



EXPRESS LANES

TO  

HOV 2+ 

HIGHER RATES FOR NO TAG

FERROVIAL, S.A. SEPARATE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

2017

ferrovial

SEPARATE DIRECTORS' REPORT:

	Page
1 PROFIT(LOSS) FOR 2017	3
2 NON FINANCIAL INDICATORS	3
3 OTHER RELEVANT INFORMATION	3
3.1 FINANCIAL RISKS	3
3.2 DISTRIBUTION OF DIVIDENDS AND TRANSACTIONS WITH TREASURY SHARES	3
3.3 OUTLOOK FOR THE BUSINESS ACTIVITIES	3
3.4 EVENTS AFTER THE REPORTING PERIOD	3
4 ANNUAL CORPORATE GOVERNANCE REPORT AND OTHER RELEVANT INFORMATION	4
5 AVERAGE PAYMENT TERM	4

SEPARATE FINANCIAL STATEMENTS:

A BALANCE SHEETS AS AT 31 DECEMBER 2017 AND 2016	6
B INCOME STATEMENTS OF PROFIT OR LOSS FOR 2017 AND 2016	7
C STATEMENTS OF CHANGES IN EQUITY FOR 2017 AND 2016	8
D STATEMENTS OF CASH FLOWS FOR 2017 AND 2016	9
1 COMPANY ACTIVITIES	10
2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	10
3 DISTRIBUTION OF PROFIT	10
4 ACCOUNTING POLICIES	10
5 OPERATING LEASES	12
6 INVESTMENTS IN GROUP COMPANIES	12
7 DERIVATIVES	14
8 CASH AND CASH EQUIVALENTS	16
9 BALANCES AND TRANSACTIONS WITH GROUP COMPANIES	16
10 TRADE PAYABLES	17
11 SHAREHOLDERS' EQUITY	18
12 PROVISIONS FOR CONTINGENCIES AND CHARGES	19
13 BANK BORROWINGS AND OTHER FINANCIAL LIABILITIES	19
14 TAX MATTERS	20
15 GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES	21
16 INCOME AND EXPENSES	21
17 EMPLOYEES	23
18 REMUNERATION OF THE BOARD OF DIRECTORS	23
19 SHARE-BASED PAYMENT	25
20 RELATED PARTY DISCLOSURES	25
21 CONFLICTS OF INTEREST	28
22 ENVIRONMENTAL POLICY	28
23 FEES PAID TO AUDITORS	28
24 EVENTS AFTER THE REPORTING PERIOD	28
25 COMMENTS ON APPENDICES	28
26 EXPLANATION ADDED FOR TRANSLATION TO ENGLISH	33

AUDITOR'S REPORT:

AUDITOR'S REPORT OF FINANCIAL STATEMENTS	35
--	----



A

01.

SEPARATE
DIRECTORS' REPORT

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

1 Profit (loss) for 2017

The company's net profit amounts to EUR 98 million at 31 December 2017, of which EUR 92 million come from profit (loss) from operations obtained in the year. In this sense, being Ferrovial S.A. a holding company, dividends received from subsidiaries and finance income associated with the financing of these, are part of the company's revenue. Accordingly, in 2017 a revenue of EUR 143 million was generated, of which EUR 104 million relate to dividends received by Ferrovial S.A. from its subsidiaries (see Note 16 in the accompanying financial statements).

The financial result amounts to EUR (8) million, primarily corresponding to credit received by Ferrovial S.A. from other companies in the group for an amount of EUR 50 million as discussed in note 16 of the accompanying financial statements. This result is offset by the result of Impairment and disposal of financial instruments, which was registered as income amounting to EUR 49 million, mostly due to the reversal of provisions for investments in Group Companies, as explained in Note 6 of the annual report attached hereto).

It is worth highlighting that Corporate Income Tax revenue, amounting to EUR 13 million, helped achieve the aforementioned net result of EUR 98 million. A more detailed explanation can be found in Note 14 of the annual report attached hereto.

2 Non financial indicators

2.a Environment

In view of its business activity, the Company does not have any environmental obligations, expenses, assets, liabilities or contingencies that might be material with respect to its equity, financial position or results. For that reason, no specific breakdown has been included in this report regarding environmental issues, the disclosures contained in the Consolidated Directors' Report being more representative in this respect.

2.b Innovation

The Company does not carry out any significant innovation activities at an individual level. Such activity is performed by the Group companies; therefore, the information stated in the Consolidated Directors' Report is more representative in this regard.

2.c Human capital

Ferrovial Group is committed to its employees to develop a comprehensive model that may guarantee the strength of the various businesses while boosting the capabilities of its professionals.

The talent and commitment of Ferrovial's professionals are the pillars of its success as an international leader in the infrastructure management sector. For that reason, fostering each employee's career development within the Company, together with managing their talent and promoting their international profile with a cross-cutting approach, are Ferrovial's strategic priorities, always within a framework of equal opportunities based on individual merit.

At the closing of 2017 Ferrovial S.A. has a workforce of 83 employees, of which 32.5% are women. Regarding the distribution by professional category, 56.6% are executives, 27.7% university and further education college graduates; 14.5% clerical staff and 1.2% manual workers and unqualified technicians.

3. Other relevant information

3.1 Financial risks

The Company manages financial risks actively in order to minimise financing costs and reduce volatility due to changes in capital. In order to do so, the Company pursues the objectives and policies described in detail in the Consolidated Directors' Report. The main financial risks to which Ferrovial S.A. is exposed are variations in interest and exchange rates and the evolution of share price. In order to hedge such risks, the Company has arranged the following derivatives: i) interest rate swap linked to the issue of a corporate bond to cover any bond value variation in case of interest rate fluctuations; ii) foreign currency forward to hedge variations in future inflows from subsidiaries; iii) equity swaps to hedge the potential equity impact caused by the exercise of employee's performance share plans. Note 7 of the Company's Financial Statements include a detail of the derivative instruments arranged by the Company.

3.2 Shareholder remuneration and transactions with treasury shares

Dividend Policy

In 2017 for the fourth consecutive year, Ferrovial S.A. adopted a new compensation system for shareholders called "scrip dividend" or "flexible dividend" offering the opportunity to apply for receiving new shares instead of a cash dividend. This new system caused an impact on the Company Shareholders' Equity for an amount of EUR -218 million. Additionally, with the purchase of treasury shares for subsequent cancellation and reduction of capital also EUR -302 million, shareholder return had an impact on shareholders' equity of EUR -520 million. The system is more thoroughly described in Note 11 of the Company's Financial Statements.

As of 31 December 2017, there are 2,167,237 treasury shares available, as shown in the following table where both transactions performed and the closing balance of the year are shown:

TRANSACTION PERFORMED/ OBJECTIVE	NUMBER OF ACQUIRED SHARES	% OF CAPITAL	NOMINAL AMOUNT (million of euros)	AMOUNT PAID (million of euros)	NUMBER OF SHARES APPLIED TO THE OBJECTIVE	TOTAL NUMBER OF SHARES
Balance at 31.12.16						2,775,174
Capital reduction	14,593,242	1.99%	3	-275	-17,000,192	-
Voluntary	1,569,148	0.21%	0	-29	0	1,569,148
Remuneration systems	830,371	0.11%	0	-15	-1,024,694	-194,323
Flexible dividend (*)	424,188	0.06%	0	0	0	424,188
Balance at 31.12.2017	17.416.949				-18.024.886	2,167,237

(*) Shares received as payment of the treasury shares' flexible dividend that the company held at the time of dividend distribution.

The market value of treasury shares at 2017 year-end amounts to EUR 41 million.

3.3 Outlook for the business activities

The Company's activity in 2017 will be marked by the performance of the Group businesses, as stated in the Consolidated Financial Statements, placing a special focus on the expansion of the international business.

On the other hand, the result of the next fiscal year will be marked by the decisions about dividend distribution taken by the various subsidiaries of Ferrovial S.A.

3.4 Events after the reporting period

The relevant events occurred after year-end are specified in Note 24 to the Financial Statements.

4. Annual corporate governance report and other relevant information

The Annual Corporate Governance Report is an integral part of the Directors' Report as per the Companies' Law. The report is submitted separately to the CNMV and is available on the company's website.

5. Average payment term

In compliance with the obligation to disclose the average period of payment to suppliers provided for in Article 539 and Additional Provision Eight of the Spanish Limited Liability Companies Law (in accordance with the new wording of Final Provision Two of Law 31/2014 reforming the Spanish Limited Liability Companies Law), the Company hereby states that the average period of payment to the suppliers in 2017 was 18 days.

Set forth below is the detail required by Article 6 of the Spanish Accounting and Audit Institute Resolution of 29 January 2016 in relation to the disclosures to be provided on the average period of payment to suppliers in 2017:

	2017	2016
Average period of payment to suppliers (days)	18	27
Ratio of transactions settled	19	26
Ratio of transactions not yet settled	8	44
	Amount (Euros)	Amount (Euros)
Total payments made	7,915,671	6,581,791
Total payments outstanding	1,195,442	336,162



B

02.
FINANCIAL STATEMENTS

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

FERROVIAL, S.A. BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

(Millions of euros)

ASSETS	2017	2016
NON-CURRENT ASSETS	8,424	9,771
Non-current investments in Group companies and associates	8,229	9,543
Equity instruments (Note 6)	8,223	9,537
Loans to Group companies (Note 9)	6	6
Non-current derivatives Financial (Note 7)	1	16
Deferred tax assets (Note 14)	193	212
CURRENT ASSETS	295	320
Receivables	111	119
Group Trade receivables and associates (Note 9)	43	77
Other receivables	0	1
Public administrations	68	42
Current investments in Group companies and associates (Note 9)	142	171
Current derivatives (Note 7)	15	11
Current accruals and deferred income	3	4
Cash and cash equivalents (Note 8)	24	16
TOTAL ASSETS	8,719	10,092
LIABILITIES	2017	2016
EQUITY	4,448	4,871
Shareholders' Equity (Note 11)	4,447	4,870
Share capital	146	147
Share premium and merger premium	1,551	1,852
Reserves	2,693	2,849
Legal reserve	29	29
Reserves subject but exempt Article 21 and 22 of TRLIS	2,824	3,046
Other reserves	-160	-226
Treasury shares and interests	-42	-41
Profit/(loss) for the year	98	63
Adjustments for changes in value (Note 11)	1	1
NON-CURRENT LIABILITIES	3,060	1,760
Long-term provisions (Note 12)	138	135
Non-current payables	249	268
Bank borrowings (Note 13)	232	264
Derivatives (Note 7)	17	4
Non-current payables to Group Companies and Associates (Note 9)	2,656	1,339
Deferred tax liabilities (Note 14)	18	18
CURRENT LIABILITIES	1,212	3,461
Current payables	11	29
Bank borrowings	2	18
Derivatives (Note 7)	9	11
Current payables to Group companies and associates (Note 9)	1,178	3,409
Trade and other payables (Note 10)	22	23
TOTAL LIABILITIES	8,719	10,092

The accompanying Notes 1 to 26 and Appendices I and II in the Financial Statements are an integral part of the balance sheet as at 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

FERROVIAL, S.A. INCOME STATEMENTS FOR THE FISCAL YEARS 2017 AND 2016

(Millions of euros)

	2017	2016
Revenue (Note 16)	143	219
Dividends received from subsidiaries	104	180
Other returns received from subsidiaries	7	6
Provision of services	33	33
Staff costs (Note 17)	(38)	(36)
Wages, salaries and similar expenses	(37)	(35)
Employee benefit costs	(1)	(1)
Other operating expenses	(13)	(14)
Outside services	(13)	(19)
Losses on, impairment of and change in allowances for trade receivables	0	6
PROFIT (LOSS) FROM OPERATIONS	92	169
Finance income from marketable securities and other financial instruments (Note 16)	8	4
Finance costs (Note 16)	(66)	(64)
On debts to Group companies and associates	(50)	(54)
On debts to third parties	(16)	(10)
Change in fair value of financial instruments (Notes 7 and 16)	(1)	(17)
Exchange gains/(losses)	1	(5)
Impairment and gains or losses on disposals of financial instruments	49	(10)
Impairment and losses (Notes 6 and 16)	70	(11)
Profit or loss for disposals (Note 6)	(21)	1
FINANCIAL RESULT (Note 16)	(8)	(92)
PROFIT (LOSS) BEFORE TAX	84	77
Corporate tax (Note 14)	13	(14)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	98	63
PROFIT OR LOSS FOR THE YEAR	98	63

The accompanying Notes 1 to 26 and Appendices I and II to the Financial Statements are an integral part of the statement of profit or loss for the year ended 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS 2017 AND 2016

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2017 AND 2016

(Millions of euros)	2017	2016
Total profit (loss) from the year	98	63
Income and expenses directly charged to equity	0	1
On cash flow hedging	0	1
Tax effect	0	0
Amounts transferred to the statement of profit or loss	0	0
On cash flow hedging	0	0
Tax effect	0	0
TOTAL RECOGNISED INCOME AND EXPENSE	98	64

The accompanying Notes 1 to 26 and Appendix I and II in the Financial Statements are an integral part of the Statement of Recognised Income and Expense as at 31 December 2017

B) STATEMENTS OF CHANGES IN TOTAL EQUITY FOR 2017 AND 2016

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM /MERGER PREMIUM	RESERVES	TREASURY SHARES	PROFIT OR LOSS FOR THE YEAR	ADJUSTMENTS FOR CHANGES IN VALUE	TOTAL
Balance at 31/12/2016	147	1,852	2,849	-41	63	1	4,871
Total recognised income and expense					98	0	98
Shareholder Remuneration	0	-298	-220	-1	0	0	-520
Flexible dividend agreement	3		-222				-218
Treasury share transactions	-3	-298	1	-1			-302
Other transactions	0	-2	64	0	-63	0	-1
Distribution of profit			63		-63		0
Share-based compensation schemes			1				1
Other changes in equity		-2					-2
Balance at 31/12/2017	146	1,551	2,693	-42	98	1	4,448

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM /MERGER PREMIUM	RESERVES	TREASURY SHARES	PROFIT OR LOSS FOR THE YEAR	ADJUSTMENTS FOR CHANGES IN VALUE	TOTAL
Balance at 31/12/2015	146	2,165	2,969	-16	133	0	5,398
Total recognised income and expense			0		63	1	64
Shareholder Remuneration	0	-313	-205	-26	0	0	-544
Flexible dividend agreement	3		-230				-226
Treasury share transactions	-3	-313	25	-26			-317
Other transactions	0	0	85	1	-133	0	-47
Distribution of profit			133		-133		0
Share-based compensation schemes			-19				-19
Other changes in equity			-29	1			-28
Balance at 31/12/2016	147	1,852	2,849	-41	63	1	4,871

The accompanying Notes 1 to 26 and Appendices I and II to the Financial Statements are an integral part of the statement of changes in total equity for the year ended 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CASH FLOWS FOR THE YEARS 2017 AND 2016

(Millions of euros)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	77	135
Profit/loss before tax	84	77
Profit(loss) adjustments:	8	86
Depreciation and amortisation charge/Provisions	0	0
Other adjustments to profit(loss) net	7	86
Changes in working capital	-11	3
Other cash flows from operating activities:	-5	-32
Interest paid	-54	-54
Interest received	5	3
Income tax recovered (paid) and tax consolidation	44	19
CASH FLOWS FROM INVESTING ACTIVITIES	1,352	169
Payments due to investment:	-34	-581
Group companies, associates and business units	-22	-581
Other financial assets	-13	0
Proceeds from disposal:	1,386	750
Group companies, associates and business units	1,386	749
Other financial assets		1
CASH FLOWS FROM FINANCING ACTIVITIES	-1,422	-975
Proceeds (payments) relating to financial liability instruments:	-903	-436
Change in Group companies credit accounts	-888	-724
Repayment and amortisation	-16	288
Dividends and returns on other equity instruments paid	-520	-544
Flexible dividend	-218	-226
Treasury shares purchase	-302	-317
Proceeds (payments) relating to equity instruments:	1	4
EFFECT OF EXCHANGE RATE FLUCTUATIONS	1	-5
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	8	-676
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	16	692
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	16

The accompanying Notes 1 to 26 and Appendices I and II are an integral part of the statement of cash flows at 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

1. Company activities

Ferrovial S.A. is the head company of the Group called Ferrovial. Its registered office is at Príncipe de Vergara 135, 28002 Madrid and its Tax id. number is A81939209.

The Company's object, as per its bylaws, is the management and coordination of all the activities carried on by the companies composing the Group.

According to current legislation, it is obliged to prepare the consolidated financial statements separately. The consolidated financial statements of Ferrovial for 2017 were formally prepared by the directors at the Board of Directors Meeting held on 28 February 2018. The consolidated financial statements for 2016 were approved by the shareholders at the Annual General Meeting of Ferrovial, S.A. on 5 April 2017, and were filed at the Madrid Mercantile Registry. The shares of Ferrovial, S.A. are traded on the Spanish Stock Market and are included in the IBEX-35 index.

2. Basis of presentation of the financial statements

2.1 Fair presentation and regulatory framework of reference

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

- The Commercial Code and other commercial legislation approved by Royal Decree 1514/2007.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its sector-related adjustments.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting legislation.

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

The Company holds a majority interest in the share capital of certain subsidiaries, and holds interests being equal to or higher than 20% in the share capital of others (Note 6). The financial statements do not show any equity increase or decrease that would result from applying consolidation criteria by fully integrating the majority shareholdings and accounting criteria following the equity method for the remaining significant shareholdings. The Company also prepares consolidated financial statements as the parent company of Ferrovial Group pursuant to international accounting standards (IFRS-EU).

In accordance with the International Financial Reporting Standards, the main figures in the consolidated financial statements are the following:

2017 (millions of euros)	
Equity	6,234
Net profit for the year attributable to the Parent Company	507
Total assets	22,990
Revenue	12,108

2.2 Critical aspects of valuation and uncertainty estimation

In the financial statements for 2017 estimates were made to measure certain of the assets, liabilities, income, expenses and obligations reported herein. They basically refer to:

- The measurement of the share-based compensation plans (Note 19).
- Impairment of value of financial assets (Note 6).
- The assessment of possible legal and tax contingencies (Note 12).
- The fair value of derivatives (Note 7).

The recoverability of deferred tax assets and tax loss carryforwards (Note 14).

Although these estimates were made on the basis of the best information available at 2017 year-end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.3. Comparative information

Comparative data of 2016 reporting period are presented below.

3. Distribution of profit

The Board of Directors will propose to the shareholders at the Company's duly convened Annual General Meeting that the profit of FERROVIAL, S.A. (individual company) be distributed as follows:

2017	
Profit of FERROVIAL, S.A. (individual company) (euros)	97,589,632.72
Distribution (Euros)	
To voluntary reserves (euros)	97,589,632.72

The legal reserve has reached the legally required minimum.

4. Accounting policies

The principal accounting policies used in preparing the financial statements were as follows:

4.1 Financial assets

A) Investments in Group companies', associates' and jointly-controlled entities' equity

These investments are measured at cost less any accumulated impairment losses. However, where the Company holds an investment in the investee prior to its classification as a Group company, jointly controlled entity or associate, the cost of the investment is considered to be its carrying amount prior to its classification as such. Any

previous valuation adjustments recognised directly in equity are retained in equity until the related investments are derecognised. In the case there is an objective evidence that the carrying amount is not recoverable, the corresponding value adjustments are recorded for the difference between the carrying amount and the recoverable amount, being this one:

- For the corporate companies without productive assets, the carrying amount of such investments.
- For the operating companies, the current value of the cash flows of its investees.

Unless there is better evidence of the recoverable amount, the impairment loss on these investments is estimated based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement. Impairment losses and any reversals of impairment losses are recognised in the statement of profit or loss for the year in which they arise.

B) Held-to-maturity investments and accounts receivable

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

4.2 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date they are arranged. Subsequent changes in fair value are also recognised at each closing date. The method used to recognise gains or losses on derivatives depends on whether the instrument has been designated as a hedging instrument and, as the case may be, on the type of hedge involved.

The Company includes the credit risk in the assessment of its assets and liabilities derivatives.

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments with an initial maturity of three months or less.

4.4 Equity

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

Dividends relating to equity instruments are recognized as a reduction of equity at the time of its approval by the Annual General Meeting.

4.5 Provisions and contingent liabilities

The Company recognises a provision for a commitment or obligation to a third party that meets the following requirements: it is a present obligation (legal, contractual, constructive or implied), the settlement of which is expected to result in an outflow of resources the amount or timing of which are not known for certain but can be estimated sufficiently reliably.

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

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events regardless the Company's will. Contingent liabilities are not recognised, but rather are disclosed (see Note 12).

4.6 Financial liabilities

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

4.7 Income tax and deferred taxes

The Corporate income tax expense recognised in the Company's financial statements is calculated on the basis of accounting profit, increased or decreased, as appropriate, by the effect of tax adjustments and by the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements (balance sheet liability method), which give rise to the recognition of deferred tax assets and liabilities.

Deferred tax assets and liabilities are calculated at the tax rates in force at the balance sheet date and at the rates that are expected to be in force in the period in which the assets are realised or the liabilities are settled. They are charged or credited to the statement of profit or loss, except when they relate to items that are recognised directly in equity, in which case they are charged or credited to equity. Deferred tax assets

and tax loss carryforwards are recognised when it is probable that the Company will recover them in the future, regardless of when they will be recovered, provided this is within the maximum period provided by law. Deferred tax assets and liabilities are not discounted and are classified as a non-current asset or liability, respectively, in the balance sheet. Deferred taxes recognised are reviewed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future tax profits.

Deferred taxes are not recognised when the transaction has no effect on the book value and/or tax value of the related assets and liabilities.

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

Ferrovial, S.A. is the parent company of a consolidated group for income tax purposes, which is regulated in Chapter VI of Title VII of Law 27/2014.

4.8 Translation of foreign currency transactions

Transactions performed by the Company in a currency other than the functional currency, which is the euro, are translated by applying the exchange rates prevailing at the transaction date or at the year-end exchange rates in the case of balances outstanding at the date of preparation of the financial statements.

The foreign currency gains or losses arising from the settlement of these transactions and from translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, unless they are deferred in equity, as is the case of cash flow hedges and hedges of a net investment in a foreign operation that qualify for hedge accounting.

4.9 Revenue recognition

The Company's income relates to the dividends received from the investees which, on the basis of Ruling no. 2 published in Official Gazette no. 79/2009 of the Spanish Accounting and Audit Institute in relation to the accounting classification in separate financial statements of the income and expenses of holding companies, is treated as the Company's revenue as its ordinary activity consists of the ownership of interests in the share capital of Group companies.

4.10 Share-based payments

The share-based Remuneration Systems were settled at the value of the listed share price. This fair value is recognised under "Staff Costs" in proportion to the stipulated period of time during which the employee must remain at the Company, with a balancing entry in equity.

4.11 Leases

Leases are classified as finance leases when lease conditions imply that the risks and benefits associated with the property in question are transferred to the lessee. All other leases are classified as operating leases. The only significant lease held by the Company is an operating lease on the property where its head office is located (Note 5).

Expenses from operating leases are recognised in the statement of profit or loss on an accrual basis.

Any amount paid or collected on entering into an operating lease will be recognised as an advanced payment or collection in the profit and loss account over the term of the lease as the benefits of the leased asset are assigned or received.

4.12 Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately covered and, therefore, the Company Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

5. Operating leases

On 23 December 2009, Ferrovial, S.A. signed an agreement for the sale and operating lease of the property where its head office is located.

Ferrovial S.A. rented the 15% of the building, with the 85% of it being owned by its subsidiary Ferrovial Corporación S.L. Total annual income amounted to EUR 3 million, being updated on a yearly basis in accordance with the variation of the Spanish Consumer Price Index (CPI). Maturity is initially scheduled for reporting period 2022, although Ferrovial has the possibility to extend such term for 10 additional years; at year-end, the company was not required to do so. If the initial lease term is extended, the rent in force at that time must be updated in line with market rates.

The operating lease expenditure recognised in the statement of profit or loss for 2017 totals EUR 1 million (EUR 1 million in 2016), of which EUR 658 thousand account for the expense accrued by such lease contract and the rest (EUR 412 thousand) accounts for the leases of vehicles. Future non-cancellable minimum payments as lessee amount to EUR 3 million (same amount in 2016).

6. Investments in group companies and associates

Investments in Group and Associated Companies make up most of the company's assets, representing 94% of the total assets (95% in 2016). The breakdown of the balance and movements for this line in 2017 is as follows:

(Millions of euros)	BALANCE AT 31/12/2016	ADDITION/ PROVISION	DERECOGNI TION/ REVERSAL	BALANCE AT 31/12/2017
<i>Ferrovial Internacional S.L.U</i>	6,329	8		6,337
<i>Ferrofin, S.L.</i>	1,639		-1,398	241
<i>Ferrovial Agroman</i>	711			711
<i>Cintra Infraestructuras España, S.L.</i>	572			572
<i>Ferrovial Servicios, S.A.</i>	264			264
<i>Ferrovial Fisa, S.L.</i>	215			215
<i>Ferrovial Aeropuertos España, S.A.</i>	46			46
<i>Triconitex, S.L.</i>	12			12
<i>Temaui S.L.</i>	0	10		10
<i>Betonial, S.A.</i>	8			8
<i>Krypton RE</i>	4	4		8
<i>Ferrovial Corporación, S.A.</i>	5			5
<i>Autovía de Aragón, S.A.</i>	3			3
<i>Can Am S.A.</i>	3			3
<i>Ferrocarril UK Limited.</i>	1			1
<i>Inversiones Trenza S.A.</i>	7		-7	0
<i>Sotaverd S.A.</i>	2		-2	0
<i>Promotora Ibérica de Negocios, S.A.</i>	1		-1	0
Investments in Group companies	9,822	22	-1,407	8,436
<i>Nea Odos.</i>	25			25
<i>Central Greece</i>	22			22
Investments in associates	47			47
Investments in group companies and associates	9,869	22	-1,407	8,483
<i>Ferrofin, S.L.</i>	-85		81	-4
<i>Ferrovial Fisa, S.L.</i>	-154	-2		-156
<i>Ferrovial Aeropuertos España, S.A.</i>	-21	-12		-33
<i>Triconitex, S.L.</i>	-10	-1		-10
<i>Betonial, S.A.</i>	-4			-4
<i>Temaui S.L.</i>	-1	-1		-2
<i>Krypton R.E.</i>	0	-3		-3
<i>Inversiones Trenza S.A.</i>	-7		7	0
<i>Sotaverd S.A.</i>	-2		2	0
<i>Can Am S.A.</i>	-1	-1	0	-2
Provision for investments in Group companies	-285	-18	90	-213
<i>Nea Odos.</i>	-25			-25
<i>Central Greece</i>	-22			-22
Provision for investments in associates	-47			-47
Provision for investments in Group companies and associates	-332	-18	90	-260
Other equity instruments, net	9,537	4	-1,317	8,223

The main changes occurred in ownership interests of Group Companies in 2017 are as follows:

Sale of ownership interests corresponding to share capital of Ferrofin for their subsequent redemption.

The Extraordinary General Assembly and General Shareholders' Meeting of the company Ferrofin S.L., held on 18 December 2017, resolved the reduction of the share capital of aforementioned subsidiary, through the acquisition and subsequent redemption of 1,394,283,304 treasury shares. The purchase bid for the ownership interests was presented to all the partners of Ferrofin S.L., of which:

- Ferrovial Servicios and Ferrovial FISA accepted and sold, to Ferrofin, the total of their shares.
- Ferrovial Agroman did not agree and maintained the same ownership prior to the planned redemption.
- Moreover, Ferrovial S.A. sold further shares to Ferrofin, until achieving the capital reduction amount proposed by Ferrofin S.L.

In this manner, Ferrovial S.A. sold 1,379,589,729 shares of its share capital to its subsidiary, at a par value of one euro each, for a purchase

price of EUR 1,385 million, where Ferrofin S.L. made payment through the partial offsetting of the long-term debt held by Ferrovial S.A. against Ferrofin.

As a result of such sale, the Company derecognised the proportion of its ownership interest sold, for an amount of EUR 1,398 million. The difference between the sale price (EUR 1,385 million) and aforementioned book value (EUR 1,398 million) was recorded under Impairment and gains or losses on disposals of financial instruments, resulting in a capital gain for the Company of about EUR 12 million. In addition, the same proportional amount of the existing valuation adjustment was settled, by offsetting the amount of EUR 72 million with a balancing entry under "Impairment of financial instruments". At the end of the fiscal year, the portfolio provision was reassessed by comparing the recognised carrying amount with the shareholders equity at the closing date of the subsidiary. A surplus provision was recognised for an amount of EUR 9 million, under the heading of "Impairment of financial instruments of the profit and loss account". Taking into account both impacts, the change in the portfolio provision recognised on Ferrofin amounts to EUR 81 million.

Dissolution of inactive corporate subsidiaries

During the year, the Company had proceeded with the liquidation and dissolution of various corporate companies that had been inactive over the previous years, these being: Promotora Ibérica de Negocios S.A., Inversiones Trenza S.A., Fringold S.A. and Sotaverd S.A., which resulted in a decrease in shares for a total amount of EUR 10 million, a reversal of portfolio provisions for an amount of EUR 9 million and an impact on net debt of EUR 1 million, corresponding to the settlement of current accounts held by these subsidiaries with the Company.

Other capital increases

- On 14 March 2017, the Company approved to make a contribution of EUR 9.5 million in favour of Temaui, to be disbursed through the partial debt forgiveness of the short-term loan agreed between both companies.
- On 18 May 2017, the Company disbursed EUR 3.8 million as a Capital Contribution in favour of its subsidiary, Krypton RE.
- On 2 June 2017, Ferrovial S.A., as the sole shareholder of Ferrovial Internacional S.L.U., agreed to make a monetary contribution of EUR 8.5 million in favour of the foregoing company.

Portfolio provisions

Net movement of provisions (EUR 72 million) essentially corresponds to the variation of the valuation adjustments recorded throughout 2017 on the value of the interest owned by the Company, for the most part against Ferrofin (EUR 72 million, as a consequence of the capital reduction of the subsidiary in the foregoing section), and EUR 9 million as a consequence of the result achieved by this subsidiary during the financial year; as well as for other corporate companies without productive assets where the impairment calculation on the value of the participation is calculated on the basis of the theoretical book value, amounting to EUR 19 million, which have been recorded under "Impairment and loss of financial instruments" in the income statement. A description of the main variations can be seen on the previous table.

Appendix II provides details on all the investee companies of Ferrovial, S.A., indicating their address, auditing firm, percentage of ownership and book price, as well as the main breakdown of its equity, at 31

December 2017. Information is provided on associates for total assets, liabilities, income and result.

The listed Group companies are Ferrovial, S.A. and Budimex, S.A. and the detail of the market value thereof is as follows:

QUOTED MARKET PRICE (EUROS)	BUDIMEX, S.A.	FERROVIAL S.A.
At end of year	50.77	18.93
Last-quarter average	47.83	18.43

The market price shown in the table above is expressed in Euros per share. In the case of Budimex, S.A., the market price was translated to Euros using the exchange rate at 31 December 2017 both for the market price at the end of the year and for the average price in the last quarter.

7. Derivatives

The detail of the derivatives and their fair values at 31 December 2017 and 2016, as well as the maturities of the notional amounts to which the derivatives are tied and the related cash flows are shown below.

(Millions of euros)	FAIR VALUE		NOTIONAL MATURITIES						TOTAL
	BALANCE AT 31/12/2017	BALANCE AT 31/12/2016	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022 AND MORE		
TYPE OF INSTRUMENT									
Equity swaps	1	0	50	0	0	0	0	0	50
Cross Currency Swaps	0	16	0	0	0	0	0	0	0
Forwards and exchange rate options	15	11	570	0	0	0	0	0	570
Total Assets Balances	16	26	620	0	0	0	0	0	620
Equity swaps	0	4	0	0	0	0	0	0	0
Cross Currency Swaps	17	0	0	250	0	0	0	0	250
Forwards and exchange rate options	9	11	520	0	0	0	0	0	520
Total Liabilities balances	26	15	520	250	0	0	0	0	770
Net balances	-10	11	1,140	250	0	0	0	0	1,390

The cash flows relating to the derivatives mature as follows:

(Millions of euros)	FAIR VALUE		CASH FLOW MATURITY						TOTAL
	BALANCE AT 31/12/2017	BALANCE AT 31/12/2016	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022 AND MORE		
TYPE OF INSTRUMENT									
Equity swaps	1	-4	1	0	0	0	0	0	1
Cross Currency Swaps	-17	16	6	-23	0	0	0	0	-17
Forwards and exchange rate options	6	0	6	0	0	0	0	0	6
Total financial hedges	-10	11	13	-23	0	0	0	0	-10

For the purposes of comparative information, a detail of the changes related to the reporting period 2016 is shown below:

(Millions of euros)	BALANCE AT 31/12/2015	ADDITIONS	REMOVALS	BALANCE AT 31/12/2016
Investments in Group companies	10,292	1,524	-1,995	9,822
Investments in associates	47	0	0	47
Investing activities	10,340	1,524	-1,995	9,869
Investments in Group companies	-550	-39	304	-285
Investments in associates	-47	0	0	-47
Provision	-597	-39	304	-332
Equity instruments	9,743	1,485	-1,691	9,537

The notional amounts shown in this table include all those arranged at 31 December 2017. Accordingly, the maturities are presented with a positive sign and the future increases the amount of which has already been arranged are shown with a negative sign.

Following is an explanation of the changes in fair value of the hedges between 2017 and 2016 and of the effects of such changes on the balance sheet and statement of profit or loss for the year (in thousands of Euros).

(Millions of euros)	FAIR VALUE			BREAKDOWN OF CHANGES					TOTAL
	BALANCE AT 31/12/2017	BALANCE AT 31/12/2016	VARIATION	IMPACT ON RESERVES	IMPACT ON PROFIT OR LOSS, FAIR VALUE	IMPACT ON FINANCIAL RESULT-FUNDING	CASH (*)	OTHER IMPACTS ON THE BALANCE SHEET OR STATEMENT OF PROFIT OR LOSS	
Equity swaps (Note 19)	1	-4	5	0	5	0	-3	3	5
Cross currency swaps	-17	16	-33	0	0	5	-5	-33	-33
Forwards and exchange rate options	6	0	6	0	-4	0	-52	62	6
Other	0	0	0	0	-2	0	-2	0	0
Total financial hedges	-10	11	-21	0	-1	5	-58	33	-21

(*) In the table, collections are shown as negative impact; payments are shown as positive impact.

Equity swaps

In order to hedge against the possible losses resulting from the exercise of the share-based payment schemes granted to its employees (see Note 19), Ferrovial arranged equity swaps.

The swaps operation is as follows:

- The calculation base is a given number of Ferrovial shares and a reference price which is usually the share price on the arrangement date of the swap.
- During the term of the swap, Ferrovial pays interest equal to a given interest rate (EURIBOR plus a spread to be applied to the result of multiplying the number of shares by the strike price) and receives a compensation equal to the dividend on those shares.
- When the swap expires, if the share price has risen, Ferrovial receives the difference between the share price and the reference price. If the share price falls, Ferrovial would pay the aforementioned difference to the bank.

These equity swaps do not qualify for hedge accounting and the related gains or losses are recognised as fair value adjustments under "Financial Result". The change in value during the year was due to the increase in the Ferrovial share price from EUR 17.00 at 31 December 2016 to EUR 18.93 at 31 December 2017, which gave rise to an income of EUR 5 million. Furthermore, for the column "Other impacts on the balance sheet or statement of profit or loss", income derived from remuneration and expenses is recorded against the financing cost of these instruments for the amount of EUR 3 million (see Note 16).

The impact on cash flow for these instruments stood at EUR 3 million, essentially stemming from the collections for the remuneration, which equated to the amount of the disbursed dividend.

At 2017 year-end, these derivatives had a notional amount equivalent to 2,690 thousand shares, which, based on the strike price of the equity swaps (the price at which they have to be settled with the banks) amounted to EUR 50 million. The fair value as of 31 December 2017 amounts to EUR 1 million, which represents the difference between the strike price of the equity swaps and its share price at the year end.

Cross currency swaps

In September 2016 USD 279 million were drawn down from the USD tranche of the loan. In order to cover possible interest rate and exchange rate variations of this provision, cross currency swaps had been agreed to for the same notional amount, due in 2019, for an equivalent value agreed in euros for EUR 250 million.

The exchange rates variations occurred in the year had a negative effect on the profit and loss account of EUR 33 million ("other impacts"), offsetting the changes in the value of the above said loan. In addition, collections amounting to EUR 5 million were recognised ("Cash") and a financial impact of EUR 5 million.

Foreign exchange derivatives

At the end of the year, there were several existing contracts with banking entities, corresponding to:

- Euro-pound forward exchange rate for a notional amount of EUR 42 million
- Euro-dollar forward exchange rate for a notional amount of EUR 385 million with an asset position of EUR 6 million with a short-term maturity.
- Euro-New Zealand dollar forward exchange rate (notional amount of EUR 21 million)

The purpose of these forwards is to hedge exposure to the exchange rate of future flows from subsidiaries; therefore, there are some inter-company derivatives with the companies receiving said flows in foreign currency. The impacts transmitted by Ferrovial, S.A. to those Group companies are reflected in the column "Other impacts of the balance sheet" by EUR 63 million.

Furthermore, at the close of financial year 2017, the Company had contracted various structures for the purchase and sale of pounds sterling for a net fair value of EUR 7 million (notional amount of EUR 71 million).

8. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" in 2017 and 2016 is as follows:

(Millions of euros)	BALANCE AT 31/12/16	BALANCE AT 31/12/16
Cash	8	5
Cash equivalents	16	11
TOTAL	24	16

The Cash balance consists basically of current accounts opened with different financial institutions. "Cash Equivalents" relates to term deposits maturing in less than three months.

9. Transactions with group companies and associates

9.1. Balances with Group companies:

The change in credit and debit balances held by Ferrovial S.A. with the other group companies is shown below:

(Millions of euros)	31.12.2016	TRANSFER.	OTHER CHANGES	31.12.2017
Long-term loans	6		0	6
Short-Term Loans	171		-29	142
Asset balances	177		-29	148
Long-term loans	1,339	2,196	-880	2,656
Current payables	3,409	-2,196	-34	1,178
Liability balances	4,748	0	-914	3,834
Net balance of financing with Group companies	-4,571	0	886	-3,685
Short-term	-3,238	2,196	6	-1,036
Long-term	-1,333	-2,196	880	-2,649

Evolution of balances with group companies

With regard to the evolution of the net balance of Group Company financing, as it can be seen from the foregoing table, the company maintains a net financing position with Group companies for an amount of EUR -3,685 million. The net financing position had been reduced (improvement) by EUR 886 million throughout the year, mostly due to:

- The partial settlement of the loan with the subsidiary, Ferrofin, through the sale of its shares for EUR 1,385, as described in Note 6. In this respect, it is worth emphasising that payments have been made for an increased ownership of the subsidiaries, amounting to EUR 22 million. Both impacts have recorded a debt reduction (improvement) of EUR 1,363 million.
- Disbursement of dividends by its subsidiaries for a total of EUR 104 million, as described in Note 16
- Finally, a worsening debt situation was registered against its subsidiaries, after utilising funds obtained through its subsidiaries for the remuneration paid to the shareholder described in Note 12, amounting to EUR 520 million.

Of this net financing position, EUR -1,036 million correspond to short-term balances. The variation, with respect to the previous year, for the most part, corresponds to the transfer between short and long term of the following amounts:

- On November 30, a long term credit line agreement was signed between the Company and its subsidiary Ferrofin, for a maximum

amount of EUR 3,000 million. A initial amount of EUR 2,696 million was used to cancel the current account existing between both companies.

- The abovementioned transfer from short to long term has been partially offset by the short-term reclassification of one of the three intercompany loans held with Ferrovial Emisiones, amounting to EUR 500 million and maturing on 31 January 2018.

In this regard, it is important to state that this short-term negative position does not affect the company's ability to meet its payment obligations at the date of the preparation of these financial statements, since all of the balances correspond to short-term current accounts with companies wholly owned by Ferrovial, S.A. (see attached detail on short-term balances).

With regard to long-term balances, the change in the year corresponds mainly:

- with the net transfers mentioned above (increase in long-term debt amounting to EUR 2,196 million),
- to the signing of the loan agreement signed with Ferrovial Netherlands B.V to dispose of the proceeds from the bond issued by the subsidiary on November 14, 2017, for EUR 497 million (nominal amount of EUR 500 million).

Detail of long-term balances with group companies.

The Company has recorded long-term loans with its subsidiaries for an amount of EUR 6 million, along with liabilities for the amount of EUR 2,656 million. The main loans granted by the Company's subsidiaries are detailed below:

LONG TERM DEBT (NET) (Millions of euros)	2017	2016	VAR.
Ferrofin, S.L.	-1.320	0	-1.320
Ferrovial Emisiones S.A.	-795	-1.293	498
Ferrovial Netherlands B.V.	-497	0	-497
Ferrovial FISA S.A.	-35	-46	11
Krypton R.E.	-8	0	-8
Autopista del Sol, S.A.	4	4	0
Budimex S.A.	2	2	0
Total Long term debt (net)	-2.649	-1.333	-1.316

- An intercompany credit line signed with the subsidiary, Ferrofin S.L., for a limit of up to EUR 3,000 million and a drawn down balance of EUR 1,320 million at 31 December 2017, which now accrues an interest rate of 0.77%.
- To the intercompany loans received by Ferrovial Emisiones for the transfer of funds for the corporate bonds issued on 29 May 2013 and 9 July 2014, for a nominal amount of EUR 500 million and EUR 300 million with a fixed interest rate of 3.375% and 2.5%, maturing in 2021 and 2024, respectively. These funds were transferred to Ferrovial S.A., under the foregoing conditions.
- To the intercompany loan received from Ferrovial Netherlands for the transfer of the funds for the bond issued on 14 November 2017, for a nominal amount of EUR 500 million, with an interest rate of 2.249% and maturing in 2022.
- An Intercompany credit line with Ferrovial FISA, for a limit of up to EUR 50 million, of which EUR 35 million had been drawn down, at 31 December 2017

Detail of short-term balances

As for short-term balances, the company is the holder of the current accounts of its subsidiaries, totalling EUR 142 million in assets (EUR 171 million at 31 December 2016) and EUR 648 million in liabilities (EUR 3,380 million, at 31 December 2016). These current accounts accrue an interest rate similar to those of the market and stem from the centralised liquidity management conducted by the Group.

Moreover, the Company has recorded a short-term intercompany loan for the nominal amount of EUR 500 million, granted by Ferrovial Emisiones for the transfer of funds for the bond issued on 30 January 2013, along with accrued and unpaid interest on the aforementioned loan, amounting to EUR 29 million. Following is a detail of the main balances:

SHORT-TERM DEBT: (Millions of euros)	2017	2016	CHANGE
Ferrofin, S.L.	0	-2,518	2,518
Ferrovial Emisiones S.A.	-529	-31	-498
Ferrovial Agroman S.A.	-471	-784	313
Cespa S.A.	-137	5	-142
Cintra Infraestructuras S.E.	18	55	-37
Ferrovial Servicios, S.A.	117	-25	143
Ferrovial Internacional S.L.U.	0	48	-48
Ferrovial International Ltd	0	20	-20
Temaury S.L.	0	19	-19
Ferrovial Corporación, S.A.	0	12	-12
Ferrovial Aeropuertos Internacional S.L.U.	-13	-12	-1
Ferrovial Aeropuertos España, S.A.	-10	-12	2
Hubco Netherlands B.V.	-10	-11	1
Betonial, S.A.	0	-5	5
Vergarapromoinvest, S.L.	0	-2	2
Remainder	-1	3	-5
Total Short-term debt (net)	-1,036	-3,238	2,202

For the purpose of comparative information, the balances and changes of the short term financial debt at 31 December 2016 are as follows:

(Millions of euros)	31.12.2015	CHANGE	31.12.2016
Long-term loans	6	0	6
Short-Term Loans	86	85	171
Asset balances	92	85	177
Non-current payables	1,339	0	1,339
Current payables	4,039	-631	3,408
Liability balances	5,379	-630	4,748
Net balance of financing with Group companies	-5,287	715	-4,571
Current balances with Group companies	-3,953	715	-3,238

The detail of the transactions with Group companies in the year is described in Note 16.D.

9.2. Trade balances with Group Companies:

The company holds trade balances with Group Companies for an amount of EUR 43 million (EUR 77 million at 31 December 2016) related

to outstanding payments for the rendering of services. The detail of these transactions is shown below:

TRADE BALANCES (Millions of euros)	2017	2016	CHANGE
Cintra Infraestructuras S.E.	13	9	4
Ferrovial Agroman S.A.	10	10	0
Ferrovial Servicios, S.A.	9	8	1
Ferrovial Transco España S.A.U.	3	3	0
Ferrovial Corporación, S.A.	3	3	0
Budimex	2	1	1
Ferrovial FISA S.A.	1	41	-40
Hellas Tolls	1	0	1
Ferrovial Holding US Corp.	1	1	0
Remainder	0	1	-1
Total Short-term debt (net)	43	77	-34

10. Trade payables

In compliance with the obligation to disclose the average period of payment to suppliers provided for in Article 539 and Additional Provision Eight of the Spanish Limited Liability Companies Law (in accordance with the new wording of Final Provision Two of Law 31/2014 reforming the Spanish Limited Liability Companies Law), the Company hereby states that the average period of payment to the suppliers in 2017 was 18 days.

Set forth below is the detail required by Article 6 of the Spanish Accounting and Audit Institute Resolution of 29 January 2016 in relation to the disclosures to be provided on the average period of payment to suppliers in 2017:

DAYS	2017	2016
Average period of payment to suppliers	18	26
Ratio of transactions settled	19	26
Ratio of transactions not yet settled	8	16
Amount (Euros)		
Total payments made	7,915,671	7,516,790
Total payments outstanding	1,195,442	213,230

11. SHAREHOLDERS' EQUITY

The detail of the main impacts net of taxes that affected the changes in equity in 2017 and which explain the changes in equity in the period from December 2016 to December 2017 is as follows.

(millions of euros)	2017	2016
Balance as at 01 January	4,871	5,398
<u>Profit/(loss) for the year</u>	<u>98</u>	<u>63</u>
<u>Recognised income and expense</u>	<u>0</u>	<u>1</u>
Impact on reserves of hedging instruments	0	1
<u>Transfer to statement of profit or loss</u>	<u>0</u>	<u>0</u>
Hedging instruments	0	0
Total recognised income and expense	98	64
Scrip dividend/other dividends	-218	-226
Treasury share transactions	-302	-317
Shareholder Remuneration	-520	-544
Share-based payment	1	-19
Other changes	-2	-28
Other transactions	-1	-47
Balance at 31 December	4,448	4,871

Shareholders' equity decreased by EUR -422 million in 2017. The main impacts relate to:

- Profit for the year of EUR 98 million.
- Shareholder remuneration:
 - Flexible dividend: This refers to the impact of the flexible remuneration system approved by the Annual General Meeting of Ferrovial, S.A. held on 5 April 2017 (see section g. Other reserves).
 - Treasury share transactions: It corresponds to the impact of the purchase of treasury shares for subsequent amortisation and for capital reduction (see section d. Treasury shares).
- Remuneration systems associated with targets: mainly reflects the impact of the accrual and payment of staff expenses associated with performance shares for managerial staff mentioned in Note 19 (EUR -3 million), which is offset by the impact of the settlement of the 2014 Plan for the amount of share-based payments for employees (EUR 4 million). These impacts have been offset by the exercise of equity swaps during the year, with an effect on profit and loss of EUR 6 million (see Note 7) and a cash inflow of EUR 3 million.

The main equity items are:

A) Share capital

At 31 December 2017, the share capital amounted to EUR 146,453,094.40 and had been fully subscribed and paid. The share capital is represented by 732,265,472 ordinary shares of a single class and with a par value of twenty euro cents (EUR 0.20) per share.

The changes in 2017 detailed in the table below relate to the capital increase and reduction transactions described in the following table relate to capital increases and reductions described in sections d. Treasury shares and g. Reserves below.

SHARES	NUMBER	PAR VALUE
Beginning balance	732,548,474	146,509,695
Capital increase for scrip dividend	16,717,189	3,343,438
Capital reduction	-17,000,192	-3,400,038
Share closing	732,265,472	146,453,094

At 31 December 2017, the only company with an ownership interest of over 10% was Rijn Capital BV, with 20.210% of the shares. This company is controlled by the Chairman of the Company's Board of Directors Rafael del Pino y Calvo Sotelo. The shares of the Parent are traded on the Spanish Stock Market Interconnection System (SIBE) and on the Spanish Stock Exchanges and all carry the same voting and dividend rights.

B) Share premium and merger premium

At 31 December 2017, the Company's share premium amounted to EUR 1,202 million, and the merger premium, which arose as a result of the merger of Grupo Ferrovial, S.A. with Cintra Concesiones de Infraestructuras de Transporte, S.A. (currently Ferrovial, S.A.) in 2009, totalled EUR 349 million. Both line items are considered to be unrestricted reserves.

The decrease that took place over the reporting period was basically due to the amortisation of treasury shares in the reporting period (EUR -302 million). This operation is described in section d), Treasury shares, in this Note.

C) Restricted reserves

Under the Consolidated Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

At 31 December 2017, the legal reserve had reached the required amount as specified in the paragraph above.

Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that other sufficient reserves are not available for this purpose.

D) Treasury shares

At 31 December 2016, 2,775,174 treasury shares were held. The following changes took place in 2017:

TRANSACTION PERFORMED/OBJECTIVE	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES USED FOR OBJECTIVE	TOTAL NUMBER OF SHARES
Balance at 31 december 2016			2,775,174
Capital reduction	14,593,242	-17,000,192	-2,406,950
Discretionary treasury shares	1,569,148	0	1,569,148
Remuneration systems	830,371	-1,024,694	-194,323
Shares received as payment for the scrip dividend	424,188	0	424,188
Balance at 31 december 2017	17,416,949	-18,024,886	2,167,237

The Annual General Meeting of Ferrovial, S.A. held on 5 April 2017 approved a treasury share purchase plan for a maximum amount of EUR 275 million the objective of which was a subsequent capital reduction through the retirement thereof. As a result of this resolution, in 2017 14,593,242 shares were acquired at an average price of EUR 18.86 per share, giving rise to a payment totalling EUR 275 million.

Subsequently, it was resolved to reduce capital by 17,000,192 shares, giving rise to a capital reduction of EUR 3 million, and the difference between both amounts, EUR (-272 million), was recognised against unrestricted reserves merger premium) and related to the difference between the acquisition price and the par value of the retired shares.

Also, 1,569,148 treasury shares with a value of EUR 29 million were also acquired. Thus, treasury shares totalling EUR 302 million were acquired.

After these movements, at 31 December 2017, there were 2,167,237 treasury shares with market value of EUR 42 million.

E) Share-based compensation schemes

In relation to the share transactions mentioned in section d. Treasury shares, in 2017 830,371 shares have been acquired, representing 0.11% of the share capital and with a total par value of EUR 166 thousand, being subsequently delivered together with some of the treasury shares held at the beginning of the year for the exercise of the stock option plans. The total cost of acquisition of these shares was EUR 15 million and the result recognised in the company's equity amounted to EUR 1 million (EUR -3 million related due to performance shares and EUR 4 million for remuneration to employees).

It should be noted, as discussed in Note 7, that the Company has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes. These instruments gave rise to cash inflows of EUR 3 million and the changes in the fair value thereof had an impact on the financial result of EUR 6 million.

F) Profit/(loss) for the year

The profit for 2016 was distributed to voluntary reserves for an amount of EUR 63 million.

G) Reserves

The main impacts relate to:

- Appropriation of 2016 profit amounting to EUR 63 million as discussed above.
- Flexible dividend: On 5 April 2017, the Annual General Meeting of Ferrovial, S.A. approved for the fourth consecutive year, a flexible capital return system for shareholders under which they could freely opt to receive shares newly issued by the Company through the subscription of a capital increase out of reserves, or else receive an amount in cash by transferring their free share allotment rights derived from their current shareholding to the Company if not transferred in the market. As a result of the aforementioned resolution, two capital increases were carried out during 2017, with the following characteristics:
 - In May 2017, 6,971,168 new shares were issued out of reserves with a par value of EUR 0.20 per share, resulting in a capital increase

of EUR 1 million, and free subscription rights were purchased for an amount of EUR 97 million, which meant a payment of EUR 0.315 per share.

- In October 2017, 9,746,022 new shares were issued out of reserves with a par value of EUR 0.20 per share, resulting in a capital increase of EUR 2 million, and free subscription rights were purchased for an amount of EUR 122 million, which meant a payment of EUR 0.404 per share.
- The amount that on this item is shown in the previous table relates to EUR -218 million (EUR -222 million under the heading Reserves and EUR 3 million under Share Capital).
- Record of share-based payment for EUR 1 million as stated in section e. Share-based compensation schemes.

It should be noted that in 2014 Ferrovial S.A. applied the tax system described in articles 107 and 108 of the Corporate Tax Law 27/2014 of 27 November. Under this tax system, the company must set aside the "subject but exempt reserves" coming from investments in the equity of operating, non-resident companies (representing at least 5% of their share capital or the acquisition value of which is higher than EUR 20 million) or from permanent establishments overseas, on the one hand, and the remaining reserves, on the other. At 31 December 2017 the balance of these reserves amounted to EUR 2,824 million.

12. Provisions for contingencies and charges

The changes in 2017 were as follows:

(Millions of euros)	BALANCE AT 31/12/2017	ADDITIONS	BALANCE AT 31/12/2016
Provisions for contingencies and charges	138	3	135
Total	138	3	135

The item "Provision for contingencies and charges" shows EUR 138 million on account of tax provisions due to:

- Tax assessments issued by the Spanish tax authorities with respect to the Corporate Tax for 2006 amounting to EUR 107 million (104 million in 2016);
- Tax assessments issued by the Spanish tax authorities with respect to the Corporate Tax for 2002-2005 amounting to EUR 21 million (104 million in 2016);
- The Value Added Tax for the years 2003-2005 amounting to EUR 7 million
- Other issues amounting EUR 3 million

Changes during 2017 correspond to the updating of the established interest rate for these provisions, where they are recorded in "Interest Expenses" under the Income Statement (see note 16).

13. Bank borrowings and other financial liabilities

Ferrovial S.A. has a liquidity line, for a limit of EUR 1,250 million (EUR 1,250 million in 2016) and maturing in March 2022. On 30 September 2016 part of this credit facility was used, for an amount of USD 278,625 thousand and maturing on 26 March 2019. The hedge of exchange rates and interest rates risks was guaranteed through the Cross Currency Swaps described in Note 7, securing a notional of EUR 250,000 thousand at an interest rate of

0.4390, resulting in an income for the Company. Additionally, there are another two other credit lines for the amounts of EUR 165 million and EUR 10 million, although, at the end of the financial year they had not been drawn down.

Information on credit limits and drawable credit

(Millions of euros)	2017				2016			
	DEBT LIMIT	AMOUNT DRAWN	AVAILABLE AMOUNT	BOOK VALUE	DEBT LIMIT	AMOUNT DRAWN	AVAILABLE AMOUNT	BOOK VALUE
Corporate debt	1,250	250	1,000	232	1,250	250	1,000	262
Others credit facilities	175	0	175	0	20	0	20	0
TOTAL	1,425	250	1,175	232	1,270	250	1,020	264

Corporate credit rating

The credit rating agencies Standard & Poor's and Fitch issued their opinion on the credit rating of Ferrovial at December, which were BBB and BBB, respectively, and, therefore, came under the "investment grade" category.

14. Tax matters

Ferrovial, S.A. has filed consolidated tax returns since 2002. The companies composing the consolidated tax group together with Ferrovial, S.A. in 2017 are shown in Appendix II.

In 2014, the entity availed likewise the tax system laid down in Sections 107 and 108 of Corporate Tax Law 27/2014, of 27 November. Given that the implementation of such system affects the taxation of potential dividends or gains obtained by company shareholders, a note describing the tax treatment applicable to shareholders is attached as Appendix I to these financial statements, as well as information on tax results by Ferrovial S.A. to be considered by the shareholders for the purposes of applying this system.

14.1 Reconciliation of the accounting profit/loss to the taxable profit/tax loss

The reconciliation of the accounting profit/loss to the taxable profit/tax loss for corporate tax purposes is as follows:

(Millions of euros)	2017			2016		
	INCREASE	DECREASE	TOTAL	INCREASE	DECREASE	TOTAL
Profit/loss before tax			85			77
Permanent differences:	14	(171)	(157)	48	(191)	(144)
Temporary differences:						
Arising in the reporting period	5	(5)	(0)	7	(36)	(29)
Arising from previous year						
Taxable income			(70)			(96)

Permanent negative differences mostly stem from:

- Dividends exempt from taxation, in accordance with Article 21 of the Spanish Corporate Tax Law (LIS), for EUR 104 thousand euros
- As well as the capital losses resulting from the sale of the Ferrofin shares mentioned for an amount of EUR -12 million; as well as for other corporate companies without productive assets amounting to EUR -9 million (both described in Note 16)
- Along with the allocation and reversal of provisions of the portfolio described, also in Note 16, for an amount of EUR 72 million.

- Allocation of provisions of the debt regarding Nea Odos an Central Greece described in Note 16, for an amount of EUR 2 million.

The temporary differences correspond mostly to non-tax deductible accounting provisions.

14.2 Explanation of the effective tax rate and the difference between deferred and current taxes

The reconciliation between the profit/loss before tax (EUR 85 million) and the income tax expense recognised (EUR 14 million) is as follows:

(Millions of euros)	2017	2016
Tax rate	25%	25%
Profit/loss before tax	84	77
Permanent differences	(157)	(144)
Taxable profit/loss	(73)	(67)
Tax at 25% (income)	18	17
Refund from previous years	(5)	(31)
Total tax (expense)/ income	13	(14)

- The result before taxes for the company stands at EUR 84 million.
- However, this result includes balances that must be treated as permanent differences, as described in the foregoing chapter.
- The Taxable profit/loss after deducting those balances amounts to EUR -73 million, on which a tax income was recognised for an amount of EUR 18 million.
- In addition, adjustments to that income were recorded for an amount of EUR- 5 million, mainly due to:
 - Derecognition of deferred tax assets, since they are not recoverable, amounting to EUR -27 million.
 - Recognition of tax credits for the amount of EUR 11 million.
 - Income tax expense adjustments corresponding to fiscal year 2016 for an amount to EUR 11 million.

The breakdown of the accrued tax for 2017 and 2016, differentiating between current tax and deferred tax is as follows:

(millions of euros)	2017	2016
Tax income for the year	18	17
Current tax expense/benefit	21	(9)
Deferred tax expense/benefit	(3)	8
Refund from previous years	(4)	(31)
Total tax expense (income)	14	(14)

14.3 Changes in deferred taxes

The changes in deferred taxes in the year were as follows:

FISCAL YEAR 2017 (millions of euros)	ASSETS	LIABILITIES
Balance at 01.01.17	212	18
Changes affecting the profit and loss account	(19)	0
Changes in calculation of previous years' tax	(16)	-
Generation	1	0
Reversal	(4)	0
Balance at 31.12.17	194	18

a) Deferred tax assets:

The main variations in deferred tax assets relate to the changes in the estimation of recoverability of tax credits and deductions capitalised in previous years stated in section 14.2. Royal Decree 3/2016, of 2 December, introduced a limitation on the amount of compensation for negative tax bases (25%) and deductions. In order to verify the recoverability of these tax credits, the Company has designed a financial model in which these changes were considered, along with the latest forecast of results available for the companies of the consolidated tax group. As a result, the amount of EUR 11 million has been derecognised, as it is considered that these tax credits are not recoverable within the maximum legal term.

The detail of recorded deferred tax assets is as follows:

- Credit from negative tax bases, amounting to EUR 33 million.
- Deferred by various other tax and accounting criteria, amounting to EUR 139 million, mostly due to the difference between the tax and accounting value of certain financial interests (EUR 126 million), provisions for credit insolvencies for group companies (EUR 7 million) and provisions for staff expenses (EUR 6 million).
- Tax credits not yet used by the Company amounting to EUR 22 million.

b) Deferred tax liabilities:

They correspond to deferred taxes caused by differences between the tax and accounting values of ownerships interests for EUR 18 million.

The changes in the deferred taxes in 2016 were as follows:

FISCAL YEAR 2016 (millions of euros)	ASSETS	LIABILITIES
Balance at 01.01.16	236	17
Changes affecting the profit and loss account	23	0
Changes in calculation of previous years' tax	(16)	0
Accrual	2	0
Reversal	(9)	0
Balance at 31.12.16	212	18

14.4 Years open for review by the tax authorities

As for Ferrovial S.A. and its consolidated tax group, the Large Taxpayers Central Office (DCGC) of the Tax Agency (AEAT) notified, on 19 July, the commencement of auditing and inspection proceedings regarding the entities, Ferrovial S.A., Ferrovial Agroman and Ferrovial Servicios S.A., with regard to the following tax concepts:

- Corporate income tax, for the financial years 2012 to 2014
- Value Added Tax, for the periods June 2013 to December 2015
- Withholdings and income on account of employment and professional income, for the periods June 2013 to December 2015
- Non-Resident income withholding tax, for the periods June 2013 to December 2015

These undertakings are currently in the process of providing support documentation. Contingent tax liabilities may arise from the criteria that tax authorities may adopt in relation to the years open for review which cannot be objectively quantified. At year-end, adequate provisions had been recognised for any significant tax contingency.

15. Guarantee commitments to third parties and other contingent liabilities

The Company's contingent liabilities include most notably the guarantees provided by the Company for certain Group companies. In this regard, at 2017 year-end Ferrovial, S.A. had provided guarantees amounting to EUR 6,133 million (2016: EUR 4,233 million). They include:

- The guarantees granted by Ferrovial S.A. in favour of Ferrovial Emisiones, S.A., in relation to corporate bond issues for a total nominal amount of EUR 2,300 million (EUR 1,800 million in 2016). All bond issues made by Ferrovial Emisiones are guaranteed by Ferrovial, however, with regard to this transaction, Ferrovial has an intercompany loan recorded in favour of Ferrovial Emisiones S.A. (see Note 9), amounting to EUR 1,300 million, corresponding to the issues made in 2013 and 2014, while the EUR 1,000 million issued in 2016 and 2017 were transferred to Ferrofin, S.L., a subsidiary of Ferrovial S.A.
- The guarantee granted by Ferrovial S.A. in favour of its subsidiary, Ferrovial Netherlands B.V., in relation to the issue of a corporate bond made on 14 November 2017, for a total nominal amount of EUR 500 million. With regard to this corporate bond, Ferrovial S.A. has recorded an intercompany loan with its subsidiary for the same total nominal amount (see Note 9).
- The guarantees granted in favour of customers from other Group Companies belonging to the construction division, amounting EUR 3,190 million, issued directly for EUR 436 million (EUR 655 million in

2016) and issued through insurance companies for EUR 2,754 million (EUR 1,694 million in 2016).

- The guarantees granted in favour of customers from other Group Companies belonging to the services division through insurance companies for EUR 64 million.

In addition to the above, at 2017 year-end the Company had provided guarantees granted by banks amounting to EUR 972 million (2016: EUR 443 million) through its guarantee lines, relating mainly in this case also to coverage of the aforementioned normal liability of construction companies in contracts awarded to various Group companies.

a) Real Guarantees

As of 31 December 2017, Ferrovial S.A. has pledged the shares of its subsidiary, Autovía de Aragón for EUR 2 million, along with other rights of this subsidiary for the amount of EUR 14 million.

b) Litigation and other contingent liabilities

The Company is also involved as the defendant in various lawsuits. The Parent Company's directors consider that the possible effect of the aforementioned lawsuits on the accompanying financial statements would in no case be material.

As indicated in Note 12, Ferrovial, S.A. is involved in various tax claims for which it has recognised a provision of EUR 138 million. These claims arose mainly from assessments issued by the Spanish tax authorities largely in relation to income tax and VAT for 2006 to 2012.

16. Income and expenses

A) Operating income

The Company's profit or loss from operations in 2017 amounts to EUR 92 million.

As for operating income, since Ferrovial, S.A. is a holding company, the dividends received from the subsidiaries, the financial income used for their financing and the entry of guarantees, formalised as described in Note 15, contribute to company's turnover.

Accordingly, in 2017 revenue of EUR 143 million was generated, of which EUR 104 million relate to dividends received by Ferrovial S.A. from its subsidiaries Ferrovial Agroman S.A. (EUR 100 million) and Ferrovial Corporación, S.A. (EUR 4 million).

The amount of other income received from affiliates (EUR 7 million) corresponds to:

- Accrued interest on loans approved for the Group Companies, which amounted to EUR 3 million (the same amount for 2016).
- The entry of guarantees issued by the Company in favour of other Group Companies, standing at EUR 3 million (the same amount for 2016), as described in Note 15.

The entry of services rendered to Group and Associated Companies amounts to EUR 33 million (the same amount for 2016).

The grant by Ferrovial, S.A. of loans to Group companies constitutes non-core operations, which are not performed for a commercial purpose, but rather are effected with a view to obtaining returns on the

capital invested, do not involve the use of resources exclusively earmarked for carrying them out and also entail a scanty significant use, in terms of both goods and services from third parties and human and material resources of the Company which are used to provide services to its subsidiaries.

B) Financial profit/loss

The financial profit/loss for the year amounts to EUR -8 million.

The finance income amounts to EUR 8 million and included mainly the income relating to

- The dividends received from the equity swaps arranged to hedge the effect on equity of the share option plans (see Notes 7 and 19) totalling EUR 3 million,
- The income associated with cross currency swaps as a result of the closed fixed rate (notes 7 and 13), for EUR 5 million.

Finance costs amounted to EUR 66 million, the detail being as follows:

- Interest borne on borrowings received from various Group companies amounting to EUR 50 million (31 December 2016: EUR 54 million) as detailed in section D of this Note.
- Accrued interest for the financing received through the drawn credit line for the amount of EUR 4 million, as well as availability fees associated with the undrawn credit line for the amount of EUR 4 million.
- Expenses arising from collaterals in the amount of EUR 3 million, which are sometimes granted over certain projects in which the Company has an indirect participation. These expenses are charged to such projects as mentioned above.
- Recognition of provisions for contingencies and charges amounting to EUR 3 million (see note 12).

With respect to the fair value adjustments of the financial instruments, the impact of the change in fair value of the exchange rate derivatives contracted by the company (EUR -4 million) is offset by the income amounting to EUR 6 million, recorded as a result of the change in the market value of the equity swaps for the amount of EUR 5 million, and with the change in fair value of other financial instruments for an amount of EUR -2 million (see Note 7).

Gains from exchange rate total EUR -1 million and correspond mainly to temporary financial investments in foreign currency.

The results from disposals and impairments of financial instruments amounted to EUR 49 million, which include:

- The loss recognised as a result of the sale of the investment on Ferrofin described in Note 7 for an amount of EUR -12 million, recognised as Gains or losses on disposals of financial instruments.
- The loss resulting from other inactive companies dissolutions, for an amount of EUR -9 million. Such investments were fully covered by provisions, and therefore an income of EUR 9 million was recognised for the reversal of such provisions.
- The variation of the valuation adjustment made for the other Company subsidiaries amounted to EUR 63 million.

- The variation of provisions for loans to associated companies amounted to EUR--2 million.

C) Corporate tax expense

The corporate tax income in the year amounts to EUR 13 million (see Note 14)

D) Transactions with group companies

The detail of these transactions is shown below:

Transactions held with Group Companies and Associates at 31 December 2017

GROUP COMPANIES	OPERATING INCOME	OPERATING EXPENSES	FINANCE COSTS
Ferrovial Agroman S.A.	109		-1
Ferrovial Servicios, S.A.	11		
Ferrovial Corporación, S.A.	4	-1	
Cintra Servicios, S.L.	7		
Ferrovial Aeropuertos España S.A.	5		
Nea Odos, S.A.	3		
Cintra Infraestructuras S.E.	1		
Ferrovial Emisiones, S.A.			-43
Ferrofin, S.L.			-4
Ferrovial Netherlands B.V.			-2
Remainder	3		
TOTAL GROUP COMPANIES	143	-1	-50

Transactions held with Group Companies and Associates at 31 December 2016

GROUP COMPANIES	OPERATING INCOME	OPERATING EXPENSES	FINANCE COSTS
Ferrovial Internacional S.L.U.	175		
Ferrovial Servicios, S.A.	10		
Ferrovial Agroman Chile	9		
Cintra Servicios, S.L.	7	-1	
Ferrovial Aeropuertos España S.A.	5		
Alkes	5		
Nea Odos, S.A.	2		
Cintra Infraestructuras S.E.	2		
Ferrovial FISA, S.L.	1		
Ferrovial Corporación, S.L.		-1	
Ferrovial Agromán, S.A.			-2
Ferrofin, S.L.			-7
Ferrovial Emisiones			-43
Remainder	2		-2
Total group companies	219	-2	-54

17. Employees

The average headcount in 2017 and 2016 is as follows:

	31.12.2017			31.12.2016		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Executives	42	5	47	43	4	48
University and further education college graduates	10	13	23	9	13	22
Clerical staff	3	9	12	3	9	12
Manual workers and unqualified technicians	1	0	1	1	0	1
Total	56	27	83	56	27	83

At the end of fiscal years 2017 and 2016, the headcount is as follows:

	31.12.2017			31.12.2016		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Executives	42	5	47	43	4	47
University and further education college graduates	10	13	23	9	13	22
Clerical staff	3	10	13	3	9	12
Manual workers and unqualified technicians	1	0	1	1	0	1
Total	56	28	84	56	26	82

There are no employees in Ferrovial with a percentage of disability equal or higher than 33%. However, the company works with specialised entities to manage the recruitment, hiring and training process of people with different abilities and that place in motion various initiatives to promote the labour insertion of these groups.

18. Remuneration of the Board of Directors

18.1. Bylaw-stipulated directors' remuneration

Under the Company's current remuneration scheme, regulated by Article 56 of its bylaws, the shareholders at the General Meeting determine the maximum annual remuneration for all the members of the Board of Directors, which is revised on the basis of the indices or aggregates defined by the General Meeting. This remuneration comprises (i) fixed remuneration and (ii) fees for actual attendance at Board and Committee meetings. Remuneration is linked to the functions and responsibilities assigned to each director, their membership of Board Committees and other objective circumstances that the Board of Directors deems relevant, thereby ensuring their independence and commitment in the long term.

On the same date as that on which these financial statements were authorised for issue, the Board of Directors prepared and made available to the shareholders the Annual Report on Directors' Remuneration referred to in Article 541 of the Spanish Limited Liability Companies Law. That Report describes in greater detail matters relating to the Company's remuneration policy applicable in the year and contains an overview of how the remuneration policy was applied in 2017 and a detail of the individual remuneration earned by each of the directors in 2017.

The table below shows the itemised bylaw-stipulated emoluments of the members of the Board of Directors earned in 2017 and 2016. It also includes the supplementary fixed remuneration relating to the bylaw-

stipulated emolument. If because there are more meetings than initially envisaged or for any other reason the amount of the attendance fees added to that of the fixed components exceeds the total maximum amount of remuneration for Board membership established for the year in question, the difference is deducted from the amount of the supplementary fixed remuneration proportionally for each director on the basis of his or her position on the Board.

At the Board of Directors meeting of 28 February 2018 it was decided, within the maximum limits approved by the General Meeting, to supplement the amount of supplementary fixed remuneration for 2017 for the entire Board by EUR 145,421, sharing the amount among the directors according to their time on the Board in 2017.

This table does not include the remuneration received by the executive directors for the discharge of their executive functions at the Company, which are described in Note 18.2.

DIRECTOR (Thousands of euros)	2017			TOTAL
	FIXED REMUNERATION	ATTEN- DANCE FEES	SUPPLEME- NTARY FIXED REMUNERATION	
Rafael del Pino y Calvo-Sotelo	35	98	104	238
Santiago Bergareche Busquet	35	52	93	180
Joaquín Ayuso García	35	49	70	154
Iñigo Meirás Amusco	35	49	58	142
Juan Arena de la Mora	35	35	58	128
María del Pino y Calvo-Sotelo	35	47	58	140
Santiago Fernández Valbuena	35	65	58	158
José Fernando Sánchez-Junco Mans	35	62	58	156
Joaquín del Pino y Calvo-Sotelo	35	36	58	129
Oscar Fanjul Martín	35	58	58	151
Philip Bowman	35	36	58	129
Hanne Birgitte Breinbjerg Sorensen (from 05.04.2017)	26	30	43	99
Total	411	618	774	1,803

DIRECTOR (Thousands of euros)	2016			TOTAL
	FIXED REMUNERATION	ATTENDAN- CE FEES	SUPPLEME- NTARY FIXED REMUNERATION	
Rafael del Pino y Calvo-Sotelo	35	114	92	241
Santiago Bergareche Busquet	35	74	81	190
Joaquín Ayuso García	35	59	58	152
Iñigo Meirás Amusco	35	57	46	138
Juan Arena de la Mora	35	56	46	137
María del Pino y Calvo-Sotelo	35	57	46	138
Santiago Fernández Valbuena	35	78	46	159
José Fernando Sánchez-Junco Mans	35	68	46	149
Joaquín del Pino y Calvo-Sotelo	35	48	46	129
Oscar Fanjul Martín	35	63	46	144
Philip Bowman (from 29.07.2016)	15	12	20	46
Leopoldo del Pino y Calvo-Sotelo (Up to 21.01.2016)	2	0	3	5
Howard Lance (Up to 14.04.2016)	10	12	13	35
Total	377	699	588	1,663

18.2. Individual remuneration of the executive directors

a) Remuneration earned in 2017 and 2016

The two executive directors in 2017 earned the following remuneration for discharging their functions, in addition to the remuneration discussed in the preceding section.

REMUNERATION OF THE EXECUTIVE DIRECTORS (Thousands of euros)	2017		
	RAFAEL DEL PINO	IÑIGO MEIRÁS	TOTAL
Fixed remuneration	1,455	1,200	2,655
Variable remuneration	2,393	1,978	4,371
Life insurance premiums	8	5	13
Share plans ⁽¹⁾	1,406	1,406	2,812
Total 2017	5,262	4,589	9,851

The information on 2016 is shown in the following table:

REMUNERATION OF THE EXECUTIVE DIRECTORS (Thousands of euros)	2016			
	RAFAEL DEL PINO	JOAQUÍN AYUSO ⁽³⁾	IÑIGO MEIRÁS	TOTAL
Fixed remuneration	1,445	0	1,200	2,655
Variable remuneration	2,261	0	1,872	4,133
Relating to boards of other subsidiaries	0	36	0	36
Exercise of share options ⁽²⁾	9,383	1,616	170	11,169
Life insurance premiums	8	0	4	12
Share plans ⁽¹⁾	1,918	0	1,918	3,836
Total 2016	15,025	1,652	5,164	21,841

(1) In March 2016, since the agreed conditions had been complied with in full, a number of shares equivalent to the units allocated in 2013 were delivered, after the relevant withholdings had been made. The CNMV was notified on 15 March 2016.

(2) Rafael del Pino exercised 1,179,600 share options and Iñigo Meirás exercised 20,000 share options under the 2008 Plan, which expired in 2016. As in all the share option or share-based plans granted by Ferrovial since 2000, the Executive Chairman exercised his option in the last quarter prior to expiry.

(3) Joaquín Ayuso exercised 200,000 share options in 2016. He was granted this share-option plan when he was an executive director.

b) Share-based payment systems

Following is a detail of the targets-based remuneration schemes linked to the performance of the share, entitlement to which has not yet vested:

EXECUTIVE DIRECTORS' PLAN	SITUATION AT 31/12/17	UNITS	NO. OF VOTING RIGHTS	% OF VOTING POWER
Rafael del Pino y Calvo-Sotelo	2015 Allocation	69,800	69,800	0.01%
	2016 Allocation	74,000	74,000	0.01%
	2017 Allocation	76,850	76,850	0.01%
Iñigo Meirás Amusco	2015 Allocation	69,800	69,800	0.01%
	2016 Allocation	74,000	74,000	0.01%
	2017 Allocation	76,850	76,850	0.01%

18.3. Remuneration of the members of the Board of Directors due to membership of other managing bodies of Group companies or associates

A director of the Company Joaquín Ayuso García, who is in turn a member of the managing body of another Group company, received EUR 31 thousand in this connection in 2017 (2016: EUR 36 thousand).

18.4. Pension funds and plans or insurance premiums

As in 2016, no contributions were made in 2017 to pension plans or funds for former or current members of the Company's Board of Directors or for directors of Ferrovial, S.A. who are members of other Boards of Directors and/or senior executives of Group companies or associates. Similarly, no obligations were acquired in this connection in 2017.

As regards life insurance premiums, the Company has insurance policies covering death (for which premiums totalling EUR 13 thousand were paid in 2017; EUR 12 thousand in 2016), of which the executive directors are beneficiaries. No life insurance premiums were paid for the directors of Ferrovial, S.A. who are members of other Boards of Directors and/or senior executives of Group companies or associates.

Lastly, Ferrovial, S.A. has arranged a third-party liability insurance policy the insureds of which are the directors and executives of the Group companies the parent of which is Ferrovial, S.A. Those insureds include the directors of Ferrovial, S.A. The premium paid in 2017 under the aforementioned insurance policy amounted to EUR 589 thousand.

18.5. Advances and loans

At 31 December 2017, no advances or loans had been granted by the Company to the directors in their capacity as such or as members of other Boards of Directors and/or as senior executives of Group companies or associates.

18.6. Remuneration of senior executives

THE JOINT REMUNERATION EARNED BY THE COMPANY'S SENIOR EXECUTIVES IN 2017 WAS AS FOLLOWS: REMUNERATION OF SENIOR EXECUTIVES (Thousands of euros)

	2016	2016
Fixed remuneration	5,165	5,094
Variable remuneration	5,170	4,994
Performance-based share award plan	5,435	7,053
Exercise of share options and/or other financial instruments (see description)	0	698
Remuneration as members of managing bodies of other Group companies, jointly controlled entities or associates	33	30
Insurance premiums	19	16
Total	15,822	17,885

The aforementioned remuneration corresponds to the following posts: General Secretary, Chief Financial Officer, General Director of HR, General Director of Construction, General Director of Real Estate, General Director of Services, General Director of Airports, General Director of Toll Roads, General Director of Information Systems and Innovation, Director of Internal Audit, Director of Communications and Corporate Responsibility and Director of Corporate Strategy. This does not include remuneration for senior executives who were also executive directors, which was addressed in Note 20.2.

The Company has also introduced a flexible remuneration system called the Flexible Remuneration Plan, which provides employees with the possibility of voluntarily modifying their remuneration package based on their personal needs, replacing a portion of their

remuneration with the award of certain payments in kind. These products include a group life and retirement-related savings insurance plan. Participants may request that a portion of their gross annual remuneration be paid by the Company in the form of a premium for a group life and retirement-related savings insurance policy. In this connection, the senior executives requested contributions of EUR 181 thousand from the Company, instead of the equivalent remuneration shown in the foregoing table (2016: EUR 83 thousand).

18.7. Other disclosures on remuneration

The agreements between the Company and senior executives, including one executive director, specifically provide for the right to receive the indemnities referred to in Article 56 of the Workers' Statute in the event of unjustified dismissal.

At 31 December 2017, additional rights had been established in the contract of one senior executive.

In order to encourage loyalty and long-service, a deferred remuneration scheme was recognised for twelve senior executives, including one executive director. The scheme consists of extraordinary remuneration that will only be paid when one of the following circumstances occurs:

- Removal of the senior executive by mutual agreement upon reaching a certain age.
- Unjustified dismissal or termination by the Company at its discretion without any justification for dismissal, prior to the senior executive reaching the age initially agreed upon, if the amount of this remuneration exceeds that resulting from applying the Workers' Statute.
- The death or disability of the senior executive.

To cover this incentive, each year the Company makes contributions to a group savings insurance policy, of which the Company is both policyholder and beneficiary. The contributions made in 2017 amounted to EUR 2,366 thousand (2016: EUR 2,342 thousand), of which EUR 542 thousand correspond to executive directors.

Individuals are occasionally hired to hold executive positions, mainly from abroad, in areas unrelated to senior management. The contracts of these individuals include certain clauses that provide for indemnities in the event of unjustified dismissal.

19. Share-based payment

The remuneration systems linked to the share price of Ferrovial, S.A. granted to the executives of all the companies in the group of which Ferrovial, S.A. is the head are granted directly by Ferrovial, S.A. Therefore, the following disclosures relate to all the Group companies' executive remuneration systems. However, there is a distribution agreement under which Ferrovial, S.A. passes on the impact of these systems to the various subsidiaries.

At 2017 year-end, Ferrovial had two remuneration systems in place for directors, consisting of the performance-based award of shares:

Plan approved by the Board of Directors on 19 December 2012: this three-year plan consists of the delivery of shares of Ferrovial, S.A. The total number of shares that can be granted annually under the plan may not exceed 1,900,000, representing 0.26% of the share capital of

Ferrovial, S.A., and eligibility for the plan is conditional upon employees having at least three years' service at the Company (barring special circumstances) and upon the achievement during this period of ratios calculated on the basis of EBITDA as a percentage of net productive assets, cash flows from operating and investing activities and total shareholder return with respect to a comparable group.

Three-year plan approved by the Board of Directors on 29 October 2015 consisting of the delivery of shares of Ferrovial, S.A. The annual cost of the plan may not exceed EUR 22 million. The terms and conditions concerning award and duration are similar to those of the plan explained above: this plan will be linked to at least three years' service at the Company (barring special circumstances) and to the achievement during this period of ratios calculated on the basis of EBITDA as a percentage of net productive assets and total shareholder return in relation to a comparable group. The plan is intended for executive directors, senior executives and executives. The application of this plan to executive directors was authorised at the Company's Annual General Meeting held on 4 May 2016. Per the notification issued to the CNMV on 1 March 2017, the date of allocation of units for 2017 to the executive directors for the purpose of calculating the duration and terms and conditions of the aforementioned plan was 15 February 2017.

There were 3,212,739 shares outstanding at 31 December 2017 relating to these two plans.

The changes in the aforementioned remuneration schemes in 2017 and 2016 are summarised as follows:

	2017	2016
Number of shares at beginning of year	3,266,221	3,844,520
Plans granted	1,155,685	1,073,895
Plans settled	-1,157,188	-1,489,856
Shares surrendered and other	-33,889	-100,378
Shares exercised	-18,090	-61,960
Number of shares at end of year	3,212,739	3,266,221

These share award plans include the plans described above in Note 19 on remuneration of executive directors and senior executives.

In 2017 the staff costs recognised at the Group in relation to these remuneration schemes amounted to EUR 4,924 thousand (2016: EUR 4,781 thousand) with a charge to equity.

These plans were accounted for as futures and, therefore, the value of the foreseeable dividends up to the delivery date is discounted to the value of the shares at the grant date, using a rate of return equal to the average cost of borrowings over the share award period, and they are equity settled and, therefore, they are measured when granted and the initially calculated value thereof is not re-estimated. The related amounts are recognised under "Staff Costs" with a credit to reserves.

20. Related party transactions

As regards the information on related party transactions, the disclosures below relate to transactions performed by Ferrovial, S.A. and all of its subsidiaries.

Legislation

In relation to the disclosures on transactions that the Company (or Group companies) performs with related parties, Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on the information on related party transactions that must be disclosed by issuers of securities listed on official secondary markets must be taken into consideration.

Article 1.1 of the aforementioned order requires the inclusion in the half-yearly financial reports of quantified information on all the transactions performed by the reporting company with related parties. Also, Article 3.1 of the Order considers related party transactions to be any transfers of resources, services or obligations between related parties regardless of whether or not there is any consideration.

Related party transactions

The commercial transactions between the Company (or its Group companies) and related parties carried out in 2017 are disclosed below.

Where the profit or loss from a transaction cannot be stated, as it pertains to the entity or individual supplying the related good or service, the transaction has been marked with an asterisk (*).

a) Significant shareholders

The transactions performed (i) by the Company with its significant shareholders, their close family members or the entities over which those mentioned above might exercise significant influence; and (ii) by the Company with its subsidiaries are included in sections b) and c) below.

b) Transactions with directors and senior executives

This line item includes the transactions performed by the Company with its significant directors and senior executives, their close family members or the entities over which those mentioned above might exercise significant influence.

TRANSACTIONS WITH DIRECTORS AND SENIOR MANAGEMENT (Thousand of euros)	Transactions	2017		2016	
		Amount	Profit or loss	Amount	Profit or loss
Bankia	Services received	-292	0	0	
Fundación Rafael del Pino	Services received	0	0	0	
Fundación Seres	Collaboration agreement	-18	(*)	0	-18 (*)

The information on remuneration and loans to directors and senior executives may be consulted in Note 20.

c) Transactions between Group employees, companies or entities

This line item includes the transactions performed (i) by the Company's subsidiaries with their significant shareholders, close family members or the entities over which those mentioned above might exercise significant influence; and (ii) by the Company's subsidiaries with their directors, senior executives, close family members or the entities over which those mentioned above might exercise significant influence.

If the party related to the Company were so considered during a portion of the year, the transactions performed in that period are indicated.

**TRANSACTIONS WITH NATURAL
PERSONS OR GROUP COMPANIES**
(Thousand of euros)

NAME/ COMPANY NAME	TRANSACTIONS	2017			2016		
		AMOUNT	PROFIT OR LOSS	BALANCE	AMOUNT	PROFIT OR LOSS	BALANCE
Mr. Rafael del Pino y Calvo-Sotelo	Services rendered	188	-	186	6	0	0
Ms. María del Pino y Calvo-Sotelo	Services rendered	3	-	-	99	0	0
Mr. Joaquín del Pino y Calvo-Sotelo	Services rendered	59	9	-	17	2	0
Miss Ana María Calvo Sotelo y Bustelo	Services rendered	24	2	0	27	2	2
Mr. Joaquín Ayuso García	Services rendered	7	-	-	2	0	0
Almirall Laboratorios	Services rendered	7	0	2	8	0	5
Burberry Spain Retail, S.L.	Services rendered	5	0	0	-	-	-
Criu, S.L.	Services rendered	30	2	131	476	2	131
Maxam Europe and group companies	Purchase of goods/services received	-437	(*)	-6	-857	(*)	-74
Telefónica and group companies	Services received	-	-	-	-7,374	0	0
	Services rendered	-	-	-	800	67	0
Marsh and group companies	Receipt of insurance services	-5,228	(*)	-15	-4,432	(*)	-65
Meliá Hotels and group companies	Receipt of hotel and catering services	-10	(*)	0	-4	(*)	-1
	Performance of construction works and maintenance and waste collection services	5,425	845	1,005	6,771	94	1,009
Bankia	Financial services	-1,911	(*)	0	-525	(*)	0
	Financing agreements Guarantee	-87,483	(*)	-87,483	-87,456	(*)	-87,456
	Interest received	186	186	0	147	147	0
	Interest payment	-1,093	(*)	0	-1,520	(*)	0
	Balance drawn down against guarantee facilities	-134,370	(*)	-134,370	-125,707	(*)	-125,707
	Transactions with derivatives	-2,984	(*)	0	-14,283	(*)	0
	Services rendered	1	0	4	1	0	5
Bankinter	Financial services	-	-	-	-18	(*)	0
	Interest payment	-	-	-	-176	(*)	0
	Interest received	-	-	-	261	261	0
	Balance drawn down against guarantee facilities	-	-	-	-9,882	(*)	-9,882
	Financing agreements	-	-	-	-10,898	(*)	-10,898
Bimaran Pozuelo, S.L.	Services rendered	-	-	-	176	7	0
Polan, S.A.	Services rendered	537	68	-	1,207	-184	60
Rijn Capital BV	Services rendered	179	5	75	162	12	79
Fundación Rafael del Pino	Services rendered	23	-	23	-	-	-
	Services rendered	0	0	0	2	0	1
Fundación Centro de Innovación de Infraestructuras Inteligentes	Collaboration agreements	-1,338	0	-12	-	-	-
	Services rendered	92	0	0	-	-	-
Red Eléctrica de España, S.A.U.	Construction work	6,743	-1,613	865	932	-84	671
	Services received	-9	-	-	-	-	-
Hispania Activos Inmobiliarios Socimi, S.A.	Services rendered	204	142	25	1,764	-198	215
Los Estanquillos, S.L.	Services rendered	-	-	-	72	3	0
Lafarge Holcim	Purchase of cement and related materials	-11,796	0	-1,060	-14,269	0	-1,136
La Rioja Alta	Services received	-	-	-	-1	(*)	0
M ^a Jesús Alcina Pérez-Gorostiaga	Services rendered	2	0	0	-	-	-
Panda Security	Services received	-	-	-	-1	(*)	0
Sidecu, S.A.	Services rendered	2	0	0	0	0	0
Summit	Purchase of goods	-	-	-	-20	(*)	0
Zurich Insurance	Services received	-	-	-	-2,131	(*)	-6
	Services rendered	-	-	-	0	0	8

Also described are transactions between the subsidiaries and the Company which, in all cases form part of their ordinary businesses as regards purpose and conditions and were not eliminated on consolidation for the following reason.

As explained in detail in Note 1.3.2 to the consolidated financial statements, the balances and transactions relating to construction work performed by the Construction Division for the Group's infrastructure concession operators are not eliminated on consolidation since, at consolidated level, contracts of this type are classed as construction contracts in which the work -to the extent that it is completed- is deemed to be performed for third parties, as the ultimate owner of the work is the grantor both from a financial and legal viewpoint

In 2017 Ferrovial's Construction Division billed those concession operators for EUR 391.813 thousand (2016: EUR 112.252 thousand) for work performed and related advance payments and, in this respect, recognised sales totalling EUR 411.158 thousand (2016: EUR 397.122 thousand).

In 2017 the profit from these transactions attributable to the Company's holdings in the concession operators in question and not eliminated on consolidation, net of taxes and non-controlling interests, was EUR 18.301 thousand. In 2016 it was EUR 34.694 thousand.

21. Conflicts of interest

In accordance with the legislation in force (Article 229 of the Spanish Limited Liability Companies Law), there were no direct or indirect conflicts of interest with the Company, without prejudice to the related party transactions of the Company (or its Group companies) disclosed in the notes to the financial statements or, where applicable, to the resolutions relating to matters of remuneration or appointments.

22. Environmental policy

In view of its business activity, the Company does not have any environmental obligations, expenses, assets, liabilities or contingencies that might be material with respect to its equity, financial position or results.

23. Fees paid to auditors

Details can be found below on the total of fees relating to the audit of the financial statements, for both 2017 and 2016, in favour of the auditors of Ferrovial S.A. A breakdown of the fees billed for those years for audit-related services is also provided.

- Fees billed to Ferrovial, S.A. for audit services: EUR 148 thousand (2016: EUR 78 thousand).
- Fees billed to Ferrovial, S.A. for audit-related services: EUR 176 thousand (2016: EUR 80 thousand)

There are no fees invoiced to Ferrovial for other services in 2017 (2016: EUR 39 thousand).

24. Events after the reporting period

At the date of preparation of these financial statements there had not been any significant events subsequent to the reporting period.

25. Comments on appendices

Appendix I shows some information related to the Tax Scheme established in the Articles 116 to 119 of Royal Decree 4/2004 of 5 March.

Appendix II contains a list of Group companies, making a distinction between fully consolidated companies and companies accounted for using the equity method.

APPENDIX I.

In 2014 Ferrovial opted to be taxed under the regime established currently in Articles 107 and 108 of the Spanish Income Tax Law, of 27 November, which became applicable from 1 January 2014 and, consequently, applied to all of 2017.

Under this tax regime:

1. Dividends and capital gains obtained by Ferrovial arising from ownership interests in non-resident operating companies (which represent at least 5% of the share capital of these companies or which were acquired for more than EUR 20 million) are exempt from income tax if the requirements provided for in Article 21 of the Spanish Income Tax Law ("exempt income") are fulfilled.
2. The dividends paid by Ferrovial with a charge to the aforementioned "exempt income", or to income arising from permanent establishments abroad to which the exemption provided for in Article 22 of the Spanish Income Tax Law is applicable are treated as follows:
 - (i) Where the recipient is a non-resident shareholder in Spain (and does not operate through tax havens or by means of a permanent establishment in Spain), dividends are not subject to withholdings or taxation in Spain.
 - (ii) Where the recipient is an entity subject to Spanish income tax, the dividends received shall give rise to the exemption in order to avoid double taxation of dividends of resident entities included in Article 21 of the Spanish Income Tax Law ("exempt income"), if the requirements provided for in the aforementioned law are met.
 - (iii) Where the recipient is a natural person resident in Spain subject to personal income tax, the dividends received shall be considered savings income and the tax credit for the avoidance of double taxation in Spain may be taken in accordance with the terms of the Personal Income Tax Law, with respect to the taxes paid abroad by Ferrovial.

In 2017 all of the dividends paid by Ferrovial were paid out of "exempt income".

3. The capital gains obtained by the shareholders of Ferrovial arising from the transfer of their ownership interests in the Company are treated as follows:
 - (i) Where the shareholder is a non-resident in Spain (and does not operate through tax havens or a permanent establishment in Spain) the portion of the capital gain that relates to the reserves recognised by Ferrovial with a charge to the aforementioned "exempt income" or to changes in value attributable to Ferrovial's investments in non-resident entities that meet the requirements to be able to apply the foreign income exemption established in Articles 21 and 22 of the Spanish Income Tax Law shall be deemed not subject to taxation in Spain.
 - (ii) Where the shareholder is an entity subject to Spanish income tax with an ownership interest in Ferrovial that meets the requirement (5% ownership interest in the share capital or that the acquisition cost of the ownership interest exceeds EUR 20 million and it has been held for one year), the exemption provided for in Article 21 of the Spanish Income Tax Law may be applied.

- (iii) Where the shareholder is a natural person resident in Spain subject to personal income tax, it shall pay tax on the capital gain obtained in accordance with the standard income tax rules.

The amount of exempt income pursuant to Article 21 and 22 of the Spanish Income Tax Law obtained by Ferrovial in 2017 and the related tax paid abroad are as follows (in euros):

A) EXEMPTION FOR FOREIGN SOURCE DIVIDENDS AND INCOME:**A.1 exemption for foreign source dividends:**

No foreign source dividends were obtained.

A.2 exemption for income of permanent establishments abroad:

No income was obtained from permanent establishments abroad to which the exemption may be applied.

B) EXEMPTION FOR FOREIGN SOURCE CAPITAL GAINS:

No capital gains were obtained to which the exemption included in Article 21 of the Spanish Income Tax Law is applicable because (i) either the sales were made between Group companies and were eliminated on preparation of the consolidated tax return, (ii) or they were reported in corporate restructuring transactions which opted for the tax neutrality regime provided for in Article 76 et seq of the Spanish Income Tax Law.

Nevertheless, the capital gains that would have been reported for tax purposes had these regimes not been not applicable (consolidated tax group or tax neutrality) are as follows:

b.1 Elimination of capital gains for intra-group sales of foreign companies:

FERROVIAL, S.A.	(Millions of euros)
TOTAL	-74

b.2 Deferred capital gains arising in corporate restructuring processes:

FERROVIAL, S.A.	(Millions of euros)
TOTAL	2,084

In order to enable the shareholders of Ferrovial to adopt the aforementioned tax regime, the Company performed a market assessment at the end of the year of its ownership interests (held directly and indirectly through investments in other entities that have adopted this special tax regime) in non-resident entities and permanent establishments abroad that meet the requirements to be able to apply the foreign source income exemption established in Articles 21 and 22 of the Spanish Income Tax Law.

The result of this assessment means that these assets represent 91% of the total market value of Ferrovial. At 31 December 2016, this percentage amounted to 92%.

Taxation of Ferrovial's scrip dividend

In 2017 Ferrovial S.A. implemented two shareholder remuneration schemes under a framework known as the "Ferrovial Scrip Dividend", which provide the Company's shareholders with the free choice of (i) receiving newly issued bonus shares of the Company; (ii) transferring in the market the bonus issue rights corresponding to the shares held by them; or (iii) receiving a cash amount through the transfer to Ferrovial of the aforementioned bonus issue rights.

Set forth below are the main tax implications of these schemes, based on the tax legislation in force in Spain except for Navarre and the Basque Country and on the interpretation made by the Spanish Directorate-General of Taxes in its response to several requests for binding rulings.

Delivery of new shares: for tax purposes, the delivery of new shares is considered to be a delivery of bonus shares and, therefore, does not constitute income for the purposes of personal income tax, income tax or non-resident income tax, regardless of whether or not the recipients of these shares act through a permanent establishment in Spain. The delivery of new shares is not subject to withholdings or pre-payments. The acquisition cost, both of the new shares and the shares to which they correspond, will be the result of distributing the total cost of acquisition for tax purposes of the portfolio by the number of shares; both the original shares and the bonus shares that correspond to them. The age of the bonus shares will be the age that corresponds to the shares that gave rise to them. Consequently, in the event of their subsequent transfer, the income obtained will be calculated by reference to this new value.

Sale to the market of the bonus issue rights: If the shareholders sell their bonus issue rights to the market, the amount obtained will not be subject to withholdings or pre-payments and will be subject to the tax rules indicated below (applicable until the end of 2017):

a) In the case of personal income tax and non-resident income tax applicable to shareholders without a permanent establishment in Spain, the amount obtained on the sale to the market of the bonus issue rights is subject to the same rules established in tax legislation for pre-emption rights. Consequently, the amount obtained on the sale of the bonus issue rights reduces the acquisition cost for tax purposes of the shares which give rise to such rights, pursuant to Article 37.1.a) of Personal Income Tax Law 35/2006, of 28 November, and pursuant to Final Provision Six of Law 26/2014, of 27 November, amending Personal Income Tax Law 35/2006, of 28 November, the Consolidated Spanish Non-Resident Income Tax Law approved by Legislative Royal Decree 5/2004, of 5 March, and other tax legislation. Therefore, if the amount obtained on the sale of the bonus issue rights is higher than the acquisition cost of the shares which gave rise to them, the difference is considered to be a capital gain for the seller in the tax period in which this occurs; all of the

foregoing without prejudice to the potential application to non-resident income tax payers not operating through a permanent establishment in Spain of the tax treaties entered into by Spain to which they could be entitled or to the exemptions that may be applicable to them under Spanish domestic law.

b) In the case of income tax and non-resident income tax applicable to shareholders operating through a permanent establishment in Spain, to the extent that a full business cycle is completed, tax will be paid in accordance with the applicable accounting standards and, if appropriate, with any special tax rules that may apply to the shareholders subject to the aforementioned taxes.

Sale to Ferrovial of the bonus issue rights: Lastly, if the holders of bonus issue rights decide to avail themselves of the Ferrovial Purchase Commitment, the tax regime applicable to the amount obtained on the sale to Ferrovial of the bonus issue rights received in their capacity as shareholders will be as follows:

(iv) If the shareholder is a natural person resident for tax purposes in Spain or a legal entity that does not satisfy the requirements to apply the exemption provided for in Article 21 of Spanish Income Tax Law 27/2014, the applicable tax regime shall be the regime which applies to the dividends paid directly in cash and, therefore, the amount obtained will be subject to the corresponding withholding tax;

(v) If the shareholder is a natural person or legal entity not resident for tax purposes in Spain or a tax haven, and does not operate through a permanent establishment in Spain, the amount obtained shall not be subject to taxation in Spain pursuant to Chapter XIII of Title VII of Spanish Income Tax Law 27/2014, and, therefore, shall not be subject to withholding tax. In these cases, for this regime to apply the shareholder shall be required to evidence its tax residence by providing the corresponding certificate issued by the tax authorities in question;

(vi) If the shareholder is a legal entity resident in Spain for tax purposes or, if it is not a tax resident but operates through a permanent establishment in Spain and satisfies the requirements for the application of the exemption provided for in Article 21 of Spanish Income Tax Law 27/2014, the amount obtained shall be exempt from taxation in Spain and, therefore, shall not be subject to withholding tax.

It should be borne in mind that the taxation scenarios of the various options relating to the scheme known as the "Ferrovial Scrip Dividend" set out above do not explain all the possible tax consequences. Accordingly, the shareholders should consult their tax advisers on the specific tax effect of the proposed scheme and pay attention to any changes that could take place, both in in-force legislation and in the criteria of the interpretation thereof, as well as the particular circumstances of each shareholder or holder of bonus issue rights.

APPENDIX II

SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES). 2017:

The carrying amount of the ownership interest presented relates to that recognised at the individual company which holds the direct ownership interest in each subsidiary.

COMPANY	LOCATION	AUDITOR	% OWNERSHIP	GROSS INVESTMENT	IMPAIRMENT LOSSES	CARRYING AMOUNT	SHARE CAPITAL	SHARE PREMIUM AND RESERVES	OTHER EQUITY ITEMS	NET PROFIT/LOSSES FOR THE YEAR	TOTAL EQUITY
Ferrovial Internacional, S.L.U.	Madrid, Spain	Deloitte	100.00%	6,337	0	6,337	625	6,157	17	7	6,805
Ferrofin, S.L. (i)	Madrid, Spain		47.99%	241	-4	237	496	-81	0	77	492
Ferrovial Agroman, S.A.	Madrid, Spain	Deloitte	99.99%	711	0	711	234	600	-96	43	781
Cintra Infraestructuras España, S.L.	Madrid, Spain	Deloitte	99.00%	572	0	572	58	465	0	51	574
Ferrovial Servicios, S.A.	Madrid, Spain	Deloitte	99.99%	264	0	264	166	105	6	6	283
Ferrovial FISA, S.L.	Madrid, Spain		99.99%	215	-156	59	18	43	0	-2	59
Ferrovial Aeropuertos España, S.A.	Madrid, Spain	Deloitte	99.00%	46	-33	12	2	-5	28	-12	13
Ferrovial Corporación, S.A.	Madrid, Spain	Deloitte	99.99%	5	0	5	5	3	0	5	13
Betonial, S.A.	Madrid, Spain		99.00%	8	-4	4	4	1	0	0	5
Kripton RE, S.A.	Luxembourg	Deloitte	99.97%	8	-3	5	4	4	0	2	10
Autovía de Aragón S.C., S.A.	Madrid, Spain	Deloitte	15.00%	3	-2	2	19	18	0	8	45
Can-am, S.A.	Madrid, Spain		100.00%	3	-2	2	0	1	0	0	2
Triconitex, S.L.	Madrid, Spain		99.99%	12	-11	1	1	1	0	-1	1
Ferrocorp UK Limited	Oxford, UK	Deloitte	100.00%	1	0	1	1	0	0	0	1
Ferrovial Inversiones, S.A.	Madrid, Spain		99.58%	0	0	0	1	0	0	0	1
Ferrovial Emisiones, S.A.	Madrid, Spain	Deloitte	99.00%	0	0	0	0	13	0	3	16
Temauri, S.L.	Madrid, Spain		99.97%	10	-2	-8	0	0	10	-2	-8
Investments in Group companies				8,436	-213	8,223	1,632	7,312	-39	159	9,064

(i) The remaining percentage belongs to Ferrovial Agroman, S.A.

SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES). 2016:

The carrying amount of the ownership interest presented relates to that recognised at the individual company which holds the direct ownership interest in each subsidiary.

COMPANY	LOCATION	AUDITOR	% OWNERSHIP	GROSS INVESTMENT	IMPAIRMENT LOSSES	CARRYING AMOUNT	SHARE CAPITAL	SHARE PREMIUM AND RESERVES	OTHER EQUITY ITEMS	NET PROFIT/LOSSES FOR THE YEAR	TOTAL EQUITY
Ferrovial Internacional, S.L.U.	Madrid, Spain	Deloitte	100.00%	6,329	0	6,329	625	6,140	0	-41	6,723
Ferrofin, S.L. (i)	Madrid, Spain	Deloitte	85.57%	1,639	-85	1,554	1,890	-48	0	-27	1,815
Ferrovial Agroman, S.A.	Madrid, Spain	Deloitte	99.99%	711	0	711	234	514	0	62	810
Cintra Infraestructuras España, S.L.	Madrid, Spain	Deloitte	100.00%	572	0	572	58	518	0	-53	522
Ferrovial Servicios, S.A.	Madrid, Spain	Deloitte	100.00%	264	0	264	166	105	0	6	277
Ferrovial FISA, S.L.	Madrid, Spain		99.99%	215	-154	60	18	13	0	30	60
Ferrovial Aeropuertos España, S.A.	Madrid, Spain	Deloitte	99.00%	46	-21	25	2	35	0	-12	25
Ferrovial Corporación, S.A.	Madrid, Spain	Deloitte	100.00%	5	0	5	5	3	0	3	11
Betonial, S.A.	Madrid, Spain		99.00%	8	-4	4	4	1	0	0	5
Kripton RE, S.A.	Luxembourg	Deloitte	99.97%	4	0	4	4	0	0	1	5
Autovía de Aragón S.C., S.A.	Madrid, Spain	Deloitte	15.00%	3	0	3	19	10	-8	8	29
Can-am, S.A.	Madrid, Spain		100.00%	3	-1	2	0	2	0	0	2
Triconitex, S.L.	Madrid, Spain		100.00%	12	-10	2	1	4	0	-3	2
Ferrocorp UK Limited	Oxford, UK	Deloitte	100.00%	0	0	0	1	0	0	0	1
Inversiones Trenza, S.A.	Madrid, Spain		99.92%	7	-7	0	1	0	0	0	1
Promotora Ibérica de Negocios, S.A.	Madrid, Spain		99.00%	1	0	1	0	0	0	0	0
Ferrovial Inversiones, S.A.	Madrid, Spain		99.58%	0	0	0	1	0	0	0	1
Fring Gold, S.A.	Madrid, Spain		99.00%	0	0	0	0	0	0	0	0
Alkes Reinsurance Ltd.	Dublin, Ireland	Deloitte	100.00%	0	0	0	3	0	-3	0	0
Ferrovial Emisiones, S.A.	Madrid, Spain	Deloitte	99.00%	0	0	0	0	9	0	3	12
Teraoui, S.A.	Madrid, Spain		99.00%	0	0	0	0	0	0	0	0
Tetabomoa, S.A.	Madrid, Spain		99.00%	0	0	0	0	0	0	0	0
Sotaverd S.A.	Madrid, Spain		99.99%	2	-2	0	2	-14	0	0	-12
Temauri, S.L.	Madrid, Spain		99.99%	0	0	0	0	0	0	0	0
Investments in Group companies				9,822	-285	9,537	3,032	7,292	-11	-25	10,288

(i) The remaining percentage belongs to Ferrovial Agroman, S.A. (13.649%), Ferrovial Servicios, S.A. (0.773%), Ferrovial FISA, S.L. (0.002%) and Cespa, S.A. (0.003%)

ASSOCIATES (COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD):**2017**

COMPANY	LOCATION	AUDITOR	% OWNERSHIP	GROSS INVESTMENT	IMPAIRMENT LOSSES	CARRYING AMOUNT	(Thousands of euros)			
							ASSETS	LIABILITIES	REVENUE	PROFIT/LOSS
Nea Odos (ii)	Athens, Greece	Deloitte	21.40%	25	-25	0	1,053	947	91	0
Central Greece (ii)	Athens, Greece	Deloitte	21.40%	22	-22	0	1,264	1,316	20	0

2016

COMPANY	LOCATION	AUDITOR	% OWNERSHIP	GROSS INVESTMENT	IMPAIRMENT LOSSES	CARRYING AMOUNT	(Thousands of euros)			
							ASSETS	LIABILITIES	REVENUE	PROFIT/LOSS
Nea Odos (ii)	Athens, Greece	Deloitte	21.40%	25	-25	0	950	751	751	0
Central Greece (ii)	Athens, Greece	Deloitte	21.40%	22	-22	0	1,039	974	11	0

(ii) Although Ferrovial S.A.'s ownership interest remains at 33%, it holds 21.4% of the voting rights, while GEK Holding Real Estate Construction. S.A. holds 57.2% of the voting rights and ACS 21.4%.

26. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

AUTHORISATION FOR ISSUE BY THE BOARD OF DIRECTORS

The preceding pages contain the financial statements – balance sheet, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements – and the directors’ report of Ferrovial, S.A. for the year ended 31 December 2017, which were authorised for issue by the Company’s Board of Directors at its meeting held in Madrid on 28 February 2017 and which, pursuant to Article 253 of the Spanish Limited Liability Companies Law, are signed below by the directors who attended the meeting.

Rafael del Pino y Calvo-Sotelo
Chairman

Santiago Bergareche Busquet
Deputy Chairman

Joaquín Ayuso García
Deputy Chairman

Íñigo Meirás Amusco
Chief Executive Officer

Juan Arena de la Mora
Director

María del Pino y Calvo-Sotelo
Director

Santiago Fernández Valbuena
Director

José Fernando Sánchez-Junco Mans
Director

Joaquín del Pino y Calvo-Sotelo
Director

Óscar Fanjul Martín
Director

D. Philip Bowman
Director

Ms. Hanne Birgitte Breinbjerg Sørensen
Director



AUDITOR'S
REPORT
FERROVIAL, S.A.
2017

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 26). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Ferrovial, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Ferrovial, S.A. (the Company), which comprise the balance sheet as at 31 December 2017, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2017, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deferred tax assets and liabilities

Description

The balance sheet as at 31 December 2017 presents a balance of EUR 193 million of deferred tax assets, which include EUR 55 million corresponding to tax credits and tax losses relating to the Spanish tax group. The Company also has EUR 156 million of deferred tax liabilities and provisions for tax contingencies.

Each year the Company prepares a financial model to assess the recoverability of the tax losses, taking into consideration the new legislative developments and the latest business plans approved for the various business divisions and geographical areas. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate of the recoverability of the aforementioned tax assets.

The Company also regularly assesses, together with its tax advisers, the possible tax contingencies to which it is exposed, and, as appropriate, recognises the related provisions or reverses the existing provisions if the contingency has become statute-barred.

Procedures applied in the audit

Our audit procedures were based mainly on the performance of substantive tests comprising, among others, the review of the aforementioned financial model, which included verifying that the data included in the model were the same as the budgeted data that had been approved by the various businesses, as well as analysing the consistency of the actual results obtained compared with the results projected in the previous years' models.

In addition, we involved our internal tax experts to assist us in assessing the reasonableness of the tax assumptions and of the changes in provisions for tax contingencies in 2017 based on the applicable tax legislation.

Lastly, our work included the evaluation of whether the information and disclosures included in Notes 12 and 14 to the accompanying financial statements relating to the Company's deferred tax assets and liabilities and tax-related provisions are in conformity with those required by the applicable accounting regulations.

Impairment of ownership interests in Group companies and associates

Description

The Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, as detailed in Note 6 to the financial statements.

The assessment of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by Company management, both when choosing the valuation method and when taking into consideration the key assumptions (estimation of future margins, growth levels, use of discount rates, etc.).

As a result of the foregoing, as well as the significance of the investments held, which amounted to EUR 8,483 million at year-end and for which an impairment loss of EUR 260 million was recognised, we considered the situation described to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process to assess the impairment of the investments in Group companies and associates, as well as tests to verify that the aforementioned controls operate effectively.

We also performed substantive tests based on the obtainment of the valuation studies conducted by Company management on the aforementioned ownership interests, verifying the arithmetic accuracy of the studies and analysing the reasonableness of the main assumptions used (basically those referring to the projections of future cash flows) and their consistency with the approved budgets, as well as with the historical information relating to the investees.

Furthermore, we involved our in-house valuation specialists in order to evaluate, mainly, the methodology employed by the Company in the analysis conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows.

In addition, we reviewed the sensitivity analyses of the key assumptions, which are those with the greatest effect on the determination of the recoverable amount of the assets.

Lastly, we evaluated whether the disclosures included in Note 6 to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Directors' Report

The other information comprises only the directors' report for 2017, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this part of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit and Control Committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Control Committee

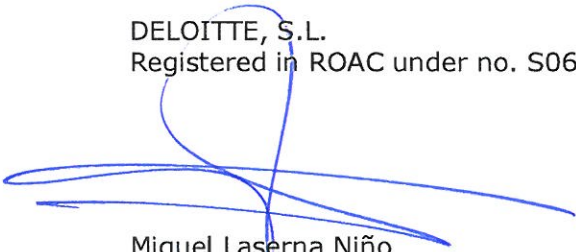
The opinion expressed in this report is consistent with the content of our additional report to the Company's Audit and Control Committee dated 28 February 2018.

Engagement Period

The Annual General Meeting held on 5 April 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution/resolutions of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2010.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Miguel Laserna Niño
Registered in ROAC under no. 18207

28 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's Audit and Control Committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's Audit and Control Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.