Ferrovial Airports International Ltd.

Annual Report and Financial Statements for the year ended 31 December 2016

Registration no: 09635449

Contents

General Information

Board of Directors:

Gil Villén, Jorge
García Bilbao, Ignacio Aitor
Bullón Alemán, Juan Carlos

Company Secretary:

Mitre Secretaries Limited
Cannon Place, 78 Cannon Street
London
EC4N 6AF

Registered address:

The Sherard Building
Edmund Halley Road
Oxfordshire
OX4 4DQ

Bankers:

Banco Bilbao Vizcaya Argentaria, BBVA
Ala-Sur
Paseo de Recoletos, 10
28001 Madrid
Spain

Auditor:

Deloitte LLP
Statutory Auditor
2 New Street Square
London. United Kingdom
EC4A 3BZ

Web:

http://www.ferrovial.com/en/

Strategic Report

Ferrovial Airports International Ltd. ("Ferrovial Airports" or the "Group") was incorporated on 11 June 2015 as the parent company of a group of entities dedicated, but not limited, to the administration and management of equity investment in airports. This Group was created as part of the Ferrovial S.A.'s ("Ferrovial") corporate restructuring carried out during 2015 in order to focus the Group's primary international activities in a single subsidiary.

Through this reorganisation, Ferrovial Airports acquired the following companies: Ferrovial Transco Chile SpA and Hubco Netherlands, B.V., owner of 25% of FGP Topco Limited (Heathrow Airport) and Faero UK Holding Limited, which owns 50% of AGS Airports Holding Limited (Aberdeen, Glasgow and Southampton Airports).

In September 2016, Ferrovial Airports announced its entry into the electricity transmission market through the acquisition of 65.94% of Transchile Charrua Trasmisión SA ("Transchile") from the Brazilian companies Alupar and Cemig. The remaining 34.06% was acquired, at the same time, by Ferrovial Aeropuertos Internacional, S.A.U., whose ultimate parent is also Ferrovial S.A. Transchile is a Chilean company, which owns a 204-km transmission line in the south of the country. The transaction was closed in October 2016.

Ferrovial Airports is a subsidiary of Ferrovial International Ltd., which is part of the listed Spanish group headed by Ferrovial, S.A.

The financial statements of the Group are prepared in accordance with international Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Management Review

Business Model

Ferrovial Airports is one of the leading private groups in the airport sector, with four airports in the United Kingdom. Ferrovial Airports is the main shareholder and industrial partner of Heathrow Airport Holdings (FGP Topco), with a 25% interest. Heathrow is the largest airport in Europe and one of the airports with the heaviest air traffic worldwide.

Ferrovial Airports also acts as industrial partner and owner of 50% of the unregulated airports of Aberdeen, Glasgow and Southampton (which are grouped together under the AGS brand).

In both Heathrow, a regulated airport, as well as Aberdeen, Glasgow and Southampton, unregulated airports, Ferrovial Airports seeks greater efficiency in operating costs and financial structure, developing innovative business solutions that improve the passenger experience and builds good business relationships with airlines. The Group measures these objectives through the following key performance indicators, passenger numbers and profitability, as discussed later in the business environment and financial review sections. Following the acquisition of Transchile in October 2016, the Group has diversified its business with the incorporation of electricity transmission.

The power transmission line acquired with the purchase of Transchile is 204 kilometres long, between the substations of Charrúa and Cautín, and is located in the regions of Biobio and Araucana in the south of Chile.

Value Creation

A strategy of having an *integrated approach* with the Construction and Services business of Ferrovial, together with the experience in management and financing capacity of Ferrovial Airports, generate unique capabilities in tender processes that differentiate the Company from other competitors such as infrastructure funds, airport operators or construction companies. An example of this is the New Great Hall project of Denver International Airport. Ferrovial Airports heads the consortium selected as the preferred bidder for remodelling the Jeppesen Terminal and managing the commercial area. Ferrovial Agroman would be the main responsible party for the remodelling of the terminal.

Ferrovial Airports pursues the greatest *efficiency* in operation costs and the financial structure of its investments, together with innovative commercial solutions. In 2016 the effort to control cost in Heathrow and the savings for initiatives started in 2015 have led to an increase in gross operating income of 4.7% in comparable terms (i). Personnel expenses benefited from the agreement to modify the conditions of the pension plan, the adoption of the voluntary retirement programme and improvements in the salary levels of new recruits. The airport also completed the commercial offering of Terminal 5 with the improvement of its catering zone and remodelling of the commercial area in Terminal 4.

The improvement in the gross operating profit of AGS in 2016 has been possible thanks to cost savings initiatives and improvement in revenues. Costs savings have been based mainly on the new agreement reached to modify the conditions of the pensions plan, the adaptation of the cost base in Aberdeen to the current traffic forecast and the renegotiation of the bus contract in Glasgow. Revenue has increased, thanks to: the refurbishment of the Terminal in Glasgow, which has improved passenger flows and increased the commercial area; the implementation of a passenger access charge in Aberdeen and Southampton; and the renegotiation of the catering contract in Glasgow.

(i) Comparable terms: without taking into account the non-recurrent positive effect in 2015 due to changes in the pension plans conditions.

Business environment

Airports Business

There has been a further growth in passenger numbers at a global level in 2016, although the potential future impact of Brexit on traffic and income from British airports is still uncertain. At the same time, investment in airport assets is arousing greater interest and competition, with infrastructure and pension fund management companies being increasingly active.

Overall, the Group moves 90 million passengers per year. At the Heathrow airport alone, the Group manages 81 airlines to almost 200 destinations. A total of 84% of passengers rate their experience at Heathrow as "Excellent" or "Very good", according to the Airport Service Quality Survey by the Airport Council International (ACI).

Passenger traffic:

Passenger traffic by airport for the year ended 31 December 2016:

Millions passengers	Dec-16	Dec-15	Var.
Heathrow	75.7	75.0	1.0%
Glasgow	9.4	8.7	7.4%
Aberdeen	3.1	3.5	(12.2%)
Southampton	2.0	1.8	9.8%
Total	**90.1**	**89.0**	**1.3%**

In 2016, Heathrow Airport handled 75.7 million passengers, up +1.0% vs. 2015. Traffic levels were particularly high in July with 7.4 million passengers using the airport, the highest monthly number on record. Traffic numbers were positively affected by the additional day in February (leap year), which was responsible for +0.2% of growth over the year. In addition to these impacts, there was an increase in the number of seats due to larger aircraft (with an average number of seats per aircraft of 211.5 vs. 208.7 in 2015). Occupancy levels were slightly lower than 2015 (76% vs. 76.5%).

Traffic at Glasgow reached 9.4 million passengers (+7.4%). Domestic traffic improved (+5.5%), mainly thanks to extra capacity from both Ryanair and easyJet to London Stansted. In the rest of the domestic market there was a notable improvement in capacity at EasyJet (Bristol and Belfast), and a good performance at Flybe, with its new routes to Cardiff and Exeter.

International traffic at Glasgow increased (+9.1%) due to the growth in European traffic thanks to new Air France route to Paris, Ryanair's new routes to Berlin, Sofia, Brussels and Spain, the growth of Wizz Air on its routes to Bucharest, Budapest, and Lublin, extra capacity from Jet2 and easyJet, and to the use of larger aircraft by KLM. This was partly offset by a decline in charter passengers.

Passenger numbers at Aberdeen declined to 3.1 million (-12.2%). Domestic traffic declined (-13.8%), mainly due to the negative impact of the loss of Virgin Little Red service to London and the drop in charter passengers on the routes related to the oil business.

International traffic at Aberdeen dropped (-6.0%), mainly due to the loss of passengers on the Scandinavian routes (oil destinations) and on routes to European hubs following capacity reductions. This was partially offset by Wizz Air's new route to Gdansk and Warsaw, and Icelandair's new route to Reykjavik.

Helicopter traffic at Aberdeen also dropped (-18.3%) as a result of the reduced demand from the oil business (following the move from 2-week to 3-week shift pattern for oil workers).

Passenger numbers at Southampton totalled 2.0 million (+9.8%). Domestic traffic improved (+2.6%), mainly thanks to Flybe's extra capacity on the routes to Manchester, Glasgow, and Belfast.

International traffic at Southampton increased (+23%) thanks to the arrival of new carriers (KLM to Amsterdam, Volotea to Palma, BMI Regional to Munich, Stobart Air to Cork) and Flybe new routes such as Toulon and Biarritz.

Airport tenders:

In 2016 Ferrovial Airports has been analysing mainly investment opportunities in US and European airports.

In July 2016, the Denver International Airport selected the consortium led by Ferrovial Airports to enter into an exclusive negotiation for the public-private partnership to upgrade the main terminal at Denver International Airport and the negotiation of the contract for the award of the commercial zone. The decision was adopted by City & County of Denver Dept. of Aviation, which owns the airport. Ferrovial Airports is part of the consortium alongside Ferrovial Agroman, the US construction company Saunders and JLC, an investment fund set up by Loop Capital and Magic Johnson Enterprises. The PPA intangible assets include EUR 1.7 million related to capitalised cost of this project.

Electricity transmission business

The business of electrical power transmission presents growth opportunities for Ferrovial Airports, both because of the significant investment in infrastructure expected over the coming years, and due to the different geographic areas in which it will take place. The competitive environment positions Ferrovial Airports, as part of Ferrovial, as one of the few global operators with capacity in engineering and construction.

Transchile was founded in 2005 when it was awarded with the rights to operate and build a double-circuit 220 kv power transmission line between the substations of Charrúa (Biobio region) and Cautín (Araucana). The line came into service in January 2010. The transmission line is located near two large cities of the south of Chile and an energy cluster, with diverse power generation sources

Electricity transmission tenders:

In 2016 Ferrovial Airports has been analysing mainly investment opportunities in Brazil and Chile.

Commitment to Innovation

Ferrovial Airports is developing a number of projects with the aim of improving operational procedures and minimising the environmental impact of its assets. Of note in this respect are the following projects:

- **Digital passenger experience (Glasgow):** a project to optimize the relationship of passengers with the airport through the digital environment; and
- **Noise to energy (Heathrow):** development of a system that captures the noise of the aircraft and converts it into electrical energy.

Community engagement:

Ferrovial Airports has a firm commitment to the sustainable growth of its assets and engagement with its local communities.

Responsible Heathrow 2020 is the commitment subscribed by Heathrow to support growth in the United Kingdom without disregarding the environmental impact. Its final objective is to develop a sustainability plan that will be presented in 2017.

Heathrow's energy footprint has continued to decrease in 2016, reaching the consumption target set for 2020 of 6.5 kWh per passenger. Also in 2016, Heathrow presented its second plan to reduce its carbon footprint and joined the Go Ultra Low Company campaign of the Office for Low Emission Vehicles (OLEV), which urges large companies to convert at least 5% of their vehicles to electric by 2020. It received the Ecomagination Award from General Electric in recognition of its water saving.

Heathrow is also continuing its association with Guardian Sustainable Business. Of note in this respect is its innovative approach to recycling cabin waste and its research into the sustainable airports of the future.

It is worth mentioning that the choice by the British government to support the extension of Heathrow's capacity involves an environmental commitment focused on the improvement in air quality, noise reduction and promotion of compensation measures for the local community.

Future Developments and Outlook

Ferrovial Airports will focus most of its efforts on its assets:

- Heathrow to secure approval of the "National Policy Statement" to build the third runway at Heathrow, which should be approved by British Parliament, together with different stakeholders (airlines, regulators and communities) given the significant benefits a third runway would bring to the UK economy;
- AGS, in increasing passengers and new routes and retail earnings, while also improving operating costs;
- Denver, expecting to reach the commercial and financial close on the concession contract at the end of 2017; and
- Transchile, integrate the acquisition into the Group and continue growing by harnessing the credentials of this assets and its knowledge.

Additionally, Ferrovial Airports will continue its bidding activity, participating in projects in US and European airports, electricity transmission in Chile and Brazil, and others.

Risk management

Effective risk management

Risk is managed centrally by Ferrovial, SA, through the Ferrovial Risk Management (FRM) process to identify and assess risk. The process is supervised by Ferrovial's Board of Directors and Management Committee and has been established in all Ferrovial's business areas.

This process allows risks to be identified and assessed sufficiently in advance, based on the probability of their occurrence and their potential impact on strategic business objectives, including the potential impact on the Company's reputation, with the aim of taking the most suitable management and prevention measures based on the nature and the location of the risk.

Through the application of a shared metric, two assessments are made of the identified risk. An inherent assessment, prior to specific control measures being implemented to mitigate the risk, regardless of its impact or its probability of occurrence, and a residual assessment, after the control measures have been implemented. In addition to determining the relative importance of each risk event in the risk matrix, this allows the effectiveness of the control measures implemented for risk management to be assessed.

Ferrovial Airports is exposed to a variety of risks stemming from the nature of its business. The Company identifies and evaluates appropriate control measures to mitigate the likelihood of the occurrence of this risks and/or their potential impact, implementing the measures proactively in accordance with the strategy objectives it has set forth.

The main risks to Ferrovial Airports International's strategy are listed below:

- **Increased competition in the markets in which the Company operates,** that may affect the profitability and value creation in activities focused on long-term projects both in the management of the current Airports of the portfolio and in the bidding activity. As a response of these risks, the Company has a commercial committee and an investment approval procedure to identifying and assessing the most relevant project risks;

- **Brexit:** the United Kingdom´s exit from European Union in the recent referendum of 23 June 2016 opened up negotiations between the British government and a European Union creating an elevated degree of uncertainty. The final result could affect Ferrovial Airports' assets in United Kingdom. The initial estimates made following the referendum expect to see a considerable GDP reduction in the UK with a possible short-term slowdown. However, these estimates have been tweaked towards more optimistic outlook due to better economic data that was originally anticipated.
  In response to the risk that could emerge from Brexit, Ferrovial Airport will continue monitoring the developments in negotiations between the United Kingdom and European Union and continue tracking the trends in the financial markets to take the appropriate coverage measures;

- **Business resilience:** Assets, infrastructure, human and electronic processes or systems that may fail by accident or deliberate act and this could negatively impact airport operations, passenger experience or the running of the Airport as a business. To prevent and to cope if a critical service or operation is significantly interrupted for a prolonged period there are recovery plans in place in the main areas of risk;

- **Strategy, economic regulation and market changes:** Changes in economic regulation, the aviation market or the wider economy must be identified in order to influence the pace and direction of identified changes to prevent them and to achieve relevant requirements or outperform regulatory price reviews;

- **Safety and Security:** The aim is to protect and safeguard the welfare and safety of staff, business partners and the public who may be affected by the inherent risk of the activities that could result in injuries, disruption to operations impacting revenue, loss of infrastructure requiring reconstruction, damage to our reputation, and additional operating restrictions imposed which may increase costs and impact passenger satisfaction; and

- **Financial risks:** The Group's businesses are exposed to different financial risks, most notably interest rate risk, exchange risk, credit risk, liquidity risk, inflation risk and equity risk. Ferrovial Airports International's policies for managing each of these risks are detailed below:

  (i) **Interest rate risk:** Ferrovial Airports practices comprehensive asset and liability management, ensuring active risk management and allowing it to optimise the cost of financing, volatility in the income statement, the level of required liquidity and compliance with the obligations of the businesses. The purpose of this management is to minimise variations in capital owing to mismatches between assets and liabilities.

  (ii) **Exchange rate risk:** Ferrovial Airports holds investments in countries with currencies other than the euro, most notably in pound sterling, as a result of this net assets are exposed to currency fluctuations. Most contracts are denominated in the currency of the country in which they take place. Costs are typically denominated in the local currency which provides a natural currency hedge.

  (iii) **Credit risk and counterparty risk:** In managing risk stemming from the placement of investments in financial products and the arranging of derivatives, the Ferrovial Airports continually monitors the ratings of its counterparties, establishing diversification criteria and minimum rating requirements for financial counterparties.

  (iv) **Inflation risk:** Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of Heathrow and AGS airports accounted for using the equity method. Therefore, a scenario of rising inflation would result in an increase the cash flow from assets of this nature.
  Unlike the Company´s assets, from the accounting standpoint the derivatives arranged at Heathrow have the objective of converting fixed-rate borrowings into index linked debt and are measured at fair value through profit and loss, since they are considered to be ineffective derivatives. In this regard, an increase of 100 b.p. throughout the inflation curve would have an effect on the net profit attributable to Ferrovial Airports (in proportion to its percentage of ownership) by EUR 133 million.

  (v) **Capital management:** The Group's capital-management objective is to ensure its capacity to continue managing its recurring activities as well as to continue growing in new projects, maintaining an optimum relationship between capital and borrowing and thus create shareholder value.

In connection with the above mentioned financial risks Ferrovial Airports implements derivatives to hedge and to protect against the volatility of future cash flows against interest risk, foreign exchange rate risk and inflation risk.

Financial Review

millions euros	Dec-16	Dec-15	Var.
Net (loss)/profit	(32)	225	(114.2%)
Loss/(profit) from equity accounted joint ventures and associates	(46)	199	(123.1%)
Distribution received from joint ventures and associates	134	132	1.5%
Net debt position	(75)	(23)	226.1%
Group equity	1,256	2,317	(45.8%)

Net loss

In the year to 31 December 2016 the Group´s loss after tax was EUR 32 million (vs. EUR 225 million of net profit in 2015) and included Transchile's three month net loss result of -EUR 1,3 million.

Equity accounted results

Heathrow and AGS contributed a loss of EUR 46 million to Ferrovial Airports' equity-accounted results (vs. EUR 199 million profit in 2015) and they are the main drivers for the Group's net profit.

- **Heathrow:** EUR 57 million loss in 2016, versus EUR 186 million profit in 2015. This drop on the result was mainly due to:
    - I. **The negative impact from mark to market hedges vs. 2015,** non-cash item (EUR 160 million negative net profit impact) reflecting the recovery in inflation expectations and the fall in interest rates. Although the uptick in inflation has a negative accounting impact, from a business point of view it means an increase in aeronautical revenues due to the increase in tariffs and the higher value of the Regulated Asset Base. If the higher inflation expectations materialise, these would imply a much higher positive valuation impact than the negative accounting impact.
    - II. **Heathrow's December 2015 result included** a positive non-recurring and non-cash item (EUR 67 million net profit impact) due to changes in the pension plan conditions.
- **AGS:** Contributed EUR 12 million to Ferrovial Airports' 2016 equity-accounted results (vs. EUR 14 million in 2015)

Distribution received from joint ventures and associates

As regards the dividends that have been distributed:

- Heathrow paid out GBP 325 million to shareholders (EUR 96 million for Ferrovial Airports in 2016, +1,3% vs. 2015).
- AGS paid out GBP 64 million to shareholders (EUR 38 million for Ferrovial Airports in 2016, +1,7% vs. 2015)

Net debt position

The Group's net debt increased 222% from EUR 23 million to EUR 75 million, the main driver of this increase is the inclusion of Transchile's net debt of EUR 64 million.

Group equity

The Group equity decreased 46% from EUR 2.317 million to EUR 1.256 million because of the reduction of the Company´s share premium account in €805 million by way of a direct repayment of capital. The consequence of this was a reduction in amounts due from Ferrovial Group companies, Ferrovial Airports International Ltd and Ferrofin, S.L. The sole purpose of the transaction was to distribute capital to the sole shareholder, Ferrovial International Ltd.

Approved by the Board of Directors and signed on behalf of the Board.

Ignacio Aitor García Bilbao
Director
Date: 7 July 2017

Directors' Report

The Directors present their Annual report and the audited financial statement for the year ended 31 December 2016.

Principal activities

Ferrovial Airports activities, include, but are not limited to, management and administration of equity investments in airports and more recently electricity transmission.

A review of the progress of the Group's business during the year, the key performance indicators, principal business risks and likely future developments are contained in the Strategic report on pages 4 to 10.

Results and dividends

The loss after taxation for the financial year amounted to EUR 32 million (2015: EUR 225 million net profit)

The Group did not distribute dividends in 2016.

On May 2016 the Company's share premium account was reduced by EUR 805,000,000 by way of repayment to Ferrovial International Limited, the beneficial owner of the share in the Company, with the sole purpose of distributing capital to its sole shareholder.

Directors

The following individuals served as Directors during the year:

Jorge Gil Villén
Appointed on 11 June 2015
Business Administration and Law degree from Universidad Pontificia Comillas-ICADE (Madrid). He is Chief Executive Officer of Ferrovial Airports division and Ferrovial Power Infrastructure. He is a member of the Board of Directors of Heathrow Airport Holdings (HAH) since 2012 and serves on the management committee of the Ferrovial group.

Ignacio Aitor García Bilbao
Appointed on 11 June 2015
Economics and Business Administration degree from Universidad Pontificia Comillas-ICADE (Madrid), and a PDD from IESE. He is the Financial Director of Ferrovial Airports division and Ferrovial Power Infrastructure. He is responsible for all the economic and financial aspects of the division. He also acts as Director for its innovation area and is also a member of AGS' Executive Committee.

Juan Carlos Bullón Alemán,
Appointed on 11 June 2015
Law degree from Universidad Pontificia Comillas-ICADE (Madrid) and Master's degree in Law from the Catholic University. He is responsible for the legal department of Ferrovial Airports division and Ferrovial Power Infrastructure, supervising all legal aspects of the division's activity and of its M&A projects, and is also a member of AGS' Executive Committee.

Interests held by the Directors and the secretary

None of the Directors of the Company or their spouses or children have shareholdings in the Company at 31 December 2016.

Going concern basis

Based on the information available, the Directors have the reasonable expectation that both the Group and the Company have adequate resources to continue their activity in the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

Further details on the going concern basis are detail in Note 1.4.4.

Political donations

No contributions have been made to political parties in the current year on the previous year.

Independent auditor

Deloitte LLP was appointed as auditor, have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Directors' statement regarding disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.

Ignacio Aitor García Bilbao

Director

Date: 7 July 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company and Group financial statements, International Accounting Standard 1 requires that the Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy and at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the UK Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board

Ignacio Aitor García Bilbao

Director

Date: 7 July 2017

Independent Auditor's Report to the members of Ferrovial Airports International limited.

We have audited the financial statements of Ferrovial Airports International Limited for the year ended 31 December 2016 which comprise the Consolidated and Company Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company only Balance Sheets, the Consolidated and Company only Statements of Cash Flows, the Consolidated and Company only Statements of Changes in Equity and the related notes 1 to 27 for the consolidated financial statements and 1 to 16 for the Company financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Philip Doherty

Philip Doherty FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
7 July 2017

Consolidated income statement

Thousands of euros	Note	2016	2015
Revenue	2	**1,593**	-
Personnel expenses	3	(299)	(25)
Provisions		-	(49)
Other operating expenses		(4,061)	(441)
Gross operating loss		**(2,767)**	**(516)**
Depreciation and amortisation charge		(650)	-
Loss from operations		**(3,417)**	**(516)**
Net finance income	6	**18,622**	**33,484**
Share in (losses)/profits of companies accounted for using the equity method	11	(45,522)	199,484
(Loss)/profit before tax		**(30,317)**	**232,452**
Income tax	7	(2,961)	(7,353)
Consolidated (loss)/profit for the year		**(33,278)**	**225,098**
Profit for the year attributable to non-controlling interests	20	878	-
(Loss)/profit for the year attributable to the Parent		**(32,400)**	**225,098**

Consolidated statement of comprehensive income

Thousands of euros	2016	2015
(a) Consolidated (loss)/profit for the year	**(33,278)**	**225,098**
Attributable to the Parent	(32,401)	-
Attributable to non-controllong interests	(877)	-
(b) Items that will not be reclassified to the income statement	**(73,010)**	**(3,842)**
Impact on reserves of pension plans	(90,015)	(706)
Tax effect	17,006	(3,136)
(c) Items that may be reclassified subsequently to the income statement	**(185,677)**	**69,661**
Impact on hedging instrument reserves	14,245	24,127
Available-for-sale financial assets	305	1,729
Exchange differences on translation of foreign operations	(193,862)	51,831
Other	(90)	(311)
Tax relating to components of other comprehensive income that may be reclasified	(6,275)	(7,715)
(a)+(b)+(c) Total comprehensive (loss)/ income	**(291,964)**	**290,917**
Attributable to the Parent	(294,147)	290,917
Attributable to non-controlling interests	2,183	-

Consolidated balance sheet

Thousands of euros	Notes	2016	2015
Intangible assets	9	65,711	-
PPP Intangible assets	9	1,685	-
Property, plant and equipment	10	65,643	-
Investments in joint ventures and associates	11	836,007	1,221,505
Non-current financial assets	12	252,562	314,242
Deferred tax asset	16	1,634	4,990
Non-current derivative financial instruments at fair value	13	3,066	-
Non-current assets		**1,226,308**	**1,540,737**
Current trade and other receivables		748	-
Current income tax assets		4,813	-
Amounts due from Ferrovial Group companies	14	111,251	805,083
Cash and cash equivalents	14	74,172	17,285
Current derivative financial instruments at fair value	13	-	2,709
Current assets		**190,984**	**825,077**
TOTAL ASSETS		1,417,292	2,365,814
Debt securities and bank borrowings	15	66,673	-
Other payables		47	-
Deferred tax liability	16	5,037	-
Non-current liabilities		**71,757**	-
Debt securities and bank borrowings	15	1,629	-
Borrowings from Ferrovial Group companies	15	81,257	40,720
Current derivative financial instruments at fair value	13	1,453	-
Trade and other payables	17	4,244	152
Current income tax liabilities		124	7,811
Operating provisions and allowances		783	-
Current liabilities		**89,490**	**48,683**
TOTAL LIABILITIES		161,247	48,683
TOTAL NET ASSETS		**1,256,045**	**2,317,131**
Share capital	18	158,793	158,793
Share premium	18	624,139	1,429,139
Translation, hedging and actuarial reserves	19	(188,213)	73,534
Retained earnings	19	278,280	310,680
Merger Reserves	19	344,985	344,985
Equity attributable to the shareholders		**1,217,984**	-
Equity attributable to non-controlling interests	20	**38,061**	-
TOTAL EQUITY		**1,256,045**	**2,317,131**

The Consolidated Financial Statements of Ferrovial Airports International Ltd., registered number 09635449, were approved by the Board of Directors and authorised for issue on 7 July 2017.
Signed on behalf of the Board of Directors

Ignacio Aitor García Bilbao

Consolidated statement of cash flows

Thousands of euros	Note	2016	2015
Cash flows from operating activities	21	**134,804**	**131,960**
Payment of income tax		(8,580)	(4,712)
Total cash flow from operating activity		**126,224**	**127,248**
Investment in infrastructure projects		(1,546)	
Investment through acquisition of companies		(67,046)	-
Change in amounts due from Ferrovial Group companies		(111,167)	(407,255)
Cash flow used in investing activity		**(179,759)**	**(407,255)**
Cash flows before financing activities		**(53,535)**	**(280,007)**
Interest received		1,921	10,028
Interest paid		(767)	-
Increase in bank debt		68,302	-
Repayment of bank debt		(22,760)	
Change in borrowings from Ferrovial Group companies		65,289	11,196
Cash flows from related parties (i)		2,420	-
Cash flow from financing activity		**114,405**	**21,224**
Net increase/(decrease) in cash and cash equivalents		**60,870**	**(258,783)**
Cash and cash equivalents at beginning of year		17,285	276,068
Effect of foreign exchange rate changes on cash and cash equivalents		(3,982)	-
Cash and cash equivalents at end of year		**74,172**	**17,285**

(i) This amount represents the net cash received from Ferrovial Airports International S.A.U. for the investment in Ferrovial Transco Chile Spa and the cash received from MJE-Loop Capital Partners LLC and Saunders Concessions, LLC for the investment in Denver Great Hall Holding LLC

Consolidated statement of changes in equity

Thousands of euros	Share Capital	Share Premium	Translation diferences, Hedging reserves & others	Retained Earnings	Merger Reserve	Attributable to the Parent	Attributable to non-controlling interests	Total Equity
Balance at 1 January 2015	**158,793**	**1,429,139**	**7,715**	**85,582**	**344,985**	**2,026,214**	**-**	**2,026,214**
Profit for the year	-	-	-	225,098	-	225,098	-	225,098
Other comprehensive Income and expense	-	-	65,819	-	-	65,819	-	65,819
Total comprehensive income recognised in the year	-	-	**65,819**	225,098	-	290,917	-	290,917
Balance at 31 December 2015	**158,793**	**1,429,139**	**73,534**	**310,680**	**344,985**	**2,317,131**	-	**2,317,131**
Balance at 1 January 2016	**158,793**	**1,429,139**	**73,534**	**310,680**	**344,985**	**2,317,131**	-	**2,317,131**
Losses for the year	-	-	-	(32,400)	-	(32,400)	(878)	(33,278)
Other comprehensive Income and expense	-	-	(261,747)	-	-	(261,747)	3,060	(258,687)
Total comprehensive loss recognised in the year	-	-	**(261,747)**	**(32,400)**	-	**(294,147)**	**2,183**	**(291,964)**
Capital reduction	-	(805,000)	-	-	-	(805,000)	-	(805,000)
Minority interest on acquisition of subsidiary						-	35,879	35,879
Balance at 31 December 2016	**158,793**	**624,139**	**(188,213)**	**278,280**	**344,985**	**1,217,984**	**38,061**	**1,256,045**

Notes to the financial statements

1. Basis of presentation, accounting policies and scope of consolidation.

1.1 Basis of presentation

The consolidated financial statements are presented in accordance with the regulatory financial reporting applicable to the Group, showing a true and fair view of its equity, financial position and results for the year. The accounting framework has been established in the International Financial Reporting Standards (IFRS) as endorsed by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The consolidated financial statements have been prepared on the basis of historical cost, except in the case of derivatives, which are recognised at fair value.

The Group's financial statements are presented in euros, rounded to the nearest thousands, except where otherwise indicated.

1.2 Company activity

The Group consists of the parent Company Ferrovial Airports International Ltd. and its subsidiaries and associates, as detailed in Note 24.

Through these companies, Ferrovial Airports performs its main activity, which includes, but is not limited to, management and administration of equity investments in airports and more recently electricity transmission.

It is also important to highlight that two of the Group main assets correspond to the 25% stake in FGP Topco Limited, the company that owns Heathrow Airport in London (UK), and its 50% stake in AGS Holding Limited, the company that owns Aberdeen, Glasgow and Southampton airports, which have been accounted for using the equity method since 2011 and 2014, respectively.

Ferrovial Airports International Ltd. forms part of a larger group whose parent is Ferrovial, S.A., which is listed on the Spanish stock exchange.

1.3 Changes in the scope of consolidation

The most significant change with respect to last year arose as a result of the acquisition of Transchile Charrúa Transmisión.

On 6 October 2016, with a 65.94% of percentage of participation, in a consortium with Ferrovial Aeropuertos Internacional SAU, a subsidiary of Ferrovial International Ltd., which is part of the listed Spanish group headed by Ferrovial, S.A.

Transchile Charrúa Transmisión owns a 204-kilometre transmission line between the Charrúa and Cautín substations in Chile, for an initial investment of US$ 76 million (EUR 67 million). US$ 6 million (EUR 5 million) of the investment was subsequently refunded, giving a net investment of US$ 70 million (EUR 62 million). Transchile revenue amounted to EUR 2 million, and it reported a loss of EUR 1 million.

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

1.4 Accounting policies

1.4.1 New accounting standards

1.4.1.1. New standards, amendments and interpretation adopted by the European Union mandatorily applicable for the first time in 2016.

On 1 January 2016, the following standards which might have an impact on the consolidated financial statements came into force in the European Union: Amendments to IAS 1, Disclosure Initiative; Improvements to IFRSs, 2012-2014 cycle; Amendments to IAS 16 and 38, Clarification of Acceptable Methods of Depreciation and Amortisation; and Amendments to IFRS 11, Accounting for Acquisitions of Interest in Joint Operations. None of these amendments had a significant impact on the consolidated financial statements for the year that began on 1 January 2016.

1.4.1.2. New standards, amendment and interpretation mandatorily applicable in annual reporting periods subsequent to 2016.

The new standards, amendment and interpretation with a possible impact on the Group that have been approved by the IASB and are currently not of a mandatory application are as follows:

New standards, amendments and interpretations		***Obligatory application in annual reporting periods beginning on or after:***
Not yet applied but already approved for use in the EU		
IFRS 15	Recognition from contract with customers	1 January 2018
IFRS 9	Financial instruments	1 January 2018
Not yet approved for use in the EU		
IFRS 16	Leases	1 January 2019
Amendments to IAS12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7	Disclosure initiative	1 January 2017
Clarifications to IFRS 15	Revenue from contract with customers	1 January 2018
Amendments to IFRS 2	Classification and measurement of share-based payments transactions	1 January 2018
Annual Improvements	2014-2016 cycle	1 January 2017/2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendment to IAS 40	Investment property	1 January 2018

Of all these standards and amendments, the ones that may have a significant impact on the Group´s financial statements are the IFRS 9 and IFRS 16 with the following expected impacts:

IFRS 9. Financial Instruments: The Company is analysing the possibility of applying the standard early, although it has not yet taken a decision in this respect. Set forth below is a summary of the main impacts, following an initial analysis of the three phases of the standard:

(i) Hedge accounting. IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. IFRS 9 permits the designation of specific components of non-financial items and the inflation risk component of financial instruments as hedged items, provided that they are separately identifiable and reliably measurable, and it has to be proved that there is a liquid market for the items concerned. The Group has identified a possible impact relating to the inflation-indexed derivatives arranged at Heathrow, which under IFRS 9 might meet the requirements for hedge accounting. Lastly, it should be noted that under the new standard it is possible to designate an aggregated exposure (including a derivative and another non-derivative component) as a hedged item, and to consider currency basis spreads as a cost of the hedge, which could have an impact on the derivatives arranged by Heathrow.

(ii) Impairment of financial assets. IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The Group initially expects to avail itself of the simplified approach (allowance for lifetime expected credit losses of an asset) for its accounts receivable. It does not foresee a significant impact in this regard, in view of the fact that there is a procedure already in place, which not only writes down accounts receivable when they are no longer recoverable (incurred losses), but also takes into consideration possible expected losses, based on the evolution of customers' collection periods (Ferrovial Airports will adapt this procedure to meet the specific requirements of IFRS 9 and will extend it to companies where it is not currently applied), and in view of the credit risk of its customers (mostly public authorities) and the internal classification systems in place for contracting with those customers.

(iii) Classification and measurement of financial assets and liabilities. A new classification is introduced that reflects the business model within which financial assets are held. The main classification categories are: financial assets measured at amortised cost (assets held to maturity in order to collect contractual cash flows: principal and interest), financial assets at fair value through profit or loss (assets held for trading) and financial assets at fair value through other comprehensive income, in cases where both business models apply. The IAS 39 available-for-sale category of financial instruments is therefore eliminated. As regards the measurement of financial liabilities, IFRS 9 does not introduce any changes with respect to IAS 39, except that, in relation to the fair value option, any changes in fair value of a financial liability attributable to own credit risk must be recognised in other comprehensive income (provided this does not give rise to an accounting mismatch). Based on its preliminary analysis of this phase, the Group does not expect any significant impact, since most of its assets and liabilities will continue to be recognised at amortised cost.

The hedge accounting requirements of IFRS 9, which is where the main impact is expected to arise, as described above, will be applied retrospectively and, therefore, there will be no first-time application adjustment. The expected impact of adoption of IFRS 9 on the group's consolidated financial statements is not disclosed because it cannot be estimated reliably, since this impact will depend on both the financial instruments held by the Group and the economic conditions prevailing at the date of adoption.

IFRS 16. Leases: The analysis of the impact of IFRS 16 is at an earlier stage than the IFRS 9. The Group has determined that the standard could have an impact on the financial statements of FGP Topco, however, its significance continues to be evaluated.

1.4.2. Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and of the entities it controls (subsidiaries), which together comprise the Group at 31 December 2016. Control is considered to exist when the Company:

- has power over the investee;
- has exposure or rights to variable returns on its stake in the investee; and
- has the ability to affect those returns through power over an investee.

Where necessary, adjustments have been made to the financial statements of subsidiaries to bring them into line with the Group's accounting standards.

All intra-Group assets, liabilities, equity, revenues, expenses and cash flows relating to transactions between Group companies have been eliminated on consolidation.

The list of subsidiaries and associates is included in Note 24.

1.4.3. Accounting policies applied to consolidated balance sheet items and consolidated income statement items

In line with Note 1.4.2 above, set forth below is a detail of only those accounting policies that were adopted by the consolidated Group in preparing these consolidated financial statements either as an option permitted by IFRSs or, as the case may be, due to the specific nature of the industry in which the Group operates or the materiality of the policy concerned

1.4.3.1. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- Fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- the fair value of the existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

Costs related to the acquisition, other than those associated with the issue of the debt or equity securities, are expensed as incurred.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at is acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1.4.3.2. Property, plant and equipment, investment properties and intangible assets

- After initial recognition, the items included under the headings "Property, Plant and Equipment" and "Intangible assets" are measured at cost less any accumulated depreciation or amortisation and any accumulated impairment losses. The Company therefore does not apply the fair value alternative with regard to property, plant and equipment or investment properties
- The straight-line method is used to calculate the depreciation and amortisation charge for the assets included under the headings "Intangible Assets" and "Property, Plant and Equipment".

The company Transchile Charrúa Transmissi6n, as owner of the transmission line, applies the policy of "Property, plant and equipment" recorded at cost less depreciation. Later costs such as 'upgrades or improvements', are recognised in the initial value or as separate assets. Under the "intangible assets" heading the items include the rights of way which has an indefinite useful life. After initial recognition this items are registered at cost less any impairment losses.

The years used by consolidated companies to depreciate each type of item included under the heading "Property, plant and equipment" are as follows:

	Years of useful life
Substations	30/40
Transmission lines	40
Machinery and equipment	3
Other property, plant and equipment	7

1.4.3.3. Investment in infrastructure projects

This heading includes the investments made by companies holding infrastructure projects contracts, within the scope of IFRIC 12.

<u>Intangible asset model IFRIC 12</u>

These are projects for which the revenue consists of the right to charge the corresponding tariffs depending on the level of use of the public service.

In July 2016, the consortium led by Ferrovial Airports was selected "preferred bidder" for remodelling the Jeppesen Terminal and negotiation of the contract for the award of the commercial zone. The expenses required for bringing the asset to the condition necessary to be capable of operating and the services provided by the parent Company to the operator could be capitalised in the operator once it is selected as "preferred bidder".

The company Denver Great Hall LLC, as the operator, applies this policy with the capitalization mainly of the services provided by the consortium during the negotiation period.

1.4.3.4. Other items on the balance sheet and income statement

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings with a maturity date are subsequently stated at amortised cost unless part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings being novated or cancelled and re-issued with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the income statement.

Loan receivables

Loan receivables are initially measured at the fair value of the consideration given plus directly attributable transaction costs, and subsequently carried at amortised cost, recognising the interest accrued based on the effective interest rate. This effective interest is the discount rate that exactly equals the initial payment for the financial instrument with all its estimated cash flows up to maturity. Nevertheless, loans on commercial transactions maturing in less than one year are measured, both initially and subsequently, at the nominal value, providing that the effect of not discounting the flows is not significant. At least at the reporting date, the necessary valuation adjustments are made for impairment when there is objective evidence that all the amounts owed will not be collected. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate at the moment of initial recognition. Valuation adjustments and any reversals thereof are recognised in the income statement. The Company derecognises financial assets when the risks and rewards of ownership of the financial asset have been substantially transferred. In the specific case of receivables, this is understood to occur if the risks of insolvency and default have been transferred.

Fair value measurement

The Group only uses fair value measurements in the case of derivative financial instruments. In such measurements, the credit risk of the parties to the related agreement is taken into account. The impact of credit risk will be recognised in the Income Statement, except when the derivatives qualify as effective hedges, in which case they will be recognised in reserves. The Group uses appropriate measurement techniques based on the circumstances and on the volume of inputs available for each item, attempting to maximise the use of relevant observable inputs and avoiding the use of unobservable inputs. In the measurement of the fair value, the Group establishes a fair value hierarchy which classifies the input data of the valuation techniques used into three levels:

- Level 1: quoted prices for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable market inputs for the asset or liability.

As indicated in Note 13, Derivative financial instruments at fair value, all the Group's derivative financial instruments fall into Level 2.

1.4.3.5. Accounting for joint ventures and associates

Joint ventures are those entities over whose activities the Company has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its individual assets and obligations for its individual liabilities. An associate is an entity over which the Company exercises significant influence, but not control or joint control. The results, assets and liabilities of joint ventures and associates are incorporated in the financial statements using the equity method of accounting except when classified as held for sale. Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's Income Statement. Distributions received from an investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's Other Comprehensive Income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange. The investor's share of those changes is recognised in other comprehensive income of the investor.

When potential voting rights exist, the investor's share of profit or loss of the investee and of changes in the investee's equity is determined on the basis of present ownership interests and does not reflect the possible exercise or conversion of potential voting rights.

1.4.3.6. Revenue recognition

Electricity transmission revenues are recognise in accordance with Decreto N°163 published in the Diario Oficial in Chile on June 16, 2005, which adjudicates the rights of construction, operation and maintenance of the project, the winner is entitled to receive a tariff VATT (Valor Anual de Transmisión por Tramo) equal to US$ 6,499 million per year, which constitutes the remuneration of the project for a period of 20 years from the entry into operation. After 20 years the tariff VATT will be altered and subject to review every four years.
Interest income is recognised using the effective interest method. When the value of a receivable is impaired, the Company reduces the carrying amount to its recoverable value, discounting estimated future cash flows at the instrument's original effective interest rate, and continues carrying forth the discount as a decrease in interest income. Interest income on impaired loans is recognised using the effective interest method.

Dividend income is recognised as revenue on the income statement when the collection right is established. Nevertheless, if the dividends distributed stem from profits generated prior to the acquisition date, the dividends are not recognized as revenue but rather as a decrease in the carrying amount of the investment.

1.4.3.7. Taxation

Income tax (expense)/income comprises current tax (expense)/income and deferred tax (expense)/income. Both the current and deferred income tax (expense)/income are recognised in the income statement. However, the tax effect for those items directly recognised in equity is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (or loss) nor taxable profit (or loss).

Deferred tax assets are recognised to the extent that it is probable that the Group will have taxable profit available in the future against which the deferred tax assets can be utilised. Deferred tax assets and liabilities arising from items directly charged or credited to equity accounts are also recognised with a charge or credit, respectively, to equity.

In accordance with the balance sheet liability method, deferred taxes are calculated on the temporary differences arising between the tax bases of assets and liabilities and their carrying amount. However, deferred taxes are not recognised for those arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit (or loss) nor taxable profit (or loss) at the time of the transaction. Deferred tax assets and liabilities are calculated applying the tax legislation and at the tax rates approved or near approval at the balance sheet date and that are expected to apply to the period when the related asset is sold or the related liability is settled.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred tax assets are also reassessed at the end of each reporting period, and are recognised to the extent it is likely they will be recovered through future tax benefits.

The Company forms part of the tax group headed by Ferrovial International Ltd.

1.4.3.8. Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in euros, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

1.4.3.9. Disclosures

It should also be noted that in preparing these consolidated financial statements the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

1.4.4. Going concern basis

The Group's business activity, along with the factors that could foreseeably affect its development, results and position, are set out in the Strategic Report from page 4 to page 10.

The financial and liquidity positions of the Group and of the Company are set out from page 16 to 20. Consolidated loss for 2016 stood at EUR 32 million (EUR 225 million profit in 2015), while the net cash position (non-GAAP disclosure), which includes cash and equivalents plus loans to Ferrovial's Group companies less current and non-current borrowings, was EUR 36 million (EUR 782 million in 2015).

Accordingly, Management considers that both the Group and the Company have successfully managed their risk by maintaining adequate cash reserves and reviewing forecasts and actual cash flows.

Consequently, Management has therefore a reasonable expectation that both the Group and the Company have adequate resources to continue their activity in the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

1.4.5. Accounting estimates and judgments

The Company has used estimates in the 2016 financial statements in order to appraise certain assets, liabilities, income, expenses and obligations recognised therein. These estimates relate to the following:

- Estimates on valuation of derivatives and the expected flows related thereto to determine the existence of hedging relationships;
- The assessment of potential impairment losses on certain assets;
- Projections of business performance that affect the estimate of a recovery of tax assets and the recoverability thereof;
- Estimates relating to the fair value of assets and liabilities acquired in the business combinations detailed in Note 1 on changes in the scope of consolidation; and
- The assumptions used in the actuarial calculation of liabilities for pensions and other commitments with personnel.

The estimates are carried out using the best information available at 31 December 2016 and 2015 on the events analysed. However, it is possible that circumstances may arise in the future obliging them to be amended, which shall be performed prospectively, in accordance with the provisions of IAS 8.

1.4.6. Exchange rate

Ferrovial Airports carries out transactions outside the Eurozone through various subsidiaries. The exchange rates used to translate their financial statement for their integration into the consolidated Group are as follows:

Balance sheet items (exchange rate at 31 December 2016 and 2015 for the comparative figures):

Closing exchange rate	2016	2015	Change 16/15
Pound sterling	0.8545	0.7375	15.86%
US dollar	1.0547	1.0866	(2.94%)
Chilean Peso	705.71	770.0	(8.35%)

Income statement and cash flow items (average accumulated rates at 31 December 2016 and 2015 for the comparative figures):

Average exchange rate	2016	2015	Change 16/15 (*)
Pound sterling	0.8230	0.7237	13.72%
US dollar	1.1034	1.1032	0.02%
Chilean Peso	742.46	727.8	2.01%

2. Revenue

The breakdown of the Group´s operating revenue for 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Revenue	1,587	-
Other operating revenue	6	-
Total operating revenue	**1,593**	-

Revenue relates to Transchile's revenue as of the acquisition date. The Chilean company is entitled to a fixed annual remuneration equal to US$6,499,000, that is adjusted every year according to US inflation, Chile's inflation and the currency's appreciation or depreciation.

The detail of the revenue by geographical market is as follows:

Thousands of euros	2,016	2,015
Chile	1,587	-
United Kingdom	6	-
Total operating revenue	**1,593**	-

3. Personnel expenses

The breakdown of personnel expenses is as follows:

Thousands of euros	2016	2015
Wages and salaries	(274)	(19)
Social Security	(25)	(6)
TOTAL	**(299)**	**(25)**

The average number of employees at 31 December 2016 and 2015, by professional category and gender, is shown in the following table:

	31/12/2016			31/12/2015		
	Men	Women	Total	Men	Women	Total
Clerical staff	-	2	2	-	1	1
Qualified professionals	4	1	5	1	-	1
Operational staff	2	-	2	-	-	-
TOTAL	**6**	**3**	**9**	**1**	**1**	**2**

4. Remuneration of the Board of Directors and Management

Remuneration of Directors

The key management personnel of the Group is defined as the Board Directors. The members of the Company's Board of Directors received no remuneration for performing their duties in 2016.

The Group has not assumed any obligations on behalf the Directors and no pension plans or insurance policies have been taken out in that regard.

Remuneration paid to key management

Management duties are performed by personnel of Ferrovial S.A. No remuneration whatsoever is paid by Ferrovial Airports International Ltd or allocated by Ferrovial S.A for their duties in relation to Ferrovial Airports International Ltd.

5. Audit Fees

Fees for the audit performed by the Group´s statutory in 2016 and 2015 are as follows:

Thousands of euros	2016	2015
Fees for auditing the company's financial statements	86	93
Fees for auditing the financial statements for subsidiaries	62	32
Total AuditServices	**148**	**125**
Other services- Currency conversion of 2015 financial statements	9	-
Total other audit-related services	**9**	-

6. Finance income

Details of the finance income/(cost) for 2016 and 2015 are as follows:

Thousands of euros	2016	2015
Finance income from Ferrovial Group companies	1,508	9,484
Finance income from Ferrovial Joint venture companies	19,512	23,525
Finance cost from external debt	(2,452)	-
Other	54	475
Finance income	**18,622**	**33,484**

Finance income from Ferrovial Group companies primarily includes interest received on the loan granted to Ferrofin, S.L. in 2015, which has been repaid in May 2016, and on several loans issued to other Group companies in 2014.

Finance income from Ferrovial Associate companies primarily includes interest received on the participating loan granted by Faero UK to AGS in 2015.

Finance cost from external debt primarily reflects the finance cost of Transchile. The acquisition of the company was financed through a loan of US$ 74 million signed with Scotiabank Chile and Banco Sabadell.

7. Taxation

Thousands of euros	2016	2015
Current year	(4,237)	(7,894)
Adjustments in respect of priors years	-	-
Corporation tax	**(4,237)**	**(7,894)**
Deferred tax	1,276	541
Total income tax	**(2,961)**	**(7,353)**

Since the Company forms part of the tax group headed by Ferrovial International Ltd. in Spain, the corporation tax is calculated with the Spanish jurisdiction tax rate at 25% (2015: 28%) of the estimated taxable profit for the year.

After the corporate income tax bill enacted on 28 November 2014, which became effective on 1 January 2015, the income tax rate of 30% was reduced to 28% for 2015 and 25% in taxable years starting from 2016.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group's income tax differs from the theoretical amount that would have been applied using the prevailing tax rate. The reconciliation of accounting profit to taxable income is as follows:

Thousands of euros	2016	2015
(Loss) /profit before tax	**(30,317)**	**232,452**
Spain's corporation tax rate	*25%*	*28%*
Tax at the Spain's corporation tax rate	7,579	(65,086)
Tax effect of share of results of joint ventures and associates	(11,381)	55,856
Effect of different tax rates of subsidiaries operating in other jurisdictions	841	1,877
Income tax for the year	**(2,961)**	**(7,353)**

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

Thousands of euros	2016	2015
Items that will not be reclassified subsequently to profit or loss:		
Share of taxation recognised in other comprehensive income for joint ventures	3,666	(59)
Share of taxation recognised in other comprehensive income for associates	13,340	(3,077)
	17,006	**(3,136)**
Items that may be reclassified subsequently to profit or loss:		
Tax impact on hedging instrument reserves	(5,927)	154
Share of taxation recognised in other comprehensive income for joint ventures	808	(90)
Share of taxation recognised in other comprehensive income for associates	(1,156)	(7,780)
	(6,275)	**(7,715)**
Total income tax recognized in other comprehensive income	**10,731**	**(10,851)**

8. Acquisition of subsidiary

On 12 September 2016, the group reached an agreement to acquire 65,94% of the issued capital of Transchile Charrúa Transmisión S.A. ("Transchile") from Brazilian companies Alupar and Companhia Energetica de Minas Gerais (Cemiq). The remaining 34.06% was acquired by Ferrovial Aeropuertos Internacional, S.A.U, whose ultimate parent is also Ferrovial S.A.

Transchile owns a 204-kilometre transmission line linking the Charrúa and Cautín substations in southern Chile. The deal was completed in October 2016 for US$115m, satisfied in cash. Transchile was founded in 2005 when it was awarded the rights to build and operate a double-circuit 220 kV power transmission line between the substations of Charrúa (Bío- Bío region) and Cautín (Araucana). The line came into service in January 2010.

The group has identified power transmission as part of its business diversification strategy. Its experience in construction and in concessions equip it to enter this new business. The Transchile acquisition also provides it with a platform for future projects in Chile and other countries that offer opportunities to build and operate power lines.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Book value thousand US$	Fair value adjustments thousand US$	Fair values on acquisition thousand US$
Acquirer´s share of net assets at the acquisition date:			
Property, plant and equipment	50,086	19,845	69,931
Intangible- Rights of way	23,056	(1,129)	21,927
Deferred tax assets	1,112	305	1,417
Trade and other receivables	1,098	-	1,098
Cash and cash equivalents	9,561	-	-
Interest bearing loans and borrowings	(30,229)	-	(30,229)
Trade and other payables	(1,094)	-	(1,094)
Deferred tax liabilities	-	(5,358)	(5,358)
Net identifiable assets and liabilities	**53,590**	**13,663**	**67,253**
Consideration paid:			
Cash price paid	-	-	114,631
Total consideration	**-**	**-**	**114,631**
Goodwill on acquistion	**-**	**-**	**47,378**
Goodwill on acquisition (in thousands of euros)	**-**	**-**	**42,197**
Exchange rate effect	-	-	2,724
Goodwill at 31 December 2016 (in thousands of euros)	**-**	**-**	**44,921**

In accordance with IFRS 3 "Business Combinations" an initial assessment of the assets and liabilities acquired has been prepared. The fair value adjustments above are amendments identified to the carrying values of the assets and liabilities to reflect the fair values as at the acquisition date. The basis of valuation is set out in accordance with the report carried out by the company Consultorías HCC.

The goodwill arisen on acquisition relates to the capability to operate and maintain a freehold asset of 204 km transmission line in double circuit, already in operation, located near of the two largest cities of the south of Chile.

Acquisition-related cost (include in administrative expenses) amounted to EUR 0.4 million. Transchile´s revenue amounted EUR2 million and it reported a loss of EUR1 million. EUR6 million of revenue and EUR2 million of profit would have reflected if the company had been acquired on 1 January 2016.

9. Intangible assets and PPP intangible assets

The intangible assets are related to the goodwill arising in consolidation and the Transchile's right of ways, these rights of ways correspond to the necessary physical space needed for the transmission line (towers and wires).

No impairment losses were recognised with relation to these assets in 2016 after the impairment test carried out by Transchile.

Thousands of euros	Goodwill	Right of ways	Total intangible assets
Balance at 1 January 2016	-	-	-
On acquisition	42,197	19,529	61,726
Effect of exchange rate	2,724	1,261	3,985
Balance at 31 December 2016	**44,921**	**20,790**	**65,711**

The PPP intangible assets amount of 1.7 million. This figure relates to capitalized costs as a result of being awarded to enter into an exclusive negotiation for the public-private partnership to upgrade the main terminal and manage the commercial area at Denver International Airport

10. Property, plant and equipment

Property, plant and equipment corresponds to Transchile, these assets are related to the transmission line itself and include the wires, transmission towers and the equipment of two substations.

The main items are the wires, the transmission towers and the electric equipment, that belongs to the substations.

Thousands of euros	Land	Substations and lines	Machinery and equipment	Other tangible assets	Total
Investment: Balance at 1 January 2016	-	-	-	-	-
On acquisition	68	61,844	7	363	**62,282**
Disposals	-	-	-	(2)	**(2)**
Transfers	-	(9)	-	-	**(9)**
Effect of exchange rate	4	3,884	0	132	**4,021**
Balance at 31 December 2016	**72**	**65,720**	**8**	**493**	**66,293**
Accumulated depreciation					
On acquisition	-	(153)	-	-	**(153)**
Charges		(493)	(1)	(2)	**(497)**
Balance at 31 December 2016	-	**(646)**	**(1)**	**(2)**	**(650)**

11. Investments in joint ventures and associates

The Company accounts for the following companies using the equity method:

- FGP Topco Limited (Associate): Consortium 25%-owned by Ferrovial Airports International Ltd, which owns 100% of the share capital of Heathrow Airports Holdings Ltd, which in turn is the sole owner of the company that operates Heathrow airport.

- AGS: Holding Limited (Joint venture): Consortium 50%-owned by Ferrovial Airports International Ltd. and 50% owned by Macquarie Infrastructure Fund 4 (MEIF4), the sole owner of NDH1, which in turn holds 100% of the share capital of the companies that operate the Aberdeen, Glasgow and Southampton airports.

Thousands of euros	FGP TOPCO	AGS	TOTAL
Balance at 1 January 2015	**1,062,304**	**(4,939)**	**1,057,366**
Share of results	185,859	13,625	199,484
Impact of hedging instruments	16,795	311	17,106
Exchanges diferences	40,531	(530)	40,002
Dividends	(89,718)	-	(89,718)
Other	(3,166)	431	(2,735)
Equity at 31 December 2015	**1,212,606**	**8,899**	**1,221,505**
Profit/(loss) for the period	(57,406)	11,884	(45,522)
Impact of hedging instruments	(6,299)	(3,444)	(9,743)
Impact of Pensions	(55,219)	(17,791)	(73,010)
Exchanges differences	(154,788)	(871)	(155,658)
Dividends	(101,960)	-	(101,960)
Other	491	(94)	396
Equity at 31 December 2016	**837,425**	**(1,417)**	**836,007**

In view of the importance of these investments, following is a detail of the balance sheet and statement of profit or loss for these two companies, adjusted to bring them into line with Ferrovial's accounting policies.

- FGP Topco (HAH) Income statement:

Thousands of pound sterling	2016	2015
HAH (100%)		
Operating Revenue	2,809,334	2,767,232
Operating profit	**1,048,109**	**1,255,028**
Financial expense	(1,231,139)	(570,834)
(Loss)/Profit before tax	**(183,030)**	**684,194**
Income tax	69,894	(24,360)
(Loss)/Profit from continuing operations	**(113,136)**	**659,834**
Net (loss)/profit	**(113,136)**	**659,834**
Alignment of accounting policies (i)	(75,849)	(121,782)
Net (loss)/profit adjusted	**(188,985)**	**538,052**
25% attributable to Ferrovial (in thousands of pound sterling)	**(47,246)**	**134,513**
25% attributable to Ferrovial (in thousands of euros)	**(57,406)**	**185,859**

- FGP TOPCO (HAH) Balance sheet:

Thousands of pound sterling	2016	2015
HAH (100%)		
Non current assets	17,345,403	16,862,819
Current assets	1,025,484	996,337
TOTAL ASSETS	**18,370,887**	**17,859,156**
Non-current liabilities	15,506,320	14,792,744
Current liabilities	1,881,000	1,443,752
TOTAL LIABILITIES	**17,387,320**	**16,236,496**
TOTAL NET ASSETS	**983,567**	**1,622,660**
TOTAL EQUITY	**983,567**	**1,622,660**
Alignment of accounting policies (i)	(443,147)	(367,297)
Total Equity Adjusted	**540,420**	**1,255,362**
25% attributable to Ferrovial	**135,105**	**313,841**
Historic remeasurement at fair value 25% (in thousands of pound sterling) (ii)	**580,528**	**580,528**
Equity attributable to Ferrovial 25% (in thousands of pound sterling)	**715,633**	**894,369**
Equity attributable to Ferrovial 25% (in thousands of euros)	**837,425**	**1,212,606**

(i) The alignment of accounting policies adjustment in FGP Topco relates to Investment Properties. The Ferrovial Airports Group accounting policy is that, after initial recognition, investment properties are accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment, cost less accumulated depreciation and less accumulated impairment losses, whereas the FGP Topco accounting policy is to account for investment properties are accounted at fair value.

(ii) The 25% of the equity of the investee does not correspond to the carrying amount of the investment, since the carrying amount also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the sale of a 5.88% ownership interest in HAH in October 2011. The gain was recognised as an addition to goodwill. Therefore, in order to obtain the carrying amount at Ferrovial, it would be necessary to increase the 25% of the shareholders' equity presented above (GBP 135 million) by the amount of the aforementioned gain (GBP 581 million), giving a total of GBP 716 million which, translated at the year-end exchange rate (EUR 1 = GBP 0.85447), gives the investment of EUR 837 million.

- AGS Holding Income statement:

Thousands of pound sterling	2016	2015
AGS (100%)		
Operating Revenue	197,095	194,792
Operating profit	**75,931**	**69,161**
Financial result	(49,806)	(50,666)
Profit before tax	**26,126**	**18,495**
Income tax	3,756	22,449
Net profit	**29,881**	**40,945**
Alignment of accounting policies (iii)	(10,320)	(21,223)
AGS adjusted net profit	**19,561**	**19,722**
50% attributable to Ferrovial (in thousands of pound sterling)	**9,781**	**9,861**
50% attributable to Ferrovial (in thousands of euros)	**11,884**	**13,625**

- AGS Holding Balance sheet:

Thousands of pound sterling	2016	2015
AGS (100%)		
Non current assets	1,293,562	1,286,823
Current assets	58,007	47,229
TOTAL ASSETS	**1,351,568**	**1,334,052**
Non-current liabilities	1,173,138	1,162,163
Current liabilities	46,921	35,157
TOTAL LIABILITIES	**1,220,059**	**1,197,319**
TOTAL NET ASSETS	**131,509**	**136,733**
TOTAL EQUITY	**131,509**	**136,733**
Alignment of accounting policies (iii)	(32,343)	(22,023)
Total Equity Adjusted	**99,166**	**114,710**
50% attributable to Ferrovial	**49,583**	**57,355**
Acquisition adjustment (iv)	(50,805)	(50,805)
Equity attributable to Ferrovial 50% (in thousands of pound sterling)	**(1,222)**	**6,550**
Equity attributable to Ferrovial 50% (in thousands of euros)	**(1,417)**	**8,899**

As regards the negative value of the investment, it was decided to recognise the possible project losses exceeding the carrying amount of the asset, since as indicated in IAS 28.38, it is necessary to consider the overall exposure to the asset which, in this case, includes a loan of EUR 253 million granted to AGS Airports.

(iii) The alignment of accounting policies adjustment in AGS relates to Investment Properties. The Ferrovial Airports Group accounting policy is that, after initial recognition, investment properties are accounted for in accordance with the cost model as set out in IAS 16 Property, Plant and Equipment, cost less accumulated depreciation and less accumulated impairment losses, whereas the AGS accounting policy is to account for investment properties are accounted at fair value.

(iv) In 2014 a consortium owned 50% by Ferrovial Aeropuertos and 50% by an infrastructure fund of the investment company Macquaire, entered into an agreement with Heathrow Airport Holdings (HAH), a subsidiary of FGP TopCo, for the acquisition of Aberdeen, Glasgow and Southampton airports in the UK, through a newly-formed company called AGS Airports. The transaction completed on 18 December and entailed an investment by the Group of EUR 360 million, of which EUR 50 million were disbursed in the form of capital of the newly-formed company and EUR 310 million were paid in the form of a loan to the company that acquired the assets.

The 50% of the equity of the investee does not correspond to the carrying amount of the investment, since the carrying amount also includes the acquisition adjustment due to the elimination of the 50% of the EUR 51 million gain (the gain was eliminated in proportion to the portion relating to the ownership interest acquired by Ferrovial) for the sale of AGS. This adjustment will be reversed with the sale of the company.

12. Non-current financial assets

This balance relates to the participating loan granted by Faero UK to AGS Holding Limited, for GBP 244 million for the purchase of the Aberdeen, Glasgow and Southampton airports.

Thousands of euros	Non-current loan to associate
Balance at 1 January 2015	**315,127**
Repayment of loan principal	(16,767)
Interest paid	(23,912)
Accrued interest income	23,087
Exchange rate differences	16,707
Balance at 31 December 2015	**314,242**
Repayment of loan principal	(18,656)
Exchange rate differences	(43,024)
Balance at 31 December 2016	**252,562**

Changes in the balance at 31 December 2016 primarily relate to repayment of principal and interest in the amount of EUR 37 million (GBP 32 million), less the capitalisation of interest accrued, totalling EUR 19 million, and by depreciation of the *pound sterling against the euro, which led to a negative impact of EUR 43 million.*

13. Financial derivatives at fair value

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

The table below includes a detail of the fair values of the derivatives arranged at 31 December 2016 and 2015, as well as the maturities of the notional and cash flow amounts to which the derivatives relate (maturities of notional and cash flow amounts are shown as positive figures)

	Fair value		Notional maturities			
Thousands of euros	2016	2015	2017	2021	2036	TOTAL
Type of instrument						
ASSET BALANCES	**3,066**	**2,709**	**-**	**73,687**	**64,759**	**138,446**
Forward contracts	**-**	**2,709**	**-**	**-**	**-**	**-**
cash flow hedges	-	*2,013*	-	-	-	-
fair value hedges	-	*696*	-	-	-	-
Interest rate derivatives	**3,066**	**-**	**-**	**73,687**	**64,759**	**138,446**
cash flow hedges	*3,066*	-	-	*73,687*	*64,759*	*138,446*
LIABILITIES BALANCES	**1,453**	-	25,995	-	-	25,995
Forward contracts	**1,453**	**-**	**25,995**	**-**	**-**	**25,995**
cash flow hedges	*797*	-	*25,995*	-	-	*25,995*
fair value hedges	*656*	-		-	-	-
NET BALANCES	**1,613**	**2,709**	**(25,995)**	**73,687**	**64,759**	**112,451**

Thousands of euros	Fair value 2016	Fair value 2015	Cash flow maturities 2017	2021	2036	TOTAL
Type of instrument						
ASSET BALANCES	**3,066**	**2,709**	-	**1,090**	**1,976**	**3,066**
Forward contracts	-	**2,709**	-	-	-	-
cash flow hedges	-	*654*	-	-	-	-
fair value hedges	-	*1,334*	-	-	-	-
Interest rate derivative	**3,066**	-	-	**1,090**	**1,976**	**3,066**
cash flow hedges	*3,066*	-	-	*1,090*	*1,976*	*3,066*
LIABILITIES BALANCES	**1,453**	-	1,453	-	-	1,453
Forward contracts	**1,453**	-	**1,453**	-	-	**1,453**
cash flow hedges	*797*	-	*797*	-	-	*797*
fair value hedges	*656*	-	*656*	-	-	*656*
NET BALANCES	**1,613**	**2,709**	**(1,453)**	**1,090**	**1,976**	**1,613**

At 31 December 2016, the Group had forward contracts with a fair value net of EUR 1.5 million (EUR -2.7 million at 31 December 2015), primarily used to hedge volatility in future cash flows in foreign currency (pound sterling) of distributions from FGP TOPCO and AGS; and interest rate swaps with a fair value of EUR 3.1 million in order to hedge the interest risk on Transchile's acquisition loan of US$ 74 million signed with Scotiabank Chile and Banco Sabadell.

b) Main effects on profit or loss and equity

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

Thousands of euros	2016	2015	Change	Impact on reserves	Total
Type of instrument					
Forward contracts	(1,453)	2,709	(4,162)	(4,162)	(4,162)
Interest rate derivatives	3,066	-	3,066	3,066	3,066
TOTAL	**1,613**	**2,709**	**(1,096)**	**(1,096)**	**(1,096)**

The changes in the year in the fair value of the derivatives that qualify for hedge accounting are recognised in reserves.

c) Derivative measure methods

All of the Group's financial derivatives are classified in Level 2 of the fair value measurement hierarchy, since although they are not quoted on regulated markets, the inputs on which the fair values are based are observable, either directly or indirectly.

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

The Group applies hedge accounting. The Group documents at the inception of the transaction the relationship between hedging instruments and hedge items. The Group also tests its assessment, both at hedge inception and an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedge items.

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

- Interest rate swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.
- Foreign currency derivatives: as a general rule, the future cash flows are estimated by using the exchange rates and market curves associated with each currency pair (forward points curve), and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.
- Credit risk, which is included in the measurement of derivatives pursuant to IFRS 13, is estimated as follows: In order to calculate the adjustments associated with own and counterparty credit risk (CVAs/DVAs), the Company applies a methodology based on calculating the future exposure of the various financial products using Monte Carlo simulations. To this potential exposure, a probability of default and a loss given default based on the parties' business and credit quality are applied, as well as a discount factor based on the currency and applicable maturity at the measurement date. In order to calculate the probabilities of default of the Ferrovial Group companies, the Credit Risk Management department assesses the rating of the counterparty (company, project, etc.) using a proprietary, rating agency based methodology. This rating is used to obtain market spread curves according to the currency and term in question (generic curves by rating level). In order to calculate the probabilities of default of the counterparties, the CDS curves of those companies are used, if available; otherwise, the CDS curves of a similar entity (proxy) or a generic spread curve (by rating level) are used.

14. Cash and cash equivalents and amounts due from Ferrovial group companies

The breakdown of cash and cash equivalents at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Short term deposits	23,220	-
Bank Current accounts	50,952	17,285
Cash and cash equivalents	**74,172**	**17,285**

Cash is managed in a centralised manner by the Ferrovial Group so the amounts due from Ferrovial group companies include the balance of cash pooling accounts and loans that the Company has with other Ferrovial Group companies.

The breakdown of amounts due from Ferrovial group companies at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Ferrovial Group-current accounts	13,025	24,036
Loan to Ferrovial Group companies	98,226	781,047
Amounts due from Ferrovial Group companies	**111,251**	**805,083**

15. Borrowings

The external debt is related to the Transchile´s debt acquisition through a loan of US$ 74 million signed with Scotiabank Chile and Banco Sabadell.

Thousands of euros	2016	2015
Bank-loan Transchile *(i)*	66,673	-
Non- current debt securities and banks borrowings	**66,673**	**-**

Thousands of euros	2016	2015
Bank-loan Transchile	1,629	-
Current debt securities and banks borrowings	**1,629**	**-**

Thousands of euros	2016	2015
Ferrovial Group-loan	77,582	-
Ferrovial Group-current account	3,675	40,720
Current borrowings from Ferrovial Group companies	**81,257**	**40,720**

The breakdown of Ferrovial Group companies loans and current accounts is as follows:

Thousands of euros	2016	2015
Ferrovial Group-loan	77,582	-
American dollar (ii)	*77,582*	-
Ferrovial Group-current account	3,675	40720
Pound sterling (iii)	*3,297*	
Euros (iv)	*354*	*40,720*
American dollar (v)	*24*	-
Current borrowings from Ferrovial Group companies	**81,257**	**40,720**

(i) The non - current bank loans comprises EUR 68.302 million to Transchile from Scotiabank. This loan bears interest rate of the average of six months LIBOR plus 0% and has final maturity at 30 September of 2021.

(ii) The current Group-loans comprises EUR 77.582 million to Ferrovial Airports Intenational from Ferrofin. This loan bears interest rate of 2.06% and has final maturity at 4 October of 2017.

(iii) The current Group-current account comprises EUR 3.297 million to Faero UK from a group relief. This loan bears interest rate of 1.09%.

(iv) The current Group-current account comprises EUR 129 thousand from Ferrovial S.A.. This current accounts bears interest rate of 0.81%, and comprises EUR 224 thousand from Ferrovial Aeropuertos España. This current accounts bears interest rate of 0.25%.

(v) The current Group-current account in Euros comprises EUR 24 thousand from Ferrovial Aeropuertos España. This current accounts bears interest rate of 0.72%.

16. Deferred tax

The following are the deferred tax liabilities and assets recognised by the Group and movements during the current and prior reporting year:

Deferred tax liabilities:

Thousands of euros	Tax credits	Hedging reserves valuation	Revaluation of assets	Exchanges differences	Others	Total
Balance at 1 January 2015	-	-	-	(789)	-	(789)
Charged to income statement	-	-	-	541	-	541
Charged direct to equity	-	-	-	248	-	248
Balance at 1 January 2016	-	-	-	-	-	-
On acquisition of subsidiary	-	-	(4,772)	-	-	(4,772)
Charged to income statement	-	-	43	-	-	43
Exchange differences			(308)	-	-	(308)
Balance at 31 December 2016	-	-	(5,037)	-	-	(5,037)

Deferred tax assets:

Thousands of euros	Tax credits	Hedging reserves valuation	Revaluation of assets	Exchanges differences	Others	Total
Balance at 1 January 2015	13	4,836	-	-	-	4,849
Charged to other comprehensive income statement	-	154	-	-	-	154
Credit direct to equity	(13)	-	-	-	-	(13)
Balance at 1 January 2016	-	4,990	-	-	-	4,990
On adquisition of subsidiary	1,745	20	271		(710)	1,326
Charged to income statement	1,173		-	-	60	1,233
Credit to other comprehensive income statement	198	(5,983)	-	-	(142)	(5,927)
Exchange differences	-	-	18	-	(6)	12
Balance at 31 December 2016	3,116	(973)	289	-	(798)	1,634

17. Trade and other payables

Thousands of euros	2016	2015
Trade Creditors	381	35
Payables to Ferrovial Group companies	3,855	108
VAT payable	8	9
Total Trade and other payables	**4,244**	**152**

Details of payables to Group companies are provided in Note 26, Related-party transactions.

18. Share capital and share premium

	No. shares	Thousands of euros
Ordinary shares with par value of EUR 1	**158,793,270**	**158,793**
Authorised shares at 31/12/2015 and at 31/12/2016	158,793,270	158,793
Shares subscribed and fully paid up at 31/12/2015 and at 31/12/2016	158,793,270	158,793

The Company was incorporated initially with a share capital of EUR 1 in June 2015. Subsequently, it issued a further 158,793,269 shares at a premium of EUR 1,429,139 thousand to its parent Ferrovial International Limited in exchange for equity interests in the subsidiaries which now form the Group.

On May 2016 the Company´s share premium account was reduced by EUR 805,000,000 by way of a direct repayment of capital, with the sole purpose of distributing capital to its sole shareholder, Ferrovial International Limited, the beneficial owner of the share in the Company. The distribution was made through the reduction of amounts due from Ferrovial group companies.

19. Other Reserves

Translation, hedging and actuarial reserves includes the accumulated amount in reserves of the valuation adjustments made to pension plans, derivative financial instruments and translation differences. This includes adjustments to recognise the Company's proportionate interest arising from changes in the Other Comprehensive Income of equity accounted investments.

Translation differences are used to record exchange differences arising from the translation of the financial statements of Group companies which do not have euro as their presentational currency.

Hedging reserves includes the fair value measurement of the derivative financial instrument that qualified as effective hedges.

Pensions plans: this item includes the impact on equity of actuarial gains and losses arising from adjustments and change provision. The value of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income and are not transferrable to profit or loss.

Translation, hedging and actuarial reserves

	Valuation adjustments				
Thousands of euros	Translation differences	Hedging instrument	Pensions plans	Others	Total
Balance at 1 January 2015	**85,549**	**(30,983)**	**(47,606)**	**756**	**7,715**
Movement from Group companies	11,829	(383)	-	-	11,446
Movement from joint ventures and associates companies	40,002	17,106	(3,842)	1,107	54,373
Balance at 31 December 2015	**137,380**	**(14,261)**	**(51,448)**	**1,863**	**73,534**
Movement from Group companies	(40,203)	16,738	-	-	(23,465)
Movement from joint ventures and associates companies	(155,968)	(9,743)	(73,010)	439	(238,282)
Balance at 31 December 2016	**(58,791)**	**(7,266)**	**(124,458)**	**2,302**	**(188,213)**

Retained earnings and merger reserves

Thousands of euros	Retained earnings	Merger reserve
Balance at 1 January 2015	**85,582**	**344,985**
Consolidated profit for the year	225,098	-
Balance at 31 December 2015	**310,680**	**344,985**
Consolidated loss for the year	(32,400)	-
Balance at 31 December 2016	**278,280**	**344,985**

The merger reserve arises on formation of the Group as at 1 January 2014. At this date, the net assets of the acquired subsidiaries totalled EUR 1,933 million. As described below, the share capital and share premium recorded total EUR 1,588 million. Accordingly, a merger reserve has been recognised at EUR 345 million, reflecting the difference between the net assets acquired and other capital and reserve items. This reserve is not distributable.

20. Non-controlling interest

At 31 December 2016, the profit and the share of capital attributable to non-controlling interests of the most significant fully consolidated companies were as follows (December 2015 nil):

Thousands of euros	2016	% non controlling interests	
Transchile Charrúa Transmisión, S.A.	458	34,06%	Ferrovial Aeropuertos SAU
Ferrovial Transco Chile SPA	420	34,06%	Ferrovial Aeropuertos SAU
Profit for the year attributable to non-controlling interests	**878**		
Transchile Charrúa Transmisión, S.A.	34,465	34,06%	Ferrovial Aeropuertos SAU
Ferrovial Transco Chile SPA	3,311	34,06%	Ferrovial Aeropuertos SAU
Equity attributable to the rest	285		
Equity attributable to non-controlling interests	**38,061**		

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below:

	2016	
Thousands of euros	**Transchile Charrúa Transmisión, S.A.**	**Ferrovial Transco Chile SPA**
Non-current assets	135,424	478
Current assets	40,058	11,095
Non-current liabilities	(71,757)	-
Current liabilities	(2,536)	1,852
Total Equity	101,189	9,721
Equity attributable to the shareholders	(66,724)	(6,410)
Equity attributable to non-controlling interests	**34,465**	**3,311**
Revenue	1,587	-
Expenses	(1,171)	(1,760)
Finance income	(2,284)	76
Income tax	522	455
(Loss) for the year	(1,346)	(1,229)
(Loss) attributable to the shareholders	(888)	(811)
(Loss) attributable to non-controlling interests	**(458)**	**(420)**
Total comprehensive income attributable to the Parent	4,695	(493)
Total comprehensive income attributable to non-controlling interests	2,425	(255)
Total comprehensive income for the year	**7,120**	**(748)**
Net cash inflow from operating activities	1,235	-
Net cash (outflow) from investing activities	(34,610)	-
Net cash inflow from financing activities	38,096	10,471
Net cash inflow	**4,721**	**10,471**

21. Cash flow from operating activities

A reconciliation of the Company's profits and cash flow on operations is as follows:

Thousands of euros	2016	2015
(Loss)/Profit from continuing operations	(32,400)	225,098
Adjustments for		
Tax	2,961	7,353
Non-controlling interests	(878)	-
Share in profit/(losses) of companies accounted for using the equity method	45,522	(199,484)
Finance expense	(18,622)	(33,484)
Depreciation and amortisation charge	650	-
Distributions received companies accounted for using the equity method (Note 22)	134,280	132,395
Changes in accounts receivable, accounts payables and inventories	3,291	81
Cash flows from operating activities	**134,804**	**131,960**

22. Distribution received from joint ventures and associates

The Group considers cash flows from operations includes the returns obtained from its equity-accounted holdings (dividends/capital returns).

Thousands of euros	2016	2015
Collection of dividends from FGP Topco	96,116	94,875
Return of participating loan AGS	38,164	37,520
Distribution to shareholders	**134,280**	**132,395**

23. Financial instruments

Management of financial risk

Ferrovial Airports principal financial instruments (other than derivatives) comprise banks loans, borrowings for Ferrovial group companies, cash and short-term deposits.

The Group also enters into hedging transactions, interest rate and exchange rate derivatives. The purpose of these transactions is to manage the impact of interest rate and exchange rate fluctuations.

The Group does not use financial instruments for speculative reasons.

The Group's activities are exposed to a variety of financial risks, particularly interest risk, foreign currency risk, liquidity risk, inflation risk and credit risk. The policies adopted by the Group in managing these risks are explained in the Strategic Report.

The following give specific information on the Group's exposure to each of these risks together with a brief description of the management of each risks.

a. Exposure to interest rate risk

Ferrovial Airports' business is subject to economic cycles and interest rate risk management is taken into consideration. The strategy is achieved by arranging hedging financial derivatives, a detail of which is provided in Note 13, Derivative financial instruments at fair value. The aim of these hedges is to optimise the finance costs borne by the Group. The accompanying table shows the percentage of the debt that is considered to be hedged.

	2016		
Bank Borrowings Thousands of euros	Total gross debt	% of debt hedged	Net debt exposed to interest rate risk
Transchile	66,673	100%	-
TOTAL BORROWINGS	**66,673**	**100%**	**-**

Also, it must be borne in mind that the results relating to companies accounted for using the equity method include the results corresponding to the 25% ownership interest in HAH and AGS. HAH has a significant volume of debt, of which 80% is hedged against interest rate risk.

Each 0.5% change in interest rates would have the following impact in the JVs and associates before adjusting for the alignment of accounting policies:

Millions of euros	Net profit/(loss)	Equity atrib. to the parent
0.5% increase	40	13
0.5% decrease	(42)	(14)

b. Exposure to foreign currency risk

Ferrovial analyses the changes in both short- and long-term exchanges rates, establishing monitoring mechanisms such as equilibrium exchange rates, which, together with the planned net exposure per currency for the coming years both for dividends receivable and equity contributions in new projects, enables it to define its hedging strategy for their subsidiaries, including Ferrovial Airports.

Note 1.4.6 contains a detail of the changes in the year in the closing exchange rates. As a result of these changes, the impact of translation differences on equity at 31 December 2016 was EUR -196 million for the Parent and EUR -2 million for non-controlling interests. Of the aforementioned EUR -196 million, EUR -193 million correspond to changes in the pound sterling, EUR -7 million to changes in euros, EUR 6 million to changes in the US dollar, and EUR 0.3 million to changes in the Chilean peso.

Also, Ferrovial Airports has estimated that a 20% appreciation or depreciation of the euro at year-end against the main currencies in which the Consolidated Group has investments would have the following impacts:

Millions of euros	Net profit/(loss)	Equity atrib. to the parent
Impact 20% appreciation of the euro	6	(193)
Impact 20% depreciation of the euro	(8)	290

c. Exposure to liquidity risk

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

The tables below analyse the gross undiscounted contractual cash flows on the Group financial liabilities and assets as at 31 December to the contractual maturity date.

			Maturities					
Millions of euros	Fair value 2016	Carrying amount 2016	2017	2018	2019	2020	2025	Total maturities
Non - current financial assets								
Non-current loan to associate	253	253	-	-	-	-	253	**253**
Cash and Cash Equivalents	74	74	74	-	-	-	-	**74**
Borrowings								
Bank Loan Transchile	68	68	2	2	2	62	-	**68**

d. Exposure to inflation risk

Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of the prices of HAH accounted for using the equity method. Therefore in a scenario of rising inflation would result in an increase the cash flow from assets of this nature. Nevertheless in the derivatives arranged at HAH, with the objective to convert fixed rate borrowings into index linked debt, have an impact from an accounting standpoint being measured at fair value through profit or loss, since they are considered to be ineffective derivatives.. In this regard, an increase or decrease of 100 b.p. throughout the inflation curve would have an the following effects:

Millions of euros	Net profit/(loss)	Equity atrib. to the parent
Impact increase of 100 b.p	(137)	(133)
Impact decrease of 100 b.p	126	122

e. Exposure to credit risk

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

Thousands of euros	2016	2015
Cash and cash equivalents	74,172	17,285
Amounts due from Ferrovial Group companies	111,251	805,083
Non-current financial assets	252,562	314,242
Financial derivatives (assets)	3,066	(2,709)
Trade and other receivables	748	-

The Group does not have a significant concentration of credit risks. The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments, is mitigated by limiting exposure to any one party or instrument and ensuring only counterparties within defined credit risk parameters are used.

The Group, through its parent company, Ferrovial, monitors the credit rating of derivatives counterparties on a regular basis. As at 31 December 2016, the Group is not materially exposed to credit risk on its derivative financial instruments.

24. List of subsidiaries, joint ventures and associates

The Ferrovial Airports Group´s subsidiaries are as follows. The percentage ownership corresponds to the effective values of the shareholding of the Parent in the subsidiary. All these companies are fully consolidated.

Subsidiary	% ownership	Parent	Activity
NETHERLANDS (Registered Address/Office: Kingsfordweg 151, 1043 GR Amsterdam, NL)			
Hubco Netherlands B.V.	100%	Ferrovial Airports International Ltd.	Holding company/ Airports
UK (Registered Address/Office: Edmund Halley Road, UK, OX4 4DQ)			
Faero UK Holding Limited	100%	Hubco Netherlands B.V.	Holding company/ Airports
Ferrovial Airports Denver UK Ltd.	100%	Ferrovial Airports International Ltd.	Holding company/ Airports
UNITED STATES (Registered Address/Office: 24735 E 75th Avenue, SUITE 100, DENVER CO 80249-6340)			
Ferrovial Airports Denver Corp	100%	Ferrovial Airports Denver UK Ltd.	Holding company/ Airports
Ferrovial Airports Great Hall Partners LLC	100%	Ferrovial Airports Denver Corp	Holding company/ Airports
Denver Great Hall Holding LLC	80%	Ferrovial Airports Great Hall Partners LLC	Holding company/ Airports
Denver Great Hall LLC	80%	Denver Great Hall Holding LLC	Airports
CHILE (Registered Address/Office: Nueva Tajamar, 481, Off. 1407, Santiago)			
Ferrovial Transco Chile SpA	66%	Ferrovial Airports International Ltd.	Holding company/Transmission
Ferrovial Transco Chile II SpA	66%	Ferrovial Transco Chile Spa	Holding company/Transmission
Transchile Charrúa Transmisión (*)	66%	Ferrovial Transco Chile Spa	Electricity Transmission

(*) 1 share owned by Ferrovial Transco Chile II Spa

In addition, the Group holds interest in the following companies, which are accounted using the equity method:

Joint ventures and associates	% ownership	Parent	Activity
UK (Registered Address/Office: 1 Park Row, Leeds, UK, LS1 5AB)			
AGS Airport Holdings Limited	50%	Faero UK Holding Limited	Holding company/ Airports
AGS Airports Investments Limited	50%	AGS Airport Holdings Limited	Holding company/ Airports
AGS Airports Limited	50%	AGS Airports Investments Limited	Holding company/ Airports
Airports Holdings NDH1 Limited	50%	AGS Airports Limited	Holding company/ Airports
BAA Lynton Limited	50%	Airports Holdings NDH1 Limited	Holding company/ Airports

Joint ventures and associates	% ownership	Parent	Activity
UK (Registered Address/Office: Wide Lane SO18 2NL)			
Southampton International Airport Limited	50%	Airports Holdings NDH1 Limited	Airports
UK (Registered Address/Office: St Andrews Drive. Paisley. PA3 2SW. Scotland)			
Glasgow Airport Limited	50%	Airports Holdings NDH1 Limited	Airports
UK (Registered Address/Office: Dyce. Aberdeen. AB21 7DU. Scotland)			
Aberdeen International Airport Limited	50%	Airports Holdings NDH1 Limited	Airports
UK (Registered Address/Office: The Compass Centre. Nelson Road. Hounslow. Middlesex TW6 2GW)			
FGP Topco Limited	25%	Hubco Netherlands B.V.	Holding company/ Airports
ADI Finance 1 Limited	25%	FGP Topco Limited	Holding company/ Airports
ADI Finance 2 Limited	25%	ADI Finance 1 Limited	Holding company/ Airports
Heathrow Airports Holdings Ltd.	25%	ADI Finance 2 Limited	Holding company/ Airports
Non Des Topco Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
BAA (NDH2) Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
Heathrow Holdco Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
LHR Airports Limited	25%	Heathrow Holdco Limited	Holding company/ Airports
Heathrow Enterprises Limited	25%	LHR Airports Limited	Holding company/ Airports
BMG Europe Limited	25%	Heathrow Enterprises Limited	Holding company/Airports
BMG (Ashford) General Partner Limited	25%	Heathrow Enterprises Limited	Holding company/ Airports
Ultraglobal Limited	19%	Heathrow Enterprises Limited	Holding company/ Airports
BMG (Swindon) Limited	20%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Ashford) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Cheshire Oaks) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Ashford) Partnership Trustco Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Bridgend) Limited	19%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (CO2) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Swindon phases II & III) General Partner Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BAA Partnership Limited	25%	LHR Airports Limited	Holding company/ Airports
Devon Nominees Limited	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Ashford) LP	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Bridgend Phases II and III) LP	15%	BAA Partnership Limited	Holding company/ Airports
The BMG (CO Phase IV) LP	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Swindon phases II & III) LP	18%	BAA Partnership Limited	Holding company/ Airports
BAA General Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Properties Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR Insurance Service Limited	25%	LHR Airports Limited	Insurance
LHR Building Central Services Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR Business Support Centre Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Lynton Mangement Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Lynton Developments Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR (IP Holdco) Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Pension Trust Company Limited	25%	LHR Airports Limited	Holding company/ Airports
9G Rail Limited	25%	LHR Airports Limited	Holding company/ Airports
World Duty Free Limited	25%	LHR Airports Limited	Holding company/ Airports
Airporrt Property GP (No.1) Limited	25%	LHR Airports Limited	Holding company/ Airports
Scottish Airports Limited	25%	LHR Airports Limited	Holding company/ Airports
Airports Hotels General Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports 1992 Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports 1993 Limited	25%	London Airports Limited	Holding company/ Airports
BAA International Limited	25%	LHR Airports Limited	Holding company/ Airports

Joint ventures and associates	% ownership	Parent	Activity
UK (Registered Address/Office: The Compass Centre. Nelson Road. Hounslow. Middlesex TW6 2GW)			
LHR (Hong Kong) Limited	25%	LHR Airports Limited	Holding company/ Airports
Heathrow (DSH) Limited	25%	LHR Airports Limited	Holding company/ Airports
Heathrow Finance PLC	25%	Heathrow (DSH) Limited	Holding company/ Airports
Heathrow (SP) Limited	25%	Heathrow Finance PLC	Holding company/ Airports
Heathrow (AH) Limited	25%	Heathrow (SP) Limited	Holding company/ Airports
Heathrow Airport Limited	25%	Heathrow (AH) Limited	Airports
Heathrow Express Operating Company	25%	Heathrow Airport Limited	Railway
UK (Registered Address/Office: 13 Castle Street. St Helier, Jersey JE5 5UT)			
Heathrow Funding Limited	25%	Heathrow (SP) Limited	Holding company/Airports

25. Contingent liabilities, obligations and commitments

Direct guarantees

On 6 October 2016, Transchile signed the loan agreement granted by Scotiabank Chile and Banco de Sabadell S.A. Miami Branch, for a total amount of US$74,085,158.
Transchile has provided the following guarantees over its assets in favour of Scotiabank Chile, The Bank of Nova Scotia and Banco de Sabadell, S.A., Miami Branch:

- Commercial pledge and prohibition, which features in public deed granted on 6 October 2016 by the notary of Santiago of Mr. Eduardo Avello Concha under public files N°30.319-2016, over the rights and/or credits owned by the Company as recorded in the Awarding Decree N° 163 on 20 May 2005 of the Ministry of Economy, Development and Reconstruction published in the Official Gazette on 16 June 2005;
- Commercial pledge and prohibition, which features in public deed granted on 6 October 2016 by the notary of Santiago of Mr. Eduardo Avello Concha of N°30.319-2016 under public files, over the rights and/or credits owned by the Company under the following contracts:
  (i) Connection and Operations Coordination Convention, "*Convenio de Conexión y Coordinación de Operación*", entered into as a private document by the Company and Colbún S.A on 13 June of 2013, and the subsequent amendments;
  (ii) Connection Convention, "*Convenio de Conexión*", entered into as a private document by the Company and Transelec S.A on 1 July of 2008, and the following modifications;
  (iii) Operation Coordination Convention, "Convenio de Coordinación de Operación", agreed through private instrument by the Company and Transelec S.A on 1 July of 2008, and the following modifications;
  (iv) Lease Agreement for Trama E1 in Microwave Network of Transelec Section S/E Charrúa an S/E Cautín and use of the infrastructures "Contrato Arriendo Trama E1 en Red de Microondas de Transelec Tramo S/E Charrúa y S/E Cautín y Uso Infraestructura", agreed through private instrument by the Company and Transelec S.A on 1 June of 2008, and the following modifications;
  (v) Agreement for the use of Physical Spaces and Common use Facilities "Contrato Uso de Espacios Físicos y Utilización de Instalaciones de Uso Común", agreed through private instrument by the Company and Transelec S.A on 2 June of 2008, and the following modifications;
  (vi) Maintenance and Technical Operations Services Contract "Contrato de Servicios de Operación Técnica y Mantenimiento", agreed through private instrument by the Company and Transelec S.A on 1 July of 2008, and the following modifications;
- First degree non-possessory pledge and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.324-2016, over the rights and/or credits owned by the Company currently devoted to de development of operating activities and businesses, and/or that are required or advisable for the well performance and operation of the Transmission Line owned by the Company, that connects the substations of Charrúa and Cautín (Nueva Temuco), not considering those rights and/or credits under the contracts included in letter b);

- First degree non-possessory pledge and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.321-2016, over the financial resources deposited and/or to be deposited in the accounts that the Company opens and maintains opened with Scotiabank Chile, under the credit contract agreed on 6 October of 2016, through public deed granted in the notary of don Eduardo Avello Concha, excluding the "Cuenta de Pagos Restringidos" (Restricted payments account) according to the legal terms founded in the loan contract;
- First degree mortgage and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.320-2016, over the property owned by the Company registered at sheet 5,920 number 5.740 of the Land Registry of the Second Curator Immovables of Temuco corresponding to the year 2008.

Trials and contingencies

Trial for the Nullity of Dismissal derived from the non-payment of social security payments, labeled "Chamorro with Transchile", cause Rol N°018.063-2008, and "Chamorro with Baeza" cause Rol N°018.062-2008, celebrated in the Third Labour Court of Los Angeles. The plaintiff was a worker of a contractor, therefore, the Company was collaterally demanded. Currently this cause is archived by the court provided the plaintiff's inactivity. No provision has been granted given that our advisors say that there are possibilities of obtaining a positive outcome.

26. Related party transactions

The detail of balances with companies of the Ferrovial Group and associates at 31 December 2016 and 2015 is as follows:

2016 Thousands of euros	Loans to associates	Amounts due from Ferrovial Group companies	Borrowings	Payables/(Receivables)	Operating Income	Operating Expenses	Finance income/ (cost)
Ferrovial Aeropuertos Internacional, S.A.U.	-	34,610	-	15	-	-	193
Ferrovial, S.A. - Corporate	-	11,365	61	-	-	-	25
Ferrofin S.L.	-	63,641	77,651	-	-	-	1,255
Ferrovial Aeropuertos España S.A.	-	1	248	3,834	6	(3,145)	-
Ferrovial International, LTD.	-	1,634	-	-	-	-	36
Ferrovial Internacional, S.L.U. - Corporacte	-	-	-	-	-	-	-
407 Toronto Highway, B.V.	-	-	-	-	-	(14)	-
Landmille Netherlands BV	-	-	-	(1)	-	-	-
AGS Airports Holding	252,562	-	-	6	-	-	19,512
Ferrovial Agroman UK Ltd.	-	-	153	-	-	-	-
Ferrovial Agroman Ltd. Holding UK	-	-	990	-	-	-	-
F&A Irlanda del Norte	-	-	2	-	-	-	-
Cadagua Al Grubrah UK Lim	-	-	1	-	-	-	-
Cintra Toowoomba Ltd	-	-	317	-	-	-	-
Cintra Slovakia, Ltd.	-	-	10	-	-	-	-
Cintra UK	-	-	155	-	-	-	-
Cintra I-66 Express UK LTD	-	-	-	-	-	-	-
Cintra UK I-77 Limited	-	-	13	-	-	-	-
Amey UK Plc.	-	-	1,333	-	-	-	-
Enterprise Plc	-	-	9	-	-	-	-
Cespa UK	-	-	314	-	-	-	-
TOTAL	**252,562**	**111,251**	**81,257**	**3,854**	**6**	**(3,159)**	**21,021**

2015 Thousands of euros	Loans to associates	Amounts due from Ferrovial Group companies	Borrowings	Payables	Finance income/(cost)
Ferrovial Aeropuertos Internacional, S.A.U.	-	25	20	13	-
Ferrovial, S.A. - Corporate	-	12	40,685	26	-
Ferrofin S.L.	-	781,047	-	69	9,484
Ferrovial Aeropuertos España S.A.	-	-	15	-	-
Ferrovial Internacional, LTD.	-	24,000	-	-	-
AGS Airports Holding	314,242	-	-	-	23,525
TOTAL	**314,242**	**805,083**	**40,720**	**108**	**33,009**

27. Immediate and ultimate parent companies

The immediate parent company and controlling party of Ferrovial Airports International Ltd. is Ferrovial International Ltd.

The parent undertaking of the smallest such group is Ferrovial Airports International Ltd, a company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent and the largest group in which its results are consolidated is Ferrovial, S.A., whose corporate headquarters are in Spain.

Copies of the consolidated financial statements of Ferrovial, S.A. can be obtained from:

Ferrovial ,S.A.
Registered office :
Príncipe de Vergara, 135
28002 Madrid
Spain

Company income statement

Thousands of euros	Note	2016	2015
Revenue	2	6	-
Personnel expenses	3	(106)	(25)
Other operating expenses	4	(1,438)	(0)
Gross operating loss		**(1,538)**	**(25)**
Profit from operations		**(1,538)**	**(25)**
Net finance (expenses)/income	5	**(3,108)**	**45**
(Loss)/profit before tax		**(4,646)**	**20**
Income tax	6	1,149	(5)
(Loss)/profit for the year		**(3,497)**	**14**

There are no recognised gains or losses other than those passing through the income statement. Consequently no separate statement of other comprehensive income has been presented.

Company balance sheet

Thousands of euros	Note	2016	2015
Investments in subsidiary undertakings	7	855,814	782,933
Non-current assets		**855,814**	**782,933**
Amounts due from Ferrovial Group companies	8	1,661	805,054
Current trade and other receivables		2	-
Current income tax assets		1,169	-
Cash and cash equivalents	9	-	18
Current assets		**2,832**	**805,071**
TOTAL ASSETS		858,645	1,588,004
Borrowings from Ferrovial Group companies	10	(77,867)	(40)
Trade and other payables	11	(1,329)	(12)
Current income tax liabilities		-	(5)
Current liabilities		**(79,196)**	**(57)**
TOTAL LIABILITIES		(79,196)	(57)
TOTAL NET ASSETS		**779,449**	**1,587,947**
Share capital		158,793	158,793
Share premium		624,139	1,429,139
Retained earnings and other reserves	12	(3,483)	14
TOTAL EQUITY		**779,449**	**1,587,947**

The Consolidated Financial Statements of Ferrovial Airports International Ltd., registered number 09635449, were approved by the Board of Directors and authorised for issue on 7 July 2017.

Signed on behalf of the Board of Directors

Ignacio Aitor García Bilbao

Company statement of changes in equity

Thousands of euros	Share capital	Share premium	Retained earnings	Total equity
Capital contribution	158,793	1,429,139	-	1,587,933
Profit and total comprehensive income			14	14
Balance at 31 December 2015	**158,793**	**1,429,139**	**14**	**1,587,947**
Balance at 1 January 2016	**158,793**	**1,429,139**	**14**	**1,587,947**
Loss and total comprehensive loss			(3,497)	(3,497)
Capital reduction		(805,000)	-	(805,000)
Balance at 31 December 2016	**158,793**	**624,139**	**(3,483)**	**779,449**

Company statement of cash flows

Thousands of euros	Note	2016	2015
Cash flows used in operating activities	16	**(514)**	**(22)**
Payment of income tax		(5)	(5)
Total cash flow used in operating activities		**(519)**	**(27)**
Investment through acquisition of companies		(69,153)	-
Change in amounts due from Ferrovial Group companies		(1,605)	-
Cash flow used in investing activities		**(70,758)**	-
Cash flows before financing activities		**(71,277)**	**(27)**
Interest received		1,174	45
Change in borrowings from Ferrovial Group companies		77,827	-
Cash flows from shareholders and non-controlling interests		**(3,511)**	
Cash flow from financing activities		**75,490**	**45**
Net increase in cash and cash equivalents		**4,213**	**18**
Cash and cash equivalents at beginning of year		18	-
Effect of foreign exchange rate changes on cash and cash equivalents		(4,231)	-
Cash and cash equivalents at end of year		**-**	**18**

Notes to the Company's 2016 Financial Statements

1. Accounting policies

The accompanying financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable regulatory financial reporting framework, to present a true and fair view of the Company's equity, financial position and results for the year. The regulatory framework is that established under International Financial Reporting Standards (IFRS) established by Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

Since 2015, the Company files consolidated tax returns as part of the consolidated Spanish tax group headed by Ferrovial, S.A.

The main accounting principles applied are those indicated in Note 1 for the preparation of the consolidated Group's financial statements.

2. Revenue

The breakdown of the operating revenue for 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Total operating revenue	6	-

The detail of the revenue by geographical market is as follows:

Thousands of euros	2016	2015
United Kingdom	6	-
Total operating revenue	**6**	**-**

3. Personnel expenses

The breakdown of personnel expenses for 2016 and 2015 is as follows:

Thousands of euros	2016	2015
Wages and salaries	(81)	(19)
Social Security	(25)	(6)
TOTAL	**(106)**	**(25)**

The number of employees at 31 December 2016 and 2015, by professional category and gender, is shown in the following table:

	31/12/2016			31/12/2015		
	Men	Women	Total	Men	Women	Total
Clerical staff	-	1	1	-	1	1
Qualified professionals	1	-	1	1	-	1
Operational staff	-	-	-	-	-	-
TOTAL	**1**	**1**	**2**	**1**	**1**	**2**

4. Other operating expenses

The breakdown of other operating expenses at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Services provided by Ferrovial Group companies	(1,306)	-
Independent professional services	(125)	-
Travel expenses	(7)	-
TOTAL	**(1,438)**	-

Operating expenses incurred during 2016 mainly relates to bidding support expenses invoiced by Ferrovial Aeropuertos España S.A.

5. Net finance (cost)/income

The breakdown of financial income is as follows:

Thousands of euros	2016	2015
Finance income from Ferrovial Group companies	1,174	45
Exchange differences and others	(4,282)	-
Net finance (cost)/income	**(3,108)**	**45**

Finance income from Ferrovial Group companies primarily includes interest received on the loan granted to Ferrofin, S.L. in 2015, which has been repaid in May 2016, and on several loans issued to other Group companies in 2014.

The exchange differences mainly relates to the loans in American dollars from Ferrofin, S.L.

6. Taxation

Thousands of euros	2016	2015
Current year	1,149	(5)
Corporation tax	**1,149**	**(5)**
Deferred tax	-	-
Income tax	**1,149**	**(5)**

Since the Company forms part of the tax group headed by Ferrovial International Ltd. in Spain, the corporation tax is calculated with the Spanish jurisdiction tax rate at 25 per cent.

Thousands of euros	2016	2015
(Loss) /profit before tax	**(4,646)**	**19**
Spain´s corporation tax rate	*25%*	*28%*
Tax at the Spain´s corporation tax rate	1,162	(5)
Tax effect of expenses that are not deductible in determining taxable profit	(13)	-
Income tax credit/(charge) for **the year**	**1,149**	**(5)**

Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or until the four-year inspection period has elapsed. At 31 December 2016, the Company was opened to inspection by the tax authorities for all applicable taxes since its incorporation. The Company's Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any potential liabilities that could arise would not have a material effect on the accompanying financial statements.

7. Investments in subsidiary undertakings

The breakdown of non-current investments in Group companies and associates at 31 December 2016 and 31 December 2015 is as follows:

Related undertaking Thousands of euros	% ownership	Balance at 31/12/2015	Additions	Portfolio provisions at 31/12/2016	Balance at 31/12/2016
Hubco Netherlands B.V.	100%	782,933	-	-	782,933
Ferrovial Transco Chile Spa	66%	-	69,153	-	69,153
Ferrovial Airports Denver UK Ltd.	100%	-	3,779	(51)	3,728
Total		**782,933**	**72,932**	**(51)**	**855,814**

Refer to note 24 of the Consolidated Financial Statements in these accounts for the full disclosure related to **subsidiaries, joint ventures and associates.**

On 6 October 2016, the Company invested EUR 69,153 million, through the acquisition of 65.94% of Transchile Charrua Transmision, the company which owns a 204-kilometre transmission line between the Charrua and Cautin substations in Chile.

In 2016, capital contributions were made to Ferrovial Airports Denver UK Ltd. amounting to EUR 3,779 million, in order to finance the New Great Hall project of Denver International Airport, in which Ferrovial Airports heads the consortium selected as the preferred bidder for remodelling the Jeppesen Terminal and negotiation of the contract for the award of the commercial zone, for whose remodelling Ferrovial Agroman is the main responsible.

8. Amounts due from Ferrovial Group companies

The breakdown of amounts due from Ferrovial Group companies at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Ferrovial Group-current accounts	1,661	24,007
Loan to Ferrovial Group companies	-	781,047
Amounts due from Ferrovial Group companies	**1,661**	**805,054**

The Company´s borrowings with Group companies decreased to EUR 803.3 million. The main driver of this decrease is the collection of the intercompany loan with Ferrofin, and the intercompany loan with Ferrovial International, Ltd. in exchange for the reduction of the share premium account in EUR 805 million

9. Cash and other cash equivalents

The breakdown of cash and cash equivalents at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Bank Current accounts	-	18
Cash and cash equivalents	**-**	**18**

10. Borrowings from Ferrovial Group companies

The breakdown of Borrowings from Ferrovial Group at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Ferrovial Group-loan	77,582	-
Ferrovial Group-current account	285	40
Total Current Borrowings	**77,867**	**40**

The Company´s borrowings increased to EUR 78 million, the main driver of this increase is the intercompany loan with Ferrofin for the acquisition of Transchile. This loan bears interest rate of 2.06% and has final maturity in 4th October of 2017.

11. Trade and other payables

The breakdown of trade and other payables at 31 December 2016 and 31 December 2015 is as follows:

Thousands of euros	2016	2015
Trade creditors	15	5
Payables to Ferrovial Group companies	1,306	-
VAT payable	8	7
Total **trade and other payables**	**1,329**	**12**

Payables to Ferrovial Group incurred during 2016 have been EUR 1,306 thousands, entirely invoiced by Ferrovial Aeropuertos España S.A. due to the bidding support.

12. Shareholders' equity

Details of shareholder´s equity at 31 December 2016 is as follows:

Thousands of euros	Balance at 31/12/2015	Movement	Balance at 31/12/2016
Share capital	158,793	-	158,793
Share premium	1,429,139	(805,000)	624,139
Retaining earnings	14	-	(3,483)
TOTAL	**1,587,947**	**(805,000)**	**779,449**

The Company was incorporated initially with a share capital of EUR 1 in June 2015. Subsequently, it issued a further 158,793,269 shares at a premium of EUR 1,429,139 thousand to its parent Ferrovial International Limited in exchange for equity interests in the subsidiaries which now form the Group.

On May 2016 the Company´s share premium account was reduced by EUR 805,000,000 by way of a direct repayment of capital, with the sole purpose of distributing capital to its sole shareholder, Ferrovial International Limited, the beneficial owner of the share in the Company. The distribution was made through the reduction of amounts due from Ferrovial group companies.

13. Contingent liabilities

The Company does not have any contingent liabilities in the current year or prior year.

14. Cash flow from operating activities

A reconciliation of the Company's profits and cash flow on operations is as follows:

Thousands of euros	2016	2015
Net profit attributable to the Parent	(3,497)	14
Adjustments for		
Tax	(1,149)	5
Finance income/(cost)	3,108	(45)
Changes in accounts receivable, accounts payables and inventories	1,024	4
Cash flows from operating activities	**(514)**	**(22)**

15. Related party transactions

The detail of balances with companies of the Ferrovial Group and associates at 31 December 2016 and 2015 is as follows:

2016 Thousands of euros	Amounts due	Receivables	Borrowings	Payables	Operating Income	Operating Expenses	Finance income/ (cost)
Ferrovial, S.A. - Corporate	-	-	61	-	-	-	(0)
Ferrofin S.L.	25	-	77,582	-	-	-	1,139
Ferrovial Aeropuertos España S.A.	-	1	224	1,306	6	(1,306)	(0)
Ferrovial International, LTD.	1,634	-	-	-	-	-	35
Ferrovial Airports Denver UK Ltd.	-	-	-	-	-		(51)
TOTAL	**1,659**	**1**	**77,867**	**1,306**	**6**	**(1,306)**	**1,123**

2015 Thousands of euros	Amounts due	Borrowings	Finance income/ (cost)
Ferrovial, S.A. - Corporate	-	5	-
Ferrofin S.L.	781,047	-	45
Ferrovial Aeropuertos España S.A.	-	15	-
Ferrovial International, LTD.	24,000	-	-
Ferrovial Aeropuertos Internacional, S.A.U.	7	20	-
TOTAL	**805,054**	**40**	**45**

16. Information on the ultimate parent

The ultimate parent of Ferrovial Airports International Ltd. is Ferrovial, S.A., whose corporate headquarters are in Spain.

Copies of the consolidated financial statements of Ferrovial, S.A. can be obtained from:

Ferrovial ,S.A.
Registered office :
Príncipe de Vergara, 135
28002 Madrid
Spain