices previous to 31st of May 2013. In addition, such risk could be mitigated by the European Central Bank measures aimed at improving liquidity in the European Union.

Although Ferrovial actively manages this credit risk through credit scoring and eventually, in certain cases, the use of non-recourse factoring contracts and credit insurance, its risk management strategies may not be successful in limiting its exposure to credit risk, which could adversely affect its business, financial condition and results of operations.

In addition, legislation implemented in Spain in 2010 relating to late payments (Royal Decree-Law 15/2010 of 5 July, known as *Ley de Morosidad*), requires that payment terms do not exceed certain limits. If clients of Ferrovial (public or private) do not comply with this stricter legal framework, liquidity could be affected. Late payments could cause considerable penalties.

***Ferrovial's business, financial condition and results of operations may be adversely affected by its level of indebtedness and its ability to effectively manage its exposure to liquidity risk.***

Ferrovial must be able to secure significant levels of financing to be able to continue its operations.

Certain of the industries in which it operates, such as airports and toll roads, require a high level of financing. Ferrovial's ability to secure financing depends on several factors, many of which are beyond its control, including general economic conditions, adverse effects in the debt or capital markets, the availability of funds from financial institutions and monetary policy in the markets in which it operates. If Ferrovial is unable to secure additional financing on favourable terms, or at all, its growth opportunities would be limited and its business, financial condition and results of operations may be materially adversely affected.

In addition, Ferrovial may seek to refinance its existing debt and can give no assurance as to the availability of financing on acceptable terms.

***Ferrovial has entered into equity swaps which could result in losses and have a material adverse effect on its business, financial condition and results of operations.***

The Parent entered into equity swaps linked to its share price in order to hedge any potential asset loss derived from the different incentive share plans to which the Parent is a party. Under the general terms of these swaps, if, at the maturity date of each swap, the share price of the Parent decreases below a reference share price (the strike price which is agreed at the inception of each swap), it will make a payment to the counterparty. However, if, at the maturity date of each swap, the share price increases above the reference price, it will receive payment from the counterparty. During the lifetime of the swaps, the counterparty will pay the Parent cash amounts equal to the dividends generated by those shares and the Parent will pay the counterparty a floating interest rate. If, at the maturity date of the swaps, the listed

value of the Parent's shares is below the reference price, Ferrovial will have to pay out the amounts due under the swaps in cash, and its business, financial condition and results of operations may be materially affected.

Further, whilst the equity swaps are not deemed to be hedging derivatives under International Accounting Standards, their market value during a given period of time has an effect on the income statement of the Parent, which will be positive if the share price increases or negative if the share price decreases during that period. If the share price of the Parent decreases below the reference price, the market value of the swap will decrease and the business, financial condition and results of operations of Ferrovial may be materially adversely affected.

***The loss of key members of Ferrovial's management and technical team could have a material adverse effect on its business, financial condition and results of operations.***

Ferrovial relies on certain key personnel. If, in the future, Ferrovial is unable to attract and retain sufficiently qualified management and technical staff, its business development could be limited or delayed. In addition, if Ferrovial were to lose key members of its senior management or technical staff, and could not find a suitable replacement in a timely manner, its business, financial condition and results of operations could be adversely affected.

***Ferrovial operates in highly regulated environments which are subject to changes in regulations.***

Ferrovial must comply with both specific airport, toll road, waste management and treatment, and construction sector regulations, as well as general regulations in the various jurisdictions where it operates. As in all highly regulated sectors, any regulatory changes in these sectors could adversely affect the business, financial condition and results of operations of Ferrovial.

***Ferrovial's business, financial condition and results of operations may be adversely affected if it fails to obtain or renew, or if there are any material delays in obtaining, requisite government approvals for its projects.***

Ferrovial is established in jurisdictions where the industries in which it operates may be regulated. In order to bid, develop and complete a project, the developer may need to obtain permits, licences, certificates and other approvals from the relevant administrative authorities before bidding for the project or at various stages of the project process. There is no assurance that Ferrovial will be able to obtain or maintain such governmental approvals or fulfil the conditions required for obtaining the approvals or adapt to new laws, regulations or policies that may come into effect from time to time, without undue delay or at all. If Ferrovial is unable to obtain the relevant approvals or fulfil the conditions of such approvals for a significant number of its projects in a timely manner, this could lead to delays and its business, financial condition and results of operations may be adversely affected.

***Environmental laws could increase Ferrovial's costs.***

In the countries where Ferrovial operates, there are local, regional, national and EU bodies which regulate its activities and establish applicable environmental regulations. The technical requirements imposed by environmental regulations are gradually becoming more costly, complex and stringent. These laws may impose strict liability in the event of damage to natural resources or threats to public safety and health. Strict liability may mean that Ferrovial is held liable for environmental damage regardless of whether it has acted negligently, or that it owes fines whether or not effective damage exists or is proven, and Ferrovial could be held jointly and severally liable with other parties. The relevant authorities may impose fines or sanctions or may revoke and refuse to grant authorisations and permits based on a breach of current regulations.

The entry into force of new laws, the discovery of previously unknown sources of pollution, the imposition of new or more stringent requirements or a stricter application of existing regulations may increase Ferrovial's costs or impose new responsibilities, leading to lower earnings and liquidity available for its activities and the business, financial condition and results of operations of Ferrovial may be materially adversely affected.

***Ferrovial is subject to litigation risks.***

The Group is, and may in the future be, a party to judicial, arbitration and regulatory proceedings which arise in the ordinary course of business, including claims relating to compulsory land purchases required for toll road construction, claims relating to defects in construction projects performed or services rendered, claims for third party liability in connection with the use of the Group's assets or the actions of Group employees, employment-related claims, environmental claims and tax claims. For a summary of certain legal proceedings relating to the Group, see "*Description of Ferrovial – Legal Proceedings*". An unfavourable outcome (including an out-of-court settlement) in one or more of such proceedings could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***Decreases in the funds allocated to public sector projects may harm Ferrovial's business, financial condition and results of operations.***

Current economic conditions have led to a sharp reduction in projects for the public sector. A further decrease in the spending on development and execution of public sector projects by governments and local authorities could adversely affect Ferrovial's business, financial condition and results of operations.

***Ferrovial operates in highly competitive industries.***

Ferrovial, in its ordinary course of business, competes against various groups and companies that may have more experience, resources or local awareness than Ferrovial does. Furthermore, these groups and companies may have greater resources than Ferrovial, whether material, technical or financial, or may demand lower returns on investment and be able to present better technical or economic bids compared to it.

Given this high level of competition, Ferrovial may be unable to secure contracts, either directly or through its investee companies, for new projects in the geographical areas in which it operates. If Ferrovial is unable to obtain contracts for new projects in order to sustain an order book in line with the current one, or if these projects are only awarded under less favourable terms, Ferrovial's business, financial condition and results of operations may be adversely affected.

***Ferrovial's insurance cover may not be adequate or sufficient.***

Ferrovial benefits from insurance cover to protect against key insurable risks, including fire, earthquakes, acts of terrorism and other natural and man-made disasters. The insurance policies may not be adequate to cover lost income, reinstatement costs, increased expenses or other liabilities. Moreover, there can be no assurance that if insurance cover is cancelled or not renewed, replacement cover will be available on commercially reasonable terms or at all.

Ferrovial may not have, or may cease to have, insurance cover if the loss is not covered under, or is excluded from, an insurance policy including by virtue of exhaustion of applicable cover limits or a policy operating as an excess policy or if the relevant insurer successfully avails itself of defences available to it, such as breach of disclosure duties, breach of policy condition or misrepresentation.

If insurance cover is not available or proves more expensive than in the past, Ferrovial's business, financial condition and results of operations may be materially adversely affected.

***The level of Ferrovial's contributions to pension schemes in the United Kingdom may vary.***

The funding position of Ferrovial's pension schemes in the United Kingdom may vary from time to time (including as a result of fluctuation in investment values or as a result of changes to actuarial assumptions), thereby affecting the level of Ferrovial's pension costs. Increased pension costs would have a material adverse effect on its business, financial condition and results of operations.

***Risks of accidents.***

Accidents may occur at Ferrovial's projects, which may severely disrupt the operations of Ferrovial and lead to delays in the completion of projects and such delays could result in a loss of income, due to delayed receipt of proceeds from purchasers, as well as potential claims for compensation and termination

of contracts by clients. In addition, there is a possibility that any such claims for compensation in relation to such accidents may not be covered by Ferrovia's insurance policies. Any accidents and any consequential claims for damages could therefore have a material adverse effect on the business, financial condition and results of operations of Ferrovia.

***Ferrovia's failure to accurately estimate risks, the availability and cost of resources and time when bidding on projects, particularly fixed fee projects, could adversely affect its profitability.***

Under fixed fee contracts, Ferrovia realises a profit only if it can successfully estimate its costs and prevent cost overruns on contracts. Cost overruns can result in lower profits or operating losses on projects. Factors such as the availability and cost of materials, equipment and labour, wage inflation, unexpected project modifications, local weather conditions, unanticipated technical or geological problems including issues with regard to design or engineering of projects, changes in local laws or delays in regulatory approvals and the cost of capital maintenance or replacement of assets are highly variable, and Ferrovia's actual costs in remedying or addressing them may deviate substantially from originally estimated amounts and may therefore result in a lower profit to Ferrovia.

The identification of key risks, the estimation of costs and the establishment of appropriate deadlines in relation to such contracts are an inherent part of Ferrovia's business. However, Ferrovia's estimates can be particularly difficult to make and may turn out to be inaccurate, particularly with respect to long-term and complex projects. If Ferrovia fails to identify key risks or effectively estimate costs for projects where it is exposed to the risk of cost overruns, this may have an adverse effect on its business, financial condition and results of operations.

***Ferrovia may be required to bear the costs of tendering for new contracts, contract renewals and/or extensions with no control over the selection process nor certainty of winning the tender.***

A substantial portion of Ferrovia's work is competitively tendered and it is difficult to predict whether Ferrovia will be awarded new contracts due to multiple factors such as qualifications, experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe, and cost-efficient manner. Bidding costs associated with tendering for new contracts, extensions in the scope of work, or renewals of existing contracts can be significant and may not necessarily result in the award of a contract. Furthermore, preparation for bids occupies management and operating resources. If Ferrovia fails to win a particular tender, bidding costs are generally not recoverable. Ferrovia participates in a significant number of tenders each year and the failure to win such tenders may adversely affect its business, financial condition and results of operations.

***Ferrovia's joint venture and partnership operations could be adversely affected by its reliance on its partners' financial condition and performance.***

Some of Ferrovia's activities are conducted through joint ventures and partnerships. The success of Ferrovia's joint ventures and partnerships depends on the satisfactory performance by its partners of their obligations. If Ferrovia's partners fail to satisfactorily perform their obligations as a result of financial or other difficulties, the joint venture or partnership may be unable to adequately perform contracted services. Under these circumstances, Ferrovia may be required to make additional investments to ensure the adequate performance of the contracted services and Ferrovia could be jointly and severally liable for both its obligations and those of its partners. In addition, in the normal course of business, Ferrovia undertakes to provide guarantees and indemnities in respect of the performance of the contractual obligations of its joint venture entities and partnerships. These guarantees and obligations give rise to a liability to the extent the respective entity fails to perform its contractual obligations. A partner may also fail to comply with applicable laws, rules, or regulations. Any of these factors may adversely impact Ferrovia's business, financial condition and results of operations.

***Ferrovia is dependent on the continued availability, effective management and performance of subcontractors and other service providers.***

In the ordinary course of Ferrovia's operations, it relies on subcontractors to provide certain services. As a result, Ferrovia's business, financial condition, results of operations and prospects may be adversely affected if it is not able to locate, select, monitor and manage its subcontractors and service providers effectively. Additionally, subcontractors to whom Ferrovia has awarded work may become insolvent, requiring it to select a new subcontractor at the risk of delays and/or at higher cost. If Ferrovia is not able

to locate, select, monitor and manage subcontractors and service providers effectively, its ability to complete contracts on schedule and within forecasted costs to the requisite levels of quality could be adversely impacted and there may be a material adverse effect on its business, financial condition, results of operations and prospects.

### **Risks Relating to the Services Business Division**

***Ferrovial's contracted revenue from its Services business division is subject to unexpected adjustments and cancellations and, therefore, may not be a reliable indicator of its future revenue or profits.***

There can be no assurance Ferrovial will realise earned revenue projected in its contracted revenue from its Services business division or, if realised, such revenue will result in profits. Project terminations, suspensions, and/or changes in project scope and schedule may occur and Ferrovial cannot predict with certainty when, or if, any or all of its contracted revenue will be performed. Material delays, cancellations, or payment defaults could materially and adversely affect Ferrovial's business, results of operations and financial condition. Customer cancellations could reduce Ferrovial's contracted revenue which, among other things, could materially impact its earned revenue, net income, cash flows, and its overall financial condition. A deterioration in economic conditions may result in a reduced ability to replace contracted revenue once projects are completed and/or may result in the cancellation, modification, or deferral of projects currently reflected in its contracted revenue.

***Reduction of outsourcing and potential for insourcing may materially and adversely affect Ferrovial's financial and operating performance.***

Ferrovial's Services business division's financial performance depends on its customers continuing to outsource operations, maintenance, facilities management and construction services to it. A decline in outsourcing in the sectors in which Ferrovial's customers operate may adversely affect Ferrovial's revenue and profitability and its growth prospects. A reduction in outsourcing may result from a decreased availability of capital, changing economic conditions or industry trends, or changes in the specific strategies of Ferrovial's customers, particularly in a capital constrained environment where customers are experiencing margin and cash cost pressures.

***Broadspectrum Limited ("Broadspectrum"), a member of the Group, contracts with the Australian Department of Immigration and Border Protection on Nauru and Manus Island has provided garrison and welfare services, which could adversely affect Ferrovial's reputation and impact its revenue and profitability.***

The Australian government's policy in relation to the processing of asylum seekers arriving by boat in offshore processing centres on Nauru and Manus Island has been the subject of political, social and media commentary.

Immediately after the acquisition, Ferrovial announced that the provision of services at the Regional Processing Centre ("RPC") in Nauru and Manus Province is not a strategic activity in Ferrovial's portfolio and that this activity would not be part of the Broadspectrum offering in the future even though Broadspectrum will honour the contract until its termination.

Ferrovial is included in the Dow Jones Sustainability Index and FTSE4Good, and all its operations are conducted in compliance with the principles of the UN Global Compact, which the company adopted in 2002. The body of policies and procedures under Ferrovial's Human Rights Commitment are formed by Ferrovial's Code of Ethics, and Ferrovial's Human Rights Policy.

As of the date of this Prospectus, Broadspectrum contracts with the Australian Department of Immigration and Border Protection on Nauru and Manus Island have expired.

Despite such termination, there might still be ongoing commentary and publicity in Australia or in the other countries in which Ferrovial operates with respect to Ferrovial's involvement in the RPCs on Nauru and Manus Island, and this may adversely affect Ferrovial's reputation and brand, which may jeopardise Ferrovial's ability to win work from, and retain work with, new and existing customers and raise financing from financial institutions who may consider this commentary when determining whether to select or retain Ferrovial as a business partner. This could adversely affect Ferrovial's business, financial condition and results of operation.

***Ferrovial could be held liable for environmental damage resulting from its operations and its insurance for environmental liability may not be sufficient to cover that damage.***

Significant liability could be imposed on Ferrovial for damages, clean-up costs or penalties in the event of certain discharges into the environment and/or environmental contamination and damage. This is of particular importance in the case of landfills, where costs of sealing are very high and are subject to heavy increases due to changes in environmental law. Ferrovial's insurance for environmental liability may not be sufficient or may not apply to any exposure to which it may be subject resulting from the type of environmental damage in question.

Any substantial liability for environmental damage could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***The public may react negatively to industrial waste management facilities.***

Although Ferrovial has not yet encountered any major problems, it may face adverse public opinion in relation to its waste recycling activities near inhabited areas, the expansion of such existing facilities or the construction of new facilities in this business division. Governments responding to public pressure may restrict the current activities of Ferrovial or its plans for future expansion, which could have a material adverse effect on its business, financial condition and results of operations.

***Ferrovial's results from operations are affected by the cyclical nature of the waste management business.***

The waste management business is cyclical by nature. The demand for waste management services is connected to general economic conditions. Demand generally increases in times of economic growth and decreases during economic contraction periods. Due to the recent global financial crisis, the level of spending in waste decreased, and Ferrovial cannot be sure of a favourable change in spending levels in the coming years. If conditions continue to limit spending in the waste management industry, then the business, financial condition and results of operations of Ferrovial may be adversely affected.

#### **Risks Relating to the Construction Business Division**

***If investment in the construction industry continues to decrease, Ferrovial's results of operations may be affected.***

Investment in the construction sector derives from both the public and private sectors and the level of investment is dependent on general economic conditions. In times of economic growth, investment levels generally increase, with levels decreasing during a recession. The majority of countries within which Ferrovial operates have benefited from favourable conditions for construction for several years. However, as a result of the global financial crisis, the situation has considerably deteriorated. Ferrovial cannot make any assurances that the level of investment will increase in the coming years. If conditions continue to limit investment by the public and private construction sectors, then the business, financial condition and results of operations of the Group may be adversely affected.

***Ferrovial's business may be affected by a decrease in the funds available for civil engineering projects.***

As a result of the effects of the global financial crisis, there has been a sharp decrease in tenders for civil engineering works, including for public sector projects. The allocation of funds for civil engineering projects within the annual budget for each of the countries where Ferrovial is present or which it is targeting is mainly dependent on two factors: the budgetary policies of the relevant government and the economic conditions existing at the time. A further decrease in the spending on development and execution of civil engineering projects by governments and local authorities could adversely affect the business, financial condition and results of operations of Ferrovial.

***Difficulties in securing private sector projects may adversely affect Ferrovial's results of operations.***

Following the global financial crisis, there has been a decrease in procurement by private sector companies. In addition, private sector companies may be forced to halt projects that are already underway due to a lack of funds, or they may decide to delay or abandon studies of potential projects while they await more favourable investment conditions. Whilst standard practice in the private sector is for the construction company to be paid as the works are executed, Ferrovial is exposed to loss of revenue if such



works are delayed or cancelled. Reductions in project procurement and delays in the completion of projects by the private sector may adversely affect the business, financial condition and results of operations of Ferrovial.

***Ferrovial's operations in certain jurisdictions are dependent on funds granted.***

Ferrovial currently benefits indirectly from funds granted by the European Union to public entities, who are the main clients of Ferrovial's construction operations in Poland. Due to political, economic or other considerations, these funds may no longer be available to Ferrovial or there may be delays in funds being received. Such a cancellation or delay in receipt of funds may have a material adverse effect on the business, financial condition and results of operations of Ferrovial.

***Any failure to meet construction project deadlines and budgets may have a material adverse effect on the business, financial condition and results of operations of Ferrovial.***

There are certain risks that are inherent to large-scale construction projects, such as shortages, and increased costs, of materials, machinery and labour. If any of Ferrovial's contractors and sub-contractors fails to meet agreed deadlines and budgets, or if there are any interruptions arising from adverse weather conditions or unexpected technical or environmental difficulties, there may be resulting delays and excess construction costs. Contractor and sub-contractor liability clauses, included in most standard construction agreements entered into with contractors and sub-contractors, generally cover these situations, although they may not cover the total value of any resulting losses. In the event of construction delays, Ferrovial may receive revenues later than expected and could face penalties and even contractual termination. These eventualities could increase Ferrovial's expenses and reduce its income, particularly if it is unable to recover any such expenses from third parties under its concessions, in which case the business, financial condition and results of operations of Ferrovial may be materially adversely affected.

**Risks relating to the Toll Roads Business Division**

***Reduced vehicle use on the toll roads operated by Ferrovial's toll road concession companies could adversely affect the Group's business, financial condition and results of operations.***

If Ferrovial's toll road concession companies (the "Concession Companies") are unable to maintain an adequate level of vehicle traffic on their toll roads, the Group's toll receipts and profitability will suffer. The tolls collected by the Concession Companies on their toll roads depend on the number of vehicles using such toll roads, the capacity of their portfolios to absorb traffic and their tariffs. In turn, traffic volumes and toll receipts depend on a number of factors, including the quality, convenience and travel time on toll-free roads or toll roads that are not part of the Group's portfolio, the quality and state of repair of the toll roads, the economic climate and fuel prices, the occurrence of natural disasters such as earthquakes and forest fires, meteorological conditions in the countries in which the Concession Companies operate (particularly in Canada), environmental legislation (including measures to restrict motor vehicle use) and the viability and existence of alternative means of transportation, such as air and rail transport, buses and urban mass transportation.

In addition, competition from alternative transport routes could affect the volume of traffic on the toll roads operated by the Concession Companies. In certain cases, the creation of new roads which create an alternative transport route to a toll road may give the concession company the right to require that the economic balance of their concessions be restored and request compensation. However, an increase in the number and convenience of alternative routes could reduce traffic on the toll roads they operate to a greater degree than that for which they receive compensation.

If the Concession Companies are unable to maintain an adequate level of traffic, the business, financial condition and results of operations of the Group may be adversely affected.

***Tariff rate increases on the toll roads operated by the Concession Companies are limited to inflation under some of their concession agreements.***

The revenue generated from Ferrovial's toll road business is dependent in part on its tariff rates and the tariff structure is usually established under each individual concession agreement. In certain cases, the Concession Companies have limited or no ability to independently raise tariffs beyond the rate of inflation. During the life of a concession, the relevant government authority may also unilaterally impose additional restrictions on the tariff rates. Whilst the Concession Companies may be able to

negotiate compensation from the government authority for changes to their tariff structures, or renegotiate their concession terms in general, the Concession Companies cannot guarantee the success of their negotiations with the relevant government authority.

Ferrovial has substantial investments and indebtedness, many of which are related to costs incurred during the design and construction phase. Ferrovial covers these investments and indebtedness principally from its toll road receipts. If the assumptions underlying Ferrovial's financial models prove to be incorrect and the revenues generated are not sufficient to cover its costs, Ferrovial may be unable to successfully adjust the operating parameters due to inflexible concession terms or reduce its costs to remain profitable, which would have a material adverse effect on Ferrovial's business, financial condition and results of operations of the Group.

***During their initial years of operation, Ferrovial's infrastructure concessions generate little or no cash for distribution to the Group.***

The development and operation of infrastructure concession assets is a capital-intensive business. Newer assets are typically highly leveraged to optimise the capital structure with the objective of maximising shareholder return. The financing structure for a concession is selected based on cash flow projections that Ferrovial models for that concession. A new project is typically financed through a project finance structure, which involves the creation of a legally independent project company financed with debt on a non-recourse basis and with equity contributed by Ferrovial and, in some cases, other investors. As a result of the high rate of leverage, during the initial years of a concession, the costs of financing consume most of a concession's available cash flows, leaving little or no cash flows available for distribution to the Group. In addition, since cash flows constitute the main security for the repayment of project borrowings, credit agreements usually limit the use of funds by shareholders until certain conditions have been met, which is assessed each year. As a result, it is unlikely that cash generated from newer concessions will be available to meet the cash needs of other Group companies, including repayment of amounts due under the Securities. Furthermore, it is possible that Ferrovial's cash flow projections for a concession will not be met, and that concession may take longer than expected to generate cash for its shareholders or may never do so, which could decrease the resources available to other Group companies to meet their financial obligations, including those under the Securities. Such a decrease may have a material adverse effect on the business, financial condition and results of operations of Ferrovial.

***Infrastructure concessions have a limited duration.***

Upon termination of a concession, the Group must return the infrastructure to the competent governmental authority or owner, in an adequate state of repair, together with any assets and facilities required for operation, and receives no economic compensation whatsoever. If the Concession Companies are unable to extend the duration of their concessions during their lifetime or are unable to secure new concessions to replace any concessions expired, terminated or recovered, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***Any inability to negotiate adequate compensation for terminated and repurchased concessions could reduce the future revenues of Ferrovial.***

The Concession Companies derive most of their revenues from operations conducted under their concession agreements. Under the relevant public laws, the governments of the countries in which their concessions are located may unilaterally terminate or repurchase concessions in the public interest, subject to judicial supervision. However, to date there have not been any such unilateral terminations or any repurchases of Ferrovial's toll road concessions. If a governmental authority exercises its option to terminate or repurchase some of Ferrovial's concessions, in general it may receive the compensation provided by law or contract to cover its anticipated profits for the remaining duration of the concession agreements. Ferrovial cannot make any assurances, however, that under such arrangements it would be sufficiently compensated for lost profits. In certain cases, a governmental authority may decide to terminate Ferrovial's concession agreements due to a serious violation of its contractual obligations. Each contract may have different provisions regarding the compensation provided by the relevant authority in the event of early termination of the concession. Depending on each contract's terms and conditions, recovery of its investment might be limited to capped construction costs and land acquisition costs. If it is unable to negotiate adequate compensation for terminated or repurchased concessions, the revenues of the

Concession Companies in the future may be reduced, and the business, financial condition and results of operations of the Group may be materially adversely affected.

***Difficulties in obtaining the necessary land rights could delay certain Ferroviaal concession projects or lead to increased development costs.***

In order to build or extend the toll roads or develop the infrastructure assets for the concessions in which Ferroviaal has an interest, it must obtain the necessary land rights to carry out such development. Ferroviaal may seek to obtain such land rights through market transactions, though it often relies on governmental authority to expropriate the land on which the relevant infrastructure asset is to be constructed. In Spain, Ferroviaal generally manages the land acquisition and expropriation process itself, subject to the approval of the relevant government authorities. Laws regarding transfer of land rights and land expropriation, and therefore the costs and process associated with such transfer or expropriation, vary from jurisdiction to jurisdiction. The Concession Companies may be adversely affected by changes in laws governing land transfer and land expropriation, or be exposed to the risk of compulsory purchase cost overruns. They may also incur delays in connection with the transfer of the necessary land rights or with the land expropriation process, which could delay the commencement of operations on their toll roads. In addition, the Concession Companies have in the past been, and may in the future be, subject to legal claims in connection with carrying out land expropriation orders, which have, in the past resulted, and could, in the future result, in additional costs in connection with defending against such claims and have, in the past delayed, and could, in the future delay, development of the relevant infrastructure assets. Delays or increases in costs for obtaining the necessary land rights could have a material adverse effect on its business, financial condition and results of operations.

***The Concession Companies are subject to risks related to their contracts with government entities.***

Ferroviaal's toll road concessions are granted by government authorities and are subject to special risks, including the risk that the sovereign government will take action contrary to the Group's rights under the concession agreement, for example by unilaterally terminating, amending or expropriating the concessions in the public interest. As stated above, Ferroviaal seeks to operate in developed nations where the risk that the sovereign government will take actions of such nature tends to be low, but the Group cannot give any assurance that the relevant governments will not legislate, impose regulations or change applicable laws or act contrary to the law in a way that would materially adversely affect its business. Any such action, which could include the expropriation of the assets of the Concession Companies, could be taken by a relevant government with or without compensation to the Group and this could have a material adverse effect on the business, financial condition and results of operations of Ferroviaal.

***The Concession Companies depend to a significant extent on the continued availability of attractive levels of government subsidies and soft public financing.***

The toll road industry depends to a significant extent on the continued availability of attractive levels of government subsidies and incentives to attract private investments. Such subsidies can be granted for the construction and/or operation of toll roads. There is a risk that political developments, such as a change in government or governmental policy, could result in subsidised sources of financing becoming unavailable and this could have a material adverse effect on the business, financial condition and results of operations of Ferroviaal.

***The public may react negatively to toll collection and periodic tariff readjustments or public pressure may cause the relevant government to challenge the tariffs set by the Concession Companies.***

Although the Concession Companies have not yet encountered any major problems with motorists reacting adversely to its tariffs, for example, by avoiding tolls or refusing to pay tolls, such problems might arise in the future, resulting in lower traffic volumes and reduced toll revenues. These problems could be further aggravated by a perception that the Concession Companies are unable or unwilling to effectively recover tolls and fees from motorists who fail or refuse to pay. In addition, adverse general public opinion may result in pressure to restrict their tariff increases. If public pressure or government action forces the Concession Companies to restrict their tariff increases or reduce their tariffs, and they are not able to secure adequate compensation to restore the economic balance of the relevant concession agreement, Ferroviaal's business, financial condition and results of operations could be materially adversely affected.

***Any delays in toll road construction could have a material adverse effect on Ferrovial's business, financial condition and results of operations.***

Certain risks are inherent in the large-scale construction projects currently being undertaken by Ferrovial, such as shortages or increases in the cost of materials and labour, general factors affecting economic activity and financing, malfeasance by its contractors and sub-contractors and disruptions, either resulting from adverse weather conditions or from technical or environmental problems. Construction delays will delay the time at which revenues from a toll road concession are received by Ferrovial and will reduce the revenue-generating lifetime of the concession. These factors could increase Ferrovial's costs and reduce its revenues and, particularly if Ferrovial is unable to pass on some or all of these costs under the terms of its concession agreements, could materially adversely affect Ferrovial's business, financial condition and results of operations.

#### **Risks relating to the Airports Business Division**

***Aeronautical income could decline as a result of a reduction in flights, passengers or other factors outside Ferrovial's control.***

Heathrow Airport Holdings Limited ("HAH") and AGS Airports Holdings Limited ("AGS" and, together with HAH, the "Airport Companies"), the companies through which Ferrovial currently participates in the airport industry, generate aeronautical income from airport fees and traffic charges through the operation of Heathrow airport (in the case of HAH) and Glasgow, Aberdeen and Southampton airports (in the case of AGS), (together, the "Airports"). These charges are principally levied on the basis of passenger numbers, maximum total aircraft weight, aircraft noise and emission characteristics and the length of time for which an aircraft is parked at the airport. At Heathrow airport only these charges are regulated and also linked to the rate of inflation, which is liable to change. There are no specific operating contracts with the airlines operating at Heathrow airport. There can therefore be no assurance as to the level of Heathrow airport's future aeronautical income from any one or more airline operators. Decisions by, legal disputes with, financial difficulties at, or the failure of, a significant airline customer, or the withdrawal of its landing rights, could lead to a reduction in flights and passenger numbers and/or failure or delay in recovering airport fees or landing charges. The effect of decisions by or events at airlines that have a major presence at Heathrow airport (such as British Airways, which in 2016 accounted for approximately 45 per cent. of the airport's aeronautical income) could have a material adverse effect on Ferrovial's Airports business division.

The number of passengers using the Airports may be affected by a number of other factors, including:

- shocks to the macroeconomic environment (including changes in fuel prices and currency exchange rates) whether affecting the global economy, the UK economy, the Greater London economy or the Scottish economy in which the Airports are based;
- an increase or decrease in competition from UK and non-UK airports;
- wars, riots or political action;
- industrial action by key staff that affects critical services or aviation sector staff (for instance the strikes that affected British Airways in 2010);
- an increase in airfares due to increased airline costs;
- decisions by airlines regarding the number, type and capacity of aircraft (including the mix of premium and economy seats), as well as the routes on which particular aircraft are utilised (for instance, the recent decision by Ryanair to suspend the operation of certain routes to and from Glasgow airport);
- health scares, epidemics or pandemics across the globe;
- disruptions caused by natural disasters or events, for example the closure of airspace due to a volcanic eruption in Iceland in 2010;

- extreme weather at Heathrow airport or other airports, such as the severe winter weather experienced in the northern hemisphere in December 2010, which caused over 4,000 flights to be cancelled at Heathrow airport and caused significant impact to airline schedules globally;
- acts of terrorism or cybersecurity threats and attacks;
- changes in domestic or international regulation, for instance international trade liberalisation developments such as Open Skies;
- the quality of services and facilities, including the impact of construction projects; and
- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology and the increased use of communications technology.

There can be no guarantee that the Airports' contingency plans would be effective to anticipate the effects of the factors noted above. Any of these factors could negatively impact the Airports' reputation, day-to-day operations and result in a decrease in the number of passengers using the Airports which could in turn have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***A decrease in passenger numbers or other factors outside Ferrovial's control could reduce HAH's and AGS's non-aeronautical income.***

The principal sources of non-aeronautical income for the Airport Companies include retail concession fees, car parking income, property rental income, rail income and income from the provision of operational facilities and utilities.

Retail concession fees are driven by passenger numbers and propensity of passengers to spend in the shops at the Airports. As noted above, there are a variety of factors which could adversely affect the number of passengers using the Airports. Levels of retail income at the Airports may also be affected by changes in the mix of long- and short-haul and transfer and origin and destination passengers; economic factors, including exchange rates and changes in duty free regimes; retail tenant failures; lower retail yields on lease re-negotiations; redevelopments or reconfigurations of retail facilities at the Airports, which can lead to a temporary or permanent decline in retail concession fees; reduced competitiveness of the airport retail offering; stricter hand luggage and other carry-on restrictions; and reduced shopping time as a result of more rigorous and time consuming security procedures.

Car parking income could be reduced as a result of increased competition from other modes of transport to the Airports, such as buses and trains (for example following the expected commencement of Crossrail services in 2019 connecting Heathrow airport to central London), as well as increased competition from off-site car parks. Other non-aeronautical income could be reduced as a result of a decrease in demand from airport users, such as car rental operators and airlines leasing check-in counters. Any of these factors could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***The Airports could be subject to terrorism and/or increased security requirements.***

The UK government currently assesses the international terrorism threat to mainland Britain as "severe", the second highest threat level on the government's risk assessment scale. The Airports operate within a stringent and complex security regime as required by the UK government, which has imposed additional security measures from time to time, for example following the discovery of terrorist plots in August 2006 and December 2009. An incident in 2010 involving cargo aircraft led to additional measures for the cargo industry only. The consequences of any future terrorist action or threat may include cancellation or delay of flights, fewer airlines and passengers using the Airports, liability for damage or loss and the costs of repairing damage.

The implementation of additional security measures at the Airports in the future could lead to additional limitations on airport capacity or retail space, overcrowding, increases in operating costs and delays to passenger movement through the airport, any of which could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***The successful implementation of the capital investment programme of each of the Airport Companies could be affected by unanticipated construction and planning issues.***

The capital investment programme of each of the Airport Companies includes major construction projects and is subject to a number of risks. For example, if HAH is not able to achieve a consensus amongst its airline customers in support of capital investment projects, this could affect the willingness of the Civil Aviation Authority ("CAA") to include the costs of such projects in the Regulatory Asset Base ("RAB"). Difficulties in obtaining any requisite permits, consents, including environmental consents, licences, planning permissions, compulsory purchase orders or easements could adversely affect the design or increase the cost of the capital expenditure projects or delay or prevent the completion of a project or the commencement of its commercial operation. Although contractors typically share in cost and schedule risks, HAH may face higher-than-expected construction costs and delays, not all of which may be permitted by the CAA to be included in Heathrow airport's RAB, and possible shortages of equipment, materials and labour due to the number of major construction projects in the London area. The commencement of commercial operation of a newly constructed facility may also give rise to start-up problems, such as the breakdown or failure of equipment or processes, or lack of readiness of airline operators, closure of facilities and disruptions of operations. The construction contracts of the Airport Companies may contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract. The ability of contractors to meet their financial or other liabilities cannot be assured.

The failure of the Airport Companies to recognise, plan for and manage the extent of the impact of construction projects could result in projects overrunning budgets, operational disruptions, capital expenditure trigger rebates to airlines, unsatisfactory facilities, safety and security performance deficiencies, and higher-than-expected operating costs.

Any of these could affect the Airports' day-to-day operations and impact their reputation and, consequently, have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***Incidents could occur at the Airports.***

Airports are exposed to the risk of incidents, including accidents, as a result of a number of factors, including extreme weather conditions, equipment failure, human error and terrorist activities. These incidents could result in injury or loss of human life, damage to airport infrastructure and short- or long-term closure of the Airports' facilities and may have an impact on passenger traffic levels, which in turn could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***The Airport Companies face a number of operational risks outside their control.***

The operation of an airport is a complex undertaking that is subject to a number of factors outside the control of the Airport Companies. These factors include weather conditions, variable aircraft movements and traffic congestion. In addition, the UK Secretary of State for Transport has powers under the Airports Act 2006 to give directions to airport operators in the interests of national security, including orders requiring the closure of airports. Given the nature of these factors, it is not possible to accurately predict their future impact on airport operations from past performance, and any impact from such factors could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

***Heathrow is subject to economic regulation by the Civil Aviation Authority, which is subject to adverse change.***

HAH's operations at Heathrow are subject to regulatory review that results in, among other things, the setting of the price caps on certain of Heathrow's charges by the CAA. This regulatory review generally takes place every five years. There can be no assurance that the current or future price caps set by the CAA will be sufficient to allow Heathrow to operate at a profit; nor that the present price caps will be increased or at least maintained at current levels; nor that the methodology of the review process at subsequent reviews would not have a material adverse effect on the income of HAH. The CAA has established performance-linked requirements which can negatively impact aeronautical income. For instance, the CAA can reduce the permitted yield in respect of airport charges at Heathrow if prescribed milestones are not met on certain capital investment projects. Under the service quality rebate schemes at Heathrow for the current regulatory period, failure to meet specified targets relating to, among other

things, airport cleanliness, security queuing times, flight information displays and stand and jetty availability can result in rebates to airline customers of up to 7 per cent. of airport charges. Any of these factors could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

#### ***Risks in relation to Spanish Taxation.***

With respect to any payment of interest the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) is required to receive certain information relating to the Securities. If such information is not received in a timely manner, the Guarantor will be required to apply Spanish withholding tax to any payment of interest (as this term is defined under "*Taxation — Spanish Tax — Payments made by the Guarantor*") in respect of the Securities.

Under Spanish Law 10/2014, of 26 June and Royal Decree 1065/2007, of 27 July, as amended, payments of interest in respect of the Securities will be made without withholding tax in Spain provided that the Fiscal Agent provides the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee) in a timely manner with a certificate containing certain information in accordance with section 44 paragraph 5 of the Royal Decree 1065/2007 relating to the Securities.

This information must be provided by the Fiscal Agent to the Issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee), before the close of business on the Business Day (as defined in the Terms and Conditions of the Securities) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Securities (each a "**Payment Date**") is due.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will withhold tax at the then-applicable rate (as at the date of this Prospectus, 19 per cent.) from any payment of interest in respect of the Securities.

The Fiscal Agency Agreement provides that the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to deliver the required information concerning the Securities to the Guarantor in a timely manner.

These procedures may be modified, amended or supplemented, among other reasons, to reflect a change in applicable Spanish law, regulation, ruling or an administrative interpretation thereof. None of the Issuer, the Guarantor or the Joint Bookrunners assumes any responsibility therefore.

Royal Decree 1065/2007 July provides that any payment of interest made under securities originally registered in a non-Spanish clearing and settlement entity recognised by Spanish legislation or by the legislation of another OECD country will be made with no withholding or deduction from Spanish taxes provided that the relevant paying agent submits in a timely manner certain information about the Securities to the issuer (that is, the Guarantor with respect to any payments of interest under the Guarantee). In the opinion of the Guarantor, any payment of interest under the Guarantee will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Securities is timely submitted by the Fiscal Agent to the Guarantor, notwithstanding the information obligations of the Guarantor under general provisions of Spanish tax legislation, by virtue of which identification of Spanish tax resident investors may be provided to the Spanish tax authorities (see "*Taxation — Spanish Tax — Payments made by the Guarantor*").

#### **Risks related to the structure of the Securities**

##### ***The Issuer's obligations under the Securities and the Coupons are subordinated.***

The Issuer's obligations under the Securities will be unsecured and subordinated obligations of the Issuer and will rank junior to the claims of unsubordinated and other subordinated creditors of the Issuer, except for subordinated creditors whose claims are expressed to rank *pari passu* with the Securities. See Condition 2 (*Status and Subordination of the Securities and Coupons*) of the Conditions of the Securities. By virtue of such subordination, payments to a Holder of Securities will, in the event of an Issuer Winding-up (as described in the Conditions) only be made after, and any set-off by a Holder of Securities shall be excluded until, all obligations of the Issuer resulting from higher ranking claims have been

satisfied. A Holder of Securities may therefore recover less than the holders of unsubordinated or other subordinated liabilities of the Issuer. Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the Holder of any Security, be deemed to have waived all such rights of set-off. Although subordinated debt securities may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a real risk that an investor in subordinated securities such as the Securities will lose all or some of his investment should the Issuer become insolvent.

***The Guarantee is a subordinated obligation.***

The Guarantor's obligations under the Guarantee will be unsecured and subordinated obligations of the Guarantor. In the event of the Guarantor being declared in insolvency ("*concurso*") under Spanish Insolvency Law (as defined below), the Guarantor's obligations under the Guarantee will be subordinated in right of payment to the prior payment in full of all other liabilities of the Guarantor, except for obligations which rank equally with or junior to the Guarantee. See Condition 3 (*Guarantee, Status and Subordination of the Guarantee*) of the Terms and Conditions of the Securities.

Holders of the Securities are advised that unsubordinated liabilities of the Guarantor may also arise out of events that are not reflected on the balance sheet of the Guarantor including, without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Guarantor that in the insolvency of the Guarantor will need to be paid in full before the obligations under the Guarantee may be satisfied.

***There are no events of default under the Securities.***

The Conditions of the Securities do not provide for events of default allowing acceleration of the Securities if certain events occur. Accordingly, if the Issuer or the Guarantor fails to meet any obligations under the Securities or the Guarantee, as the case may be, including the payment of any interest, investors will not have the right to require the early redemption of principal. Upon a payment default, the sole remedy available to the Holders for recovery of amounts owing in respect of any payment of principal or interest on the Securities will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

***The Securities are undated securities.***

The Securities are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem or repurchase the Securities at any time and the Holders have no right to require redemption of the Securities. Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Securities for an indefinite period of time and may not recover their investment in the foreseeable future.

***The Issuer may redeem the Securities under certain circumstances.***

Holders should be aware that the Securities may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount (plus any accrued and outstanding interest and any outstanding Arrears of Interest) as of any date during the period from and including 14 February 2023 to and including the First Reset Date and on any Interest Payment Date thereafter (in each case, as defined in the Terms and Conditions of the Securities).

The redemption at the option of the Issuer may affect the market value of the Securities. During any period when the Issuer may elect to redeem (or be perceived to be able to redeem) the Securities, the market value of the Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Securities when its cost of borrowing is lower than the interest rate on the Securities. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Securities being redeemed and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments available at that time.



The Securities are also subject to redemption in whole, but not in part, at the Issuer's option upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event (each as defined in Condition 17 (*Definitions*) of the Terms and Conditions of the Securities). The redemption amount may be less than the then current market value of the Securities.

***Change of Tax law.***

On 10 October 2017, the new Dutch government released their coalition agreement (*Regeerakkoord*) 2017 – 2021. The coalition agreement does not include concrete legislative proposals, but instead sets out a large number of policy intentions of the new Dutch government. Two policy intentions in particular may become relevant in the context of the Dutch tax treatment of the Issuer and/or (payments under) the Securities. The first policy intention is the introduction of a “thin capitalisation rule” for banks and insurers that would limit the deduction of interest on debt exceeding 92% of the commercial balance sheet total. Although the heading in the coalition agreement suggests that it will apply solely to banks and insurers, it cannot be ruled out that this new thin capitalisation rule has a generic application and consequently it may also apply to other taxpayers (including the Issuer). The second policy intention is the introduction of an “interest withholding tax” on interest paid to creditors in countries with very low taxes (low tax jurisdictions). Although the coalition agreement suggests that this measure is intended to combat letterbox structures in The Netherlands, it cannot be ruled out that this new interest withholding tax also affects other situations, including interest payments under the Securities. Many aspects of this policy intention remain unclear. However, if the policy intentions are implemented in such a way as to give rise to a Tax Event or a Withholding Tax Event (in each case as defined in Condition 17 (*Definitions*)), the Issuer may redeem the Securities pursuant to its option under Condition 6(c) (*Redemption for Taxation Reasons*).

***The Issuer may redeem the Securities after a Tax Event relating to an intra-group loan.***

The net proceeds of the issue of the Securities will be on-lent by the Issuer to the Guarantor pursuant to a Subordinated Loan (as defined in the Conditions of the Securities). The Issuer may redeem the Securities in certain circumstances, including if, as a result of a Tax Law Change (as defined in the Conditions of the Securities), in respect of (i) the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be entitled to claim a deduction in respect of computing its tax liabilities in The Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

The direct connection between a Tax Event and the Subordinated Loan may limit the Issuer's ability to prevent the occurrence of a Tax Event, and may increase the possibility of the Issuer exercising its option to redeem the Securities upon the occurrence thereof.

***The Issuer has the right to defer interest payments on the Securities.***

The Issuer may, at its discretion, elect to defer (in whole or in part) any payment of interest on the Securities. Any such deferral of interest payment shall not constitute a default for any purpose. See Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Securities. Any interest in respect of the Securities the payment of which is deferred will, so long as the same remains outstanding, constitute Arrears of Interest. Arrears of Interest will be payable as outlined in Conditions 5(b) (*Optional Interest Deferral – Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*) of the Terms and Conditions of the Securities. While the deferral of payment of interest continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Securities and in such event, the Holders are not entitled to claim immediate payment of interest so deferred.

As a result of the interest deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest payments are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's and/or the Guarantor's financial condition. Investors should be aware that any deferral of interest payments (or the perception that an interest payment may be deferred) may have an adverse effect on the market price of the Securities.

### ***Substitution or variation of the Securities***

There is a risk that, after the issue of the Securities, a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event may occur which would entitle the Issuer and/or the Guarantor, without any requirement for the consent or approval of the Holders, to substitute or vary the Securities (including the substitution of the Securities for securities issued by a wholly-owned finance subsidiary of the Guarantor resident in a taxing jurisdiction other than The Netherlands or Spain), subject to certain conditions intended to protect the interests of the Holders, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

Any such substitution or variation may have an adverse impact on the price of, and/or the market for, the Securities.

### ***Changes in rating methodologies may lead to the early redemption of the Securities.***

S&P and Fitch (in each case as defined in the Conditions of the Securities) may change their rating methodology or may apply a different set of criteria after the Issue Date (due to changes in the rating previously assigned to the Issuer and/or the Guarantor or to any other reasons), and as a result the Securities may no longer be eligible for the same or a higher amount of "equity credit" attributable to the Securities at the date of their issue, in which case the Issuer may redeem all of the Securities (but not some only), as provided in Condition 6(e) (*Redemption and Purchase – Redemption for Rating Reasons*) of the Terms and Conditions of the Securities.

### ***No limitation on issuing senior or pari passu securities or other liabilities.***

There is no restriction on the amount of securities or other liabilities which the Issuer or the Guarantor may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Securities or the Guarantee (as the case may be). The issue of any such securities, the granting of any such guarantees or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on the insolvency, winding-up, liquidation or dissolution of the Issuer or the Guarantor (as the case may be) and/or may increase the likelihood of a deferral of Interest Payments under the Securities.

If the Issuer's and/or the Guarantor's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer and/or the Guarantor were liquidated (whether voluntarily or not), the Holders could suffer loss of their entire investment.

### ***Fixed rate securities have a market risk.***

A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate causes the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Securities and can lead to losses for the Holders if they sell the Securities.

### ***Interest rate reset may result in a decline of yield.***

A Holder with a fixed interest rate that will be reset during the term of the Securities is exposed to the risk of fluctuating interest rate levels and uncertain interest income. Fluctuating interest rate levels make it impossible to determine the yield of such securities in advance.

### ***Any decline in the credit ratings of the Issuer and/or the Guarantor may affect the market value of the Securities.***

The Securities have been assigned a rating by S&P and Fitch. The rating granted by each of S&P and Fitch or any other rating assigned to the Securities may not reflect the potential impact of all risks related

to structure, market and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. A credit rating is not a statement as to the likelihood of deferral of interest on the Securities. Holders have a greater risk of deferral of interest payments than persons holding other securities with similar credit ratings but no, or more limited, interest deferral provisions.

In addition, each of S&P and Fitch, or any other rating agency may change its methodologies for rating securities with features similar to the Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Securities sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Securities.

### **EU Insolvency**

From 26 June 2017, the new Regulation 2015/848, of the European Parliament and of the Council, of 20 May 2015, on insolvency proceedings (recast) ("**Regulation 2015/848**") is applicable to all the EU countries except for Denmark. This means that this new regulation shall be applicable to all those insolvency proceedings that are initiated in a EU country (except for Denmark), when the center of main interest ("**COMI**") of the debtor is located in such countries.

Aside from new information duties between the countries (e.g. such countries must create an insolvency registry), the most relevant aspects of this regulation are as follows:

- a. The type of proceedings to which this regulation applies (foreseen under Annex A of Regulation 2015/848) has increased, and pre-insolvency proceedings are now included. With regards to Spain, Regulation 2015/848 includes homologation proceedings, extrajudicial payment proceedings, or anticipated arrangement proposals and with regards to The Netherlands includes the suspension of payments and bankruptcy.
- b. The determination on the judicial competence to declare the principal insolvency proceeding is explained in more detail. In this sense, the definition of COMI is now foreseen under article 3, which foresees that the centre of main interests shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties. In the case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings.
- c. A new chapter on the insolvency of companies that belong to the same group has been included. Regulation 2015/848 pretends to ensure more cooperation and coordination between the insolvency receivers, courts, etc, in charge of each proceeding, and has even included a new proceeding called "group coordination proceeding", which is voluntary and enables the insolvency proceedings of group companies to be processed jointly.

If the center of main interests of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open insolvency proceedings against that company only if such company has an "establishment" in the territory of such other Member State. An "establishment" is defined as any place of operations where a debtor carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets;. The effects of those insolvency proceedings opened in that other Member State are restricted to the assets of the company situated in such other Member State.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment shall be secondary proceedings. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main

interests is situated under that Member State's law; or (b) the opening of territorial insolvency proceedings is requested by:

- (i) a creditor whose claim arises from or is in connection with the operation of an establishment situated within the territory of the Member State where the opening of territorial proceedings is requested; or
- (ii) a public authority which, under the law of the Member State within the territory of which the establishment is situated, has the right to request the opening of insolvency proceedings.

Any judgment opening insolvency proceedings handed down by a court of a Member State which has jurisdiction pursuant to Article 3 shall be recognized in all other Member States from the moment that it becomes effective in the State of the opening of proceedings. This shall also apply where, on account of a debtor's capacity, insolvency proceedings cannot be brought against that debtor in other Member States.

Recognition of a main proceedings shall not preclude the opening of a secondary proceeding. The insolvency receiver appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on it by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

#### **Risks arising in connection with the Dutch Insolvency Law**

Where a company (incorporated in The Netherlands or elsewhere) has its "centre of main interest" or an "establishment" in The Netherlands, it may be subjected to insolvency proceedings in this jurisdiction. This is particularly relevant for the Issuer, which has its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands, and is therefore presumed (subject to proof to the contrary) to have its "centre of main interests" in The Netherlands.

There are two primary insolvency regimes under Dutch law. The first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganisation of a debtor's indebtedness and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. Both insolvency regimes are set forth in the Dutch Bankruptcy Act. The consequences of both proceedings are roughly equal from the perspective of a creditor, with creditors being treated on a *pari passu* basis subject to exceptions. A general description of the principles of both insolvency regimes is set forth below.

Under Dutch law secured creditors (and in case of suspension of payment also preferential creditors (including tax and social security authorities)) may enforce their rights against assets of the company to satisfy their claims as if there were no insolvency proceedings. A recovery under Dutch law could, therefore, involve a sale of assets that does not reflect the going concern value of the debtor. Consequently, a creditor's potential recovery could be reduced in Dutch insolvency proceedings.

Any pending executions of judgments against the debtor will be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, any attachment by a creditor on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination.

In a suspension of payments or a bankruptcy, a composition (*akkoord*) may be offered to creditors. A composition will be binding on all unsecured and non-preferential creditors if it is (i) approved by a simple majority of the creditors being present or represented at the creditors' meeting, representing at least 50 per cent. of the amount of the claims that are admitted for voting purposes, and (ii) subsequently ratified (*gehomologeerd*) by the competent Dutch court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Securities to effect a restructuring and could reduce the recovery of a holder of Securities.

Claims against a company subject to Dutch insolvency proceedings will have to be verified in the insolvency proceedings in order to be entitled to vote and, in a bankruptcy liquidation, to be entitled to distributions. "Verification" under Dutch law means, in the case of suspension of payments, that the treatment of a disputed claim for voting purposes is determined and, in the case of a bankruptcy, that the value of the claim is determined and whether and to what extent it will be admitted in the insolvency proceedings. The valuation of claims that would not otherwise have been payable at the time of the proceedings may be based on a net present value analysis. Unless secured by a pledge or a mortgage, interest accruing after the date on which insolvency proceedings are opened cannot be verified. Where interest accrues after the date of opening of the proceedings, it can be admitted *pro memoria*.

The existence, value and ranking of any claims submitted by the holders of the Securities may be challenged in the Dutch insolvency proceedings. Generally, in a creditors' meeting (*verificatievergadering*), the receiver in bankruptcy, the administrator in suspension of payments proceedings, the insolvent debtor and all verified creditors may dispute the verification of claims of other creditors. Creditors whose claims or value thereof are disputed in the creditors' meeting may be referred to separate court proceedings (*renvooiprocedure*) in bankruptcy, while in suspension of payments the court will decide how a disputed claim will be treated for voting purposes. These situations could cause holders of Securities to recover less than the principal amount of their Securities. *Renvooi* procedures could also cause payments to the holders of Securities to be delayed compared to holders of undisputed claims.

The Dutch Bankruptcy Act does not in itself recognise the concept of classes of creditors. Remaining amounts, if any, after satisfaction of the secured and the preferential creditors are distributed among the unsecured non-preferential creditors, who will be satisfied on a *pro rata* basis. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings, with the actual effect largely depending on the way such subordination is construed.

Secured creditors may enforce their rights against assets of the debtor to satisfy their claims under a Dutch bankruptcy as if there is no bankruptcy. As in moratorium of payments proceedings, the court may order a "cooling down period" for a maximum of four months during which enforcement actions by secured creditors are barred unless such creditors have obtained leave for enforcement from the supervisory judge. Further, a receiver in bankruptcy can force a secured creditor to enforce its security interest within a reasonable period of time, failing which the receiver will be entitled to sell the secured assets, if any, and the secured creditor will have to share in the bankruptcy costs. Excess proceeds of enforcement must be returned to the bankrupt estate; they may not be set-off against an unsecured claim of the secured creditor in the bankruptcy. Such setoff is allowed prior to the bankruptcy, although a set-off prior to bankruptcy may be subject to clawback in the case of fraudulent conveyance or bad faith in obtaining the claim used for set-off.

Under Dutch law, a legal act performed by a debtor (including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having a similar effect) can be challenged in an insolvency proceeding or otherwise and may be nullified by any of the debtor's creditors or its receiver in bankruptcy, if (a) it performed such act without an obligation to do so (*onverplicht*), (b) the creditor concerned or, in the case of its bankruptcy, any creditor was prejudiced as a consequence of the act, and (c) at the time the act was performed both it and (unless the act was for no consideration (*om niet*)) the party with or towards which it acted, knew or should have known that one or more of the debtor's creditors (existing or future) would be prejudiced. In addition, in the case of a person's bankruptcy, the receiver in bankruptcy may nullify its performance of any due and payable obligation (including (without limitation) an obligation under a guarantee or to provide security for any of its or a third party's obligations) if (i) the recipient of the payment or performance knew, at the time of the payment or performance, that a request for bankruptcy had been filed, or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

## Risks arising in connection with the Spanish Insolvency Law

### *Subordination of the claims of the Holders under the Guarantee as a result of a contractual subordination.*

The Law 22/2003 of 9 July, on Insolvency, as amended (the "**Spanish Insolvency Law**") regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

The insolvency proceedings, which are called "*concurso de acreedores*", are applicable to all persons or entities. These proceedings may lead either to the restructuring of the business or to the liquidation of the assets of the debtor.

A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations within the term of two months as from the moment that it knows that it is insolvent or as from the moment it should have known it is insolvent. The debtor is also entitled to apply for such insolvency proceedings when it expects that it will shortly be unable to do so. Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors.

Creditors will not be able to accelerate the maturity of their credits based only in the declaration of the insolvency ("*declaración de concurso*") of the debtor. Any provision to the contrary will be null and void. The insolvency order contains an express request for the creditors to declare debts owed to them, within a one-month period as from the day after the publication of the insolvency proceeding in the Spanish Official Gazette ("*Boletín Oficial del Estado*"), providing documentation to justify such credits. Based on the documentation provided by the creditors and that is held by the debtor, the court receivers draw up an inventory and a list of acknowledged creditors and classify them according to the categories established under law: (i) debts against the insolvency estate, (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt:

- (i) Debts against the insolvency estate (*créditos contra la masa*) are not considered part of the debtor's general debt and are payable when due according to their own terms (and, therefore, are paid before other debts under insolvency proceedings). Debt against the insolvency estate includes, among others, (i) certain amounts of the employee payroll, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising from services provided by the insolvent debtor under reciprocal contracts and outstanding obligations that remain in force after insolvency proceedings are declared and deriving from obligations to return and indemnify in cases of voluntary termination or breach by the insolvent debtor, (iv) those that derive from the exercise of a clawback action within the insolvency proceedings of acts performed by the insolvent debtor and correspond to a refund of consideration received by it (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of the insolvent debtor after the declaration of insolvency and until its conclusion, (vi) 50 per cent. of the funds lent under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71 bis or Additional Provision 4 of the Spanish Insolvency Law (100 per cent. in the case that the funds are lent before 2 October 2016) and (vii) certain debts incurred by the debtor following the declaration of insolvency.
- (ii) Debts benefiting from special privileges, representing attachments on certain assets (basically *in rem* security). These privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year. However within such waiting period or while any enforcement proceedings remain suspended under the Spanish Insolvency Law, the insolvency administrators shall have the option to pay the relevant claims against the insolvency estate under specific payment rules. Privileged creditors are not bound by a creditors arrangement, except if they give their express support by voting in favour of the arrangement or, even if they dissent or abstain from voting, if the applicable majority (which depends on the content of the arrangement) of the relevant class of the privileged creditors vote in favour of the arrangement. In the event of liquidation, they shall be the first to collect payment against the attached assets.
- (iii) Debts benefiting from general privileges, including among others certain labour debts and certain debts with public administrations. Other debts with public administrations corresponding to tax

debts and social security obligations are recognised as privileged for half their amount, and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, up to a 50 per cent. of the amount of such debt. Funds under a refinancing arrangement entered into in compliance with the requirements set forth in Article 71.6 of Spanish Insolvency Law in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*) will also be credits with general privileges. The holders of general privileges are not to be affected by the restructuring except if they give their express support by voting in favour of the arrangement or, even if they dissent or abstain from voting, if the applicable majority (which depends on the content of the arrangement) of the relevant class of the privileged creditors vote in favour of the arrangement. In the event of liquidation, they are the first to collect payment, in the order established under law.

- (iv) Ordinary debts (non-subordinated and non-privileged creditors). They will be paid on a pro-rata basis.
- (v) Subordinated debts (thus classified by virtue of law). Subordinated debts include, among others, those credits held by parties in special relationships with the debtor: in the case of an individual, his/her relatives; in the case of a legal entity, the administrators and any shareholders holding, directly or indirectly, more than 5 per cent. (for companies which have issued securities listed on an official secondary market) or 10 per cent. (for companies which have not issued securities listed on an official secondary market) of the share capital and companies pertaining to the same group as the debtor and their common shareholders, provided that such shareholders meet the minimum shareholding requirements set forth before. Likewise, credits which have been contractually subordinated (as the Securities) are classified as subordinated credits.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labour or administrative law).

Creditors holding security *in rem*, that had been traditionally allowed to enforce their debts against the secured asset notwithstanding the initiation of insolvency proceedings, are also generally subject to certain restrictions in order to initiate separate enforcement proceedings (or to continue with such proceedings, if they were being carried out), and if the secured asset is deemed to be necessary for the debtor's activities, enforcement cannot be carried out outside the insolvency proceedings. In summary, enforcement by the creditor is subject to a delay of a maximum of one year if such asset is deemed to be necessary for the debtors activities in which case enforcement cannot be carried out outside the insolvency proceedings.

There are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The court receivers may only challenge those transactions that could be deemed as having "damaged" the debtor's interests, provided that they have taken place within two years prior to the declaration of insolvency (transactions taking place earlier than two years before insolvency has been declared are subject to the general regime of rescission in accordance with Article 71.6 of the Spanish Insolvency Law). Those transactions that are executed in the ordinary course of business, according to the business of the debtor, are not subject to challenge.

"Damage" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. In any case, the law refers to transactions that are somehow exceptional: damage exists (as a non-rebuttable presumption) in the case of donations and early payment of unsecured obligations maturing after the insolvency declaration, and damage is deemed to exist (as a rebuttable presumption) in the case of transactions entered into with special related persons and the creation of rights *in rem* in order to secure existing obligations or those incurred to replace existing obligations and the cancellation of obligations secured by an *in rem* security interest falling due after the declaration of insolvency; in the remaining cases, damage would have to be justified.

The agreements in relation to the Securities could be challenged only if those transactions were deemed to have caused damage, as explained above.

*Holders should be aware (i) of the effects of a declaration of insolvency ("declaración de concurso") of the Guarantor set out above, (ii) that their claims against the Guarantor would therefore be subordinated and (iii) subordinated creditors may not vote on an arrangement and have very limited chances of collection, according to the ranking established by law.*

### **Risks related to the Securities generally**

Set out below is a brief description of certain risks relating to the Securities generally:

#### ***Majority decisions bind all Holders.***

The Conditions of the Securities contain provisions for calling meetings of Holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders of the Securities including Holders of Securities who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

#### ***Change of law.***

The Conditions of the Securities are based on laws in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to relevant law or administrative practice after the date of this Prospectus.

#### ***There is no active trading market for the Securities.***

The Securities are new securities which may not be widely distributed and for which there is currently no active trading market. If the Securities are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although application has been made to the Irish Stock Exchange for the Securities to be admitted to listing on the Official List and trading on the Main Securities Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Securities.

#### ***Because the Global Securities are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.***

The Securities will be represented by the Global Securities except in certain limited circumstances described in the Permanent Global Security. The Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Security, investors will not be entitled to receive Definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Securities. While the Securities are represented by the Global Securities, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer and the Guarantor will discharge their payment obligations under the Securities by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. The Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

#### ***Exchange rate fluctuations may affect the value of the Securities.***

The Issuer will pay principal and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's



Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Securities and (3) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Any of the foregoing events could adversely affect the price of the Securities.

***Regulation and reform of benchmarks***

Reference rates and indices, including interest rate benchmarks such as the Euro Interbank Offered Rate (EURIBOR), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**") have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on the Securities.

## OVERVIEW OF THE SECURITIES

*This overview must be read as an introduction to this Prospectus and any decision to invest in the Securities should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference.*

*Words and expressions defined in the "Terms and Conditions of the Securities" below have the same meanings in this overview.*

<b>Issuer:</b>	Ferrovial Netherlands B.V.
<b>Guarantor:</b>	Ferrovial, S.A.
<b>Description of Securities:</b>	EUR 500,000,000 Undated 5.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the " <b>Securities</b> "), to be issued by the Issuer on 14 November 2017 (the " <b>Issue Date</b> ").
<b>Structuring Advisor:</b>	HSBC Bank plc.
<b>Joint Bookrunners:</b>	Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and Société Générale.
<b>Fiscal Agent:</b>	BNP Paribas Securities Services, Luxembourg Branch.
<b>Issue Price:</b>	100 per cent. of the principal amount of the Securities.
<b>Issue Date:</b>	14 November 2017.
<b>Maturity Date:</b>	Undated.
<b>Interest:</b>	<p>The Securities will bear interest on their principal amount:</p> <ul style="list-style-type: none"><li>(i) from (and including) the Issue Date to (but excluding) the First Reset Date at a rate of 2.124 per cent. per annum, payable annually in arrear on each Interest Payment Date, commencing on 14 May 2018; and</li><li>(ii) from (and including) the First Reset Date, at the applicable 5 year Swap Rate in respect of the Reset Period plus:<ul style="list-style-type: none"><li>(A) in respect of the period commencing on the First Reset Date to (but excluding) 14 May 2043, 2.127 per cent.<sup>1</sup> per annum; and</li><li>(B) from and including 14 May 2043, 2.877 per cent.<sup>2</sup> per annum,</li></ul></li></ul> <p>all as determined by the Agent Bank, payable annually in arrear on each Interest Payment Date, commencing on 14 May 2024, subject to Condition 5 (<i>Optional Interest Deferral</i>), all as more particularly described in Condition 4 (<i>Interest Payments</i>) of the Terms and Conditions of the Securities.</p>

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<sup>1</sup> Step-up of 25 bps 5.5 years after the Issue Date.

<sup>2</sup> Additional step-up of 75 bps 25.5 years after the Issue Date.

<b>Interest Payment Dates:</b>	Interest payments in respect of the Securities will be payable annually in arrear on 14 May in each year, commencing on 14 May 2018.
<b>Status of the Securities:</b>	The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and will at all times rank <i>pari passu</i> and without any preference among themselves.
<b>Subordination of the Securities:</b>	<p>In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) <i>pari passu</i> with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.</p> <p>Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. Condition 2(b) (<i>Status and Subordination of the Securities and Coupons – Subordination of the Securities</i>) is an irrevocable stipulation (<i>derdenbeding</i>) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce Condition 2(b) (<i>Status and Subordination of the Securities and Coupons – Subordination of the Securities</i>) under Section 6:253 of the Dutch Civil Code.</p>
<b>Guarantee and Status of Guarantee:</b>	<p>Payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons will be unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis.</p> <p>The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and will at all times rank <i>pari passu</i> and without preference among themselves.</p>
<b>Subordination of the Guarantee:</b>	Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency ( <i>concurso</i> ) under Spanish Insolvency Law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) <i>pari passu</i> with the claims of the holders of all Parity Obligations of the Guarantor, and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.
<b>Optional Interest Deferral:</b>	The Issuer may, at its sole discretion, elect to defer (in whole or in part) any payment of interest on the Securities, as more particularly described in " <i>Terms and Conditions of the Securities – Optional Interest Deferral</i> ". Non-payment of interest so deferred shall not constitute a default by the Issuer or Guarantor under the Securities or the Guarantee or for any other purpose. Any amounts so deferred, together with further interest accrued thereon (at the Prevailing Interest Rate applicable from time to time), shall constitute Arrears of Interest.

**Optional Settlement of Arrears of Interest:**

Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time upon giving not more than 14 and no less than 7 Business Days' notice to the Holders, the Fiscal Agent and the Paying Agents prior to the Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the Optional Deferred Interest Settlement Date. See Condition 5(b) (*Optional Interest Deferral - Optional Settlement of Arrears of Interest*) of the Terms and Conditions of the Securities.

**Mandatory Settlement of Arrears of Interest:**

The Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

"Mandatory Settlement Date" means the earliest of:

- (i) as soon as reasonably practicable (but no later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the Interest Period;
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchase*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Default*); and
- (iv) the date on which the Securities are substituted or varied in accordance with Condition 12(c).

Subject to certain exceptions, as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Securities, a "Compulsory Arrears of Interest Settlement Event" shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

all as more particularly described in Condition 5 (*Optional Interest Deferral*) of the Terms and Conditions of the Securities.

**Optional Redemption:**

The Issuer may redeem the Securities in whole, but not in part, (i) on any date during the period commencing on (and including) 14 February 2023 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an Accounting Event, a Capital Event, a Tax Event, a Withholding Tax Event or a Substantial Purchase Event, the Securities will be redeemable (at the option of the Issuer) in whole, but not in part, at the prices set out, and as more particularly described, in Condition 6 (*Redemption and Purchase*) of the Terms and Conditions of the Securities.

**Events of Default**

There are no events of default in respect of the Securities. However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene an Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including but not limited to proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

**Additional Amounts:**

Payments in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, taxes of The Netherlands or the Kingdom of Spain, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts will be payable by the Issuer or, as the case may be, the Guarantor, subject to certain exceptions as are more fully described in Condition 8(a) (*Taxation - Additional Amounts*) of the Terms and Conditions of the Securities.

**Form:**

The Securities will be in bearer form and will initially be represented by a Temporary Global Security, without interest coupons or talons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. Interests in the Temporary Global Security will be exchangeable for interests in a Permanent Global Security as set out in the Temporary Global Security. The Permanent Global Security will be exchangeable for Definitive Securities in the circumstances set out in the Permanent Global Security. See "*Summary of Provisions relating to the Securities while in Global Form*".

**Substitution or Variation:** If at any time a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred on or after the Issue Date, then the Issuer or the Guarantor may, subject to Condition 12(c) (without any requirement for the consent or approval of the Holders) and having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), at any time either (i) exchange the Securities for new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor with a guarantee of the Guarantor or (ii) vary the terms of the Securities, so that after such substitution or variation the Securities remain or become, as the case may be, eligible for the same or (from the perspective of the Issuer or the Guarantor) more favourable tax, accounting or ratings treatment than the treatment to which they were entitled prior to the relevant event occurring.

**Denominations:** The Securities will be issued in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000. No Definitive Securities will be issued with a denomination above EUR 199,000.

**Governing Law:** The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons – Subordination of the Securities*) relating to the subordination of the Securities which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Condition 3(b) (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) relating to the subordination of the Guarantee and the corresponding provisions of the Guarantee which are governed by and construed in accordance with the laws of the Kingdom of Spain. See Condition 16 (*Governing Law*) of the Terms and Conditions of the Securities.

**Replacement Intention:** The following italicised text appears in the Terms and Conditions of the Securities but does not form part of the Terms and Conditions of the Securities:

*The Guarantor intends (without thereby assuming any obligation) at any time that it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any Subsidiary of the Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such Subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (i) *the rating assigned by S&P to the Guarantor is at least "BBB" (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) *in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years, or*
- (iii) *in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns equity content under its prevailing methodology, or*
- (iv) *the Securities are redeemed pursuant to a Tax Event, a Capital Event, a Substantial Purchase Event, an Accounting Event or a Withholding Tax Event, or*
- (v) *such redemption or repurchase occurs on or after the Reset Date falling on 14 May 2043.*

**Rating:** The Securities are expected to be rated BB+ by S&P and BB+ by Fitch. Each of S&P and Fitch is established in the European Union and registered under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Listing and Admission to Trading:** This Prospectus has been approved by the Central Bank which is the Irish competent authority for the purpose of the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on the Main Securities Market. This Prospectus constitutes a "prospectus" for the purpose of the Prospectus Directive.

**Selling Restrictions:** The United States, the United Kingdom, The Netherlands and the Kingdom of Spain. See "*Subscription and Sale*".

Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.

**Use of Proceeds:** The net proceeds of the issue of the Securities, expected to amount to EUR 497,000,000 will be used for general corporate purposes of the Guarantor and its Group.

**Risk Factors:** Prospective investors should carefully consider the information set out in "*Risk Factors*" in conjunction with the other information contained or incorporated by reference in this Prospectus.

**ISIN:** XS1716927766

**Common Code:** 171692776

## INFORMATION INCORPORATED BY REFERENCE

The documents set out below shall be deemed to be incorporated in, and to form part of, this Prospectus **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Such documents have been filed with the Central Bank and physical copies will be made available, free of charge, during usual business hours at the specified offices of the Fiscal Agent, unless such documents have been modified or superseded. In addition (i) the audited consolidated financial statements of Ferrovial, S.A., which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the auditor's reports as at and for the year ended 31 December 2016 ("**2016 Consolidated Annual Financial Statements**") and the management report in respect thereof ("**2016 Management Report**") (which are available on <http://www.ferrovial.com/wp-content/uploads/2017/02/Integrated-Annual-Report-2016-1.pdf>); (ii) the audited consolidated financial statements of Ferrovial, S.A., which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the auditor's reports as at and for the year ended 31 December 2015 ("**2015 Consolidated Annual Financial Statements**" and together with the 2016 Consolidated Annual Financial Statements, the "**Consolidated Annual Financial Statements**") and the management report in respect thereof ("**2015 Management Report**") (which are available on <http://www.ferrovial.com/wp-content/uploads/2014/09/INTEGRATED-ANNUAL-REPORT-2015.pdf>); (iii) the reviewed interim condensed consolidated financial information for the 6 months ended 30 June 2017 of Ferrovial, S.A. and the management report in respect thereof ("**2017 Six Months Interim Management Report**") (which are available on <http://www.ferrovial.com/wp-content/uploads/2016/02/Interim-Consolidated-Man.-Report-and-Financ.-Statements-Ferrovial-Jun-17.pdf>) and (iv) the unaudited financial results report for the 9 months ended 30 September 2017 of Ferrovial, S.A. (the "**2017 Nine Months Interim Management Report**" and together with the 2017 Six Months Interim Management Report, the "**2017 Interim Management Reports**") (which is available on <http://www.ferrovial.com/wp-content/uploads/2017/10/Ferrovial-Results-January-september-2017.pdf>).

For ease of reference, the tables below set out the relevant page references for the Consolidated Annual Financial Statements, the notes to the Consolidated Annual Financial Statements and the Auditors' reports for the years ended 31 December 2016 and 2015, and the financial statements, the notes to financial statements and the reviewed interim condensed consolidated financial information for the 6 months ended 30 June 2017 for the Guarantor.

### **Ferrovial, S.A**

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The independent auditor's review report in respect of the reviewed interim condensed consolidated financial statements for the 6 months ended 30 June 2017, which is also incorporated by reference herein, is available on <http://www.ferrovial.com/wp-content/uploads/2016/02/Auditor-limited-review-report-June-17-1.pdf>.



Where only certain parts of a document are incorporated by reference, the non-incorporated parts of the document are either not relevant to investors or are covered elsewhere in this Prospectus.

Any documents which are themselves incorporated by reference in the information incorporated by reference in this Prospectus will not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following are the terms and conditions substantially in the form in which they will be endorsed on the Securities. Sentences in italics shall not form part of these terms and conditions.*

The issue of the Securities was authorised by a resolution of the Board of Managing Directors of the Issuer dated 2 November 2017 and the guarantee of the Securities was authorised by a resolution of the Board of Directors of the Guarantor dated 24 October 2017. A fiscal agency agreement dated 14 November 2017 (the "**Fiscal Agency Agreement**") has been entered into in relation to the Securities between the Issuer, the Guarantor, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and as agent bank and the paying agents named therein. The fiscal agent, the agent bank and the paying agents for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Agent Bank**" and the "**Paying Agents**" (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Securities and the coupons relating to them (the "**Coupons**", which expression includes, where the context so permits, talons for further coupons (the "**Talons**")). Physical copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agents. The Holders of the Securities and the Holders of the Coupons (each as defined in Condition 1(b) (*Form Denomination and Title – Title*) below) (whether or not attached to the Securities) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

### 1. **Form, Denomination and Title**

- (a) **Form and denomination:** The Securities are serially numbered and in bearer form with Coupons attached on issue. So long as the Securities are represented by a Security in global form, the Securities will be issued in the denomination of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof, up to and including EUR 199,000. No Securities in definitive form will be issued with a denomination above EUR 199,000.
- (b) **Title:** Title to the Securities and Coupons passes by delivery. The holder of any Security or Coupon (a "**Holder**") will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person shall be liable for so treating the Holder.

### 2. **Status and Subordination of the Securities and Coupons**

- (a) **Status of the Securities and Coupons:** The Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer (senior only to Junior Obligations of the Issuer) and shall at all times rank *pari passu* and without any preference among themselves.
- (b) **Subordination of the Securities:** In the event of an Issuer Winding-up, the rights and claims of the Holders against the Issuer in respect of or arising under the Securities and the Coupons will rank (i) junior to the claims of all holders of Senior Obligations of the Issuer, (ii) *pari passu* with the claims of holders of all Parity Obligations of the Issuer and (iii) senior to the claims of holders of all Junior Obligations of the Issuer.

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities or the Coupons and each Holder shall, by virtue of being the Holder, be deemed to have waived all such rights of set-off. This Condition 2(b) is an irrevocable stipulation (*derdenbeding*) for the benefit of the creditors of Senior Obligations of the Issuer and each such creditor may rely on and enforce this Condition 2(b) under Section 6:253 of the Dutch Civil Code.

### 3. **Guarantee, Status and Subordination of the Guarantee**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Securities and the Coupons on a subordinated basis. Its obligations in that respect (the "**Guarantee**") are

set out in the deed of guarantee dated the Issue Date and made by the Guarantor for the benefit of the Holders.

- (b) **Status of the Guarantee:** The payment obligations of the Guarantor under the Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor (senior only to Junior Obligations of the Guarantor) and shall at all times rank *pari passu* and without any preference among themselves.
- (c) **Subordination of the Guarantee:** Subject to mandatory provisions of Spanish applicable law, in the event of the Guarantor being declared in insolvency (*concurso*) under Spanish insolvency law, the rights and claims of Holders against the Guarantor in respect of or arising under the Guarantee will rank (i) junior to the claims of the holders of all Senior Obligations of the Guarantor, (ii) *pari passu* with the claims of the holders of all Parity Obligations of the Guarantor and (iii) senior to the claims of the holders of all Junior Obligations of the Guarantor.

#### 4. Interest Payments

- (a) **General**

The Securities bear interest at the Prevailing Interest Rate from (and including) 14 November 2017 (the "**Issue Date**") in accordance with the provisions of this Condition 4.

Subject to Condition 5 (*Optional Interest Deferral*), interest shall be payable on the Securities with respect to any Interest Period annually in arrear on each Interest Payment Date in each case as provided in this Condition 4.

- (b) **Interest Accrual**

The Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 6 (*Redemption and Purchase*) or the date of any Substitution thereof pursuant to Condition 12(c) (*Meeting of Holders of Securities and Modification, Substitution and Variation – Substitution and Variation*) unless, upon due presentation, payment of all amounts due in respect of the Securities is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Interest in respect of any Security shall be calculated per EUR 1,000 in principal amount thereof (the "**Calculation Amount**"). The interest payable on each Security on any Interest Payment Date shall be calculated by multiplying the Prevailing Interest Rate for the Interest Period ending immediately prior to such Interest Payment Date by the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Interest in respect of any Security for any Interest Period and where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete year, shall be calculated on the basis of the actual number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next succeeding Interest Payment Date.

- (c) **Prevailing Interest Rate**

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Securities will bear interest on their principal amount as follows:

- (i) from (and including) the Issue Date to (but excluding) the First Reset Date, at the rate of 2.124 per cent. per annum, payable annually in arrear on each Interest Payment Date commencing on 14 May 2018; and

- (ii) from (and including) the First Reset Date, at the applicable 5 year Swap Rate in respect of the relevant Reset Period plus:
- (A) in respect of the period commencing on the First Reset Date to (but excluding) 14 May 2043, 2.127 per cent.<sup>1</sup> per annum; and
  - (B) from and including 14 May 2043, 2.877 per cent.<sup>2</sup> per annum,
- all as determined by the Agent Bank (each a "**Subsequent Fixed Interest Rate**"), payable annually in arrear on each Interest Payment Date, commencing on 14 May 2024, subject to Condition 5 (*Optional Interest Deferral*),

and where:

"**5 year Swap Rate**" means, in respect of any Reset Period, the mid-swap rate as displayed on Bloomberg screen "EUSA5 Curncy" or, if such rate is not displayed on such screen as at the relevant time, the mid-swap rate as displayed on Reuters screen "ICESWAP2" (in each case, the "**Reset Screen Page**") as at 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date.

In the event that the relevant 5 year Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. "**Reset Reference Bank Rate**" means the percentage rate determined by the Agent Bank on the basis of the 5 year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the "**Reset Reference Banks**") to the Agent Bank at approximately 11:00 a.m. (Central European time) on the relevant Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 year Swap Rate will be determined by the Agent Bank on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) if only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) if only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) if no quotations are provided, and if the IFA (as defined below) is unable to determine an appropriate alternative rate, the Reset Reference Bank Rate for the relevant period will be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Reset Screen Page.

The "**5 year Swap Rate Quotations**" means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days) or, if the 6-month EURIBOR rate is no longer being calculated or administered as at the relevant Reset Interest Determination Date, any alternative rate which has replaced the Euro Interbank Offered Rate ("**EURIBOR**") in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Agent Bank to the Issuer, and promptly thereafter by the Issuer to the Holders in accordance with Condition 14 (*Notices*), *provided however that* if the Agent Bank determines, in good faith and following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the Issuer will

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<sup>1</sup> Step-up of 25 bps 5.5 years after the Issue Date.

<sup>2</sup> Additional step-up of 75 bps 25.5 years after the Issue Date.

appoint in its sole discretion an independent financial advisor (the "IFA") to determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Agent Bank and the Holders.

(d) ***Publication of Subsequent Fixed Interest Rates***

The Issuer shall cause notice of each Subsequent Fixed Interest Rate and the corresponding amount payable per Calculation Amount determined in accordance with this Condition 4 and the relevant dates scheduled for payment to be given to the Fiscal Agent, the Paying Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 14 (*Notices*), the Holders of the Securities and the Coupons, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The relevant Subsequent Fixed Interest Rate and the dates scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions.

(e) ***Agent Bank and Reset Reference Banks***

With effect from the first Reset Interest Determination Date, the Issuer will maintain an Agent Bank and the number of Reset Reference Banks provided above where the Prevailing Interest Rate is to be calculated by reference to them. The name of the initial Agent Bank is BNP Paribas Securities Services, Luxembourg Branch and its initial specified office is 60, avenue J.F. Kennedy, L-1855 Luxembourg.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading financial institution in London, Madrid or Luxembourg. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Prevailing Interest Rate in respect of any Reset Period as provided in Condition 4(c) (*Interest Payments - Prevailing Interest Rate*), the Issuer shall forthwith appoint another leading financial institution in London, Madrid or Luxembourg to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(f) ***Determinations of Agent Bank Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Fiscal Agent, the Paying Agents and all Holders and (in the absence as aforesaid) no liability to the Holders or the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

5. **Optional Interest Deferral**

- (a) ***Deferral of Interest Payments***: The Issuer may, subject as provided in Conditions 5(b) (*Optional Interest Deferral – Optional Settlement of Arrears of Interest*) and 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*) below, elect in its sole discretion to defer (in whole or in part) any Interest Payment that is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and not less than 7 Business Days prior to the relevant Interest Payment Date. Any Interest Payment that the Issuer has elected to defer pursuant to this Condition 5(a) and that has not been satisfied is referred to as a "**Deferred Interest Payment**".

If any Interest Payment is deferred pursuant to this Condition 5(a) then such Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being "**Arrears of Interest**"), at the relevant Prevailing Interest Rate

applicable from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the date on which such Deferred Interest Payment is paid in accordance with Condition 5 (b) (*Optional Settlement of Arrears of Interest*) or Condition 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of interest deferred pursuant to this Condition 5(a) shall not constitute a default by the Issuer or the Guarantor under the Securities or the Guarantee or for any other purpose.

- (b) **Optional Settlement of Arrears of Interest:** Arrears of Interest may be satisfied at the option of the Issuer, in whole or in part, at any given time (the "**Optional Deferred Interest Settlement Date**") following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election so to satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.
- (c) **Mandatory Settlement of Arrears of Interest:** Notwithstanding the provisions of Condition 5(b) (*Optional Interest Deferral – Optional Settlement of Arrears of Interest*), the Issuer shall pay any outstanding Arrears of Interest in whole, but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 14 (*Notices*), the Fiscal Agent and the Paying Agents not more than 14 and no less than 7 Business Days prior to the relevant Mandatory Settlement Date.

"**Mandatory Settlement Date**" means the earliest of:

- (i) as soon as reasonably practicable (but not later than the fifth business day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs;
- (ii) following any Deferred Interest Payment, on the next scheduled Interest Payment Date on which the Issuer does not elect to defer in whole the interest accrued in respect of the relevant Interest Period;
- (iii) the date on which the Securities are redeemed or repaid in accordance with Condition 6 (*Redemption and Purchases*) or become due and payable in accordance with Condition 9 (*Enforcement Events and No Events of Defaults*); and
- (iv) the date on which the Securities are substituted or varied in accordance with Condition 12(c).

A "**Compulsory Arrears of Interest Settlement Event**" shall have occurred if:

- (i) a Dividend Declaration is made in respect of any Junior Obligations or any Parity Obligations (other than in respect of any such dividend, distribution or payment paid or made exclusively in Ordinary Shares of the Guarantor); or
- (ii) the Guarantor or any of its subsidiaries has repurchased, redeemed or otherwise acquired any Junior Obligations or any Parity Obligations,

save, in the case of (a) any such Dividend Declaration or such redemption, repurchase or acquisition that is mandatory under the terms of any such Parity Obligations; (b) any Dividend Declaration in respect of any such dividend, distribution or payment by the Issuer to the Guarantor, (c) any Dividend Declaration or repurchase which is required to

be validly resolved on, declared, paid or made in respect of, share option, or free share allocation plan in each case reserved for directors, officers and/or employees of the Guarantor or any of its Affiliates or any associated liquidity agreements or any associated hedging transactions; (d) any purchase of Ordinary Shares of the Guarantor by or on behalf of the Guarantor as part of an intra-day transaction that does not result in an increase in the aggregate number of Ordinary Shares of the Guarantor held by or on behalf of the Guarantor as treasury shares at 8:30 a.m. Madrid time on the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred; (e) any repurchase or acquisition of Parity Obligations that is made for a consideration less than the aggregate nominal or par value of such Parity Obligations that are purchased or acquired; (f) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from mandatory obligations or hedging of any convertible securities issued by the Issuer or the Guarantor; or (g) any repurchase or acquisition of Ordinary Shares of the Guarantor resulting from the settlement of existing equity derivatives after the Interest Payment Date on which any outstanding Deferred Interest Payment was first deferred.

"**Dividend Declaration**" means the authorisation by resolution of the general meeting of shareholders or the board of directors or other competent corporate body (as the case may be) of the Issuer or the Guarantor (as applicable) of the payment, or the making of, a dividend or other distribution or payment (or, if no such authorisation is required, the payment, or the making of, a dividend or other distribution or payment).

#### 6. **Redemption and Purchase**

- (a) **Final redemption:** Subject to any early redemption described below, the Securities are undated securities with no specified maturity date. The Securities may not be redeemed at the option of the Issuer other than in accordance with Conditions 6(b) (*Redemption and Purchase – Issuer's Call Option*), 6(c) (*Redemption and Purchase – Redemption for Taxation Reasons*), 6(d) (*Redemption and Purchase – Redemption for Accounting Reasons*), 6(e) (*Redemption and Purchase – Redemption for Rating Reasons*) or 6(f) (*Redemption and Purchase – Redemption following a Substantial Purchase Event*).
- (b) **Issuer's Call Option:** The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable), redeem the Securities in whole, but not in part, on any date during the period commencing on (and including) 14 February 2023 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest.
- (c) **Redemption for Taxation Reasons:** If, immediately prior to the giving of the notice referred to below, a Tax Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(g) (*Redemption and Purchase – Preconditions to Special Events Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, in each case at (i) their Early Redemption Amount (in the case of a Tax Event if the Redemption Date falls prior to the First Reset Date) or (ii) their principal amount (in the case of (a) a Withholding Tax Event or (b) a Tax Event if the Redemption Date falls on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (d) **Redemption for Accounting Reasons:** If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(g) (*Redemption and*

*Purchase – Preconditions to Special Events Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, in each case (i) at their Early Redemption Amount if the Redemption Date falls before the First Reset Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Reset Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.

- (e) **Redemption for Rating Reasons:** If, immediately prior to the giving of the notice referred to below, a Capital Event has occurred and is continuing, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agent and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(g) (*Redemption and Purchase – Preconditions to Special Events Redemption*), redeem the Securities in accordance with these Conditions in whole, but not in part, at any time, (i) at their Early Redemption Amount if the Redemption Date falls before the First Reset Date, or (ii) at their principal amount if the Redemption Date falls on or after the First Reset Date, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Securities.
- (f) **Redemption following a Substantial Purchase Event:** If, immediately prior to the giving of the notice referred to below, a Substantial Purchase Event has occurred, then the Issuer may, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent, the Paying Agents and, in accordance with Condition 14 (*Notices*), the Holders (which notice shall be irrevocable) and subject to Condition 6(g) (*Redemption and Purchase – Preconditions to Special Events Redemption*), redeem the Securities in whole, but not in part, in accordance with these Conditions at any time, at their principal amount, together with any accrued and unpaid interest up to (but excluding) the Redemption Date and any outstanding Arrears of Interest. Upon expiry of such notice, the Issuer shall redeem the Securities.
- (g) **Preconditions to Special Events Redemption:** Prior to serving any notice of redemption pursuant to this Condition 6 (other than Condition 6(b)(*Redemption and Purchase – Issuer's Call Option*)), the Guarantor shall:
  - (i) deliver to the Fiscal Agent a certificate signed by two directors of the Guarantor stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied;
  - (ii) in the case of a Tax Event or Withholding Tax Event deliver to the Fiscal Agent an opinion of independent legal or other tax advisers to the effect set out in paragraph (i) above;
  - (iii) in the case of an Accounting Event, deliver to the Fiscal Agent the relevant opinion from the relevant accountancy firm; and
  - (iv) in the case of a Capital Event, deliver to the Fiscal Agent the relevant confirmation from the relevant Rating Agency.
- (h) **Purchase:** Each of the Issuer, the Guarantor and their respective subsidiaries may at any time purchase Securities in the open market or otherwise at any price (provided that, if they should be cancelled pursuant to this Condition 6(h), they are purchased together with all unmatured Coupons and all unexchanged Talons relating to them). The Securities so purchased may be held, re-issued or re-sold or, at the option of the relevant purchaser, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, the Guarantor or any such subsidiary, shall not entitle the holder to vote at any meetings of the Holders of Securities and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders of Securities or for the purposes of Condition 12 (*Meetings of Holders of Securities and Modification*).



- (i) **Cancellation:** All Securities so redeemed and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or re-sold.

*The Guarantor intends (without thereby assuming any obligation) at any time that it or the Issuer will redeem or repurchase the Securities only to the extent that the aggregate principal amount of the Securities to be redeemed or repurchased does not exceed such part of the net proceeds received by the Guarantor or any subsidiary of the Guarantor during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Guarantor or such subsidiary to third party purchasers (other than group entities of the Guarantor) of securities which are assigned by S&P, at the time of sale or issuance, an aggregate "equity credit" (or such similar nomenclature used by S&P from time to time) that is equal to or greater than the "equity credit" assigned to the Securities to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Securities), unless:*

- (i) *the rating assigned by S&P to the Guarantor is at least "BBB" (or such similar nomenclature then used by S&P) and the Guarantor is of the view that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) *in the case of a repurchase, such repurchase is of less than (a) 10 per cent. of the aggregate principal amount of the Securities originally issued in any period of 12 consecutive months or (b) 25 per cent. of the aggregate principal amount of the Securities originally issued in any period of 10 consecutive years, or*
- (iii) *in the case of a repurchase, such repurchase relates to an aggregate principal amount of Securities which is less than or equal to the excess (if any) above the maximum aggregate principal amount of the Guarantor's hybrid capital to which S&P then assigns equity content under its prevailing methodology, or*
- (iv) *the Securities are redeemed pursuant to a Tax Event, a Capital Event, an Accounting Event, a Substantial Purchase Event or a Withholding Tax Event, or*
- (v) *such redemption or repurchase occurs on or after the Reset Date falling on 14 May 2043.*

## 7. **Payments**

- (a) **Method of Payment:** Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Securities or the appropriate Coupons (as the case may be) at the specified office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in city in which banks have access to the TARGET System. Payments of interest due in respect of any Security other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Security.
- (b) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (c) **Unmatured Coupons:** Upon the due date for redemption of any Security, unmatured Coupons relating to such Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer and the Guarantor may require.

- (d) **Exchange of Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).
- (e) **Payments on business days:** A Security or Coupon may only be presented for payment on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a euro account, a day that is a Business Day). No further interest or other payment will be made as a consequence of the day on which the relevant Security or Coupon may be presented for payment under this Condition 7 falling after the due date. In this Condition "**business day**" means a day on which commercial banks and foreign exchange markets settle payments and are open in the relevant city.
- (f) **Paying Agents:** The initial Paying Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that they will maintain (i) a Fiscal Agent, and (ii) a Paying Agent (which may be the Fiscal Agent) having specified offices in London, Madrid or Luxembourg. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Holders in accordance with Condition 14 (*Notices*).

## 8. **Taxation**

- (a) **Additional Amounts:** All payments of principal and interest in respect of the Securities and the Coupons by the Issuer or (as the case may be) the Guarantor under the Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (collectively, "**Taxes**") of whatever nature imposed or levied by or on behalf of The Netherlands or the Kingdom of Spain or, in each case, any authority therein or thereof having power to tax (each a "**Taxing Authority**"), unless the withholding or deduction of such Taxes is required by law.

In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amounts received by the Holders after such withholding or deduction of Taxes shall equal the respective amounts of principal and interest which would have been received in respect of the Securities or (as the case may be) Coupons, in the absence of such withholding or deduction of Taxes; except that no Additional Amounts shall be payable with respect to any payment in respect of any Security or Coupon or (as the case may be) under the Guarantee:

- (i) to, or to a third party on behalf of, a Holder or to the beneficial owner of any Security or Coupon who is liable for Taxes in respect of such Security or Coupon by reason of his having some connection with The Netherlands or the Kingdom of Spain other than the mere holding of the Security or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder or the beneficial owner thereof would have been entitled to such Additional Amounts on presenting the same for payment on the thirtieth such day; or
- (iii) to, or to a third party on behalf of, Holder or the beneficial owner of the Securities if the Issuer or the Guarantor does not receive such information as may be required in order to comply with the applicable Spanish tax reporting obligations (as amended or restated from time to time), including but not limited to the receipt in a timely manner of a duly executed and completed certificate in accordance with Law 10/2014 and Royal Decree 1065/2007, as amended, and any implementing legislation or regulation; or

- (iv) where such withholding or deduction of Taxes is imposed, withheld or deducted by reason of the failure of the Holder or the beneficial owner of any Security or Coupon to comply with the Issuer's or the Guarantor's request addressed to the Holder or the beneficial owner to provide a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the beneficial owner of any Security or Coupon, which the Holder or the beneficial owner is required to provide by the applicable tax laws and regulations of the relevant Taxing Authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant Taxing Authority.

In addition, Additional Amounts will not be payable with respect to (i) any Taxes that are imposed in respect of any combination of the items set forth above and to (ii) any Holder of any Security who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of the relevant Taxing Authority to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Holder.

- (b) **FATCA:** Notwithstanding any other provision herein, any amounts to be paid by Issuer on the Securities will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 (FATCA) (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, and any official interpretations thereof or any agreements entered into in connection with the implementation thereof, and the Issuer will not be required to pay Additional Amounts on account of any FATCA deduction or withholding.
- (c) **Tax Credit Payment:** If any Additional Amounts are paid by the Issuer or, as the case may be, the Guarantor under this Condition for the benefit of any Holder and such Holder, in its sole discretion, determines that it has obtained (and has derived full use and benefit from) a credit against, a relief or remissions for, or repayment of, any tax, then, if and to the extent that such Holder, in its sole opinion, determines that (i) such credit, relief, remission or repayment is in respect of or calculated with reference to the Additional Amounts paid pursuant to this Condition; and (ii) its tax affairs for its tax year in respect of which such credit, relief, remission or repayment was obtained have been finally settled, such Holder shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Issuer or, as the case may be, the Guarantor such amount as such Holder shall in its sole opinion, determine to be the amount which will leave such Holder (after such payment) in no worse after tax position than it would have been in had the additional payment in question not been required to be made by the Issuer or, as the case may be, the Guarantor.
- (d) **Tax Credit Clawback:** If any Holder makes any payment to the Issuer or, as the case may be, the Guarantor pursuant to this Condition and such Holder subsequently determines in its sole opinion, that the credit, relief, remission or repayment in respect of which such payment was made was not available or has been withdrawn or that it was unable to use such credit, relief, remission or repayment in full, the Issuer or, as the case may be, the Guarantor shall reimburse such Holder such amount as such Holder determines, in its sole opinion, is necessary to place it in the same after tax position as it would have been in if such credit, relief, remission or repayment had been obtained and fully used and retained by such Holder, such amount not exceeding in any case the amount paid by the Holder to the Issuer or, as the case may be, the Guarantor.
- (e) **Tax Affairs:** Nothing in Conditions 8(b) (*Taxation – Tax Credit Payment*) and (c) (*Taxation – Tax Credit Clawback*) above shall interfere with the right of any Holder to arrange its tax or any other affairs in whatever manner it thinks fit, oblige any Holder to claim any credit, relief, remission or repayment in respect of any payment made under this Condition in priority to any credit, relief, remission or repayment available to it nor

oblige any Holder to disclose any information relating to its tax or other affairs or any computations in respect thereof.

- (f) **Definitions:** References in these Conditions to (i) "Principal" shall be deemed to include all amounts in the nature of principal payable pursuant to Condition 7 (*Payments*) or any amendment or supplement to it; (ii) "interest" shall be deemed to include all Arrears of Interest and all other amounts payable pursuant to Condition 4 (*Interest Payments*) or any amendment or supplement to it; and (iii) "principal" and/or "interest" shall be deemed to include any Additional Amounts.
- (g) **Applicable law for Spanish tax purposes:** The Guarantor will apply the First Additional Provision of Law 10/2014 to the Securities for Spanish tax purposes.

The Guarantor will comply with the reporting obligations set out in Section 4 of the First Additional Provision of Law 10/2014 in respect of Holders or beneficial owners who are taxpayers of the Spanish Individual Income Tax or taxpayers of the Spanish Corporation Tax, as well as taxpayers of the Spanish Non-resident Income Tax who hold the Securities through a permanent establishment located in Spanish territory.

- (h) **Substitute taxing jurisdiction:** If, pursuant to the Issuer's option under Condition 12(c) (*Substitution and Variation*), the Securities are exchanged for new securities of any wholly-owned direct or indirect finance subsidiary of the Guarantor that is subject to any taxing jurisdiction other than The Netherlands or Spain, respectively, references in these Conditions to The Netherlands or Spain shall be construed as references to The Netherlands or (as the case may be) Spain and/or such other jurisdiction.

## 9. **Enforcement Events and No Events of Default**

There are no events of default in respect of the Securities.

However, if an Issuer Winding-up occurs, or an order is made or an effective resolution passed for the winding-up, dissolution or liquidation of the Guarantor, any Holder of a Security, in respect of such Security and provided that such Holder does not contravene a previously adopted Extraordinary Resolution (if any) may, by written notice to the Issuer and the Guarantor, declare that such Security and all interest then accrued but unpaid on such Security shall be forthwith due and payable, whereupon the same shall become immediately due and payable, together with all interest accrued thereon.

In such case the Holder of a Security may, at its sole discretion, institute steps in order to obtain a judgment against the Issuer and/or the Guarantor for any amounts due in respect of the Securities, including but not limited to the proving and/or claiming in an Issuer Winding-up or in the winding-up, dissolution, liquidation or insolvency proceeding of the Guarantor for such amount.

Each Holder may, at its discretion and without further notice, institute such proceedings as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor under the Securities or the Guarantee but in no event shall the Issuer or the Guarantor by the virtue of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 9 shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee or in respect of any other breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Guarantee.

## 10. **Prescription**

Claims in respect of principal and interest or any other amount will become void unless presentation for payment is made as required by Condition 7 (*Payments*) within a period of 10 years in the case of principal (or any other amount in the nature of principal) and five years in the case of interest (or any other amount in the nature of interest, including Arrears of Interest) from the appropriate Relevant Date.

11. **Replacement of Securities and Coupons**

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Fiscal Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Securities or Coupons must be surrendered before replacements will be issued. In case any such lost, stolen, mutilated, defaced or destroyed Coupon has become or is about to become due and payable, the Issuer in its discretion may, instead of delivering replacements therefore, pay such Coupon when due.

12. **Meetings of Holders of Securities and Modification, Substitution and Variation**

- (a) **Meetings of Holders of Securities:** The Fiscal Agency Agreement contains provisions for convening meetings of Holders of Securities to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Holders of Securities holding not less than one tenth in principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing at least two thirds of the aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of Securities whatever the principal amount of the Securities held or represented. Any Extraordinary Resolution duly passed shall be binding on Holders of Securities (whether or not they were present at the meeting at which such resolution was passed) and on all Holders of Coupons.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of Securities duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders of Securities.

- (b) **Modification:** The Securities, these Conditions, the Deed of Covenant and the Deed of Guarantee may be amended without the consent of the Holders of Securities to correct a manifest error. No other modification may be made to the Securities, these Conditions the Deed of Covenant or the Deed of Guarantee except with the sanction of a resolution of the Holders of the Securities.

In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of Securities, to any such modification unless, in the opinion of the Issuer and the Guarantor, (i) it is of a formal, minor or technical nature; (ii) it is made to correct a manifest error; or (iii) it is not materially prejudicial to the interests of the Holders of Securities.

- (c) **Substitution and Variation:** If at any time after the Issue Date the Issuer and/or the Guarantor determines that a Tax Event, a Withholding Tax Event, an Accounting Event or a Capital Event has occurred, the Issuer may, as an alternative to an early redemption of the Securities, on any applicable Interest Payment Date, without the consent of the Holders, (i) exchange the Securities (the "**Exchanged Securities**") into new securities of the Issuer, the Guarantor or any wholly-owned direct or indirect finance subsidiary of the Guarantor (a "**Substitute Issuer**") with a guarantee of the Guarantor, or (ii) vary the terms of the Securities (the "**Varied Securities**"), so that in either case (A) in the case of a Tax Event, in respect of (I) the Issuer's (or Substitute Issuer's) obligation to make any payment of interest under the Exchanged Securities or Varied Securities; or (II) the obligation of the Guarantor to make any payment of interest in favour of the Issuer (or the Substitute Issuer) under the Subordinated Loan (or any replacement thereof between

the Guarantor and the Substitute Issuer), the Issuer, the Guarantor or the Substitute Issuer (as the case may be) is entitled to claim a deduction or a higher deduction (as the case may be) in respect of interest paid when computing its tax liabilities in The Netherlands, in Spain or in the taxing jurisdiction of the Substitute Issuer (as the case may be), as compared with the entitlement (in the case of the Issuer and the Guarantor) after the occurrence of the relevant Tax Event, (B) in the case of a Withholding Tax Event, in making any payments in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee (as defined below) the Issuer, the Guarantor or the Substitute Issuer are not required to pay Additional Amounts in respect of the Exchanged Securities or Varied Securities or the Exchanged or Varied Guarantee, (C) in the case of an Accounting Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of the consolidated financial statements of the Guarantor, or (D) in the case of a Capital Event, the aggregate nominal amount of the Exchanged Securities or Varied Securities (as the case may be) is assigned "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) by the relevant Rating Agency that is equal to or greater than that which was assigned to the Securities on the Issue Date.

Any such exchange or variation shall be subject to the following conditions:

- (i) the Issuer giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Holders in accordance with Condition 14 (*Notices*);
- (ii) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Securities are for the time being admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged Securities or Varied Securities continue to be admitted to trading on the same stock exchange as the Securities if they were admitted to trading immediately prior to the relevant exchange or variation;
- (iii) the Issuer paying any outstanding Arrears of Interest in full prior to such exchange or variation;
- (iv) the Exchanged Securities or Varied Securities shall: (A) rank at least *pari passu* with the ranking of the Securities prior to the exchange or variation, (B) have the benefit of a guarantee (the "**Exchanged or Varied Guarantee**") from the Guarantor on terms not less favourable to Holders than the terms of the Guarantee (as reasonably determined by the Issuer and the Guarantor) and (C) benefit from the same or more favourable interest rates and the same Interest Payment Dates, the same First Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued interest or Arrears of Interest and any other amounts payable under the Securities which, in each case, has accrued to the Holders and has not been paid, the same rights to principal and interest, and, if publicly rated by S&P, and/or Fitch immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by each of S&P, and/or Fitch (as the case may be), as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer and the Guarantor using reasonable measures available to it including discussions with S&P and/or Fitch to the extent practicable) (D) shall not contain terms providing for the mandatory deferral of interest and (E) not contain terms providing for loss absorption through principal write-down or conversion to shares;
- (v) the preconditions to redemption set out in Condition 6(g) having been satisfied and the terms of the exchange or variation (in the sole opinion of the Issuer or the Guarantor, as the case may be) not being prejudicial to the interests of the Holders, including compliance with (iv) above, as certified to the benefit of the

Holders by two directors of the Guarantor, having consulted with an independent investment bank of international standing, and any such certificate shall, absent fraud or manifest error, be final and binding on all parties; and

- (vi) the issue of legal opinions addressed to the Fiscal Agent (and which shall be made available to the Holders at the specified offices of the Fiscal Agent during usual office hours) for the benefit of the Holders from one or more international law firms of good reputation selected by the Issuer or the Guarantor and confirming (x) that each of the Issuer and the Guarantor has capacity to assume all rights, duties and obligations under the Exchanged Securities or Varied Securities and the Exchanged or Varied Guarantee (as the case may be) and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Securities or Varied Securities.

13. **Further Issues**

The Issuer may from time to time without the consent of the Holders create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities.

14. **Notices**

Notices to Holders of Securities will be deemed to be validly given if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been validly given on the date of the first such publication or, if published more than once on the first date on which publication is made.

Notwithstanding the above, while all the Securities are represented by a Security in global form and such global form Security is deposited with a common depository for Euroclear and/or Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg in accordance with their respective rules and operating procedures, and such notices shall be deemed to have been given to Holders on the date of delivery to Euroclear and/or Clearstream, Luxembourg. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to the Holders of Securities in accordance with this Condition.

15. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

16. **Governing Law**

- (a) **Governing Law:** The Fiscal Agency Agreement, the Securities, the Coupons and the Guarantee and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law, other than the provisions of Condition 2(b) (*Status and Subordination of the Securities and Coupons – Subordination of the Securities*) which are governed by and construed in accordance with the laws of The Netherlands, and the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee – Subordination of the*

*Guarantee*), and the corresponding provisions of the Guarantee, which are governed by and construed in accordance with the laws of the Kingdom of Spain.

- (b) **Jurisdiction:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Securities or the Coupons (including a dispute relating to the existence, validity or termination of the Securities or any non-contractual obligations arising out of or in connection with the Securities or the consequences of their nullity). The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. This Condition is for the benefit of the Holders only. As a result, nothing in this Condition 16 prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (c) **Agent for Service of Process:** The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Ferrocorp UK Limited at 10<sup>th</sup> Floor, BSI Building, 389, Chiswick High Road, London W4 4AL, or, if different, its registered office for the time being or at any address of the Issuer in England at which process may be served on it. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Fiscal Agent and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

## 17. Definitions

In these Conditions:

"**30/360 Day Count**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period (such number of days being calculated on the basis of a 360 day year consisting of 12 months of 30 days each), divided by 360;

"**5 year Swap Rate**" has the meaning given to it in Condition 4(c) (*Interest Payments – Prevailing Interest Rate*);

"**5 year Swap Rate Quotations**" has the meaning given to it in Condition 4(c) (*Interest Payments – Prevailing Interest Rate*);

an "**Accounting Event**" shall be deemed to occur if the Issuer or the Guarantor has received, and notified the Holders in accordance with Condition 14 (*Notices*) that it has so received, an opinion of a recognised accountancy firm of international standing, stating that, as a result of a change in the accounting rules or methodology effective after the Issue Date, the Securities must not or must no longer be recorded as "equity" pursuant to IFRS-EU or any other accounting standards that may replace IFRS-EU for the purposes of the consolidated financial statements of the Guarantor;

"**Additional Amounts**" has the meaning given to it in Condition 8(a) (*Taxation – Additional Amounts*);

"**Affiliates**" means an entity that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Guarantor;

"**Arrears of Interest**" has the meaning given to it in Condition 5(a) (*Optional Interest Deferral – Deferral of Interest Payments*);

"**business day**" has the meaning given to it in Condition 7(e) (*Payments – Payments on Business Days*);



**"Business Day"** means a day, other than a Saturday, Sunday or public holiday, on which the Target System is operating;

**"Calculation Amount"** has the meaning given to it in Condition 4(b) (*Interest Payments – Interest Accrual*);

a **"Capital Event"** shall be deemed to occur if the Issuer or the Guarantor has, directly or via publication by such Rating Agency, received, and notified the Holders in accordance with Condition 14 (*Notices*) that it has so received, confirmation from any Rating Agency that, due to any amendment to, clarification of, or change in hybrid capital methodology or a change in the interpretation thereof, in each case occurring or becoming effective after the Issue Date; the Securities will no longer be eligible for the same or a higher amount of "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) attributed to the Securities at the Issue Date (or, if "equity credit" is not assigned to the Securities by the relevant Rating Agency on the Issue Date, at the date on which "equity credit" is assigned by such Rating Agency for the first time);

**"Compulsory Arrears of Interest Settlement Event"** has the meaning given to it in Condition 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*);

**"Condition"** means the terms and conditions of the Securities;

**"Deferral Notice"** has the meaning given to it in Condition 5(a) (*Optional Interest Deferral – Deferral of Interest Payments*);

**"Deferred Interest Payment"** has the meaning given to it in Condition 5(a) (*Optional Interest Deferral – Deferral of Interest Payments*);

**"Dividend Declaration"** has the meaning given to it in Condition 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*);

**"Early Redemption Amount"** means in respect of a redemption of the Securities following the occurrence of a Tax Event, an Accounting Event or a Capital Event, 101 per cent. of the principal amount of such Securities;

**"First Reset Date"** means 14 May 2023;

**"Fitch Ratings"** means Fitch Ratings Limited;

**"Further Securities"** means any Securities issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the outstanding Securities;

**"Guarantor"** means Ferrovia, S.A.;

**"Holder"** has the meaning given to it in Condition 1(b) (*Form, Denomination and Title – Title*);

**"IFRS-EU"** means International Financial Reporting Standards, as adopted by the European Union;

**"Interest Payment"** means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the relevant Coupon for the relevant Interest Period in accordance with Condition 4 (*Interest Payments*);

**"Interest Payment Date"** means 14 May in each year;

**"Interest Period"** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

**"Issue Date"** means 14 November 2017;

"**Issuer**" means Ferrovial Netherlands B.V.;

"**Issuer Winding-up**" means a situation where (i) an order is made or a decree or resolution is passed for the winding-up, liquidation or dissolution of the Issuer, except for the purposes of a solvent merger, reconstruction or amalgamation, or (ii) a trustee (*curator*) is appointed by the competent District Court in The Netherlands in the event of bankruptcy (*faillissement*) affecting the whole or a substantial part of the undertaking or assets of the Issuer and such appointment is not discharged within 30 days;

"**Junior Obligations**" means the Junior Obligations of the Guarantor and the Junior Obligations of the Issuer;

"**Junior Obligations of the Guarantor**" means all obligations of the Guarantor issued or incurred directly or indirectly by it which rank or are expressed to rank junior to the Guarantee, including Ordinary Shares of the Guarantor and any other shares (*acciones*) in the capital of the Guarantor (and, if divided into classes, each class thereof);

"**Junior Obligations of the Issuer**" means all obligations of the Issuer, issued or incurred directly or indirectly by it, which rank or are expressed to rank junior to the Securities, including (i) Ordinary Shares of the Issuer and (ii) Preferred Shares of the Issuer, if any;

"**Law 10/2014**" means Law 10/2014 of 26 June 2014, on regulation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*);

"**Mandatory Settlement Date**" has the meaning given to it in Condition 5(c) (*Optional Interest Deferral – Mandatory Settlement of Arrears of Interest*);

"**Ordinary Shares of the Guarantor**" means ordinary shares in the capital of the Guarantor, having at the Issue Date a nominal value of EUR 0.20 each;

"**Ordinary Shares of the Issuer**" means ordinary shares in the capital of the Issuer, having on the Issue Date a nominal amount of EUR 1 each;

"**Parity Obligations**" means the Parity Obligations of the Guarantor and the Parity Obligations of the Issuer;

"**Parity Obligations of the Guarantor**" means any and all present or future series of preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor in accordance with the First Additional Provision of Law 10/2014, obligations equivalent to preferred securities (*participaciones preferentes*) issued directly by the Guarantor or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor (whether issued under the First Additional Provision of Law 10/2014 or any other law or regulation of Spain or of any other jurisdiction) and obligations of the Guarantor, issued directly by it or indirectly through a wholly-owned subsidiary with the guarantee of the Guarantor, which rank or are expressed to rank *pari passu* with the Guarantee;

"**Parity Obligations of the Issuer**" means any obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Securities;

"**Preferred Shares of the Issuer**" means any preference shares in the capital of the Issuer (and, if divided into classes, each class thereof);

"**Prevailing Interest Rate**" means the rate of interest payable on the Securities applicable from time to time pursuant to Condition 4 (*Interest Payments*);

"**Proceedings**" has the meaning given to it in Condition 16(b) (*Governing Law – Jurisdiction*);

"**Rating Agency**" means S&P or Fitch Ratings or, in each case, any successor to the rating agency business thereof;

**"Redemption Date"** means the date fixed for redemption of the Securities pursuant to Condition 6 (*Redemption and Purchase*);

**"Relevant Date"** means (i) in respect of any payment other than a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or Guarantor, as the case may be, the date on which such payment first becomes due and payable, but if the full amount of moneys payable on such date has not been received by the Fiscal Agent on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders of Securities in accordance with Condition 14 (*Notices*) and (ii) in respect of a sum to be paid by the Issuer or the Guarantor in a winding-up or administration of the Issuer or the Guarantor, as the case may be, the date that is one day prior to the date on which an order is made or a resolution is passed for the winding-up, or in the case of an administration, one day prior to the date on which any dividend is distributed;

**"Reset Date"** means the First Reset Date and each date falling on the fifth anniversary thereafter;

**"Reset Interest Determination Date"** means, in respect of any Reset Period, the day falling two Business Days prior to the beginning of the relevant Reset Period;

**"Reset Period"** means each period from and including the First Reset Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date;

**"Reset Reference Banks"** has the meaning given to it in Condition 4(c) (*Interest Payments – Prevailing Interest Rate*);

**"Reset Reference Bank Rate"** has the meaning given to it in Condition 4(c) (*Interest Payments – Prevailing Interest Rate*);

**"Reset Screen Page"** has the meaning given to it in Condition 4(c) (*Interest Payments – Prevailing Interest Rate*);

**"S&P"** means Standard & Poor's Credit Market Services Europe Limited;

**"Senior Obligations of the Guarantor"** means all obligations of the Guarantor, including subordinated obligations of the Guarantor according to Spanish insolvency law, other than Parity Obligations of the Guarantor and Junior Obligations of the Guarantor;

**"Senior Obligations of the Issuer"** means all obligations of the Issuer, including subordinated obligations of the Issuer according to Dutch insolvency law, other than Parity Obligations of the Issuer and Junior Obligations of the Issuer;

**"Subordinated Loan"** means the subordinated loan made by the Issuer to the Guarantor dated 14 November 2017, pursuant to which the proceeds of the issue of the Securities are on-lent to the Guarantor;

a **"Substantial Purchase Event"** shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Securities originally issued (which for these purposes shall include any Further Securities) is purchased by the Issuer, the Guarantor or any subsidiary of the Guarantor (and in each case is cancelled in accordance with Condition 6(i) (*Redemption and Purchase – Cancellation*));

**"Target System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

a **"Tax Event"** shall be deemed to have occurred if, as a result of a Tax Law Change, in respect of (i) the Issuer's obligation to make any payment under the Securities (including any Interest Payment) on the next following Interest Payment Date; or (ii) the obligation of the Guarantor to make any payment in favour of the Issuer under the Subordinated Loan on the next following due date for such payment, the Issuer or the Guarantor (as the case may be) would no longer be

entitled to claim a deduction in respect of computing its tax liabilities in The Netherlands or in Spain (as the case may be), or such entitlement is materially reduced.

For the avoidance of doubt, a Tax Event shall not occur if payments of interest under the Subordinated Loan by the Guarantor are not deductible in whole or in part for Spanish corporate income tax purposes solely as a result of general tax deductibility limits set forth by Article 16 of Law 27/2014 dated 27 November, on Corporate Income Tax, as at 14 November 2017;

**"Tax Law Change"** means a change in or proposed change in, or amendment to, or proposed amendment to, the laws or regulations of The Netherlands or Spain or, in either case, any political subdivision or any authority thereof or therein having power to tax, including, without limitation, any treaty to which The Netherlands or Spain is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretations thereof that differs from the previously generally accepted position in relation to similar transactions, which change, amendment or interpretation becomes or would become, effective after 14 November 2017;

**"Taxes"** has the meaning given to it in Condition 8(a) (*Taxation – Additional Amounts*);

**"Taxing Authority"** has the meaning given to it in Condition 8(a) (*Taxation – Additional Amounts*); and

a **"Withholding Tax Event"** shall be deemed to occur if as a result of a Tax Law Change, in making any payments in respect of the Securities or the Guarantee the Issuer or the Guarantor has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts in respect of the Securities or the Guarantee that cannot be avoided by the Issuer or the Guarantor, as the case may be, taking measures reasonably available to it.

## **SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM**

The Securities will initially be in the form of a Temporary Global Security which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Securities are not intended to be held in a manner which would allow Eurosystem eligibility.

The Temporary Global Security will be exchangeable in whole or in part for interests in the Permanent Global Security not earlier than 40 days after the Closing Date upon certification as to non-US beneficial ownership. No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, interest payments in respect of the Securities cannot be collected without such certification of non-US beneficial ownership.

The Permanent Global Security will become exchangeable in whole, but not in part, for Securities in definitive form ("**Definitive Securities**") in the denomination of EUR 100,000 each at the request of the bearer of the Permanent Global Security if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) if principal in respect of any Securities is not paid when due and payable.

So long as the Securities are represented by a Temporary Global Security or a Permanent Global Security and the relevant clearing system(s) so permit, the Securities will be tradeable only in the minimum authorised denomination of EUR 100,000 and higher integral multiples of EUR 1,000, notwithstanding that no Definitive Securities will be issued with a denomination above EUR 199,000.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) the Temporary Global Security is not duly exchanged, whether in whole or in part, for the Permanent Global Security by 5.00 p.m. (London time) on the thirtieth day after the time at which the preconditions to such exchange are first satisfied; or
- (b) Definitive Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Security for Definitive Securities; or
- (c) the Temporary or Permanent Global Security (or any part of it) has become due and payable in accordance with the Conditions of the Securities or the date for final redemption of the Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary or Permanent Global Security on the due date for payment,

then the relevant Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) and (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above), and the bearer of such Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Global Security or others may have under a deed of covenant dated 14 November 2017 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the relevant Global Security will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Global Security becomes void, they had been the holders of Definitive Securities in an aggregate principal amount equal to the principal amount of Securities they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Security and Permanent Global Security will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Temporary Global Security and the Permanent Global Security. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Temporary Global Security and Permanent Global Security will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Security or (as the case may be) Permanent Global Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Security or (as the case may be) the Permanent Global Security, the Issuer shall procure that the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

*Payments on business days:* In the case of all payments made in respect of the Temporary Global Security or a Permanent Global Security "**business day**" means any day on which the TARGET System is open.

*Notices:* While all the Securities are represented by the Permanent Global Security (or by a Permanent Global Security and/or the Temporary Global Security) and the Permanent Global Security is (or the Permanent Global Security and/or Temporary Global Security are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Holders of the Securities may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 14 (*Notices*) of the Terms and Conditions of the Securities on the date of delivery to Euroclear and Clearstream, Luxembourg.

## FORM OF GUARANTEE

*The text of the Deed of Guarantee is as follows:*

This Deed of Guarantee is made on 14 November 2017

### BY

- (1) FERROVIAL, S.A. (the "**Guarantor**")

### IN FAVOUR OF

- (2) THE HOLDERS of any Security or Securities (as defined below) or the coupons relating to them; and
- (3) THE RELEVANT ACCOUNT HOLDERS (as defined in the Deed of Covenant described below).

### WHEREAS

- (A) FERROVIAL NETHERLANDS B.V. (the "**Issuer**") proposes to issue EUR 500,000,000 Undated 5.5 Year Non-Call Deeply Subordinated Guaranteed Fixed Rate Reset Securities (the "**Securities**", which expression shall, if the context so admits, include the Global Securities (whether in temporary or permanent form)) in connection with which, the Issuer and Guarantor have become parties to a fiscal agency agreement (the "**Fiscal Agency Agreement**") dated 14 November 2017 between, inter alios, the Issuer, the Guarantor and BNP Paribas Securities Services, Luxembourg Branch in its various capacities as set out therein relating to the Securities, and the Issuer has executed and delivered a deed of covenant (the "**Deed of Covenant**") dated 14 November 2017.
- (B) The Guarantor has duly authorised the giving of a guarantee on a subordinated basis in respect of the Securities and the Deed of Covenant.

### THIS DEED WITNESSES as follows:

#### 1. Interpretation

- 1.1 All terms and expressions which have defined meanings in the Conditions (as defined in the Deed of Covenant), the Fiscal Agency Agreement or the Deed of Covenant shall have the same meanings in this Deed of Guarantee except where the context requires otherwise or unless otherwise stated.
- 1.2 Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.
- 1.3 All references in this Deed of Guarantee to an agreement, instrument or other document (including the Conditions, the Fiscal Agency Agreement and the Deed of Covenant) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated from time to time.
- 1.4 Any reference in this Deed of Guarantee to any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.
- 1.5 Clause headings are for ease of reference only.

#### 2. Guarantee and Indemnity

- 2.1 The Guarantor hereby unconditionally and irrevocably guarantees on a subordinated basis:
- 2.1.1 to each Holder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of any Security as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner

and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Security in accordance with the Conditions of the Securities and which the Issuer has failed to pay; and

2.1.2 to each Relevant Account Holder the due and punctual payment of all sums which become payable from time to time by the Issuer to such Relevant Account Holder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Relevant Account Holder, forthwith in the manner and currency prescribed by the Conditions of the Securities for payments by the Issuer thereunder, any and every sum or sums which the Issuer is at any time liable to pay to such Relevant Account Holder in respect of the Direct Rights in accordance with the Deed of Covenant and which the Issuer has failed to pay.

2.2 The Guarantor undertakes to each Holder and each Relevant Account Holder that, should any amount referred to in Clause 2.1 not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Security, any provision of any Security, the Deed of Covenant or any provision thereof being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Holder or Relevant Account Holder, the Guarantor will, forthwith upon demand by such Holder or Relevant Account Holder, pay such sum by way of a full indemnity in the manner and currency prescribed by the Securities or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Guarantee and shall give rise to a separate and independent cause of action.

### 3. **Taxes**

The Guarantor covenants in favour of each Holder and each Relevant Account Holder that it will duly perform and comply with its obligations expressed to be undertaken by it in Condition 8 (*Taxation*).

### 4. **Preservation of Rights**

4.1 The obligations of the Guarantor herein contained shall be deemed to be undertaken as principal debtor.

4.2 The obligations of the Guarantor herein contained shall be continuing obligations notwithstanding any settlement of account or other matters or things whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under any Security or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Securities and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

4.3 Neither the obligations expressed to be assumed by the Guarantor herein contained nor the rights, powers and remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

4.3.1 the winding up, bankruptcy, moratorium or dissolution of the Issuer or analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or

4.3.2 any of the obligations of the Issuer under any of the Securities or the Deed of Covenant being or becoming illegal, invalid or unenforceable; or

4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Securities or the Deed of Covenant; or

4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under any of the Securities or the Deed of Covenant; or any other act, event or omission which, but for this Clause 4.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers



or remedies conferred upon the Holders, the Relevant Account Holders or any of them by this Deed of Guarantee or by law.

- 4.4 Any settlement or discharge between the Guarantor and the Holders, the Relevant Account Holders or any of them shall be conditional upon no payment to the Holders, the Relevant Account Holders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provisions or enactments relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders and the Relevant Account Holders shall each be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 4.5 No Holder or Relevant Account Holder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:
- 4.5.1 to make any demand of the Issuer, other than (in the case of a Holder) the presentation of the relevant Security; or
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding-up or dissolution of the Issuer and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Security, presentment, demand and protest and notice of dishonour.
- 4.6 The Guarantor agrees that so long as any amounts are or may be owed by the Issuer under any of the Securities or the Deed of Covenant or the Issuer is under any actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of performance by the Guarantor of its obligations hereunder:
- 4.6.1 to claim any contribution from any other guarantor of the Issuer's obligations under the Securities or the Deed of Covenant; and/or
- 4.6.2 to take the benefit, in whole or in part, of any security enjoyed in connection with, any of the Securities or the Deed of Covenant issued by the Issuer, by any Holder or Relevant Account Holder; and/or
- 4.6.3 to be subrogated to the rights of any Holder or Relevant Account Holder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

**5. Conditions, Status and Subordination**

- 5.1 The Guarantor undertakes to comply with and be bound by those provisions of the Conditions which relate to it and which are expressed to relate to it.
- 5.2 The Guarantor undertakes that its obligations hereunder rank, and will at all times rank, as described in Condition 3(b) (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*).
- 5.3 In the event of the Guarantor being declared in insolvency ("*concurso*") under Spanish insolvency law, the provisions of Condition 3(c) (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) shall apply.

**6. Delivery of Deed of Guarantee**

A duly executed original of this Guarantee shall be delivered promptly after execution to the Fiscal Agent and such original shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Guarantee and in the Securities occurs. A certified copy of this Guarantee may be obtained by any Holder or any Relevant Account Holder from the Fiscal Agent at its specified office at the expense of such Holder or Relevant Account Holder. Any Holder or Relevant Account Holder may protect and enforce his rights under this Guarantee (in the courts specified in Clause 11 below) upon the basis described in the Deed of Covenant (in the case of a Relevant Account Holder) and a copy

of this Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders and Relevant Account Holders. This Clause shall not limit any right of any Holder or Relevant Account Holder to the production of the originals of such records or documents or this Guarantee in evidence.

7. **Deed Poll; Benefit of Guarantee**

7.1 This Deed of Guarantee shall take effect as a Deed Poll for the benefit of the Holders and the Relevant Account Holders from time to time.

7.2 The obligations expressed to be assumed by the Guarantor herein shall enure for the benefit of each Holder and Relevant Account Holder, and each Holder and each Relevant Account Holder shall be entitled severally to enforce such obligations against the Guarantor.

7.3 The Guarantor may not assign or transfer all or any of its rights, benefits and obligations hereunder except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of the Guarantor on terms approved by an Extraordinary Resolution of the Holders.

8. **Provisions Severable**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby

9. **Notices**

9.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Address: Ferrovial, S.A.  
Calle Príncipe de Vergara, 135  
28002 Madrid  
Spain  
Fax: +34 91 586 27 49  
Attention: Alejandro Veramendi B

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Securities.

9.2 Every communication sent in accordance with Clause 9.1 shall be effective upon receipt by the Guarantor; and provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

10. **Law and Jurisdiction**

10.1 **Governing Law:** This Deed of Guarantee and all non-contractual obligations arising from or connected with it, are governed by and shall be construed in accordance with English law, except for the provisions of Conditions 3(b) (*Guarantee, Status and Subordination of the Guarantee – Status of the Guarantee*) and 3(c) (*Guarantee, Status and Subordination of the Guarantee – Subordination of the Guarantee*) referred to in Clauses 5.2 and 5.3, respectively, which shall be governed by and construed in accordance with Spanish law.

10.2 **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Guarantee) or the consequences of its nullity.

- 10.3 **Appropriate forum:** The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 10.4 **Rights of the Holders and Relevant Account Holders:** Clause 10.2 (*English courts*) is for the benefit of the Holders and the Relevant Account Holders only. As a result, nothing in this Clause 10 (*Law and jurisdiction*) prevents the Holders and Relevant Account Holders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders and Relevant Account Holders may take concurrent Proceedings in any number of jurisdictions.
- 10.5 **Process agent:** The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to, Ferroc corp UK Limited at 10th Floor, BSI Building, 389, Chiswick High Road, London W4 4AL or, if different, its registered office for the time being or at any address of the Guarantor in the United Kingdom at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder or Relevant Account Holder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder or Relevant Account Holder shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder or Relevant Account Holder to serve process in any other manner permitted by law. This clause applies to Proceedings in England.

In witness whereof this Deed has been signed as a deed by the Guarantor and is hereby delivered on the date first above written.

**SIGNED** as a **DEED** and **DELIVERED** )  
on behalf of Ferrovial, S.A. )  
a company incorporated in the Kingdom of Spain )  
by: )  
) )  
being a person who, in accordance with )  
the laws of that territory are acting under )  
the authority of the company )

## **USE OF PROCEEDS**

The net proceeds of the issue of the Securities, expected to amount to EUR 497,000,000 will be used for general corporate purposes of the Guarantor and its Group.

## DESCRIPTION OF THE ISSUER

### General Information

The Issuer is an indirectly wholly-owned subsidiary of Ferroviaal, S.A. (the "Parent"). The Issuer was incorporated under the laws of The Netherlands on 31 October 2017 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) subject to Dutch corporate law under the name Ferroviaal Netherlands, B.V. The Issuer has its corporate seat (*statutaire zetel*) in Amsterdam, The Netherlands and is registered with the Dutch Trade Register of the Chamber of Commerce under number 69960046.

The Issuer's current registered office is located at Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands, with telephone number +31 20 491 9011.

### Share capital and major shareholders

As of the date of this Prospectus, the Issuer's issued share capital amounts to € 200,000 divided into 200,000 shares with a nominal value of € 1 each. The Issuer is an indirectly wholly-owned subsidiary of the Parent.

### Business

The net proceeds from the issuance of the Securities will be deposited with the Parent and used for the general corporate purposes of the Group.

The objects of the Issuer are set out in article 3 of its articles of association and are:

- (a) to participate in, to take an interest in any other way in and to conduct the management of other businesses, of whatever nature;
- (b) to finance other persons and to provide security, to give guarantees and to bind itself in any other manner for debts of other persons;
- (c) to borrow, to lend and to raise funds, including the issue of bonds, debt instruments and other securities, as well as to enter into agreements in connection therewith;
- (d) to render advice and services to other persons;
- (e) to acquire, manage, exploit and dispose of immovable property and other registered property;
- (f) to trade in currencies and securities, as well as in items of property in general;
- (g) to develop, exploit and trade in patents, trade marks, licenses, know-how, copyrights, database rights and other intellectual property rights;
- (h) to perform all activities of an industrial, financial or commercial nature,

as well as all activities which are incidental to or which may be conducive to any of the foregoing in the broadest sense.

### Management

The managing board of the Issuer consists of two (2) members who are jointly authorised to represent the Issuer. The managing directors of the Issuer as of the date hereof are as follows:

<b>Name</b>	<b>Position</b>
Pedro Agustín Losada Hernández	Managing director A
Ana del Rosario Castillo Molina–van der Laan	Managing director B

The business address of the managing directors of the Issuer is at Kingsfordweg 151, 1043 GR Amsterdam, The Netherlands.

The managing directors of the Issuer mentioned above are employees of the Parent or any other subsidiary of the Parent. Notwithstanding, there are no potential conflicts of interest between the private interests or other duties of the managing directors listed above and their duties to the Issuer.

## DESCRIPTION OF FERROVIAL

Ferrovial is a leading infrastructure group, operating through its toll roads, services, construction and airports business divisions. It is present in over 25 countries and owns or operates some of the world's most significant infrastructure assets, such as the 407 ETR in Toronto, Heathrow airport in London and the Ausol toll road in Spain. The Parent is part of Spain's IBEX-35 as well as the Dow Jones Sustainability Indexes and FTSE4Good sustainability index.

This Prospectus contains certain management measures of performance, such as EBITDA, net debt and order book, which are used by management to evaluate Ferrovial's overall performance. For an explanation of these, see "*Alternative Performance Measures ("APM")*" below.

### Group Structure

In 2009, Grupo Ferrovial, S.A. ("Grupo Ferrovial"), the then parent of the Ferrovial group, underwent a merger with Cintra Concesiones de Infraestructuras de Transporte, S.A. ("Cintra Concesiones"), the completion of which was registered before the Mercantile Registry on 3 December 2009. The merger was structured as a "reverse" merger (*fusión inversa*) where the subsidiary, Cintra Concesiones, increased its capital to absorb the parent, Grupo Ferrovial. This resulted in the extinguishment by means of dissolution without liquidation of Grupo Ferrovial and the transfer in block of all its assets and liabilities to Cintra Concesiones. Consequently, Cintra Concesiones acquired by universal succession (*sucesión universal*) all the rights and obligations of Grupo Ferrovial. Following the merger, Cintra Concesiones became the parent of the Group and changed its name to Ferrovial, S.A. One of the consequences of this merger on the Group was that the minority shareholders of Cintra Concesiones became shareholders of the Parent.

At the same time as completion of the merger between Cintra Concesiones and Grupo Ferrovial, Cintra Concesiones transferred to Cintra Infraestructuras SE ("Cintra") – formerly, Cintra Infraestructuras, S.A. - most of the shareholdings it held in concessionaires through which the Group conducts its infrastructure concession business. This transfer was made by means of a segregation of assets and was registered before the Mercantile Registry on 3 December 2009. Following such transfer of assets, Cintra became the parent company of the infrastructure concession business (save for some concessionaries' assets which are held directly by the Parent).

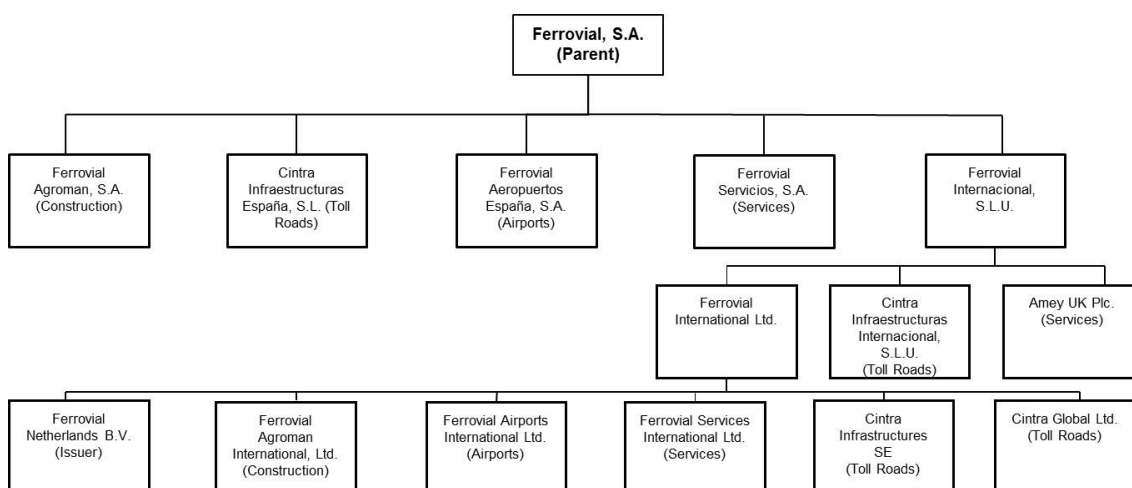
As at 31 December 2016, the Group comprised the Parent and 553 companies: 440 subsidiary companies and 113 associate companies.

Ferrovial commenced in 2014 a reorganisation of the Group's corporate structure which has largely been completed. This corporate reorganisation is the result of the decision to split its national and international activities in order to benefit from the cross-capabilities of the different businesses in each country and with respect to each client. By means of the reorganisation, Ferrovial's non-Spanish businesses shall be consolidated into one subgroup of companies, whose head company is a Spanish parent company: Ferrovial Internacional, S.L.U. ("Ferrovial Internacional") (which is wholly owned by Ferrovial, S.A.). This parent company will ultimately own, directly or indirectly, a series of subsidiaries which themselves will each be the head company of a particular international business division or area of Ferrovial.

The Issuer was incorporated in 2017 as an indirectly wholly owned subsidiary of Ferrovial, S.A.

The summarised corporate structure of the Group as of the date hereof, showing the Parent, the Issuer and the entities that head up each business division, is as follows:

## The Parent



\*All the companies listed above are entirely owned (directly or indirectly) by Ferrovial, S.A.

## **Ferrovial, S.A.**

### **General Information**

Ferrovial, S.A. (the "Parent"), is a Spanish public limited liability company (*sociedad anónima*) subject to the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July 2010 (*Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*) whose commercial name together with its consolidated subsidiaries is Ferrovial, was incorporated in Madrid on 3 February 1998 as a public limited liability company (*sociedad anónima*) for an indefinite period under the name of Cintra Concesiones de Infraestructuras de Transporte, S.A. and on 3 December 2009 it merged with Grupo Ferrovial and changed its corporate name to "Ferrovial, S.A.". It is currently registered in the Mercantile Register of Madrid in volume 12,744, folio 196, section 8, sheet M-204873 and entry 1<sup>a</sup> and its Legal Entity Identifier (LEI) Code is 95980020140005757903.

The Parent's current registered office is located at Calle Príncipe de Vergara 135, 28002 Madrid, Spain, with telephone number +34 91 586 25 00.

### **Share capital and major shareholders**

As of 30 June 2017, the Parent's share capital was €147,903,928.40, made up of 739,519,642 ordinary shares of nominal value €0.20 each, represented by book entries and forming a single class. The Parent's share capital is fully subscribed and paid up.

The general shareholders meeting of the Parent held on 5 April 2017 approved, within its scrip dividend programme ("Ferrovial Flexible Dividend"), two share capital increases against the reserves of the Parent to enable it to offer shareholders the option of receiving the complementary dividends corresponding to the 2016 financial year and the interim dividends corresponding to the 2017 financial year in cash or in shares.

At the same general shareholders meeting, a share capital reduction was approved by means of the redemption of (i) 2,406,950 of the company's own shares held as treasury shares; and (ii) the own shares, with a maximum of 19 million, to be acquired through a buy-back programme.

On 4 May 2017, the Board of Directors of the Parent, in accordance with resolution six of the agenda of the general shareholders meeting, agreed to proceed with the first share capital increase of the scrip dividend programme. The result was that 58.05% of shareholders exercised the option to receive the dividends in shares.

On 24 October 2017, the Board of Directors of the Parent, in accordance with resolution seven of the agenda of the general shareholders meeting, agreed to proceed with the second capital increase of the



scrip dividend programme. It is expected that the final figures of the capital increase will be disclosed on 17 November 2017 through a significant event (*hecho relevante*).

As at the date of this Prospectus, the share capital reduction has not been executed by the Board of Directors (or by the other corporate bodies which have the power to execute it by means of the sub-delegations in force), which has the power to execute them within one year from the date of the approval by the general shareholders meeting and to establish their relevant conditions in any respect not stipulated by the shareholders.

The Parent's shares have been listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the "Spanish Stock Exchanges") and quoted on the Automated Quotation System ("AQS") of the Spanish Stock Exchanges since 26 October 2004. The Parent is the result of a reverse merger (*fusión inversa*) (see "*Description of Ferrovial – Group Structure*" above) between Grupo Ferrovial and Cintra Concesiones. Grupo Ferrovial was listed on the Spanish Stock Exchanges and quoted on the AQS on 5 May 1999.

As of the date hereof, the significant shareholders of the Parent (as defined by Spanish regulations, those who hold a stake on the Parent's share capital representing 3% or more of the total voting rights, or 1% or more if the relevant significant shareholder is established in a tax haven) are (i) Mr. Rafael del Pino y Calvo-Sotelo, with a 20.067% stake; (ii) Ms. María del Pino y Calvo-Sotelo, with a 8.147% stake; (iii) Mr. Leopoldo del Pino y Calvo-Sotelo, with a 5.003% stake; and (iv) Blackrock Inc, with a 3.021% stake. As of the date of this Prospectus, the Parent is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Parent in accordance with article 5 of the LMV (which is referred to article 42 of the Spanish Code of Commerce).

### **Ferrovial's Business**

Ferrovial was founded in 1952 as a construction group focusing on railway infrastructure. Ferrovial later expanded its business into other activities and has been active internationally for over 40 years and has over 96,000 employees.

Ferrovial is one of the world's leading infrastructure groups with operations in a range of sectors including services, construction, management and maintenance of toll roads and airports. Since 2000, Ferrovial has invested in diversifying its business and expanding internationally. This policy of expansion and diversification included the acquisition of 407 ETR ("407 ETR") in Canada, in 1999, Budimex, S.A. ("Budimex") in Poland, in 2000, Amey plc ("Amey") and Compañía Española de Servicios Públicos Auxiliares, S.A. ("Cespa", as formerly known prior to its integration into Ferrovial Servicios, S.A.), in the United Kingdom and Spain, respectively, in 2003, W.W. Webber, LLC ("Webber") in the U.S., in 2005, HAH (formerly BAA Limited) in the United Kingdom, in 2006 and Enterprise Limited ("Enterprise", as formerly known prior to its integration into Amey) in the United Kingdom in 2013, one of the UK's leading providers of services to utilities (power, gas and water) and the public sector, as well as the award of the concession to operate the Chicago Skyway ("Chicago Skyway") in 2004, the Indiana Toll Road ("Indiana Toll Road") in 2006, the Texas SH-130 in 2007, the North Tarrant Expressway ("NTE") in 2009, the Lyndon B. Johnson Expressway ("LBJ") in 2010, the extension to the NTE (the "NTE 35W") in 2013 and the I-77 in North Carolina ("I-77") in 2014, all such concessions in the U.S. In 2014 a consortium owned 50% by Ferrovial Airports International, Ltd. ("Ferrovial Airports") and 50% by Macquarie European Infrastructure Fund 4 LP ("Macquarie"), entered into an agreement with HAH for the acquisition of Aberdeen, Glasgow and Southampton airports in the UK, through a newly-formed company called AGS Airports Holdings Limited ("AGS").

Finally, the most significant change in 2016 arose as a result of the acquisition of Broadspectrum, a leading company in the services industry in Australia, which provides a broad range of services, such as infrastructure maintenance, industrial and energy facilities and services in the social sector. The company also has a presence in other countries such as New Zealand, the US, Canada and Chile.

Ferrovial undertakes its activities through four business divisions: Services; Construction; Toll Roads and Airports. The Toll Roads and Airports business divisions are the main divisions of Ferrovial financed through non-recourse financing.

For the year ended 31 December 2016, Ferrovial's EBITDA was €944 million and EBITDA Margin<sup>1</sup> and EBIT Margin<sup>2</sup> were 8.8% and 5.6%, respectively. For the year ended 31 December 2015, Ferrovial's EBITDA was €1,027 million and EBITDA Margin and EBIT Margin were 10.6% and 7.9%, respectively.

The table below sets out the entities that head up each business division, the activities of each business division and each business division's EBITDA on a consolidated basis as of and for the years ended 31 December 2016 and 2015:

Business Division	Group Companies	Description	Year ended 31 December <sup>(1)</sup>	
			2016	2015
			EBITDA (millions of euros)	EBITDA (millions of euros)
Services.....	Ferrovial Servicios, S.A., Amey plc, Ferrovial Services International, Ltd., Broadspectrum and subsidiaries	Management of infrastructure facilities, utilities and defence services, and mining; collection, treatment and disposal of urban and industrial waste; and provision of urban services (services provided to local authorities such as street/beach cleaning and gardening)	325.2 <sup>(2)</sup>	312.0
Construction.....	Ferrovial Agroman, S.A., Ferrovial Agroman International Ltd, Budimex, S.A., W.W. Webber, LLC and subsidiaries	Construction and execution of civil engineering, building and industrial projects, including waste treatment, water desalination and drinking water plants	341.8	393.5
Toll Roads.....	Cintra Infraestructuras España, S.L., Cintra Infraestructuras SE, Cintra Global Ltd. and subsidiaries	Development, financing, execution and operation, of toll road infrastructure	297.0	333.0
Airports.....	Ferrovial Airports International, Ltd., Heathrow Airport Holdings Limited, AGS Airports Holdings Limited and subsidiaries	Development, financing and operation of airports	-18.4	-12.7
Other .....		Mainly consolidation adjustments and overheads	-1.8	0.8
Total.....			943.8	1,026.6

Notes:

- (1) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.
- (2) Figure including Broadspectrum, acquired in May 2016.

<sup>1</sup> In this section, "EBITDA Margin" means the ratio of EBITDA to revenue, so as to assess a company's profitability by comparing its revenue with earnings (before the deduction of interest, tax, depreciation and amortisation costs).

<sup>2</sup> In this section, "EBIT Margin" means the ratio of EBIT to revenue, so as to assess a company's profitability by comparing its revenue with earnings (before interest and tax but after the deduction of depreciation and amortisation costs).

The table below sets out Ferrovial's total assets, revenues and EBITDA distribution by geographical area as of and for the years ended 31 December 2016 and 31 December 2015:

Geographic Area	As of and for the year ended					
	Total assets <sup>(1)</sup>		Revenues <sup>(1)</sup>		EBITDA	
	2016	2015	2016	2015	2016	2015
	<i>(millions of euros)</i>		<i>(millions of euros)</i>		<i>(millions of euros)</i>	
Spain.....	5,731.4	6,114.1	2,629.4	2,694.4	409.9	400.5
United Kingdom.....	3,694.0	4,334.6	3,171.2	3,471.1	35.3	94.1
United States and Canada.....	8,636.6	11,458.6	1,288.3	1,516.7	182.5	402.7
Poland.....	1,400.9	1,227.4	1,316.4	1,262.6	122.7	61.6
Australia.....	1,813.8	82.8	1,626.8	99.7	87.5	-8.3
Other.....	2,120.6	2,166.5	726.5	656.0	106.0	76.0
Total.....	23,397.4	25,384.0	10,758.7	9,700.5	943.8	1,026.6

Note:

- (1) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.

For the year ended 31 December 2016, 56.9% of Ferrovial's EBITDA was generated outside of Spain.

As a result of its business and geographical diversification, Ferrovial has a broad and diversified client base and has no significant dependence on any single client account.

Ferrovial's order book, defined as the part of the contracts signed pending execution, was approximately €24.4 billion and €9.1 billion for the Services and Construction business divisions, respectively, as of 31 December 2016.

### Services Business Division

#### Summary

The activities of the Services business division of Ferrovial ("Ferrovial Services") comprise infrastructure and facility maintenance and management, waste management, urban and industrial services and utilities.

In 2016, Ferrovial Services acquired for €499 million the Australian company Broadspectrum Limited ("Broadspectrum") valued at €934 million (€499 million corresponding to 100% of equity and €435 million of net debt). The financial statements of Broadspectrum have been consolidated since 31 May 2016.

With the acquisition of Broadspectrum, Ferrovial Services has acquired a leadership position in the services and infrastructure maintenance sector in Australia and New Zealand and also entry into the US and Canada. Additionally, it allows Ferrovial Services access to the telecommunications and oil and gas sectors.

In Europe, the Group conducts its infrastructure and facility maintenance and management activities primarily through Amey in the United Kingdom and Ferrovial Servicios, S.A. ("Ferrovial Servicios") in Spain. Amey is one of the United Kingdom's leading support services companies and is principally active in urban, road and rail maintenance. Ferrovial Servicios is one of the main players in the Spanish market for infrastructure upkeep and facility management services.

Ferrovial conducts its waste management and urban services activities primarily through Ferrovial Servicios, which operates in Spain and through Amey Cespa Limited, which operates in the UK, in the collection, treatment and disposal of all types of waste, street and beach cleaning and gardening.

In addition to Spain, the UK and those companies in which Broadspectrum operates, Ferrovial Services also provides similar services (infrastructure and facility maintenance, waste management, urban and industrial services, and services to mining companies) in Portugal, Poland, Chile and Qatar through its International division.

#### *Division results of operations and order book*

The table below sets out the revenues, EBITDA and order book for Ferrovial Services, geographically, for the years ended 31 December 2016 and 31 December 2015:

	As of and for the year ended 31 December					
	Revenues		EBITDA		Order book (unaudited)	
	2016	2015	2016	2015	2016	2015
	<i>(millions of euros)</i>		<i>(millions of euros)</i>		<i>(millions of euros)</i>	
Spain <sup>(1)</sup> .....	1,762.0	1,677.4	188.3	178.9	5,741.4	6,140.1
UK <sup>(1)</sup> .....	2,732.5	3,103.5	40.6	122.0	11,897.6	16,323.1
Broadspectrum <sup>(1)</sup> .....	1,446.4	-	83.6	-	6,116.5	-
International <sup>(1)</sup> .....	136.8	116.4	12.8	11.1	675.2	336.4
Total <sup>(2)</sup> .....	<u>6,077.7</u>	<u>4,897.3</u>	<u>325.2</u>	<u>312.0</u>	<u>24,430.7</u>	<u>22,799.6</u>

Notes: 1.

- (1) Revenues and EBITDA figures (for the avoidance of doubt, excluding order book) as of and for the years ended 31 December 2016 and 2015 were extracted from the consolidated management books of the Parent for the respective years then ended.
- (2) Revenues and EBITDA figures (for the avoidance of doubt, excluding order book) as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.

In the year ended 31 December 2016, the Group's revenues from the Services business division were €6.1 billion (excluding Broadspectrum, revenues amounted to €4.6 billion) representing 56.5% of the Group's total revenues.

In 31 December 2016, the order book for the Services business division reached €24.4 billion, which represents an increase of 7.2% when compared with 31 December 2015 (€22.8 billion). By business area, the Spain order book was 6.5% lower than in December 2015, affected by the reduction in public sector projects out to tender; the UK order book was 27.1% lower than in December 2015 (a decrease of 15.6% excluding foreign exchange impact); and the international order book was 100.7% higher (an increase of 95.6% excluding foreign exchange impact).

#### *Inception*

This business division has been active since 1992, and acquired its current structure through the acquisition of Amey and Cespa in the United Kingdom and Spain, respectively, in 2003.

#### *Customers and Type of Contracts*

Ferrovial typically operates its business in the Services business division through multi-year contracts signed with the public sector (such as the Highways Agency, Network Rail, Transport for London and the Scottish Executive in the United Kingdom) or local councils (such as the Madrid, Barcelona, Murcia and

Huelva local councils in Spain), industrial clients, hospitals, and other public and private corporations, as further described below.

Broadspectrum provides global asset management services to the utilities, telecommunications, transport, defence, property, social, oil and gas, and resources and industrial sectors.

#### *Activities*

The activities of Ferrovia Services consists of infrastructure maintenance (highways, rail, street lighting), facility management, environmental services (waste collection and treatment), services to utilities and mining companies and social services (healthcare and legal services). Ferrovia Services carries out these activities through four business units.

#### *United Kingdom*

Amey is one of the leading companies in the United Kingdom support services sector active in transport, roads, railways, bridges, schools, airports, public spaces and office areas. Since its acquisition by Ferrovia in 2003, it has experienced considerable success in recovering a preeminent position in the infrastructure and facility management industry. Amey provides integrated operation and maintenance of all types of rail and road assets (pavements, tracks, signalling systems and information displays), local government infrastructure (such as roads, footways, streetlighting assets, schools or vehicle fleets), and provides facilities management services (such as mechanical and electrical maintenance, cleaning, portering, gardening, catering or security of working spaces, relocation planning, energy efficiency or waste minimisation). Amey also provides related consulting and logistics services.

In April 2013, Ferrovia Services acquired Enterprise, a major UK company providing services to the utilities and public sector, which not only increased Amey's turnover but also expanded Amey's business into new services (utilities) and increased its geographical presence in the UK, mainly in the north west area.

Amey's revenues in 2016 were 12% lower than in December 2015 due to the budgetary restrictions affecting public authorities, mainly with regard to local government. The order book amounted to €11.9 billion and the EBITDA Margin was 1.5%. Among the contracts awarded to Amey in 2016, the most notable were: construction and upgrades of water sewerage treatment facilities for Scottish Water (amounting to €87.9 million) and highway maintenance of Area 7 (East Midlands) (amounting to €77.1 million) (extendable to 15 years and which estimate volume amounts to €370 million).

During 2017, Amey has been awarded, amongst others, the waste collection contract in Surrey for ten years (amounting to €131 million) and the contract to maintain the Manchester light railway (amounting to €181 million) for seven years. The latter of these two amounts corresponds to Amey's 40% share in the joint venture that will perform the contract.

#### *Spain*

Ferrovia Services in Spain is the business unit resulting from the integration of activities performed by Cespa (environmental services) and Ferrovia Servicios (infrastructure management and facility management), which carries out all the services activities in Spain. As a result of this integration, Ferrovia Servicios can now provide end-to-end solutions which meet clients' current and future needs, with a broad range of services split into three business lines:

- **Local Government:** For the provision of services to municipalities, including waste collection, street and parks cleaning, gardening, infrastructure maintenance (building and streetlighting).
- **Treatment and Environmental Management:** Design, construction and operation of treatment plants, landfills, waste recovery, collection and treatment of industrial waste.
- **Infrastructure:** Facility management, energy efficiency, infrastructure maintenance, social and healthcare services.

Revenues of the Services business division in Spain increased in 2016 by 5.1% compared with 2015 against a background of fewer public tendering processes, due to the successive elections, and uncertainty throughout much of the year regarding the formation of a government. The growth in revenues comes

from the greater revenues from infrastructure maintenance, mainly in relation to industrial facilities, and from waste treatment. The order book at the end of 2016 amounted to €5,741 million and the EBITDA Margin was 10.7%. The order book contraction was due to a lower volume of new contracts during the year as a result of the slowdown in public tendering.

### *Broadspectrum*

Broadspectrum delivers a broad range of essential services to public and private clients in a number of countries, mainly Australia, New Zealand, Canada, the United States and Chile.

After Ferrovial's acquisition, the company has reorganized itself around four sectors in Australia and New Zealand, and has made America into an independent unit.

In Australia and New Zealand, the activities have been split into the following business units:

- **Government:** Includes all the contracts with regional and central governments. Broadspectrum provides a broad range of services, including logistics, facilities management, and operations and maintenance of states and infrastructures.
- **Urban Infrastructure:** Includes activities in the water, electricity, energy and telecommunication sectors.
- **Natural Resources:** Focused on the maintenance and operations of wells and oil, gas, mining and agricultural installations, as well as solutions for industrial clients.
- **Transport:** Includes activities related to the highway, railway and public transport sector.

The America unit incorporates the services provided in the USA, Canada and Chile. The range of services provided cover oil and gas, mining and roads maintenance. In the USA it carries out highways and natural resource maintenance activities, in Canada Highways maintenance and, in Chile, mining services. Since January 2017, Broadspectrum's activities in America are reported into the International Division of Services.

Following a refinancing of Broadspectrum's debt in May 2014, Broadspectrum's obligations under certain cash advance facilities, US private placements notes, derivatives and bank guarantees were secured by way of a security trust deed. The security provided by Broadspectrum is a registered first ranking security over all assets of Broadspectrum that may be secured.

### *International*

The international business unit incorporates all the Ferrovial Services activities outside Spain, the UK and the countries in which Broadspectrum operates. The breakdown of revenue by country for 2016 was as follows: Chile (€67 million), Portugal (€29 million) and Poland (€41 million). With respect to revenue from Ferrovial Services activity in Qatar, such revenues are not incorporated into the international business unit as they are consolidated using the equity method.

As already mentioned, since January 2017, the international business incorporates all the Broadspectrum's activities in America.

### *Regulation*

Over the last 20 years, regulation has become tighter, imposing detailed requirements on waste management activities and causing a significant change in the way in which waste management services are provided. Larger investments have become necessary to meet regulatory targets in two main fronts: minimising the amount of waste disposed through landfills and minimising the environmental impact of any waste activity.

## **Construction Business Division**

### *Summary*

Ferrovial conducts its construction activities through Ferrovial Agroman, S.A. ("Ferrovial Agroman"), a wholly owned subsidiary of the Parent, a leading Spanish construction company with over 80 years of

experience in the industry. Ferroviál Agroman is involved in all areas of civil engineering, residential building and non-residential building in Spain as well as internationally. Ferroviál Agroman is also involved in water treatment plant engineering and construction through its wholly owned subsidiary, Cadagua, S.A. ("Cadagua"), recognised internationally for seawater desalination plants.

Ferroviál has been a pioneer in leading the expansion of Spanish construction companies into stable international markets. For example, the Group has established a strong presence in Poland and the United States, where it functions through its local subsidiaries, Budimex and Webber, respectively. The Group also functions through permanent branch offices and subsidiaries in core markets such as the United Kingdom, the United States, Canada, Puerto Rico, Chile, Australia, France, Oman, Portugal and Slovakia.

During 2016, Ferroviál was awarded, amongst others, D4-R7 ("D4-R7") in Bratislava (Slovakia) (amounting to €858 million), HSR California ("HSR California") in the USA (amounting to €296 million), S51 Olsztyn in Poland (amounting to €175 million), a section of the US-175 toll road in Dallas (amounting to €91 million), another section of the SH-249 toll road (amounting to €88 million) and a combined cycle incinerator plant in Vilnius (Lithuania) (amounting to €87 million).

So far during 2017, Ferroviál has been awarded, amongst others, several projects in Poland, as Lagiewnicka Highway in Krakow (amounting to €154 million) and the preliminary railroad design and construction projects (amounting to approximately €250 million) and several projects in the USA, as US-281 in Texas (amounting to €181 million) and SH-99 Grand Parkway toll road in Texas (amounting to €784 million).

On the other hand, in 2017, Ferroviál sold 1.0 million shares in Budimex (equivalent to 3.9% of Budimex's share capital) with no impact on Ferroviál's profit and loss account, as it retains a controlling stake in Budimex (55.1%). The impact of such sale in Ferroviál's cash flow was €59 million.

#### *Division results of operations and order book*

The table below sets out the revenues, EBITDA and order book for the key construction companies of the Group as of and for the years ended 31 December 2016 and 31 December 2015:

	Year ended 31 December					
	Revenues <sup>(1)</sup>		EBITDA <sup>(1)</sup>		Order book (unaudited)	
	2016	2015	2016	2015	2016	2015
	<i>(millions of euros)</i>		<i>(millions of euros)</i>		<i>(millions of euros)</i>	
Ferroviál Agroman <sup>(2)</sup> .....	2,216.6	2,418.8	186.5	236.4	5,977.4	5,807.1
Budimex .....	1,269.7	1,225.7	111.1	68.2	2,027.4	1,974.1
Webber.....	708.1	642.9	44.2	88.9	1,083.7	949.7
Total.....	4,194.4	4,287.4	341.8	393.5	9,088.5	8,730.9

Notes: 2.

(1) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.

(2) Figures for Ferroviál Agroman include Cadagua and other adjustments.

The Group's international strategy continued in 2016, with the growth of the international business. In 2016 it accounted for 83% of sales and 83% of the order book. Furthermore, more than 87% of international sales and 80% of the international order book was generated by the main strategic markets: the United States, Poland, Canada, the United Kingdom and Australia, all of which are stable markets involving a relatively low country risk.

Revenues for the Construction business division for the year ended 31 December 2016 were €4.2 billion, which represents 39.0% of Ferrovial's total revenue. The order book as at 31 December 2016 totalled €9 billion.

The table below sets out the order book (defined as the part of the contracts signed pending execution) by project type for the years ended 31 December 2016 and 31 December 2015:

	Year ended 31 December (unaudited)	
	2016	2015
	<i>(millions of euros)</i>	
Civil work .....	7,088.4	7,078.7
Residential work .....	442.3	335.7
Non-residential work .....	775.0	706.5
Industrial.....	782.8	610.0
Total.....	<u>9,088.5</u>	<u>8,730.9</u>

As of 31 December 2016, the order book was €9 billion, with the order book for countries other than Spain amounting to €7.5 billion, or 83% of the total order book, representing a 4.1% increase compared to the 2015 figure, due to our awarding activity that allowed us to keep similar levels in the USA, Australia and Poland, and especially helped by the D4-R7 project awarded in Bratislava (Slovakia), compensating some reductions in UK and Latam. The order book still represents 26 months of guaranteed production at current rates of execution. The United States accounts for 33.1% of the order book for countries other than Spain, followed by Poland, representing 27.0%, Slovakia, representing 11%, the United Kingdom, representing 10.0%, Australia representing 7%, and the remaining 12% mainly relating to other OECD countries.

The civil works and industrial order book represented 86.6% of total order book as of 31 December 2016, with only 4.9% coming from residential building and the remaining 8.5% coming from non-residential building.

#### *Inception*

Ferrovial was founded in 1952, since when it has developed and expanded its Construction business division nationally and internationally, mainly through the award of several contracts in countries such as the United Kingdom, the United States, Canada, etc. and through strategic acquisitions such as Budimex in Poland and Webber in the United States.

Ferrovial has a great expertise in large and complex international projects, mainly through working for its Group companies, such as Cintra or HAH, but also through working for third party clients.

In 1985, Ferrovial expanded its national expertise to include the field of engineering and construction of water purification and treatment plants, through the acquisition of a 100% holding in the Spanish company Cadagua.

In 1995, Ferrovial acquired a 98.27% interest in Agroman Empresa Constructora, S.A. ("Agroman Constructora"), a Spanish construction company founded in 1927. On 5 October 1999, Ferrovial merged with Agroman Constructora and incorporated Ferrovial Agroman, which became Spain's largest construction company. Ferrovial then acquired the remaining interest in Ferrovial Agroman, therefore becoming the sole shareholder of Ferrovial Agroman and completing the integration process of the construction business into the Group.

Ferrovial continued to expand its international Construction business division through the acquisition of a 59.06% holding in the Polish construction company Budimex in 2000, and the acquisition of a 100% holding in the U.S. company Webber in 2005.



### *Customers and Type of Contracts*

According to Ferrovial Agroman's order book as of 31 December 2016, clients from the public sector accounted for 56.9% of the total order book, with Group companies representing 26.6% and private customers representing 16.5%.

### *Activities*

#### Ferrovial Agroman

Ferrovial Agroman is the Group company that heads up Ferrovial's Construction business division and is involved in all areas of construction, including civil works and building and industrial works, both in Spain and internationally. Within the context of civil works, the company designs and builds all types of infrastructure including roads, railways, hydraulic works, maritime works, hydroelectric works and industrial projects. Ferrovial Agroman's building activities include the construction of non-residential buildings (including airports, sports facilities, health centres, schools and cultural buildings, shopping and leisure centres, museums, hotels, building refurbishment projects, offices, factories and industrial warehouses) and residential construction. Ferrovial Agroman, through Cadagua, is one of the top international companies in the engineering and construction of water treatment plants, mainly seawater desalination plants, but also sewage treatment, water purification and waste treatment plants.

Ferrovial Agroman reported total revenues of €2.2 billion in the year ended 31 December 2016, with revenues from international activities totalling €1.5 billion, which represented 68.1% of Ferrovial Agroman's total revenue. The order book as at 31 December 2016 totalled €6 billion and the EBITDA Margin was 8.4%.

#### Budimex

Budimex, a company founded in 1968, has been listed on the Warsaw stock exchange since 1995. It is currently the leading construction company in Poland in terms of revenue.

Budimex is focused on the construction of civil works (such as roads, highways, railways, airports and bridges), industrial construction, residential building and non-residential building. It has managed a steady increase in diversification, both in projects other than roads and in new activities such as PPPs and infrastructure and facility management. Civil works and industrial construction together represented 71.2% of Budimex's revenue and 74.8% of its order book in the year ended 31 December 2016.

Budimex reported total revenues of €1.3 billion in the year ended 31 December 2016. The order book at the close of the year amounted to €2 billion and the EBITDA Margin was 8.7%.

#### Webber

Webber specialises in the construction of infrastructure works, such as roads, highways, bridges and airport runways. In 2009, it was named as the leading transport infrastructure company in the State of Texas in the United States according to Engineering News Record magazine. Webber is also a market leader in the production and distribution of recycled construction aggregates and asphalt in the Houston city area of Texas.

Webber reported total revenues of €708 million in the year ended 31 December 2016. The order book as at 31 December 2016 totalled €1,084 million and the EBITDA Margin was 6.2%.

During 2016, Webber has been awarded, amongst others, a section of the US-175 toll road in Dallas (amounting to €91 million) and another section of the SH-249 toll road (amounting to €88 million).

### **Toll Roads Business Division**

#### *Summary*

Ferrovial's activities in the Toll Roads business division include the development, financing, execution and operation of toll road projects. The Group conducts its operations in this business division through Cintra, a wholly owned subsidiary of the Parent, which is one of the leading toll roads development and management companies in the world in terms of number of projects, investment volume and kilometres

managed (source: Public Works Financing). As at 31 December 2016, Cintra's concession portfolio consisted of 27 concessions, comprising close to 1,894 kilometres of motorway with 1,071 kilometres under construction, and with a total managed investment of more than €20,779 billion. Cintra's portfolio of concessions is internationally diversified with interests in toll road concessions located in Canada, the United States, Australia, Colombia, Spain, Portugal, Slovakia, Ireland, UK and Greece, and with approximately 83.2% of its net revenues and 80.9% of its EBITDA (equity-accounted projects included) coming from outside of Spain. The toll concession portfolio of Ferrovial includes the 407 ETR concession in Toronto, Canada, which is perceived to be a reference asset in the toll road concession business worldwide. Cintra's current strategy for the toll roads business division focuses on growth through both the award of new concessions and the efficient management of its existing portfolio. In addition, as its toll roads mature there is potential for increased returns on equity through selling its stake.

In the first half of 2016, Cintra was awarded and completed the financial close of D4-R7 in Bratislava, the project includes design, construction, financing, operation and maintenance of the Bratislava beltway, for a total of €975 million.

In February 2016, Cintra sold its whole stake (55%) in the Chicago Skyway toll road for a total of US\$2,836 million (€2,623 million). In addition, Cintra sold 46% of the M4-M6 toll road ("M4-M6") and 75% of the M3 toll road ("M3") in Ireland, for a price of €59 million. As of the date of this Prospectus, Cintra owns 20% of each of the M4-M6 and M3 concessions.

In March 2016, Cintra closed the refinancing of the Costa del Sol toll road in Spain. The new financial structure amounts to €558 million (with no recourse to the shareholders).

In June 2016, Cintra reached an agreement to sell 51% of the Norte-Litoral highway ("Norte-Litoral") and 49% of the Algarve. Cintra will continue to hold 49% of the Norte-Litoral and 48% of the Algarve. The sale of the Norte-Litoral's stake was completed in April 2017 at a price of €104 million and the sale of Algarve's stake in September 2017 at a price of €57.6 million. In October 2016, Cintra was awarded the "Transform I-66 Project" (Virginia, USA). This is a managed lanes type concession project with dynamic tolling, located to the west of the American capital, Washington D.C. The consortium comprises Cintra together with the Meridiam infrastructure fund, which will be responsible for the design, construction, financing, operation and maintenance of the Transform I-66 Project, for a value of more than €3 billion. The term allocated for construction of the project runs until 2022, while the concession is granted for 50 years. The financing completion is forecast to take place before the end of 2017.

In December 2016 the SH-130 concession company, which had been involved in Chapter 11 bankruptcy proceedings since March 2016 and its main creditors entered into an agreement to support a reorganisation plan, which resulted in Cintra losing control over SH-130. The reorganisation plan support agreement was approved by creditors representing 50% of the interest-bearing debt, which is the majority required by the US Bankruptcy Code for the reorganisation plan to come into effect. This approval was subsequently ratified in a vote held before the judge on 11 January 2017. On 18 May 2017, SH-130's creditors approved the aforementioned reorganisation plan, and it effectively exited Chapter 11 insolvency proceeding on 28 June 2017. As a result of the agreement entered into on 8 December 2016, it was concluded that, in accordance with IFRS 10, the ownership interest in SH-130 should be excluded from consolidation at 2016 year-end, as reflected in the 2016 Consolidated Annual Financial Statements. De-consolidation has had a positive effect on Ferrovial's net result after tax in the amount of €30 million (reversal of accumulated losses) and meant the removal of net debt from the balance sheet of €1,421 million.

#### *Division results of operations*

As of 31 December 2016, Cintra had 27 toll roads, 15 in operation and 12 in construction, in 10 countries. The following table sets forth the revenues and EBITDA for each of Cintra's toll road concessions for the years ended 31 December 2016 and 31 December 2015:

**Year ended 31 December**

Country	Toll Road	Revenues <i>(millions of euros)</i>		EBITDA <i>(millions of euros)</i>	
		2016	2015	2016	2015
<b>Intangible assets<sup>(1)</sup></b>					
United States .....	NTE	66.5	47.1	51.3	34.3
United States .....	LBJ	68.9	19.9	53.0	10.1
Spain .....	Ausol	56.3	51.2	46.6	40.5
Portugal.....	Azores	31.7	22.8	27.6	18.4
Ireland.....	M4-M6	3.8	24.9	2.6	17.4
<b>Financial assets<sup>(1)</sup></b>					
Spain.....	Autema	97.6	88.1	88.8	79.2
Ireland.....	M3	3.6	23.2	2.8	17.6
Portugal .....	Norte-Litoral	44.0	44.6	38.0	38.5
Portugal .....	Algarve	37.5	35.5	32.9	30.3
Portugal .....	Via Livre	13.6	14.2	1.8	1.5
<b>Other<sup>(2)</sup>.....</b>		<b>62.0</b>	<b>141.9</b>	<b>- 48.4</b>	<b>45.5</b>
<b>Total<sup>(1)</sup>.....</b>		<b>486.3</b>	<b>513.4</b>	<b>297.0</b>	<b>333.0</b>
<b>Equity Accounted<sup>(3)</sup></b>					
<b>Intangible assets</b>					
Canada <sup>(4)</sup> .....	407 ETR	777.7	704.1	675.1	590.2
Greece <sup>(5)</sup> .....	Central	49.7	11.0	42.8	3.9
Greece <sup>(5)</sup> .....	Ionian Roads	76.9	75.1	14.8	47.3
Spain <sup>(5)</sup> .....	Serrano Park <sup>(6)</sup>	5.4	5.4	3.3	2.9
<b>Financial assets<sup>(5)</sup></b>					
Spain.....	Benavente-Zamora	23.7	49.1	21.7	20.1

Notes: 3.

- (1) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the consolidated management books of the Parent for the respective years then ended.
- (2) "Others" includes mainly the Chicago Skyway and SH-130 toll roads, deconsolidated in 2016.
- (3) Figures show total revenues and EBITDA generated by these toll road concessions. Ferrovial owns 43.23% of the 407 ETR, 21.4% of Central Greece and Ionian Roads, 50% of Serrano Park, 25% of Benavente Zamora, 50% of 407 EDG, 40% of M8 and 40% of Toowoomba, respectively, and accounts for each of them under the equity method.
- (4) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.
- (5) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the consolidated management books of the Parent for the respective years then ended.
- (6) Serrano Park is a car park facility.

In the year ended 31 December 2016, the Group's revenues from the Toll Roads business division were €486.3 million, representing 4.5% of the Group's total revenues.

### *Inception*

Ferrovial first began its toll road activities in 1968 with the AP-8 Bilbao–Behobia toll road concession, and over the next 40 years the Group continued to develop and expand its toll road business. On 3 February 1998, Grupo Ferrovial, the parent of the Group, incorporated Cintra Concesiones, in which it held a 100% stake, with the aim of consolidating and optimising the infrastructure development business. In 1999, it was awarded the 407 ETR toll road concession in Canada. The Group continued to develop its infrastructure business through Cintra Concesiones, which had its initial public offering in October 2004.

In 2009, Grupo Ferrovial merged with Cintra Concesiones and created the Parent (see "*Description of Ferrovial – Group Structure*").

### *Customers and Type of Contracts*

Ferrovial operates its toll road business through concession agreements. Concession agreements are contracts under which a public sector entity agrees with a private company to construct and operate certain infrastructure for a period of time in consideration for the right to collect tolls (or to be paid shadow tolls by the grantor of the concession or availability payments if there is no demand risk), with the company returning the infrastructure to the public sector entity at the end of the concession life.

Toll road concession projects are long-term, capital-intensive projects that can typically be divided into two distinct phases: the construction phase and the operation phase. The construction phase, involving the design and construction of the toll road, typically ranges from two to five years and is characterised by large capital expenditures, during which usually no revenues are received, except for projects that include transferred sections already in operation.

Once the construction phase is complete, the operation phase begins, which involves operating and maintaining the toll road and tolling equipment related to the concession. In a few cases, the operation phase may commence while certain parts of the toll road are still under construction, allowing tolls to be collected on the operational sections of the motorway. The operation phase is characterised by a generally increasing level of revenues as tolls are collected, a lower level of capital expenditures and the incurrence of operating expenses and generally increasing cash flows. Revenues from toll road concessions with demand risk depend on the tariffs charged, which are typically set by the relevant governmental authority in the concession agreement. The tariffs usually increase in line with inflation, except in the case of the 407 ETR, where tariff increases can exceed the rate of inflation; in the same way, it applies to the NTE and LBJ. The revenues also depend on the level of traffic on the road, which can be affected by general economic conditions, weather and other factors. Revenues from availability payment roads concessions (no demand risk) are pre-determined in the concession contract and normally linked to inflation. Expenses during the operation phase consist principally of financing expenses, which depend primarily on interest rates and operating expenses, which, in turn, are affected by the length and age of the toll road, as well as factors such as traffic volumes and weather conditions.

The industry is principally debt-financed, as long-term concession agreements generally provide a basis for non-recourse long-term debt ("project finance"), which results in high financing expenses. However, as the concession matures once the construction phase is over, and a traffic growth pattern is established and its risk profile improves, there are usually opportunities to refinance and reduce financing costs.

Cintra has a young portfolio of toll roads with a weighted average remaining life close to 44 years. Cintra manages such portfolio with the objective of maximizing its EBITDA, that is (i) generating the maximum operating revenues from its contractual rights, and, at the same time, (ii) efficiently complying with its contractual obligations. For that purpose, Cintra operates its toll roads following a "premium operator" approach, that is (i) using a hands-on approach with a common management strategy, (ii) building know-how on lessons learned across portfolio and (iii) continuously looking for new technologies and their potential benefits to the business. In addition, as its toll roads mature there is also potential for increased returns on equity through refinancing and re-leveraging.

### *Activities*

The table below sets forth the traffic volume for each of the Group's toll road concessions with traffic risk for the years ended 31 December 2016 and 31 December 2015:

Country	Toll Road	Year ended 31 December	
		Average Daily Traffic Intensity (VKT <sup>(1)</sup> /Highway Length/Day)	
		2016	2015
United States .....	NTE <sup>(3)</sup>	30,485	25,553
United States .....	LBJ <sup>(4)</sup>	31,582	12,861
Spain .....	Ausol I	14,637	13,165
Spain .....	Ausol II	16,837	15,402
Ireland .....	M4-M6	30,377	28,512
Portugal .....	Azores	9,215	8,596
<b>Equity Accounted</b>			
Canada .....	407 ETR <sup>(2)</sup>	67,189	64,290
Greece .....	Central	12,151	13,521
Greece .....	Ionian Roads	24,979	24,236

Notes: 4.

(1) VKT means vehicle kilometres travelled.

(2) In publicly available information, traffic information in relation to the 407 ETR toll road is usually presented in terms of VKT (in 1000 units) rather than in terms of Average Daily Traffic Intensity (ADTI). This metric unit can be calculated by multiplication of the ADTI by the length of the toll road (108 kilometres for tolling) and then by the number of days in the year (365 days). VKT (in 1000 units) for the year ended 31 December 2016 was 2,640,770 and for the year ended 31 December 2015 was 2,517,214.

(3) Fully opened since October 2014.

(4) Segment 3B opened in December 2013, Segment 1 in July 2014, Segment 3A & Segment 2 in September 2015.

A brief description of Cintra's main concessions, by geographical area, is as follows:

#### Canada

- The 407 ETR

The 407 ETR concession in Canada, in which the Group holds a 43.23% interest, is the first all-electronic open access toll road in the world. It covers 108 kilometres in an east-west direction, traversing Canada's largest and most affluent urban centre, the Greater Toronto Area ("GTA").

In May 1999, the 407 ETR was privatised and Cintra was awarded the concession, which involves the construction or completion of seven interchanges, the construction of the east (15 kilometres) and west (24 kilometres) extensions of the highway (both completed in 2001) and the financing, maintenance and operation of the entire stretch of the 407 ETR for a period of 99 years (ending in 2098).

On 5 October 2010, Ferrovia entered into an agreement with Canada Pension Plan Investment Board ("CPPIB") for the sale of 10% of the share capital of the 407 ETR for C\$894.3 million. The share transfer took place on 18 November 2010. After the mentioned transaction, Cintra holds a 43.23% interest in the 407 ETR.

In 2011, more than 26 kilometres of new lanes (13 kilometres in each direction) on the 407 ETR were opened to traffic. In addition, the 407 ETR has new lanes in construction almost every year. Due to the existence of very high volumes of traffic, Cintra tends to begin construction before it has a contractual

obligation to do so. Since the extensions completed in 2001, 218 kilometres of total new lanes have been added.

The 407 ETR passes through some of the fastest growing and most affluent municipalities in Canada and provides an alternative route to one of the most congested roads in North America. Traffic levels on the 407 ETR have increased in the majority of years since its privatisation in May 1999.

The 407 ETR is also the world's first all-electronic open access toll highway whereby tolls are calculated while vehicles are in motion, by means of vehicle identification at entry and exit points either through transponders or video-based licence plate imaging. By removing the need for toll barriers, this toll collection system enables free flow of traffic along the highway, allowing high traffic volumes to be handled without long queues.

The 407 ETR has an innovative tariff structure which provides the possibility of freely raising prices without prior authorisation from the Ontario Ministry of Transportation, provided that the traffic is maintained above a certain threshold. This system makes it possible for Ferrovial to optimise revenues, by adjusting toll fees to the time savings offered to drivers by the toll highway (tariff CAGR (as defined below) was 7% for the years 2002 to 2016).

For the year ended 31 December 2016, the 407 ETR concession generated revenues of €777.7 million (which has been equity-accounted since the fourth quarter of 2010). The CAGR (as defined below) for the years 2002 to 2016 was 9.7% in respect of revenues and 11.8% in respect of EBITDA.

"CAGR" means the year over year growth rate over a specified period of time. This is calculated by dividing the value of the figure at the end of the period in question by its value at the beginning of that period, raising the result to the power of one divided by the period length, and subtracting one from the subsequent result  $((\text{Current Value}/\text{Base Value})^{(1/\# \text{ of years})} - 1)$ .

- 407 EDG: 407 East Extension (Phase 1).

The 407 East Development Group (the "407 EDG"), in which the Group holds a 50% interest, is the first project in North America under the availability payment scheme, with no toll rates or traffic risk. This concession is 35 kilometres long with a total investment of approximately €544 million as of 31 December 2016 (as of 31 December 2015, 407 EDG represented an investment of approximately €621 million). The difference of €77 million is due to changes in exchange rate (an increase of €37 million), changes in accrued financial expenses during construction (a decrease of €43 million) and changes in reserve accounts (a decrease of €70 million). 407 EDG will be a key factor for the economic development of the eastern part of the city of Toronto (more than 13,000 new jobs will be created). In June 2016 the toll road was opened to traffic.

- 407 BB: 407 East Extension (Phase 2)

The 407 East Extension (Phase 2) is a prolongation of the 407 East Extension (Phase 1) toll road. This concession is 32 kilometres long with a total investment of approximately €545 million as of 31 December 2016 (as of 31 December 2015, 407 East Extension (Phase 2) represented an investment of approximately €481 million). The difference of €65 million is due to other costs apart from construction costs not previously included in 2015 (an increase of €37 million) and changes in exchange rate (an increase of €28 million).

#### United States

- Managed lanes

"Managed lanes" offer a solution to the problem of congestion in urban areas that are unable to develop new roadways due to lack of space.

Under the "managed lanes" system, tariffs charged are dynamic and may be changed every five minutes to manage traffic volume and ensure a minimum speed of 50 miles per hour (80.5 kilometres per hour). Cintra has different projects under this model: NTE and LBJ (under operation), and I-77 and NTE 35W (under construction).

- NTE

The NTE is a 21.4 kilometre highway located in the Dallas-Fort Worth area in north Texas in the United States. It is dedicated to improving mobility along a series of highways vital to the region, including IH-820 and SH 121/183.

The NTE project rebuilds the existing highway and adds new managed toll lanes that will be totally electronic and without collection booths. Traffic will move more freely and a greater number of vehicles will be handled by the facility. This project came into service in October 2014. The concession agreement ends in 2061.

The NTE highway generated revenues of €66.5 million in the year ended 31 December 2016, which accounted for 13.7% of Cintra's total revenues for the year ending 31 December 2016.

- LBJ

The LBJ provides a solution to the congestion problems on interstates 35E and 635 in Dallas, Texas in the United States. This project increases capacity in the corridor with the creation of six new express toll lanes.

The LBJ is 27.4 kilometres in length located between IH-35E and US-75, and interstate IH-35E, between Loop 12 and the LBJ, north of Dallas (Texas). The project opened fully in September 2015. The concession agreement ends in 2061.

The LBJ highway generated revenues of €68.9 million in the year ended 31 December 2016, which accounted for 14.2% of Cintra's total revenues for the year ending 31 December 2016.

- I-77

The I-77 express lanes in North Carolina in the United States will connect the metropolitan area in the northern part of Charlotte with the residential area of Lake Norman, over a distance of 41.8 kilometres.

The express lanes operate based on a variable toll system which facilitates demand management. A minimum speed of 45 miles per hour (approximately 72 kilometres per hour) is ensured. I-77 represented an investment of approximately €427 million as of 31 December 2016 (as of 31 December 2015, I-77 represented an investment of approximately €597 million). The difference of €170 million is due to changes in exchange rate (an increase of €18 million) and changes in capitalisations (a decrease of €188 million), mainly in relation to financial costs. The 50-year concession begins once the road is open to traffic, which is expected to be in mid-2018.

- NTE 35W

The NTE 35W project, with an investment of approximately €1.3 billion and 16.4 kilometres in length will serve to link downtown Fort Worth in the United States with the surrounding residential and business areas while also providing vital congestion relief by using managed lanes on this major transportation corridor.

The 52-year concession is expected to be open to traffic in 2018 and will come to an end in 2061.

## Spain

- Ausol

Cintra's Spanish Ausol I and Ausol II (together "Ausol") concessions cover 77 kilometres of toll roads and 28 kilometres of toll-free roads on the Costa del Sol motorway in southern Spain.

The Ausol I concession was awarded in 1996, and became operational in June 1999. Ausol II was awarded in June 1999 and became operational in August 2002. The Ausol concessions have 50 and 55 year terms, ending in 2046 and 2054, respectively. Cintra holds an 80% interest in the concessions.

The Ausol concessions provide a toll road in one of the corridors with the highest population growth in Spain, providing an alternative route in a highly congested semi-urban corridor.

As the Costa del Sol motorway is located along a popular vacation destination, traffic levels are subject to seasonal fluctuations, with higher traffic levels recorded in the summer and around the Easter holiday. Accordingly, the tariff structure of the Ausol concessions provides high and low season tariffs that vary according to vehicle type and motorway sections travelled. The toll rates are inflation indexed with an adjustment in the case of traffic exceeding established thresholds.

The Ausol concessions generated revenues of €56.3 million in the year ended 31 December 2016, which accounted for 11.6% of Cintra's total revenues for the year ending 31 December 2016.

- Autema

Cintra's Spanish concession for the 48 kilometre Autema toll road from Sant Cugat to Manresa ("Autema") in Catalonia is one of its more mature assets. The concession for the Terrassa to Manresa segment of C-16 motorway was awarded in 1986 and was modified in 1989 to include the 12 kilometre segment between Sant Cugat and Terrassa. Construction was completed in 1991 and the project has been fully operational as a toll road for the last 21 years. The concession, the term of which was increased by 15 years in 1993 to a total of 50 years, will expire on 31 December 2036. Cintra holds a 76.28% stake in the concession. The Autema motorway is one of the roads leading to Barcelona and is a commuter corridor.

The Autema concession is operated under a user-paid toll regime, charging tolls according to the day of the week and vehicle type. Tariffs are set and adjusted annually for inflation, subject to approval by the Catalanian government.

As a result of the amendment to the concession regime made by the Catalanian Autonomous Community Government and taking into consideration the solid legal position against this amendment, classification of this concession as a financial asset has been maintained. However, the test for impairment on goodwill has been revised by Ferrovial and an impairment loss of €20.8 million has been recognised as of December 2016 and €20.4 million as of September 2017.

The Autema concession generated revenues of €97.6 million in the year ended 31 December 2016, which accounted for 20.1% of Cintra's total revenues for the year ending 31 December 2016.

- Benavente-Zamora

The new 49 kilometre section of the A-66 between Benavente and Zamora ("Benavente-Zamora") completes the arterial road that connects Gijon and Seville – the "Silver Route". This 30-year concession, in which Cintra holds a stake of 25%, is divided into three sections, and runs as closely as possible to the N-630 to minimise environmental impact. The Autovía de la Plata highway runs under an availability payment regime, with no toll rates for users. This project came into service in May 2015.

## Portugal

- Norte-Litoral

The Portuguese Norte-Litoral concession involves the operation and maintenance of the existing motorway and the design and construction, maintenance and operation of an extension to that motorway. In December 2016, Cintra held a 100% direct interest in the Norte-Litoral concession which terminates in 2031.

The existing motorway is 119 kilometres long. The motorway was conceived as a means to provide an express route between the main towns and cities near the northern coast of Portugal, as well as providing a link to the border with Spain.

Tolls for this concession were initially paid under a shadow toll regime, whereby the Portuguese government paid Cintra tolls based on the annual traffic volume on the operative section of the motorway. Since October 2010, this system has been replaced with an availability toll system under which payment is calculated based on the number of days on which the highway is operating, with penalisation for lane closures, where the daily rates are indexed according to the consumer price index for mainland Portugal.



In 2015, Norte-Litoral reached an agreement with the Portuguese government, to modify the availability contract, improving the risk profile of the asset and reducing the investment in capital expenditure managed by the concession.

The Norte-Litoral generated revenues of €44.0 million in the year ended 31 December 2016, which accounted for 9.1% of Cintra's total revenues for the year ending 31 December 2016.

In June 2016, Cintra reached an agreement to sell 51% of the Norte-Litoral highway and will continue to hold 49%. The sale was completed in April 2017 at a price of €104 million.

- Algarve

Cintra had a 97% interest in the Algarve toll road concession in December 2016, which has been granted until 2030. This toll road is 129.8 kilometres long. This concession was initially bid as a shadow toll regime, whereby the Portuguese government paid tolls based on the annual traffic volume on the operative section of the motorway. In October 2015, after the agreement with the Portuguese government the concession changed to being a contract for availability (with no traffic risk) and the Algarve was classified as a financial asset.

The Algarve generated revenues of €37.5 million in the year ended 31 December 2016, which accounted for 7.7% of Cintra's total revenues for the year ending 31 December 2016.

In June 2016, Cintra reached an agreement to sell 49% of the Algarve highway and will continue to hold 48%. The sale was completed in September 2017 at a price of €57.6 million.

- Azores

Cintra has an 89% stake in the concession for the construction and operation of the Euroscut Azores ("Azores") toll road, which has been awarded until 2036. This toll road has a high capacity road system of 93.7 kilometres, which will significantly improve the road network in the central and eastern parts of the island of San Miguel in Azores, Portugal. This highway entered into service in December 2011.

The toll road is operated under a shadow toll system, under which terms payment is made by the authority granting the concession and not by the highway users. Traffic above a certain threshold will not pay tolls and tolls will be applied under a system of varying rates divided into traffic bands. Toll rates are linked to the consumer price index for the Azores.

The Azores generated revenues of €31.7 million for the year ended 31 December 2016, which accounted for 6.5% of Cintra's total revenues for that year.

## Colombia

- Bucaramanga-Barrancabermeja-Yondó

Ferrovial, in a consortium led by its subsidiary Cintra, has been awarded the design, construction, financing, operation and maintenance of 152 kilometres of the motorway in Colombia. The infrastructure will improve the connections between the east of the country and its most important oil-producing areas. Cintra has a 40% interest in this project.

The concession has a duration of 25 years (with a possibility of a four-year extension) from the date of signing. The project will run under an availability payment model, explicit tolls and toll revenues guaranteed by the administration. The project has a total estimated investment of around €880 million.

## Australia

- Toowoomba

Ferrovial, in a consortium led by its subsidiary Cintra, will design, construct, fund, operate and maintain the Toowoomba highway in Queensland (Australia). Cintra has a 40% interest in this project. This project involves the construction of 41 kilometres of a new 4-lane highway (2 lanes in each direction), with a concession period of 25 years after it opens to traffic, which is planned for the end of 2018.

Also, in 2015 the consortium reached financial closing with an investment of AUD 1.0 billion. This concession is Cintra's first investment in Australia, strengthening the company's presence and position for future opportunities in the market.

#### Ireland

- Eurolink M3

Cintra holds a 20% stake in a 50-kilometre toll road that provides a strategic link between Dublin and the Northeast of Ireland, the term of which ends in 2052.

- Eurolink M4-M6

Cintra holds a 20% stake in a 36-kilometre toll road that forms part of the east-west corridor, one of the busiest and most economically important roadways in Ireland and connects the cities of Dublin and Galway, the term for which ends in 2033.

#### Other Countries

Ferrovial also operates (i) one concession in UK: the M8 (Cintra has a 20% stake), a 29 kilometre road in Central Scotland highway network between the country's two main cities, Glasgow and Edinburgh, the term for which ends in 2047; (ii) one concession in Slovakia: D4-R7(Cintra has a 35% stake), a ring road to the east of Bratislava which will connect the existing radial roads, a 59 kilometre road, the term for which ends in 2050 and the first sections should be open in late 2020; and (iii) two concessions in Greece (Cintra has a 21.4% stake in each of these concessions): the Ionian Roads ("Ionian Roads") and Central Greece ("Central") toll roads of 378.7 kilometres and 231 kilometres, respectively, terminating in 2037 and 2038, respectively.

#### Airports Business Division

##### Summary

Ferrovial's activities in the Airports business division include the development, financing and operation of airports and, now also, the construction, operation and exploitation of power transmission lines.

Ferrovial participates in the airport industry principally through HAH since 2006, when it acquired a stake of 55.87% in HAH. On 26 October 2011, Ferrovial completed the sale of 5.88% of its interest and started to consolidate it in Ferrovial's Group accounts under the equity method.

On 31 October 2012, Ferrovial reduced its share in HAH through the sale of a 5.72% share to Stable Investments Corporation (a wholly owned subsidiary of China Investment Corporation International Co. Limited ("CIC")), and of 10.62% to Qatar Holding LLC ("Qatar Holding").

On 22 October 2013, Ferrovial announced the sale of 8.65% of HAH to the Universities Superannuation Scheme Limited (USS).

Ferrovial indirectly holds 25% of HAH's share capital. The remaining stakes are held by Qatar Holding (20%), Caisse de Dépôt et Placement du Québec (12.62%), investment vehicles controlled by the Government of Singapore Investment Corporation (11.2%), Alinda Capital Partners LLC (11.18%), CIC (10%) and Universities Superannuation Scheme ("USS") (10%).

In December 2014, a consortium, owned 50% by Ferrovial Airports and 50% by Macquarie, entered into an agreement with HAH for the acquisition of Aberdeen, Glasgow and Southampton airports in the UK, through a newly-formed company called AGS. The transaction was completed on 18 December 2014 and entailed an investment by Ferrovial of €360 million, of which €50 million was disbursed in the form of capital of the newly-formed company and €310 million was paid in the form of a loan to the company that acquired the assets.

The table below sets out the revenues and EBITDA for the key airports of the Group and the Heathrow Express rail operations ("Heathrow Express") for the years ended 31 December 2016 and 31 December 2015 (considering the 100%):

**Year ended 31 December**

<b>Airports</b>	<b>Revenues</b>		<b>EBITDA</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<i>(millions of pound sterling)</i>			
Heathrow SP .....	2,807.2	2,765.1	1,681.9	1,841.2
Others .....	2.1	2.1	1.4	3.6
<b>Total Heathrow<sup>(1)</sup></b> .....	<b>2,809.3</b>	<b>2,767.2</b>	<b>1,683.3</b>	<b>1,844.8</b>
Aberdeen .....	55.9	63.4	21.2	25.2
Glasgow .....	112.5	103.8	52.5	42.1
Southampton.....	28.7	27.6	9.2	7.6
<b>Non-Regulated Airports<sup>(2)</sup></b> .....	<b>197.1</b>	<b>194.8</b>	<b>82.9</b>	<b>74.8</b>
<b>Total</b> .....	<b>3,006.4</b>	<b>2,962.0</b>	<b>1,766.2</b>	<b>1,919.6</b>

Notes: 5.

(1) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the 2016 Consolidated Annual Financial Statements and 2015 Consolidated Annual Financial Statements, respectively.

(2) Figures as of and for the years ended 31 December 2016 and 2015 were extracted from the consolidated management books of the Parent for the respective years then ended.

In 2016, HAH revenues and EBITDA were £2,809 million and £1,683 million, respectively (considering the 100%). AGS revenues and EBITDA were £197 million and £96 million, respectively (considering the 100%). As mentioned before, Ferrovial owns 25% of HAH and 50% of AGS, so according to IFRS, both companies are equity accounted (HAH since 2011 and AGS since its acquisition).

EBITDA shown in the table above, net of (i) Depreciation and amortisation charge, (ii) Impairment and non-current asset disposals, (iii) Financial result, (iv) Income tax and (v) Profit/Loss discontinued operations, and adjusted for the percentage of equity ownership held by the Parent in the relevant company, is part of the results recorded in the line "Share of profits of companies accounted for using the equity method" in the consolidated statement of profit and loss in the Consolidated Annual Financial Statements and the Interim Financial Statements; and EBITDA shown in page 72 regarding the Airports business division mainly represents overhead costs.

#### *Inception*

The origins of the Airports business division date back to 1998, but it was only in 2006, with the acquisition of HAH, that it gained its current relevance.

#### *Customers and Type of Contracts*

Please refer to section "Activities" below.

#### *Activities*

The Airports business generates two primary types of income: aeronautical income and non-aeronautical income. Aeronautical income is generated from airport fees and traffic charges. These charges are principally levied on the basis of passenger numbers, maximum total aircraft weight, aircraft noise and emission characteristics and the length of time during which an aircraft is parked at the airport (in the case of Heathrow only these charges are regulated by the Civil Aviation Authority ("CAA")). Non-aeronautical income is generated mainly from retail concession fees, car parking income, advertising revenue and other services supplied by the airport's operators, such as the rental of aircraft hangars, cargo

storage facilities, maintenance facilities and the provision of facilities such as baggage handling and passenger check-in. HAH also generates income from the Heathrow Express rail operations.

The Airports business assets are divided into regulated and non-regulated assets. The regulated assets are comprised of Heathrow, and the non-regulated assets are Glasgow, Aberdeen and Southampton airports (the "Non-Regulated Airports").

Following the acquisition of Transchile Charrúa Transmisión, S.A. ("Transchile") in October 2016, the area has diversified its businesses with the incorporation of electricity transmission.

#### Heathrow Airport

Located 24 kilometres west of central London, Heathrow is the principal airport for long-haul routes in the United Kingdom and is Europe's busiest airport in terms of total passengers. In 2016, 75.7 million passengers travelled through Heathrow, of which approximately 6% were domestic passengers, 52% were international long-haul passengers and 42% were European passengers. Heathrow hosts most of the world's major international airlines and is the worldwide hub of British Airways and the main European hub of the Oneworld Alliance (which includes British Airways, Iberia, American Airlines, Finnair, Japan Airlines, Qantas and Royal Jordanian). It also hosts the other two principal alliances of SkyTeam (which includes Airfrance, KLM, Alitalia, China Southern and Kenya Airways) and Star Alliance (which includes Air Canada, Air New Zealand, Air China, Egyptair, Lufthansa and Turkish Airlines).

Heathrow has an air transport movements (known as "ATMs") annual capacity limit set by the Department of Transport. Heathrow is served by two parallel runways which together have maximum permitted ATMs of 480,000 per year. For the year ended 31 December 2016, actual passenger ATMs (cargo and passenger traffic) totalled 473,231, and PATMs (passenger only ATMs) totalled 470,800. In 2016, approximately 70% of Heathrow's passenger traffic was origin and destination traffic and 30% was transfer traffic. Heathrow has four terminals with a total retail space of more than 58,600 square metres and provides a wide range of passenger services, including passenger-handling facilities, shops, bars, restaurants and over 22,000 public car park spaces. Heathrow is served by extensive bus services, London Underground services and the dedicated Heathrow Express rail link to and from London Paddington station.

Heathrow has maintained a strong focus over recent years on operational performance, improving passenger experience and investing in new and upgraded facilities. As a result, Heathrow has risen to become one of the top performing major European hubs in terms of overall passenger satisfaction. In 2016, 84% of passengers rated their Heathrow experience as either "very good" or "excellent" up from 39% in 2006. The Heathrow investment programme has amounted to approximately £9 billion over the last decade. Terminal 5 at Heathrow has provided additional terminal passenger capacity for up to 33.1 million passengers per year and has enabled Heathrow to begin rebuilding and renovating its other terminals. In June 2014, Heathrow Terminal 2 was reopened. The new infrastructure is able to handle up to 16.7 million additional passengers. Following the reopening of Terminal 2, all of Heathrow's terminals are either new or have been recently refurbished.

Given its relative scale, Heathrow is very important for the Airports business, accounting in 2016 for approximately 84% of the total passengers in the airports participated by Ferrovial and approximately 93% of the division's revenues.

#### AGS Airports

AGS airports as of 31 December 2016 consist of Glasgow, Aberdeen and Southampton airports.

Unlike Heathrow, AGS airports do not have an ATM annual capacity limit established by the Department of Transport.

AGS airports serve a catchment area in Scotland and England's South Coast within 60 minutes of 6.8 million people. The regions served by these airports have shown strong economic growth anchored upon financial services, energy and logistics industries, which was reflected in the robust traffic growth experienced over the past 10-year period, with over 14.4 million passengers travelling through them in 2016.

The refinancing of AGS was completed in the first quarter of 2017, which has led to the improvement of its refinancing structure, an extension of the terms of the initial financing and a partial repayment of the shareholders' loan. AGS paid out £75 million in the form of an extraordinary dividend following the refinancing.

Glasgow airport, Scotland's second busiest airport after Edinburgh, is also Scotland's principal long-haul airport as well as Scotland's largest charter hub, with 9.4 and 8.7 million passengers in 2016 and 2015, respectively. It has a catchment area within 60 minutes of 2.9 million people and it offers a balanced mix of domestic (46%) and international (54%) traffic. It is served by 30 airlines that fly to around 120 destinations. The infrastructure in place would support 15 million passengers per year.

Aberdeen airport is one of the world's busiest commercial heliports, providing services for approximately 423,169 helicopter passengers in support of the North Sea oil and gas industry. Aberdeen airport is used by 20 airlines serving more than 40 destinations.

Southampton has a large catchment area within 60 minutes of over 3.5 million people and serves around 40 destinations with 7 airlines using this airport. It provides short-haul air links to mainland Europe, large United Kingdom cities and the Channel Islands.

The table below sets out the number of passengers by airport for the years ended 31 December 2016 and 31 December 2015:

Airport	Year ended 31 December	
	2016	2015
	<i>(million passengers)</i>	
Heathrow .....	75.7	75.0
Glasgow.....	9.4	8.7
Aberdeen.....	3.1	3.5
Southampton .....	2.0	1.8
<b>Total</b> .....	<b>90.1</b>	<b>89.0</b>

#### Transchile

On 6 October 2016, Ferrovial acquired Transchile, the company which owns a 204 kilometre transmission line between the Charrúa and Cautín substations in Chile, for an initial investment of US\$115 million (€102 million); US\$45 million (€40 million) of this investment were subsequently refunded, giving a net investment of US\$70 million (€62 million). Transchile's revenue amounted to €2 million, and it reported a loss of €1 million.

This acquisition signalled Ferrovial's entry into the electricity transmission infrastructure development business.

#### Heathrow Expansion

The government reiterated its support for expanding Heathrow and the Secretary of State for Transport confirmed in September 2017 that a vote in Parliament on the Airports National Policy Statement (the "NPS") will be held.

The government is currently reviewing the responses to the initial NPS consultation and has launched a further consultation on the NPS that is due to conclude in December 2017, which is focused on updated aviation demand forecasts and the government's final air quality plan. The transport select committee has reconvened after the General Election and will shortly start its scrutiny of the second NPS consultation.

The government's initial public consultation on the NPS was launched in February 2017 and concluded in May 2017. In October 2017, the transport select committee chaired by Lilian Greenwood reopened the

consultation until December 2017 to address evidence on aviation demand forecasts and the government's final air quality plan, and is also set to begin its inquiry into the revised NPS. Neither of these processes are expected to impact the government's timetable to submit the NPS to a vote in Parliament in the first half of 2018. The project remains well-supported with over 70% cross party political support, in addition to the ongoing backing of major business groups and unions.

In other critical areas, Heathrow submitted a response to the CAA's consultation on developing the regulatory framework and the CAA has acknowledged the progress made in Heathrow's engagement with airlines on the expansion plans over the past year. Heathrow has continued to develop an efficient, affordable and sustainable expansion supply chain. Finally, Heathrow submitted a response to the Government's consultation on future aviation strategy.

#### *CAA Consultation*

The CAA continues to consult on how Heathrow will be regulated through expansion. In June 2017, it issued its latest consultation document entitled 'Consultation on the core elements of the regulatory framework to support capacity expansion at Heathrow' for which responses, including by Heathrow, were to be received by 22 September 2017, and are expected to be made public by the CAA in due course.

The consultation includes a decision to further extend the current Q6 regulatory period by at least a year to 31 December 2020 although the CAA is considering various options for determining tariffs beyond 2019. The CAA has also left open the option of further extension to Q6 depending on the overall expansion timetable. The CAA has said it will update its thinking on extensions in late 2017 with a final decision as soon as practicable in 2018 once the position on designation of the NPS is clearer.

The CAA states that the regulatory framework needs to consider equally the fundamental objectives of affordability and financeability.

The consultation comments on a number of areas where work will continue over the coming months. These include the cost of capital for the new H7 regulatory period where the CAA intends to give initial views on likely ranges for both two and three runway scenarios by the end of 2017. The CAA is explicit about the likely increase in risk associated with expansion and that this should be adequately rewarded. In a similar timeframe the CAA plans to consider the regulatory treatment of early stage 'Category C' costs.

Given the extension of Q6 to at least the end of 2020, Heathrow expects now to issue the initial H7 business plan in December 2018.

#### *Service standards*

Heathrow delivered its best ever passenger service in 2016 and for the first time received the prestigious accolade of "Europe's Best Airport" (with over 40 million passenger) in the 2016 Airport Service Quality (ASQ) awards and was also selected as "Best Airport in Europe" (with over 25 million passengers) for the third time by Airport Council International. In addition, in 2016, Terminal 5 was selected for the fifth consecutive year as "Best Airport Terminal" by the Skytrax World Airport Awards. In 2017, Heathrow has been nominated "Best Airport in Western Europe" for the third consecutive year by Skytrax World Airport Awards. The award, voted by passengers all around the world, also recognised Heathrow as the "Best Shopping Airport" for the eighth consecutive year.

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

Improvements have been made to ease passengers' journeys through the airport with significant capital investment in security and baggage to facilitate the flow of passengers and ensure seamless transfers between terminals. In 2016, an additional escalator was opened in Terminal 5, improving operational flexibility and resilience. Passengers continue to enjoy efficient queuing to pass through security, passing through central security within the five-minute period prescribed under the Service Quality Rebate scheme 97.0% of the time (2015: 97.4%) compared with a 95% service standard. The service quality regime penalty threshold was not triggered in 2016 in respect of any performance standard.

As part of the focus on increasing the resilience of operations, the final two of four new enhanced Instrument Landing Systems ("eILS") were implemented at Heathrow. The eILS is based on new navigation technology and provides Heathrow airport with the capability to increase the number of aircraft that can land in low visibility giving improved safety, resilience and punctuality to airfield operations.

In 2016, Heathrow had its busiest days ever and achieved strong levels of service, with departure punctuality (the proportion of aircraft departing within 15 minutes of scheduled departure time) improving to 78.8% (2015: 78.1%). This reflects investments to improve operational resilience, including introducing time-based separation of aircraft on windy days in 2015. Further work on widening taxiways during 2016 to support increasing A380 operations also enabled more efficient use of the airfield. Baggage performance also improved significantly with the misconnect rate down to 14 bags per 1,000 passengers (2015: 17%). The best ever monthly misconnect performance of 9 bags per 1,000 passengers was achieved in October 2016.

#### *Financing Activity*

Heathrow continues to focus on maintaining a strong liquidity position and optimising its long-term cost of debt as well as ensuring duration, diversification and resilience in its debt financing. Heathrow's recent financing strategy has looked to balance certainty of term funding, particularly to meet £1.1 billion in debt maturities in the first quarter of 2017, with the cost of carrying substantial cash on balance sheet. This has been achieved partly by securing term debt with delays between commitment and drawing.

In 2016, Heathrow raised approximately £1.6 billion of debt financing globally from a diverse range of sources. In January 2016, it consolidated its presence in the Swiss franc bond market, raising CHF400 million (£277 million) in an 8 year public bond with a fixed rate coupon of 0.5%. In June 2016, a £350 million 3.75 year term loan was signed with an initial group of five banks which is expected to be drawn by the end of the first quarter of 2017. Also in July 2016, a £400 million 33 year public bond with a fixed rate coupon of 2.75% was issued, extending Heathrow's maturity profile. In August 2016, a £90 million private placement from non-sterling sources which was signed in April 2016 was drawn and matures in 2032. In December 2016, a NOK1 billion (£91 million) private placement which was signed in July 2016 was drawn and matures in 2029.

Given the strength of its liquidity position in 2016, Heathrow has cancelled £250 million of its £1.4 billion core revolving credit facilities. The maturity of these facilities has also been extended by a year to October 2021. Further, £130 million of its £750 million liquidity facilities have been cancelled as Heathrow continues to focus on the efficiency of its financing arrangements for itself and counterparties.

Heathrow repaid £300 million and €500 million (£434 million) bonds in March 2016 and October 2016 respectively. As of 31 December 2016, the consolidated net debt of Heathrow was £14,305 million (this figure relates to FGP Topco Limited which is HAH's parent company). Since the start of 2017, Heathrow has also repaid €700 million (£584 million), CHF400 million (£272 million) and £265 million bonds in January 2017, February 2017 and March 2017 respectively.

Heathrow has raised £1 billion of debt financing globally during 2017 comprising £700 million in Class A debt, a £275 million bond issued by Heathrow Finance Plc ("Heathrow Finance") and a £75 million term loan facility initially held at ADI Finance 2 Limited ('ADIF2') which will migrate to Heathrow Finance by 2019. Completion of the Heathrow Finance bond and the ADIF2 term loan facility will enable Heathrow to simplify its debt financing from four layers to three no later than 2019.

#### *Investment in modern airport facilities*

In 2016, Heathrow invested over £650 million across the airport campus, improving the passenger experience and airport resilience, enhancing baggage resilience and working through a broad asset replacement programme. Passengers should benefit from improved baggage connection reliability following the opening of the Terminal 3 integrated baggage facility and see reduced baggage disruption as facilities are made more resilient. Security processes have been strengthened and made more efficient with more body scanners installed across terminals and additional automated immigration gates introduced. Also, passengers connecting through Terminal 5 should now experience an improved connection experience with the installation of an additional escalator.

The retail proposition at Terminal 4 is currently in the final stages of being significantly refreshed. The restaurant and bar group, Drake & Morgan, opened their first airport unit, 'The Commission'. Terminal 4's luxury stores, such as Harrods, Burberry and Cartier, are also being re-developed with five new luxury brands introduced, two of which are new to Heathrow. The luxury retail redevelopment in Terminal 5 has now been matched by the introduction of an enhanced food and beverage offer.

Airfield improvements continue to meet increased A380 operations with taxiway widening projects and stand modifications substantially completed. Winter operations will benefit from improved de-icing facilities and enhanced runway landing systems should assist arrivals punctuality. The refurbishment and enhancing of the main road access tunnels into the central terminal area will be completed in the coming months.

### **Research Development and Innovation**

The strategy of innovation at Ferrovial is articulated by a committee made up of innovation managers of business units and chaired by the Chief Information Officer and Innovation Officer.

In 2016, Ferrovial managed more than 100 innovation projects with a total investment of €47.8 million in research and development (an increase of more than 9% compared to the previous year) in seven strategic areas defined according to the business strategy: energy efficiency, cities, waste recycling, water, innovative construction, toll roads and airports.

Among the projects carried out are: the implementation of an IoT platform to capture and manage data from different sensors, devices and systems in order to improve energy efficiency in buildings and public lighting installations, the creation of a digital platform to promote the reuse of objects in good condition at local waste collection points, the development of a robot with artificial intelligence that allows an increase in the recovery of recoverable materials of waste in treatment plants, the modification of conventional processes of treatment of urban waste water to reduce both the amount of sludge generated and the consumption of energy, the incorporation of new technological concepts for increasing the capacity, reliability and safety of high-speed railway infrastructures, the use of Big Data to study travel times of routes that are made available to individual vehicles by GPS, and the test of a humanoid robot that interacts and entertains the users of the Glasgow airport.

Ferrovial carries out its innovation activity through its development centres, such as the Center for Excellence in Transportation, the Asset Management Center and the Center of Innovation for Intelligent Infrastructure ("CI3"), among others. In 2016 a Digital Hub was created to respond to business opportunities arising from digital transformation. It is an environment for investigating the application of emerging technologies such as Internet of Things, artificial intelligence, drones, 3D printing, customer experience or Big Data, with a working method based on the combination of processes already existing in the organisation, complementing them with the principles of Lean Startup and User Experience. Today, more than 25 projects are being developed at the Hub.

Ferrovial is also participating in several programs sponsored by the European Commission, like the projects: "Transforming Transport" focused on Big Data applied to the transport sector, "Impact Growth" where investors and corporates join an acceleration program to select and crowdfund start-ups and "Volatile" to develop a volatile fatty acid platform for biopolymers, all funded by Horizon 2020, a European Commission programme. Ferrovial also develops several innovation projects supported by the Spanish government, such as MIRE3D-Modeling of energy urban information, funded by the Interconecta program, where Ferrovial leads a consortium to develop a management system that not only provides 3D visualisation of the energy performance of the key elements for improving urban energy efficiency, but also assesses its evolution over time (4D) and tracks the return on investment.

The Group collaborates with some of the most reputed research centres in the world. It also has stable agreements with 21 universities and research centres. In 2016, Ferrovial started four new projects under the agreement with the Massachusetts Institute of Technology (MIT). In addition, Ferrovial signed in 2016 a collaboration agreement with the Galician Automobile Technology Centre (CTAG) to develop projects in connection with the use of autonomous vehicles in inter-city settings. Testing is taking place in Portugal, on the Norte-Litoral highway (managed by Cintra).

In the last year, Ferrovial has continued to identify the main innovation ecosystems of interest, establishing relationships that allow it to speed up its innovation, especially with start-ups. At present,



Ferrovial is working with different ecosystems of innovation in Israel, Silicon Valley and Boston areas in the USA and Finland, to identify capabilities and agents with whom to establish relationships that accelerate the company's innovation.

Ferrovial develops a culture of innovation among its employees that encourages the generation of ideas and its transformation into projects. This innovative spirit manages to overcome resistance to change, foster collaborative thinking, and adapt the company to an environment of constant change. Ferrovial has different programs such as Innovate Construction Awards, DEN, Cintra Spirit and Zuritanken (with more than 1,400 ideas submitted just in the last edition of this program).

### **Legal Proceedings**

Ferrovial is involved from time to time in various claims and lawsuits, most of which arise in the ordinary course of its business. The main judicial, arbitration and regulatory proceedings of Ferrovial as of the date of this Prospectus are set forth below.

#### ***Toll roads***

##### *Insolvency Proceedings of the AP36 Ocaña-La Roda and Radial 4 Madrid-Ocaña Toll Roads*

###### *AP 36 Ocaña-La Roda toll road ("AP36")*

The insolvency proceedings in relation to the concession operator of the AP36 toll road and the holder of the shares of the concession started in 2012.

On 23 January 2015 Spanish government lawyers representing Seittsa (an entity fully owned by Spanish government) submitted an arrangement proposal to the Commercial Court. On 24 February 2015 the Commercial Court dismissed the arrangement proposal and approved the following measures:

- Not to admit the arrangement proposal for consideration due to irremediable defects.
- To render null and void the arrangement phase in the insolvency proceedings and open the liquidation phase (as provided for in the Spanish Insolvency Law).
- To suspend the management disposal powers of the concession operators and their sole shareholder, thereby transferring the management and administration of both companies to the insolvency managers as a result of the removal of the Board of Directors.

The aforementioned court order of dismissal was definitely confirmed in December 2016 by the Madrid Provincial Appellate Court. Accordingly, as of 31 December 2016 the only viable solution was the definitive liquidation of the company through payment of the Governmental Liability ("*Responsabilidad Patrimonial de la Administración -RPA-*") by the Spanish State.

As of the date hereof, the company is currently in the process of being liquidated.

###### *Radial 4 toll road*

The insolvency proceedings in relation to the concession operator of the Radial 4 toll road and the holder of the shares of the concession started in 2012.

In April 2017, the insolvent parties requested commencement of the liquidation phase (as provided for in the Spanish Insolvency Law) following the relevant resolutions adopted by the Board of Directors and ratified at the creditors' meeting.

In May 2017, the Commercial Court ordered the commencement of the liquidation phase, as a result of which the Board of Directors ceased to discharge its functions, and currently the insolvent parties are being managed by the insolvency practitioners in their capacity as liquidators.

In July 2013 the lenders of the Radial 4 project filed a claim against the projects sponsors (Cintra Infrastructures SE and Sacyr) regarding certain alleged infringements of the sponsors agreement regarding the communication of certain ratios. The sponsors agreement is secured by a guarantee amounting to €14.9 million for Cintra Infrastructures SE.

However, in October 2015 the lenders' claim was dismissed by the Court, and this decision was further confirmed by the Appeal Court in December 2016. This decision has been further appealed by the Lenders before the Supreme Court in June 2017. The grounds for the dismissal of such actions by the Court and the Appeal Court relate to the Lenders' capacity to act as claimants. However, this would not preclude the eventual ability of other parties to initiate further actions in connection with the Support Agreement/Guarantee.

#### *Autema*

In January 2015, the Catalonia Autonomous Community Government notified the Autopista Terrasa Manresa of its intention to change the concession regime of the project established under Decree 137/1999 from a regime under which the Catalonia Autonomous Community Government undertook to pay the concession operator the difference between the tolls collected and the operating surplus established in the Economic and Financial Plan to a system whereby the remuneration earned by the concession operator will depend on the number of the infrastructure's users (with the Catalonia Autonomous Community Government subsidising a portion of the toll paid by the users).

On 14 July 2015, the Catalonia Autonomous Community Government officially published Decree 161/2015 which included the amendment to the toll road concession arrangement. On 30 December 2016, the Catalonia Autonomous Government published a new Decree 337/2016 that partially modified Decree 161/2015. The new Decree maintains the substantial modification of the retribution system to the toll road concession.

Ferrovial considers that there are sound arguments to conclude that the Catalonia Autonomous Community Government, on issuing Decrees 161/2015 and 337/2016, clearly exceeded the limits of the power to amend the arrangements. Accordingly, the concession company filed an appeal against the aforementioned Decrees with a result that the courts admitted for consideration the claim. Therefore, both decrees are currently appealed in a single proceeding at the High Court of Catalonia.

#### ***Tax proceedings***

##### *Spanish tax audit assessments*

Ferrovial is currently involved in several appeals against taxes claimed in Spanish tax audit assessments. The most significant appeals relate to corporate income tax and value added tax of Group companies for the fiscal years 2002 to 2011, which have a total value of €287 million (including default interest). Final payment of these taxes has been deferred until the end of the court proceedings, which are expected to last, between 6 and 8 years. Although based on legal opinions requested to legal advisers there are sufficient legal arguments to support its position on appeal, Ferrovial, with a conservative approach, has registered enough reserve for such proceedings.

##### *EU tax proceeding*

In its decision of 15 October 2014 ("Third Decision"), the European Commission considered that the scheme for the tax amortisation of financial goodwill for indirect shareholding acquisitions constituted a new form of State aid.

Ferrovial filed an action with the General Court of the European Union, seeking to have the regime set out in the Third Decision annulled.

Ferrovial is subject to a procedure for recovering State aids in cases of regularisation of obligations to pay taxes affected by the Third Decision. The proposed settlement, for the years 2006 to 2015, is for a total of €37 million, expected to be paid before the end of the year.

#### ***Construction legal proceedings***

The provisions recognised in relation to the construction legal proceeding risks as of 31 December 2016 totalled €134 million and related to approximately 127 lawsuits.

##### *Container terminal at the port of Barcelona*

The UTE Muelle Prat joint venture ("UTE Muelle Prat"), in which Ferrovial Agroman participates, was involved in the first phase of construction of the Muelle Prat container terminal, located in the port of Barcelona, which was completed in March 2006. On 1 January 2007, 16 of the armed concrete drawers built in the container terminal were displaced over an area of 600 metres along the container terminal. In September 2011, Ferrovial Agroman was sued by the Puerto de Barcelona (the "Plaintiff") jointly with another six companies. The claim is for damages for the amount of €97 million. The claim is against all of the companies that were involved in the construction of the Muelle del Prat and acknowledges that the claimant does not know the cause of the accident on the grounds of a technical report drafted by an expert not belonging to the Group; Ferrovial Agroman believes that the UTE Muelle Prat does not have any liability in this case.

In September 2013, the Court of First Instance sentenced the defendants to pay compensation to the plaintiff in the amount of €20.9 million. Five out of six defendants (including Ferrovial Agroman) decided to share the sentence equally and they have already paid the amount. In February, the plaintiff and Ferrovial Agroman, together with the other defendants, filed an appeal against this decision. In March 2016 the Barcelona Provincial Appellate Court revoked the first sentence and rejected the claim against us. The Puerto de Barcelona filed an appeal to the Supreme Court.

#### *Arbitration in Warsaw*

Ferrovial Agroman is currently involved in legal proceedings relating to an agreement with Polish Airport State Enterprise (PPL) ("PPL"). PPL terminated early its agreement with the Ferrovial Agroman-Budimex consortium and executed performance bonds provided by such consortium amounting to 54.3 million Polish zlotys (approximately €13.5 million). The Ferrovial Agroman-Budimex consortium is claiming the amounts of 54.3 million Polish zlotys and approximately US\$59.0 million from PPL for the illegally collected bonds and unpaid works, respectively (in total, approximately €54.5 million). PPL is counter-claiming 281 million Polish zlotys (approximately €67.0 million) in damages, loss of business and late compliance penalties. These claims are currently being heard by an arbitration court. In February 2009, the arbitrators resolved that PPL should reimburse the Ferrovial Agroman-Budimex consortium the proceeds of the executed guarantees. In September 2012, PPL reimbursed the consortium for the amount of the guarantees; PPL has appealed such resolution. The arbitration court has not yet handed down an award on the core issue. On June 2010, an expert was appointed to decide whether PPL was entitled to terminate the agreement early. Based on the opinion issued on 29 July 2011 and April 2012 by such expert, the legal advisers of Ferrovial Agroman believe that there is a good chance of a positive outcome for Ferrovial Agroman in these proceedings. Based on this legal advice, Ferrovial Agroman has made a partial provision of €15.5 million for such proceedings, as it does not expect that they will have a material adverse effect on its business, financial condition or results of operations.

#### *Arbitration in Colombia*

On 24 July 2017, Ferrovial Agroman was notified of an arbitration settlement resolution in relation to an open dispute about a Colombian port construction work for a mining company named Cerrejón. The consortium, where Ferrovial has a 50% stake, has been held jointly and severable liable to pay compensation for damages amounting to €31 million (€15.5 million taking in mind Ferrovial's share of 50%) in the client's favour.

The arbitration started as a result of the contract termination requested by the construction consortium in February 2013. The consortium reached its decision based on the fact that there was a strike on Cerrejón's mining facilities which lasted for over 30 days. In accordance with their legal advisors interpretation, being of force majeure, the matter gave the consortium the right to terminate the contract. The construction consortium claimed a total of €34 million and, on the other hand, Cerrejón claimed a total amount of €31 million. At a first instance, on September 2013, and based on the existing legal reports, it was considered that the construction consortium had a solid case, thus no provision was recognized for the dispute.

However, the arbitration settlement found that the circumstances alleged by the construction consortium did not give the right to terminate the contract, thus rejected the claim and admitted and condemned the consortium to the payment of 100% of the claim made by Cerrejón. The legal advisers of the construction consortium are currently analysing deep and thoroughly the settlement in order to conclude if a nullity action can be filed. However, the required payment of €31 million has been made in August 2017. Considering that this resolution constitutes an event after the closing period that requires an adjustment to

the financial statements as of 30 June 2017, it has been decided to include a provision for the €15.5 million corresponding to the 50% stake of the partner in the consortium.

#### *SH-130 Claim*

On 20 October 2017, the SH-130 concession company filed claims in the International Court of Arbitration alleging deficiencies in the design and construction of segments 5 and 6 of SH-130, a toll road between Austin and San Antonio (the "Toll Road"). The Toll Road was designed and constructed by Central Texas Highway Contractors, LLC (formed by ZCC-56, LLC (50%) and Ferrovial Agroman 56 LLC (50%)).

The claims have been submitted against Central Texas Highway Contractors, LLC as the contractor of the highway and Ferrovial Agroman and Zachry Industrial, INC. as several (not joint and several) guarantors of the obligations of Central Texas Highway Contractors, LLC under the D&C Contract.

In the summons, the claimant has alleged that SH-130 seeks to recover all expenses and damages that they have and will have suffered in an amount to be determined in arbitration, but not less than \$130 million.

Ferrovial Agroman fully stand behind the work done by Central Texas Highway Contractors, LLC and is confident that the International Court of Arbitration will reaffirm what Texas Department of Transportation, SH-130 and the independent engineer previously affirmed; that their work was satisfactorily completed in accordance with the contract documents and good industry practice.

#### *Services legal proceedings*

##### *Birmingham Highways*

Amey LG Limited (using Amey Birmingham Highways Limited through the name borrowing procedure in the project) commenced proceedings in the Technology and Construction Court in London in August 2015 against Birmingham City Council relating to the Birmingham Highways PFI project. The court case concerned Amey LG Limited challenging an adjudication ruling given in July 2015. The adjudication ruling decided that Amey LG Limited was under an obligation to upgrade the wider highways network not restricted to the Project Network Model and update the model accordingly, and as a result certain milestones previously certified were to be set aside, opened up or revised. Amey LG Limited recognised in 2015 a provision of €76 million in relation to risks that may arise following the adjudication result. The court heard the case in February 2016. On 5 September 2016, judgment was issued in favour of Amey LG Limited, thus overturning the July 2015 adjudication decision in all respects. In 2017, Birmingham City Council has appealed this decision and the hearing is expected to take place on 30 January 2018.

In parallel, there are ongoing negotiations between Amey LG Limited and the Birmingham City Council in order to get to an agreed resolution of the commercial disputes, and to normalize the provisions of the project agreement until the end of the contract term.

##### *Spanish National Market and Competition Commission*

With respect to the Services business in Spain, the main lawsuit in which the Group was involved as at 31 December 2016 related to a resolution of the Spanish National Market and Competition Commission issued on 15 January 2015 imposing a penalty on Cespa Group companies and Cespa, G.R. and other companies from the waste management and urban cleaning industry for participating in a market share agreement. In particular, the penalty imposed on Cespa, S.A. and Cespa, G.R. amounted to €13.6 million. As of the date of this Prospectus, the national Appellate Court has not handed down a judgment in connection with the appeal filed by the Group on 11 March 2015 against the enforcement proceedings of the Spanish National Markets and Competition Commission. The Group believes that there are robust arguments to challenge the judgment and, accordingly, has not made any provision for this judgement. Judgement from Audiencia Nacional in relation to this dispute is expected to be known in some weeks since the formal session for Court discussion of the case was held on 11 October 2017.

#### **Environmental Matters**

Ferrovial's activities are subject to environmental regulation. This requires, among other requirements, that the Group commissions environmental impact studies for future projects, and that it obtains the

licences, permits and other authorisations required to construct and operate relevant projects. In recent years there has been a significant increase in environmental regulation in Spain, the European Union and other jurisdictions in which Ferrovial operates. These include regulations in relation to carbon emissions and limitations on polluting emissions from large plants and facilities. In this context, the Group has been extremely proactive in implementing a "climate strategy", which has been recognised as world leading by analysts (e.g. Ferrovial scores 100/100 A in the Carbon Disclosure Project as described further below). More broadly, Ferrovial has implemented environmental management systems ("EMSs") worldwide, which are focused on managing and monitoring legal compliance of its activities. In 2016, 91% of total sales worldwide were certified according to the international standards ISO 14001 and/or the EU Eco-management and Audit Scheme ("EMAS").

Ferrovial has established a "Sustainability Policy" which has been implemented worldwide and across all business divisions. Each Group company and each business division has adapted this policy according to the risks and regulatory environment of its business activity. At the Group level, such policy is deployed by means of a "Sustainability Strategy" focused on three main programmes: (i) "Ferrovial Sustainable Mobility", (ii) "Ferrovial, Natural Capital", dedicated to managing biodiversity impacts and opportunities (in 2016 Ferrovial has performed a pioneer "corporate ecosystems valuation" scheme in accordance with the "Natural Capital Protocol"), and (iii) "Ferrovial 2020". Regarding this last programme, a fundamental aspect of sustainability across the Ferrovial business portfolio is its climate strategy, currently this programme is under review, in order to update the strategy to the horizon 2030. The Group's strategy on this particular issue involves: (a) the control and mitigation of regulatory risks, (b) an adaptation programme responding to the impacts of climate change on Ferrovial's assets worldwide, including those areas particularly sensitive to extreme climatological events, and (c) an integrated and proactive approach to position the Group to benefit from business opportunities worldwide (i.e. energy efficiency, low carbon infrastructures, water management, carbon sinks, biodiversity and natural resources, etc.). Concerning Ferrovial's own emissions, procedures for calculating and monitoring the carbon footprint have been implemented since 2007, currently involving 100% of activities worldwide. Moreover, ambitious targets for the reduction of greenhouse gases have been set since 2009 at both business and Group levels. In 2016, the Group achieved an emissions reduction rate of 30.5% compared to 2009 levels (in terms of carbon intensity on a pro forma basis) and has increased its global emissions reduction targets for 2020, up to 35.4% from a previous 21.3%. In absolute terms, since 2009 Ferrovial has reduced its carbon footprint in 1.100.000 CO<sub>2</sub>eq Tons. Carbon emissions and targets are yearly audited and verified by a third party. Ferrovial has validated its carbon reduction targets for 2017 according to Science Based Target Initiative, becoming the first Spanish based company to achieve such a challenging qualification. As a result of this climate strategy, since 2010, analysts at the Carbon Disclosure Project rated Ferrovial's strategy and performance on climate change as clearly outperforming all competitors in its sector. Once again, in 2016, Ferrovial has been listed in the highest rating ("A List"), positioning the company as the best-in-class within the heavy construction and transport infrastructure sectors. In addition, since 2002, Ferrovial has been consistently rated within the Dow Jones Sustainability Indexes (in both the European and World ratings). Since 2015, Ferrovial will also report its "water footprint" under a consistent approach, including 100% of activities and subsidiaries worldwide. Ferrovial first applied for the CDP Water program assessment in 2016 and obtained a score of A-. The scheme also considers compensation of the net impact on water resources.

In order to monitor and report the global environmental performance of the main business areas of the Group, Ferrovial has created an environmental performance index ("EPI") which summarises the environmental effects (or risks, depending on the business area) of its activities, as well as the eco-efficiency of business activity and the achievement of environmental targets. The EPI has been implemented in both the Construction (since 1999) and the Services business divisions (since 2009). The index calculates the values of the EPI for individual companies, or as a weighted aggregate to obtain an overall value for all the businesses at the corporate level.

### **Intellectual Property**

Ferrovial implements intellectual property ("IP") protection policies and procedures. The measures taken by the Group to protect its IP include the entry into confidentiality, non-disclosure and/or non-compete agreements by employees, service providers and counterparties, as appropriate, and the dissemination throughout the Group of an internal code of conduct.

In order to prevent third parties from being able to use and benefit from their names or internet domains, Ferrovial's policy is for all affiliates and subsidiaries to: (i) register and protect their names in accordance

with local legislation, (ii) register their names as commercial brands in the relevant product areas, and (iii) register their internet domains.

## **Insurance**

Under its risk management policy, Ferrovial maintains insurance which provides cover against various risks, such as third party damage (aviation, environmental and civil liability, in general), construction defects, management's and employees' liability and risks to which its property, plant and equipment are subject. Ferrovial's risk management policy also includes the assessment of tools for risk transfer that are alternative to insurance cover.

## **Risk management**

Ferrovial has implemented a comprehensive risk management system called Ferrovial Risk Management ("FRM"). The system, which is oriented towards associating risks analysed with the objectives these risks threaten, is applied to all the Group's lines of business, including subsidiaries in which Ferrovial has management capacity.

Ferrovial operates in countries with different social and economic situations and regulatory frameworks. In general, Ferrovial believes that significant risks are those that may compromise the viability of its businesses, their profitability and their corporate reputation, particularly any factor that may compromise the safety of its employees or third parties affected by its business activities, or that might impact on the environment in which those activities are performed.

## **Employees**

As at 30 June 2017, the Group had approximately 97,600 employees.

## **Management**

Management of the Parent

Board of Directors of the Parent

The Board of Directors of the Parent, as of the date hereof, is composed of the following twelve (12) Directors:

<b>Name</b>	<b>Position</b>
Rafael del Pino y Calvo-Sotelo .....	Chairman – Executive Director
Santiago Bergareche Busquet .....	Vice Chairman
Joaquín Ayuso García .....	Vice Chairman
Íñigo Meirás Amusco .....	Executive Director - Chief Executive Officer
Juan Arena de la Mora .....	Director
María del Pino y Calvo-Sotelo .....	Director
Santiago Fernández Valbuena .....	Director
José Fernando Sanchez-Junco Mans .....	Director
Joaquín del Pino y Calvo-Sotelo .....	Director
Óscar Fanjul Martín .....	Director
Philip Bowman .....	Director
Hanne Birgitte Breinbjerg Sørensen .....	Director

<b>Name</b>	<b>Position</b>
Santiago Ortiz Vaamonde .....	Secretary (non director)

The business address of the members of the Board of Directors of the Parent is Calle Príncipe de Vergara 135, 28002, Madrid, Spain.

There are no potential conflicts of interest between the private interests or other duties of the members of the Board of Directors listed above and their duties to the Parent.

#### Management Structure of the Parent

The Management Committee is made up of the following:

<b>Name</b>	<b>Position</b>
Iñigo Meirás Amusco .....	Executive Director - Chief Executive Officer
Maria Dionis Trenor .....	Human Resources General Director
Enrique Diaz-Rato Revuelta.....	General Director of the Toll Roads Business Division
Alvaro Echániz Urcelay .....	General Director of Real Estate, Environment, Risk and Compliance
Federico Flórez Gutiérrez.....	General Director of Information and Technology Systems
Alejandro de la Joya Ruiz de Velasco.....	General Director of the Construction Business Division
Ernesto López Mozo .....	Chief Financial Officer
Santiago Olivares Blázquez.....	General Director of the Services Business Division
Santiago Ortiz Vaamonde .....	General Counsel
Jorge Gil Villén.....	General Director of the Airports Business Division
Maria Teresa Pulido Mendoza.....	Director of Corporate Strategy

The business address of the members of the Management Committee of the Parent is Calle Principe de Vergara 135, 28002, Madrid Spain.

There are no potential conflicts of interest between the private interests or other duties of the members of the Management Committee listed above and their duties to the Parent.

#### Alternative Performance Measures

This Prospectus (and the documents incorporated by reference in this Prospectus) contains certain management measures of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate Ferrovial's overall performance. These APMs are not audited, reviewed or subject to a pro forma review by Ferrovial's auditors and are not measurements required by, or presented in accordance with, IFRS - EU. Accordingly, these APMs should not be considered as alternatives to the information in the Consolidated Annual Financial Statements or Interim Financial Statements or to any performance measures prepared in accordance with IFRS - EU. Many of these APMs are based on Ferrovial's internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by Ferrovial, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS - EU, as indications of operating performance or as measures of Ferrovial's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS - EU and investors are advised to review these APMs in conjunction with the Consolidated Annual Financial Statements or, as the case may be, Interim Financial Statements, incorporated by reference in this Prospectus.

The descriptions (including definitions, explanations and reconciliations) of all APMs are set out in the Appendix entitled "Alternative Performance Measures" to the 2016 Management Report and 2017 Interim Management Reports, as appropriate.

Ferrovial believes that the description of these management measures of performance in this Prospectus follows and complies with the "European Securities and Markets Authority Guidelines on Alternative Performance Measures (APM)" dated 5 October 2015 (the "Guidelines").

### **Rounding**

Certain numerical figures set out in this Prospectus have been subject to rounding adjustments and, as a result, the totals of the information in this Prospectus may vary slightly from the actual arithmetic totals of such information.



## **RECENT DEVELOPMENTS AND FACTS WHICH MAY HAVE A MATERIAL EFFECT ON THE ISSUER'S AND OR THE PARENT'S PROSPECTS**

On 24 July 2017, Ferrovial Agroman was notified of an arbitration settlement resolution in relation to an open dispute about a Colombian port construction work for a mining company named Cerrejón. The consortium where Ferrovial has a 50% stake, has been held jointly and severable liable to pay compensation for damages amounting to €31 million (see "*Legal Proceedings – Construction Legal Proceedings – Arbitration in Colombia*" above).

On 25 August 2017, Ferrovial Airports, which heads Great Hall Partners, in alliance with Saunders Construction and JLC, has signed the contract for remodelling and commercial operation of the Jeppesen terminal at Denver International Airport. The 34-year concession represents an investment of \$650 million. Financial completion is scheduled for the fourth quarter of 2017.

In June 2016, Ferrovial, through its toll roads subsidiary Cintra, reached an agreement with the Dutch infrastructure fund DIF to sell 51% of the Norte-Litoral and 49% of the Algarve toll roads for the amount of €159 million. After this transaction, Ferrovial will continue to hold 49% of the Norte-Litoral and 48% of the Algarve, as well as its position as the principal industrial partner in both assets. On 21 April 2017, the sale of a 51% stake in Norte-Litoral was approved, for which €104 million was received in April. On 26 September 2017, the sale of the stake in Algarve was also approved, for which €57.6 million was received.

At the end of September 2017, Cintra, along with the other managed lane partners (Meridiam and APG) has acquired the Dallas Fire & Police Pension Scheme's stake in NTE (10%) and LBJ (7%). Cintra acquired 6.3% in NTE and 3.6% in LBJ, and now holds 62.97% in NTE and 54.6% in LBJ. Cintra paid \$107 million for the stake (NTE: \$65 million and LBJ: \$42 million).

## TAXATION

The following is a general description of certain tax considerations relating to the Securities. It does not purport to be a complete analysis of all tax considerations relating to the Securities whether in those countries or elsewhere. Prospective purchasers of Securities should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Netherlands and the Kingdom of Spain of acquiring, holding and disposing of Securities and receiving payments of interest, principal and/or other amounts under the Securities. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Securities, or any person through which an investor holds Securities, of a custodian, collection agent or similar person in relation to such Securities in any jurisdiction may have tax implications. Investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment

### Dutch Tax

For the purpose of the paragraph "Taxes on Income and Capital Gains" below it is assumed that:

- (i) a holder of Securities, being an individual or a non-resident entity, does not have nor will have a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Issuer and that no connected person (*verbonden persoon*) to the holder has or will have a substantial interest in the Issuer; and
- (ii) a holder of Securities is not a pension fund or otherwise not a taxpayer or exempt for tax purposes.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company.

Generally speaking, a non-resident entity has a substantial interest in a company if such entity directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company. An entity has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of Securities, an individual holding Securities or an entity holding Securities, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in the Securities or otherwise being regarded as owning Securities for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "The Netherlands" or "Dutch" it refers only to the European part of the Kingdom of The Netherlands.

***Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Securities.***

## **1. WITHHOLDING TAX**

All payments made by the Issuer of interest and principal under the Securities can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

## **2. TAXES ON INCOME AND CAPITAL GAINS**

### **Residents**

#### ***Resident entities***

An entity holding Securities which is, or is deemed to be, resident in The Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income and capital gains derived from the Securities at a rate of 20 per cent. with respect to taxable profits up to EUR 200,000 and 25 per cent. with respect to taxable profits in excess of that amount (2017 rates).

#### ***Resident individuals***

An individual holding Securities who is or is deemed to be resident in The Netherlands for Dutch income tax purposes will be subject to income tax in The Netherlands in respect of income and capital gains derived from the Securities at rates up to 52 per cent (2017 rates) if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, such individual holding Securities will generally be subject to income tax on the basis of a deemed return, regardless of any actual income and capital gains derived from the Securities. The deemed return amounts ranges from 2.87 per cent to 5.39 per cent (2017 rates) of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Securities). The applicable rates will be updated annually on the basis of historic market yields. Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

### **Non-residents**

A holder of Securities which is not and is not deemed to be resident in The Netherlands for the relevant tax purposes will not be subject to taxation in The Netherlands on income and capital gains derived from the Securities unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in The Netherlands and the holder of Securities derives profits from such enterprise (other than by way of the holding of Securities); or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

### 3. GIFT AND INHERITANCE TAXES

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Securities by way of gift by, or on the death of, a holder of Securities, unless:

- (i) such holder is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

### 4. VALUE ADDED TAX

There is no Dutch value added tax payable by a holder of Securities in respect of payments in consideration for the acquisition of the Securities, payments of interest or principal under the Securities, or payments in consideration for a disposal of Securities.

### 5. OTHER TAXES AND DUTIES

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in The Netherlands by a holder of Securities in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of The Netherlands) of the Securities or the performance of the Issuer's obligations under the Securities.

### 6. RESIDENCE

A holder of Securities will not be and will not be deemed to be resident in The Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise become subject to Dutch taxation, by reason only of acquiring, holding or disposing of Securities or the execution, performance, delivery and/or enforcement of Securities.

#### **Spanish Tax**

##### *Applicable law for Spanish tax purposes*

The Guarantor believes that the First Additional Provision of Law 10/2014 (as defined in the Conditions of the Securities) shall apply to the Securities according to its Section 8, provided that the Securities are issued by a company which is (i) tax resident in the European Union and (ii) whose voting rights are completely held directly by an entity which is resident in Spain for tax purposes.

The Guarantor will comply with the reporting obligations set out in Section 4 of the First Additional Provision of Law 10/2014 in respect of Holders who are taxpayers of the Spanish Individual Income Tax or taxpayers of the Spanish Corporation Tax, as well as taxpayers of the Spanish Non-resident Income Tax ("**NRIT**") who hold the Securities through a permanent establishment located in the Spanish territory.

##### *Payments made by the Guarantor*

In the opinion of the Guarantor, any payments of principal and interest that do not remunerate the use of funds in Spain made by the Guarantor under the Guarantee should not be subject to taxation in Spain.

However, payments of interest made under the Guarantee to the beneficial owners of the income arising from the Securities (each of them, a "**Holder**", and collectively the "**Holder**s") may be subject to Spanish taxation and, hence, to Spanish withholding tax at the then applicable rate (as at the date of this Prospectus, 19 per cent.) to the extent it remunerates the use of funds in Spain. According to Spanish tax legislation, "interest" includes payment of coupons and income deriving from the transfer, redemption or reimbursement of the Securities, on the basis of the positive difference between the amounts obtained in the transfer, redemption or reimbursement of the Securities and their tax basis.

For Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain, such income should be exempt from Spanish tax in accordance with the First Additional Provision of Law 10/2014 and, therefore, no Spanish withholding may be due.

The Issuer, the Guarantor and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Securities so that before the close of business on the Business Day (as defined in the Conditions of the Securities) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Securities (each, a "**Payment Date**") is due, the Guarantor must receive from the Fiscal Agent a certificate containing certain information relating to the Securities as prescribed under section 44 paragraph 5 of the Royal Decree 1065/2007. If, despite these procedures, the relevant information is not received by the Guarantor on each Payment Date, the Guarantor will withhold tax at the then-applicable rate (as at the date of this Prospectus, 19 per cent.) from any payment of interest in respect of the relevant Security.

Notwithstanding the above, if, before the tenth calendar day of the month following the month in which the relevant income is paid, the Fiscal Agent provides the required information, the Guarantor will reimburse the amounts withheld.

If the First Additional Provision of Law 10/2014 was not deemed applicable to the Securities, the relevant Additional Amounts will be payable according to Condition 8(a) (*Taxation – Additional Amounts*) of the Terms and Conditions of the Securities.

Holders not acting with respect to the Securities through a permanent establishment in Spain and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure to deliver by the Holder or the Fiscal Agent (as the case may be) of a valid certificate of tax residence of the Holder or certain information relating to the Securities (as the case may be) in a timely manner may apply directly to the Spanish tax authorities for any refund to which they may be entitled. Holders are advised to consult their own tax advisors regarding their eligibility to claim a refund from the Spanish tax authorities and the procedures to be followed in such circumstances.

Furthermore, Non-Spanish tax resident Holders not acting with respect to the Securities through a permanent establishment in Spain may take the position that payments of interest received from the Guarantor under the Guarantee should be characterised as an indemnity under Spanish law and, hence, should have been made free of withholding or deduction on account of any Spanish tax. In such a case, these Holders should apply directly to the Spanish tax authorities for any refund to which they may be entitled.

In connection with Spanish tax resident Holders and Non-Spanish tax resident Holders acting with respect to the Securities through a permanent establishment in Spain, income deriving from the Securities and the Guarantee is subject to tax in Spain. Payments made under the Guarantee which correspond to payments of interest under the Securities may be subject to withholding on account of Spanish taxes.

#### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Preferred Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Banco Santander, S.A., Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc and Société Générale (the "**Joint Bookrunners**") have, in a subscription agreement dated 8 November 2017 (the "**Subscription Agreement**") and made between the Issuer, the Guarantor and the Joint Bookrunners, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Securities. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

### **United Kingdom**

Each Joint Bookrunner has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

### **United States of America**

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering of the Securities, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **The Netherlands**

Each Joint Bookrunner has represented and agreed that the Securities are not, and may not be, offered to the public in The Netherlands other than to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

### **The Kingdom of Spain**

Neither the Securities nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold or distributed, nor may any subsequent resale of the Securities be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of Article 35 of the Spanish Securities Market Law approved by legislative Royal Decree 4/2015, of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por*

*el que se aprueba el texto refundido de la Ley del Mercado de Valores*), Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005, de 4 de noviembre*), and supplemental rules enacted thereunder.

### **General**

Each Joint Bookrunner has represented, warranted and agreed that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Securities or possesses, distributes or publishes this Prospectus or any other offering material relating to the Securities. Persons into whose hands this Prospectus comes are required by the Issuer, the Guarantor and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Prospectus or any other offering material relating to the Securities, in all cases at their own expense.



## GENERAL INFORMATION

### Authorisation

1. The creation and issue of the Securities has been authorised by a resolution of the Board of Managing Directors of the Issuer dated 2 November 2017. The giving of the Guarantee of the Securities has been authorised by a resolution of the Board of Directors of the Guarantor dated 24 October 2017.

### Legal and Arbitration Proceedings

2. Save as described in "Risk Factors - *Risks relating to Ferrovial's business and the market in which it operates - Ferrovial is subject to litigation risks*" on page 11 of this Prospectus, and under "*Description of the Guarantor - Legal Proceedings*" and "*Description of the Guarantor – Tax Proceedings*" on pages 95 to 98 of this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer or the Guarantor and its subsidiaries.

### Significant/Material Change

3. Since its date of incorporation there has been no material adverse change in the prospects of the Issuer, and there has been no significant change in the financial or trading position of the Issuer. Since 31 December 2016 there has been no material adverse change in the prospects of the Guarantor and the Group, and since 30 September 2017 there has been no significant change in the financial or trading position of the Guarantor and the Group.

### Auditors

4. The consolidated financial statements of the Guarantor have been audited without qualification for the years ended 31 December 2016 and 2015 by Deloitte, S.L. (registered as auditors in Spain in the *Registro Oficial de Auditores de cuentas*) with its registered address at Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, Spain.

### Documents on Display

5. Physical copies of the following documents may be inspected during normal business hours at the offices of the Fiscal Agent and at the registered/head office of the Issuer and the Guarantor for the life of this Prospectus:
  - (a) the articles of association of the Issuer (together with English translations thereof);
  - (b) the by-laws of the Guarantor (together with English translations thereof);
  - (c) drafts (subject to modification) of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee; and
  - (d) the audited consolidated financial statements of the Guarantor for the years ended 31 December 2016 and 2015, the reviewed interim condensed consolidated financial information of the Guarantor for the 6 months ended 30 June 2017 and the unaudited financial results report for the 9 months ended 30 September 2017 (set out in the documents entitled "*Integrated Annual Report 2015*", "*Consolidated Management Report and Financial Statements. Integrated Annual Report 2016*", "*June 2017. Interim Management Report & Consolidated Financial Statements. Ferrovial, S.A. & Subsidiaries*" and "*Results January – September 2017. Ferrovial, S.A. & Subsidiaries*", respectively).

Each of the translations into English of the Issuer's articles of association and of the by-laws of the Guarantor is a direct and accurate translation of the corresponding document. In the event of any discrepancy between the English language version and the original language version, the original language version shall prevail.

### **Yield**

6. From (and including) the Issue Date to (but excluding) the First Reset Date, the yield on the Securities will be 2.125 per cent. per annum. The yield is calculated at the Issue Date on the basis of the Issue Price and it is not an indication of future yield.

### **Legend Concerning US Persons**

7. The Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986."

### **Listing**

8. The Issuer has engaged the firm of Arthur Cox Listing Services Limited ("**Arthur Cox**") to act as its listing agent in connection with the applications for admission of the Securities to listing on the Official List of the Irish Stock Exchange and to trading on the Main Securities Market.

It is expected that the admission of the Securities to the Official List of the Irish Stock Exchange and to trading on the Main Securities Market will take place on or about 14 November 2017, subject to the issue of the Temporary Global Security.

Arthur Cox is acting solely in its capacity as listing agent for the Issuer in relation to the Securities and is not itself seeking admission to the Official List or trading on the Main Securities Market.

### **Fees**

9. The estimated costs and expenses in relation to admission to trading are €7,000.

### **ISIN and Common Code**

10. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS1716927766 and the common code is 171692776.

**REGISTERED AND HEAD  
OFFICE OF THE ISSUER**

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**REGISTERED AND HEAD  
OFFICE OF THE GUARANTOR**

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Spain

**FISCAL AGENT**

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Grand Duchy of Luxembourg

**THE STRUCTURING ADVISOR**

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**THE JOINT BOOKRUNNERS**

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**Morgan Stanley & Co. International plc**  
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United Kingdom

**Société Générale**  
29, boulevard Haussmann  
75009 Paris  
France

## LEGAL ADVISORS

*To the Issuer and the Guarantor as to English and Spanish law:*      *To the Issuer and the Guarantor as to Dutch law:*

**Linklaters, S.L.P.**

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Spain

**Linklaters LLP**

World Trade Centre Amsterdam  
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*To the Joint Bookrunners as to English and Spanish law:*

**Clifford Chance, S.L.P.**

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*To the Joint Bookrunners as to Dutch law:*

**Clifford Chance LLP**

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## AUDITORS TO THE GUARANTOR

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Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid  
Spain

## LISTING AGENT

**Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace  
Dublin 2  
Ireland