



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

*(incorporated with limited liability in The Kingdom of Spain)*

**€500,000,000 1.375 per cent. Notes due 2025**

**Guaranteed by Ferrovial, S.A.**

**Issue price: 99.295 per cent.**

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The issue price of the €500,000,000 1.375 per cent. Notes due 2025 (the “Notes”) of Ferrovial Emisiones, S.A. (the “Issuer”) is 99.295 per cent. of their principal amount. The payment of all amounts due in respect of the Notes will, subject as described herein, be unconditionally and irrevocably guaranteed by Ferrovial, S.A. (the “Parent” or the “Guarantor”, as applicable, together with the Issuer and the consolidated subsidiaries of the Parent, the “Group” or, unless otherwise indicated or the context otherwise requires, “Ferrovial”).

Unless previously redeemed or cancelled, the Notes will be redeemed at their redemption amount on 31 March 2025. The Notes are subject to redemption in whole at their redemption amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Kingdom of Spain. See Condition 7(b) (*Redemption for taxation reasons*) in Section 7 (*Terms and Conditions of the Notes*). Upon the occurrence of a Change of Control followed by a Rating Downgrade during the Change of Control Period (as defined in Condition 5 (*Definitions*) in Section 7 (*Terms and Conditions of the Notes*)), each Noteholder shall have the option to require the Issuer to redeem or purchase the Notes, in whole or in part, at their principal amount plus accrued and unpaid interest up to (but excluding) the date for such redemption or purchase. See Condition 7(c) (*Early redemption at the option of the Noteholders upon a Change of Control*) in Section 7 (*Terms and Conditions of the Notes*).

The Notes bear interest from and including the Closing Date (as defined below) at the rate of 1.375 per cent. per annum payable annually in arrear on 31 March each year commencing on 31 March 2018. The first Interest Period will be from (and including) the Closing Date to (but excluding) 31 March 2018. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 9 (*Taxation*) in Section 7 (*Terms and Conditions of the Notes*). The offering of the Notes (the “Offering”) is further described under this prospectus (the “Prospectus”).

This Prospectus constitutes a listing prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union, as amended and implemented in each Member State (the “Prospectus Directive”) and has been prepared in accordance with, and including the information required by, Annexes VI, IX and XIII of Regulation (EC) No. 809/2004. This Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the “CNMV”) in its capacity as competent authority under the Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Spanish Securities Market Act (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the “LMV”) and relevant implementing measures in Spain.

Application has been made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market (“AIAF”). The Notes may also be admitted to trading on any other secondary market as may be agreed by the Issuer.

**An investment in the Notes involves certain risks. For a discussion of these risks, see Section 1 (*Risk Factors*).**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Parent and the Notes are rated BBB by Standard & Poor’s Credit Market Services Europe Limited (“Standard & Poor’s”) and BBB by Fitch Ratings Limited (“Fitch”). Fitch and Standard & Poor’s are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies (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 assigned rating agency.

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*Joint Lead Managers and Bookrunners*

<b>Banco Sabadell</b>	<b>BofA Merrill Lynch</b>	<b>CaixaBank</b>
<b>Citi</b>	<b>Crédit Agricole CIB</b>	<b>NatWest Markets</b>
<b>RBC Capital Markets</b>	<b>Scotiabank</b>	<b>Société Générale Corporate &amp; Investment Banking</b>

The date of this Prospectus is 29 March 2017.

## IMPORTANT NOTICES

**This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.**

**Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Issuer, the Parent or its subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.**

The Issuer, the Parent and the Joint Lead Managers and Bookrunners as previously listed (the “Joint Lead Managers and Bookrunners”) reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes being offered in the proposed Offering. This Prospectus is personal to the offeree to whom it has been delivered by the Joint Lead Managers and Bookrunners and does not constitute an offer to any person or to the public in general to purchase or otherwise acquire the Notes. Distribution of this Prospectus to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the Issuer or the Parent’s prior written consent, is prohibited.

Neither the Joint Lead Managers and Bookrunners nor any of their respective affiliates have authorised the whole or any part 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. None of the Joint Lead Managers and the Bookrunners accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Parent in connection with the offering of the Notes or their distribution. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note 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 Parent since the date of this Prospectus.

Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Joint Lead Managers and Bookrunners or any person affiliated with the Joint Lead Managers and Bookrunners in connection with any investigation of the accuracy of such information or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Parent or the Notes (other than as contained herein and information given by the Issuer and the Parent’s duly authorised officers and employees in connection with investors’ examination of the Issuer, the Parent and the terms of this Offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Parent or the Joint Lead Managers and Bookrunners. None of the Joint Lead Managers and the Bookrunners undertakes to review the financial condition or affairs of the Issuer or the Parent during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to their attention.

In making an investment decision, investors must rely on their own examination and analysis of the Issuer, the Parent and the terms of the Offering, including the merits and risks involved.

The Joint Lead Managers and Bookrunners are acting exclusively for the Issuer and the Parent and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer or the Parent for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The distribution of this Prospectus and the Offering of Notes is restricted by law in certain jurisdictions, and this Prospectus may not be used in connection with any offer or solicitation in any such jurisdiction, or to any person to whom it is unlawful to make such offer or solicitation. No action has been or will be taken in any jurisdiction by the Issuer, the Parent or the Joint Lead Managers and Bookrunners that would permit a public offering of the Notes or possession or distribution of a Prospectus in any jurisdiction where action for that

purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by the Issuer, the Parent and the Joint Lead Managers and Bookrunners to inform themselves about and to observe these restrictions. Neither the Issuer, the Parent nor any of the Joint Lead Managers and Bookrunners accepts any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Issuer's Notes, of any of these restrictions.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

In this Prospectus, unless otherwise specified or the context requires, references to "€" and "euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Union, as amended from time to time, references to "£" and "pound sterling" are to the lawful currency of the United Kingdom, references to "US\$" are to the lawful currency of the United States of America, references to "C\$" are to the lawful currency of Canada, references to "AUD" are to the lawful currency of Australia, references to "CHF" are to the lawful currency of Switzerland, references to "NOK" are to the lawful currency of Norway and references to "Polish zlotys" are to the lawful currency of Poland.

In connection with this issue, each of the Joint Lead Managers and Bookrunners and any of their respective affiliates acting as an investor for its own account may take up Notes and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this issue. Accordingly, references in this Prospectus to the Notes being issued, offered or placed should be read as including any issue, offering or placement of securities to the Joint Lead Managers and Bookrunners and any of their affiliates acting in such capacity. The Joint Lead Managers and Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

## **NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA**

This Prospectus has been prepared on the basis that all offers of Notes using this Prospectus will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA. Accordingly, any person making or intending to make an offer within the EEA of Notes which are the subject of the Offering contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuer, the Parent or any of the Joint Lead Managers and Bookrunners to produce a prospectus for such offer. None of the Issuer, the Parent or the Joint Lead Managers and Bookrunners has authorised, and neither of the Issuer or the Parent authorises, the making of any offer of Notes through any financial intermediary, other than offers made by the Joint Lead Managers and Bookrunners that constitute the final placement of Notes contemplated in this Prospectus.

In this Prospectus, unless otherwise specified, references to a "Member State" are references to a Member State of the EEA and references to "€" or "euro" 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.

## **NOTICE TO POTENTIAL INVESTORS**

*The Notes may not be a suitable investment for all investors.*

Each prospective investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which it participates; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and may be purchased 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 Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **LEGAL INVESTMENT CONSIDERATIONS MAY RESTRICT CERTAIN INVESTMENTS**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

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## 1. RISK FACTORS

*Prospective investors should consider carefully the risks set out below and the other information contained in this Prospectus prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer or the Parent which, in turn, could have a material adverse effect on the nominal amount and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading or the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below may not be the only risks that the Issuer or the Parent face. The Issuer and the Parent have described only those risks that they currently consider to be material and there may be additional risks that they do not currently consider to be material or of which they are not currently aware. Prospective investors should read the entire Prospectus. Words and expressions defined in Section 7 (Terms and Conditions of the Notes) below or elsewhere in this Prospectus have the same meanings in this section.*

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

The Issuer is a subsidiary of the Parent whose sole corporate purpose is the issuance of corporate debt and therefore the proceeds of the issue of the Notes will be made available to the Parent as described in Section 9 (*Use of Proceeds*). This means that any payments, whether principal or interest, under the Notes 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 Ferrovial, as set forth in the section below.

### **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.*

In the past, Ferrovial'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 Ferrovial 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 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.

Robust global recovery requires further progress on global demand rebalancing. 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 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 regarding the exit of countries from the European Union (in particular, the impending expected exit from the European Union of the United Kingdom, see "*—The United Kingdom's impending expected 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 expected departure from the European Union could adversely affect the Group.*

The United Kingdom held a referendum on June 23, 2016 in which a majority of the population voted to exit the European Union (“Brexit”). On 2 October 2016, the United Kingdom Prime Minister announced that her 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 the 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. Once the exit process is triggered, a two-year period of negotiation will begin to determine the new terms of the United Kingdom’s relationship with the European Union, after which period its European Union membership will cease. 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 others we cannot anticipate, 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, particularly in Germany and France, which are due to hold elections in 2017.

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 the recent past, 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 Ferrovia, 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, Ferrovia 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 Ferrovia 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, Ferrovia's business, financial condition and results of operations may be adversely affected.

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

Ferrovia 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 policy 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.

Ferrovia 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, Ferrovia's business, financial condition and results of operations may be materially adversely affected.

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

The funding position of Ferrovia'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 Ferrovia'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 Ferrovia's projects, which may severely disrupt the operations of Ferrovia 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, there may be an adverse effect on its business, financial condition and results of operations.

*Ferrovial 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**

*Ferrovia'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 Ferrovia 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 Ferrovia 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 Ferrovia's business, results of operations and financial condition. Customer cancellations could reduce Ferrovia'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 Ferrovia's financial and operating performance.*

Ferrovia'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 Ferrovia's customers operate may adversely affect Ferrovia'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 Ferrovia'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 to provide garrison and welfare services, which could adversely affect Ferrovia'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, Ferrovia announced that the provision of services at the Regional Processing Centre ("RPC") in Nauru and Manus Province is not a strategic activity in Ferrovia's portfolio and that this activity will not be part of the Broadspectrum offering in the future even though Broadspectrum will honour the contract until its termination.

Ferrovia 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 Ferrovia's Human Rights Commitment are formed by Ferrovia's Code of Ethics, and Ferrovia's Human Rights Policy.

Broadspectrum will not pursue the tendering process for the renewal of the RPCs by the Department of Immigration and Border Protection of the Australian government.

Despite these decisions and during the term in which the above mentioned contract remains in force, there might be ongoing commentary and publicity in Australia or in the other countries in which Ferrovia operates with respect to Ferrovia's involvement in the RPCs on Nauru and Manus Island, and this may adversely affect Ferrovia's reputation and brand, which may jeopardise Ferrovia'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 Ferrovia as a business partner. This could adversely affect Ferrovia's business, financial condition and results of operation.

*Ferrovia 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 Ferrovia 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. Ferrovia'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 Ferrovia's business, financial condition and results of operations.

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

Although Ferrovia 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 from funds granted by the European Union for some of its construction operations in Poland, as well as from federal funds granted for its construction activity in the United States. 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 Notes. 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 Notes. 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 Ferrovial 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 Ferrovial has an interest, it must obtain the necessary land rights to carry out such development. Ferrovial 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, Ferrovial 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.*

Ferrovial'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, Ferrovial 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 Ferrovial.

*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 Ferrovial.

*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, Ferrovial'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;
- 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% of airport charges. Any of these factors could have a material adverse effect on Ferrovial's business, financial condition and results of operations.

## **Risks related to the Notes**

*There is currently no active trading market for the Notes and an active secondary market may never be established.*

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes 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 Ferrovial's results of operations. Although the Notes have been registered with Iberclear as managing entity of the Spanish Central Registry and application has been made for admission to listing and trading on AIAF, 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 Notes and a failure to obtain such listing may have a negative impact on the market value of the Notes.

*Credit ratings may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. 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.

*Interest rate risks.*

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

*The Guarantee will be subject to certain limitations on enforcement and may be limited or subject to certain defences that may limit their validity and enforceability.*

The Guarantee provides holders with a direct claim against the Parent in respect of the Issuer's obligations under the Notes. The Guarantee has not been granted as a separate instrument but under the Conditions of the Notes. Enforcement of the Guarantee would also be subject to certain generally available defences. Spanish law may also include regulations or defences which affect the rights of creditors generally. If a court were to find the Guarantee void or unenforceable as a result of such defences, or to the extent that any limitations on the Guarantee apply, holders would cease to have any claim in respect of the Parent and would be creditors solely of the Issuer.

*Certain limitations on acceleration.*

Spanish courts have in the past ruled that the remedy of resolution or acceleration may only be recognised in a contract in the event of a material breach of its terms or in cases where the breach affects an obligation which is deemed to be an essential condition of the contract or that affects the ability of a contracting party to comply with its obligations under the contract. Although Condition 10 (*Events of Default*) is expressly stated to be an essential condition (*causa*) for the issue, subscription and holding of the Notes, a Spanish court could interpret some of the Events of Default in light of the above considerations.

*The Issuer may redeem the Notes prior to maturity.*

The Conditions of the Notes provide that the Issuer may at its option redeem the Notes prior to maturity, if there is any change in or amendment to the laws or regulations of a Tax Jurisdiction (as defined in Condition 5 (*Definitions*)). Such redemption may take place at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes and/or may forgo a capital gain in respect of the Notes that would have otherwise arisen but for such redemption.

*As the Notes are registered with Iberclear investors will have to rely on their procedures for transfer, payment and communication with the Issuer.*

The Notes have been registered with Iberclear. Consequently, no physical notes have been or will be issued. Clearing and settlement relating to the Notes, as well as payment of interest and redemption of principal

amounts, will be performed within Iberclear's account-based system. The investors are therefore dependent on the functionality of Iberclear's account-based system.

Title to the Notes is evidenced by book entries (*anotaciones en cuenta*), and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities in Iberclear (the "Iberclear Members") as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein.

The Issuer will discharge its payment obligation under the Conditions by making payments through Iberclear. Noteholders must rely on the procedures of Iberclear and its participants to receive payments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, holders of the Notes according to book entries and registries as described in the previous paragraph. In addition, the Issuer has no responsibility for the proper performance by Iberclear or their participants of their obligations under their respective rules and operating procedures.

A summary of clearance and settlement procedures applicable to book-entry notes in Spain is contained under Section 11 (*Summary of Clearance and Settlement Procedures applicable to Book-Entry Notes*).

*The claims of Noteholders may be structurally subordinated to some senior creditors (including holders of other debt securities of the Issuer) and to creditors of Non-Recourse Financing.*

The operations of the Group are principally conducted through the Parent and its subsidiaries. Accordingly, the Issuer is and will be dependent on the operations of the Group to service its payment obligations in respect of the Notes. The Notes could be structurally subordinated to the claims of some holders of debt securities and other creditors (such as the debt securities of the Issuer currently outstanding), including trade creditors, of the Group, and to all secured creditors of the Group. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of the Parent or any subsidiary of the Parent, creditors of the Parent or such subsidiary generally will have the right to be paid in full before any distribution is made to the Parent.

In addition, the claims of Noteholders are structurally subordinated to claims made by creditors of Infrastructure Project Indebtedness (as defined herein). The Parent's consolidated annual financial statements include, as assets, its equity interests in entities which have raised Infrastructure Project Indebtedness and the Group usually grants security over these equity interests in favour of the relevant creditors. If these creditors were to enforce this security, the Group's assets would be depleted by the value attributable to such equity interests and it would no longer be entitled to the revenues generated by such assets.

*The Parent's ability to pay amounts due under the Guarantee will depend on dividends and other payments received from Subsidiaries.*

The Parent's results of operations and financial condition are substantially dependent on the trading performance of members of the Group. The Parent's ability to pay amounts due under the Guarantee will depend upon the level of distributions, interest payments and loan repayments, if any, received from the Parent's operating Subsidiaries and associated undertakings, any amounts received on asset disposals and the level of cash balances. Certain of the Parent's operating Subsidiaries and associated undertakings are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such Subsidiaries or associated undertakings.

#### *Modification.*

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

### *Change of law.*

The Conditions of the Notes, subject as provided below, and the Agency Agreement are based on Spanish law 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 Spanish law or administrative practice after the date of this Prospectus.

The status of the Guarantor's obligations under the Guarantee, as described in Condition 3(b) (*Status of the Guarantee*) shall be construed in accordance with the laws of the country where the Guarantor has its centre of main interest, which, in the case of the Guarantee, shall be Spanish law. No assurance can be given as to the impact of any possible judicial decision or change to Spanish law or administrative practice after the date of this Prospectus.

### **Risks related to the Spanish withholding tax regime**

Article 44 of Royal Decree 1065/2007, of 27 July 2007 ("Royal Decree 1065/2007"), sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014, dated 26 June 2014, on regulation, supervision and solvency of credit institutions ("Law 10/2014"). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than 12 months.

According to the plain wording of section 4 of article 44 of Royal Decree 1065/2007, income derived from securities originally registered with Iberclear will be paid by the Issuer net of Spanish withholding tax (currently at a rate of 19%) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Individual Income Tax. The Issuer will not pay any additional amounts in respect of any such withholding tax.

On the other hand, interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a "Payment Statement"), in accordance with section 4 of article 44 of Royal Decree 1065/2007, of 27 July 2007, with the following information:

1. Identification of the Notes.
2. Total amount of the income paid by the Issuer.
3. Amount of the income corresponding to individuals resident in Spain that are PIT taxpayers.
4. Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%.

Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

### **Risks related to Spanish Insolvency Law**

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 (the "Spanish Insolvency Law"), which came into force on 1 September 2004, supersedes, with some exceptions, all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of credits in an insolvency.



The Spanish Insolvency Law provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators within the required timeframes set forth therein; (ii) actions that cause a detriment to the assets of the insolvent debtor carried out during the two-year period preceding the date of its declaration of insolvency may be rescinded; (iii) provisions in a contract granting one party the right to terminate as a mere consequence of the other's declaration of insolvency may not be enforceable; (iv) interest accrued but unpaid as at the commencement of any insolvency proceedings (*concurso*) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations; and (v) interest shall cease to accrue from the date of the declaration of insolvency onwards, except for interest relating to credits secured with an in rem security interest up to the amount secured with such in rem security interest.

Certain provisions of the Spanish Insolvency Law could affect the ranking of the Notes or claims relating to the Notes on an insolvency of the Issuer. In particular, the following claims are subordinated claims pursuant to the Spanish Insolvency Law: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings (as explained above); (ii) contractually subordinated debt; (iii) certain interests; (iv) fines; (v) claims of creditors which are specially related to the debtor; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 61, 62, 68 and 69 of Law 22/2003, whenever the court rules, prior to the administrators' report of insolvency (*administración concursal*), that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the bankruptcy proceedings.

Spanish Insolvency Law allows debtors to enter into refinancing agreements with creditors under certain circumstances and if certain conditions are met. Thereunder, creditors may be crammed down to a restructuring agreement or a composition with creditors where stays of payment and discharges of debt, amongst other similar measures, may be imposed, if certain majorities are met amongst the financial creditors.

In circumstances where the debtor has entered into restructuring negotiations with its creditors, Article 5bis of the Spanish Insolvency Law allows the debtor to request from the Court a three-month grace period in order to conclude those negotiations and to attempt to resolve its financial difficulties informally with its creditors. Among other effects, during this three-month period, the debtor's obligation to file for insolvency is suspended.

## 2. OVERVIEW OF THE NOTES

The following constitutes the summary of the essential characteristics and risks associated with the Issuer, the Parent and the Notes. This overview should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole, including any documents incorporated by reference and any supplements hereto.

<b>Issuer</b>	Ferrovial Emisiones, S.A.
<b>Parent</b>	Ferrovial, S.A.
<b>Guarantor</b>	<p>The Notes will (subject to Condition 3 (<i>Guarantee</i>) in Section 7 (<i>Terms and Conditions of the Notes</i>)), benefit from a guarantee by the Parent (the “Guarantor”), who hereby guarantees claims of the Noteholders under the Notes. The guarantee hereby given by the Guarantor is referred to as the “Guarantee”.</p> <p>See Condition 3 (<i>Guarantee</i>) in Section 7 (<i>Terms and Conditions of the Notes</i>).</p>
<b>Joint Lead Managers and Bookrunners</b>	<p>Banco de Sabadell, S.A. CaixaBank, S.A. Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Merrill Lynch International RBC Europe Limited Scotiabank Europe plc Société Générale The Royal Bank of Scotland plc (trading as NatWest Markets)</p>
<b>Form, denomination and title</b>	<p>The Notes have been issued in uncertificated, dematerialised book-entry form (<i>anotaciones en cuenta</i>) in euro in an aggregate nominal amount of €500,000,000 and denomination of €100,000 (pursuant to which 5,000 Notes have been created).</p>
<b>Registration, clearing and settlement</b>	<p>The Notes have been registered with the Spanish <i>Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal</i> (“Iberclear”) as managing entity of the central registry of the Spanish clearance and settlement system (the “Spanish Central Registry”). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream Luxembourg”) with Iberclear.</p>
<b>Title and transfer</b>	<p>Title to the Notes is evidenced by book entries and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities (<i>entidades participantes</i>) in Iberclear (the “Iberclear Members”) as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the “Holder” of a Note means the person in whose name such Note is for the time being registered in the Spanish</p>

Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and “Noteholder” shall be construed accordingly.

The Notes are issued without any restrictions on their free transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will (except as otherwise required by Spanish law) be treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

**Issue and Maturity Date**

The Notes were issued and paid for on 29 March 2017 (the “Issue Date”) and will mature on 31 March 2025 (the “Maturity Date”).

**Listing and admission to trading**

The Issuer undertakes to complete its application for the Notes to be admitted to listing and admitted to trading on the Spanish AIAF Fixed Income Securities Market (“AIAF”), within 30 days after the Issue Date.

**Status of the Notes**

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) in Section 7 (*Terms and Conditions of the Notes*)) unsecured obligations (*créditos ordinarios*) of the Issuer ranking at least equally, without any preference among themselves, with all other present and future unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, save for such exceptions as may be provided by applicable legislation.

**Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*) in Section 7 (*Terms and Conditions of the Notes*)) unsecured obligations (*créditos ordinarios*) of the Guarantor ranking at least equally with all other present and future unsecured and unsubordinated obligations (*créditos ordinarios*) of the Guarantor, save for such exceptions as may be provided by applicable legislation.

**Negative pledge**

The Notes have the benefit of a negative pledge as described in Condition 4 (*Negative Pledge*) in Section 7 (*Terms and Conditions of the Notes*).

**Interest**

The Notes bear interest from and including the Closing Date at the rate of 1.375 per cent. per annum (the “Rate of Interest”), payable in arrear on 31 March in each year commencing on 31 March 2018 (each, an “Interest Payment Date”), subject as provided in Condition 8 (*Payments*) in Section 7 (*Terms and Conditions of the Notes*). The first Interest Period will be from (and including) the Closing Date to (but excluding) 31 March 2018. The Notes’ indication of yield is that of 1.469 per cent. per

annum, which has been calculated at the Issue Date on the basis of the Issue Price and is not an indication of future yield.

## **Payments**

Payments in respect of the Notes (in terms of both principal and interest) will be made by transfer to the registered account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET2 System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the Payment Day on which the payment of principal or interest, as the case may be, falls due. Noteholders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. None of the Issuer, the Paying Agents or any of the Joint Lead Managers and Bookrunners will have any responsibility or liability for the records relating to payments made in respect of the Notes.

All payments in respect of the Notes 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 9 (*Taxation*).

## **Redemption and purchase**

### ***Redemption at maturity***

Unless previously redeemed or purchased and cancelled, the Notes shall be redeemed in euro at their Redemption Amount on the Maturity Date. The Redemption Amount in respect of each Note shall be €100,000.

### ***Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time in the event of certain changes affecting taxes as more fully described in Condition 7(b) (*Redemption for taxation reasons*) in Section 7 (*Terms and Conditions of the Notes*).

### ***Redemption at the option of the Noteholders***

Upon the occurrence of a Change of Control followed by a Rating Downgrade during the Change of Control Period (as these terms are defined in Condition 5 (*Definitions*) in Section 7 (*Terms and Conditions of the Notes*)), each Noteholder shall have the option to require the Issuer to redeem or purchase the Notes, in whole or in part, at their principal amount plus accrued and unpaid interest up to (but excluding) the date for such redemption or purchase.

See Condition 7(c) (*Early redemption at the option of the Noteholders upon a Change of Control*) in Section 7 (*Terms and Conditions of the Notes*).

## **Taxation**

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. See Condition 9 (*Taxation*) in Section 7 (*Terms and Conditions of the Notes*).

**Prescription**

Claims in respect of the principal amount or interest on Notes will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date, as defined in Condition 5 (*Definitions*) in Section 7 (*Terms and Conditions of the Notes*).

**Events of default**

The events of default under the Notes are as specified in Condition 10 (*Events of Default*) in Section 7 (*Terms and Conditions of the Notes*). In particular, the Notes will have the benefit of a cross-default provision in relation to other indebtedness of the Issuer, the Guarantor or any Relevant Subsidiary (as defined in Condition 5 (*Definitions*), as described in Condition 10(c) in Section 7 (*Terms and Conditions of the Notes*)).

**Paying Agents**

Deutsche Bank AG, London Branch having its registered office at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom as principal paying agent (the “Principal Paying Agent”) and Deutsche Bank, S.A.E. having its registered office at Rosario Pino 14-16, 28020, Madrid, Spain as local paying agent (the “Local Paying Agent”). The Issuer is entitled to vary or terminate the appointment with Deutsche Bank AG, London Branch and Deutsche Bank, S.A.E., in their role of principal and local paying agents, respectively, and/or appoint additional or other paying agents (together with the Principal Paying Agent and the Local Paying Agent, the “Paying Agents” and each of them a “Paying Agent”) in accordance with the terms of the Agency Agreement.

**Meetings**

A summary of the provisions for convening meetings of Holders to consider matters relating to their interests as such is set out in Condition 12 (*Meetings of Noteholders*).

**Notices**

So long as the Notes are listed on AIAF, notices to the Noteholders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*). Any such notice will be deemed to have been given on the date of the first publication. In addition, so long as the Notes are represented by book entries, all notices to Noteholders shall be made through Iberclear for on transmission to their respective accountholders.

**Further issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes having the same terms and conditions in all respects as the outstanding Notes or the same in all respects except for the date of the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding Notes.

**Governing law and submission to jurisdiction*****Governing law***

The Notes and any non-contractual obligations arising out of or in connection with them and the Agency Agreement are, subject as provided below, governed by, and shall be construed in accordance with, Spanish law. The status of the Guarantee as described in Condition 3(b) (*Status of the Guarantee*) in Section

7 (*Terms and Conditions of the Notes*) shall be construed in accordance with Spanish law.

***Submission to jurisdiction***

The courts of the city of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection the Notes may be brought in such courts.

**Ratings**

The Parent and the Notes are rated BBB by Standard & Poor's and BBB by Fitch. A 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. The credit ratings included or referred to in this Prospectus will be treated for the purposes of Regulation (EC) No. 1060/2009 on credit rating agencies (the "CRA Regulation") as having been issued by Fitch and Standard & Poor's. Fitch and Standard & Poor's are established in the European Union and are registered under the CRA Regulation. As such both Fitch and Standard & Poor's are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such CRA Regulation.

**Risk Factors**

For a discussion of certain risk factors relating to the Issuer and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see Section 1 (*Risk Factors*).

### 3. DOCUMENTS INCORPORATED BY REFERENCE

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer, the Parent or the Group, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date. Any statement contained in any document incorporated herein by reference shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Those parts of the documents incorporated by reference in this Prospectus which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

The following documents which have been previously published and have been filed with the CNMV are incorporated in, and form part of, this Prospectus:

- (a) the summarised audited unconsolidated annual financial statements of the Issuer, the notes to the summarised audited unconsolidated annual financial statements, which have been prepared in accordance with Generally Accepted Accounting Principles in Spain (“Spanish GAAP”) and the Auditor’s reports as of and for the years ended 31 December 2015 and 31 December 2016, together with the directors’ report in respect of the latter (available on Ferrovial’s website: [www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Debt Issuances and Rating/Emisiones Debt Issuances Documents*);
- (b) the audited consolidated annual financial statements of the Parent, the notes to the audited consolidated annual financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS - EU”) and the Auditor’s reports as of and for the years ended 31 December 2015 (the “2015 Consolidated Annual Financial Statements”) and 31 December 2016 (the “2016 Consolidated Annual Financial Statements” and, together with the 2015 Consolidated Annual Financial Statements, the “Consolidated Annual Financial Statements”) together with the management report in respect of the 2016 Consolidated Annual Financial Statements (the “2016 Management Report”), which are set out in the integrated annual reports of the Parent for the year ended 31 December 2016 (the “2016 Annual Report”) and 31 December 2015 (the “2015 Annual Report”) (available on Ferrovial’s website: [www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Financial Information /Audited Financial Statements* and on the CNMV website: [www.cnmv.es](http://www.cnmv.es));

The information contained in the documents incorporated by reference other than the information listed above is for information purposes only and does not form part of this Prospectus.

The documents referred to in paragraphs (a) and (b) above are English translations of the original Spanish versions and the Issuer confirms that such translations are accurate translations of the original Spanish text, which have also been filed with the CNMV.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus are available as long as the Notes are outstanding from the registered office of the Parent.

## 4. DESCRIPTION OF THE ISSUER

### General Information

The Issuer is a directly and indirectly wholly owned subsidiary of Ferrovial, S.A. (the “Parent”). The Issuer was incorporated in Madrid on 9 May 2006 as a corporation (*sociedad anónima*) for an indefinite period under the name of Baroslia, S.A. and changed its name to Ferrovial Emisiones, S.A. on 7 July 2008. It is currently registered in the Mercantile Register of Madrid in volume 22873, sheet 84, page M-409577 and entry 1.

The Issuer’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 at 31 December 2016, the Issuer’s issued and paid-up share capital was €60,200 made up of 60,200 ordinary shares with a nominal value of €1 each. The Issuer is a directly and indirectly wholly owned subsidiary of the Parent.

### Business

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

The objects of the Issuer are the issue of preferred securities (*participaciones preferentes*) and/or other debt securities.

On 30 January 2013, the Issuer issued €500,000,000 3.375 per cent. notes due 2018 guaranteed by the Parent and certain of the subsidiaries of the Parent (the “January 2013 Notes”).

On 7 June 2013, the Issuer issued €500,000,000 3.375 per cent. notes due 2021 guaranteed by the Parent and certain of the subsidiaries of the Parent (the “June 2013 Notes”).

In April 2014, the subsidiaries of the Parent which guaranteed the aforementioned issues, namely the January 2013 Notes and the June 2013 Notes, were released as guarantors in accordance with and pursuant to their respective terms and conditions.

On 15 July 2014, the Issuer issued €300,000,000 3.500 per cent. notes due 2024 guaranteed by the Parent (the “July 2014 Notes”).

On 14 September 2016, the Issuer issued €500,000,000 0.375 per cent. notes due 2022 guaranteed by the Parent (the “September 2016 Notes”).

The Issuer has not engaged, since its incorporation, in any activities, whether trading activities or otherwise, other than those incidental to its incorporation, matters referred to as contemplated in this Prospectus, including the issue of the January 2013 Notes, the June 2013 Notes, the July 2014 Notes and the September 2016 Notes and matters which are incidental or ancillary to the above.

### Management

The governing body of the Issuer consists of two (2) Joint Directors. The Joint Directors of the Issuer as at the date hereof are as follows:

<b>Name</b>	<b>Position</b>
Ernesto López Mozo	Joint Director
Pedro Agustín Losada Hernández	Joint Director



The business address of the Joint Directors of the Issuer is Calle Príncipe de Vergara 135, 28002 Madrid, Spain.

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

## 5. 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

The Issuer was incorporated in 2006 as a directly and indirectly wholly owned subsidiary of Grupo Ferrovial, S.A. (“Grupo Ferrovial”), the then parent of the Ferrovial group.

In 2009, Grupo Ferrovial 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.

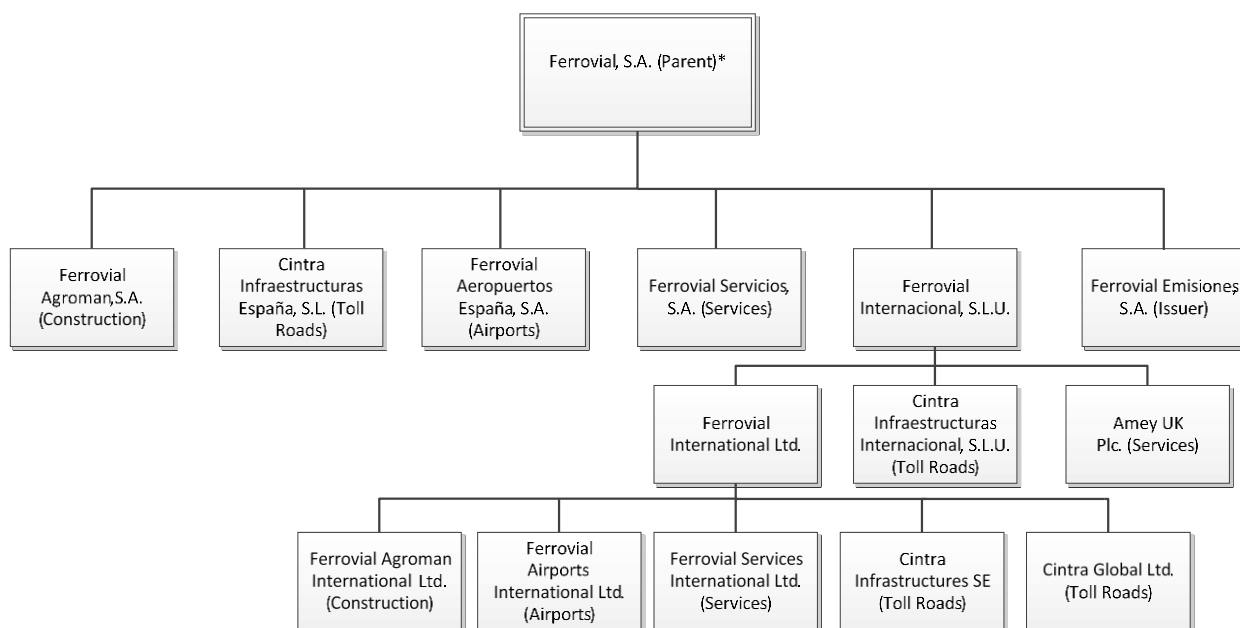
At the same time as completion of the merger between Cintra Concesiones and Grupo Ferrovial, Cintra Concesiones transferred to Cintra Infraestructuras, S.E. (“Cintra”) – Cintra Infraestructuras, S.A. - most of the shareholdings it held in concessionaires through which the Group conducts its infrastructure 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).

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 summarised corporate structure of the Group as at 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”), whose commercial name together with its consolidated subsidiaries is Ferrovial, was incorporated in Madrid on 3 February 1998 as a corporation (*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>.

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.

As at the date of this Prospectus and subject to Condition 3 (*Guarantee*) in Section 7 (*Terms and Conditions of the Notes*) the only Guarantor is the Parent.

### Share capital and major shareholders

As at 31 December 2016, the Parent’s share capital was €146,509,694.80, made up of 732,548,474 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 4 May 2016 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 final dividends corresponding to the 2015 financial year and the interim dividends corresponding to the 2016 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) 760,990 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 23 May 2016, the Executive Committee of the Parent, in accordance with resolution six of the agenda of the general shareholders meeting and exercising the rights sub-delegated to it by its Board of Directors, agreed to proceed with the first share capital increase of the scrip dividend programme. The result was that 58.896% of shareholders exercised the option to receive the dividends in shares.

On 26 October 2016, 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 share capital increase of the scrip dividend programme. The result was that 56.04% of shareholders exercised the option to receive the dividends in shares.

On 23 November 2016, the Chairman of the Board of Directors of the Parent, in accordance with resolution eight of the general shareholders meeting and exercising the rights sub-delegated to him by its Board of Directors, agreed to proceed with the share capital reduction by means of the redemption of 760,990 of the company's own shares already held as treasury shares and 15,547,735 of the company's own shares acquired through a buy-back programme. 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 at 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 heaven) are (i) Mr. Rafael del Pino y Calvo-Sotelo, with a 20.287% 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; (iv) Blackrock Inc, with a 3.084% stake; and (v) Fidelity International Limited, with a 1.007% 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 Aeropuertos España, S.A. ("Ferrovial Aeropuertos") 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 and EBIT Margin 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.

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) and "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). EBIT (which is reported in a line in the consolidated statement of profit and loss in the Consolidated Annual Financial Statements as "profit from operations before impairment and non-current asset disposals") is calculated as EBITDA minus depreciation and amortisation costs (by reference to the amount of fixed asset depreciation and amortisation) which is reported in a line in the consolidated statement of profit and loss in the Consolidated Annual Financial Statements as "depreciation and amortisation charge".

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(1)	
			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 Spain, S.L., Cintra Infraestructuras, S.E., 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.

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> .....	6,077.7	4,897.3	325.2	312.0	24,430.7	22,799.6

#### Notes:

- (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 Ferrovial 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). Ferrovial 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 Ferrovial 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, Ferrovial 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 current 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).

## *Spain*

Ferrovial Services in Spain is the business unit resulting from the integration of activities performed by Cespa (environmental services) and Ferrovial Servicios (infrastructure management and facility management), which carries out all the services activities in Spain. As a result of this integration, Ferrovial 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.

Currently the company is split into four (4) business units:



- Infrastructure. For the provision of construction, operations and maintenance services to telecommunication companies, utilities companies (construction, maintenance and operations in water, power and electrical contracts) and transport (road, rail and public transport contracts).
- Defence, Social and Property. Broadspectrum provides a broad range of services for the Department of Defence of Australia, including logistics, facilities management, and operations and maintenance of estates and infrastructures. In the social subsector the majority of work provided is derived from non-discretionary logistics and facilities management services to government clients across health, education, immigration and social housing. In the property subsector Broadspectrum delivers corporate real estate services.
- Resources and Industrial. This unit incorporates the activities in the oil and gas, mining and industrial subsectors.
- Americas. This unit incorporates the services provided by Broadspectrum in the USA, Canada and Chile. The range of services provided cover oil and gas, mining and roads maintenance.

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.

#### *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. Ferrovial Agroman is involved in all areas of civil engineering, residential building and non-residential building in Spain as well as internationally. Ferrovial 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.

Ferrovial 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.

Among the various contracts awarded in 2015 were the Thames Tideway tunnel ("Thames Tideway Tunnel") in the UK (amounting to €511 million), I-285 ("I-285") in the USA (amounting to €423 million), Toowoomba Second Range Crossing highway ("Toowoomba") in Australia (amounting to €310 million), S-7 Express Road Gdanik-Elblag in Poland (amounting to €302 million), Highway 407 ETR Phase 2 in Canada (amounting to €264 million) and S7 Ostroda in Poland (amounting to €256 million).

During 2016, Ferroviaľ has been 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).

*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>	
Ferroviaľ 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:

- (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 Ferroviaľ 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 Ferroviaľ’s total revenue. The order book 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 .....	9,088.5	8,730.9

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 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 account 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 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 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). 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 at 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 for a total of €159 million. Cintra will continue to hold 49% of the Norte Litoral and 48% of the Algarve. As at the date hereof, completion of this transaction is pending administrative approval. 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 for the second half of 2017.

On 31 December 2016, the SH-130 concession company, which had been involved in Chapter 11 bankruptcy proceedings since March 2016, was deconsolidated, as control over the business was considered to have been lost. 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 at 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:

Country	Toll Road	Year ended 31 December			
		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
<b>Financial assets<sup>(1)</sup></b>					
Spain .....	Autema	97.6	88.1	89.0	79.2
Ireland .....	M3	3.6	23.2	2.8	17.6
Ireland .....	M4-M6	3.8	23.1	2.6	17.1
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>62.8</b>	<b>143.7</b>	<b>- 48.6</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	675.0	590.2
Greece <sup>(5)</sup> .....	Central	49.7	11.0	43.0	3.9
Greece <sup>(5)</sup> .....	Ionian Roads	76.9	75.1	15.0	47.3

**Year ended 31 December**

Country	Toll Road	Revenues		EBITDA	
		(millions of euros)		(millions of euros)	
		2016	2015	2016	2015
Spain <sup>(5)</sup>	Serrano Park <sup>(6)</sup>	5.4	5.4	3.0	2.9
<b>Financial assets<sup>(5)</sup></b>					
Spain	Benavente-Zamora	23.7	49.1	21.7	20.1
Canada	407 EDG	68.1	249.8	9.5	15.6
UK	M8	162.9	158.7	20.6	15.1
Australia	Toowoomba	175.9	74.7	2.0	(0.4)

Notes:

- (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 43.2% 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 depend primarily on 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:

(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, Ferrovial 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 9% for the years 2002 to 2015).

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 2005 to 2016 was 9% in respect of revenues, 3% in respect of operational expenditures and 11% 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, 35 kilometres long with a total investment of approximately €544 million as at 31 December 2016 (as at 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 EDG: 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 at 31 December 2016 (as at 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 at 31 December 2016 (as at 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.

- SH-130

SH-130 is a 64 kilometre length project that gives an alternative to IH-35 between San Antonio and northern Austin, providing a way for medium and long-haul routes to bypass one of the most congested roadways in the United States. The concession has a 55 year term, ending in 2062.

In March 2016, SH-130 filed for Chapter 11 protection in order to address its outstanding debt obligations and will continue discussions with its lenders to improve the capital structure of the project for the long term.

On 8 December 2016 the concession operator and the main creditors entered into an agreement to support a reorganisation plan, which resulted in Cintra losing control over SH- 130. The plan support agreement was approved by creditors representing 50% of the interest-bearing debt, which is the majority required by the US Bankruptcy Code for the reorganisation plan to come into effect. This approval was subsequently ratified in a vote held before the judge on 11 January 2017. Ultimate implementation of the plan is subject to completion of a series of procedural formalities to facilitate the orderly transfer of the company's management. As a result of the agreement entered into on 8 December, it was concluded that, in accordance with IFRS 10, the ownership interest in SH-130 should be excluded from consolidation at 2016 year-end, as reflected in the 2016 Consolidated Annual Financial Statements.

## 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 Catalan government.

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. Cintra holds a 100% direct interest in the Norte-Litoral in December 2016 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 Euroscut 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%. As at the date hereof, completion of this transaction is pending administrative approval.

- 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%. As at the date hereof, completion of this transaction is pending administrative approval.

- 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.

## Other Countries

Ferrovial also operates two concessions in Ireland: the M3, a 50 kilometre toll road, the term for which ends in 2052, and Eurolink (M4-M6), a 36 kilometre toll road, the term for which ends in 2033; and 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 Aeropuertos 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%):

Airports	Year ended 31 December			
	Revenues		EBITDA	
	2016	2015	2016	2015
	<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:

- (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 EBITDA shown in page 37 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 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 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 Air France, 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.

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 23 airlines serving more than 53 destinations.

Southampton has a large catchment area within 60 minutes of over 3.5 million people and serves around 40 destinations with 21 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 Charrúa Transmisión, 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.

### *Changes to the Regulatory Framework*

The Civil Aviation Bill, which replaces the previous Airport Act, has been brought forward, following the UK government's decision announced in December 2009, which followed extensive consultation with the industry regarding changes to the economic regulation of UK airports.

The bill introduces a new single primary duty for the Civil Aviation Authority ("CAA") to promote the interests of existing and future end consumers of passenger and freight services, wherever appropriate, by promoting effective competition. There are also supplementary duties for the CAA to:

- (i) have regard for airport operators' legal obligations to comply with applicable environmental and planning law;
- (ii) secure, so far as it is economical, that all reasonable demands for airport services are met efficiently;
- (iii) ensure that licence holders are able to finance the activities which are subject to the relevant licence obligations;
- (iv) have regard to guidance issued by the Secretary of State, as well as any National Policy Statement on airports;
- (v) have regard to the principles of Better Regulation and to consult with stakeholders, including airlines; and
- (vi) secure that licence holders are able to take reasonable measures to mitigate the adverse environmental effects of the licensed airport, its associated facilities and aircraft using that airport.

The Civil Aviation Bill has also brought into effect an economic licensing regime for airports similar to the regulatory framework in place in certain other regulated sectors such as water and energy; as a regulated airport, Heathrow requires a licence (in addition to its existing aerodrome licence). Licensed airports are subject to a form of price control and a sanctions regime. The licensing regime includes scope for financial penalties, for example, in the event of a breach of certain licence conditions. Licensed airports are also obliged to consult stakeholders on future plans for investment and the operation of an airport, to report on environmental performance, and to comply with service standards and other conditions and measures designed to ensure the effective economic regulation of the airport. The CAA has issued the initial licence. The licensing regime also includes conditions relating to the financial resilience of licensed airports. The current regulatory period (Q6) for economic regulation of Heathrow began on 1 April 2014. On January 2014, the CAA gave notice of its proposed licence to Heathrow under the Civil Aviation Act 2012, under which the maximum allowable yield per passenger will be the Retail Price Index ("RPI") minus 1.5% per year.

On 27 July 2016, the CAA issued a consultation on extending the price control for the Q6 regulatory period by one year due to uncertainty regarding a runway decision and the risk of lower levels of industry engagement. On 21 December 2016, the CAA confirmed the extension of the current Q6 regulatory period until 31 December 2019, continuing with the annual maximum tariff increase per passenger of RPI minus 1.5%.

### *Expansion*

On 25 October 2016, the UK government took the decision to support Heathrow's expansion and Heathrow confirmed it will begin work to deliver the new runway that will enhance Britain's connections to the world. A new third runway to the north west of Heathrow will deliver a world leading, ambitious and affordable plan which balances substantial national and local economic gain from expansion with the environmental impacts.

The UK government's decision follows the recommendation of the Airports Commission in July 2015 after a two and a half year review. A third runway is expected to bring substantial benefits to the UK, creating up to 180,000 jobs and £211 billion of growth across the country. As the UK charts a new course outside the EU, it is expected to enable up to 40 new long-haul trading routes and support Britain's exporters to reach the fastest growing markets in the world. With the aim of giving Britain a 'Brexit Boost' and unlocking jobs and growth across the country sooner, Heathrow will consult on plans to bring in 25,000 extra flights per year from 2021.



In February 2017, the UK government published its draft Airports National Policy Statement (“NPS”) outlining its policy for Heathrow’s expansion. The publication started a 16-week public consultation on the draft NPS. A number of planning requirements are being consulted on, which are reflected in Heathrow’s plans, including providing compensation to communities affected by the expansion, purchasing properties affected by the scheme at a 25% premium, implementing measures mitigating noise including a six and a half hour ban on scheduled night flights, setting specific mode share targets to curb impacts on air quality and demonstrating the scheme can be delivered in compliance with legal requirements on air quality. A final version of the NPS is expected to be submitted to a vote in the UK parliament during the winter of 2017/18. In addition, Heathrow will run the first of two public consultations later this year as it develops its Development Consent Order (DCO) for submission to the Planning Inspectorate.

### *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, Heathrow was also selected as “Best Airport in Europe” for the second consecutive year as well as the “Best Airport for Shopping” for the seventh consecutive year and Terminal 5 was selected for the fifth consecutive year as “Best Airport Terminal” by the Skytrax World Airport Awards.

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. 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 currently expects to raise no more than £750 million in senior (Class A) term debt in 2017.

### *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 20 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 the company 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.

### ***Spanish toll roads***

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

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

In 2015 significant developments took place in the insolvency proceedings initiated in relation to the concession operator of the AP36 toll road and the holder of the shares of the concession operator.

On 23 January 2015 Spanish government lawyers representing Seittsa, entity fully owned by Spanish government, submitted an arrangement proposal to the Commercial Court, which included the following main matters:

- Establishing a global proposal with the aim of providing a solution to all the toll road concession operators which were involved in the same situation. In fact, the validity of the proposal was

subject to it being accepted by all the concession operators, which include not only the AP 36 toll road, but also the concession operator of the Radial 4 Madrid-Ocana toll road.

- Seittsa would become the concession operator of all the administrative concessions relating to the affected toll roads.
- Seittsa would assume these concession operators' debts to third parties although with certain debt reductions made on the nominal amount thereof. Specifically, a write-off of all the debt payable to shareholders and a reduction of 50.99% of the debt payable to banks, as well as other terms and conditions relating to the deferral of the related payments were proposed.

In practice, the solution proposed would have resulted in the shareholders not recovering any of the capital invested in the projects.

On 24 February 2015 the competent commercial court dismissed in a court order the arrangement proposal submitted by the Spanish government lawyers and approved the following measures:

- Not to admit the arrangement proposals for consideration due to irremediable defects.
- To render null and void the arrangement phase in the insolvency proceeding and open the liquidation phase, thereby cancelling the creditors' meeting that was scheduled for 4 March 2015.
- 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 Spanish government lawyers filed an appeal against the aforementioned court order, which was admitted for consideration by the commercial court on 31 July 2015 (notified on 4 September). In the aforementioned appeal, the Spanish government lawyers refuted the arguments of the court and insisted upon the application of the arrangement proposal of Seittsa as the only solution to the situation of the affected companies.

On 21 September 2015, certain of the affected creditor banks submitted their respondent's notice against the Spanish government lawyers' appeal. In the respondent's notice they alleged that the viability plan upon which Seittsa's proposal was based was unachievable and that the only viable alternative was the liquidation of the companies.

Finally, in December 2016 the Madrid Provincial Appellate Court definitively set aside the arrangement proposal submitted by the Spanish government through Seittsa. Accordingly, at 31 December 2016 the only viable solution appears to be the definitive liquidation of the company through payment of the Governmental Liability ("*Responsabilidad Patrimonial de la Administración -RPA-*") by the Spanish State.

(b) *Radial 4 toll road*

The preparation of the list of creditors is under discussion and the claims relating to the company are still being determined in the initial phase of the insolvency proceedings. This delay is justified in part because of the complexity of the compulsory purchase process in this case, compared to the AP 36 toll road, and because of the prudence of the competent court in advancing with the proceeding while it awaits a definitive solution becoming clear in similar proceedings regarding the privileged nature of the loans granted by the banks. Although the liquidation process has not yet commenced, taking into consideration the changes at the other companies involved in these proceedings, it appears that the final solution will be a liquidation process.

As a consequence of the above, the Spanish toll road concession operators AP 36 Ocaña La Roda and R4 Madrid Ocaña were excluded from the scope of consolidation in 2015 as it was considered that as a result of the evolution of the insolvency proceedings control is not held over the investees. There is no real exposure to variable returns from the involvement with the investee (any solution would not affect the exposure of the shareholders' capital) and also there is no real ability to use the power over the investee to affect the amount of the investor's returns. In any case, it could be concluded that currently the shareholders of both projects are not exposed to possible additional profits or losses which might arise from the resolution of the insolvency

proceedings. The cumulative loss recognised in relation to the ownership interests in these projects amounted to €53 million and €220 million, respectively, equal to the capital invested and the guarantees provided since the commencement of the two projects. In addition, the assets and liabilities of these companies were excluded from consolidation since 2015.

#### *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, the Catalonia Autonomous Community Government officially published Decree 161/2015 which included the amendment to the toll road concession arrangement. Ferrovial considers that there are sound arguments to conclude that the Catalonia Autonomous Community Government, on issuing Decree 161/2015, clearly exceeded the limits of the power to amend the arrangements. Accordingly, the company filed an appeal against the aforementioned Decree at the High Court of Catalonia.

As a result of the amendment to the concession regime and taking into consideration the solid legal position against this amendment, classification of this concession as a financial asset has been maintained. However, the test for impairment on goodwill has been revised by Ferrovial and an impairment loss of €55 million has been recognised.

#### *I-77*

I-77 Mobility Partners LLC and the North Carolina Department of Transportation (“NCDOT”) are subject to a joint lawsuit in a proceeding which seeks to annul the comprehensive agreement entered into by I-77 Mobility Partners LLC and NCDOT relating to an access toll road to Charlotte in North Carolina, USA, under a managed-lane regime. The claims of the claimants were dismissed by the judge on 8 January 2016. The claimants filed an appeal and the corresponding hearing took place on 8 February 2017 before the North Carolina Appeal Court. The decision on the appeal is currently pending. If this appeal succeeds the impact would be to annul the concession arrangement currently granted to I-77, which would give rise to a right to indemnification for any damage and losses for the concession operator.

#### *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 €260 million. Final payment of these taxes has been deferred until the end of the court proceedings, which are expected to last, between 8 and 10 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.

#### *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. The most significant litigation, in terms of amount, in this business area are (i) Container terminal at the port of Barcelona and (ii) the Arbitration in Warsaw.

#### *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 Tribunal Supremo.

#### *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.

#### *Claim of the Directorate-General for Roads and Toll Roads in Poland*

On 31 October 2016, the Polish Public Treasury (Directorate-General for Roads and Toll Roads - “GDDKiA”) lodged a civil claim against a consortium in which Budimex was participating in order to submit a tender for the project to construct a section of the S8 Piotrkow Trybunalski - Rawa Mazowiecka expressway, which was ultimately awarded to another consortium. GDDKiA accused the consortium in which Budimex was participating of price fixing between competitors, which allegedly would have given rise to significant cost overruns in the performance of the construction work. The amount claimed included principal of €123 million and unquantified interest (since July 2009). In February 2017, the company was notified that GDDKiA had withdrawn the claim, and as at the date of this Prospectus the withdrawal of the claim is pending acceptance by the Court. On the basis of the foregoing, it was not considered necessary to recognise a provision for this lawsuit at 2016 year-end.

#### ***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. Birmingham City Council is seeking permission (leave) to appeal the court’s decision. Court decision on this is still pending.

## *Spanish National Market and Competition Commission*

With respect to the Services business in Spain, the main lawsuit in which the Group was involved 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.

## **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 particular program 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. As a result of this challenging 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 of 31 December 2016, the Group had approximately 96,000 employees.

### **Management**

#### *Management of the Parent*

#### Board of Directors of the Parent

The Board of Directors of the Parent, as at the date hereof, is composed of the following eleven (11) 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 - CEO



<b>Name</b>	<b>Position</b>
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
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 - CEO
Maria Dionis Trenor.....	Human Resources General Director
Enrique Díaz-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 .....	CFO
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 Ferrovia'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 to any performance measures prepared in accordance with IFRS - EU. Many of these APMs are based on Ferrovia'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 Ferrovia, 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 Ferrovia'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 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.

Ferrovia 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.

## **6. RECENT DEVELOPMENTS AND FACTS WHICH MAY HAVE A MATERIAL EFFECT ON THE ISSUER'S AND OR THE PARENT'S PROSPECTS**

In January 2017, a consortium headed by Ferrovial Agroman, of which local company MSF is also a member, was selected by Iberdrola to build the Gouvaes hydroelectric plant on the Tâmega river, in the north of Portugal. The project will cost €80 million and is expected to be completed in 47 months.

Also in January, Transport for Greater Manchester awarded a joint venture partnership comprising Ferrovial Servicios' subsidiary, Amey, and the global public transport operator Keolis the contract to operate and maintain the Metrolink tram network, for up to 10 years. Amey has a 40% stake in the joint venture.

In February, Ferrovial Agroman subsidiary Webber was selected by the Texas Department of Transportation (TxDOT) to widen a stretch of the I-45 in Houston for US\$119 million (€111 million).

In addition, Ferrovial, through its subsidiary Cintra, and Australian infrastructure operator Plenary established a joint venture, Netflow, to compete in the Australia and New Zealand road infrastructure market. Both companies are already partners in Nexus Infrastructure, the consortium developing the Toowoomba Second Range Crossing.

In March 2017, The Texas Department of Transportation (TxDOT) has selected Webber to expand an 8-mile (13-kilometre) section of the US 281 between Loop 1604 and Borgfeld Drive, in Bexar County, San Antonio. The project has a budget of US\$192 million (more than €181 million) and will take 3 years to be completed.

## 7. TERMS AND CONDITIONS OF THE NOTES

The issue of the €500,000,000 1.375 per cent. Notes due 2025 (the “Notes”, which expression shall, unless otherwise indicated, include any further notes issued pursuant to Condition 15 (*Further Issues*) and consolidated and forming a single series with the Notes) was (save in respect of any such further notes to be issued pursuant to Condition 15 (*Further Issues*)) authorised by resolution of the joint administrators (*administradores mancomunados*) of Ferrovial Emisiones, S.A. (the “Issuer”), passed on 17 March 2017. The guarantee of the Notes was authorised by resolution of the board of directors of Ferrovial, S.A. (the “Parent”) passed on 27 February 2017. The Notes have the benefit of an agency agreement dated 29 March 2017 (the “Agency Agreement”) that has been entered into in relation to the Notes between the Issuer, the Parent, Deutsche Bank AG, London Branch as principal paying agent (the “Principal Paying Agent”) and Deutsche Bank, S.A.E. as local paying agent (the “Local Paying Agent” together with the Principal Paying Agent, the “Paying Agents” and each of them a “Paying Agent”, which expression shall include any successor as paying agent under the Agency Agreement).

Capitalised terms used but not defined in these terms and conditions (the “Conditions”) shall have the meanings attributed to them in the Agency Agreement unless the context otherwise requires or unless otherwise stated.

### 1 FORM, DENOMINATION AND TITLE

#### (a) Form and denomination

The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €500,000,000 and denominations of €100,000.

#### (b) Registration, clearing and settlement

The Notes have been registered with the Spanish *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* (“Iberclear”) as managing entity of the central registry of the Spanish clearance and settlement system (the “Spanish Central Registry”). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear and Clearstream, Luxembourg with Iberclear.

Iberclear manages the settlement and clearing of the Notes, notwithstanding the Issuer’s commitment to assist, when appropriate, on the clearing and settlement of the Notes through Euroclear and Clearstream Luxembourg.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Notes: ES0205032024. The Common Code for this issue is 158890461.

#### (c) Title and transfer

Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the respective participating entities (*entidades participantes*) in Iberclear (the “Iberclear Members”) as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the “Noteholder” means the person in whose name such Note is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Noteholder shall be construed accordingly.

One or more certificates (each a “Certificate”) attesting to the relevant Noteholder’s holding of Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Noteholder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the

relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Noteholder upon such Noteholder's request.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Noteholder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Noteholder.

## 2 STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations (*créditos ordinarios*) of the Issuer ranking at least equally, without any preference among themselves, with all other present and future unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, save for such exceptions as may be provided by applicable legislation.

Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (*concurso*) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, no further interest on the Notes shall be deemed to accrue from the date of the declaration of any insolvency proceeding (*concurso*) relating to the Issuer.

## 3 GUARANTEE

### (a) *Guarantee*

#### i. *Guarantee and indemnity*

The Guarantor hereby unconditionally and irrevocably guarantees on first demand (*garantía a primer requerimiento*) to each Noteholder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Note as and when the same shall become due and payable and agrees unconditionally to pay to such Noteholder, forthwith on demand (*a primer requerimiento*) by such Noteholder and in the manner and currency prescribed by the Conditions for payments by the Issuer thereunder, any and every sum or sums of money which the Issuer shall at any time be liable to pay under or pursuant to such Note and which the Issuer shall have failed to pay at the time such demand is made.

The Guarantor hereby unconditionally and irrevocably undertakes to each Noteholder that, should any amount referred to in the above paragraph not be recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Note or any provision of any Note being or becoming void, unenforceable or otherwise invalid under any applicable law) then, notwithstanding that the same may have been known to such Noteholder, the Guarantor will, forthwith on demand by such Noteholder, pay such amount by way of a full indemnity in the manner and in the currency prescribed by the Conditions for payments under the Notes. This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

The Guarantor expressly represents that this irrevocable and unconditional Guarantee is an autonomous and independent obligation (*garantía abstracta*) and is not ancillary in respect to the obligations of the Issuer, under the Notes, so that the Guarantor shall be bound to comply with the obligations contained herein upon the written demand of the relevant Noteholder, not needing such Noteholder to express or demonstrate any other requirement of whatsoever nature.

The Guarantor expressly represents that this irrevocable and unconditional Guarantee is given in respect of any Notes and is constructed as a first demand guarantee (*garantía a primer requerimiento*) instead of a guarantee (*fianza*) pursuant to article 1822 et seq. of the Spanish Civil Code.

This Guarantee must be construed in the sense of Supreme Court Judgments of 21 April 1989, 14 November 1989 and 27 October 1992.

Due to the autonomous and independent nature of this first demand guarantee, no invalidity or unenforceability of the Issuer's payment obligations nor any of the circumstances which might otherwise constitute a defence available to, or discharge of the Guarantor shall affect, impair or be a defence to this Guarantee, which therefore constitutes a primary obligation of the Guarantor.

The Guarantor may not oppose and expressly waives any benefits of excision, division and order (*beneficios de orden, división y excusión*), provided in the Spanish Civil Code.

*ii. Preservation rights*

The obligations of the Guarantor under the Guarantee shall be deemed to be undertaken as sole principal debtor and not merely a surety.

The obligations of the Guarantor under the Guarantee shall constitute and 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 partial payment or satisfaction of all or any of the Issuer's obligations under the Notes and shall continue in full force and effect in respect of the Notes until final repayment in full of all amounts owing by the Issuer thereunder and total satisfaction of all the Issuer's actual and contingent obligations thereunder.

The obligations expressed to be assumed by the Guarantor under the Guarantee will not be discharged, nor will its liability under such obligations be affected, by anything which would not discharge its obligations or affect its liability if it were the sole principal debtor, including:

- (i) the insolvency, winding-up (*liquidación*), dissolution (*disolución*), amalgamation, reconstruction or reorganisation of the Issuer or any analogous proceeding in any jurisdiction or any change in its status, function, control or ownership; or
- (ii) any of the obligations of the Issuer under the Notes being or becoming illegal, invalid or unenforceable in any respect; or
- (iii) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under any of the Notes; or
- (iv) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under the Notes or to any security or other guarantee or indemnity; or
- (v) the enforcement or absence of enforcement of any obligation of the Issuer under the Notes or of any security or other guarantee or indemnity; or
- (vi) the taking, existence or release of any security, guarantee or indemnity.

Any settlement or discharge between the Guarantor and the Noteholders or any of them shall be conditional upon no payment to the Noteholders 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 Noteholders 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.

No Noteholder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Guarantee or by law:

- (i) to make any demand of the Issuer, other than the presentation of the Note; or
- (ii) to take any action or obtain judgment in any court against the Issuer; or

- (iii) to make or file any claim or proof in a winding-up (*liquidación*) or dissolution (*disolución*) of the Issuer and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Note, presentment, demand, protest and notice of dishonour.

The Guarantor agrees that so long as any sums are or may be owed by the Issuer under the Notes or the Issuer is under any other actual or contingent obligations thereunder, the Guarantor shall not exercise rights which the Guarantor may at any time have by reason of the performance of the obligations expressed to be assumed by the Guarantor under the Guarantee:

- (i) to be indemnified by the Issuer; and/or
- (ii) to claim any contribution from any other guarantor of the Issuer's obligations under the Notes; and/or
- (iii) to take the benefit (in whole or in part) of any security enjoyed in connection with the Notes by any Noteholder; and/or
- (iv) to be subrogated to the rights of any Noteholder against the Issuer in respect of amounts paid by the Guarantor pursuant to the provisions of this Guarantee.

The obligations of the Guarantor hereunder will at all times rank as described in Condition 3(b) (*Status of the Guarantee*).

*iii. Currency Indemnity*

If any sum due from the Guarantor under this Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under this Guarantee or such order or judgment into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against the Guarantor, (ii) obtaining an order or judgment in any court or other tribunal, or (iii) enforcing any order or judgment given or made in relation to this Guarantee, the Guarantor shall indemnify each Noteholder on demand against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency, and (b) the rate of exchange quoted on the same day at or around 11.00 a.m. (London time) on the appropriate Reuters, Bloomberg or equivalent screen which such Noteholder may in the ordinary course of business use for the sale of the second currency against a purchase of the first currency, upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

*iv. Benefit of Guarantee*

The obligations expressed to be assumed by the Guarantor herein shall be for the benefit of each Noteholder, and each Noteholder shall be entitled severally to enforce such obligations against the Guarantor.

The Guarantor may not assign or transfer all or any of its rights, benefit and obligations hereunder.

*v. Partial Invalidity*

If at any time any provision of this Guarantee 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.

*vi. Modification*

This Guarantee may be modified by the Guarantor in respect of the Notes with the approval of an Extraordinary Resolution of the Noteholders.

*vii. Execution*

By signing this Prospectus, the Guarantor hereby acknowledges and agrees that the Guarantee is executed and given by it in respect of the Notes.

*viii. Notices*

Notices to the Guarantor shall be in the English language and shall be by letter or fax and shall be delivered to the Guarantor at:

Ferrovial, S.A.  
Calle Príncipe de Vergara, 135,  
28002 Madrid  
Spain

Fax Number.: +34 91 586 27 49

Attention of: Alejandro Veramendi B

or any other address of which written notice has been given to the Noteholders. Such communications will take effect, in the case of a letter, when delivered or, in the case of fax, when the relevant delivery receipt is received by the sender; provided that any communication which is received outside business hours or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place.

*ix. Enforcement*

It is expressly agreed for purposes of enforcement in judicial or out-of-court proceedings that the liquid, due and payable amount will be the one resulting from the liquidation carried out by the Noteholder, reflecting the balance of the amounts due by the Issuer.

In the event that the Noteholder decides to commence enforcement proceedings, the Guarantor and the Noteholder expressly agree for purposes of article 517 et seq. of the Spanish Civil Procedure Act (*Ley de enjuiciamiento civil*) that enforcement may be made against the Guarantor for the amounts due by it under this Guarantee following notification to the Guarantor of the amount due and payable. Therefore, the following shall be sufficient for the commencement of the summary proceedings: (i) a copy of this Prospectus; (ii) a public document evidencing that the liquidation has been carried out in the manner agreed in the preceding paragraph; and (iii) a certified document providing evidence of the prior notice to the Guarantor of the amount due as a result of settlement.

All taxes, costs, expenses and duties that accrue or that are incurred by reason of the notarial instruments and the enforcement proceedings referred to in the preceding paragraph shall be for the account of the Guarantor.

*(b) Status of the Guarantee*

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations (*créditos ordinarios*) of the Guarantor and shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations (*créditos ordinarios*), save for such exceptions as may be provided by applicable legislation.

#### **4 NEGATIVE PLEDGE**

So long as any of the Notes remain outstanding, neither the Issuer nor the Guarantor will create or permit to subsist, and the Issuer will ensure that no Relevant Subsidiary will create or permit to subsist, any mortgage, charge, lien, pledge or other form of encumbrance or security interest (each a "Security Interest") other than a Permitted Security Interest upon the whole or any part of its present or future property or assets (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee or indemnity in respect of any Relevant Indebtedness unless, in any such case, before or at the same time as the creation of the Security Interest, any and all action necessary shall have been taken to ensure that:

- (i) all amounts payable under the Notes are secured equally and rateably with the Relevant Indebtedness or guarantee or indemnity, as the case may be; or



- (ii) any other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable under the Notes as shall be approved by an Extraordinary Resolution (as defined below) of the Noteholders,

provided that any Relevant Subsidiary acquired after the Closing Date may have an outstanding Security Interest with respect to Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) of such Relevant Subsidiary, so long as such Security Interest was outstanding on the date on which such Relevant Subsidiary became a Subsidiary and was not created in contemplation of such Relevant Subsidiary becoming a Subsidiary or such Security Interest was created in substitution for or to replace either such outstanding Security Interest or any such substituted or replacement Security Interest and is not increased in amount after the date that such Relevant Subsidiary became a Subsidiary of the Parent.

## 5 DEFINITIONS

In these Conditions, unless otherwise provided:

“business day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“Basic Terms Modification” means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;
- (b) to modify any provision of the Guarantee;
- (c) to change the currency in which any amount due in respect of the Notes is payable;
- (d) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (e) to change this definition, the definition of "Extraordinary Resolution", the definition of "outstanding" or the definition of "Written Resolution" in the Conditions;
- (f) to change or waive the provisions of the Notes set out in Condition 4 (*Negative Pledge*);
- (g) to change the law governing the Notes and/or the courts to the jurisdiction of which the Issuer has submitted in the Notes, set out in Condition 17 (*Governing Law and Jurisdiction*);
- (h) to approve any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person; or
- (i) in connection with any proposed exchange, substitution or conversion of the type referred to in subparagraph (h) to amend any of the provisions of the Notes describing circumstances in which Notes may be redeemed or declared due and payable prior to their scheduled maturity date.

A “Change of Control” shall be deemed to have occurred at each time that any person or group of persons acting in concert, in each case other than a Relevant Person or group of Relevant Persons acting in concert, acquires control, directly or indirectly, of the Parent.

“Change of Control Period” means the period commencing on the date that is the earlier of: (1) the date of the occurrence of the relevant Change of Control; and (2) the date of the first relevant Potential Change of Control Announcement (if any), and ending on the date which is 90 days after the date of the occurrence of the relevant Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as

the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

“Clearstream, Luxembourg” means Clearstream Banking, S.A.

“Closing Date” means 29 March 2017.

“control” means (a) the acquisition or control of more than 50% of the Voting Rights or (b) the right to appoint and/or remove all or the majority of the members of the Parent's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise and “controlled” shall be construed accordingly.

“EBITDA” (which is reported in a line in the consolidated statement of profit and loss in the Consolidated Annual Financial Statements and the Interim Financial Statements as “gross profit from operations”) means the operating result before charges for fixed asset depreciation and amortisation and is calculated as total operating income minus total operating expenses (excluding those by reference to the amount of fixed asset depreciation and amortisation).

“Euroclear” means Euroclear Bank S.A./N.V.

“Event of Default” has the meaning provided in Condition 10 (*Events of Default*).

“Final Maturity Date” means 31 March 2025.

“Group” means the Parent and its Subsidiaries.

“Guarantor” means the Parent.

“Iberclear” has the meaning provided in Condition 1 (*Form, Denomination and Title*).

“Iberclear Member” has the meaning provided in Condition 1 (*Form, Denomination and Title*).

“IFRS-EU” means International Financial Reporting Standards as adopted by the European Union.

“Infrastructure Project” means any project carried out by an entity pursuant to one or more contracts for any of the construction, upgrading, operation and maintenance of infrastructure or for the performance of other services, where the entity is one in which the Group has interest (whether alone or together with other partners) and which finances the investment required in the project with Infrastructure Project Indebtedness and its share capital or other equity contribution made to it.

“Infrastructure Project Indebtedness” means indebtedness where the recourse of the creditors thereof is limited to any or all of (a) the relevant Infrastructure Project (or the concession or assets related thereto); (b) the share capital of, or other equity contribution to, the entity or entities developing, financing or otherwise directly involved in the relevant project; and (c) other credit support (including, without limitation, completion guarantees and contingent equity obligations) customarily provided in support of such indebtedness.

“Infrastructure Project Subsidiary” means any Subsidiary of the Parent:

- (a) that develops an Infrastructure Project as its sole activity; or
- (b) whose sole purpose is to incur Infrastructure Project Indebtedness in connection with an Infrastructure Project; or
- (c) whose sole purpose is to facilitate the investment by the Group and its partners in the share capital of, or other equity contribution to, a Subsidiary falling within paragraph (a) or (b) above; or
- (d) which is also a direct or indirect wholly owned Subsidiary of a Subsidiary falling within paragraphs (a) to (c) above.

For the avoidance of doubt, FGP Topco Limited (an English registered company with number 05723691) and its Subsidiaries as at the Closing Date, and any other entity (not previously being a member of the Group) which becomes its Subsidiary on or after the Closing Date are each considered Infrastructure Project Subsidiaries.

“Investment Grade Rating” means: (a) with respect to S&P, any of the categories from and including AAA to and including BBB- (or equivalent successor categories); (b) with respect to Moody's, any of the categories from and including Aaa to and including Baa3 (or equivalent successor categories); and (c) with respect to Fitch Ratings, any of the categories from and including AAA to and including BBB- (or equivalent successor categories).

“Material Subsidiary” means, at any relevant time, a Subsidiary of the Parent:

- (a) whose total assets or EBITDA at any relevant time represent no less than 7% of the total assets or EBITDA, respectively, of the Reduced Group, as calculated by reference to, in the case of the Reduced Group, the contribution of the Reduced Group to and, in the case of the relevant Subsidiary, its contribution to, in each case, the total assets or EBITDA of the Group as determined from the then latest audited consolidated annual financial statements of the Parent prepared in accordance with IFRS-EU, provided that, if the then latest audited consolidated accounts of the Parent show EBITDA as a negative number for the relevant financial period, then there shall be substituted for the words “EBITDA” the words “total operating income” (*total ingresos de explotación*) for the purposes of this definition; or
- (b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which, immediately prior to such transfer, is a Material Subsidiary.

“Noteholders” has the meaning provided in Condition 1(c) (*Title and transfer*).

“Officer’s Certificate” means a certificate of a duly authorised officer of the Issuer or, as the case may be, the Guarantor whose responsibilities extend to the subject matter of such certificate.

“outstanding” means, in relation to the Notes, all the Notes issued other than:

- (a) those Notes which have been redeemed pursuant to Condition 7 (*Redemption and Purchase*);
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Principal Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders under Condition 14 (*Notices*)) and remain available for payment (against presentation of the relevant Notes, if required);
- (c) those Notes which have been purchased and cancelled pursuant to Condition 7 (*Redemption and Purchase*);
- (d) those Notes in respect of which claims have become prescribed under Condition 11 (*Prescription*);

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders or the right to sign or authorise the signature of any Written Resolution or passing any Extraordinary Resolution by way of electronic consents given through the relevant Clearing System(s) and/or through the relevant Iberclear Member(s); and
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Conditions 12 (*Meetings of Noteholders*) and 13 (*Modification*);

those Notes (if any) which are for the time being held by any person (including, but not limited to, the Issuer or any of its Subsidiaries, the Parent or any of its other Subsidiaries) for the benefit of the Issuer or any of its Subsidiaries, the Parent or any of its other Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

A “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“Permitted Security Interest” means any Security Interest outstanding on 23 March 2017 securing the Secured Notes or such Security Interest that is created in substitution for or to replace either such Security Interest or any such substituted or replacement Security Interest and is not increased in amount.

“Potential Change of Control Announcement” means any public announcement or public statement by the Parent, or any actual or bona fide potential bidder relating to any potential Change of Control.

“Put Period” means 30 days after a Put Event Notice has been published in accordance with Condition 14 (*Notices*).

“Rating Agency” means any of the following: (a) Standard & Poor’s Credit Market Services Europe Limited (“S&P”); (b) Moody’s Investors Service Limited (“Moody’s”); or (c) Fitch Ratings Limited (“Fitch Ratings”), and, in each case, their respective successors.

A “Rating Downgrade” shall be deemed to have occurred in respect of a Change of Control if: (a) within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is: (i) withdrawn; (ii) ceases to be an Investment Grade Rating; or (iii) if the rating assigned to the Notes by any Rating Agency which is current at the time the Change of Control Period begins is below an Investment Grade Rating, that rating is lowered one full rating notch by any Rating Agency (for example BB+ to BB by S&P), provided that a Rating Downgrade shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency withdrawing or lowering the rating does not publicly announce or confirm in writing to the Issuer that the reduction or withdrawal was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control; or (b) at the time the Change of Control occurs there is no rating assigned to the Notes.

“Reduced Group” means the Parent and its Subsidiaries (other than Infrastructure Project Subsidiaries).

“Relevant Date” means, in respect of any Note, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if the full amount payable has not been received by any Paying Agent on or prior to such date, the date on which, the full amount of such due payment having been so received, notice is duly given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

“Relevant Indebtedness” means any present or future indebtedness (whether being principal, interest or other amounts), in the form of or evidenced by notes, bonds, debentures, loan stock or other similar debt instruments, whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any recognised stock exchange, over-the-counter or other securities market, except that in no event shall indebtedness in respect of any Infrastructure Project Indebtedness (or any guarantee or indemnity of the same) be considered as Relevant Indebtedness.

“Relevant Person” means each of Menosmares, S.L.U., Rijn Capital BV, Soziancor, S.L.U., Casa Grande de Cartagena, S.L.U. and/or Siemprelara, S.L.U., or any of their respective current direct or indirect shareholders, or, in each case, any of their respective affiliates, successors or descendants, as the case may be, or any persons or entities which directly or indirectly control or are controlled by any of them, in each case whether acting individually or as a group.

“Relevant Subsidiary” means each Material Subsidiary but excluding any Material Subsidiary which is also (a) an Infrastructure Project Subsidiary; or (b) Budimex, S.A., any of its Subsidiaries as at the Closing Date, and any other entity (not previously being a member of the Group) which becomes its Subsidiary on or after the Closing Date.

“Secured Notes” means the U.S.\$100,000,000 7.29% Series C Guaranteed Senior Notes due December 29, 2019 issued by Broadspectrum Holdings (Delaware) Pty Ltd.

“Spanish Central Registry” has the meaning provided in Condition 1 (*Form, Denomination and Title*).

“Subsidiary” of any person means (i) a company of which more than 50% of the voting rights are owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof or (ii) any other person in which such person, or one or more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

“TARGET2 Business Day” means a day on which the TARGET2 System is operating.

“TARGET2 System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

“Tax Jurisdiction” means any jurisdiction under the laws of which the Issuer or the Guarantor is organised or in which it is resident for tax purposes, or any political subdivision or any authority thereof or therein having power to tax.

“Voting Rights” means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

## **6 INTEREST**

### *(a) Interest Rate*

Subject to the following paragraph in this Condition 6(a) (*Interest Rate*), the Notes bear interest from and including the Closing Date at the rate of 1.375% (the “Rate of Interest”) per annum. Interest shall be payable annually in arrear on 31 March each year (an “Interest Payment Date”), commencing with the Interest Payment Date falling on 31 March 2018 and ending on the Final Maturity Date in respect of the period from (and including) the preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next succeeding Interest Payment Date (each an “Interest Period”). The first Interest Period will be from (and including) the Closing Date to (but excluding) 31 March 2018. The amount of interest payable on the first Interest Payment Date in respect of the Interest Period ending on such Interest Payment Date shall be €1,382.53 per €100,000 in principal amount of the Notes. The amount of interest payable on each other Interest Payment Date in respect of the Interest Period ending on such Interest Payment Date shall be €1,375 per €100,000 in principal amount of the Notes.

Save as provided above in relation to the amounts of interest payable per €100,000 in principal amount of the Notes, if interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day-count fraction will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last), rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

### *(b) Accrual of Interest*

Each Note will cease to bear interest where such Note is being redeemed or repaid pursuant to Condition 7 (*Redemption and Purchase*) or Condition 10 (*Events of Default*), from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Notes is improperly withheld or refused, in which event interest will continue to accrue as provided in Condition 6(a) (*Interest Rate*) (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day 7 (seven) days after the Local Paying Agent and/or Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

## **7 REDEMPTION AND PURCHASE**

### *(a) Final Redemption*

Unless previously purchased and cancelled or redeemed as herein provided, the Notes will be redeemed at their principal amount on the Final Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7 (*Redemption and Purchase*).

*(b) Redemption for taxation reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then be due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b) (*Redemption for taxation reasons*), the Issuer shall deliver to the Principal Paying Agent to make available at its specified offices to the Noteholders an Officer's Certificate of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

*(c) Early redemption at the option of the Noteholders upon a Change of Control*

If a Change of Control occurs and, during the Change of Control Period, a Rating Downgrade occurs (together a "Put Event"), each Noteholder shall have the option (unless, prior to the giving of the Put Event Notice (as defined below), the Issuer gives notice to redeem the Notes in accordance with Condition 7(b) (*Redemption for taxation reasons*)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes at their principal amount plus accrued and unpaid interest up to (but excluding) the Put Date (the "Put Option").

If a Put Event occurs, then the Issuer shall, without undue delay, after becoming aware thereof, give notice of the Put Event (a "Put Event Notice") to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the Put Option contained in this Condition 7(c) (*Early Redemption at the option of the Noteholders upon a Change of Control*) as well as the date upon which the Put Period will end.

To exercise the Put Option, a Noteholder must within the Put Period give notice to the Paying Agents (a "Put Notice") of such exercise in accordance with the standard procedures of Iberclear (which may include notice being given on his instruction by Iberclear, or any Iberclear Member, to the Paying Agents by electronic means) in a form acceptable to Iberclear from time to time.

The Issuer shall redeem, or at its option, purchase (or procure the purchase of) the relevant Note(s) on the date (the "Put Date") seven days after the expiration of the Put Period unless previously redeemed or purchased and cancelled. A Put Notice, once given, shall be irrevocable.

*(d) Notice of redemption*

All Notes in respect of which any notice of redemption is given under this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

*(e) Purchase*

Subject to the requirements (if any) of any stock exchange on which the Notes may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, each of the Issuer or the Guarantor, or any of their respective Subsidiaries, may at any time purchase Notes in the open market or otherwise at any price. Such Notes may be held, re-sold or reissued or, at the option of the relevant purchaser, cancelled and 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 Noteholders and shall not be deemed to be outstanding for the purposes of

the calculating quorums at meetings of the Noteholders or for the purposes of Condition 12 (*Meetings of Noteholders*).

(f) *Cancellation*

All Notes which are redeemed will be cancelled and may not be reissued or resold. Notes purchased by the Issuer, the Guarantor or any of their respective Subsidiaries may, at the option of the relevant purchaser, be cancelled.

## 8 PAYMENTS

(a) *Method of payment*

Payments of principal and interest in respect of the Notes will be made by transfer to the registered account of the relevant Noteholder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET2 System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. Noteholders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. None of the Issuer or the Paying Agents will have any responsibility or liability for the records relating to payments made in respect of the Notes.

(b) *Payments subject to fiscal laws*

Without prejudice to the application of the provisions of Condition 9 (*Taxation*), payments will be subject in all cases to any other applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer, or the Parent or the Paying Agents agree to be subject and neither the Issuer nor the Parent will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(c) *Delay in payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a business day.

(d) *Business Days*

In this Condition, “business day” means a day (other than a Saturday or Sunday) which is a TARGET2 Business Day, on which commercial banks and foreign exchange markets are open for business in the place of the specified office of the Paying Agents.

(e) *Paying Agents*

The initial specified offices of the initial Paying Agents are Winchester House, 1 Great Winchester Street, London, EC2N 2DB, United Kingdom, in the case of Deutsche Bank AG, London Branch and Rosario Pino 14-16, 28020, Madrid, Spain in the case of Deutsche Bank, S.A.E. The Issuer reserves the right under the Agency Agreement at any time to vary or terminate the appointment of the Paying Agents, in their role of paying agents, and appoint additional or other paying agents in accordance with the terms of the Agency Agreement. Notice of any change in the paying agents or their specified offices will promptly be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*).

## 9 TAXATION

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by applicable laws or regulations. In that event the Issuer or, as the case may be, the Guarantor (subject to the terms of the Guarantee) shall pay such additional amounts as will

result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or, as the case may be, under the Guarantee:

- (a) to, or to a third party on behalf of, a Noteholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Spain other than (i) the mere holding of such Note, or (ii) the receipt of principal, interest, or other amounts in respect of such Note; or
- (b) to a Noteholder, or to a third party on behalf of, who is (or is deemed as) an individual resident for tax purposes in Spain (or any political subdivision or any authority thereof or therein having power to tax); or
- (c) where taxes are imposed by Spain that are (i) payable otherwise than by withholding from a payment under, or with respect to, the Notes; or (ii) any estate, inheritance, gift, sales, transfer, personal property or similar taxes imposed by Spain (or any political subdivision or any authority thereof or therein having power to tax); or (iii) solely due to the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent, person or entity acting on behalf of the investor of the Notes or similar person in relation to such Notes; or
- (d) to, or to a third party on behalf of, a Noteholder in respect of whom the Issuer (or an agent acting on behalf of the Issuer) has not received such information as may be necessary to allow payments on such Note to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Issuer (or an agent acting on behalf of the Issuer) does not receive such information concerning such Noteholder's identity and tax residence as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007 eventually made by the Spanish Tax Authorities.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof or any law implementing an intergovernmental approach thereto.

If a payment of any additional amounts is made by the Issuer or, as the case may be, the Guarantor pursuant to this Condition 9 (Taxation) and a Noteholder subsequently obtains, utilises and retains a refund of taxes or a tax credit in its country of residence for tax purposes by reason of the Issuer or the Guarantor having made a withholding or payment of Taxes on account of that Noteholder in respect of the relevant payment to the Noteholder by the Issuer or the Guarantor, the relevant Noteholder shall reimburse the Issuer or the Guarantor for the amount of any such refund or tax credit by payment of such amount to the Issuer or the Guarantor promptly on receipt (which payment shall be made in the currency in which the refund or tax credit is received), but only provided that such reimbursement does not and will not otherwise affect the ability of the Noteholder to obtain such refund or tax credit.

## **10 EVENTS OF DEFAULT**

If any of the following events (each an "Event of Default") shall have occurred and is continuing:

- (a) default is made in the payment on the due date of principal or interest in respect of any of the Notes and such failure continues for a period of 7 (seven) days in the case of principal (other than on the Final Maturity Date) and 14 (fourteen) days in the case of interest; or
- (b) the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in respect of the Notes or, as the case may be, the Guarantee, which default is incapable of remedy or is not remedied within 30 (thirty) days after written notice of such default shall have been given to the Principal Paying Agent at its specified office by any Noteholder; or



- (c) any other present or future indebtedness of the Issuer, the Guarantor or any Relevant Subsidiary for or in respect of any moneys borrowed or raised:
- (i) becomes or is declared due and payable prior to its stated maturity otherwise than (A) at the option of the Issuer, the Guarantor or the Relevant Subsidiary or (B) at the option of the creditor of such indebtedness in circumstances where no event of default (howsoever described) has occurred; or
  - (ii) any such present or future indebtedness of the Issuer, the Guarantor or any Relevant Subsidiaries is not paid when due or, as the case may be, within any applicable grace period; or
  - (iii) the Issuer, the Guarantor or any Relevant Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the indebtedness, guarantees or indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €50,000,000 or its equivalent; or

- (i) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer, the Guarantor or any Relevant Subsidiary and is not discharged or stayed within 30 (thirty) days provided that the aggregate amount of property, assets and/ or revenues involved in any such distress, attachment, execution or legal process equals or exceeds €50,000,000 or its equivalent; or
  - (ii) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Relevant Subsidiary in respect of an obligation the principal amount of which equals or exceeds €50,000,000 or its equivalent is enforced (including by the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person);
- (d) the Issuer, the Guarantor or any Relevant Subsidiary is insolvent or bankrupt (*concurso*) or unable to pay its debts, or is declared insolvent or bankrupt or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of the debts of the Issuer, the Guarantor or any Relevant Subsidiary; or
- (e) an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of the Issuer, the Guarantor or any Relevant Subsidiary, or the Issuer, the Guarantor or any Relevant Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution; (ii) where the undertakings and assets are transferred to or otherwise vested in any other members of the Group on a solvent basis, provided that until the next audited consolidated annual financial statements of the Parent are available, except in the case of the companies and entities referred to in (a) or (b) of the definition of Relevant Subsidiary which shall under no circumstances become or be deemed to be Relevant Subsidiaries, both the transferee and the transferor shall be deemed to be Relevant Subsidiaries for the purposes of these Conditions; or (iii) where the undertakings and assets are transferred to any other person provided that the undertakings and assets are transferred to that person on an arm's length basis; or
- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to exercise their respective rights and perform and comply with their respective obligations under the Notes and the Guarantee; (ii)

to ensure that those obligations are legally binding and enforceable; and (iii) to make the Notes and the Guarantee admissible in evidence is not taken, fulfilled or done; or

- (g) any event occurs which under the laws of any relevant jurisdiction has a similar effect to any of the events referred to in any of the foregoing paragraphs; or
- (h) it is or will become unlawful for the Issuer or the Parent to perform or comply with any of its obligations under or in respect of the Notes or its Guarantee (as the case may be); or
- (i) the Issuer ceases to be a wholly owned Subsidiary of the Parent,

then any Note may, by notice in writing given to the Issuer at the specified office of the Principal Paying Agent, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount, together with accrued interest, without further formality. This right to declare immediately due and payable any Note if an Event of Default shall have occurred is essential (*causa*) for the issue, subscription and holding of the Notes.

## 11 PRESCRIPTION

Claims for payment in respect of principal and interest shall be prescribed and become void unless made within 10 (ten) years (in the case of principal) or 5 (five) years (in the case of interest) from the appropriate Relevant Date in respect of such payment and thereafter any principal interest or other sums payable in respect of such Notes shall be forfeited and revert to the Issuer.

## 12 MEETINGS OF NOTEHOLDERS

### (a) Definitions

As used in this Condition 12 (*Meetings of Noteholders*) the following expressions shall have the following meanings unless the context otherwise requires:

“Block Voting Instruction” means an English language document issued by a Clearing System or by an Iberclear Member and received by a Paying Agent in which:

- (i) it is confirmed that on the date thereof Notes (not being Notes in respect of which a Voting Certificate has been issued and is outstanding in respect of the meeting specified in such Block Voting Instruction) are blocked in an account with a Clearing System and/or the relevant Iberclear Member and that no such Notes will cease to be so blocked until the first to occur of:
  - (A) the conclusion of the meeting specified in such Block Voting Instruction; and
  - (B) the Notes ceasing with the agreement of the Paying Agent to be so blocked and the giving of notice by the Paying Agent to the Issuer in accordance with Condition 12(c)(iv) of the necessary amendment to the Block Voting Instruction;
- (ii) it is certified that each Noteholder holding such Notes has instructed the relevant Clearing System (to the extent possible) and/or the relevant Iberclear Member that the vote(s) attributable to the Notes so blocked should be cast in a particular way in relation to the resolution(s) to be put to such meeting and that all such instructions are, during the period commencing 48 Hours prior to the time for which such meeting is convened and ending at the conclusion or adjournment thereof, neither revocable nor capable of amendment;
- (iii) the aggregate principal amount of the Notes so blocked is listed distinguishing with regard to each such resolution between those in respect of which instructions have been given that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (iv) one or more persons named in such Block Voting Instruction (each hereinafter called a “proxy”) is or are authorised and instructed by the relevant Clearing System (to the extent possible) and/or the Iberclear

Member(s) to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in (iii) above as set out in such Block Voting Instruction;

“Clearing System” means Iberclear and any additional or alternative clearing system in which the relevant Notes are from time to time accepted for clearance and includes in respect of any Note any clearing system on behalf of which such Note is held or which is the holder of a Note, in each case whether alone or jointly with any other Clearing System(s);

“Eligible Person” means any one of the following persons who shall be entitled to attend and vote at a meeting:

- (i) a bearer of any Voting Certificate; and
- (ii) a proxy specified in any Block Voting Instruction;

“Extraordinary Resolution” means:

- (i) a resolution passed at a meeting duly convened and held in accordance with the provisions of this Condition 12 (*Meetings of Noteholders*) by a majority consisting of not less than three-fourths of the Eligible Persons voting thereon upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on such poll;
- (ii) a resolution in writing signed by or on behalf of Noteholders holding not less than three-fourths in principal amount of the Notes for the time being outstanding (a “Written Resolution”) which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders; or
- (iii) consent given by way of electronic consents received by the Principal Paying Agent through the relevant Clearing System(s) (to the extent possible) and/or through the relevant Iberclear Member(s) by or on behalf of Noteholders holding not less than three-fourths in principal amount of the Notes for the time being outstanding;

“Voting Certificate” means an English language certificate issued by the relevant Iberclear Member or Clearing System and received by a Paying Agent in which it is stated:

- (i) that on the date thereof Notes (not being Notes in respect of which a Block Voting Instruction has been issued and is outstanding in respect of the meeting specified in such Voting Certificate) are blocked in an account with a Clearing System and/or with the relevant Iberclear Member and that no such Notes will cease to be so blocked until the first to occur of:
  - (A) the conclusion of the meeting specified in such Voting Certificate; and
  - (B) the surrender of the Voting Certificate to the relevant Iberclear Member or Clearing System that issued the same; and
- (ii) that the bearer thereof is entitled to attend and vote at such meeting in respect of the Notes represented by such Voting Certificate;

“24 Hours” means a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of a day upon which banks are open for business in all of the places where the Paying Agents have their specified offices; and

“48 Hours” means a period of 48 hours including all or part of two days upon which banks are open for business both in the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of two days upon which banks are open for business in all of the places where the Paying Agents have their specified offices.

For the purposes of calculating a period of “Clear Days” in relation to a meeting, no account shall be taken of the day on which the notice of such meeting is given (or, in the case of an adjourned meeting, the day on which the meeting to be adjourned is held) or the day on which such meeting is held.

All references in this Condition 12 (*Meetings of Noteholders*) to a "meeting" shall, where the context so permits, include any relevant adjourned meeting.

(b) *Evidence of Entitlement to Attend and Vote*

A Noteholder may require an Iberclear Member or a Clearing System to procure the issue of Voting Certificates and Block Voting Instructions in accordance with the terms of Condition 12(c).

For the purposes of Condition 12(c) (*Procedure for Issue of Voting Certificates and Block Voting Instructions*), the Principal Paying Agent and each Paying Agent shall be entitled to rely, without further enquiry, on any information or instructions received from a Clearing System (to the extent possible) or from an Iberclear Member and shall have no liability to any Noteholder or other person for any loss, damage, cost, claim or other liability occasioned by its acting in reliance thereon, nor for any failure by a Clearing System or an Iberclear Member to deliver information or instructions to the Principal Paying Agent or any Paying Agent.

The holder of any Voting Certificate or the proxies named in any Block Voting Instruction shall for all purposes in connection with the relevant meeting be deemed to be the Noteholder holding the Notes to which such Voting Certificate or Block Voting Instruction relates and the relevant Clearing System and/or Iberclear Member in which such Notes have been blocked shall be deemed for such purposes not to be the Noteholder of those Notes.

(c) *Procedure for Issue of Voting Certificates and Block Voting Instructions*

(i) Voting Certificate

A Noteholder holding a Note (not being a Note in respect of which instructions have been given to the Clearing System or the relevant Iberclear Member in accordance with Condition 12(c)(ii) (*Block Voting Instructions*)) may procure the delivery of a Voting Certificate in respect of such Note by giving notice to the Clearing System or the relevant Iberclear Member through which such Noteholder's interest in the Note is held specifying by name a person (an “Identified Person”) (which need not be the Noteholder himself) to collect the Voting Certificate and attend and vote at the meeting. The relevant Voting Certificate will be made available at or shortly prior to the commencement of the meeting by the Principal Paying Agent against presentation by such Identified Person of the form of identification previously notified by such Noteholder to the Clearing System or the relevant Iberclear Member (as communicated to the Principal Paying Agent by the Iberclear Member or the Clearing System). The Clearing System or the relevant Iberclear Member may prescribe forms of identification (including, without limitation, a passport or driving licence) which it deems appropriate for these purposes. Subject to receipt by the Principal Paying Agent from the Clearing System or the relevant Iberclear Member, no later than 24 Hours prior to the time for which such meeting is convened, of notification of the principal amount of the Notes to be represented by any such Voting Certificate and the form of identification against presentation of which such Voting Certificate should be released, the Principal Paying Agent shall, without any obligation to make further enquiry, make available Voting Certificates against presentation of the form of identification corresponding to that notified.

(ii) Block Voting Instruction

A Noteholder holding a Note (not being a Note in respect of which a Voting Certificate has been issued) may require the Clearing System or relevant Iberclear Member to issue a Block Voting Instruction in respect of such Note by first instructing the relevant Iberclear Member or (to the extent possible) the Clearing System through which such Noteholder's interest in the Note is held to procure that the votes attributable to such Note should be cast at the meeting in a particular way in relation to the resolution or resolutions to be put to the meeting. Any such instruction shall be given in accordance with the rules of the Clearing System then in effect or as agreed with the

relevant Iberclear Member. Subject to receipt by the Principal Paying Agent of instructions from the relevant Iberclear Member or (to the extent possible) the Clearing System, no later than 24 Hours prior to the time for which such meeting is convened, of notification of the principal amount of the Notes in respect of which instructions have been given and the manner in which the votes attributable to such Notes should be cast, the Principal Paying Agent shall, without any obligation to make further enquiry, appoint a proxy to attend the meeting and cast votes in accordance with such instructions.

- (iii) Each Block Voting Instruction shall be deposited by the relevant Paying Agent at such place specified by the Principal Paying Agent for the purpose not less than 24 Hours before the time appointed for holding the meeting at which the proxy or proxies named in the Block Voting Instruction or form of proxy proposes to vote, and in default the Block Voting Instruction or form of proxy shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting proceeds to business. A copy of each Block Voting Instruction shall (if so requested by the Issuer) be deposited with the Issuer before the commencement of the meeting but the Issuer shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxy or proxies named in any such Block Voting Instruction or form of proxy.
- (iv) Any vote given in accordance with the terms of a Block Voting Instruction shall be valid notwithstanding the previous revocation or amendment of the Block Voting Instruction or of any of the instructions of the relevant Noteholder through the relevant Iberclear Member or the relevant Clearing System (as the case may be) pursuant to which it was executed provided that no indication in writing of such revocation or amendment has been received from the relevant Paying Agent by the Issuer at its registered office by the time being 24 Hours before the time appointed for holding the meeting at which the Block Voting Instruction is to be used.

(d) *Convening of Meetings, Quorum and Adjourned Meetings*

- (i) The Issuer or the Parent may at any time, and the Issuer shall upon a requisition in writing in the English language signed by the Noteholders of not less than ten per cent. in principal amount of the Notes for the time being outstanding, convene a meeting and if the Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the requisitionists. Whenever the Issuer or the Parent is about to convene any such meeting the Issuer or the Parent, as the case may be, shall forthwith give notice in writing to the Principal Paying Agent of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as approved by the Principal Paying Agent.
- (ii) At least 21 Clear Days' notice specifying the place, day and hour of meeting shall be given to the Noteholders prior to any meeting in the manner provided by Condition 14 (*Notices*). Such notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting thereby convened, shall include the forms of Block Voting Instruction and Voting Certificate and, where an Extraordinary Resolution will be proposed at the meeting, shall either specify in such notice the terms of such resolution or state fully the effect on the Noteholders of such resolution, if passed. Such notice shall include statements as to the manner in which Noteholders may arrange for Voting Certificates or Block Voting Instructions to be issued. A copy of the notice shall be sent by post to the Issuer (unless the meeting is convened by the Issuer) and to the Parent (unless the meeting is convened by the Parent). The Principal Paying Agent shall forward a copy of the notice to Iberclear for the attention of Iberclear Members in accordance with the provisions of the Agency Agreement.
- (iii) A person (who may but need not be a Noteholder) nominated in writing by the Issuer shall be entitled to take the chair at the relevant meeting, but if no such nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting the Noteholders present shall choose one of their number to be Chairman, failing which the Issuer may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

- (iv) At any such meeting one or more Eligible Persons present and holding or representing in the aggregate more than 50 per cent. in principal amount of the Notes for the time being outstanding shall (subject as provided below) form a quorum for the transaction of business (including the passing of an Extraordinary Resolution) PROVIDED THAT at any meeting the business of which includes any Basic Terms Modification (which shall subject only to Condition 13 (*Modification*) only be capable of being effected after having been approved by Extraordinary Resolution) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds of the principal amount of the Notes for the time being outstanding. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the relevant business.
  - (v) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any such meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall if convened upon the requisition of Noteholders be dissolved. In any other case it shall stand adjourned for such period, being not less than 13 Clear Days nor more than 42 Clear Days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Principal Paying Agent. If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve such meeting or adjourn the same for such period, being not less than 13 Clear Days (but without any maximum number of Clear Days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Principal Paying Agent, and the provisions of this sentence shall apply to all further adjourned such meetings.
  - (vi) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum been present PROVIDED THAT at any adjourned meeting the quorum for the transaction of business comprising any Basic Terms Modification shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third of the principal amount of the Notes for the time being outstanding.
  - (vii) Notice of any adjourned meeting shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in Condition 12(d)(ii) and such notice shall state the required quorum.
- (e) *Conduct of Business At Meetings*
- (i) Every question submitted to a meeting shall be decided in the first instance by a show of hands. A poll may be demanded (before or on the declaration of the result of the show of hands) by the Chairman, the Issuer, the Parent or any Eligible Person (whatever the amount of the Notes so held or represented by him).
  - (ii) At any meeting, unless a poll is duly demanded, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
  - (iii) Subject to Condition 12(e)(v), if at any such meeting a poll is so demanded it shall be taken in such manner and, subject as provided below, either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent

the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

- (iv) The Chairman may, with the consent of (and shall if directed by) any such meeting, adjourn the same from time to time and from place to place; but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.
- (v) Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- (vi) Any director or officer of the Issuer or, as the case may be, the Parent, their lawyers and financial advisers and any director or officer of any of the Paying Agents may attend and speak at any meeting. Save as aforesaid, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting unless he is an Eligible Person. No person shall be entitled to vote at any meeting in respect of Notes which are deemed to be not outstanding by virtue of the proviso to the definition of "outstanding" in Condition 5 (*Definitions*).
- (vii) At any meeting:
  - (A) on a show of hands every Eligible Person present shall have one vote; and
  - (B) on a poll every Eligible Person present shall have one vote in respect of each €1.00 in principal amount of the Notes held or represented by such Eligible Person.

Without prejudice to the obligations of the proxies named in any Block Voting Instruction, any Eligible Person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (viii) The proxies named in any Block Voting Instruction need not be Noteholders. Nothing herein shall prevent any of the proxies named in any Block Voting Instruction from being a director, officer or representative of or otherwise connected with the Issuer or the Parent.
- (ix) The Noteholders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject, in the case of an Extraordinary Resolution to be proposed at a meeting, to the provisions relating to quorum contained in Conditions 12(d)(iv) and 12(d)(vi)) namely:
  - (A) Power to approve any compromise or arrangement proposed to be made between the Issuer, the Parent, the Noteholders or any of them.
  - (B) Power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders, the Issuer or the Parent against any other or others of them or against any of their property whether such rights arise under the Agency Agreement, these Conditions, the Notes, the Guarantee or otherwise.
  - (C) Power to agree to any modification of the provisions contained in the Agency Agreement, these Conditions, the Notes or the Guarantee which is proposed by the Issuer or the Parent.
  - (D) Power to give any authority or sanction which under the provisions of this Condition 12 (*Meetings of Noteholders*), the Notes or the Guarantee is required to be given by Extraordinary Resolution.
  - (E) Power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.
  - (F) Power to approve any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares,

stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or the Parent or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Noteholders to execute an instrument of transfer of the Notes held by them in favour of the persons with or to whom the Notes are to be exchanged or sold respectively.

- (G) Power to approve the substitution of any entity for the Issuer and/or the Parent (or any previous substitute) as the principal debtor in respect of the Notes or guarantor, as the case may be.
- (x) Any Extraordinary Resolution (i) passed at a meeting of the Noteholders duly convened and held (ii) passed as an Extraordinary Resolution in writing or (iii) passed by way of electronic consents given by Noteholders through the relevant Iberclear Member and/or through the relevant Clearing System(s) (to the extent possible), in accordance with the provisions of this Condition 12 (*Meetings of Noteholders*), shall be binding upon all the Noteholders whether or not present or whether or not represented at any meeting and whether or not voting on such Extraordinary Resolution and each of them shall be bound to give effect to the Extraordinary Resolution accordingly and the passing of any such Extraordinary Resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of the voting on any Extraordinary Resolution duly considered by the Noteholders shall be published in accordance with Condition 14 (*Notices*) by the Issuer within 14 days of such result being known, PROVIDED THAT the non-publication of such notice shall not invalidate such result.
- (xi) Minutes of all resolutions and proceedings at every meeting shall be made and entered in books to be from time to time provided for that purpose by the Issuer and any such minutes if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted, shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted at the meeting to have been duly passed or transacted.
- (xii) Subject to all other provisions of this Condition 12 (*Meetings of Noteholders*), the Principal Paying Agent may without the consent of the Noteholders prescribe such further or alternative regulations regarding the requisitioning and/or the holding of meetings and attendance and voting at them as the Principal Paying Agent may in its discretion think fit (including, without limitation, the substitution for periods of 24 Hours and 48 Hours referred to in this Condition 12 (*Meetings of Noteholders*) of shorter periods). Such regulations may, without prejudice to the generality of the foregoing, reflect the practices and facilities of any relevant Clearing System. Notice of any such further or alternative regulations may be given to Noteholders in accordance with Condition 14 (*Notices*) at the time of service of any notice convening a meeting.

### 13 MODIFICATION

The Principal Paying Agent, the Issuer and the Parent may agree, without the consent of the Noteholders, to:

- (a) any modification of the Notes or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Basic Terms Modification (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Agency Agreement which is not prejudicial to the interests of the Noteholders.



Any modification shall be binding on the Noteholders and, unless the Principal Paying Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

## 14 NOTICES

The Issuer shall 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 Notes are for the time being listed and/or admitted to trading (including so long as the Notes are listed on AIAF, the communication of all notices to the market through a regulatory information notice (*hecho relevante*) to be filed with the CNMV and to be published at the CNMV's official website at [www.cnmv.es](http://www.cnmv.es)). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Principal Paying Agent may approve.

So long as the Notes are listed on AIAF, notices to the Noteholders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*). Any such notice will be deemed to have been given on the date of the first publication. In addition, so long as the Notes are represented by book-entries in Iberclear, all notices to Noteholders shall be made through Iberclear for on transmission to their respective accountholders.

## 15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Notes) 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 notes, bonds or debentures of any series (including the Notes) or upon such terms as to interest, conversion, redemption and otherwise as the Issuer may determine at the time of their issue.

## 16 GOVERNING LAW AND JURISDICTION

### (a) *Governing Law*

Save as described below, the Notes, 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, Spanish law. The status of the Guarantee as described in Condition 3(b) (*Status of the Guarantee*) shall be construed in accordance with Spanish law.

### (b) *Jurisdiction*

The courts of the city of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Guarantee ("Proceedings") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not), in each case to the extent allowed by law.

## **8. USE OF PROCEEDS**

The net proceeds of the issue of the Notes, expected to amount to €493,552,222 after deduction of €2,922,778 consisting of commissions and other estimated expenses in connection with the issue of the Notes, will be made available to the Parent for the general purposes of the Group.

## 9. TAXATION

### Introduction

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes (the “Noteholders” and each a “Noteholder”). The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Notes.

The summary set out below is based upon Spanish law as in effect on the date of this Prospectus and is subject to any change in such law that may take effect after such date, including changes with retroactive effect.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (i) of general application, Law 10/2014, as well as Royal Decree 1065/2007;
- (ii) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax (“PIT”), Law 35/2006, dated 28 November 2006, on PIT and partial amendment of Corporate Income Tax Law and Non Residents Income Tax Law, as amended, and Royal Decree 439/2007, dated 30 March 2007, enacting the PIT Regulations, along with Law 19/1991, dated 6 June 1991, on Wealth Tax, as amended, and Law 29/1987, dated 18 December 1987, on Inheritance and Gift Tax;
- (iii) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax (“CIT”), Law 27/2014, of November 27, on CIT, as amended, and Royal Decree 634/2015, dated 10 July 2015, promulgating the CIT Regulations; and
- (iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax (“NRIT”), Royal Legislative Decree 5/2004, dated 5 March 2004, promulgating the Consolidated Text of the NRIT Law, as amended, along with Law 19/1991, dated 6 June 1991, on Wealth Tax, as amended, and Royal Decree 1776/2004, dated 30 July 2004 promulgating, the NRIT Regulations, and Law 29/1987, dated 18 December 1987, on Inheritance and Gift Tax.

Whatever the nature and residence of the Noteholder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

The Issuer understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to article 91 of the PIT Regulations and article 63 of the CIT Regulations.

### *Individuals with Tax Residency in Spain*

#### *Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person’s own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in the investor’s PIT savings taxable base, which is taxed in 2017 at a flat rate of 19% for the first €6,000, 21% between €6,001 and €50,000 and 23% for any amount in excess of €50,000.

A 19% withholding on account of PIT will be imposed by the Issuer on interest payments as well as on income derived from the redemption or repayment of the Notes, by individual investors subject to PIT.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (i) registered in book-entry form (*anotaciones en cuenta*); and
- (ii) traded in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19% withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-resident or a CIT taxpayer;
- (ii) the explicit yield derived from the transfer of the notes is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by the Issuer against his or her final PIT liability for the relevant tax year.

### Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

### Net Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Royal Decree-law 13/2011, dated 16 September 2011, as amended, in 2017 all Spanish resident individuals are liable for Net Wealth Tax. This tax is levied on the net worth of an individual's assets and rights, which exceed €700,000. The marginal rates range between 0.2% and 2.5% and some reductions could apply. Individuals with tax residency in Spain who are under the obligation to pay Net Wealth Tax must take into account the amount of the Notes which they hold as at 31 December in each year, when calculating their Net Wealth Tax liabilities.

In accordance with article 4 of Royal Decree-Law 3/2016, dated 2 December 2016, a full exemption on Net Wealth Tax will apply in 2018 unless such exemption is revoked.

### Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish IGT in accordance with the applicable Spanish regional and state rules. The applicable state tax rates range between 7.65% and 81.6%, depending on relevant factors. Those rates do not include any rate increase that might be ruled by the relevant Autonomous Community authorities.

### Legal Entities with Tax Residency in Spain

#### Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT at the general tax rate of 25% in accordance with the rules for such tax.

No withholding on account of CIT will be imposed on interest payments or on income derived from the transfer, redemption or repayment of the Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

Additionally, in accordance with article 61.q of the CIT regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered by way of book entries (*anotaciones en cuenta*); and
- (ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

#### Reporting Obligations

The Issuer will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

#### Net Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Spanish Wealth Tax.

#### Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the IGT but generally must include the market value of the Notes in their taxable income for CIT purposes.

#### *Individuals and Legal Entities that Are Not Tax Resident in Spain*

- (1) *Investors that Are Not Resident in Spain for Tax Purposes, Acting in Respect of the Notes Through a Permanent Establishment in Spain*

#### Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See “—Legal Entities with Tax Residency in Spain – Corporate Income Tax (*Impuesto sobre Sociedades*)”.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

#### Reporting Obligations

The Issuer will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

- (2) *Investors that Are Not Resident in Spain for Tax Purposes, Not Acting in Respect of the Notes Through a Permanent Establishment in Spain*

#### (A) Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by the Issuer, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in article 44 of Royal Decree 1065/2007. See “—Compliance with Certain Requirements in Connection with Income Payments”.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of interest under the Notes, the Issuer will withhold Spanish withholding tax at the applicable rate (currently 19%) on such payment of income on the Notes and the Issuer will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to the Issuer, will receive a refund of the amount withheld, with no need for action on the beneficial owner's part, if the Issuer receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

(B) Net Wealth Tax (*Impuesto sobre el Patrimonio*)

In relation to fiscal year 2017, non-Spanish tax resident individuals holding Notes will be subject to Net Wealth Tax to the extent that such Noteholders own Notes (along with other property located in Spain and rights which could be exercised in Spain) valued at a combined net amount in excess of €700,000 as of 31 December. Spanish Net Wealth Tax state rates vary between 0.2% and 2.5%. Those rates do not include any rate increase that might be ruled by the relevant Autonomous Community authorities. To the extent that income deriving from the Notes is exempt from Non-Resident Income Tax, individuals who do not have tax residency in Spain who hold such Notes on the last day of the year will be exempt from Net Wealth Tax. Furthermore, individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax will generally be exempt from Net Wealth Tax. If the exemptions outlined do not apply, individuals who are not tax residents in Spain will be subject to Net Wealth Tax to the extent that the Notes are located in Spain or the rights deriving from the Notes can be exercised in Spain.

(C) Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to IGT in accordance with the applicable Spanish state rules, unless they reside in a country for tax purposes with which Spain has entered into a treaty for the avoidance of double taxation in relation to IGT. In such case, the provisions of the relevant treaty for the avoidance of double taxation will apply.

If no treaty for the avoidance of double taxation in relation to IGT applies, applicable IGT rates would range between 7.65% and 81.6%, depending on relevant factors. In addition, EU residents may be entitled to apply the tax benefits approved by the relevant Autonomous Community authorities.

Non-Spanish tax resident legal entities that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT. Such acquisitions may be subject to NRIT (as described above), unless otherwise applicable under the provisions of any applicable treaty for the avoidance of double taxation entered into by Spain. In general, treaties for the avoidance of double taxation provide for the taxation of this type of income in the country of tax residence of the beneficiary owner.

*Compliance with Certain Requirements in Connection with Income Payments*

As described under “—Individuals and Legal Entities that Are Not Tax Resident in Spain”, “—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)”, provided the conditions set forth in Law 10/2014 are met, interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish CIT taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a “Payment Statement”), in accordance with section 4 of article 44 of Royal Decree 1065/2007, containing the following information:

1. Identification of the Notes.
2. Total amount of the income paid by the Issuer.
3. Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
4. Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%.

If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

**Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.**

### **Payments under the Guarantee**

On the basis that payments of principal and interest made by the Guarantor under the Guarantee are characterised as an indemnity under Spanish law, such payments may be made free of withholding or deduction on account of any Spanish tax. However, although there is no precedent or regulation on the matter, if the Spanish tax authorities take the view that the Guarantor has effectively assumed the obligations of the Issuer under the Notes (whether contractually or by any other means), the Spanish tax authorities may determine that payments made by the Guarantor, relating to interest on the Notes, will be subject to the same tax rules set out above for payments made by the Issuer.

### **The proposed European 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 stated that it will not longer participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

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 Notes 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.

In October 2016, the European Commissioner for Economic and Financial Affairs, Taxation and Customs announced that the participating Member States agreed on certain important measures that will form the core engines of the FTT and indicated that a draft proposal was expected to be published in the coming months.

However, the Commission's 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 Notes are advised to seek their own professional advice in relation to the FTT.

## **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer and the Guarantor may be foreign financial institutions for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under “Terms and Conditions of the Notes—Further Issues”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.



## 10. SUBSCRIPTION AND SALE

Banco de Sabadell, S.A., CaixaBank, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Merrill Lynch International, RBC Europe Limited, Scotiabank Europe plc, Société Générale and The Royal Bank of Scotland plc (trading as NatWest Markets) (the “Joint Lead Managers and Bookrunners”) have, pursuant to a Subscription Agreement (the “Subscription Agreement”) dated 23 March 2017, jointly and severally agreed with the Issuer and the Parent to subscribe or procure subscribers for the Notes at the issue price of 99.295 per cent. of the nominal amount of the Notes, less certain commissions as agreed with the Issuer.

In addition, the Issuer may, at its discretion, pay the Joint Lead Managers and Bookrunners a discretionary performance related fee. The Issuer will also reimburse the Joint Lead Managers and Bookrunners in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers and Bookrunners against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

### General

This Prospectus does not constitute an offer by, or an invitation by or on behalf of, the Issuer, the Parent or the Joint Lead Managers and Bookrunners or any other person to subscribe for any of the Notes, or the solicitation of an offer to subscribe for any of the Notes. No action has been taken by the Issuer, the Parent or any of the Joint Lead Managers and Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager and Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

### Spain

The Notes may not be offered, sold or distributed, nor may any subsequent resale of the Notes 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-bis of the LMV, Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder.

### United States

The Notes have not been and will not be registered under the Securities Act or securities laws or “blue sky” laws of any state of the United States or any other relevant federal jurisdiction and, accordingly, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. 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 under the Securities Act.

Each Joint Lead Manager and Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes (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 Closing Date (the distribution compliance period), within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Joint Lead Manager and Bookrunner has represented and agreed that:

- (a) it has complied and will comply with all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer or the Parent.

## 11. SUMMARY OF CLEARANCE AND SETTLEMENT PROCEDURES APPLICABLE TO BOOK-ENTRY NOTES

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry notes such as the Notes.

Notwithstanding this summary, it should be noted that the Spanish clearing, settlement and recording system of securities transactions is undergoing a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects.

Law 32/2011 of 4 October which amended Law 24/1988 of 28 July on the securities market (*Ley 32/2011, de 4 de octubre, por la que se modifica la Ley 24/1988, de 28 julio, del Mercado de Valores*) (“Law 32/2011”), anticipated and set the master plan of the future Spanish clearing, and recording system providing for certain changes that are being implemented and that will modify the system and allow for the integration of the post-trading Spanish systems into the system TARGET2 Securities. Law 24/1988 was repealed by the restated text of the Spanish Securities Market Act approved by Spanish Royal Legislative Decree 4/2015, of 23 October but the amendments introduced by Law 32/2011 are duly reflected in this restated law.

In any case, it should be emphasised that, as of the date of this Prospectus, the procedures established for fixed-income securities remain practically the same.

Additionally, Regulation (EU) No. 909/2014 of the European Parliament and of the Council of July 23 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 provides that the maximum settlement period as regards transactions in transferable securities which are executed on trading venues must be settled by no later than the second business day following the relevant transaction, subject to certain exemptions. In this regard, since October 2014 transactions affecting debt securities settled through Iberclear are generally settled two business days after they have been made.

In this regard, the Spanish clearing, settlement and recording system has been recently adapted by Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, sobre recuperación y resolución de entidades de crédito y empresas de servicios de inversión*) and Royal Decree 878/2015, of 2 October (*Real Decreto 878/2015, de 2 de octubre, sobre compensación, liquidación y registro de valores negociables representados mediante anotaciones en cuenta, sobre el régimen jurídico de los depositarios centrales de valores y de las entidades de contrapartida central y sobre requisitos de transparencia de los emisores de valores admitidos a negociación en un mercado secundario oficial*) to the provisions set forth in Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014, on improving securities settlement in the European Union and on central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

Following this reform, which is expected to be implemented by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions will allow the connection of the post-trading Spanish systems to the European system TARGET2 Securities (the “Reform”). The Reform is still an on-going process and it might still be subject to changes and modifications both in the expected timetable for its implementation and in the content and scope of the measures to be adopted and implemented in the Spanish clearing, settlement and recording system.

The Reform introduces three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., the “CCP”), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

The Reform will be implemented in two phases:

- The first phase was implemented on 27 April 2016 and set up the new clearance and settlement system for equity securities, including the creation of BME Clearing, a CCP for post-trade operations compatible with the TARGET2 Securities system (messages, account structure,

definition of operations, etc.). From 3 October 2016, with respect to transactions carried out on 29 September 2016, the new settlement and registration platform (ARCO) operates under a “T+2 Settlement Standard” by which any transactions must be settled within two stock-exchange business days following the date on which the relevant transaction was completed.

- The second phase will be implemented upon Iberclear's connection to the TARGET2 Securities system. At that time, fixed-income securities will be transferred to the new ARCO platform and the CADE platform will be discontinued.

The second phase will entail unifying the settlement and registration system for both equity and fixed-income securities.

## **Iberclear**

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the clearing and settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses two technical platforms, SCLV (for the Spanish Stock Exchanges and Latibex) and CADE (for the Book-Entry Public Debt Market, MARF and AIAF).

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A., a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems.

## **Iberclear Securities Recording System**

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

The recording system is a two tier level registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities in Iberclear. The central registry, which reflects (i) one or several proprietary accounts which show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;
- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

## **Iberclear Settlement of securities traded in AIAF**

Securities traded in AIAF are private fixed income securities, including corporate bonds (for example, medium term notes and mortgage bonds), represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

### **Settlement Cycles: The CADE Platform**

The process of settling all reported trades with a value date on a specific day, is be carried out in three phases:

- first settlement cycle;
- real-time settlement; and
- session close

The first cycle includes all transactions reported to CADE up to 6:00 pm (Madrid time) of D-1, and these are settled if sufficient funds and an adequate securities balance are available in the pertinent accounts.

The real-time settlement process is carried out between 7:00 am (Madrid time) and 4:00 pm (Madrid time) of the settlement day, and the system first checks if a sufficient securities balance is available. If it is available, but the buyer of the securities does not have available funds, the order is rejected and returned to CADE, and placed in a queue. The process is periodically activated until enough balance is available in the relevant accounts to settle outstanding orders with finality. If the balance in the seller's securities account is insufficient, the transaction is placed in a queue. When a credit is lodged in a securities account, the system checks whether queued orders can be processed.

At the end of the day, the system tries one last time to settle all transactions not settled in the first cycle or during the process in real time. The settlement cycle at the end of the day takes place at 5:00 pm (Madrid time).

If the seller's securities account has sufficient balance, the system checks (by means of a comparison with the payment side) if there is also sufficient balance in the buyer's cash account. That is, securities and cash are not immediately blocked. Once the transfers of securities and cash have been executed, each of the transactions is considered final.

### **Euroclear and Clearstream**

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear and Clearstream with participating entities in Iberclear.

## 12. ADDITIONAL INFORMATION

Below are the disclosure requirements of Annex VI, Annex IX and Annex XIII of Regulation EC 809/2004 which have not been covered in the preceding sections of this Prospectus, including the documents incorporated by reference in accordance with Section 3 (*Documents Incorporated by Reference*):

### **Key information. Interest of natural and legal persons involved in the issue**

The Joint Lead Managers and Bookrunners and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Parent or their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of its business activities, the Joint Lead Managers and Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Parent or their affiliates. Certain of the Joint Lead Managers and Bookrunners or their affiliates that have a lending relationship with the Issuer or the Parent routinely hedge their credit exposure to the Issuer or the Parent, as the case may be, consistent with their customary risk management policies. Typically, such Joint Lead Managers and Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Parent's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Responsibility**

The Issuer and the undersigned, Mr. Ernesto López Mozo and Mr. Pedro Agustín Losada Hernández, in their capacity as attorneys in fact of the Issuer and acting under a special power of attorney granted by the Joint Directors of the Issuer, and the Parent and the undersigned, Mr. Ernesto López Mozo, in his capacity as Chief Financial Officer of the Parent and acting under a special power of attorney granted by the Board of Directors of the Parent, accept responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import of such information.

### **Admission to trading and dealing arrangements**

The issue of the Notes was duly authorised by a resolution of the joint directors of the Issuer passed on 17 March 2017 and the giving of the Guarantee was duly authorised by the resolutions of the Boards of Directors of the Parent on 27 February 2017.

### **Statement of the capacity in which the advisers have acted**

In addition to the Joint Lead Managers and Bookrunners, the following entities have provided advisory services in relation with the Offering of the Notes:

- Allen & Overy has acted as legal adviser to the Joint Lead Managers and Bookrunners on Spanish law; and
- Linklaters, S.L.P. has acted as legal adviser to the Issuer and the Parent on Spanish law.

## Expenses related to the Offering and admission to trading

For informative purposes only, an approximate estimate of the expenses payable by the Issuer in relation to the Offering and admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear .....	€25,500
CNMV fees (listing).....	€50,000
Other .....	€2,847,278
<b>Total</b> .....	<b>€2,922,778</b>

## Listing

This Prospectus has been approved by the CNMV in its capacity as competent authority under the LMV and relevant implementing measures in Spain. Application will be made for the Notes to be admitted to trading on AIAF. The Notes may also be admitted to trading on any other secondary market as may be agreed by the Issuer.

## Clearing

The Notes have been accepted for clearance through Iberclear. The ISIN for this issue is ES0205032024 and the Common Code is 158890461.

## Stabilisation

In connection with the issue of the Notes, Merrill Lynch International (the “Stabilising Manager”) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes 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 Notes 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

## Governmental, legal or arbitration proceedings

Save as disclosed under “*Description of Ferrovial – Legal Proceedings*” on pages 55 to 59 above, there are no, and there have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Parent is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of any of the Parent or, the Group.

There are no, and there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Parent is aware) in the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.

## Financial and trading position

There has been no significant change in the financial or trading position of the Issuer since 31 December 2016, and no material adverse change in the financial position or prospects, of the Issuer since 31 December 2016.

There has been no significant change in the financial or trading position of the Parent since 31 December 2016 and no material adverse change in the financial position or prospects of the Parent since 31 December 2016.

## Financial information

Deloitte, S.L., independent auditors on the *Registro Oficial de Auditores de Cuentas* whose address is Plaza Pablo Ruiz Picasso, 1, 28020 Madrid, Spain, audited the unconsolidated annual financial statements of the Issuer and the consolidated annual financial statements of the Parent for the year ended 31 December 2015 and 31 December 2016. The reports in respect of such annual financial statements were unqualified.

## Documents on display

For the period of 12 months following the date of this Prospectus, copies of the following documents will be available:

- (a) the by-laws of the Issuer and of the Parent, on Ferrovial's website ([www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Debt Issuances and Rating/Emisiones Debt Issuances Documents*);
- (b) the constitutional documents of the Issuer and of the Parent, from the Commercial Registry (*Registro Mercantil*) of Madrid;
- (c) the audited consolidated annual financial statements of the Parent in respect of the financial years ended 31 December 2015 and 31 December 2016 (with an English translation thereof) together with the audit reports and the consolidated management report in respect of the financial year ended 31 December 2016 in connection therewith, from the registered office of the Parent, on Ferrovial's website ([www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Financial Information/Audited Financial Statements*) and on the CNMV website ([www.cnmv.es](http://www.cnmv.es));
- (d) the audited unconsolidated annual financial statements of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016 together with the audit report and in relation to the latter, the directors' report, from the registered office of the Parent, on Ferrovial's website ([www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Debt Issuances and Rating/Emisiones Debt Issuances Documents*) and on the CNMV website ([www.cnmv.es](http://www.cnmv.es)); and
- (e) a copy of this Prospectus, from the registered office of the Parent, on Ferrovial's website ([www.ferrovial.com](http://www.ferrovial.com) in section *IR&Shareholders/Debt Issuances and Rating/Emisiones Debt Issuances Documents*) and on the CNMV website ([www.cnmv.es](http://www.cnmv.es)).



### **13. SIGNATURES**

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes VI, IX and XIII of Commission Regulation (EC) No. 809/2004 of 29 April 2004, it is hereby signed by Mr. Ernesto López Mozo and Mr. Pedro Agustín Losada Hernández, in their capacity as attorneys in fact of the Issuer, acting under a special power of attorney granted by the Joint Directors of the Issuer, and by Mr. Ernesto López Mozo, in his capacity as Chief Financial Officer, of the Parent, acting under a special power of attorney granted by the Board of Directors, in Madrid, on 27 February 2017.

**THE JOINT LEAD MANAGERS AND BOOKRUNNERS**

**Banco de Sabadell, S.A.**

Pl. Sant Roc 20  
Sabadell  
Spain

**CaixaBank, S.A.**

Avenida Diagonal, 621 - 629,  
08028 Barcelona  
Spain

**Citigroup Global Markets Limited**

Citigroup Centre, 33  
Canada Square  
Canary Wharf  
London, E14 5LB  
United Kingdom

**Crédit Agricole Corporate and Investment Bank**

12, Place des États Unis  
CS 70052  
92547 Montrouge Cedex  
Paris  
France

**Merrill Lynch International**

2 King Edward Street  
EC1A 1HQ London  
United Kingdom

**RBC Europe Limited**

Riverbank House  
2 Swan Lane London  
EC4R 3BF  
United Kingdom

**Scotiabank Europe plc**

201 Bishopsgate, 6th Floor  
London, EC2M 3NS  
United Kingdom

**Société Générale**

29, Boulevard Haussmann  
75009 Paris  
France

**The Royal Bank of Scotland plc (trading as NatWest Markets)**

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**THE ISSUER**

**Ferrovial Emisiones, S.A.**

Príncipe de Vergara, 135  
28002 Madrid  
Spain

**THE PARENT**

**Ferrovial, S.A.**

Príncipe de Vergara, 135  
28002 Madrid  
Spain

**PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London, EC2N 2DB

**LOCAL PAYING AGENT**

**Deutsche Bank, S.A.E.**

Rosario Pino 14-16  
28020 Madrid  
Spain

**LEGAL ADVISERS**

*To the Issuer and the Parent as to Spanish law*

**Linklaters, S.L.P.**

Calle Almagro, 40  
28010 Madrid  
Spain

*To the Joint Lead Managers and Bookrunners as to Spanish law*

**Allen & Overy**

Pedro de Valdivia 10  
28006 Madrid  
Spain

**AUDITORS OF THE ISSUER AND THE PARENT**

**Deloitte, S.L.**

Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid  
Spain