

Don Eduardo Manso Ponte  
Director de Informes Financieros y Corporativos  
Dirección General de Mercados  
COMISIÓN NACIONAL DEL MERCADO DE VALORES  
Calle Edison 4  
28006 Madrid

Madrid, January 23<sup>rd</sup> 2018

Dear Sir,

In response to your requirement with registration number 2017141224, we proceed to answer the questions raised regarding 2016 Consolidated Annual Accounts of Ferrovial, S.A.

## **1. Clarifications concerning Autopista Terrasa Manresa (Autema) concession**

### **1.1 Please detail the arguments that support the company's legal position to consider that the outstanding amounts will be received according to the previous concession regime.**

The company estimates that it will receive the amounts pending collection based on the previous concession system, since it considers that the two decrees of the Generalitat 161/2015 and 337/2016 that amend the regime established by decree 137/1999, are fully null and void (ex tunc nullity), and therefore, once their nullity is declared, they will never produce effects, and the concessional regime established in decree 137/1999 must be applied at all times.

The absolute nullity of both decrees is based on the fact that the amendments introduced by them to the Autema concession regime do not respect the requirements provided for by the Revised Text of the Public Sector Contracts Law 3/2011 (TRLCSF) for amendments of public contracts. In particular:

- None of the circumstances assessed in article 107 of said law occur, which justify the amendment of a public contract.
- Contrary to what is indicated in section 2 of said article, the amendments introduced by the aforementioned decrees change the essential conditions of the awarding of the concession, since they imply an amendment of more than 10% of the award price (section 3d) as with the change of the concession regime, there is an expected reduction of income to be received by Autema of between 50.54% and 43.1%.
- These amendments do not respond to reasons of protection of the public interest, as required by article 219 of the aforementioned law, and that was required by Law 8 of 1972 for construction, conservation and operation of toll roads under concession regime (the application of which is claimed by the Generalitat), since none of the reasons alleged by the Generalitat: economic crisis, budgetary stability and equivalence of benefits, have been recognised by the courts as reasons of public interest that may justify an amendment of the concession regime.

As a conclusion of that indicated, the company considers that it has very solid arguments to defend the validity of the previous concession regime, since what the Administration has done through the aforementioned decrees, has not been a specific amendment of the existing concession, but, in bypassing all the legal requirements, it has set up a new concession in which the concessionaire must provide the same service or even greater service by having to operate with more teams (with consequently higher costs), it will drastically reduce income, without bringing together rebalancing mechanisms, and all this clearly prejudicing the concessionaire, incurring not only a clear fault of nullity, but also of arbitrariness, which frontally violates the principles of legality, legal security and interdiction of the arbitrariness of the public powers laid down in article 9.3 of the Constitution.

### **1.2 Indicate how the income linked to this project is being imputed after RD 161/2015 and 337/2016.**

Income is being allocated in accordance with the account receivable model of the concession business, as regulated in IFRIC 12 and in the regulations for adapting the General Accounting Plan to public infrastructure concessionaire companies, approved on 23 December 2010 through Order EHA / 3362/2010. This accounting treatment is supported by the legal arguments presented in the previous section.

In accordance with the aforementioned regulations, in those cases where the concessionaire company has an unconditional collection right in exchange for the services provided, either because the grantor guarantees the payment of certain amounts or because it guarantees the recovery of the deficit between the amounts received from users of the public service and the aforementioned amounts, the consideration received results in the recognition of a financial asset or account receivable.

Following the financial asset model, the fair value of the operation and maintenance services of the infrastructure in its operating period is included in the sales figure, as well as the financial remuneration that is generated by the annual return of the financial asset in the application of the effective interest rate resulting from comparing the fair value of the operation and maintenance services provided with the flows expected to be received in accordance with the economic-financial model of the concession.

The economic-financial model used for these calculations is based on the Economic-Financial Plan of the concession approved by the Generalitat of Catalonia in Decree 137/1999 of 18 May, taking into account certain delays in the collection flows until the estimated settlement date for the litigation commented above.

Said economic-financial model has also served as the basis for carrying out the impairment test of goodwill. The test has been carried out for the cash generating unit as a whole and, from it as indicated in the annual accounts, the record of an impairment has been derived that has been applied in its entirety to reduce the carrying amount of the goodwill as indicated in paragraph 104 a of IAS 36, without any impairment of the account receivable.

### **1.3 Detail the liabilities linked to the Autema project as well as the balance sheet items where they are registered.**

The main liabilities linked to the Autema project, as well as the heading in which they appear broken down and the note of the annual accounts in which they are commented, are the following:

- Financial debt: Obligations and debts of infrastructure projects (Note 5.2.1 b) for €654 million, long-term syndicated loan.
- Financial derivatives at fair value (liabilities) "Interest Rate Swap" (Note 5.5): €308 million.
- Minority interests: corresponding to the participation of the rest of the shareholders in the concession company of the project (Note 5.1.2.h): 156 million euros, item, which although technically is not considered a liability, is necessary to detract for the purpose of estimating the

contribution of the project to equity attributable to Ferrovial's shareholders.

Additionally, and in order to estimate the contribution of the project to the equity attributable to Ferrovial's shareholders, the main assets assigned to the project that are broken down in the annual accounts must be considered in the opposite direction and these are the following:

- The amount of the account receivable from the project (Note 3.3.2) for 648 million euros.
- The amount of goodwill remaining after the impairment recorded (Note 3.1) for 99 million euros.
- Financial derivative assets at fair value (note 5.5) for 321 million euros, which corresponds to an inflation linked swap.

#### **1.4 Update, as of the response date of this request, the situation in which the judicial procedure described above is found.**

After presenting the claim in the referral procedure against Decree 161/2015 in October 2016, Decree 337/2016 was published in December 2016, partially amending the aforementioned Decree 161/2015, which prompted the extension of the procedure 348/2015 to the new Decree 337/2016, given the direct connection existing between both challenged Decrees (the second is partial amendment of the first), which was agreed by the Court that is aware of the matter.

In this sense, a claim has already been formalised in relation to the challenged Decree 337/2016. Being a specific amendment of some of the precepts of Decree 161/2015, the argument of our defence has been essentially similar. The co-defendants (Generalitat de Catalunya and the Consell Comarcal del Bagés) have already submitted their briefs in response to the claim and the procedure is awaiting the start of the evidence stage.

## **2 Clarifications concerning Broadspectrum acquisition**

### **2.1 Please detail the breakdowns of information required by IFRS 13 *Valuation of fair value*, specifically**

#### **(i) the level of hierarchy (IFRS 13 paragraphs 93.b and 97);**

In general, the main fair value adjustments identified in the Broadspectrum acquisition price allocation process correspond to the hierarchy level of value 3. However, level 2 has been used to value certain fixed assets and shareholdings in companies accounted for by the equity method, and in general for all financial products of the debt, when using as a reference similar recent transactions and other observable market references, such as interest rate curves. Finally, in the specific case of debt listed in active markets (high yield bonds), hierarchy level 1 has been used.

#### **(ii) if they are internal valuations or carried out by a third party; in this case, the date of the report and the name of the independent expert must be indicated;**

In general, the fair value adjustments identified in the price allocation process have been calculated using internal valuations.

Exceptionally, the heading of other adjustments includes the calculation of the fair value of certain fixed assets (equipment and drilling platforms) for which the valuation of an independent third party was obtained, in this case the company Industrial Marketing, which issued a report dated 30 June 2016.

The company has carried out a valuation internally supported by Broadspectrum managers and teams involved in the acquisition process regarding the main fair value adjustment, the valuation of the intangible assets, composed of the contracts currently signed with its customers and the commercial relationship with them. Ferrovial has the knowledge to value this type of asset as Broadspectrum is a services company, whose main assets are portfolio contracts and the commercial relationship with

customers. This valuation has been subject to a double review by the external auditors of Broadspectrum (KPMG) as part of the audit work of the annual accounts and by Deloitte for the closing of the consolidated report.

**(iii) the information required by paragraphs 91.a and following in relation to the valuation techniques and the input data used to develop said valuations.**

With regards to the intangible asset consisting of portfolio contracts and the commercial relationship with customers, which is the main fair value adjustment that has been identified in the price allocation process, and for the purpose of applying the breakdown requirements established in paragraph 91 and following of IFRS 13, it is important to emphasise that this is a non-recurrent fair value measurement, insofar as it refers to assets that are only measured at fair value at the time of acquisition. Based on this, we believe that the main applicable sections correspond to sections b), d) and g) of paragraph 93 of IFRS 13, which states that the valuation techniques used, the main assumptions and the reasons based on which the entity decides the valuation technique used should be described.

In this regard, to assess the portfolio of contracts and business relationships, it has been decided to use an estimated flow of assets approach (income approach) in the absence of market references on transactions of equal or similar assets that may serve as reference in the valuation. Specifically, the MEEM (Multi-Period Exceed Earnings Method) has been used. This methodology is based on the fact that the results obtained due to operating a business can be attributed to specific groups of assets. The MEEM approach is usually used to value intangible assets and is based on obtaining the current value of the net cash flow of the intangible asset.

First, the useful life of the asset to be valued is determined. For example, the commercial relationship is based on the historical portfolio of contracts and the future de-recognitions are estimated based on the historical percentage of renewal of contracts. Except for those contracts that the company has decided not to continue, mainly immigration, the company has assumed a renewal ratio based on historical information, which is mainly in the renewal range of between 80% -95% depending on the sector of activity where each contract is located.

Once the income generated by these assets has been projected (assuming a reduction rate in the specific case of commercial relationships with customers), the costs related to the generation of this income are discounted in order to obtain an EBIT together with the payment or profitability required by the use of other contributory assets involved in the generation of those operating cash flows (in this case: cost of the future workforce, fixed assets and working capital). Finally, the net cash flows of the intangible asset are discounted at a rate of return adjusted to the risk thereof (12.0% before taxes, 8.4% after taxes).

With regards to the accounting depreciation of the two intangible assets identified, note that the portfolio is depreciated over the remaining useful life of each of the existing contracts and that the commercial relationship is depreciated based on the estimated period of time that it is estimated this tangible asset can generate value according to the methodology described in the previous paragraph (historical average life of existing contracts 10 years).

**2.2 Indicate the ordinary income and result of the combined entity for the financial year 2016 which is reported as if the acquisition date had been at the start of the financial year, as established in IFRS 3. paragraph B.64 (q) (ii).**

The sales that Broadspectrum (BRS) would have contributed to Ferrovial during the 12 months of the financial year 2016 would have amounted to 2,433 million euros, the net result after taxes for the same period being -152 million euros. This result includes certain non-recurring impacts recorded during the first five months of the financial year, highlighting an impairment of assets worth 101 million euros, after taxes.

Additionally, this result includes the depreciation effect of the intangible asset during the twelve months of the financial year, relating to contracts and business relationships arising in the allocation process of the acquisition price, for a value of 71 million euros after taxes, of which 41 million euros correspond to the 7-month period included in the Ferrovial results after the acquisition of the company,

and the rest of the impact corresponds to a linear extrapolation for the first 5 months of the year.

Excluding the aforementioned non-recurring impacts, as well as the depreciation effect of the intangible asset derived from the acquisition, the underlying business result would reach a positive figure of 19 million euros during said period.

### **3 Clarifications regarding Palau case**

#### **3.1 Indicate if any communication has been received from the Courts from which could result in any damage for the Group; in which case their status must be described, indicating expressly whether a provision has been recorded or the existence of a possible contingent liability has been considered.**

Neither Ferrovial nor any of its subsidiary companies has received any communication from the Courts regarding the Palau case, from which any damage could be derived for them.

The process is directed against various natural and legal persons, without any of them being a company of the Ferrovial Group. A director of one of the group's subsidiaries (Ferrovial Agroman) and a former director of it were accused in this process, among others, of the alleged commission of crimes of unfair administration and influence peddling. This director and former director of Ferrovial Agroman have been absolved of the aforementioned crimes by means of a judgement of the Barcelona Provincial Court notified to the parties on 15 January 2018.

This judicial process supposes a reputational risk that does not have any accounting or financial reflection. Ferrovial has included this risk in its Corporate Risk Procedure and periodically monitors it.

#### **3.2 Reveal whether the Board of Directors, the Audit Committee or any other body of the entity have received any communication from the external auditor in relation to any of these matters based on arts. 7 and 12 of Regulation (EU) 537/2014, of the European Parliament and of the Council, of 16 April. If yes, describe the measures adopted in this regard. If not, indicate whether the Board of Directors, the Audit Committee or any other delegated committee have identified any of these matters by other mechanisms, describing the measures adopted in this regard.**

The Board of Directors, the Audit and Control Committee or other bodies of Ferrovial have not received any communication on the Palau case from the external auditor based on Articles 7 and 12 of Regulation (EU) 537/2014, of the European Parliament and of the Council, of 16 April.

Given that the judicial process regarding the Palau case entails a reputational risk for the group, the Ferrovial's Board of Directors and the Executive Committee receive information on its most significant developments or advances. This matter is included in the presentation on the main risks and contingencies of the group that the Risk Department periodically submits to the Audit and Control Committee.

Regarding the measures adopted and as indicated in section 3.3 of the response to this summons, since 2013 the Ferrovial group has a procedure for the approval and monitoring of sponsorship, patronage or donation projects, approved by the CEO. This procedure was updated in 2015 and 2017 and is accessible to all employees of the Ferrovial group through its publication on the company's intranet.

#### **3.3 Describe the policies and measures applied by your entity to fight against corruption and bribery, the results obtained and the risks linked to these issues.**

Among the risks that Ferrovial regularly monitors are those related to corruption and bribery, which are significant risks that, if materialised, could have an impact on the company's activity, both from a reputational, financial as well as operative point of view.

Ferrovial monitors this risk through its risk identification and assessment process (FRM - Ferrovial Risk Management) and applies the necessary remediation measures to avoid it or significantly reduce its probability of occurrence. These measures include internal control policies and measures designed to ensure compliance with these policies.

With regards to policies, we must highlight the Anti-Corruption Policy approved by the company's Board of Directors, which, based on the general principles of the Code of Business Ethics, establishes the Zero Tolerance principle to any practice that could be classified as corruption or bribery, both actively and passively.

The main elements of this policy are the following:

- To establish the obligation for all employees to comply with the Anti-corruption Laws in force in the different countries in which the company carries out its activity.
- To establish prohibited behaviour relating to the bribery of public officials and individuals, both actively and passively, as well as the need to implement internal controls and procedures to supervise that these behaviours are not carried out.
- In the case of differences between the Anti-corruption Legislation applicable in a given country and the internal regulation, as a general rule the application of the strictest regulation is established.
- To ensure that other individuals or groups that carry out activities on behalf of Ferrovial, including contractors, agents, consultants and other business partners, do so as well.
- To establish disciplinary measures for those who violate the policy.
- To set the obligation of reporting for those who know or reasonably suspect that there has been a violation of the policy.
- To require that this policy is a mandatory training content for all administrators, managers and employees of the company.

In addition to the Anti-Corruption Policy, the company has implemented other policies that include specific measures designed to avoid or significantly reduce the risk of corruption and bribery. Among other policies are the following:

- Travel expenses procedure and representation expenses procedure; regulates the application process, authorisation and settlement of travel expenses incurred by employees of the company. All registered in a computer tool that allows their control.
- Procedure for sponsorships, patronage and donations.
- Procedure for the internal financial information control system (SCIIF) that ensures their reliability.
- Purchasing policy and procedures for selection and evaluation of suppliers.
- Procedure for granting and revocation of powers of attorney.
- Regulations on collections and payments
- Regulations on bank accounts
- Regulation of corporate cards for payments

### **3.4 Describe the internal control mechanisms implemented by Ferrovial to avoid or identify possible cases of corruption, as well as to take appropriate corrective and mitigating measures.**

The internal control mechanism that Ferrovial has in place to prevent the commission of acts that could be considered corruption or bribery of any kind is the Crime Prevention Model, which is part of the company's General Compliance Model, implemented in accordance with Organic Law 1/2015 for reform of the Penal Code.

The objective of the Prevention Model is to establish the most suitable policies, procedures and management and control systems designed to prevent or significantly reduce the risk of committing criminal acts, among which are the crimes of corruption and bribery of any kind. The stages of the Model are the following:

- (i) To identify and assess the main criminal risks based on the activities carried out by Ferrovial.
- (ii) To identify the most appropriate mitigation measures and implement the policies, procedures and controls aimed at ensuring compliance with the legislation and strengthening the capacity to detect non-compliance that may potentially occur.
- (iii) Periodic review of the level of compliance with the controls identified, to know their level of compliance and their suitability and, where appropriate, implement action plans for those risks that do not have adequate action or control measures. In this regard, indicate that the last review carried out regarding the compliance with the established controls has been satisfactory.
- (iv) To establish appropriate disciplinary measures against breaches that generate a risk of criminal liability, and/or any action that could be considered unlawful or criminal.
- (v) To disseminate among the employees the policies and procedures implemented and develop continuous training plans throughout the Group.
- (vi) To periodically supervise the Model in accordance with the General Supervision Plan of the Model and report to the Governing Bodies the results obtained in the review and supervision processes, as well as the detected non-compliances.
- (vii) To continuously develop and update the Model, due to changes in the regulatory blocks, in the corporate or activity structure, or due to deficiencies or irregularities detected.

Finally, it should be noted that Ferrovial makes available to its employees, managers and administrators, as well as any counterparty with a legitimate interest, an Ethical Channel, through the company's website, to report with the maximum guarantees of confidentiality and with no reprisals for any allegedly irregular, fraudulent or criminal act. Likewise, in certain companies or areas of activity specific communication channels have been enabled that, due to their importance demand it. A Management Committee is responsible for analysing the breaches received and their causes, as well as the need to implement specific control measures if necessary.

## **4 Clarifications regarding Cespa Group litigation with the National Commission on Markets and Competition (CNMC) and AP36 Ocaña-La Roda and R4 toll roads status.**

### **4.1 Update the status of said appeal and both toll roads to the date of the response to this requirement.**

In connection with the litigation regarding the Resolution of the National Council of Markets and Competition, it should be noted that the session for voting and ruling of the National Court was held on 11 October. It is expected that judgement will be issued regarding the appeal shortly, although no notice of this has been received on the date of issue of this response.

Regarding the arrangement with creditors of the companies Inversora de Autopistas del Sur, S.L. (Investor R4) and Autopista Madrid Sur, C.E.S.A (Radial 4), this is in the liquidation phase since May 2017. In September 2017, the Insolvency Administration presented the Liquidation Plans of both

companies against which claims were submitted by certain creditors of the bankruptcy. Finally, the Liquidation Plans have been approved by the Bankruptcy Judge as submitted by the Bankruptcy Administration. Next, the Judge opened the 6th assessment case of the bankruptcy as provided by bankruptcy law to determine if the bankruptcy can be qualified as guilty or incidental. The contest is currently in said sixth stage, waiting for the Bankruptcy Administration to issue its rating report. In parallel, the Grantor (Ministry of Public Works) has begun at the beginning of December 2017 the termination file for the concession contract. It is waiting for the Bankruptcy Administration to submit allegations to said termination proposal.

The creditors' meeting of Inversora de Autopistas de Levante, S.L. (Investor AP-36) and Autopista Madrid Levante, C.E.S.A. (AP-36) is also in the liquidation phase and on 14 December 2017 the bankrupt companies have been transferred to the Liquidation Plans submitted by the Bankruptcy Administration. The bankruptcy process is in process of allegations to the liquidation plans. In parallel, the Grantor (Ministry of Public Works) has begun the termination of the concession contract at the end of November. The Bankruptcy Administration has submitted allegations on 11 December 2017 in response to the motion for termination. It is waiting for the Ministry of Development to rule on these allegations and proceed with the termination of the concession contract.

## **5 Issues related to Varsovia Airport arbitration**

### **5.1 Indicate what amount has been recognised to date as income in relation to the claim for the Warsaw airport and, where appropriate, the judgements and/or assumptions taken into account for the calculation.**

This contract was executed between 2003 and 2007, with the total invoiced amounting to 217.5 million euros. Subsequent to the filing of the claim against the customer in the financial year 2007, only 2.9 million euros were recognised, representing 1.1% of the total revenue figure recorded in this contract. The joint venture construction company has not registered any additional amount of income for the amounts that it currently claims from the customer in the open process.

### **5.2 Indicate if Ferrovial, as a consequence of the dispute, has reduced the net amount of the turnover or there has been an impairment of the collection right, indicating in such case, the heading of the profit and loss account in which said loss is recognised.**

As a result of the dispute, the amount of revenues recognised in relation to the contract for the execution of terminal 2 of the Warsaw airport has not been reduced. Neither has the right to collection existing to date (amounting to €18.9M, mainly withholdings practised by the customer), given that the company considers that the termination of the arbitration process will allow its full recovery, according to the information available at the closing date of the financial year, even considering the cross-claims between the parties.

### **5.3 Update the status of the dispute to the response date of this requirement.**

On 2 February 2018, the term expires granted by the Arbitration Tribunal for each party to submit a brief, summarising all the arguments alleged to date in defence of their claims, as well as an assessment of the tests performed. The index of this brief has been agreed between the parties and contemplates all the relevant aspects of the procedure. Once the aforementioned briefs have been received, the Arbitration Tribunal will decide on the one that it considers appropriate for the continuation of the arbitration.

Up to this moment the expert tests carried out, without a doubt, the most important, have been dealt with; the first one, on the technical causes related to the termination of the contract decided unilaterally by the customer, the Airport Authority of Poland and the second, on the justification of the amounts claimed by the consortium for work performed pending payment and other losses and damages. The expert test relating to the valuation of the claim presented by the customer, for the repair of defects, costs suffered for the completion of the work and loss of profit, is still pending to be

undertaken.

The unusual duration of this arbitration procedure is due to various circumstances that occurred during its processing. The election of experts and the issue of expert reports have been extremely complicated. The expert initially appointed for the issue of the reports communicated, in mid-2014, his inability to carry out the second expert report, as a result of personal problems. This fact caused a delay in the issue of the second report of more than two years. Subsequently, the composition of the Arbitration Tribunal had to be modified due to the death of one of the arbitrators. We hope that the finalisation of the arbitration can take place during 2019, without ruling out that a partial award can be issued during that period.

## **6 Other issues in relation to the 2016 consolidated annual accounts**

### **6.1 Section 6.5.2 relating to guarantees indicates that Ferrovial has guarantees received from third parties for a total of €1,056 million, mainly from the construction division.**

**In this regard, provide more detail in relation to the information breakdowns required by IFRS 7. Paragraph 15, specifically: (i) the fair value of the guarantee received and of the guarantee, where applicable, sold or pledged, (ii) the obligation to refund and terms, and (iii) conditions associated with its use.**

Of the total guarantees received from third parties as at 31 December 2016 (1,056 million euros), 99% correspond to more than 3,000 performance bonds through which certain subcontractors or suppliers in the construction activity guarantee their obligations in relation to those works in which they are contracted.

These performance bonds received do not meet the definition of a financial instrument contained in IAS 32, paragraph 11, since they do not imply a contractual right to receive cash or another financial instrument, but rather assets that could arise as a result of events past and/or by the occurrence of uncertain events in the future, which responds to the definition of contingent asset contained in IAS 37, paragraph 10. Based on the foregoing, we understand that it is not necessary to submit the breakdowns required by IFRS 7, since this regulation is only applicable to financial instruments.

However, we reflect below the most relevant characteristics of the performance bonds received:

- These are performance bonds provided by suppliers and subcontractors that guarantee full compliance with contractual obligations and that are common practice in the construction sector.
- Its return time is linked to the contractual term and guarantee of the works/projects to which they are linked.
- Regarding the conditions of use these are associated with the breach of the contract by the supplier or subcontractor, without their sale or pledge being possible.

### **6.2 In relation to the impairment tests:**

**Explicitly specify if the discount rate applied is before or after taxes, facilitating, where appropriate, the discount rate before taxes as established in IAS 36. *Impairment of the value of assets* in its paragraph 55.**

The discount rates applied and detailed in the Annual Accounts are after taxes in all cases, being consistent with the after-tax cash flows that have been discounted for the valuation of assets subject to impairment tests.

Although the regulation establishes the general criterion of using flows and rates before taxes, we understand that it is a generally accepted practice to use flows and rates after taxes.

We believe that the approach followed is consistent with paragraph 51 of IAS 36, which states that

"the estimated future cash flows will reflect assumptions that are consistent with the manner of determining the discount rate".

In addition, we understand that the result of valuations applying a discount rate before taxes to cash flows before taxes should be the same as applying a post-tax discount rate to after-tax cash flows. Therefore, the results of the impairment tests do not vary.

The discount rates used in the assets subject to impairment tests are described below, both after taxes as well as the approximate rates before taxes:

	Ausol	Autema	Amey	Broadspectrum	FS Spain	Webber
Discount rate after taxes	10.0%	8.4%	6.7%	8.4%	7.3%	8.7%
Discount rate before taxes	12.6%	12.7%	7.9%	10.2%	9.0%	11.7%

**Indicate which assets and/or liabilities are included in the carrying value that is compared with the recoverable amount.**

The general criterion used to value the cash generating unit is to discount the cash flows generated by them, excluding those relating to financing, and subsequently incorporating the net cash/net debt position to obtain their recoverable amount (see note 5.2 Net Consolidated Debt of the annual accounts). This recoverable amount is compared with the net book value of the assets, equivalent to the book value of equity of the cash generating unit.

In those cash generating units related to companies classified as infrastructure projects (see note 1.1.2 of the annual accounts), the company's equity value is calculated based on the dividend discount expected for the shareholder during the life of the project after meeting the financing obligations that correspond to own debt guaranteed by the project's own flows. This recoverable value is equally compared with the net book value of the assets, equivalent to the equity of the cash generating unit.

**6.3 In accordance with section 6.7 of the consolidated report relating to remuneration systems linked to shares, on 29 October 2015 the group approved a plan to deliver shares of Ferrovial S.A., linked to objectives. The plan will be valid for three years and its annual cost can not exceed € 22 million. These plans are valued as a future, so the value of the share at the date of granting is discounted, the current value of the dividends foreseen until the delivery date, so they are valued at the grant date and it is not re-estimated the value over the initially calculated.**

**Personnel expenses related to these remuneration systems amounted to €4,781 thousand as of 31 December 2016 (€4,693 thousand as of 31 December 2015). In this regard, detail how the annual personnel expense is estimated in the consolidated income statement based on the valuation of the plan described above.**

As mentioned in Note 6.7, the valuation of the Plan is calculated as the product of the number of shares thereof by the share price at the date of granting, deducting from this amount the current value of the dividends expected in the life of the Plan. This value will not be subject to re-estimation.

The allocation of the aforementioned valuation to results is made within the staff expenses item during the period of time established as a requirement of permanence of the employee to proportionally implement the system during this time (generally 3 years), with counterparty in the Company's equity.

In relation to the amount of 4,781 thousand euros for staff expenses mentioned in Note 6.7 of the consolidated report for the financial year 2016, we have detected that there is an error since the data

corresponding to the staff expenses of the parent company Ferrovial, S.A., have been broken down by mistake, as can be seen in its individual report (note 20). The corresponding expense to the consolidated group amounts to 17 million euros.

Finally, in relation to your recommendations regarding the formulation of the 2017 accounts, we thank you for your comments, which will be taken into consideration in their preparation.

We remain at your disposal for any additional information or clarification that you consider necessary.

Ernesto López Mozo  
Chief Financial Officer  
Ferrovial, S.A.