

Ferrovial Emisiones, S.A.

Financial Statements for the year ended
31 December 2016 and Directors' Report,
together with Independent Auditor's Report

*Translation of a report originally issued in Spanish based on
our work performed in accordance with the audit regulations
in force in Spain. In the event of a discrepancy, the Spanish-
language version prevails.*

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of
Ferrovial Emisiones, S.A.,

Report on the Financial Statements

We have audited the accompanying financial statements of Ferrovial Emisiones, S.A., which comprise the balance sheet as at 31 December 2016, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the equity, financial position and results of Ferrovial Emisiones, S.A. in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2-a to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accompanying financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the accompanying financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the accompanying financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Ferrovial Emisiones, S.A. as at 31 December 2016, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2016 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2016. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Javier Parada Pardo

21 March 2017



Ferrovial Emisiones S.A

Director's Report and
Financial Statements

2016

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

1. Company development in the year and foreseeable evolution

The Company's core activity at present is the issuance of bonds in order to obtain financing suitable to address the investment needs of the Ferrovial Group.

Based on its activity, the main assets held by the company are long-term debt securities provided to other group companies that obtain financing through the bond's issuances and have similar conditions when compared to the mentioned bonds.

The main items on the profit and loss statement of the company correspond to financial revenue obtained from the issued long-term securities compensated with the financial expenses associated with the bond's issuance. Profit or loss for the year derives fundamentally from operations of hedging instruments mentioned in the following section.

The Company's foreseeable evolution is tied to its own activity. Ferrovial Emisiones is considering the possibility of a new bond issuance, provided that the market conditions are convenient for it, in order to obtain financing for potential investment and/or debt repayment necessities.

2. Information concerning the Environment, Research & Development, Own Portfolio and Financial Instruments, Events Subsequent to Year-end, Average Payment Period to Suppliers and Financial Risk Management.

Given the nature of its activity, the Company has no environmental obligations, expenses, assets, provisions or contingencies, nor does it conduct any R&D activities.

Regarding the Company's own portfolio, at 31 December 2016, the Company does not have any own shares nor has it performed any related transactions during the reporting period. No transactions involving financial instruments have been carried out either.

In relation to financial risk management, this function is centrally performed by the Financial Department of Ferrovial, S.A., which has the necessary mechanisms in place to control the exposure to interest rate and foreign exchange fluctuations, as well as to credit and liquidity risks, according to the Company's structure and financial position and to the current economic variables.

In order to hedge interest rate risk, the company set derivatives in 2013 with a notional amount of EUR 250 million, maturing in 2021. Since the IRS have partially turned one of the bonds' fixed interest rate into a variable rate, these IRSs have become, to a certain degree, an economic hedge of the fair value of the bonds issued. Implying that both the derivative's fair value variation and the hedged item (in this case a portion of the bond) are registered at fair value with variations in the profit(loss) account. In this regard, it should be noted that the fair value of the hedged bond totals EUR -2,186,815, whereas the impact of the change in fair value of the IRS amounts to EUR 5,237,445.30. Therefore, the amount of the fair value recorded in the 2016 reporting period totals EUR 3,050,630.24.

No events subsequent to year-end are worth mentioning.

In complying with the duty of reporting the "average payment period to suppliers" established in the Third Additional Provision of Law 15/2010 (as per the rewritten text of Law 31/2014), the Company informs that the average payment period to suppliers in 2016 has been 22 days for the Company.

FERROVIAL EMISIONES S.A.

BALANCE SHEET AS OF YEAR END 2016 AND 2015

ASSETS	2016	2015
NON-CURRENT ASSETS	1,802,092,894.82	1,302,746,283.77
Long term loans to Group Companies (Note 7)	1,789,535,034.59	1,291,487,743.16
Long-term financial derivatives at fair value (Note 6)	12,557,860.23	11,258,540.61
CURRENT ASSETS	35,924,672.53	33,675,673.82
Short-term receivables with public authorities	652,914.99	479,580.13
Current loans to Group Companies	31,480,108.64	29,663,916.47
Loans to Group companies (Note 7)	29,250,000.01	28,530,821.92
Other financial assets (Note 7)	2,230,108.63	1,133,094.55
Current financial derivatives (Note 6)	3,791,527.90	3,532,177.22
Cash and cash equivalents	121.00	0.00
TOTAL ASSETS	1,838,017,567.35	1,336,421,957.59
LIABILITIES	2016	2016
EQUITY (Note 5)	12,590,335.62	8,874,291.64
Shareholder's Equity	12,590,335.62	8,874,291.64
Share capital	60,200.00	60,200.00
Reserves	8,814,091.64	6,381,087.61
Legal reserve	361,354.73	361,354.73
Other reserves	8,452,736.91	6,019,732.88
Profit (loss) for the year	3,716,043.98	2,433,004.03
NON-CURRENT LIABILITIES	1,794,942,440.82	1,298,221,438.36
Non-current debt - bonds issuance (Note 6)	1,794,942,440.82	1,298,221,438.36
CURRENT LIABILITIES	30,484,790.91	29,326,227.59
Payable accrued interests (Note 6)	29,118,855.70	28,495,449.17
Trade and other payables	1,365,935.21	830,778.42
Trade payables	122,243.48	54,814.08
Payables to suppliers, group companies and associates (Note 9)	0.00	12,100.00
Other payables	68.32	0.00
Current tax payables (Note 8)	1,238,681.32	763,864.34
Other payables with public authorities	4,942.09	
TOTAL LIABILITIES	1,838,017,567.35	1,336,421,957.59

The accompanying Notes 1 to 14 are an integral part of the balance sheet as of December 31st 2016

FERROVIAL EMISIONES S.A.

PROFIT AND LOSS FOR 2016 AND 2015

	2016	2015
Revenue (Note 7)	44,041,894.65	43,082,688.02
Other operating expenses	79,753.38	14,253.34
Outside services	14,506.49	14,006.45
Taxes other than income tax	65,246.89	246.89
<i>PROFIT (LOSS) FROM OPERATIONS</i>	<i>43,962,141.27</i>	<i>43,068,434.68</i>
From Group companies		
Finance costs	42,058,094.21	41,712,990.06
On debts to Group companies and associates (Note 7)	33,474.03	17,018.33
On debts to third parties	42,024,620.18	41,695,971.73
Change in fair value of financial instruments (Note 6)	3,050,630.24	2,023,740.90
Exchange gains/(losses)	48.00	(13.26)
<i>FINANCIAL RESULT</i>	<i>(39,007,415.97)</i>	<i>(39,689,262.42)</i>
PROFIT(LOSS) BEFORE TAX	4,954,725.30	3,379,172.26
Corporate tax (Note 8)	(1,238,681.32)	(946,168.23)
PROFIT OR LOSS FOR THE YEAR	3,716,043.98	2,433,004.03

The accompanying Notes 1 to 14 are an integral part of the balance sheet as of December 31st 2016

FERROVIAL EMISIONES S.A. STATEMENTS OF CHANGES IN EQUITY FOR 2016 AND 2015

A) RECOGNIZED INCOME AND EXPENSES CORRESPONDING TO THE YEARS 2016 AND 2015

	2016	2015
Total profit(loss) from the year	3,716,043.98	2,433,004.03
TOTAL RECOGNISED INCOME AND EXPENSE	3,716,043.98	2,433,004.03

The accompanying Notes 1 to 14 are an integral part of the balance sheet as of December 31st 2016

B) VARIANCES IN SHAREHOLDER'S EQUITY IN THE YEARS 2016 AND 2015

Euros	Share capital	Reserves	Profit /(loss) for the year	TOTAL
Balance at 31/12/2015	60,200.00	6,381,087.61	2,433,004.03	8,874,291.64
Adjusted balance 01/01/2015	60,200.00	6,381,087.61	2,433,004.03	8,874,291.64
Total profit (loss) from the year			3,716,043.98	3,716,043.98
Total recognise income and expense		2,433,004.03	-2,433,004.03	
Balance at 31/12/2016	60,200.00	8,814,091.64	3,716,043.98	12,590,335.62

The accompanying Notes 1 to 14 are an integral part of the balance sheet as of December 31st 2016

Euros	Share capital	Reserves	Profit /(loss) for the year	TOTAL
Balance at 31/12/2014	60,200.00	3,613,547.35	2,767,540.26	6,441,287.61
Adjusted balance 01/01/2015	60,200.00	3,613,547.35	2,767,540.26	6,441,287.61
Total profit (loss) from the year			2,433,004.03	2,433,004.03
Total recognise income and expense		2,767,540.26	-2,767,540.26	
Balance at 31/12/2015	60,200.00	6,381,087.61	2,433,004.03	8,874,291.64

FERROVIAL EMISIONES S.A.

STATEMENTS OF CASH FLOW FOR 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	2,755,469	1,475,671
Profit/loss before tax	4,954,725	3,379,172
Change in fair value of derivatives	-3,050,678	-2,023,728
Cash Proceeds/payments due to derivatives	3,678,775	3,133,281
Changes in working capital	-2,063,489	-1,826,966
Income tax recovered (paid) and tax consolidation	-763,864	-1,186,089
CASH FLOWS FROM FINANCING ACTIVITIES	-2,755,396	-1,493,925
Proceeds (payments) relating to financial liability instrumen	-2,755,396	-1,493,925
Change in Group companies credit accounts	-501,750,396	-1,493,925
Bond Issuance	498,995,000	
EFFECT OF FOREIGN EXCHANGE RATE VARIATIONS	48	103
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	121	-18,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	0	18,151
CASH AND CASH EQUIVALENTS AT END OF YEAR	121	0

The accompanying Notes 1 to 14 are an integral part of the balance sheet as of December 31st 2016

See Note 10 for information regarding cash flow breakdown

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

FERROVIAL EMISIONES S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

(1) COMPANY'S ACTIVITY

Ferrovial Emisiones, S.A., a company with tax identification number: A-84723717 and registered office in calle Príncipe de Vergara, 135, 28002 Madrid, was incorporated on 9 May 2006 under the name of Baroslia, S.A., being its corporate purpose the issuance of debt securities (the "**Company**").

On 23 June 2008, an Extraordinary Annual General Meeting approved to change the name of the Company to Ferrovial Emisiones, S.A., which was formalised through public deed executed before Mr. Carlos de Moral Carro, Notary Public of Madrid, under No. 3181 in his registry.

The Company belongs to the group of companies whose parent company is Ferrovial, S.A., a company with tax identification number: A-81939209 and registered office in calle Príncipe de Vergara, 135, 28002 Madrid and recorded in the Commercial Registry of Madrid in volume 12,744 of section 8 of corporate book, page M-204873 section 146 (the "**Ferrovial Group**" or the "**Group**").

(2) BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

a) Fair representation and basis of presentation

The accompanying financial statements were obtained from the Company's accounting records and are presented in compliance with the regulatory financial reporting framework applicable to the Company and, accordingly, present fairly the Company's equity, financial position and results of operations. The regulatory framework consists of:

a.1 The Spanish Commercial Code and all other commercial legislation.

a.2 The Spanish Chart of Accounts and its sector-related adjustments.

a.3 The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish Chart of Accounts and the relevant secondary legislation.

a.4 All other applicable Spanish accounting legislation.

The financial statements will be submitted for approval by the Annual General Meeting, where they are expected to be approved with no amendments.

b) Accounting principles

The balance sheets and the income statements were prepared in accordance with the accounting principles set forth in current commercial legislation.

c) Comparative information

Approval on December 2016 of the Royal Decree-Law 602/2016 of December 2nd, has caused changes on the Spanish Chart of Accounts approved by the Royal Decree-Law 1514/2007, of November 16th. The mentioned Royal Decree 602/2016 is applicable to years from January 1st 2016 forward.

The main modifications introduced by the Royal Decree 602/2016 that affect the company are related to new information breakdowns in the Financial statements, mainly:

- a) The civil liability insurance premium paid covering the company administrators.

In complying with the new information requirements on the financial statements, and in accordance with the Second Additional Provision of the Royal Decree 602/2016 previously mentioned, the company has opted to include on the Note 10 of the financial statements the necessary comparative information.

The information pertaining to the 2015 reporting period is included for comparison purposes, with the information of the 2016 reporting period.

(3) DISTRIBUTION OF PROFIT

The proposal for distribution of 2016 profits prepared by the Company Directors which will be presented for approval at the Annual General Meeting consists in allocating profits to voluntary reserves.

Profit or loss 2016: EUR 3,716,043.98

Voluntary Reserves: EUR 3,716,043.98

(4) ACCOUNTING POLICIES AND MEASUREMENT BASES

The main accounting policies and measurement bases used by the Company in preparing its financial statements are the following:

4.1 Financial assets

Held-to-maturity investments, loans granted and accounts receivable

Held-to-maturity investments, loans granted and receivables are initially recognised at fair value plus any attributable costs and are subsequently measured at amortised cost, and any accrued interest is recognised on the basis of the effective interest rate. The effective interest rate is the discount rate that exactly matches the initial payment of the financial instrument with all of its estimated cash flows until maturity thereof. However, trade receivables maturing within twelve months are measured at face value, both at initial recognition and subsequently, provided that the effect of not discounting the cash flows is not material. At least at each reporting date, the necessary impairment losses are recognised if there is objective evidence that not all the amounts receivable will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the date of initial recognition. Impairment losses and any reversals of impairment losses are recognised in profit or loss. Financial assets are derecognised when the risks and rewards of ownership of the financial asset are substantially transferred. In the specific case of receivables, this is deemed to occur when the default and delinquency risks have been transferred.

4.2 Cash and cash equivalents and held-to-maturity investments

Cash and cash equivalents include the balance of bank accounts.

Held-to-maturity investments, loans granted and receivables are initially recognised at fair value and are subsequently measured at amortised cost, and any accrued interest is recognised on the basis of the effective interest rate. The effective interest rate is the discount rate that exactly matches the initial payment of the financial instrument with all of its estimated cash flows until maturity thereof.

However, trade receivables maturing within twelve months are measured at face value, both at initial recognition and subsequently, provided that the effect of not discounting the cash flows is not material. At least at each reporting date, the necessary impairment losses are recognised if there is objective evidence that not all the amounts receivable will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present

value of the estimated future cash flows, discounted at the effective interest rate at the date of initial recognition. Impairment losses and any reversals of impairment losses are recognised in profit or loss. Financial assets are derecognised when the risks and rewards of ownership of the financial asset are substantially transferred. In the specific case of receivables, this is deemed to occur when the default and delinquency risks have been transferred.

4.3 Equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are deducted, net of taxes, from equity. Acquisitions of the Parent Company's treasury shares are deducted from equity for the amount of the consideration paid, including the attributable costs associated with the acquisitions. When treasury shares are sold or reissued, any amount received is taken, net of costs, to equity.

4.4 Provisions and contingent liabilities

The Company recognises a provision for a commitment or obligation to a third party that meets the following requirements: It is a current obligation (legal or constructive) arising from past events or constructive obligations, the settlement of which is expected to result in an outflow of funds and the amount or timing of which are not known for certain but can be estimated in a sufficiently reliable manner.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. Provisions maturing within one year for which the effect of discounting is not material are not discounted.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events regardless the Company's will. Contingent liabilities are not recognised; rather, a detail thereof is included in the notes.

4.5 Financial liabilities

These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments up to the maturity of the liability to the amount initially received. If the effective interest rate is initially considered to differ from the market interest rate, the liability is measured based on the present value of future cash flows at the market rate in the case of interest-bearing loans. Where no effective interest rate is specified, the cash flows are also measured using the market interest rate.

If existing debts are renegotiated, the financial liability is not deemed to change significantly when the lender of the new loan is the same as the initial lender and the present value of the cash flows, including origination and arrangement costs, applying the effective interest method which is not more than 10% higher or lower than the present value of the future cash flows payable on the original liability calculated using this same method.

4.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date they are arranged. Subsequent changes in fair value are also recognised at each closing date. According to the Spanish Audit and Accounting Institute (ICAC) the measurements take into account the Company credit risk. The method used to recognise gains or losses on derivatives depends on whether the instrument has been designated as a hedging instrument and, as the case may be, on the type of hedge involved.

The Company has mainly arranged fair value hedging derivatives for the bonds issued, which are posted as follows:

- a) The profit or loss arising from measuring the hedging instrument at fair value is recognised in the profit(loss) for the fiscal year as fair value adjustments.

- b) The profit or loss of the item hedged that can be attributed to the risk being hedged determines the adjustment of the book value of the item hedged and is recognised in the profit(loss) for the period as value adjustment of the hedged item

4.7 Corporate Tax and deferred taxes

The Corporate Tax expense recognised in the Company's financial statements is calculated based on the accounting profit(loss) of the Company, increased or decreased, as appropriate, by the tax effect of accounting consolidation adjustments and by temporary differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements (balance sheet liability method), and which result in the recognition of deferred assets and liabilities.

Deferred taxes are not recognised when the transaction has no effect on the book value and/or tax value of the related assets and liabilities. Deferred tax assets and liabilities are calculated at the tax rates in force at the balance sheet date and at the rates that are expected to be in force in the period in which the assets are realised or the liabilities are settled. They are charged or credited to the income statement, except when they relate to items that are recognised directly in equity, in which case they are charged or credited to equity. Deferred tax assets tax loss carryforwards are recognised when it is likely that the Company will recover them in the future, regardless of when they will be recovered, provided this is within the maximum period provided by law. Deferred tax assets and liabilities are not discounted and are classified as a non-current asset or liability in the balance sheet. Deferred taxes recognised are reviewed at each year-end.

The difference between the income tax expense recognised at the previous year-end and the income tax expense reported in the final tax returns filed constitutes a change in accounting estimates and is recognised as current-year income or expense.

The Company pays taxes under the consolidated tax scheme, being part of the Consolidated Tax Group which parent company is Ferrovial, S.A.; therefore, taxes were calculated based on such scheme.

4.8 Revenue recognition

The Company's revenue is related to the financial income linked to the loan with Ferrovial S.A., which, based on the Boicac resolution no. 79/2009, on accounting classification in separate financial statements of the income and expenses of these companies, is treated as said Company's revenue.

Revenue is measured at the fair value of the consideration receivable and represents the amounts receivable for the goods and services provided in the normal course of business, minus discounts, refunds, VAT and other sales-related taxes. Revenue is recognised when the risks and rewards are deemed to have been transferred.

4.9 Financial risks

Finally, regarding financial risk management, this function is centrally performed by the Financial Department of Ferrovial, S.A., which has the necessary mechanisms in place to control the exposure to interest rate and foreign exchange fluctuations, as well as to credit and liquidity risks, according to the Company's structure and financial position and to the current economic variables.

(5) SHAREHOLDERS' EQUITY

Share capital

The share capital of Ferrovial Emisiones, S.A. is represented by 60,200 bearer shares with a nominal value of EUR1 each, fully subscribed and the nominal value fully paid in.

Shares are not listed and the Company does not hold any treasury shares.

The Company is owned by Ferrovial S.A., which holds shares representing a 99% of its share capital and by Can-Am, S.A. Sole- Shareholder Company, which holds the remaining 1%.

Legal reserve

Under the Consolidated Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Insofar as it does not exceed 20% of the share capital amount, the legal reserve may be used to offset losses if there were no other sufficient reserves available for this purpose.

At 31 December 2016, the Company held no treasury shares and no transactions involving treasury shares were carried out during the year.

(6) BALANCES HELD WITH FINANCIAL INSTITUTIONS AND OTHER MARKETABLE SECURITIES**Bank borrowings**

Long term debt obligations with banks correspond to bonds issued by the company in the years 2013, 2014, and 2016; as explained in the following detail:

Nominal	Issuance date	Maturity date	Annual coupon	Market value 2016	Market value 2015
500,000,000.00	30/01/2013	30/01/2018	3.375%	517,615,000.00	528,810,000.00
500,000,000.00	07/06/2013	07/06/2021	3.375%	579,355,104.00	552,354,946.00
300,000,000.00	15/07/2014	15/07/2024	2.500%	326,349,000.00	308,982,000.00
500,000,000.00	09/09/2016	09/09/2022	0.375%	487,870,000.00	n.a.

The bonds issued in 2013 are traded on the secondary market of the London Stock Exchange. The bonds issued in 2014 and 2016 have been admitted to trading on the Spanish fixed-income securities market (AIAF). All of the issues have been backed by Ferrovial, S.A., the parent company.

The reconciliation between the bonds issued nominal value and their book value is as follows:

	Nominal	Amortized cost	Market value adjustment	Total
Balance at 31/12/2016	1,800,000,000.00	-17,173,538.62	12,115,979.44	1,794,942,440.82
Balance at 31/12/2015	1,300,000,000.00	-11,707,726.02	9,929,164.38	1,298,221,438.36

Out of the EUR 1,800 million that compose the Nominal, EUR 1,550 million are valued according to the amortized cost criteria, the remaining EUR 250 million are valued at fair value with changes to the profit and loss statement. Thus, on the table above, the column “amortized cost,” corresponds to the settled fees when the bonds were issued and which are accrued along the life of the bonds, therefore including the fees on their effective interest rates. On the other hand, the “Market value adjustment” column displays the valuation impact at fair value of the mentioned Nominal.

The short-term balances correspond to the accrued interests pending payment for the bond issuances, which amount to EUR 29,118,855.70 in 2016 and EUR 28,495,185.83 in 2015.

Derivative financial instruments at fair value

The derivatives held by the Company at December 31st 2016 were as follows:

Type of Instrument	Fair value			Breakdown of changes					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	Variation	Impact on reserves	Impact on profit or loss, fair value	Impact on financial result-funding	Cash	Other impacts on the balance sheet or statement of profit or loss	
Interest rate swaps	16,349,388.13	14,790,717.83	1,558,670.30	0	5,237,445.30	0	-3,678,775.00	0	1,558,670.30
Total financial hedges	16,349,388.13	14,790,717.83	1,558,670.30	0	5,237,445.30	0	-3,678,775.00	0	1,558,670.30

Such derivatives were arranged in 2013 and have a notional amount of EUR 250 million, maturing in 2021. Since the IRS have partially turned one of the bonds' fixed interest rate into a variable rate, these IRS have become, to a certain degree, an economic hedge of the fair value of the bond issue described above. This means that both the derivative's fair value variation and the hedged item (in this case a portion of the bond) are registered at fair value with some changes in the profit(loss) account. In this regard, it should be noted that the fair value of the hedged bond totals EUR -2,186,811.76, whereas the impact of the change in fair value of the IRSs amounts to EUR 5,237,445.30.. Therefore, the amount of the fair value recorded in the 2016 reporting period totals EUR 3,050,630.24.

The table below details the derivatives arranged and the fair value thereof at December 31st 2016, as well as the maturities of the notional amounts to which the derivatives relate (notional maturities are shown as positive figures and future increases already arranged as negative figures):

Type of instrument	Fair value		Notional Maturities					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021 and beyond	
Interest rate swaps	16,349,388.13	14,790,717.83	0	0	0	0	250,000,000.00	250,000,000.00
Total financial hedges	16,349,388.13	14,790,717.83	0	0	0	0	250,000,000.00	250,000,000.00

The cash flows that make up the fair value of the derivatives have the following maturities:

Type of instrument	Fair value		Cash flow maturity					TOTAL
	Balance at 31/12/2016	Balance at 31/12/2015	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021 and beyond	
Interest rate swaps	16,349,388.13	14,790,717.83	3,791,527.90	3,639,530.96	3,278,379.81	2,798,649.28	2,824,591.84	16,332,679.79
Total financial hedges	16,349,388.13	14,790,717.83	3,791,527.90	3,639,530.96	3,278,379.81	2,798,649.28	2,824,591.84	16,332,679.79

(7)

BALANCES WITH GROUP COMPANIES

The main balances with group companies are:

	2016			2015		
	Long-term loans	Short-term loans	Checking account	Long-term loans	Short-term loans	Checking account
Ferrovia S.A.	1,293,270,714.47	28,690,068.50	2,159,022.37	1,291,487,743.16	28,530,821.92	1,133,094.55
Ferrofin S.L.	496,264,320.12	559,931.51	71,086.26	0.00	0.00	0.00
TOTAL	1,789,535,034.59	29,250,000.01	2,230,108.63	1,291,487,743.16	28,530,821.92	1,133,094.55

The loan-term loans granted to Ferrovial S.A. are related to the bond issues performed by the Company as described in Note 6 above. The current loans relate to the interest accrued on the abovesaid loans for an amount of EUR 29,250,000.01, to be settled in 2017, to the balance of the current account between Group companies for an amount of EUR 2,159,022.37, and to the balance held between Ferrovial Emisiones S.A and Ferrofin S.L, which amounts to EUR 71,086.26.

Such balances have accrued interest rates similar to those of the market, i.e. 0.41% and 0.58% for 2016 and between 0.50% and 4.82% for 2015, 3.375% for the checking account, and 0.375% for the loans (identical to the fixed coupon accrued by the bonds).

Income and expense with Group companies

During 2016 revenue of EUR 44,041,894.65 has been obtained from interest accrued by the loans held by the Company with its parent company Ferrovial, S.A and Ferrofin. The remaining income and expense correspond to the interest accrued on the balance of the current account held by the Company with Ferrovial S.A.

Balance at 31/12/2016	Revenues	Finance costs
Ferrovial, S.A.	43,297,643.02	33,474.03
Ferrofin S.L.	744,251.63	
TOTAL GROUP COMPANIES	44,041,894.65	33,474.03

Balance at 31/12/2015	Revenues	Finance costs
Ferrovial, S.A.	43,082,688.02	17,018.33
TOTAL GROUP COMPANIES	43,082,688.02	17,018.33

(8) TAX MATTERS

In regards to the reconciliation of the accounting profit(loss) for 2016 and the taxable base of the Corporate Tax, there are no temporary nor permanent differences amending the taxable base; thus the accounting profit does not differ from the taxable base, which amounts to EUR 4,954,725.

Find below the reconciliation of the accounting profit(loss) for the year and the expense or income for the Corporate Tax recognised in 2016 and 2015, as well as the breakdown of current and deferred tax expense.

	2016	2015
Taxable profit/loss	4,954,725.30	3,379,172.26
Tax rate	25%	28%
Current tax expense/benefit	1,238,681.33	946,168.23
Deferred tax expense/benefit		
Total tax expense (income)	1,238,681.33	946,168.23

There are no tax-loss carryforwards, nor any commitments undertaken in relation to tax incentives.

The last four years are open for review by the tax authorities for all the taxes applicable to the Group. Contingent tax liabilities may arise from the criteria that tax authorities may adopt in relation to the years open for review which cannot be objectively quantified. Nevertheless, the Company Directors believe that no significant liabilities will stem from this situation. At the end of the reporting period 2016 the Company is not pending any inspection.

(9) INCOME AND EXPENSES

During 2016 revenue of EUR 44,041,894.65 has been obtained from interest accrued by the loans held by the Company with its parent company Ferrovia, S.A and Ferrofin, as described in section 4.8 regarding revenue recognition, and Note 7.

The financial expense basically consists of the interest accrued on payment of the coupons of the bonds issued, for an amount of EUR 42,024,620.18 in 2016 and 41,695,863.42 in 2015.

In 2016 three coupons have been paid, for an amount of EUR 41,250,000 related to the maturity of the three bonds issuances made by the Company as follows:

Bond issue	Payment date	Paid interests
1 st	30/01/2016	16,875,000.00
2 nd	07/06/2016	16,875,000.00
3 rd	15/07/2016	7,500,000.00

Employees

At 2016 year-end, the Company had no employees and it was managed and administered by other companies of Ferrovia Group. Senior Management powers are exercised by staff members of the Group's parent company.

The Company has no pension plans or similar obligations.

(10) CASH FLOW

As previously stated, the Company's core activity at present is the issuance of bonds to obtain financing suitable to address the investment needs of the Ferrovia Group. Therefore, for the elaboration of the cash flow statement, all the financing activities have been considered as cash flow from operating activities for proceeds and payments of interests generated by the issued bonds, as well as the proceeds from interests produced due to financing granted to other Group Companies. The financing cash flow displays the debt increase caused by the issuance of bonds and the internal financing variations caused because of loans given to Group Companies.

(11) AUDITING FEES

During reporting period 2016, fees for audit services and other services provided by the Company's auditor, Deloitte, S.L., or another company related to the auditor by common ownership, management or control were the following:

The auditor has billed Ferrovia Emisiones, S.A. for auditing services, EUR 6,095 thousand in 2016, same as in 2015, and an additional EUR 40,000 for other auditing tasks in 2016.

(12) CONFLICTS OF INTERESTS

No conflict of interests, whether direct or indirect, has arisen with that of the Company, as per the terms of applicable legislation (currently, section 229 of the Spanish Companies Law, notwithstanding the transactions with related entities shown in the notes to the financial statements.

(13) ENVIRONMENTAL POLICY

In view of the business activity carried out by the Company, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

(14) OTHER DISCLOSURES

During this year, no compensations of any type have been earned in favour of the Joint Directors.

No loans were granted or obligations undertaken regarding pensions and life insurance with respect to the former and current Joint Directors. In relation to the civil liability insurance, Ferrovia S.A., the parent company, has a civil liability policy that covers the administrators and directors of the Ferrovia Group companies. The Joint directors of Ferrovia Emisiones S.A. are among the insured by the policy; Ferrovia S.A. has paid a premium of EUR 577,849.0 during 2016 for the mentioned insurance.

There are no transactions guaranteed by assets or cash on hand, and no contingent assets or liabilities.

In complying with the duty of reporting the "average payment period to suppliers" established in the Third Additional Provision of Law 15/2010 (as per the rewritten text of Law 31/2014), the Company informs that the average payment period to suppliers has been 22 days for the Company.

The detail required by Article 6 of Resolution of 29 January 2016 by the Spanish Accounting and Audit Institute concerning the information to be provided over the average payment term to suppliers during the year is as follows:

	F. Emisiones	
	2016 Days	2015 Days
Average period of payment to suppliers	22	30
Ratio of transactions settled	22	30
Ratio of transactions not yet settled	0	0

	Amount (euros)	Amount (euros)
	2016	2015
Total payments made	1,013,134	12,961
Total payments outstanding	0	0

(15) EVENTS SUBSEQUENT TO YEAR-END

No events subsequent to year-end are worth mentioning.

(16). EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

FERROVIAL EMISIONES S.A

Joint Directors:

Ernesto López Mozo

Pedro Losada Hernández

The foregoing pages contain the financial statements and director's report of Ferrovial Emisiones, S.A. –the balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements and director's report– for the year ended 31 December 2016, which were formulated by the Company's Board of Directors at the meeting held in Madrid on 17 March 2017 and which, pursuant to Article 253 of the Spanish Limited Liability Companies Law, are signed below by all the directors who attended the meeting.

Madrid, March 17 2017.

Ernesto López Mozo

Pedro Losada Hernández