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APPENDIX

02 CONSOLIDATED FINANCIAL STATEMENTS

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ferrovial

CONSOLIDATED MANAGEMENT REPORT AND FINANCIAL STATEMENTS

INTEGRATED ANNUAL REPORT 2018

PHOTO: LBJ Express Toll Road. Texas (United States).

Index

A. Consolidated statements of financial position for 2018 and 2017

ASSETS (Millions of euros)	**NOTE**	**2018**	**2017**
Non-current assets		**12.055**	**14.927**
Goodwill on consolidation	3.1	372	2,062
Intangible assets	3.2	32	431
Investments in infrastructure projects	3.3	7,155	6,917
Intangible asset model		6,280	5,883
Financial asset model		875	1,035
Investment property		9	6
Property, plant and equipment	3.4	251	694
Investments in associates	3.5	2,455	2,687
Non-current financial assets	3.6	754	769
Loans granted to associates		173	312
Restricted cash relating to infrastructure projects and other financial assets	5.2	473	285
Other receivables		108	172
Deferred taxes	2.8	664	1,035
Long-term derivative financial instruments at fair value	5.5	364	326
Current assets		**10,758**	**8,063**
Assets classified as held for sale and discontinued operations	1.1.3	4,892	0
Inventories	4.1	594	629
Current income tax assets		97	143
Trade and other current receivables	4.2	1,090	2,635
Trade receivables for sales and services		801	2,032
Other current receivables		289	603
Cash and cash equivalents	5.2	4,005	4,601
Infrastructure project companies		239	463
Restricted cash		9	58
Other cash and cash equivalents		230	405
Ex-infrastructure project companies		3,766	4,137
Short-term derivative financial instruments at fair value	5.5	80	55
Total assets		**22,813**	**22,990**

LIABILITIES AND EQUITY (Millions of euros)	**NOTE**	**2018**	**2017**
Equity	**5.1**	**5.363**	**6.234**
Equity attributable to shareholders		4,530	5,503
Equity attributable to non-controlling interests		833	731
Deferred income	**6.1**	**1,241**	**1,037**
Non-current liabilities		**8,912**	**9,871**
Pension plan deficit	6.2	3	66
Long-term provisions	6.3	459	808
Financial borrowings	5.2	7,419	7,511
Debt securities and borrowings of infrastructure project companies		5,342	5,363
Debt securities and borrowings of ex-infrastructure project companies		2,077	2,149
Other payables	6.4	135	198
Deferred taxes	2.8	574	900
Derivative financial instruments at fair value	5.5	321	387
Current Liabilities		**7,297**	**5,848**
Liabilities classified as held for sale and from discontinued operations	1.1.3	3,259	0
Financial borrowings	5.2	773	839
Debt securities and borrowings of infrastructure project companies		43	207
Debt securities and bank borrowings excluding infrastructure project companies		730	631
Derivative financial instruments at fair value	5.5	69	65
Current income tax liabilities		65	94
Short-term trade and other payables	4.3	2,700	4,221
Trade payables		1,314	2,283
Customer advances and amounts billed in advance for construction work		1,089	1,271
Other current payables		297	667
Traffic operating provisions	6.3	431	629
Total liabilities and equity		**22,813**	**22,990**

The accompanying Notes 1.1 to 7.1 form an integral part of the Consolidated Statements of Financial Position as at 31 December 2018.

B. Consolidated income statement for 2018 and 2017

(Millions of euros)	NOTE	2018 BEFORE FAIR VALUE ADJUSTMENTS	2018 FAIR VALUE ADJUSTMENTS (**)	TOTAL 2018	2017 (*) BEFORE FAIR VALUE ADJUSTMENTS	2017 (*) FAIR VALUE ADJUSTMENTS (**)	TOTAL 2017
Revenues		5,737	0	5,737	5,152	0	5,152
Other operating income		2	0	2	1	0	1
Total operating income	**2.1**	**5,738**	**0**	**5,738**	**5,154**	**0**	**5,154**
Cost of materials used	2.2	985	0	985	818	0	818
Other operating expenses	2.2	3,324	0	3,324	2,905	0	2,905
Staff expenses	2.3	945	0	945	915	0	915
Total operating expenses		**5,254**	**0**	**5,254**	**4,638**	**0**	**4,638**
Gross operating profit	2.4	**484**	**0**	**484**	**516**	**0**	**516**
Fixed asset depreciation		127	0	127	115	0	115
Operating income before impairment losses and fixed asset disposals	2.4	**356**	**0**	**356**	**401**	**0**	**401**
Impairments and disposals of fixed assets (***)	2.5	95	-13	82	47	41	88
Operating profit/(loss)		**451**	**-13**	**438**	**448**	**41**	**489**
Financial result on financing		-233	0	-233	-229	0	-229
Profit/(loss) on derivatives and other financial results		2	1	3	-4	0	-4
Financial result of infrastructure project companies		**-231**	**1**	**-230**	**-233**	**0**	**-233**
Financial result on financing		9	0	9	-26	0	-26
Profit/(loss) on derivatives and other financial results		7	23	30	-10	25	15
Financial result ex-infrastructure project companies		**16**	**23**	**39**	**-37**	**25**	**-11**
Financial result	2.6	**-216**	**24**	**-192**	**-269**	**25**	**-244**
Share of profits of equity-accounted companies	2.7	240	-1	239	175	49	225
Consolidated profit/(loss) before tax		**475**	**10**	**486**	**354**	**116**	**469**
Corporate income tax	2.8	-19	-6	-25	-38	-8	-46
Consolidated income from continuing operations		**456**	**4**	**460**	**316**	**108**	**424**
Profit/(loss) from discontinued operations		-51	-27	-77	85	-2	83
Fair value provision		0	-774	-774	0	0	0
Net profit/(loss) from discontinued operations	**2.9**	**-51**	**-800**	**-851**	**85**	**-2**	**83**
Consolidated profit/(loss) for the year		**405**	**-796**	**-391**	**401**	**106**	**507**
Profit/(loss) for the year attributable to non-controlling interests	2.10	-57	0	-57	-51	-2	-53
Profit/(loss) for the year attributed to the Parent		**348**	**-796**	**-448**	**350**	**104**	**454**
Net profit/(loss) per share attributed to the Parent (Basic /Diluted)	*2.11*			*-0.61/-0.61*			0.62/0.62

(*) Re-presented amounts (Note 1.1.3)

(**) Relating to gains and losses arising from changes in the fair value of derivatives and other financial assets and liabilities (see Note 5.5), asset and liability impairment (see Note 2.5) and the impact of the two items on "Share of Profits of Equity-Accounted Companies" (see Note 2.7).

(***) "Impairment and Disposals of Fixed Assets" primarily includes asset impairment and the gains or losses on the sale and disposal of investments in Group companies and associates. When any such disposal of assets results in a loss of control, the capital gain corresponding to the updating of the fair value in respect of the stake maintained is entered in the column showing adjustments to fair value.

The accompanying Notes 1.1 to 7.1 form an integral part of the Consolidated Income Statement for the year ended 31 December 2018.

C. Consolidated statement of comprehensive income for 2018 and 2017

(Millions of euros)	NOTE	2018	2017
a) Consolidated profit/(loss) for the year		**-391**	**507**
Profit/(loss) attributable to the Parent		-448	454
Profit/(loss) attributable to non-controlling interests		57	53
b) Income and Expenses recognised directly in equity	5.1	**45**	**-251**
Fully Consolidated Companies		**68**	**-175**
Impact on reserves of hedging instruments	5.5	53	48
Impact on reserves of defined benefit plans (*)	6.2	0	0
Translation differences		28	-209
Tax effect		-13	-13
Companies held for sale/Discontinued		**-11**	**56**
Impact on reserves of hedging instruments		22	26
Impact on reserves of defined benefit plans (*)		40	76
Translation differences		-63	-27
Tax effect		-11	-19
Equity-Accounted Companies		**-11**	**-132**
Impact on reserves of hedging instruments		20	28
Impact on reserves of defined benefit plans (*)		44	-14
Translation differences		-64	-143
Tax effect		-12	-3
c) Transfers to the Income Statement	5.1	**0**	**6**
Fully Consolidated Companies		**0**	**0**
Transfers to the Income Statement		0	0
Tax effect		0	0
Equity-Accounted Companies		**0**	**6**
Transfers to the Income Statement		0	9
Tax effect		0	-3
(a+b+c) Total Comprehensive Income		**-346**	**262**
Income attributable to the Parent		-431	269
Income attributable to non-controlling interests		86	-7

(*) The impact on reserves of defined benefit plans is the only line item of Income and Expenses recognised directly in equity that cannot be reclassified subsequently to the income statement (see Note 5.1).

The accompanying Notes 1.1 to 7.1 form an integral part of the Consolidated Statement of Comprehensive Income for the year ended 31 December 2018.

D. Consolidated statement of changes in equity for 2018 and 2017

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY SHARES	OTHER EQUITY INSTRUMENTS	MEASUREMENT ADJUSTMENTS	RETAINED EARNINGS AND OTHER RESERVES	ATTRIBUTABLE TO SHAREHOLDERS	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31.12.2017	**146**	**1,202**	**349**	**-42**	**500**	**-1,277**	**4,624**	**5,503**	**731**	**6,234**
Impact of transition to IFRS 9 (Note 1.2.1)	**0**	**0**	**0**	**0**	**0**	**0**	**-31**	**-31**	**-6**	**-38**
Balance at 01.01.2018	**146**	**1,202**	**349**	**-42**	**500**	**-1,277**	**4,593**	**5,471**	**725**	**6,197**
Consolidated profit/(loss) for the year							-448	-448	57	-391
Income and expenses recognised directly in equity						17		16	29	45
Total recognised income and expenses	**0**	**0**	**0**	**0**	**0**	**17**	**-448**	**-431**	**86**	**-346**
Scrip dividend agreement	3						-244	-240		-240
Other dividends								0	-54	-54
Treasury share transactions	-2		-278	-86			86	-280	0	-280
Shareholder remuneration	**1**	**0**	**-278**	**-86**	**0**	**0**	**-158**	**-520**	**-54**	**-574**
Share capital increases/reductions								0	77	77
Share-based remuneration schemes							10	10	0	10
Other changes			0	0			1	1	0	2
Other transactions	**0**	**0**	**0**	**0**	**0**	**0**	**11**	**11**	**78**	**89**
Perpetual subordinated bond issues					4		**-5**	**-1**	**0**	**-1**
Changes in the scope of consolidation	0	0	0	0	0	0	**0**	**0**	**-1**	**-1**
Balance at 31.12.2018	148	1,202	71	-128	504	-1,261	**3,993**	**4,530**	**833**	**5,363**

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY SHARES	OTHER EQUITY INSTRUMENTS	MEASUREMENT ADJUSTMENTS	RETAINED EARNINGS AND OTHER RESERVES	ATTRIBUTABLE TO SHAREHOLDERS	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31.12.2016	**147**	**1,202**	**650**	**-41**	**0**	**-1,092**	**4,731**	**5,597**	**717**	**6,314**
Impact of transition to IFRS 15	**0**	**0**	**0**	**0**	**0**	**0**	**-272**	**-272**	**0**	**-272**
Balance at 01.01.2017	**147**	**1,202**	**650**	**-41**	**0**	**-1,092**	**4,459**	**5,325**	**717**	**6,042**
Consolidated profit/(loss) for the year							454	454	53	**507**
Income and expenses recognised directly in equity						-185		-185	-60	**-245**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**0**	**-185**	**454**	**269**	**-7**	**262**
Scrip dividend agreement	3						-222	-218	0	**-218**
Other dividends								0	-47	**-47**
Treasury share transactions	-3		-298	1			-1	-302	0	**-302**
Shareholder remuneration	**0**	**0**	**-301**	**1**	**0**	**0**	**-223**	**-520**	**-47**	**-568**
Share capital increases/reductions								0	33	**33**
Share-based remuneration schemes							1	1	0	**1**
Other changes			-2	-2			6	1	3	**4**
Other transactions	**0**	**0**	**-2**	**-2**	0	**0**	**7**	**2**	**35**	**38**
Perpetual subordinated bond issues	**0**	**0**	**0**	**0**	**500**	**0**	**-5**	**495**	**0**	**495**
Changes in the scope of consolidation	**0**	**0**	**0**	**0**	**0**	**0**	**-68**	**-68**	**33**	**-35**
Balance at 31.12.2017	**146**	**1,202**	**349**	**-42**	**500**	**-1,277**	**4,624**	**5,503**	**731**	**6,234**

The accompanying Notes 1.1 to 7.1 form an integral part of the Consolidated Statement of Changes in Equity for the year ended 31 December 2018.

E. Consolidated cash flow statement for 2018 and 2017

(Millions of euros)	NOTE	2018	2017
Net Profit/(Loss) attributable to the Parent	2.11	-448	454
Adjustments to profit/(loss)		1,062	479
Non-controlling interests		57	53
Net profit/(loss) from discontinued operations		851	-83
Tax		25	46
Profit/(loss) from equity-accounted companies		-239	-225
Financial result		192	244
Impairments & asset disposals		-82	-88
Amortisations		127	115
EBITDA discontinued operations	*2.9*	131	417
Gross Operating Profit (EBITDA) including Discontinued Operations		**614**	**932**
Income taxes paid	2.8.2	-25	-142
Working Capital Variation (receivables, payables and other)	5.3	-255	-53
Dividends from infrastructure project companies received	3.5	511	543
Operations cash flow	5.3	**845**	**1,280**
Investments in property, plant and equipment/intangible assets	3.2 and 3.4	-182	-135
Investments in Infrastructure projects	3.3	-213	-371
Loans granted to associates/acquisition of companies		-66	-178
Interest received	2.6	56	34
Investment of long-term restricted cash		-171	-66
Divestment of infrastructure projects		144	0
Divestment/sale of companies	1.1.4	230	248
Cash flows from investing activities		**-202**	**-468**
Cash flows before financing activities		**643**	**812**
Capital proceeds from non-controlling interests		75	35
Scrip dividend		-240	-218
Acquisition of treasury shares		-280	-302
Shareholder remuneration	5.1	-520	-520
Dividends paid to non-controlling shareholders of investees	5.1	-54	-49
Subordinated hybrid bond issue		0	500
Other changes in shareholder's funds	1.2.3.3 and 5.1.2	3	-2
Ex-project financing cash flow		**-496**	**-36**
Interest paid	2.6	-258	-270
Increase in borrowings		563	1,184
Decrease in borrowings		-500	-554
Cash flows from financing activities		**-692**	**324**
Effect of exchange rates on cash and cash equivalents		**-48**	**-71**
Change in cash and cash equivalents due to changes in the scope of consolidation		**22**	**-43**
Change in cash and cash equivalents for discontinued operations	**5.3**	**-522**	**0**
Change in cash and cash equivalents	5.2	**-596**	**1,023**
Cash and cash equivalents at beginning of the year		4,601	3,578
Cash and cash equivalents at end of year		4,005	4,601

The accompanying Notes 1.1 to 7.1 form an integral part of the Consolidated Cash Flow for the year ended 31 December 2018.

F. Notes to the consolidated annual accounts for 2018

SECTION 1: BASES FOR PRESENTATION AND SCOPE OF CONSOLIDATION.

This section presents the information considered important to know prior to reading the Ferrovial consolidated financial statements.

BASES FOR PRESENTATION AND NEW ACCOUNTING STANDARDS

The Ferrovial consolidated financial statements were prepared in accordance with the IFRS standards that apply within the European Union. The accounting policies applied are explained in Note 1.2 of this section.

Of the standards adopted for the first time at 1 January 2018, the most relevant impact relates to IFRS 9 Financial instruments, entailing a reduction in equity attributable to shareholders of EUR -31 million.

Company activities

The disclosures presented in these consolidated financial statements include most notably, given their importance, those relating to the distinction between infrastructure project companies and non-infrastructure project companies (see Note 1.1.2 for a definition). Also noteworthy are those relating to the Group's two main assets, the 25% ownership interest in Heathrow Airport Holdings (HAH), which owns Heathrow Airport, and the 43.23% ownership interest in the company that owns the 407 ETR toll road in Toronto (Canada).

Discontinued operations

With effect from 31 December 2018 it has been decided to reclassify all assets, liabilities and profit/(loss) linked to the Services Business Division as Discontinued Operations. Following the announcement in October 2018 that the Company was analysing the possibility of divesting this business area, and given the progress made with the transaction over the course of the last quarter of the year, the decision has been taken to reclassify given that the terms established in IFRS 5 have been met.

As the assets must be valued at the lower of their book value and their fair value less cost of sale, an impairment of -776 million euros has been recorded in 2018 in relation to the assets and liabilities of Ferrovial business in the United Kingdom (Amey).

CHANGES IN THE SCOPE OF CONSOLIDATION

Note 1.1.4 provides detailed information on the main changes in the scope of consolidation in the financial year and others divestments operations, including most notably the sale of the financial participation of the Greek toll roads Central Greece and Ionian Roads, as well as several disposals in the Construction and Services Divisions.

Use of judgements and estimates

This section includes the main estimates made by Ferrovial when measuring its assets, liabilities, revenues, expenses and obligations (see Note 1.2.4).

Exchange rate

Although Ferrovial's functional currency is the euro, a significant portion of its activities is carried out in countries outside the eurozone, its exposure including most notably that to the pound sterling, the US dollar, the Canadian dollar, the Australian dollar and the Polish zloty. The evolution of these currencies vis-à-vis the euro is shown in Note 1.3.

During 2018 all of the curencies depreciated against the euro, except for the US dollar closing exchange rate.

The impact recorded in this regard on shareholders' funds attributable to the parent company is EUR -119 million (see Note 5.1.1 Changes in Equity).

1.1 Bases for presentation, company activities, scope of consolidation

1.1.1 Bases for presentation

The consolidated annual accounts are presented in accordance with the regulatory financial reporting framework applicable to the Group and, are therefore a true and fair representation of the Group's equity, financial position and the profit/(loss). The regulatory framework consists of International Financial Reporting Standards (IFRS), as established by Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002.

1.1.2 Company Activities

Ferrovial comprises the parent company, Ferrovial, S.A., and its subsidiaries, which are detailed in Appendix II. Its registered office is in Madrid, at Calle Príncipe de Vergara 135.

Through these companies, Ferrovial engages in the following lines of business, which are its reporting segments pursuant to IFRS 8:

- Construction: Design and performance of all manner of public and private works, including most notably the construction of public infrastructure.
- Services: Services: maintenance and upkeep of infrastructure, facilities and buildings; waste collection and treatment; maintenance of energy and industrial facilities and rendering of other kinds of public services.
- Toll Roads: Development, financing and operating of toll roads.
- Airports: Development, financing and operating of airports.

For a more detailed description of the various areas of activity in which the consolidated Group conducts its business operations, please consult the Group's website: www.ferrovial.com.

For the purpose of understanding these Financial Statements, it should be noted that a part of the activity carried out by the Group's business divisions consists of the development of infrastructure projects, primarily in the toll road and airport areas, but also in the construction and services fields.

These projects are conducted through long-term arrangements with public authorities under which the concession operator, in which the Group generally has an ownership interest together with other shareholders, finances the construction or upgrade of public infrastructure, mainly with borrowings secured by the cash flows from the project and with the shareholders' capital contributions, and subsequently maintains the infrastructure. The investment is recovered by collecting tolls or regulated charges for the use of the infrastructure, or through amounts paid by the authority awarding the contract based on the availability for use of the related asset. In most cases the construction and subsequent maintenance of the infrastructure is subcontracted by the concession operators to the Group's Construction and Services Divisions.

From an accounting standpoint, most of these arrangements fall within the scope of application of IFRIC 12.

Accordingly, and in order to aid understanding of the Group's financial performance, these consolidated Financial Statements separately detail the impact of projects of this nature in "Investments in Infrastructure Projects" (distinguishing between those to which the intangible asset model is applied and those to which the financial asset model is applied), in non-current financial assets and, mainly, in the net cash position and the cash flow disclosures, in which the cash flows called "non-infrastructure projects", which brings together the flows generated by the construction and services businesses, the dividends from the capital invested in infrastructure projects and investments in or divestments of the share capital of these projects, are presented separately from the cash flows of the infrastructure projects, which include the cash flows generated by the related concession operators. A list of the companies regarded as infrastructure project companies can also be consulted in Appendix II.

It is also important to highlight that two of the Group's main assets are its 25% ownership interest in Heathrow Airport Holdings (HAH), the company that owns Heathrow Airport in London (UK), and its 43.23% ownership interest in 407 ETR, the concession operator of the 407 ETR toll road in Toronto (Canada), which are equity-accounted companies since 2011 and 2010, respectively. In order to provide detailed information on the two companies, Note 3.5, Investments in equity-accounted companies includes information relating to the changes in the two companies' balance sheets and income statements, and this information is completed in other Notes within the annual accounts with data considered to be of interest.

1.1.3. DISCONTINUED OPERATIONS

Reclassification of assets to discontinued operations

With effect from 31 December 2018 it has been decided to reclassify all assets linked to the Services Business Division as Discontinued Operations. Following the announcement in October 2018 that the Company was analysing the possibility of divesting this business area, and given the progress made with the transaction over the course of the last quarter of the year, the decision has been taken to reclassify given that the terms established in IFRS 5 have been met.

This decision is in line with the strategy to focus the Group activity on developing the Infrastructure business and affects the four geographical areas that the division is divided into: Spain (Ferrovial Services Spain), UK (Amey), Australia and New Zealand (Broadspectrum) and International. The approach to the transaction includes the possibility of carrying it out together in one transaction, or separately for each of the geographical areas, or even by different business lines within the geographical areas.

Measurement of assets and recognition of impairment provision

The reclassification implies valuing the assets from now onwards at the lower of their carrying amount and fair value (estimated sale price) less costs to sell. This is a different approach to that followed to date, in which the reference to follow was the lower of the carrying amount or the usage value amount, which includes an estimated value that will be gained from using the asset, and which could differ from its estimated selling price.

The fair value estimation of the group of assets held for sale, has resulted in an asset impairment loss of EUR -774 million, which has negatively affected the income statement for the year.

This provision relates in full to the fair value measurement, less sales costs, of the UK business, estimated at EUR 103 million (GBP 93 million), compared to an exposure of EUR 877 million relating to the carrying amount of capital and intercompany loans. The fair value of the business is affected by the current market context in the UK, including macroeconomic uncertainties and reduced public spending, as well as the uncertainty around the continuing legal proceedings with the Birmingham City Council.

The fair value of the other geographical areas is considered to be above book value.

For the purposes of this valuation, fair value has been estimated based on an enterprise value calculated based on the reference of EBITDA multiples (both for listed companies and comparable transactions for each of the geographical areas), a value that has been adjusted by the value of the external net debt of each one of said areas, including within said external debt certain concepts that can be considered similar to debt. As the assets subject to valuation are not quoted in an active market, the valuation must be based on techniques that approximate the market value, as in the case of comparable references, but which are subject to a certain level of uncertainty that cannot be resolved until the divestments finally take place.

Impact on Financial Statements

The reclassification of the Services Division to discontinued operations has had the following impacts on these financial statements.

- The profit/(loss) after tax generated by the Services business is not reported in each line of the income statement, instead it is reported in one line "Net profit/(loss) from discontinued operations", both for 2018 and 2017. The aforementioned impairment loss forms part of this line. Note 2.9 includes the disclosures required in connection with profit/(loss) from discontinued operations, including a breakdown of the main lines.

- For cash flow purposes, note 5.3 includes the portion of cash flows from operating, investing and financing activities related to the discontinued operations, included in the total amount reported in this respect.

- For the purposes of the balance sheet, all assets and liabilities attributable to Services activity have been reclassified as "Assets/Liabilities held for sale and discontinued operations". This reclassification was made with effect at 31 December 2018 and, in accordance with IFRS 5, does not require the restatement of the comparative balance sheet for 2017. The following table details the statement of financial position before and after reclassification as at 31 December 2018, including the different types of assets and liabilities that have been reclassified as discontinued operations:

BALANCE SHEET (Millions of euros)	NOTE	PREVIOUS BALANCE SHEET	RECLASSIFICATION	BALANCE SHEET WITH DISCONTINUED OPERATIONS
Non-current assets		**15,556**	**-3,501**	**12,055**
Goodwill	3.1	2,031	-1,659	372
Intangible assets	3.2	445	-413	32
Investments in infrastructure projects	3.3	7,581	-427	7,155
Other non-current assets		5,499	-1,002	4,497
Current assets		**8,030**	**2,728**	**10,758**
Assets classified as held for sale and discontinued operations		0	4,892	4,892
Trade and other short-term receivables	4.2	2,641	-1,551	1,090
Cash and cash equivalents	5.2	4,526	-522	4,005
Other current assets		863	-92	771
TOTAL ASSETS		**23,586**	**-774**	**22,813**
Equity	**5.1**	**6,137**	**-774**	**5,363**
Attributable to shareholders		5,303	-774	4,530
Attributable to non-controlling interests		833	0	833
Deferred income	**6.1**	**1,294**	**-53**	**1,241**
Non-current liabilities		**10,108**	**-1,196**	**8,912**
Long-term provisions	6.3	782	-323	459
Financial borrowings	5.2	7,861	-442	7,419
Other non-current liabilities		1,465	-431	1,034
Current liabilities		**6,048**	**1,249**	**7,297**
Liabilities classified as held for sale and from discontinued operations		0	3,259	3,259
Financial borrowings	5.2	837	-64	773
Short-term trade and other payables	4.3	4,273	-1,573	2,700
Provisions for traffic transactions	6.3	778	-347	431
Other current liabilities		161	-27	134
TOTAL LIABILITIES		**23,586**	**-774**	**22,813**

Finally, in each of the notes to these annual accounts relating to balance sheet items, the changes caused by the reclassification made at 31 December 2018 are broken down to the line “Assets/Liabilities held for sale and discontinued operations”.

1.1.4. Changes in the scope of consolidation and other disposals in investees

Set forth below is a description of the most significant changes in the scope of consolidation in 2018. The information was prepared taking into account IFRS 3, and the other disclosures required by the standard, which do not appear in this Note, are included in the Note on consolidated goodwill (see Note 3.1).

Services

During 2018 Ferrovial carried out asset disposals (PFIs and Joint Ventures) in non-strategic Services sectors in the UK, with a total value of EUR 74 million. Of note was the sale of the stakes in the SPVs North York and Sheffield, which do not have an impact on the development of the contracts, given that Ferrovial Services continues to operate them. The capital gain registered amounts to EUR 30 million included in the Net profit/(loss) from discontinued operations.

In April 2018 Ferrovial Services Australia agreed the sale of its stake in RACL (Ratch Australia Corporation Limited). The transaction gave rise to a cash impact of AUD 53 million (EUR 34 million). Given that the asset was classified as a financial asset at fair value with changes in equity, the loss recognised from the transaction was registered directly into reserves with a net value of EUR -1 million.

The Group acquired an additional stake in Carillion Amey Ltd. (67%) and Carillion Amey (Housing Prime) Ltd. (50%), in which it already had a previous investment, for a total amount of GBP 18 million (EUR 20 million), after which it obtained 100% of the shares of both companies. As a result, the acquired companies have been accounted for by the equity method until August 2018, the date on which was the takeover date and from then on by full consolidation (see Note 3.1.1).

Construction

In September 2018, Ferrovial disposed of Elektromontaz Poznam, a subsidiary of Budimex, for PLN 107 million, generating a capital gain of PLN 10 million (EUR 8 million after tax) (see Note 2.5).

Toll roads

Although these shares were registered as a financial fixed asset and therefore did not form part of the scope of consolidation, in December 2018, Ferrovial also sold its stake in the Greek toll roads Central Greece (33.34%) and Ionian Roads (21.41%) for the sum of EUR 85 million. The capital gain of this transaction was EUR 84 million (see Note 2.5), (EUR 80 million in net profit/(loss)).

1.2 Accounting policies

1.2.1. New accounting standards

1.2.1.a) New standards, amendments and interpretations adopted by the European Union mandatorily applicable for the first time in 2018:

On 1 January 2018, the following standards which might have an impact on the consolidated financial statements came into force in the European Union: IFRS 9 Financial instruments, Amendment to IFRS 2 Classification and measurement of share-based payments, Amendment to IAS 40 Investment property and IFRIC 22 Foreign currency transactions and advance consideration. Of these standards adopted for the first time, the most relevant impact relates to IFRS 9 Financial Instruments.

With the exception of hedge accounting, which is applied prospectively, IFRS 9 was applied retrospectively, recognising the cumulative effect of initially applying this standard as an adjustment to the opening balances for 2018 of the statement of financial position. Therefore, the comparative information for 2017 was not restated and continues to be presented in accordance with IAS 39.

The impact on equity attributable to the Parent Company of the first-time adoption was EUR -31 million (EUR -29 million for continued operations and EUR -2 million for discontinued operations) and corresponded primarily to the adoption of the new standard for calculating impairments for financial assets. The main changes contained within this new standard are set out in more detail below.

i) Impairment of financial assets. IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12 month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The trade receivables and assets from contracts with customers (IFRS 15), the group has used the simplified approach (provision for losses expected during the entire lifetime of the asset). In order to implement this approach, the Group has therefore established a procedure under which accounts receivable will not only become impaired when they are no longer recoverable (losses incurred), it will also consider losses that are potentially expected based on changes to the credit rating that are specific to the customer, business sector and country (see more detail in Note 1.2.3.3). This model applies to all financial assets, including commercial assets contracted under IFRS 15, non-trade assets and receivables under the IFRIC 12 model. The negative impact on equity attributable to shareholders due to the impairment of financial assets amounted to EUR -32 million net of taxes.

ii) Classification and measurement of financial assets. A new classification has been introduced to reflect the Company's business model and the nature of the contractual financial asset cash flows. To this end, the Group has adapted its policies and established three categories that are permitted under the standard. No significant adjustments have been recognised due to this new classification, as the majority of assets are still measured at amortised cost, since the contractual cash flows consist only of principal and interest payments, and the assets are held to maturity. We would solely note that for its equity instruments that are measured by default at their fair value with changes reported in profit or loss, there is an option to report changes in fair value in other comprehensive income from the outset. This decision cannot be revoked and must be taken for each asset individually.

(iii) Classification and measurement of financial liabilities. IFRS 9 does not make any changes to IAS 39, except for the change in treatment of the renegotiation of financial liabilities that does not cause them to be removed from the balance sheet. The transition adjustment for this connection amounts to EUR 1 million in equity attributable to the Parent Company.

iv) Hedge accounting. IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. The new standard had no significant impact on these financial statements at 31 December 2018. IFRS 9 also generally permits the designation of specific components of non-financial items and financial instruments as hedged items, provided that they are separately identifiable and reliably measurable, and that there is always a liquid market for the items concerned (IFRS 9 B6.3.8 and subsequent), and in certain cases it specifically allows for hedging against inflation for certain financial instruments (IFRS 9 B6.3.13 to 6.3.15).

Regarding IFRS 15, "Revenue from Contracts with Customers", although the legislation came into force on 1 January 2018, Ferrovial decided to apply it in advance in 2017. Therefore, the comparative information for 2017 was not restated and continues to be presented in accordance with IFRS 15.

1.2.1.b) New standards, amendments and interpretations mandatorily applicable in annual reporting periods subsequent to 2018:

The new standards, amendments and interpretations approved by the IASB but not yet mandatorily applicable at 31 December 2018 that might have an effect on the Group are as follows:

IFRS 16 LEASES:

A new standard, which establishes one sole accounting model for lessees, where the amounts in the balance sheet will be increased by the recognition of right-of-use assets and the financial liabilities for the future payment obligations relating to leases classified to date as operating leases.

The modified retrospective approach is expected to be applied at the transition date, recognising the same amount in both assets as in liabilities, for the cumulative effect of first-time adoption of the standard at 1 January 2019, without restating the information for comparative periods. In addition, the standard is not expected to be applied on transition to contracts that were previously carried as operating leases if they do not meet the definition of a lease under IFRS 16 or if they come under the exceptions allowed by the standard with respect to the recognition of short-term (less than 12 months), low-value leases.

From a preliminary analysis of the operating leases in place at the close of the financial year, the Group estimates an approximate impact of EUR 350 million in minimum, non-cancellable future payments, updated at the implicit interest rate, taking account of the type of asset and country, which could be comparable with the asset due to right-of-use and the financial debt that will have to be entered in the balance sheet. Approximately EUR 250 million of this impact would relate to the Services Division. The estimate has been made based on the portfolio of contracts and market conditions at 31 December 2018, but it could change because the Group has not finalised the implementation of the new solution that will facilitate the application of the standard and any possible changes to the accounting policy that may arise during actual adoption of the standard by the Group companies, until the financial statements for the year of first-time adoption are issued.

The other standards, amendments and interpretations approved by the IASB but that are still pending application in the European Union at 31 December 2018 that might have an effect on the Group are as follows:

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS		MUST BE APPLIED TO FINANCIAL YEARS BEGINNING FROM:
Approved by the EU		
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Pending approval by the EU		
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements	2015-2017 Cycle	1 January 2019
Amendments to references in the conceptual framework		1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material or with Relative Importance	1 January 2020
Amendment to IFRS 3	Definition of a business	1 January 2020

None of these standards are expected to have any significant impact on the company.

1.2.2. BASIS OF CONSOLIDATION

In 2018 and 2017 the reporting dates of the separate annual accounts of all the companies included in the scope of consolidation were either the same as, or were temporarily brought into line with, that of the parent company.

As indicated above, the consolidated Group applied the basis of consolidation established in the IFRS adopted by the European Union (EU-IFRS). In this regard, in order to calculate the degree of control, joint control or significant influence existing at each company in the Group, a review has been carried out of the consistency between the stake held and the number of votes controlled in each company under their articles of association and shareholder agreements.

In the case of business activities with companies in which the existence of joint control is identified, the general basis of consolidation is the equity method.

In relation to these jointly controlled businesses, apart from the situations in which there are two venturers, each with a 50% ownership interest, the cases requiring a more in-depth analysis are those relating to infrastructure projects in which Ferrovial is the shareholder with the largest ownership interest (less than or equal to 50%) and has the right to propose the Chief Executive Officer or other executives of the investee, while the other shareholders, mainly infrastructure funds, have a direct participation in the Board of Directors. In all these cases, it has been concluded that the projects in question should be consolidated using the equity method, because Ferrovial does not have the right to nominate the majority of the Board of Directors of these companies, and the decisions of the said Boards (including the appointment of the main executive positions) always require a simple or qualified majority, when Ferrovial does not itself have a casting vote in the event of a tie. Notable cases in this regard are the stakes held in the companies that own the following Toll Road projects (the percentage stake held in each is shown in brackets): I-66 (50%), 407 ETR (43.2%), Slovakia (35%), Toowoomba (40%) and Osars (50%).

The contracts that are undertaken through unincorporated temporary joint ventures (UTEs) or similar entities that meet the IFRS 11 requirements for being classified as "Joint operations" are proportionately consolidated. It is considered that, in these cases of joint control, the partners have direct control over the assets, liabilities, income and expenses of these entities and joint and several liabilities for their obligations. Operations of this nature contributed to the consolidated Group assets profit/(loss) and revenues of EUR 86 million, EUR -42 million and EUR 923 million, respectively (EUR 913 million, EUR -19 million and EUR 1,406 million in 2017). For asets, profit/(loss) and revenue, discontinued operations contribute EUR 528 million, EUR 40 million and EUR 381 million respectively.

Particularly worthy of note due to their materiality (sales representing more than 0.5% of consolidated sales) are the following companies relating to construction projects:

PROJECT	ACTIVITY	% SHARE	REVENUE (€M)
UTE NTE	Construction of the NTE toll road in Dallas-Fort Worth	75%	187
Northern Line / Thames Tideway Tunnel	Design and construction of the Thames Tideway tunnel and Northern Line extension of the London Underground	50%	182
UTE Toowoomba	Construction of a bypass around the city of Toowoomba, Australia	50%	141
Northern Beaches	Design and construction of improvements to the road network around the hospital of Northern Beaches in Australia	70%	75
407 East Extension	Design and construction of the 407 East toll road in Toronto	50%	53
PLW	Water treatment company based in Houston	50%	53
Tokamak - Iter	Construction of the Tokamak reactor located in Cadarache, in the south of France	30%	45
UTE Farringdon Station	Connection improvements between London Underground lines	33%	37
Grand Parkway Infrastructure	Design, construction and maintenance of the SH-99 Grand Parkway toll road in Houston	70%	33
UTE Harwood	Design and Construction of the Clarence River Bridge, in New South Wales	50%	32
Fusion Joint Venture - EW	High-speed rail project between London and Birmingham.	37%	30
Total			**867**

The companies over which Ferrovial, S.A. exercises significant influence or joint control and which do not meet the requirements in IFRS 11 to be classified as "joint operations" are equity-accounted. A breakdown of the equity-accounted companies can be found in Note 3.5. and in Appendix II.

As regards companies consolidated using the equity method, certain companies in which it holds a direct or indirect stake of less than 20%, so long as Ferrovial can appoint one of the members of the Board of Directors.

Intra-Group balances and transactions are eliminated on consolidation. However, the transactions recognised in the income statement in relation to construction contracts performed by the Construction Division for infrastructure project concession operators are not eliminated on consolidation, since contracts of this kind are treated as construction contracts under which the Group performs work for the concession grantor or regulator in exchange for the right to operate the infrastructure under the terms pre-established by the grantor or regulator. The grantor or regulator thus controls the asset from inception and grants the above-mentioned right in exchange for the work performed, and, therefore, the conclusion may be reached that at Group level the work is performed for third parties. This is in line with IFRIC 12. The non-elimination of these transactions had an impact of EUR 22 million on the consolidated income statement, after taxes and non-controlling interests (2017: EUR 18 million). The detail of the transactions not eliminated on the basis of the foregoing is shown in Note 6.8, Related party transactions.

Appendix II contains a list of subsidiaries and associates.

Finally, as regards transactions for the purchase or sale of a percentage stake that does not lead to any change of control in the company in question, the minority stake may be measured at its fair value or at its proportional value in the identifiable net assets of the company being acquired.

The general criterion applied by the Group will be the one that avoids the advance recognition of capital gains in the company's equity. Thus, a minority stake is recognised at its fair value in the event that shares are sold for an amount that exceeds their carrying amount or purchased for less than their carrying amount. Similarly, the corresponding capital losses are recognised as part of the company's equity in the event that shares are sold for less than their carrying amount or purchased for more than their carrying amount.

1.2.3. ACCOUNTING POLICIES APPLIED TO EACH LINE ITEM IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED INCOME STATEMENT

Set forth below is a detail of only those accounting policies adopted by the consolidated Group in preparing these Consolidated Annual Accounts with respect to which there is an option permitted by IFRS or, as the case may be, on the basis of the specific nature of the industry in which it operates or of its materiality.

1.2.3.1. Property, Plant and Equipment, Investment Property and Intangible Assets

- Subsequent to initial recognition, the items included under “Intangible Assets”, “Investment Property” and “Property, Plant and Equipment” are measured at cost less any accumulated depreciation and any accumulated impairment losses.

- The Group uses the straight-line method to calculate the amortisation charge for the assets included under “Intangible Assets”, “Investment Property” and “Property, Plant and Equipment”, except in the case of certain machinery in the construction business, which is depreciated using the diminishing balance method.

The consolidated companies depreciate their various items of "Property, plant and equipment" basically within the following ranges of years of useful life:

	YEARS OF USEFUL LIFE
Buildings and other structures	10-50
Machinery, fixtures and tools	2-25
Furniture and fittings	2-15
Vehicles	3-20
Other fixed assets	2-20

1.2.3.2. Investments in infrastructure projects

This line item includes investments in infrastructure made by companies that hold infrastructure projects within the scope of IFRIC 12 (mainly toll roads), where remuneration consists of an unconditional right to receive cash or other assets, or a right to charge the corresponding fees based on the degree to which the public service is used.

The assets acquired by the concession operator to provide the concession services, but which do not form part of the infrastructure (vehicles, furniture, computer hardware, etc.), are not included in this line item because they are not returned to the concession grantor. Assets of this nature are classified under “Property, Plant and Equipment” and are depreciated over their useful life, using a method that reflects their economic use.

IFRIC 12 Intangible Asset Model

All initial investments relating to the infrastructure that is subsequently returned to the grantor, including compulsory purchase costs and borrowing costs capitalised during construction, are amortised on the basis of the expected pattern of consumption applicable in each case (normally forecast vehicle numbers in the case of toll roads) over the term of the concession.

The investments contractually agreed on at the start of the concession on a final and irrevocable basis for being made at a later date during the term of the concession, and provided they are not investments made to upgrade infrastructure, are considered to be initial investments. For investments of this nature, an asset and an initial provision are recognised for the present value of the future investment, applying a discount rate to calculate the present value that is equal to the cost of the borrowings associated with the project. The asset is amortised based on the pattern of consumption over the entire term of the concession and the provision is increased by the related interest cost during the period until the investment is made.

Where a payment is made to the grantor to obtain the right to operate the concession, this amount is also amortised based on the pattern of consumption over the concession term.

A provision is recognised systematically for replacement investments over the period in which the related obligations accrue, which must have been set up in full by the time the replacement becomes operational. The provision is recognised on the basis of the pattern of consumption over the period in which the obligation arises, on a time proportion basis.

Infrastructure upgrade investments are those that increase the infrastructure's capacity to generate revenue or reduce its costs. In the case of investments that will be recovered over the concession term, since the upgrade investments increase the capacity of the infrastructure, they are treated as an extension of the right granted and, therefore, they are recognised in the consolidated statement of financial position when they come into service. They are amortised from the date on which they come into service based on the difference in the pattern of consumption arising from the increase in capacity. However, if, on the basis of the terms and conditions of the concession, these investments will not be offset by the possibility of obtaining increased revenue from the date on which they are made, a provision is recognised for the best estimate of the present value of the cash outflow required to settle the obligations related to the investment that will not be offset by the possibility of obtaining increased revenue from the date on which the investments are made. The balancing entry is an addition to the acquisition cost of the intangible asset.

In the case of the proportional part of the upgrade or increase in capacity that is expected to be recovered through the generation of increased future revenue, the general accounting treatment used for investments that will be recovered in the concession term will be applied. The main assumptions used in relation to these arrangements correspond to vehicle number and replacement investment estimates, which are updated each year by technical departments.

Set forth below is a detail of the main toll road concessions in force to which the intangible asset model is applied, showing their duration, their status and the accounting method applied:

Toll Road Concessions accounted for using the Intangible Asset Model:

CONCESSION OPERATOR	COUNTRY	CONCESSION TERM (YEARS)	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
NTE Mobility Partners, LLC	USA	52	Operational	2014	Full Consolidation
NTE Mobility Partners Seg 3 LLC	USA	43	Operational	2018	Full Consolidation
LBJ Infr. Group LLC	USA	52	Operational	2014	Full Consolidation
I-66 Mobility Partners LLC	USA	50	Under Construction	2016	Equity method
I-77 Mobility Partners LLC	USA	50	Under Construction	2014	Full Consolidation
Autopista del Sol	Spain	55	Operational	1999	Full Consolidation
Euroscut Azores	Portugal	30	Operational	2011	Full Consolidation
Eurolink Motorway Operations (M4-M6)	Ireland	30	Operational	2005	Equity method

(*) First year of the concession (if in operation) or year of commencement of construction (if in the construction phase).

Other concession arrangements accounted for using the Intangible Asset Model:

In addition to the toll road concessions shown in the foregoing table, there are other arrangements to which the IFRIC 12 intangible asset model is applied, including most notably a concession of the Services Division held through Autovía de Aragón Sociedad Concesionaria, S.A. for the rehabilitation and subsequent maintenance of a stretch of the Nacional II road in Spain. The main contracts of the Services Division are as follows:

CONCESSION OPERATOR	COUNTRY	CONCESSION TERM (YEARS)	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
Autovía Aragón	Spain	19	Operational	2007	Full Consolidation
Servicios Urbanos de Murcia	Spain	20	Operational	2011	Full Consolidation
PlanAlto Beirao	Portugal	25	Operational	2006	Full Consolidation
Ecoparc Can Mata (1)	Spain	14	Operational	2011	Full Consolidation
Gesmat	Spain	20	Operational	2012	Full Consolidation

(*) First year of the concession (if in operation) or year of commencement of construction (if in the construction phase).

(1) Bifurcated models (intangible asset / financial asset).

Financial Asset Model IFRIC 12

This line item includes the service concession arrangements related to infrastructure in which the consideration consists of an unconditional contractual right to receive cash or another financial asset, either because the grantor guarantees to pay the operator specified or determinable amounts or because it guarantees to pay the operator the shortfall between amounts received from users of the public service and specified or determinable amounts. Therefore, these are concession arrangements in which demand risk is borne in full by the grantor. In these cases, the amount due from the grantor is accounted for as a loan or receivable under assets in the consolidated statement of financial position.

To calculate the amount due from the grantor, the value of the construction, operation and/or maintenance services provided and the interest implicit in arrangements of this nature are taken into consideration.

Revenue from the services (mainly construction and maintenance) provided in each period increases the amount of the related receivables with a balancing entry in sales. The interest on the consideration for the services provided also increases the amount of the receivables with a balancing entry in sales. Amounts received from the grantor reduce the total receivable with a balancing entry in cash.

When reporting this financial revenue in concessions of this type it is classified as ordinary income, since it forms part of the ordinary concession activity and is earned on a regular and periodic basis.

At 31 December 2018 and 2017, the interest recognised as revenue amounted to EUR 108 million and EUR 136 million respectively (see Note 2.1). Also, the borrowing costs associated with the financing of concessions to which the financial asset model is applied amounted to EUR 23 million in 2018 and EUR 35 million in 2017). The fall in both of these figures was primarily due to the Portuguese toll roads Norte Litoral and Algarve, which were consolidated using the equity method throughout the whole of 2018 (compared to 8 and 3 months, respectively in 2017).

Below is a detail of the main toll road concession arrangements in force to which the financial asset model is applied, showing their duration, their status and the accounting method applied

Toll Road Concessions accounted for using the Financial Asset Model

CONCESSION OPERATOR	COUNTRY	YEARS	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
Autopista Terrassa Manresa	Spain	50	Operational	1989	Full Consolidation
Auto-Estradas Norte Litoral	Portugal	30	Operational	2006	Equity method
Autoestrada do Algarve, S.A.	Portugal	30	Operational	2004	Equity method
Eurolink M3	Ireland	45	Operational	2010	Equity method
A66 Benavente – Zamora	Spain	30	Operational	2015	Equity method
407 East Extension	Canada	30	Operational	2016	Equity method
Scot Roads Partnership Project Limited (**)	UK	30	Operational	2017	Equity method
Nexus Infr. Unit Trust (Toowoomba) (***)	Australia	25	Under Construction	2015	Equity method
Blackbird Infrastructure Group (407 East Phase 2) (****)	Canada	30	Under Construction	2015	Equity method
Ruta del Cacao S.A.S	Colombia	20	Under Construction	2015	Equity method
Zero Bypass Ltd.	Slovakia	30	Under Construction	2016	Equity method
Netflow OSARs Western	Australia	20	Under Construction	2017	Equity method

(*) First year of the concession (if in operation) or year of commencement of construction (if in the construction phase).

(**) Owned 20% through Cintra and 20% through Amey

(***) Opening of Western Section in December 2018

(****) Opening of Segment 2A in January 2018

Other concession arrangements accounted for using the Financial Asset Model:

The other arrangements to which the financial asset model is applied relate to the Services, Construction and Airports Divisions.

Below is a breakdown of the most significant concession arrangements in the Construction Division:

CONCESSION OPERATOR	COUNTRY	CONCESSION TERM (YEARS)	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
Concesionaria de Prisiones Lledoners	Spain	32	Operational	2008	Full Consolidation
Conc. Prisiones Figueras S.A.U.	Spain	32	Operational	2011	Full Consolidation
Depusa Aragón, S.A.	Spain	20	Under Construction	2017	Full Consolidation
Wroclaw Budimex Car Park	Poland	30 years and 4 months	Operational	2012	Full Consolidation
Urbicsa Ciudad de la Justicia	Spain	35	Operational	2008	Equity method
Concesionaria Vía Olmedo Pedralba	Spain	25	Operational	2013	Equity method

(*) First year of the concession (if in operation) or year of commencement of construction (if in the construction phase).

As regards the Services Division, the most significant arrangements are as follows:

CONCESSION OPERATOR	COUNTRY	CONCESSION TERM (YEARS)	STATUS (*)	FIRST YEAR OF CONCESSION (**)	ACCOUNTING METHOD
CTR Oris	Spain	15 years	1	2015	Full Consolidation
Juan Grande	Spain	20 years	1	2014	Prop.
Salto del Negro	Spain	22 years	1	2012	Prop.
Smart Hospital Cantabria	Spain	20 years	1	2014	Full Consolidation
Toll Road IM08 DDS	Poland	6 years	1	2014	Full Consolidation
IM009 DDS	Poland	5 years	1	2016	Full Consolidation
AmeyCespa WM East	UK	28 years	1	2008	Full Consolidation
AmeyCespa MK SPV	UK	18 years	1	2013	Full Consolidation
Amey (IoW) SPV Ltd	UK	25 years	3	2015	Full Consolidation
Madrid Calle 30	Spain	35 years	1	2005	Equity method
Integrated Bradford Spv One Ltd	UK	27 years	1	2006	Equity method
Integrated Bradford Spv Two Ltd	UK	27 years	1	2009	Equity method
Amey Lagan Roads Ltd	UK	30 years	1	2007	Equity method
Amey Lighting Norfolk Limited	UK	25 years	1	2007	Equity method
E4D&G Project Co Ltd	UK	32 years	1	2008	Equity method
Amey Belfast Schools Partnership Pfi Co Ltd	UK	31 years	1	2008	Equity method
The Renfrewshire Schools Partnership Ltd	UK	33 years	1	2005	Equity method
Amey Birmingham Highways Ltd	UK	25 years	1	2010	Equity method
Amey Highways Lighting Manchester Limited	UK	25 years	1	2004	Equity method
Amey Highways Lighting Wakefield Limited	UK	25 years	1	2003	Equity method
Services Support A&S Ltd	UK	30 years	1	2004	Equity method
Scot Roads Partnership Project Ltd (***)	UK	30 years	1	2017	Equity method
Amey Hallam Highways	UK	25 years	2	2012	Equity method

(*) 1: Operating; 2: Construction; 3: Construction/Operating.

(**) First year of the concession (if in operation) or year of commencement of construction (if at the construction phase).

(***) Owned 20% through Cintra and 20% through Amey.

The Airports Division has the following concession arrangement:

CONCESSION OPERATOR	COUNTRY	CONCESSION TERM (YEARS)	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
Denver Great Hall	USA	30	Under Construction	2017	Full Consolidation

(*) First year of the concession (if in operation) or year of commencement of construction (if in the construction phase).

1.2.3.3. Other line items in the balance sheet and income statement

Cash and cash equivalents of infrastructure project companies: Restricted cash (Note 5.2.1).

This line item includes investments of the same type and maturity that are assigned to the financing of certain infrastructure projects, the availability of which is restricted under the financing contracts as security for certain obligations relating to the payment of debt principal and interest and to the maintenance and operation of the infrastructure.

Fair value measurement

In the measurements of derivatives, the credit risk of the parties to the related agreement is taken into account. The impact of credit risk will be recognised in profit and loss, unless the derivatives qualify as effective hedges, in which case they will be recognised in reserves. The Group uses appropriate measurement techniques based on the circumstances and on the volume of inputs available for each item, attempting to maximise the use of relevant observable inputs and avoiding the use of unobservable inputs. The Group establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into the following three levels:

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

As indicated in Note 5.5, Derivative financial instruments at fair value, all the Group's derivative financial instruments are categorised within Level 2.

In 2018, a valuation exercise was also carried out at fair value in relation to the assets and liabilities that have been reclassified to discontinued operations (see Note 1.1.3 in relation to the valuation criteria applied).

Financial instruments

As mentioned above in Note 1.2.1, the new IFRS 9 standard for financial instruments has been adopted, which sets out the requirements for recognising and measuring financial assets and liabilities.

Of particular note is the change that affects the classification and measurement of financial assets, whereby the measurement method is based on two aspects, these being the features of the contractual cash flows from the financial asset and the entity's business model. The three new categories are amortised cost, fair value through other comprehensive income (equity) and fair value through profit or loss. As indicated previously, the Group's financial assets are mainly assets held to maturity, the cash flows of which are only payments of principal and interest, so, on this basis, financial assets are carried at amortised cost.

The group has also registered an expected loss provision as set out in the new IFRS 9 standard. For its calculation, the Group has developed a method whereby certain rates are applied to financial asset balances that reflect expected credit losses based on the credit profile of the counterparty (the customer, in the case of trade and other receivables and the awarding entity for financial assets under IFRIC 12). These percentages reflect the probability that payment obligations will not be met, and the percentage lost, which, in the event of non-payment, will ultimately be irrecoverable. The assignment of ratings and trends in the rates are overseen by the financial risk department, which performs an update at each year end based on credit risks. If during the analysis a significant increase in risk is identified with respect to that initially recognised, the expected loss is calculated taking into account lifetime probability of default.

The Group applies the simplified approach to trade and other receivables including the contract assets. In order to calculate expected loss, an average rating is obtained for customers by business and geographic area and is used to generate the rates to be applied to the balances, depending on whether the customer is a public or private entity and on its business sector (only in the case of private customers). Moreover, if the customer is declared insolvent, a claim is filed against it or it defaults on payment, a breach is deemed to have occurred and the entire trade receivable will be provisioned. To this end, the Group has defined payment periods per type of customer that trigger a breach and thus the posting of a provision.

In the case of receivables under the IFRIC 12 model (see Note 3.3.2), the expected loss provision is calculated individually for each asset based on the awarding entity's credit quality. If the credit risk has not increased significantly, the calculation will be made based on the same amount as the expected credit losses over the next 12 months. The risk is deemed not to have increased significantly if the awarding entity has a rating above investment grade and has maintained this level since initial recognition.

Other equity instruments

These are perpetual bonds with payment at the discretion of the party that issues the coupon in question. They do not meet the conditions to be considered as a financial liability for accounting purposes, because they do not include any contractual obligation to make payment in the form of cash or any other financial asset, nor do they include any obligation to exchange financial assets or liabilities. They are therefore entered as part of the company's Equity, in the line item showing other equity instruments.

Non-refundable grants related to assets

Non-refundable grants related to assets are measured at the amount granted under "Deferred Income" (see Note 6.1) in the consolidated statement of financial position, and are taken to profit or loss gradually in proportion to the period of depreciation on the assets financed with these grants, which is recognised under "Depreciation and Amortisation Charge". From the cash flow standpoint, the amount of the grants collected in the year is presented as a reduction of the amount of the investments made.

Trade payables

"Trade Payables" include the balances payable to suppliers under reverse factoring arrangements with banks.

These balances are classified as trade payables and the related payments as cash flows from operating activities, since the payments are made to the banks under the same conditions as those agreed with the supplier, the company bound by the obligation to make payment does not agree an extension with the financial institutions beyond the due dates agreed with the supplier, the cost of the reverse factoring is paid by the supplier, and there are no special guarantees to secure the payments to be made.

1.2.3.4 Revenue recognition

In order to ensure that policy is standardised across all its different business areas, Ferrovial has prepared a common revenue recognition policy adapted to IFRS 15 "Revenue from Contracts with Customers". The following section contains an explanation of the criteria on which this policy is based, which mainly affect Construction and Services activities. The final part of this section gives a summarised explanation of some specific aspects that may affect the recognition of revenues in each of the Group's business segments.

i) General revenue recognition criteria

The first step in the revenue recognition process involves identifying the relevant contracts and the performance obligations that they contain. The number of performance obligations included in a contract will depend on the type of contract and business activity involved, as explained when each of the Group's business segments are discussed.

Generally speaking, the performance obligations in the Construction and Services activities carried out by Ferrovial are met over time, rather than at a point in time, since the customer simultaneously receives and consumes the benefits offered by the company's performance as the service is provided.

As regards the criterion for recognising revenues over time (the method of measuring the progress of performance of an obligation), Ferrovial has established certain criteria that are consistently applied in respect of similar performance obligations.

In this regard, the Group has chosen the output method as its preferred method for measuring the value of assets or services for which control is transferred to the customer over time, which is applied whenever the progress of the work performed can be measured on the basis and over the course of the contract.

In contracts for the provision of different, highly interrelated goods or services required to produce a combined output, which often occurs in contracts for construction activities, the applicable output method is that of measurement of units produced ("surveys of performance" under "output methods"), in which the revenue recognised corresponds to the work units completed, based on the price allocated to each unit. In accordance with this method, the units produced under each contract are measured and, on a regular basis, the output is recognised as revenue. The costs of carrying out works or service projects are recognised on an accrued basis, and the costs actually incurred in producing the units of output are recognised as an expense together with those which, because they are expected to be incurred in the future, have to be allocated to the units completed to date.

In routine or recurring service contracts (in which the services are substantially the same), such as maintenance and cleaning services, which are transferred with the same pattern of consumption over time and whose remuneration consists of a recurring fixed amount over the term of the contract (e.g. monthly or annual payment), in such a way that the customer receives and consumes the benefits of the services as the entity provides them, the method selected by the Group to recognise revenue is the "time elapsed" output method. Under this method, revenue is recognised on a straight-line basis over the term of the contract and costs are recognised on an accrual basis.

Lastly, only in those contracts that are not for routine or recurring services and for which the unitary price of the units to be performed cannot be determined, use of the of the stage of completion measured in terms of the "costs incurred" (input method) is permitted. Under this method, the company recognises revenues based on the costs as they accrue, as a percentage of the total costs forecast for completion of the works, taking account of the expected profit margins for the whole project, according to the most recently updated budget. This method entails measuring the costs incurred as a result of the work completed to date as a proportion of the total costs forecast, and recognising revenues in proportion to the total revenues expected. Using this method, the percentage of costs incurred as a proportion of estimated total costs is used to determine the revenues to be recognised, based on the estimated margin for the entire term of the contract. As indicated above, this method only applies to those complex, lump-sum construction or services contracts in which it is not possible to break down the units produced and measured them.

ii) Recognition of revenue from contract modifications, claims and disputes

Modifications are understood to mean changes to the scope of the work that are not provided for in the original contract and that could result in a change to the revenues attached to the contract in question. Changes to the initial contract require the customer's technical and financial approval prior to the issue of billings and collection of the amounts relating to additional work. The criterion applied by the Group is not to recognise any revenue from this additional work until the additional work has been approved by the client. In cases where the work has been approved but its measurement remains pending, the "variable consideration" requirement (as explained below) will apply. This entails recognising revenue in an amount that will be most likely not to suffer any significant reversal. Any costs associated with the units completed or services rendered will be recognised at the time at which they are incurred, regardless of whether or not the modification has been approved.

A claim is a request seeking payment or compensation from the customer (for example, cases involving compensation, reimbursement of costs, legally mandatory inflation-linked review), subject to the submission of a direct application to the customer. The criterion followed by the Group with regard to claims is to apply the method mentioned above in relation to changes, when such claims are not covered by the contract, or to apply the variable consideration method, when they are covered by the contract but need to be quantified.

A dispute is the result of an incident of non-compliance or rejection after a claim has been made to the customer under the terms of the contract, the result of which is pending in a procedure being pursued directly with the customer or in court or arbitration proceedings. In line with the criteria followed by the Group, in the event that the revenues relating to a dispute in which the enforceability of the amount being claimed are in doubt, these revenues will not be recognised and any recognised earlier will be cancelled, since the dispute shows that the customer has not given its approval for the completed work. In the event that the customer questions the value of the work completed revenues will be recognised on the basis of the criteria applied in cases of "variable consideration", as explained below.

Only in cases in which a legal report confirms that the rights forming the subject of the dispute are clearly enforceable and, therefore, at least the costs directly associated with the service relating to the dispute are recoverable, revenues may be recognised up to the maximum amount of the costs incurred.

iii) Variable consideration

If the consideration promised in a contract includes a variable amount, this amount is recognised only to the extent that it is highly probable that a significant reversal in the amount recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

iv) Statement of financial position balances relating to revenue recognition

Amounts to be billed for work performed/ amounts billed in advance for construction works

Unlike the method used to recognise revenues, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document referred to as a certificate of completion. Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In contracts in which the transfer of goods or services to the customer exceeds the amount billed or certified, the difference is recognised in an asset account entitled "Amounts to be billed for work performed" (since it is an asset under the contract), in the section "Trade receivables for sales and services", while in contracts in which the transfer of goods is lower than the amount billed or certified, the difference is recognised in a liability account entitled "Amounts billed in advance for construction work" (since it is a liability under the contract), in the section "Short-term trade and other payables".

Bidding and mobilisation costs

In addition to the statement of financial position entries described above, the Group also recognises assets connected with the cost of obtaining contracts (bidding costs) and the costs incurred in order to comply with contracts or the costs to fulfill the contract (mobilisation costs) that relate directly to the main contract, provided that they are recoverable during the performance of the contract. These amounts are included in a different account on the assets side of the statement of financial position, under "Inventories" (Note 4.1).

Bidding costs are only capitalised when they are directly related to a contract, it is probable that they will be recovered in the future, and either the contract has been awarded or the company has been selected as preferred bidder. The costs incurred, regardless of whether or not the contract is won, are recognised as an expense, unless they are explicitly recoverable from the customer in any case (whether or not the contract is won). They are amortised systematically as the goods and services connected with the asset are transferred to the customer.

Any costs that are necessary in order to implement a contract, mobilisation costs, are capitalised whenever it is probable that they will be recoverable in the future and when they do not include costs that would normally be generated for the company if the contract had not been won. They are gradually recognised as an expense on the basis of the proportion of actual output to estimated output under each contract. Otherwise, the expenses are entered directly to profit or loss.

v) Provisions related to customer contracts

The main provisions relating to customer contracts are provisions for deferred costs and for budgeted losses.

- **Provisions for deferred expenses.** These cover expenses that are expected to be generated at the end of a contract, such as the removal of construction machinery or dismantling costs, together with estimates of the repairs that will be required during the warranty period. These provisions are connected with an existing obligation set out in the contract, on the basis that the company will probably allocate resources to complying with the obligation, the amount of which can be reliably estimated. The provisions are allocated on the basis of the best possible estimates of total costs. They may be calculated as a percentage of the total revenues expected from the contract, if there is historical information from similar contracts.

  As regards the warranty obligations included in this type of provision, these will not be treated as a separate performance obligation, unless the customer has the option of engaging the warranty separately, meaning that the obligation will be entered in accordance with IAS 37 on provisions, contingent liabilities and contingent assets.

- **Provisions for budgeted losses.** These provisions are recognised as soon as it becomes obvious that the total costs expected to be incurred in a contract exceed total expected revenues. For the purposes of calculating this provision, where necessary, the criteria set out in paragraph 14 (b) of IAS 37 are applied. In this way, the estimate of the total contract budget will include the forecast revenues that are considered probable. These criteria are different from those set out in IFRS 15, mentioned above in Note 1.2.3.4 "Revenue Recognition", under which the said revenues are only recognised when considered highly probable. Likewise, in the event that the total profit expected from a contract is lower than the amount recognised according to the rules set out above for entering income, the difference is entered as a provision for negative margins.

vi) Financing component

Generally speaking, in order to calculate the price of a performance obligation, an implicit financing component is calculated, in cases in which the period between the date on which the goods or services are delivered and the date on which the customer is expected to pay for the goods or services is greater than a year. This component is treated as financial income.

Where a performance obligation involves a period of less than one year between the date on which the company transfers goods that have been promised to the customer and the date on which the customer pays, the practical solution permitted under the regulations is applied to avoid adjusting the financial amount of the payment.

In cases in which there is a contractual or legal right to charge late payment interest for a payment that is delayed with regard to the contractually agreed terms, this interest is only recognised when it is highly probable that it will be effectively paid.

vii) Specific criteria for the recognition of revenues by segment

Construction Business

For construction contracts, as a general rule, single performance obligation will be identified owing to the high degree of integration and customisation of the various goods and services to provide a combined output that is transferred to the customer over time.

As mentioned above, the Group has chosen the "measured work unit" ("output method") as its preferred method. This is applied whenever the progress of the work can be measured as it is being carried out, and a price has been allocated to each work unit.

It is only with regard to contracts in which it is not possible to determine a unit price for the units to be completed that the input method known as "measure of progress based on costs incurred" may be applied.

Services Business

In the case of the services business, there is no single type of contract, given the wide diversity of services offered. In general, contracts include a range of different tasks and unit prices, in which revenues are entered in the income statement when the services are provided, based on time elapsed, i.e. when the customer simultaneously receives and consumes the benefits provided by the performance of the service as it is being provided. This happens, for example, with recurring or routine services such as facility management, street cleaning or waste collection services.

Certain contracts include different types of activities, subject to a scale of fixed unit tariffs for the provision of the services that are provided and that form part of the contract as a whole. In these contracts, the customer requests each service by submitting work orders which are classified as independent performance obligations, and any associated revenues will be recognised on the basis of the specific requirements set out for approval in each contract.

In the case of complex, long-term contracts that include the provision of various services involving different performance obligations (construction, maintenance, operation, etc.), payment of which is made regularly and for which the price corresponding to the obligations in question is indicated in the contract or can be calculated, revenues are recognised for the recurring services on an elapsed time basis, using the progress achieved criterion for the more complex performance obligations in which it is not possible to allocate a price to each of the units completed.

Lastly, it should be noted that the revenue from certain contracts that fall within the scope of IFRIC 12 is recognised as described in Note 1.2.3.2.

Toll Roads Business

The arrangements included in this line of business are accounted for in accordance with IFRIC 12, which provides for the classification of the assets assigned to such arrangements on the basis of the intangible asset model and the financial asset model (bifurcated arrangements can also exist) (see Note 1.2.3.2).

The IFRS 15 standard, "Revenue from Contracts with Customers", does not involve any change with regard to the way this business has been accounted for to date. In the case of concession arrangements accounted for using the intangible asset model, the customer is the user of the infrastructure and, therefore, each use made of the infrastructure by users is considered a performance obligation, and the related revenue is recognised at a point in time. In the case of concession arrangements accounted for using the financial asset model, in which the customer is the concession grantor, revenue recognition depends on the various services provided (e.g. operation or maintenance), which will be accounted for as different performance obligations, to which market prices have to be allocated. In cases in which an isolated sale price cannot be directly identified, it is estimated on the basis of the best possible estimate, applying the margin expected for this business.

Airports Business

Generally speaking, these are short-term services rendered to the customer (airlines or airport users), in which regulated revenues will be recognised at a specific moment, which means there are no changes with regard to this activity. It should be noted that the revenue from certain contracts that fall within the scope of IFRIC 12 is recognised as described in Note 1.2.3.2.

Real Estate Business

This consists mainly of revenues associated with the sale of flats, retail units and garages, which are entered when the purchaser obtains legal rights and takes physical possession of the asset. Each unit (flat, etc.) will be classified as a separate performance obligation and recognised upon the legal and financial transfer of the asset to the purchaser, and there are no changes to the current way in which revenues are recognised.

Energy Distribution Business

Contracts with a series of services that are substantially the same and are transferred using the same standard model. The monthly tariff reflects the value of the services rendered. These types of contract will only have a performance obligation that is transferred over time, and revenues are recognised using the output method.

1.2.3.5 Non-current assets held for sale

Non-current assets are classified as assets held for sale if it is considered that their carrying amount will be recovered when sold sold, rather than via continued use. This condition is only met when the sale is highly probable, and they are available for immediate sale in their current condition, and that the sale is likely to be completed in the space of one year from the classification date. The total of these assets is registered in one line, and valued at the lower value of their carrying amount and their fair value, less the costs to sell them, and are not subject to depreciation from the moment they are classified as held for sale. The profit/(loss) contribution of these assets to the Group's consolidated profit/(loss) is registered in the income statement, classified by type.

An entity that is committed to a sale plan that entails the loss of control of a subsidiary will classify all that subsidiary's assets and liabilities as held for sale when the requirements indicated in the previous paragraph are met, irrespective of whether or not the entity retains a non-controlling interest in its former subsidiary following the sale.

1.2.3.6 Discontinued operations

Discontinued operations are those that have been sold or otherwise disposed of, or have been classified as held for sale and represent a full segment for the consolidated Group, or form part of a single plan or relate to a subsidiary acquired solely for resale. The profit/(loss) generated from discontinued operations, both for the current financial year, as well as those presented alongside it, is presented in a specific line in the income statement after tax, with the total comprising the follow amounts:

- Profit/(loss) after tax of the activities and/or discontinued operations.
- Profit/(loss) after tax recognised for the fair value measurement, less sales costs, or for divestment.

1.2.4. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the consolidated annual accounts for 2018 estimates were made to measure certain of the assets, liabilities, revenues, expenses and obligations reported in those statements. These estimates basically relate to the following:

i) The estimates that are taken into account for the purposes of recognising revenues from contracts with customers (see Note 1.2.3.4), particularly important being those relating to:

- determining whether there are enforceable rights to recognise revenues;
- determining whether the modification of a contract has been approved;
- establishing whether the criteria have been met to recognise revenue as variable consideration;
- recognising revenues in relation to a claim or dispute;
- establishing whether there are one or more performance obligations and the price to be allocated to each of them;
- defining the method applicable to each performance obligation in order to recognise revenues on the basis of time, bearing in mind that, according to the accounting policy established by the company, the preferred method is the output method (analysis of work completed), based on either percentage completed or time elapsed, while the input method (measure of progress based on costs) is applied in cases in which the services rendered do not represent recurrent and routine services in which it is not possible to determine the unit price for the units to be completed;
- in the case of contracts entered under the criterion of examination of work completed, measurement of the units completed and the price to be allocated to them;
- in the case of contracts entered using the input method (measure of progress based on costs), defining the degree to which costs have been incurred and the margin expected to be obtained from the contract;
- determining capitalisation of bidding and mobilisation costs;
- Estimates relating to the calculation of provisions for expected losses and deferred expenses.

ii) The judgements regarding meeting the conditions to classify the assets held for sale and discontinued operations in line with IFRS 5, and for the fair value estimation of those assets (see Note 1.1.3).

iii) The assessment of possible legal contingencies (see Note 6.5, Contingent liabilities, and Note 6.3, Provisions).

iv) The recognition for accounting purposes of the subordinated guaranteed hybrid bond (see Note 5.1.2 equity instruments).

v) The estimates for the selection of the accounting method to be applied in relation to the loss of control, as in the case of the Portuguese toll roads (see Note 1.2.2, Basis of consolidation).

vi) Estimates regarding the measurement of derivatives and the expected cash flows associated with them in order to determine the existence of hedging relationships (see Note 5.5, Derivative financial instruments at fair value).

vii) The measurement of possible impairment losses on certain assets (see Note 3.1, Goodwill, and Note 3.5, Investments in Associates).

viii) Business performance projections that affect the estimates of the activation of tax assets and the possible recoverability of the same (see Note 2.8 on tax matters).

ix) Estimates relating to the fair value of assets and liabilities acquired in the business combinations detailed in Note 1.1.4, Changes in the scope of consolidation.

x) Estimates that take account of the future vehicle numbers on toll roads for the purpose of preparing financial information for toll roads pursuant to IFRIC 12 (see Note 3.3, Investments in infrastructure projects, and Note 6.3, Provisions).

xi) The assumptions used in the actuarial calculation of liabilities due to pensions and other obligations to employees (see Note 6.2, Pension plan deficit).

xii) The measurement of share award plans (see Note 6.7, Share-based payment).

These estimates were made using the best information available at 31 December 2018 on the events analysed. However, it is possible that events that may take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8.

1.2.5. Disclosures

It should also be noted that in preparing these consolidated annual accounts the Group has omitted any information or disclosures which did not require disclosure due to their qualitative importance and were considered to be unimportant or not material in accordance with the concept of relative Materiality, as defined in the IFRS Conceptual Framework.

1.3. Exchange rate

As indicated above, Ferrovial engages in business outside the eurozone through various subsidiaries. The exchange rates used to convert these financial statements for their inclusion in the consolidated Group's consolidated financial statements are as follows:

Line items in the balance sheet (exchange rates at 31 December 2018 and at 31 December 2017 for the comparative period):

ING EXCHANGE RATE	2018	2017	CHANGE 18/17 (*)
Pound sterling	0.8984	0.8889	1.07%
US Dollar	1.1452	1.2022	-4.74%
Canadian Dollar	1.5601	1.50586	3.60%
Australian Dollar	1.6260	1.53885	5.66%
Polish Zloty	4.2888	4.1755	2.71%
Chilean Peso	794.66	739.8	7.42%

(*) A negative change represents a depreciation of the euro against the reference currency and a positive change represents an appreciation.

Line items in the income statement and cash flow statement (cumulative average rates at December 2018 and at December 2017 for the comparative period):

AVERAGE EXCHANGE RATE	2018	2017	CHANGE 18/17 (*)
Pound sterling	0.8858	0.8751	1.23%
US Dollar	1.1782	1.13913	3.43%
Canadian Dollar	1.5312	1.47545	3.78%
Australian Dollar	1.5838	1.48126	6.92%
Polish Zloty	4.2714	4.24552	0.61%
Chilean Peso	758.5925	737.72167	2.83%

(*) A negative change represents a depreciation of the euro against the reference currency and a positive change represents an appreciation.

As detailed in the previous tables, during 2018 all of the currencies depreciated against the euro, except for the US dollar closing exchange rate.

The impact recorded in this regard on shareholders' funds attributable to the parent company is EUR -119 million (see Note 5.1.1 Changes in Equity).

Note 5.4 explains how exchange rate risk is managed. The Note also contains an analysis of the impact that Brexit has had or might have in the future vis-à-vis the different financial risks affecting Ferrovial. This overview is further extended with a global analysis of Brexit in the Risk section of the Management Report.

In addition, the impact caused by exchange rates is also analysed in the Notes where this is a relevant issue.

1.4. Information by segment

Appendix III contains the statements of financial position and the income statement for each business segment, both for the financial year in course and for the comparative period.

It also includes a breakdown by segment of the sections in which this information is important or required under accounting legislation.

SECTION 2: PROFIT/(LOSS) FOR THE YEAR.

This section comprises the Notes relating to the profit/(loss) for the year.

The **net profit** for the year amounted to EUR -448 million compared with the positive impact in previous year (EUR 454 million). This result was affected by the fair value provision recognised in relation to the stake in Amey (fair value) once it was reclassified to discontinued operations (EUR 774 million, see Note 1.1.3), as well as the provision of GBP 208 million (EUR 195 million after tax) due to the onerous contract with Birmingham City Council.

For clarity, this section addresses income statement movements in discontinued operations on each line and ends with a breakdown of discontinued operations.

Lastly, there is a notable series of non-recurring results related mainly to divestments, derivatives and taxes, as shown in the following breakdown and explained in more detail in the Notes indicated in the table:

NON-RECURRING IMPACTS (Millions of euros)	BALANCES AT 31/12/2018 PRE-TAX PROFIT/(LOSS)	BALANCES AT 31/12/2018 NET PROFIT/(LOSS)	BALANCES AT 31/12/2017 PRE-TAX PROFIT/(LOSS)	BALANCES AT 31/12/2017 NET PROFIT/(LOSS)
Impact of financial derivatives (Note 2.6)	24	21	25	19
Divestment, deconsolidation and impairment of projects (Note 2.5)	82	72	88	87
Non-recurring impacts, HAH (Note 2.7)	-1	-1	48	48
Other non-recurring tax impacts (Note 2.8)	0	39	0	17
Other non-recurring discontinued operations	0	-756	0	-15
Other impacts	-3	-10	0	2
TOTAL	**102**	**-634**	**161**	**158**

NOTES ON PROFIT/(LOSS) FOR CONTINUING OPERATIONS

2.1. Operating income

The detail of the Group's operating income at 31 December 2018 is as follows:

(Millions of euros)	2018	2017
Revenue	5,737	5,152
Other operating income	2	1
Total operating income	**5,738**	**5,154**

The Group's revenue at 31 December 2018 relating to contracts with customers amounted to EUR 5,534 million (see Note 4.4).

Revenue includes the financial consideration for the services provided by the concession operators that apply the financial asset model, amounting to EUR 108 million in 2018 (2017: EUR 136 million), as described in Note 1.2.3.2.

"Other Operating Income" includes the impact of the grants related to income received in 2018 amounting to EUR 2 million (2017: EUR 1 million).

The detail, by segment, of revenue in 2018 and 2017 is as follows:

2018 (Millions of euros)	EXTERNAL REVENUE	INTERSEGMENT REVENUE	TOTAL	CHANGE 18/17
Construction	4,638	554	5,193	12%
Toll roads	470	1	471	2%
Airports	14	0	14	-33%
Other segments	132	144	276	5%
Adjustments	0	-217	-217	-3%
Total	**5,253**	**483**	**5,737**	**11%**

2017 (Millions of euros)	EXTERNAL REVENUE	INTERSEGMENT REVENUE	TOTAL
Construction	4,139	489	4,628
Toll road2.4 s	457	4	461
Airports	20	0	21
Other segments	125	137	262
Adjustments	0	-219	-219
Total	**4,741**	**411**	**5,152**

The inter-segment sales that are not eliminated in the Group's consolidated financial statements are the sales made by the Construction Division to the infrastructure concession operators, as discussed in Notes 1.2.2 and Note 6.8.

The detail of sales, by geographical area, is as follows:

(Millions of euros)	2018	2017	CHANGE 18/17
Spain	1,007	966	42
UK	337	372	-35
Australia	271	300	-28
USA	1,684	1,425	260
Canada	63	85	-22
Poland	1,732	1,503	229
Other	641	502	139
Total	**5,737**	**5,152**	**584**

The Ferrovial Group's sales in its six main markets account for 89% of total sales.

2.2 Materials used and other operating expenses

"Materials Used" mainly includes the consumption of raw materials and the changes in inventories for the period.

"Other Operating Expenses" mainly includes services rendered by third parties under subcontracting arrangements and independent professional services.

(Millions of euros)	2018	2017	CHANGE 18/17
Total Materials Used	**985**	**818**	**168**
Subcontracted work	2,361	2,061	300
Leases	298	269	29
Repairs and maintenance	40	40	0
Independent professional services	254	283	-29
Changes in provisions for liabilities (Note 6.3)	-40	-148	108
Other operating expenses	411	400	11
Total Other Operating Expenses	**3,324**	**2,905**	**419**
Total materials used and other operating expenses	**4,309**	**3,723**	**587**

The sum of these headings increased by EUR 586 million, from EUR 3,723 million at 31 December 2017 to EUR 4,309 million at 31 December 2018. This increase was mainly due to the change in provisions during the year as well as services rendered by subcontracting arrangements, and to the cost of leasing machinery and vehicles, primarily in the Construction Division.

The amount related to changes in provisions in the year 2018 corresponds to a net amount of charges and reversals (expense) of -9 million euros and an application (income) of 49 million euros, the latter not having a real impact on the income statement since it implies the recognition of an expense by other nature for the same amount.

The difference between the changes in provisions of this Note (decrease of provisions of EUR -40 million) and the changes reported in Note 6.3 on provisions (EUR 70 million) is explained by movements during the year in provisions of the Services Division, which has been reclassified to discontinued operations at 31 December 2018 (see Note 1.1.3).

2.3 Staff expenses

The detail of staff expenses is as follows:

(Millions of euros)	2018	2017	CHANGE
Wages and salaries	791	763	28
Social security	113	111	2
Pension plan contributions	7	7	0
Share-based payments	12	14	-2
Other welfare charges	22	21	2
Total	**945**	**915**	**30**

The detail of the number of employees at 31 December 2018 compared to 2017, by professional category and gender, is brokendown by continuing and discontinued operations in the following tables:

	31/12/2018			
CONTINUING OPERATIONS CATEGORY	MEN	WOMEN	TOTAL	CHANGE 18/17
Executive Directors	2	0	**2**	0%
Senior Executives	9	2	**11**	0%
Executives	259	28	**287**	1%
University and further education college graduates	5,552	2,241	**7,793**	3%
Administrative personnel	421	467	**888**	-7%
Manual workers and unqualified technicians	8,138	251	**8,389**	-5%
Total	14,381	2,989	**17,370**	-2%

	31/12/2017		
CONTINUING OPERATIONS CATEGORY	MEN	WOMEN	TOTAL
Executive Directors	2	0	**2**
Senior Executives	9	2	**11**
Executives	256	28	**284**
University and further education college graduates	5,448	2,121	**7,569**
Administrative personnel	474	481	**955**
Manual workers and unqualified technicians	8,588	244	**8,832**
Total	14,777	2,876	**17,653**

DISCONTINUED OPERATIONS CATEGORY	31/12/2018 MEN	WOMEN	TOTAL	VAR. 18/17
Executive Directors	0	0	**0**	0%
Senior Executives	1	0	**1**	0%
Executives	186	39	**225**	-8%
University and further education college graduates	4,687	1,607	**6,294**	6%
Administrative personnel	2,851	3,678	**6,529**	-12%
Manual workers and unqualified technicians	42,932	18,762	**61,694**	-5%
Total	50,657	24,086	**74,743**	-5%

DISCONTINUED OPERATIONS CATEGORY	31/12/2017 MEN	WOMEN	TOTAL
Executive Directors	0	0	**0**
Senior Executives	1	0	**1**
Executives	192	52	**244**
University and further education college graduates	4,515	1,430	**5,945**
Administrative personnel	3,299	4,146	**7,445**
Manual workers and unqualified technicians	45,181	19,509	**64,690**
Total	53,188	25,137	**78,325**

The average workforce by business division for the two periods being compared is as follows:

BUSINESS	31/12/2018 MEN	WOMEN	TOTAL	CHANGE 18/17
Construction	13,912	2,488	**16,400**	-3%
Toll roads	418	211	**629**	0%
Airports	34	21	**55**	45%
Other	289	260	**550**	1%
Total Continuing Operations	14,653	2,980	**17,634**	-3%
Total Discontinued Operations	52,497	24,775	**77,271**	-2%
Total	67,150	27,755	**94,905**	-2%

BUSINESS	31/12/2017 MEN	WOMEN	TOTAL
Construction	14,348	2,605	**16,953**
Toll roads	425	206	**631**
Airports	23	15	**38**
Other	297	257	**554**
Total Continuing Operations	15,093	3,083	**18,176**
Total Discontinued Operations	53,917	25,163	**79,080**
Total	69,010	28,246	**97,256**

2.4. EBITDA and EBIT before impairment and disposals

EBITDA at 31 December 2018 amounted to EUR 484 million (31 December 2017: EUR 516 million), representing a decrease of 6% compared to 31 December 2017. Incorporating the balance relating to discontinued operations, this profit/(loss) would amount to EUR 615 million at 31 December 2018 (31 December 2017: EUR 933 million).

The depreciation and amortisation charge for 2018 is EUR 127 million, compared to EUR 115 million in 2016.

The Management Report provides a detailed analysis of the way these line items have performed by business.

2.5 Impairments and disposals

The following section contains a breakdown of the main gains and losses relating to impairment and disposals:

PROFIT/(LOSS) RECOGNISED IN 2018:

The amounts recognised in respect of impairment and disposals in 2018 came to a total of EUR 82 million and primarily related to the following items:

- Capital gain on the disposal of the Ionian Roads and Central Greece toll roads in Greece, amounting to EUR 84 million (EUR 80 million in Net Profit). This transaction is described in Note 1.1.4, Changes in the scope of consolidation.
- Capital gain on the disposal of the subsidiary of Budimex, Elektromontaz Poznam, amounting to EUR 10 million (EUR 4 million in Net Profit). This transaction is described in Note 1.1.4, Changes in the scope of consolidation.
- Impairment of the goodwill allocated to the Terrassa Manresa toll road (AUTEMA) amounting to EUR -13 million (see Note 3.1.). This amount is taken to net profit in full as it is not tax deductible.

(Millions of euros)	IMPACT ON EARNINGS BEFORE TAX (EBT) BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS	TOTAL 2018	IMPACT ON NET PROFIT
Greek Toll Roads	84	0	84	80
Budimex Subsidiary	10	0	10	4
Other capital gains	1	0	1	1
Income from capital gains and disposals	95	**0**	**95**	**85**
Autema	0	-13	-13	-13
Losses due to impairment	**0**	**-13**	**-13**	**-13**
Total impairment and disposals	**95**	**-13**	**82**	**72**

The profit/(loss) corresponding to impairment and disposals in 2017 primarily related to the following:

(Millions of euros)	IMPACT ON EARNINGS BEFORE TAXES (EBT) BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS	TOTAL 2017	IMPACT ON NET PROFIT
Norte Litoral	25	24	48	56
Algarve	21	21	42	42
Other capital gains	1	0	1	0
Income from capital gains and disposals	**47**	**45**	**91**	**98**
Autema	0	-29	-29	-29
Azores	0	25	25	17
Other impairment losses	0	1	1	1
Impairment	**0**	**-4**	**-4**	**-11**
Total impairment and disposals	**47**	**41**	**88**	**87**

2.6 Financial result

The following table gives a detailed, item-by-item breakdown of the changes in financial results in 2018 and 2017. The result generated by the infrastructure project companies is presented separately from the result of non-infrastructure project companies (see the definition in Note 1.1.2) and in each of them a further distinction is made between the financial result on financing (which includes the finance costs on credits and loans with credit institutions and bonds, and the returns on financial investments and loans granted) and the financial result from derivatives and other items, which includes the impact of the fair value measurement of ineffective hedges and other income and expenses not directly related to financing.

(Millions of euros)	2018	2017	CHANGE
Financial income from financing	6	2	215%
Financial expenses from financing	-239	-231	-4%
Financial result from the financing of infrastructure projects	**-233**	**-229**	**-2%**
Result from derivatives (*)	1	0	n.a.
Other financial results	2	-4	152%
Other Financial Results from infrastructure projects	**3**	**-4**	**171%**
Total Financial Result from infrastructure projects	**-230**	**-233**	**1%**
Financial income from financing	57	34	69%
Financial expenses from financing	-48	-60	20%
Financial Result from financing ex-infrastructure project companies	**9**	**-26**	**133%**
Result from derivatives (*)	23	25	-9%
Other financial results	7	-10	-167%
Other Financial Results ex-infrastructure project companies	**30**	**15**	**99%**
Total Financial Result ex-infrastructure project companies	**39**	**-11**	**-446%**
Financial result	**-192**	**-244**	**21%**

(*) Included in the fair value column in relation to the financial result in the consolidated income statement for a total amount of EUR 24 million in 2018 and EUR 25 million in 2017.

- **The financial result on the financing of the infrastructure project companies:** amounted to EUR -233 million in 2018 (31 December 2017: EUR -229 million). Of this result, EUR -239 million relates to the external financing of these companies. The following table provides a breakdown of this financial expense, which includes the expenses capitalised as a result of toll roads under construction:

INFRASTRUCTURE PROJECT FINANCING EXPENSES (Millions of euros)	2018	2017
Accrued financing expenses	-271	-273
Expenses capitalised during the construction period	32	42
Financial expenses in P&L	**-239**	**-231**

The change in financial results is explained mainly by the reduction in the amount capitalised with respect to 2017 (EUR -10 million) in respect of toll roads under construction, due mainly to the opening of sections of the NTE Segment 3, as well as the scope of consolidation changes in the previous year, as a result of the partial divestment in 2017 and the consequent loss of control of the Portuguese toll roads Norte Litoral (April) and Algarve (September), so no financial expense has accrued this year as compared with EUR -12 million in 2017.

- **Remaining financial result from Infrastructure projects:** this basically refers to all other financial results, which include exchange rate differences and other items that are classified as financial results but are not directly linked to financing. Particularly worthy of note this year is the impact of the expected loss provision under IFRS 9 in the amount of EUR 7 million (reversion), relating primarily to the improvement in the rates applied to the account receivable from the Terrasa Manresa toll road. The change in the line time versus 2017 (EUR 6 million), was primarily due to the aforementioned impact of the transition to IFRS 9.

- **The financial result from ex-infrastructure projects** in 2018 amounted to EUR 9 million (31 December 2017: EUR -26 million), corresponding to external borrowing costs (EUR -48 million) and financial income primarily obtained from financial investments (EUR 57 million). The improvement on 2017 is explained essentially by the decrease in interest accrued on debt due to the redemption at the start of 2018 of a corporate bond of EUR 500 million, which was replaced by a European Commercial Paper programme at a much more favourable interest rate (see Note 5.2.2 a.1.1), as well as the higher yield obtained on cash resources compared with the previous year (improved position in Canadian dollars earning better rates than the eurozone).

- **Other financial results from ex-infrastructure projects** include the impact of derivatives and other fair value adjustments primarily relating to the impact of the derivatives not designated as hedges, including most notably financial options (EUR 22 million), and the equity swaps arranged by the Group to hedge the impact on equity of share-based variable remuneration schemes (see Note 6.7) with a negative impact in

2018 of EUR -3 million due to the negative performance of the share price in 2018.

Excluding the effects caused by derivatives, the remaining financial results from ex-infrastructure project companies are shown below:

OTHER FINANCIAL RESULTS FROM EX-INFRASTRUCTURE PROJECT COMPANIES (Millions of euros)	2018	2017	CHANGE 18/17
Cost of guarantees	-29	-23	-6
Provision from expected IFRS 9 losses	-1	0	-1
Late-payment interest	11	5	6
Foreign exchange differences	-3	-6	4
Interest on loans to equity-accounted companies	11	14	-4
Interest on tax proceedings	-6	-6	1
Others	23	6	17
Total	**7**	**-10**	**17**

This sub-section principally includes the cost of guarantees, late payment interest, foreign exchange differences, interest on loans granted to equity-accounted companies, financial expenses on pension plans and interest on tax proceedings. For 2018 we would highlight the impact of the provision for the expected IFRS 9 loss, amounting to EUR -1 million. In 2018, the line "Other" reflects the billing of security deposits to projects that are equity-accounted (EUR 18 million). The difference on the previous year being due basically to the increase in security deposits billed to associates (EUR 18 million as compared to EUR 4 million in 2017), in particular toll road I-66.

Impact on cash flows: As can be observed in the following table, the difference between the financial result on financing and the interest cash flows reported in the cash flow statement is EUR -54 million.

(Millions of euros)	FINANCIAL RESULT ON UNCAPITALISED FINANCING	INTEREST CASH FLOW	DIFFERENCE
Infrastructure Projects	-265	-191	-74
Ex-Infrastructure Projects	9	-11	20
Total	**-256**	**-202**	**-54**

This difference at project level primarily comes from the American toll roads (NTE, LBJ, NTE Segment 3 and I-77), in which the financing agreements allow for the capitalisation of interest during the early years of the concession, in such a way that it is added to the principal and means that there is no outflow of cash during the financial year (EUR -90 million), as well as the impact of the reclassification of the Services Division as a discontinued operation (EUR 21 million), given that it is not reflected in the financial result of the division in the line item “Financial Result on Financing” in the income statement, but the interest cash flow is in the Cash Flow Statement.

In the case of ex-infrastructure projects, the difference was mainly due to the payment of the annual coupon for the first Corporate bond, which did not accrue any interest during 2018 as it was set to mature in January 2019, as well as the above-mentioned reclassification of the Services Division to discontinued operations.

2.7 Share of profits of equity-accounted companies

The share of the net profit of equity-accounted companies in 2018 amounted to EUR 239 million (2017: EUR 225 million). The detail of the most significant companies is as follows:

PROFIT/(LOSS) OF EQUITY-ACCOUNTED COMPANIES (Millions of euros)	2018	2017
HAH	70	87
407 ETR	136	125
Other	33	13
Total	**239**	**225**

In 2018 HAH's profit/(loss) include most notably non-recurring impacts due to the impact of the fair value adjustments, relating mainly to the measurement of derivatives (EUR 3 million) and asset impairments in the amount of EUR -4 million. The HAH figure for 2017 included non-recurring gains of EUR 48 million primarily relating to derivatives; excluding these non-recurring impacts, the HAH profit improved by EUR 32 million.

Regarding 407 ETR, the positive evolution compared to December 2017 (EUR 11 million) is a consequence, mainly, of the increase in rates and the improvement in traffic

Other include most notably the Portuguese toll roads Norte Litoral (EUR 8 million) and Algarve (EUR 6 million), which were consolidated using the equity method in April and September respectively, as well as AGS Airports (EUR 4 million) and other Toll Roads (EUR 16 million).

Note 3.5 provides greater detail on the results of these companies.

2.8 Costs relating to corporate income tax and deferred taxes

2.8.1 Explanation of the corporate income tax expense for the year and the applicable tax rate

The corporate income tax rebate for 2018 amounted to EUR -25 million (2017: EUR -46 million), this amount:

- Does not include the corporate income tax expense relating to equity-accounted companies (see Notes 2.7 and 3.5) which, pursuant to accounting legislation, their profit/(loss) is already presented net of the related tax effect.
- Includes a corporate income tax rebate corresponding to prior financial years in the amount of EUR 39 million (2017: EUR 17 million), primarily due to the regularisation of assets and liabilities for deferred taxes from prior years.

Excluding the pre-tax profit/(loss) (EUR 486 million), the result from these equity-accounted companies (pre-tax profit of EUR 239 million), permanent differences (EUR 44 million) and consolidated results without tax effects (EUR -10 million), and considering the expense due to adjusted corporate income from previous years (EUR 65 million), the resulting effective corporate income tax rate is 23%, as detailed in the following table.

This effective tax rate is in line with the rates applicable in the main countries in which Ferrovial has a presence.

2018 (Millions of euros)	SPAIN	UK	AUSTRALIA	US	POLAND	CANADA	OTHER COUNTRIES	TOTAL
Profit before tax	**113**	**27**	**-44**	**-20**	**105**	**147**	**157**	**486**
Profit/(loss) from equity-accounted companies	-4	-73	-2	0	0	-141	-19	-239
Permanent differences	22	-4	4	2	26	11	-16	44
Profit/(loss) from consolidation with no tax impact	0	0	0	-14	0	4	0	-10
Tax result	**131**	**-49**	**-43**	**-32**	**131**	**22**	**121**	**281**
Income tax expense for the year	**-91**	**10**	**16**	**101**	**-25**	**-7**	**-29**	**-25**
Change in prior years' tax estimates	58	0	-3	-95	-1	1	0	-39
Adjusted tax expense/benefit	**-33**	**9**	**13**	**7**	**-26**	**-6**	**-29**	**-65**
Effective rate applicable to tax result	25%	19%	30%	20%	20%	26%	24%	23%
Effective national tax rate	25%	19%	30%	21%	19%	27%		

The following is an explanation of the various items that must be adjusted in order to calculate the effective tax rate:

- Permanent Differences. This item relates to the year's expenses or income which, pursuant to the tax legislation applicable in each of the countries, are not deductible (expenses) or taxable (income) in the year, and are not expected to be deductible or taxable in future years. The cumulative balance in this connection is an expense of EUR 44 million. The most significant of these adjustments are broken down below:
    - Capital gains generated by the sale of assets in the Toll Roads and Construction Divisions (EUR -40 million), which are not taxable.
    - Losses that are generated in specific construction contracts performed outside Spain and do not generate a tax credit (EUR 41 million).
    - Impairment of the goodwill in the Autema toll road, without any tax impact (Note 2.5), in the amount of EUR 13 million.
    - Limited deductability of financial expenses for corporate income tax equating to an impact of EUR 8 million in the Toll Roads Division.
    - Various different types of non-deductible expenses, primarily related to Budimex for EUR 10 million.
- Profit/(loss) from consolidation with no tax impact. This item relates to profit/(loss) derived from accounting consolidation criteria which do not have any tax implications. The accumulated balance for this concept is an income of EUR 10 million that relates to profit/(loss) in concession project companies in the US and Canada, in which other companies have ownership interests and which are fully consolidated. The tax credit is recognised solely for Ferrovial's percentage of ownership as these companies are taxed under the pass-through tax rules; the shareholders of these companies are the taxpayers, at the percentage of ownership that they hold therein.

The following table includes the detail of the calculation of the effective tax rate for 2017.

2017 (Millions of euros)	SPAIN	UK	AUSTRALIA	US	POLAND	CANADA	OTHER COUNTRIES	TOTAL
Profit before tax	**98**	**9**	**-45**	**11**	**136**	**126**	**134**	**469**
Profit/(loss) from equity-accounted companies	-8	-90	-1	12	0	-129	-8	-225
Permanent differences	12	6	0	-1	0	15	-18	14
Profit/(loss) from consolidation with no tax impact	34	3	0	15	0	4	-59	-4
Tax result	**136**	**-72**	**-46**	**37**	**136**	**16**	**49**	**255**
Income tax expense for the year	**-39**	**13**	**14**	**15**	**-27**	**-9**	**-12**	**-46**
Change in prior years' tax estimates	5	1	0	-29	0	5	1	-17
Adjusted tax expense/benefit	**-34**	**14**	**14**	**-14**	**-27**	**-4**	**-11**	**-62**
Effective rate applicable to tax result	25%	19%	29%	37%	20%	27%	22%	24%
Effective national tax rate	25%	19%	30%	35%	19%	27%		

2.8.2 Detail of the current and deferred tax expense and the tax paid in the year

The breakdown of the income tax expense for 2018 and 2017, differentiating between current tax, deferred tax and changes in prior years' tax estimates, is as follows:

(Millions of euros)	2018	2017
Income tax expense for the year	**-25**	**-46**
Current tax expense	-42	-30
Deferred tax expense	-7	-61
Tax effect of adjustments from consolidation to equity	-16	29
Change in tax estimates from prior years and other regularisations	39	17

The corporate income tax paid related to continuing and discontinued operations in the year amounted to EUR 25 million, as shown in the note on cash flows (see Note 5.3).

2.8.3 Changes in deferred tax assets and liabilities

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2018 is as follows:

ASSETS (Millions of euros)	BALANCE AT 01/01/18	TRANSFERS AND OTHER	CHANGE IN PRIOR YEARS' TAX ESTIMATES(*)	CHARGE/CREDIT TO P&L (*)	CHARGE/CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 9	DISCONTINUED OPERATIONS	BALANCE AT 31/12/18
Tax credits	353	43	-88	85	0	-5	0	-174	214
Differences between tax and accounting criteria	462	-1	27	5	1	-9	12	-149	350
Deferred equity measurements	102	0	0	-4	-1	0	0	-8	88
Other items	118	-51	23	-8	-7	1	0	-62	12
Total	**1,035**	**-9**	**-38**	**78**	**-8**	**-13**	**12**	**-393**	**664**

LIABILITIES (Millions of euros)	BALANCE AT 01/01/18	TRANSFERS AND OTHER	CHANGE IN PRIOR YEARS' TAX ESTIMATES (*)	CHARGE /CREDIT TO P&L (*)	CHARGE/CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 9	DISCONTINUED OPERATIONS	BALANCE AT 31/12/18
Deferred liabilities relating to goodwill	223	5	0	8	0	0	0	-205	32
Differences between tax and accounting criteria	541	-1	-106	40	4	6	0	-41	443
Deferred equity measurements	81	0	0	0	10	0	0	0	90
Other items	56	6	5	-4	-1	-1	0	-54	8
Total	**900**	**11**	**-100**	**44**	**13**	**5**	**0**	**-300**	**574**

(*) Includes the impact on Services included in the line Profit/(loss) from discontinued operations for 2018. These impacts correspond to EUR -15 million and EUR -41 million in changes in estimates and charge/credit to profit/(loss), respectively.

The changes in deferred tax assets and liabilities most notably include the impact for discontinued operations, which entails the reclassification of Services to assets held for sale, and which has lead to a decrease in deferred assets and liabilities of EUR 393 million and EUR 300 million respectively.

Another noteworthy entry is the impact recognised as a result of the application of IFRS 9 Financial instruments (Note 1.2.1.a)), which resulted in an increase in the line item of EUR 12 million in deferred asset taxes).

The deferred tax assets and liabilities entered at 31 December 2018 arose mainly from:

a) Tax credits

These are tax credits that have not yet been used by companies in the Group. This line item does not include all the existing tax credits, but rather only those that, based on the Group's projections, are expected to be able to be used before they expire. The total balance recognised amounts to EUR 214 million, of which EUR 177 million relate to negative tax loss carryforwards. The remaining effect relates to deductions that Ferrovial has accredited on the basis of double taxation, reinvestment and other items that remained pending application on 31 December 2018, amounting to a total of EUR 61 million (2017: EUR 228 million), of which EUR 37 million have been carried forward.

The detail of the total tax loss carryforwards, distinguishing between the maximum tax asset and the tax asset recognised based on the projected recoverability of continuing and discontinued operations, is as follows:

CONTINUED OPERATIONS COUNTRY	TAX LOSSES	EXPIRY DATE	MAXIMUM TAX CREDIT	TAX CREDIT CARRIED FORWARD
Spanish Consolidated Tax Group	517	No expiry date	129	129
US Consolidated Tax Group	156	No expiry date	33	0
Australia	69	No expiry date	21	21
UK	34	No expiry date	6	6
Other	274	2019-No expiry date	68	21
Total	**1,050**		**256**	**177**

DISCONTINUED OPERATIONS COUNTRY	TAX LOSSES	EXPIRY DATE	MAXIMUM TAX CREDIT	TAX CREDIT CARRIED FORWARD
Spanish Consolidated Tax Group	8	No expiry date	2	2
US Consolidated Tax Group	0	No expiry date	0	0
Australia	240	No expiry date	72	72
UK	503	No expiry date	85	81
Other	149	2019-No expiry date	38	11
Total	**900**		**197**	**166**

Spanish consolidated tax group:

The tax loss carryforwards of these companies at 2018 year-end for the Consolidated Group in Spain totalled EUR 129 million. For the purpose of ascertaining the recoverability of these assets, a model was designed that takes into account the changes introduced by Royal Decree 3/2016 and uses the Group companies' latest available earnings projections. Based on this model, the Group will recover all the tax credits generated by tax loss carryforwards, since profits will be generated on a recurring basis in the projected period, as well as the tax credits already carried forward for deductions (EUR 21 million), and they have therefore been retained in the consolidated statement of financial position.

US consolidated tax group:

At 31 December 2018, the balance of tax loss carryforwards of the Consolidated Group in the US totalled EUR 33 million. In line with the approach adopted in prior years, the Group has decided not to enter all of its tax credits, since it does not expect to recover them in the short-term, and this could be delayed by new projects being awarded.

Australia:

Following the acquisition of Broadspectrum, Ferrovial formed a consolidated tax group with all of its Australian companies. The losses recognised relate mainly to historical losses incurred by the Construction and Toll Roads Divisions (EUR 21 million) in continuing operations and the Services Division (EUR 72 million) in discontinued operations. As in the foregoing cases, a projections model was prepared in which it is concluded that the Group will generate taxable profits on a systematic basis in the coming years. On the basis of this conclusion, a decision was made to continue to recognise the tax losses.

UK:

From 1 April 2017, new tax rules came into effect in the United Kingdom, with the application of new regulations that have an impact on the consolidated tax Group in the country. The main changes consist of a restriction on the use of tax losses; possible offset of 100% of the tax base up to GBP 5 million and 50% of the remaining tax base for an unlimited time, whether the credit was generated before or after the date on which the reform came into effect. In addition, tax loss carryforwards may be used by any company in the consolidated Group. Based on this new rule, tax loss carryforwards were recognised in the United Kingdom in the amount of EUR 81 million and EUR 6 million, for discontinued and continuing operations, respectively.

b) Assets and liabilities arising from temporary differences between accounting and tax criteria

This line item relates to the tax impact resulting from the fact that the timing of recognition of certain expenses or depreciation and amortisation charges is different for accounting and tax purposes.

The recognition of a tax asset in this connection means that certain expenses have been recognised for accounting purposes before their recognition for tax purposes and, therefore, the Company will recover these expenses for tax purposes in future years. Conversely, a liability for this item represents an expense that is recognised for tax purposes before its recognition for accounting purposes.

The deferred tax assets include most notably:

- Provisions recognised for accounting purposes which do not have a tax effect until they are materialised (EUR 140 million).
- Deferred tax assets of EUR 98 million arising as a result of differences between the tax and accounting methods used to recognise income, mainly in the Construction Division.
- Differences relating to borrowing costs at concession companies in Spain, which for tax purposes are recognised as an asset and subsequently amortised whereas for accounting purposes they are expensed currently (EUR 79 million).
- Accelerated depreciation and amortisation for accounting purposes (EUR 13 million).

The balance of the liabilities relates mainly to:

- Differences between tax and accounting criteria in relation to the recognition of provisions (EUR 252 million).
- Deferred tax liabilities for differences between tax and accounting amortisaton (EUR 68 million).
- Deferred tax liabilities of EUR 43 million arising as a result of differences between the tax and accounting methods used to recognise income in accordance with IFRIC 12, mainly in the Toll Road Division.

c) Deferred taxes arising from equity measurement adjustments

This reflects the cumulative tax impact resulting from measurement adjustments recognised in reserves. This impact appears as an asset or liability since there is generally no direct tax effect until this amount in reserves is transferred to profit or loss.

The asset balance relates to accumulated losses in reserves that will have a tax impact when they are recognised in profit or loss. Conversely, the liability balance relates to gains not yet recognised for tax purposes. Noteworthy are the deferred tax asset and liability relating to financial derivatives amounting to EUR 87 million and EUR 90 million, respectively.

d) Deferred taxes relating to goodwill

These correspond to deferred tax liabilities relating to the tax credit for goodwill amounting to EUR 32 million, which mainly include those related to the amortisation of Webber, LLC goodwill.

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2017 is as follows:

ASSET (Millions of euros)	BALANCE AT 01/01/17	TRANSFERS AND OTHER	CHANGE IN PRIOR YEARS' TAX ESTIMATES	CHARGE/CREDIT TO INCOME STATEMENT	CHARGE/CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 15	BALANCE AT 31/12/17
Tax credits	311	15	17	17	0	-6	0	353
Differences between tax and accounting criteria	557	-17	-18	-67	3	2	3	462
Deferred equity measurements	144	-2	0	0	-29	-1	0	112
Other items	45	16	-3	1	0	-5	55	107
Total	**1,056**	**11**	**-4**	**-50**	**-26**	**-11**	**58**	**1,035**

LIABILITY (Millions of euros)	BALANCE AT 01/01/17	TRANSFERS AND OTHER	CHANGE IN PRIOR YEARS' TAX ESTIMATES	CHARGE/CREDIT TO INCOME STATEMENT	CHARGE/CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 15	BALANCE AT 31/12/17
Deferred liabilities relating to goodwill	270	-53	-8	13	0	1	0	223
Differences between tax and accounting criteria	243	44	-1	-8	1	-2	0	278
Deferred equity measurements	416	-1	-25	-9	4	-38	-2	344
Other items	51	12	2	-4	0	-6	0	55
Total	**979**	**2**	**-32**	**-7**	**5**	**-45**	**-2**	**900**

2.8.4 Years open to tax audit

With respect to Ferrovial S.A. and its consolidated tax Group, on 19 July 2017 the Large Taxpayers Central Office of the State Tax Agency announced the commencement of a tax audit of Ferrovial S.A., Ferrovial Agroman S.A., Ferrovial Servicios S.A. and Ferrovial Internacional S.L.U. in relation to the following taxes:

- Corporate income tax for 2012 to 2014.
- VAT for tax periods from June 2013 to December 2015.
- Tax withholdings and pre-payments relating to salary income for tax periods from June 2013 to December 2015.
- Non-Resident income withholding tax, for the periods June 2013 to December 2015.

The tax audit is currently at the documentation submission stage and formalisation of the tax assessments is expected during 2019. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. It is considered that any possible material tax contingencies had been adequately provisioned at year-end.

2.8.5 Tax regime applicable to Ferrovial S.A.

Ferrovial, S.A. has filed consolidated tax returns since 2002. The companies composing the Consolidated Tax Group together with Ferrovial, S.A. in 2018 are detailed in Appendix II. In 2014, the entity adopted the tax system laid down in Articles 107 and 108 of Corporate Income Tax Act ("LIS") 27/2014, of 27 November. Given that the implementation of such system affects the taxation of potential dividends or capital gains obtained by company shareholders, a note describing the tax treatment applicable to shareholders is attached as Appendix I to these consolidated annual accounts, as well as information on tax results by Ferrovial S.A. to be considered by the shareholders for the purposes of applying this system.

NOTES ON PROFIT/(LOSS) FOR DISCONTINUED OPERATIONS

2.9 Profit/(loss) from discontinued operations

As discussed in Note 1.1.3, given that the Services business has been classified to discontinued operations, the impact on the income statement of this business area is now reported in one line item "Net profit/(loss) from discontinued operations", and the 2017 figures have been represented adopting the same approach. This line also includes an impairment loss equal to the difference between the estimated fair value of the assets and their carrying amount.

As regards profit/(loss) for the year from discontinued operations, IFRS 5.33-35 states that this will include the contribution made by the discontinued operation to the consolidated Group's figures, i.e. therefore excluding results recognised in the discontinued operation that originate in transactions between Group companies that are eliminated. Impacts not applied following IFRS 5.33-35 are:

- In 2018 EBITDA amounts to EUR 5 million (2017: EUR 7 million) relating to services provided to other Group Divisions.
- Within the 2018 financial result, EUR -34 million (2017: EUR -34 million) to the financial cost generated by internal financing operations.
- Tax effect on the above-mentioned amounts of EUR 5 million in 2018 (2017: EUR 5 million).

This does not match the company's approach to segment reporting to the market, which does not exclude internal transactions between business divisions or between the Group's parent and its business divisions.

For a better understanding of the profit generated by the Services division and how it has been integrated into the consolidated profit of the Group, the following table shows a breakdown by items of the Services division, including eliminated profits and profit from discontinued operations detailed by lines.

INCOME STATEMENT (Millions of euros) 2018	SERVICES P&L	ADJUSTMENTS	DISC. OPERATIONS P&L
Total operating income	6,791	-9	6,782
Total operating expenses	-6,655	4	-6,652
EBITDA	**136**	**-5**	**131**
Fixed asset depreciation	-222	0	-222
Operating income before impairment losses and fixed asset disposals	**-87**	**-5**	**-92**
Impairment and fixed asset disposals	2	0	2
Operating profit/(loss)	**-85**	**-5**	**-90**
Financial result	**-78**	**34**	**-44**
Share of profits of equity-accounted companies	15	0	15
Consolidated profit/(loss) before tax	**-148**	**29**	**-119**
Tax on profits	47	-5	42
Profit/(loss) from continuing operations	**-101**	**23**	**0**
Profit/(loss) from discontinued operations	0	0	-77
Fair value provision	0	-774	-774
Profit/(loss) from discontinued operations	**0**	**-774**	**-851**
Consolidated profit/(loss), Services Division	**-101**	**-750**	**-851**

INCOME STATEMENT (Millions of euros) 2017	SERVICES P&L	ADJUSTMENTS	DISC. OPERATIONS P&L
Total operating income	7,077	-13	7,064
Total operating expenses	-6,653	6	-6,647
EBITDA	**423**	**-7**	**417**
Fixed asset depreciation	-260	0	-260
Operating income before impairment losses and fixed asset disposals	**163**	**-7**	**156**
Impairment and fixed asset disposals	-7	0	-7
Operating profit/(loss)	**156**	**-7**	**149**
Financial result	**-101**	**34**	**-67**
Share of profits of equity-accounted companies	26	0	26
Consolidated profit/(loss) before tax	**80**	**28**	**108**
Tax on profits	-20	-5	-25
Profit/(loss) from continuing operations	**60**	**23**	**0**
Profit/(loss) from discontinued operations	0	0	83
Fair value provision	0	0	0
Profit/(loss) from discontinued operations	**0**	**0**	**83**
Consolidated profit/(loss), Services Division	**60**	**23**	**83**

NOTES ON PROFIT/(LOSS) FROM NON-CONTROLLING INTERESTS, NET PROFIT/(LOSS) AND EARNINGS PER SHARE

2.10 Profit/(loss) from non-controlling interests

In 2018 the profit/(loss) from non-controlling interests amounted to EUR -57 million (December 2017: loss of EUR -53 million).

This figure corresponds to the profits obtained by Group companies that may be allocated to the other partners with a stake in the said companies. The figures shown as positive numbers refer to companies that generate losses, and the figure is therefore shown as a negative number.

(Millions of euros)	2018	2017	CHANGE 18/17	NON-GROUP %
Budimex Group	-24	-42	18	44.9%
Autopista del Sol	-2	-1	-1	20.0%
Autop. Terrasa Manresa, S.A.	-17	-15	-2	23.7%
LBJ Infraestructure Group	4	12	-8	45.4%
NTE Mobility Partners	-4	2	-7	37.1%
Other companies	-10	-8	-2	
Total Continuing Operations	**-53**	**-51**	**-3**	
Total Discontinued Operations	**-4**	**-2**	**-2**	
TOTAL	**-57**	**-53**	**-4**	

The main change was due to the worsening of the Budimex result, which was offset by improved results at the North Tarrant Express and LBJ toll roads.

2.11 Net profit/(loss) and earnings per share

The calculation of basic earnings per share attributable to the parent company is as follows:

(Millions of euros)	2018	2017
Net profit/(loss) attributable to the parent company (millions of euros)	-448	454
Weighted average number of shares outstanding (thousands of shares)	738,479	738,216
Less average number of treasury shares (thousands of shares)	-8,259	-7,324
Average number of shares to calculate basic earnings per share	730,220	730,892
Basic/diluted earnings per share (euros)	**-0.61**	**0.62**
Net profit/(loss discontinued operations (millions of euros)	**-851**	**83**
Basic/diluted earnings per share discontinued operations (euros)	**-1.17**	**0.62**

Diluted earnings per share. At 31 December 2018 and 31 December 2017, the Group did not have any dilutive potential ordinary shares, since no convertible debt instruments were issued and the share-based remuneration schemes described in Note 6.7 will not give rise to any share capital increases at the Group, as explained in that Note. Consequently, no dilutive impact is envisaged when employee rights under the plans are exercised.

The detail of net profit/(loss) by territory is as follows:

(Millions of euros)	2018	2017	CHANGE 18/17
Spain	38	67	-29
UK	-877	76	-953
USA	75	36	39
Australia	-17	-24	8
Canada	147	105	41
Poland	46	60	-14
Other	140	133	6
Total	**-448**	**454**	**-902**

The decline compared to last year was largely due to results in the UK, which were negatively impacted in 2018 by the Amey fair value provision (-EUR 774 million), as well as that related to the Birmingham contract for EUR 195 million in the net profit/(loss), both of which are registered in the net profit/(loss) relating to discontinued operations (see Note 2.9)

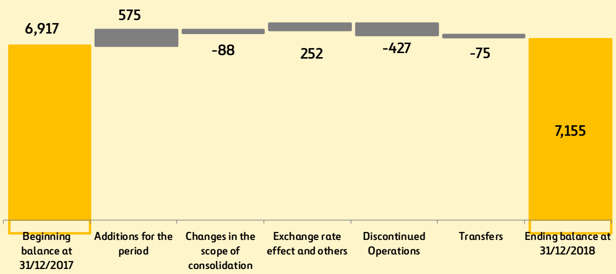
The earnings by business segment are shown in Appendix III.

SECTION 3: NON-CURRENT ASSETS

This section includes the Notes on non-current assets in the consolidated statement of financial position, excluding deferred tax assets (Section 2) and financial derivatives (Section 5).

The main components of the non-current assets at December 2018 at Ferrovial are "Investments in Infrastructure Projects" amounting to EUR 7,155 million, accounting for 59% of total non-current assets (see Note 3.3) and "Investments in Associates" amounting to EUR 2,455 million (relating mainly to the investments in HAH and 407 ETR), accounting for 20% of total non-current assets (see Note 3.5). Following the reclassification of the Services Division to discontinued operations "Goodwill Arising on Consolidation" (EUR 372 million) represents 3% of total non-current assets compared with 14% in 2017.

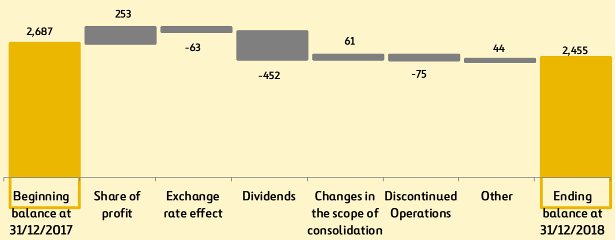
Investments in infrastructure projects



As regards the performance of fixed assets in infrastructure projects, the increase in this figure as compared with the previous financial year is primarily due to fixed asset additions in the amount of EUR 575 million, primarily in projects in the USA, as well as the exchange rate effect (appreciation of the US dollar), which has caused an impact of EUR 252 million.

Investments in associates fell by EUR 232 million, due principally to the distribution of dividends paid out in the amount of EUR 452 million, mainly by HAH and ETR 407, and to exchange rate effects, primarily as a result of the fall in the value of the pound sterling and the Canadian dollar (EUR -63 million). This was partly offset by the share of the profits from those companies (EUR 253 million, of which EUR 14 million related to Services discontinued operation, reclassified at the end of the year).

Investments in associates



As regards changes in goodwill, there was a fall of EUR -1,690 million, caused mainly by the reclassification of the Services Division to discontinued operations (EUR -1,659 milli

3.1 Goodwill and acquisitions

The table below details the changes in Goodwill in 2018:

(Millions of euros)	2017	OTHER	IMPAIRMENTS	EXCHANGE RATE	TOTAL DISCONTINUED OPERATIONS	2018
Services	**1,684**	**0**	**0**	**-26**	**-1,659**	**0**
Services Spain	443	0	0	0	-443	0
Amey	843	0	0	-9	-834	0
Broadspectrum	358	0	0	-15	-344	0
Steel	28	0	0	-2	-26	0
Other Services	13	1	0	0	-13	0
Construction	**198**	**0**	**0**	**4**	**0**	**202**
Budimex	70	0	0	-2	0	68
Webber	127	0	0	6	0	134
Toll Roads	**140**	**0**	**-13**	**0**	**0**	**128**
Ausol	70	0	0	0	0	70
Autema	71	0	-13	0	0	58
Airports	**40**	**0**	**0**	**2**	**0**	**42**
Transchile	40	0	0	2	0	42
TOTAL	**2,062**	**0**	**-13**	**-19**	**-1,659**	**372**

3.1.1 Acquisitions over the year

The Group acquired an additional stake in Carillion Amey Ltd. (67%) and Carillion Amey (Housing Prime) Ltd. (50%), in which it already had a previous investment, for a total amount of GBP 18 million (EUR 20 million), after which it obtained 100% of the shares of both companies. As a result, the acquired companies have been accounted for by the equity method until August 2018, the date on which the control was obtained and, subsequently, by full consolidation (see Note 1.1.4).

As it can be seen in the table below, the difference between the book value of the company and the acquisition price has been assigned as the greater value of an intangible asset relative to the contracts that the company owns, without any goodwill recognition.

In accordance with IFRS 3.42, the Group has measured the previously held interest in the equity of the acquiree at fair value at the acquisition date and has recognised a EUR 9 million profit (included in the net profit/loss form discontinued operations).

(Millions of euros)	2018
Acquisition-date shareholders' funds	6
Fair value adjustments	-9
Allocation of intangible asset (Note 3.2)	47
Tax impact of PPA	-7
Shareholders' funds following adjustments	36
Ferrovial investment, shares purchased	20
Fair value of previously held interest	15
Goodwill	0

3.1.2 Changes over the year

The following is a description of the main changes by type of change:

Total discontinued operations

The classification of Services to discontinued operations led to a decrease of EUR 1,659 million in this line item in 2018.

Exchange rate

As regards the changes caused by the exchange rate effect, the appreciation of the euro against most of the currencies in which the Group companies operate had a negative impact of EUR -19 million on goodwill, including most notably the change in this item in the Services Division, where the goodwill decreased by EUR -26 million, primarily due to Amey (EUR -15 million) and Broadspectrum (EUR -9 million). This impact was partially offset by the appreciation on the US Dollar, which increased the value of the goodwill allocated to Webber by EUR 6 million.

Impairments

The only impairment entered during the financial year corresponds to the goodwill on consolidation allocated to Autema in the amount of EUR 13 million (see Note 3.1.3).

3.1.3 Goodwill impairment tests

A. Services Goodwill:

Following the reclassification of the Services Division to discontinued operations, the impairment analysis of the goodwill associated with the division is no longer applied, as it is measured at the lower of its carrying amount and fair value (estimated sale price) less costs to sell (see Note 1.1.3).

B. Construction Division goodwill (Webber and Budimex):

Methodology and discount rate

The goodwill of Webber (US) and Budimex (Poland) amounted to EUR 134 million and EUR 68 million, respectively, at 31 December 2018 (31 December 2017: EUR 127 million and EUR 70 million, respectively).

The impairment test methodology used for Webber was similar to that described above for the services companies and included an discount rate after tax (WACC) of 8.5% (compared to 8.9% in 2017) and a perpetuity growth rate of 2.25% (2017: 2.0%). The risk-free interest rate used to calculate the WACC is 3.2%, 48 basis points above the ten-year US bond rate at 31 December 2018.

In 2018, the approximate discount rate (WACC) before tax amounted to 10.0% (compared with 10.6% in 2017).

In the case of Budimex, since it is listed on the Warsaw Stock Exchange, the goodwill was tested for impairment by ascertaining whether the closing market price at 31 December 2018 of the Budimex share was higher than its carrying amount plus the allocated goodwill. The test did not show the existence of any impairment.

<u>Main factors that affect the measurement and performance compared with the previous year and budget:</u>

The projected cash flows are based on the latest estimates approved by the company, which take into account recent historical data. The main factors that affect the cash flow projections of Webber are revenue forecasts and the projected operating margins. These projections are based on four basic components, similar to those described in the preceding section on Services (the existing order book, winning new contracts, estimated future margins and the perpetuity growth rate). It should be noted that the projected operating margins are lower than the historical margins of recent years, in line with average margins in the industry. The perpetuity growth rate used was 2.25%, which is similar to long-term inflation forecasts for the US without considering present economic growth.

<u>Impairment test results:</u>

The value of Webber resulting from application of this impairment test model is 75% higher than its carrying amount (compared to 59% in 2017).

The residual value of Webber represents 68% of the total value after the specific forecast period.

The quoted market price of the Budimex share at 31 December 2018 was 278% higher than its carrying amount (compared to 491% in 2017).

<u>Sensitivity analysis:</u>

A sensitivity analysis was performed on Webber's goodwill, particularly in relation to the operating profit margin, the discount rate and the perpetuity growth rate, so as to ensure that possible changes in the estimate do not have an impact on the possible recovery of the goodwill recognised.

Specifically, a pessimistic scenario was taken into consideration with a growth into perpetuity rate of 1% and a reduction in the operating profit margin of 50 basis points. The value disclosed in this scenario presents a buffer of 73% over the carrying amount.

On this basis, the valuation disclosed would equal the carrying amount if the reduction in the margin with respect to the projected figure was 296 basis points, thereby leaving the assumption of perpetuity growth ("g") at 1%.

Lastly, it should be stated that in a scenario maintaining the margins but assuming a zero-perpetuity growth rate (compared to 2.25%), there would be no impairment.

At Budimex, due to the wide buffer between the quoted market price and its carrying amount, the company considers that there is no evidence of impairment.

C. Toll Roads goodwill:

Methodology and discount rate

The goodwill of the Toll Road business at 31 December 2018 amounted to EUR 128 million (31 December 2017: EUR 140 million). This goodwill originated from the merger operation completed in 2009 between Ferrovial, S.A. and Cintra, S.A. and it corresponds to the acquisition of the percentage stake owned by Cintra's minority stakeholders. Allocation of the goodwill generated by the difference between the price of acquiring the said interest and its carrying amount was made by calculating the difference between the fair value of the main interests held in the concession holder companies at that time by Cintra, S.A. and the carrying amount of those interests, adjusted in accordance with the percentage acquired.

The recoverable amount of the toll roads was calculated as the higher of fair value less estimated costs to sell or value in use. The recoverable amount of concession operators with an independent financial structure and limited duration was calculated by discounting the cash flows to be received by shareholders until the end of the concession term. The Group considers that value in use must be obtained using models that cover the entire concession term, as the assets are in different phases of investment and growth and there is sufficient visibility to use a specific economic and financial plan for each phase during the concession term. Therefore, no residual value is considered to exist in these valuations. The projections were updated based on the historical evolution and specific features of each asset, using long-term modelling tools to estimate traffic, extraordinary maintenance, etc.

In order to calculate the discount rates shown in the following table, the Cost of Own Resources (or Equity Cost) was calculated in accordance with the CAPM model. To calculate the discount rates, a normalised risk-free rate usually referenced to a 30-year bond, taking into account the location of each concession operator, a beta coefficient reflecting the company's leverage and risk, and a market premium of 6.0% (same as in 2016) are used. The table below shows the discount rate after tax used for each asset in 2018 and 2017:

DISCOUNT RATE (COST OF EQUITY OR KE)	2018	2017
Autema	9.0%	8.9%
Ausol	8.5%	9.7%

The approximate discount rates (WACC) before tax in 2018 were 12.5% at Autema (2017: 12.3%) and 10.7% at Ausol (2017: 12.0%).

Main factors that affect the valuation and performance compared with the previous year and budget

The main factor affecting cash flow projections of the toll roads are the revenue projections, which differ depending on whether the operator bears the demand risk (in which case the intangible asset model is used) or whether the grantor bears the demand risk and makes payments for capacity availability (in which case the financial asset model is used).

Intangible assets depend on traffic volumes and toll prices, the latter being generally updated on the basis of inflation. Of the two toll roads with goodwill, the intangible asset model is applied at Ausol, while the financial asset model is used at Autema, since the demand risk is assumed by the Catalonia Autonomous Community Government.

Traffic projections are prepared using long-term modelling tools that use data from public (or external) sources to estimate traffic in the corridor (which depends mainly on the growth in the population and car ownership) and the level of toll road capture.

Valuation projections and models begin with the budget for the following year approved by management. Any variances in traffic volumes in the year under way are taken into consideration when the initial budget and the long-term projections are reviewed. In 2018 Ausol's revenue grew by 8.5% compared with 2017 and 2.2% compared with the Budget.

In the case of Autema, which is classified as a financial asset, the uncertainties relate to counterparty credit risk and possible penalties arising from the service.

Impairment test results:

In the case of Ausol, the valuation presents a buffer of 414% over carrying amount (compared with 334% in 2017).

In 2018 Autema recognised impairment of goodwill amounting to EUR 13 million. The economic and financial model used in order to test impairment is based on the Economic and Financial Plan for the concession approved by the Catalan Government in Decree 137 dated 18 May 1999. The Group considers that the two Decrees of the Generalitat 161/2015 and 337/2016 that modify the regime established by decree 137/1999 will never produce effects because they are null and void, so the concession regime must be applied under the originally planned Decree 137/1999.

However, the Company is assuming that there will be certain delays in receiving cash flows until the aforementioned date of resolving the lawsuit. This model assumes a delay in receiving cash flows from the Generalitat until the lawsuit is resolved, which is the main reason behind the impairment of the previously mentioned goodwill, and why there is no impairment recognised in receivables.

Sensitivity analysis:

In the case of Ausol, a more pessimistic scenario was built, taking into consideration a revenue 20% below budget. The value disclosed in this scenario evidences a buffer of 318% over the carrying amount.

3.2 Intangible assets

At year-end 2018, the balance of intangible assets other than infrastructure projects amounted to EUR 32 million (2017: EUR 431 million). The changes in “Intangible Assets” in the consolidated statement of financial position were as follows:

CHANGES IN 2018 (Millions of euros)	RIGHTS ON CONCESSIONS	IT APPLICATIONS	CONTRACTS WITH CUSTOMERS AND COMMERCIAL RELATIONS	TOTAL
Investment:				
Balance at 31.12.2017	**37**	**201**	**458**	**696**
Items added	36	19	4	59
Items removed	0	-4	-77	-81
Transfers and other	0	12	23	35
Changes in the scope of consolidation	0	11	47	58
Exchange rate effect	0	-11	-11	-23
Asset impairments	0	-5	0	-5
Reclassification to Discontinued Operations	-66	-191	-422	-679
Balance at 31.12.2018	**7**	**31**	**22**	**60**
Accumulated Amortisation:				
Balance at 31.12.2017	**-15**	**-73**	**-176**	**-265**
Items added	-4	-34	-52	-90
Items removed	0	2	77	79
Transfers and other	0	0	-27	-28
Changes in the scope of consolidation	0	1	1	1
Exchange rate effect	0	4	4	8
Reclassification to Discontinued Operations	16	75	175	266
Balance at 31.12.2018	**-3**	**-25**	**2**	**-28**
Net Carrying Amount at 31.12.2018	**4**	**6**	**24**	**32**

Generally speaking, the main change in the line item "Intangible Assets" was due to the reclassification of the Services Division to discontinued operations, as set out in Note 1.1.3, amounting to a net carrying amount of EUR 413 million. Also noteworthy are:

- “Rights on Concessions” includes the rights to operate the tenders that are not classified as projects (see definition in Note 1.1.2), amounting to EUR 4 million (31 December 2017: EUR 22 million). The main variance in the financial year was due to the recognition of an intangible asset at the Milton Keynes waste treatment plant in the UK, due to the company being required to treat a certain volume of the Council's waste free of charge.

- "IT Applications" has a net value of EUR 6 million (31 December 2017: EUR 128 million). During the financial year, there was a EUR -5 million impairment in Group software, related to certain plants in the UK.

- As regards “contracts with customers and commercial relations”, this also includes the net value of the commercial order book, customer databases and other intangible assets with a net value of EUR 24 million (31 December 2017: EUR 282 million). The changes in the scope of consolidation occurred as a result of the acquisition of specific Carillion projects, as discussed in Note 1.1.4 "Changes in the scope of consolidation". This acquisition had an impact of EUR 47 million due to an increase in the value of contracts with customers and commercial relations (see Note 3.1.1).

- During the financial year, fully depreciated assets have been written down in a total value of EUR -77 million, primarily associated with the contracts in Australia.

The cash flow impact (Note 5.3) of the additions to intangible assets amounted to EUR -8 million, an amount lower than the additions recognised in the consolidated statement of financial position, primarily due to investments made in computer software, which have not been paid up in full and the recognition of the aforementioned intangible asset (rights on concessions) at Milton Keynes, with no balancing entry in cash.

3.3 Investments in infrastructure projects

3.3.1 Intangible asset model

(Millions of euros)	BALANCE AT 01/01/2018	TOTAL ADDITIONS	TOTAL DISPOSALS	EXCHANGE RATE EFFECT	RECLASSIFICATION TO DISCONTINUED OPERATIONS	BALANCES AT 31/12/2018
Spanish Toll Roads	734	2	0	0	0	736
US toll roads	4,842	484	0	255	0	5,581
Other Toll Roads	384	0	2	0	0	386
Investment in Toll Roads	**5,960**	**486**	**2**	**255**	**0**	**6,703**
Accumulated amortisation	-351	-67	0	-6	0	-424
Impairment losses	0					0
Net investment in Toll Roads	**5,609**	**419**	**2**	**249**	**0**	**6,279**
Investment in other infrastructure projects	521	7	0	0	-526	2
Amortisation of other Infrastructure Projects	-246	-28	0	0	274	-1
Total net investment in other infrastructure projects	**274**	**-22**	**0**	**0**	**-252**	**1**
Total investment	**6,480**	**493**	**2**	**255**	**-526**	**6,705**
Total amortisation and provision	**-598**	**-96**	**0**	**-6**	**274**	**-425**
Total net investment	*5,883*	*398*	*2*	*249*	*-252*	*6,280*

The most significant changes in 2018 were as follows:

- Exchange rate fluctuations resulted in an increase of EUR 249 million (2017: EUR -650 million) in the balance of these assets, the full amount of which was attributable to the change in the euro/US dollar exchange rate at the US toll roads (see Note 1.3).
- The assets relating to the US toll roads increased by EUR 484 million. Of these, the most significant involve the North Tarrant Express Extension for EUR 214 million (2017: EUR 262 million), and EUR 266 million at the I-77 Mobility Partners LLC (2017: EUR 165 million). The total investment in these toll roads includes a balance at 31 December 2018 of EUR 503 million (2017: EUR 1,129 million) relating to property, plant and equipment in the course of construction associated with the I-77 Mobility Partners LLC toll roads (see Note 5.3).
- Also, "Investment in Other Infrastructure Projects" includes concession arrangements awarded to the Services Division that are classified as intangible assets under IFRIC 12, primarily those relating to Autovía de Aragón Sociedad Concesionaria, S.A., with a net investment of EUR 104 million (2017: EUR 115 million) and various integral waste treatment plants located in Spain, mainly in Barcelona, Toledo and Murcia (Ecoparc de Can Mata, S.L.U., Gestión Medioambiental de Toledo, S.A. and Servicios Urbanos de Murcia, S.A.) among others, for a net amount of EUR 148 million (2017: EUR 159 million). These balances are reclassified under the line item "Discontinued Operations" (see Note 1.1.3).

In the case of the infrastructure project companies, all their concession assets have been pledged as security for the existing borrowings (see Note 5.2). The borrowing costs capitalised in this connection in 2018 are detailed in Note 2.6.

The changes to these assets in 2017 were as follows:

(Millions of euros)	BALANCE AT 01/01/2017	TOTAL ADDITIONS	TOTAL DISPOSALS	CHANGES IN THE SCOPE OF CONSOLIDATION AND TRANSFERS	EXCHANGE RATE EFFECT	BALANCES AT 31/12/2017
Spanish Toll Roads	793	5	0	-64	0	734
US toll roads	5,025	477	0	0	-659	4,842
Other Toll Roads	384	0	0	0	0	384
Investment in Toll Roads	**6,201**	**483**	**0**	**-64**	**-659**	**5,960**
Accumulated amortisation	-300	-61	0	0	9	-351
Impairment losses	-25	1	25	0	0	0
Net investment in Toll Roads	**5,876**	**423**	**25**	**-64**	**-650**	**5,609**
Investment in other infrastructure projects	487	10	-5	28	0	521
Amortisation of other infrastructure projects	-196	-27	-1	-23	0	-246
Total net investment in other infrastructure projects	**291**	**-16**	**-6**	**5**	**0**	**274**
Total investment	**6,689**	493	-5	-37	-659	**6,480**
Total amortisation and provision	**-521**	-87	23	-23	9	**-598**
Total net investment	*6,168*	*406*	*19*	*-60*	*-650*	*5,883*

3.3.2 Financial asset model

The assets accounted for using the financial asset model pursuant to IFRIC 12 relate mainly to long-term receivables (more than twelve months) from governments in return for services rendered or investments made under a concession arrangement. The changes in the years ended 31 December 2018 and 2017 were as follows:

CHANGES (Millions of euros)	RECEIVABLES INFRASTRUCTURE PROJECTS 2018	RECEIVABLES INFRASTRUCTURE PROJECTS 2017
Year-end balance	**1,035**	**977**
IFRS 9 Impact	-46	0
Opening balance	**989**	**0**
Additions	178	185
Disposals	-90	-50
Transfers and other	-36	-75
Changes in the scope of consolidation	0	0
Exchange rate effect	2	-2
Reversal for IFRS 9 (note 2.6)	7	0
Reclassification to Discontinued Operations	-175	0
Year-end balance	**875**	**1,035**

Note: balances shown net of allowance provisions

The application of the new method for calculating expected loss under IFRS 9 (see Note 1.2.3.3) had an impact of EUR -46 million during the transition period. EUR -35 million relate to the Autema project, due to the increase in credit risk of the grantor (the Catalan Government) since the concession began, to the first-time application date. The calculation of the provision for losses expected during the entire lifetime of the asset was used for this project.

The amount of EUR 7 million was reversed during the year based on the update of the calculation of the expected loss provision under IFRS 9, recognised under financial income and expenses in the consolidated income statement (see Note 2.6.).

The reclassification to Discontinued Operations (see Note 1.1.3) in the amount of EUR -175 million refers to the receivables corresponding to the Services Division.

As regards the receivables relating to the Autema project, both the decree published in the 2015 financial year and the new decree published in the 2017 financial year have been appealed in one single adjoined action, and no substantial changes have been considered in terms of the way that this appeal is to be treated (see Note 6.5.1.a). As indicated in the aforementioned Note, since the company considers that there are very sound legal arguments with which to win the appeal, it was resolved to continue to recognise the project as a receivable. An impairment test was also performed on the goodwill that had been allocated to this project, and a loss of EUR 13 million was recognised (see Note 3.1.3). Based on the same assumptions as those used to calculate the impairment test on the goodwill, it was concluded that there was no impairment of the financial asset recognised at year-end for this item.

CONCESSION OPERATOR (Millions of euros)	BALANCES AT 31/12/2018 LONG-TERM RECEIVABLE	SHORT-TERM RECEIVABLE (Note 4.2)	TOTAL 2018	BALANCES AT 31/12/2017 LONG-TERM RECEIVABLE	SHORT-TERM RECEIVABLE (Note 4.2)	TOTAL 2017
Autopista Terrassa Manresa, S.A.	642	27	669	634	25	659
Toll Roads	**642**	**27**	**669**	**634**	**25**	**659**
Concesionaria de Prisiones Lledoners	60	2	62	66	2	68
Concesionaria de Prisiones Figueras	100	4	104	109	3	113
Depusa Aragón	26	0	26	26	0	26
Budimex Parking Wrocław	11	0	11	11	0	11
Construction	**198**	**5**	**203**	**213**	**5**	**218**
Hospital de Cantabria	0	0	0	71	14	85
Waste treatment plants in Spain	0	0	0	33	9	42
Waste treatment plants in the UK and Poland	0	0	0	71	168	239
Services	**0**	**0**	**0**	**175**	**191**	**366**
Denver Great Hall LLC	35	0	35	12	0	12
Airports	**35**	**0**	**35**	**12**	**0**	**12**
Total Group	**875**	**32**	**907**	**1,035**	**221**	**1,256**

3.3.3 Impact on cash flows

The total cash flow impact of the additions to projects accounted for using the intangible asset and financial asset models amounted to EUR -69 million (see Note 5.3), which differs from the additions recognised in the consolidated statement of financial position primarily due to the following reasons:

- In projects in which the intangible asset model is applied, due to differences between the accrual basis and cash basis of accounting, as well as the capitalisation of the borrowing costs attributable to projects under construction, which do not generate cash outflows.

- In projects in which the financial asset model is applied, due to the increases in the accounts receivable as a balancing entry to income for services rendered, which do not generate cash outflows either.

3.4 Property, plant and equipment

The changes in "Property, plant and equipment" in the consolidated statement of financial position were as follows:

CHANGES IN 2018 (Millions of euros)	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXTURES, TOOLS AND FURNITURE	TOTAL
Investment: Balance at 01.01.2018	**194**	**948**	**824**	**1,966**
Items added	-1	78	101	178
Items removed	-2	-61	-45	-108
Changes in the scope of consolidation and transfers	-5	44	-44	-5
Exchange rate effect	0	-3	-15	-18
Reclassification to Discontinued Operations	-154	-563	-596	-1,313
Balances at 31.12.2018	**31**	**442**	**225**	**699**
Accumulated depreciation and impairment losses at 01.01.2018	**-47**	**-680**	**-545**	**-1,272**
Allocation to depreciation	-7	-79	-58	-144
Items removed	2	46	29	77
Changes in the scope of consolidation and transfers	0	3	-7	-4
Exchange rate effect	0	3	5	9
Impairment of Property, Plant and Equipment	0	0	-4	-4
Reclassification to Discontinued Operations	34	392	465	891
Balances at 31.12.2018	**-17**	**-316**	**-115**	**-448**
Net Carrying Amount at 31.12.2018	**14**	**126**	**111**	**251**

The most significant changes in 2018 were as follows:

Additions:

Total additions amounted to EUR 178 million and, of these, the most significant were made in the Services Division, with EUR 114 million relating to investments allocated to increasing the capacity of waste landfills, the installation of waste transfer and treatment plants and the renewal of cleaning, transport and lighting equipment associated with the contracts currently in force. In the Construction Division acquisitions were carried out amounting to a total of EUR 60 million in relation to specific construction machinery.

In addition, in 2018 the change in value of the euro against the Australian and American dollar, Chilean peso and pound sterling have led to a net decline in property, plant and equipment in the amount of EUR 18 million.

The detail, by business segment, of the additions to property, plant and equipment is as follows:

(Millions of euros)	2018	2017
Construction	60	49
Toll Roads	2	9
Services Disc. Operations	114	83
Other	2	1
Total	**178**	**142**

Impact on cash flows: The impact on cash flows arising from additions to property, plant and equipment amounted to EUR -175 million (see Note 5.3).

Disposals or Reductions:

The property, plant and equipment disposals and reductions amounted to EUR 108 million and arose largely as a result of the derecognition of fully depreciated or obsolete items, which did not have a material effect on the consolidated income statement. Specifically, EUR 27 million were removed at the Construction Division and EUR 79 million in Services.

Reclassification to Discontinued Operations:

The net carrying amount of property, plant and equipment corresponding to the Services Division which is reclassified to Discontinued Operations (see Note 1.1.3) amounts to EUR 422 million.

Other disclosures relating to Property, Plant and Equipment:

The property, plant and equipment not used in operations are not material with respect to the ending consolidated balances. Impairment losses on other items of property, plant and equipment total EUR 14 million (2017: EUR 70 million), associated with the Construction Division. The changes compared to 2017 are due to the reclassification to Discontinued Operations (see Note 1.1.3) of the provision for impairments in the Services Division, amounting to EUR 68 million.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

The property, plant and equipment in the course of construction amount to EUR 4 million (2017: EUR 58 million). The changes compared to 2017 are due to the reclassification to Discontinued Operations of the Services Division, amounting to EUR 53 million.

At 31 december 2018, no significant items of property, plant and equipment were subject to ownership restrictions or had been pledged to secure liablities. The following table shows the changes that occurred during 2017:

CHANGES IN 2017 (Millions of euros)	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXTURES, TOOLS AND FURNITURE	TOTAL
Investment: Balance at 01.01.2017	**189**	**974**	**804**	**1,967**
Items added	7	64	71	142
Items removed	-8	-61	-49	-119
Changes in the scope of consolidation and transfers	12	3	19	34
Exchange rate effect	-5	-32	-22	-59
Balances at 31.12.2017	**194**	**948**	**824**	**1,966**
Accumulated depreciation and impairment losses at 01.01.2017	**-45**	**-669**	**-522**	**-1,235**
Allocation to depreciation	-7	-79	-58	-144
Items removed	7	48	37	92
Changes in the scope of consolidation and transfers	-3	3	-12	-12
Exchange rate effect	1	17	9	27
Impairment of Property, Plant and Equipment	0	0	0	0
Balances at 31.12.2017	**-47**	**-680**	**-546**	**-1,272**
Net Carrying Amount at 31.12.2017	**147**	**268**	**278**	**694**

3.5 Investments in associates

The detail of the investments in equity-accounted companies at 2018 year-end and of the changes therein is shown in the table below. Due to their significance, the investments in 407 ETR (43.23%) and Heathrow Airport Holdings (HAH) (25%) are presented separately.

2018 (Millions of euros)	HAH (25%)	407ETR (43.23%)	OTHER	TOTAL
Balance at 31.12.17	**737**	**1,652**	**298**	**2,687**
Share of profit/(loss) (Note 2.7)	70	136	47	**253**
Dividends	-143	-260	-49	**-452**
Changes in share capital	0	0	61	**61**
Foreign exchange differences	-5	-55	-3	**-63**
Pensions	33	0	3	**36**
Reclassification to Discontinued Operations	0	0	-75	**-75**
Other	15	1	-8	**8**
Balance at 31.12.18	**705**	**1,475**	**275**	**2,455**

Changes: The changes in "Investments in Associates" were due mainly to the distribution of dividends of EUR -452 million, and the appreciation in value of the euro, mainly against the pound sterling and the Canadian dollar, which had a negative effect of EUR -63 million, as well as the reclassification of Services to discontinued operations, amounting to EUR 75 million. In contrast, there was an increase of EUR 253 million due to the share in profit/(loss) of the year (of which EUR 14 million related to the Services discontinued operations) and an increase of EUR 61 million due to capital contributions (AGS), primarily via the capitalisation of a loan.

Impact on cash flow: The difference between the dividends of EUR 452 million in the foregoing table and the dividends of EUR 511 million disclosed in the consolidated cash flow statement (Note 5.3) relates mainly to interest received on loans granted to equity-accounted companies, entered under Non-Current Financial Assets in the Income Statement (Note 3.6), and to the effect of certain exchange rate hedges related to dividends received.

The changes in "Investments in Associates" in the consolidated statement of financial position in 2017 were as follows:

2017 (Millions of euros)	HAH (25%)	407ETR (43.23%)	OTHER	TOTAL
Balance at 31.12.16	**837**	**1,881**	**156**	**2,874**
Share of profit/(loss)	87	125	39	251
Dividends	-148	-248	-28	-423
Foreign exchange differences	-33	-106	-3	-143
Pensions	-15	0	3	-12
Changes in the scope of consolidation	0	0	148	148
Other	9	0	-17	-8
Balance at 31.12.17	**737**	**1,652**	**298**	**2,687**

In view of the importance of the investments in HAH and 407 ETR, set forth below is a detail of the balance sheets and income statements of these two companies, adjusted to bring them in line with Ferrovial's accounting policies, together with comments on the changes therein in 2018.

Also, since both ownership interests were remeasured when control was lost, registering goodwill, pursuant to IAS 28 p.40 and subsequent paragraphs, the possible existence of indications of impairment is assessed on an annual basis.

3.5.1 Information relating to HAH

a. Impairment Test

Based on the measurements and sensitivity analyses performed, the reference values of the most recent transactions performed by third parties and the positive changes to assets during the financial year, it was concluded that there was no impairment.

The trend was also positive in 2018, highlights being the fact that gross operating profit was 4.5% higher than in 2017. RAB grew by 2.6% over the year, reaching GBP 16,200 million. Also, traffic was 2.7% higher than in 2017.

The main assumptions used to measure this asset for impairment testing purposes were as follows:

- The most recent business plan approved by the company was considered. This plan is based on the 5.35% return on assets established by the regulator for the current extended five-year period until December 2019.
- The regulator has agreed to extend the current regulatory period, iH7, by two years (2020 and 2021).
- During the following regulatory periods, and following the British Parliament's approval of the "National Policy Statement" for the expansion of Heathrow, plans to increase the capacity of the airport (third runway project) were taken into account.
- The value of the investment was calculated by discounting the future cash flows per the business plan, using the adjusted present value (APV) method until 2051.

The result of the valuation presents a reasonable margin with respect to its book value. Additionally, sensitivities have been made to the main variables (RAB remuneration, discount rate, long-term inflation and exit multiple) and in all cases the amount of the valuation exceeds the carrying amount. In a scenario without the expansion of the third runway, there would be almost no impairments.

b. Changes in the Balance Sheet and Income Statement 2018-2017

In view of the importance of this investment, the following is a detail of the Balance Sheet and Income statement for this Group of companies, adjusted to bring them into line with Ferrovial's accounting policies, together with comments on the changes therein over the course of the 2018 financial year.

The balance sheet figures shown relate to the full balances of HAH and are presented in pounds sterling. The exchange rates used in 2018 are EUR 1=GBP 0.89842 (2017: GBP 0.88893) for the balance sheet figures and EUR 1=GBP 0.88585 (2017: GBP 0.87506) for the Income Statement figures.

Balance Sheet 2018/2017

HAH (100%) GBP (MILLION)	2018	2017	CHANGE 18/17
Non-current assets	**16,766**	**16,590**	**176**
Goodwill	2,753	2,753	0
Intangible fixed assets in infrastructure projects	13,391	13,344	47
Non-current financial assets	50	48	2
Pension plan surplus	28	0	28
Deferred taxes	0	0	0
Hedging instruments	543	444	99
Other non-current assets	0	0	0
Current assets	**1,084**	**1,002**	**82**
Trade and other receivables	419	266	153
Hedging instruments	0	170	-170
Cash and cash equivalents	652	554	98
Other current assets	13	11	2
Total assets	**17,849**	**17,592**	**258**

HAH (100%) GBP (MILLION)	2018	2017	CHANGE 18/17
Equity	**212**	**297**	**-85**
Non-current liabilities	**16,389**	**15,523**	**866**
Provisions for pensions	32	158	-126
Financial borrowings	14,060	13,116	944
Deferred taxes	763	773	-10
Hedging instruments	1,523	1,459	64
Other non-current liabilities	11	18	-6
Current liabilities	**1,248**	**1,771**	**-523**
Financial borrowings	742	1,356	-614
Trade payables	412	377	35
Hedging instruments	39	7	32
Other current liabilities	55	32	24
Total liabilities	**17,849**	**17,592**	**258**

- Equity

  At 31 December 2018, equity amounted to GBP 212 million, down GBP -85 million from the year ended 31 December 2017. In addition to the profit of GBP 247 million for the period, the main noteworthy changes are the dividends paid to shareholders amounting to GBP -500 million. This negative impact is partially offset by the impact of GBP 116 million registered on provisions for pensions, as well as the net impact of GBP 55 million due to hedging instruments.

25% of the shareholders' funds of the subsidiary does not correspond to the carrying amount of the investment, since the carrying amount also includes the amount of capital gain arising from the measurement at fair value of the investment retained following the sale of a 5.88% ownership interest in HAH in October 2011. The gain was recognised as an addition to goodwill. Therefore, in order to obtain the carrying amount of Ferrovial, it would be necessary to increase the 25% of the shareholders' funds presented above (GBP 53 million) by the amount of the aforementioned gain (GBP 581 million), giving a total of GBP 634 million which, translated at the year-end exchange rate (EUR 1 = GBP 0.89842), equates to an interest of EUR 705 million.

- Financial borrowings

The borrowings of HAH (short and long-term) amounted to GBP 14,802 million at 31 December 2018, an increase of GBP 331 million with respect to the prior year (31 December 2017: GBP 14,471 million). This increase was primarily due to the effect of:

- Amortisation and a bond issue in the amount of GBP -910 million and GBP 1,076 million respectively, as well as a net increase of GBP 252 million in bank borrowings.
- Decrease of GBP 60 million as a result of the fair value adjustments made to bonds issued in foreign currencies and of the related exchange rate effect. This impact is offset by the changes in value of the cross-currency swaps arranged to hedge this debt (EUR -67 million).
- Other changes of EUR -27 million (mainly payable accrued interest and commissions).

- Hedging instruments at fair value

The notional principal amount of HAH's derivatives portfolio at 31 December 2018 totalled GBP 12,979 million, including interest rate derivatives (IRSs) with a notional amount of GBP 2,513 million (hedging floating-rate borrowings), cross currency swaps (hedging bonds issued in foreign currencies) with a notional amount of GBP 3,947 million and index-linked swaps (ILSs) with a notional amount of GBP 6,519 million). The purpose of the index-linked swaps is to offset the imbalance that can arise between the business revenue and the regulated asset base, which are indexed to inflation, and the interest payments on fixed-rate borrowings, which do not fluctuate in response to changes in inflation.

The net change in the value (asset/liability position) of these financial instruments gave rise to a GBP 167 million increase in liabilities in the financial year. The main impacts in this connection relate to:

- Cash settlements (net payments) of GBP 23 million.
- Accrual of borrowing costs (result on financing) of GBP -160 million.
- Effect on reserves of changes in the value of hedging instruments in the amount of GBP 66 million.
- Fair value adjustments to these instruments (fair value-related result) of GBP -97 million, primarily due to the index-linked swaps (GBP -89 million), interest rate swaps (GBP +59 million) and cross currency swaps (GBP -67 million, although these are partially offset by the fair value adjustments of the cross-currency swaps associated with these financial instruments).

Income Statement 2018-2017

The following table shows the HAH's income statement movements in 2018 and 2017.

HAH (100%) GBP (MILLIONS)	2018	2017	CHANGE 18/17
Operating income	2,970	2,883	87
Operating expenses	-1,130	-1,123	-7
EBITDA	**1,840**	**1,760**	**80**
Allocation to amortisation	-779	-750	-30
Operating profit/(loss) before impairment and disposals	**1,061**	**1,010**	**50**
Impairment and fixed asset disposals	-17	0	-17
Operating profit/(loss)	**1,043**	**1,010**	**33**
Financial result	-751	-628	-123
Profit/(loss) before tax	**292**	**383**	**-90**
Income tax	-45	-79	34
Profit/(loss) from continuing operations	**247**	**303**	**-56**
Profit/(loss) from discontinued operations	0	0	0
Net profit/(loss)	**247**	**303**	**-56**
Profit/(loss) attributable to Ferrovial (Millions of euros)	**70**	**87**	**-17**

Operating income improved primarily as a result of an increase in occupancy levels and the number of passengers. Costs are in line with the previous year. These effects were reflected in the EBITDA, which improved by 4.5%.

However, the biggest change was in the financial result, which was adversely affected by the fair value adjustments to derivatives and liabilities at fair value (mainly index-linked swaps and interest rate swaps), which totalled GBP -188 million (EUR -45 million net attributable to Ferrovial), caused mainly by the change in inflation forecasts. At December 2017, this item totalled a positive amount of GBP 203 million (EUR 48 million on the net profit of Ferrovial).

The Management Report includes more detailed information on the changes in HAH's results.

3.5.2 Information relating to 407 ETR

As with HAH, given that Ferrovial's stake in the 407 ETR was remeasured when control was lost, and the implicit existence of goodwill was considered, pursuant to the contents of page 40 *et seq.* of IAS 28, the possible existence of indications of impairment is assessed on an annual basis.

a. Impairment test

Based on Ferrovial's analysis of this concession, the positive change in the asset seen in recent years and the sensitivity tests carried out, it has been concluded that there is no impairment.

The evolution of this asset over the last ten years has been very positive, with average annual growth in revenue of 10%, in EBITDA of 11% and in dividends of 21%. During 2018 the 407 ETR toll road outperformed the estimates in the Budget used as the starting point for the impairment test in the previous year; with revenue increasing by 1% compared to 2016 in local currency terms. On a year-on-year basis revenue increased by 9.7% due to the 8.6% increase in tolls and a 1.4% increase in traffic. Along similar lines, EBITDA increased by 9.7% with respect to 2015 and was 3% higher than budgeted.

The valuation that Ferrovial made of this concession shows a buffer over its carrying amount of more that 500%. Sensitivity to increased revenues and the discount rate has been measured, and a broad buffer is maintained.

The valuation methodology used is similar to the method described for all other toll roads (see Note 3.1.2.c relating to Goodwill for Toll Roads). To calculate the discount rate, a risk-free rate was used, which referenced the 30-year bond in Canada, a beta coefficient reflecting the asset's leverage and risk, and a market premium of 6.0% (same as last year) are used. The result is a post-tax discount rate (equity cost, or Ke) of 6.5% (8.1% before taxes).

Based on the valuation and its positive evolution in recent years, no signs of impairment have been identified.

b. Changes in the Statement of Financial Position and Income Statement for 2018-2017 relating to this Group of companies at 31 December 2018 and 2017.

These figures relate to the full balances of 407 ETR and are presented in millions of Canadian dollars. The exchange rates used in 2018 are EUR 1=CAD 1.56013 (2017: CAD 1.5059) for the balance sheet figures and EUR 1=CAD 1.53115 (2017: CAD 1.4755) for the income statement figures.

Balance Sheet 2018-2017

407 ETR (100%) (CAD Million)	2018	2017	CHANGE 18/17
Non-current assets	**4,470**	**4,408**	**62**
Intangible fixed assets in infrastructure projects	3,978	3,943	35
Non-current financial assets	459	429	30
Deferred taxes	33	37	-4
Other non-current assets	0	0	0
Current assets	**791**	**1,219**	**-428**
Trade and other receivables	242	221	21
Cash and cash equivalents	549	998	-449
Total assets	**5,261**	**5,627**	**-366**
Equity	**-3,813**	**-3,435**	**-378**
Non-current liabilities	**8,865**	**8,364**	**500**
Financial borrowings	8,351	7,862	489
Deferred taxes	514	502	12
Current liabilities	**209**	**698**	**-489**
Financial borrowings	105	522	-417
Trade and other payables	104	176	-72
Total liabilities	**5,261**	**5,627**	**-366**

Below is a description of the main changes in the balance sheet of 407 ETR at 31 December 2018 compared to the previous year:

- Equity

Equity fell by CAD 378 million with respect to 2017, as a result of the inclusion of the profit for the year of CAD 539 million and the reduction of CAD 920 million due to the payment of a dividend to shareholders. Elsewhere, there was a lesser impact of USD 4 million due to IFRS 9.

43.23% of the shareholders' funds of the subsidiary does not correspond to the consolidated book value of the holding, since the latter also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the sale of a 10% ownership interest in this company in 2010, recognised as an addition to the value of the concession, and the goodwill that arose in 2009 as a result of the merger of Grupo Ferrovial, S.A. and Cintra Concesiones de Infraestructuras de Transportes, S.A. Therefore, in order to obtain the consolidated carrying amount at Ferrovial, it is necessary to increase the 43.23% of shareholders' funds presented above (CAD -1,648 million) by the amount of the aforementioned gain and of the goodwill (CAD 2,630 million and CAD 1,319 million, respectively), giving a total of CAD 2,300 million which, translated at the year-end exchange rate (EUR 1 = CAD 1.56013), is equivalent to the investment of EUR 1,475 million.

- Financial borrowings

Borrowings as a whole (short-term and long-term) increased by CAD 72 million with respect to December 2017, due mainly to a bond issue in May with a nominal value of CAD 500 million (Series 18-A1 maturing in 2048). This increase was offset by the repayment of credit lines for CAD -422 million and the Series 99 A-3 and 00 A-2 bonds in July and December 2018 respectively for CAD -14 million.

Income Statement 2018-2017

The following table shows the income statement movements of 407 ETR in the years ended December 2018 and December 2017:

407 ETR (100%) (CAD Million)	2018	2017	CHANGE 18/17
Operating income	1,390	1,268	122
Operating expenses	-180	-164	-16
EBITDA	**1,211**	**1,104**	**106**
Allocation to amortisation	-107	-106	-1
Operating profit/(loss)	**1,103**	**998**	**105**
Financial result	-370	-358	-12
Profit/(loss) before tax	**733**	**640**	**93**
Tax on profits	-194	-169	-25
Net profit/(loss)	**539**	**470**	**69**
Profit/(loss) attributable to Ferrovial (CAD Million)	233	203	30

The main change in the income statement relates to "Operating Income" (CAD +122 million) as a result of the increase in tolls and the increase in toll road traffic.

It should be noted that the profit attributable to Ferrovial also includes the depreciation and amortisation over the concession term of the remeasurement recognised following the loss of control of the company as a result of the sale in 2010 mentioned above. Thus, CAD -24 million of depreciation and amortisation would have to be deducted from 43.23% of the local profit (CAD 233 million). Converting the resulting CAD 209 million at the average exchange rate (EUR 1 = CAD 1.53115) gives the EUR 136 million attributable to Ferrovial in 2018.

3.5.3 Other disclosures relating to associates

a) Changes relating to the remaining associates

The detail of the associate companies, showing their consolidated book value and the main data is disclosed in Appendix II.

The changes in 2017 in the investments in these companies were as follows:

2018 (Millions of euros)	OTHER
Balance at 31.12.17	**298**
Share of profit/(loss)	47
Dividends	-49
Changes in share capital	61
Foreign exchange differences	-3
Pensions	3
Reclassification to Discontinued Operations	-75
Other	-8
Balance at 31.12.18	**275**

The share of results includes most notably the contributions of the joint ventures of the Services Division (EUR 14 million), Portuguese Toll Roads (EUR 14 million), AGS Airports Holding (EUR 4 million) and other associates (EUR 14 million).

The dividends received relate to the Services Division (EUR -20 million, arising mainly from the joint ventures of Amey, FMM Company -Doha airport maintenance agreement- and EMESA-Calle 30) and to the Toll Roads Division (EUR 13 million, mainly Algarve and Norte Litoral).

Also notable was the AGS share capital increase of EUR 61 million, carried out via the partial capitalisation of the loan granted to the company (see Note 3.6).

Lastly, there was a EUR -75 million reduction in this line item corresponding to the reclassification of the Services Division to discontinued operations.

b) Other disclosures relating to equity-accounted companies

b.1) Investment in AGS

Notable among the equity-accounted companies are AGS Airports, which owns Aberdeen, Glasgow and Southampton airports. Given that Goodwill was generated at the time at which they were acquired, an impairment test has been carried out. The carrying amount of AGS is EUR 160 million, the aggregate of the investment of EUR 60 million and the value of the participating loan recognised at EUR 100 million (see Note 3.6, Non-current financial assets). AGS was valued using a discount rate (Ke) of around 7.5% (approximate pre-tax rate of 8.5%) and presents a significant buffer of 485% over its net carrying amount. In addition, the analysts' average valuation stood at EUR 471 million, 2.9 times higher than AGS' carrying amount. It should be pointed out that this asset evolved positively during 2018, with an increase in revenue and EBITDA of 1.8% and 5.7% respectively, compared with 2017 in LfL terms.

b.2) I-66 Toll Road

November 2017 saw the financial closure of the I-66 toll road in Virginia. The stake held in the concession-holding company for this toll road is 50%, and it is consolidated using the equity method.

Although at 2018 year-end the investment in the capital of this company was not material, there is a commitment to invest an additional EUR 670 million in the next five years.

As of December 31, 2018, the main asset of the toll raod corresponds to investment in infrastructure projects for EUR 835 million. From the point of view of liabilities, the financial debt stands out for EUR 993 million.

b.3) Other information

There are also some associates with a carrying amount of zero. Under IAS 28, if an entity's share of losses of an associate equal or exceeds its interest in the associate, the entity discontinues recognising its share of further losses, unless the entity has incurred legal or constructive obligations that make it necessary to recognise a liability for additional losses after the entity's interest is reduced to zero.

There are no significant restrictions on the capacity of associates to transfer funds to the parent company in the form of dividends, debt repayments or advances other than such restrictions as might arise from the financing agreements of those associates or from their own financial position, and there are no contingent liabilities relating to associates that might ultimately be assumed by the Group.

The most significant equity-accounted companies in which the ownership interest is below 20% are Madrid Calle 30 and Amey Ventures Investment Limited (AVIL). The equity method is used because, although Ferrovial only has an indirect ownership interest of 10% and 5% respectively and has the power to appoint one member of the Board of Directors in the two cases, it retains the capacity to block important decisions in matters that are not of a protective nature.

There are no significant companies in which the ownership interest exceeds 20% that are not equity-accounted.

The guarantees provided by Group companies to equity-accounted companies are detailed in Note 6.5.

3.6 Non-current financial assets

The changes in the year ended 31 December 2018 were as follows:

CHANGES IN 2018 (Millions of euros)	NON-CURRENT LOANS IN ASSOCIATES	RESTRICTED CASH RELATING TO INFRASTRUCTURE PROJECTS AND OTHER FINANCIAL ASSETS	LONG-TERM RECEIVABLES	TOTAL
Balance at 01/01/2018	**312**	**285**	**172**	**769**
Additions	65	373	28	**467**
Disposals	-130	-202	-60	**-392**
Transfers and other	15	0	-15	**0**
Exchange rate effect	-5	17	10	**23**
Reclassification to Discontinued Operations	-84	0	-27	**-111**
Balance at 31/12/2018	**173**	**473**	**108**	**754**

Note: balances shown net of allowance provisions

- "Long-Term Loans to Associates" primarily includes the loan granted to AGS amounting to EUR 100 million (2017: EUR 175 million); as well as participating loans to associates amounting to EUR 37 million (2017: EUR 40 million) and other ordinary loans to associates totalling EUR 120 million (2017: EUR 97 million). The decrease in the AGS loan was largely due to its partial capitalisation in the value of EUR 61 million (see Note 3.5.3 a)).

- "Restricted Cash Relating to Infrastructure Projects and Other Financial Assets" relates primarily to deposits made at toll road concession operators, the use of which is limited to certain purposes established in the concession arrangement, such as payment of future investments or operating expenses and debt servicing. The net increase of EUR 188 million primarily relates to LBJ Infrastructure Group in the amount of EUR 52 million net, and NTE Mobility Partners in the amount of EUR 59 million net and NTE Mobility Partners 3 LLC for EUR 55 million. The Note on the Net Cash Position provides details of the main balances and changes recognised in relation to this line item.

- Lastly, "Other Receivables" includes:

  - Other trade receivables, mainly from various public authorities in connection with long-term contracts, amounting to EUR 87 million (31 December 2017: EUR 94 million). Notable within this figure was the EUR 74 million for the M-203 toll road, relating to the recoverable amount from the Grantor (see Note 6.5.1 a).

- Trade receivables by the Services Division from various public authorities, mainly municipal councils and autonomous regional governments, which had been renegotiated at long term in the services segment, amounting to approximately EUR 17 million (2017: EUR 21 million).
- Long-term deposits and guarantees amounting to EUR 20 million (December 2017: EUR 19 million).

For information purposes, the changes in these line items in 2017 are detailed below:

CHANGES IN 2017 (Millions of euros)	LONG-TERM INVESTMENTS IN ASSOCIATES	RESTRICTED CASH RELATING TO INFRASTRUCTURE PROJECTS AND OTHER FINANCIAL ASSETS	OTHER NON-CURRENT RECEIVABLES	TOTAL
Balance at 01/01/2017	**374**	**249**	**112**	**735**
Items added	28	168	15	211
Items removed	-82	-102	-10	-194
Transfers and other	6	0	58	64
Exchange rate effect	-14	-30	-3	-47
Balance at 31/12/2017	**312**	**285**	**172**	**769**

SECTION 4: WORKING CAPITAL

This section contains the Notes on inventories (Note 4.1), short-term trade and other receivables (see Note 4.2), as well as short-term trade and other payables (see Note 4.3). The net balance of these items is called working capital.

Millions of euros	2017	IFRS 9	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Inventories	629	0	-6	0	28	-57	594
Short-term trade and other receivables	2,635	-1	-29	57	-21	-1,551	1,090
Short-term trade and other payables	-4,221	0	36	-90	2	1,573	-2,700
TOTAL	**-957**	**-1**	**1**	**-33**	**9**	**-35**	**-1,016**

Working capital fell by EUR 59 million during 2018.

The main movements were due to the impact of reclassifying the Services Division to discontinued operations which implies a very significant reduction in both receivables and payables, although not to the net balance (-35 million euros) as the adjustment in receivables (-1,551 million euros) and in payables (+1,573 million euros) are similar, and due to the changes in the scope of consolidation (-33 million euros).

Section 4.4 includes a more detailed analysis of the items in the balance sheet relating to recognition of revenues from contracts with customers in the Construction and Services business, including the disclosures required under IFRS 15 in relation to these contracts.

4.1 INVENTORIES

The inventories balance at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	EXCHANGE RATE	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Goods purchased for resale	360	-8	33	-21	364
Raw materials and other supplies	145	0	19	-17	147
Bidding and mobilisation costs	124	2	-24	-19	83
Inventories	**629**	**-6**	**28**	**-57**	**594**

The trade inventories recognised at 31 December 2018, EUR 310 million (2017: EUR 286 million) relate to the Real Estate business in Poland, of which EUR 136 million (2017: EUR 128 million) relate to land and plots ready for development, and EUR 174 million (2017: EUR 158 million) relate to property developments at different stages of completion.

EUR 144 million of raw materials and other supplies relate to the Construction Division, primarily at its subsidiaries in the US and Canada, amounting to EUR 64 million (2017: EUR 53 million), and Budimex, amounting to EUR 64 million (2017: EUR 54 million).

Lastly, bidding and mobilisation costs includes contract costs for EUR 83 million (2017: EUR 124 million).

Both for bid and mobilisation costs, amortisation is carried out systematically, in accordance with the transfer of goods and services to which the asset corresponds. In 2018, EUR 7 million of bid costs and EUR 49 million of mobilisation costs were amortised.

Lastly, the reclassification of Services as a discontinued operation had a negative impact of EUR 57 million on the inventories line item.

4.2 SHORT-TERM TRADE AND OTHER RECEIVABLES

The detail of "Short-Term Trade and Other Receivables" at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	IFRS 9	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Trade receivables for sales and services	2,032	-1	-25	57	117	-1,379	801
Other receivables	603	0	-4	0	-138	-172	289
TOTAL RECEIVABLES	**2,635**	**-1**	**-29**	**57**	**-21**	**-1,551**	**1,090**

a) Trade receivables for sales and services

The detail of "Balances with customers" at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	IFRS 9	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Customers	*1,483*	*0*	*-11*	*21*	*-29*	*-795*	*669*
Impairment provisions for trade receivables	*-276*	*-1*	*1*	*0*	*4*	*45*	*-227*
Net trade receivables	1,207	-1	-10	21	-25	-750	442
Net amounts to be billed for work performed	713	0	-15	37	150	-612	273
Withholdings as security	112	0	0	-1	-8	-17	86
TRADE RECEIVABLES FOR SALES AND SERVICES	**2,032**	**-1**	**-25**	**57**	**117**	**-1,379**	**801**

"Trade Receivables for Sales and Services" decreased by EUR 1,231 million from EUR 2,032 million at 31 December 2017 to EUR 801 million at 31 December 2018. This change is primarily explained by the following:

- The reclassification of Services to discontinued operations, which amounted to a EUR 1,379 million decrease in this line item.
- Change due to changes to the perimeter amounts to EUR 57 million. This impact was largely due to the acquisition of Carillion Amey entities (EUR +67 million) (see Note 1.1.4), and was partially reduced following the sale of a Construction firm in Poland (EUR -7 million).
- The exchange rate effect reduced this entry by EUR 25 million. This fall is explained by the depreciation experienced by the main currencies in which the Group operates.
- The remainder of the change is explained mainly by the increase in this line item in Construction Poland (EUR +74 million) and Services UK (EUR +36 million).

Also, at 31 December 2018 a total of EUR 4 million was deducted from "Trade Receivables for Sales and Services" relating to assets derecognised as a result of factoring arrangements, since it was considered that they met the conditions stipulated in IFRS 9 paragrah 3.2.3 regarding the derecognition of financial assets (31 December 2017: EUR 88 million). With regard to discontinued operations, EUR 61 million had been derecognised as a result of factoring arrangements (EUR 55 million corresponding to Services Spain and EUR 6 million of Broadspectrum)

The following details the main trade receivables, broken down by type of debtor:

	CONSTRUCTION		OTHERS AND ADJUSTMENTS		TOTAL	
Public sector	411	50%	16	n.a.	427	53%
Private sector	296	36%	4	n.a.	300	37%
Group Companies and Associates	116	14%	-42	n.a.	74	10%
TOTAL	**823**	**100%**	**-22**	N.A.	**801**	**100%**

This detail shows that 53% of the Group's customers are public authorities and the rest are private sector customers.

In relation to the discontinued operations, the main trade receivables broken down by type of debtor are as follows:

	SERVICES	
Public sector	810	58%
Private sector	512	37%
Group Companies and Associates	68	5%
TOTAL	**1,389**	**100%**

In order to manage credit risk relating to private customers, the Group has implemented pre- and post-contracting measures. Pre-contracting measures include the consultation of debtor registers, ratings, solvency studies, etc., while post-contracting measures during the execution of construction work include the follow-up of contractual incidents, non-payment events, etc.

The changes in impairment provisions for trade receivables were as follows:

(Millions of euros)	2018	2017
Opening balance	276	287
Transition to IFRS 9	1	0
Transition to IFRS 15	0	2
Amounts charged to the income statement:	3	9
Allocations	16	20
Reversals	-13	-11
Amounts used	-7	-22
Exchange rate effect	-1	0
Transfers and other	-1	0
Total Discontinued Operations	-45	0
Closing balance	**227**	**276**

Impairment provisions for trade receivables during 2017 were calculated in line with IAS 39. In 2018, it has been measured in accordance with IFRS 9 (applying the simplified approach to the provision for the lifetime expected loss calculation for the asset; see Note 1.2.3).

Group management considers that the carrying amount of trade receivables approximates their fair value.

b) Other receivables

The detail of "Other Receivables" at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Advances to suppliers	94	0	1	7	-50	52
Sundry receivables	157	-4	-1	19	-68	103
Infrastructure project receivables	221	1	0	-148	-42	32
Receivables from Public Authorities	131	-1	0	-16	-12	102
OTHER RECEIVABLES	**603**	**-4**	**0**	**-138**	**-172**	**289**

"Sundry Receivables" includes mainly receivables not relating to normal business activities. There are no line items included in the change that have a material effect when taken into consideration individually.

Also, "Infrastructure Project Receivables" includes current financial assets arising from the application of IFRIC 12 relating mainly to amounts receivable from public authorities in return for services rendered or investments made under a concession arrangement, as detailed in Note 3.3. The main changes to this entry occurred as a consequence of the payments made by the Authorities in the amount of EUR 144 million, upon completion of the construction phase at the Milton Keynes waste treatment plant in the UK and following the reclassification of Services to discontinued operations (EUR -42 million).

Lastly, "Receivables from Public Authorities" includes tax receivables other than income tax receivables.

4.3 Short-term trade and other payables

The detail of "Short-Term Trade and Other Payables" at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Trade payables	2,283	-24	92	27	-1,065	1,313
Amounts billed in advance for construction works	619	1	-1	40	-173	486
Advances	652	-3	0	-41	-4	604
Other non-trade payables	667	-10	-1	-28	-331	297
TRADE AND OTHER PAYABLES	**4,221**	**-36**	**90**	**-2**	**-1,573**	**2,700**

a) Trade payables

The detail of the trade payables at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Trade payables	1,760	-21	94	-75	-893	865
Trade payables sent for reverse factoring	286	-1	0	88	-164	209
Withholdings made from suppliers	237	-2	-2	14	-8	239
TRADE PAYABLES	**2,283**	**-24**	**92**	**27**	**-1,065**	**1,313**

The line item "Trade Payables" decreased by EUR 970 million compared to the balance recognised at 31 December 2017. The main changes were due to the reclassification of Services to discontinued operations (EUR -1,065 million) and changes in the scope of consolidation (due to the acquisition of Carillion Amey, with a positive impact of EUR 104 million, and partially offset by the sale of a Construction company in Poland, amounting to a negative impact of EUR 15 million.

This line item includes the balances payable to suppliers sent for reverse factoring (see Note 1.2.3.3 on Accounting policies) amounting to EUR 209 million (31 December 2017: EUR 286 million).

Group management considers that the carrying amount of trade receivables approximates their fair value.

b) Disclosure obligation in relation to payments to suppliers provided for in Additional Provision Three of Law 15/2010

In compliance with the obligation to disclose the average supplier payment period provided for in Article 539 and Additional Provision Eight of the Spanish Companies Act (in accordance with the new wording of Final Provision Two of Law 31/2014 reforming the Spanish Companies Act), the Company hereby states that the average period of payment to the suppliers of all the Group companies domiciled in Spain (including the transactions related to discontinued operations) was 46 days.

The following table details, as required under Article 6 of the Ruling of 29 January 2016 by the Institute for Accounting and Accounts Auditing, the information relating to the average period of payment to suppliers in 2018 and 2017:

(Days)	2018	2017
Average supplier payment period	**46**	**49**
Ratio of transactions settled	45	49
Ratio of transactions not yet settled	57	48
AMOUNT (Euros)		
Total payments made	1,282,492,063	1,227,935,075
Total payments pending	50,153,671	45,114,969

The mutual intra-group commercial transactions between companies belonging to the Ferrovial Group are not included in the consolidation process, meaning the consolidated balance sheet contains no outstanding balances due to companies within the Group. Thus, the information detailed in the previous table refers solely to suppliers outside of the Group, noting for information purposes that the average payment period between Group companies is generally 30 days.

c) Amounts billed in advance for construction work and customer advances

This line item includes:

- The amounts billed in advance for construction works, the revenue from which lags behind the volume certified by the customer (see Notes 1.2.3.4 and 4.4).
- Advances received from customers, amounting to EUR 604 million (31 December 2017: EUR 652 million), of which EUR 143 million (31 December 2017: EUR 159 million) relate to advances received by the Real Estate business in Poland; and EUR 458 million (31 December 2017: EUR 486 million) relate to advances received by companies in the Construction Division (as described in Note 4.4).

d) Other non-trade payables

The detail of "Other Non-Trade Payables" is as follows:

Millions of euros	2017	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Remunerations pending payment	289	-7	-3	11	-171	119
Payables to Public Authorities	306	-3	2	-15	-138	152
Other payables	72	0	0	-24	-22	26
OTHER NON-TRADE PAYABLES	**667**	**-10**	**-1**	**-28**	**-331**	**297**

"Remunerations Payable" relates to the employee remuneration earned but not paid during the year amounting to EUR 119 million.

Also, "Payables to Public Authorities" includes tax payables other than corporate income tax payables, relating mainly to VAT and employer social security taxes.

4.4 Information on the balance sheet from contracts with customers and other disclosures relating to IFRS 15

Information on the balance sheet from contracts with customers

As mentioned in Note 1.2.3.4, relating to the policy with regard to recognising revenues from contracts (IFRS 15), in contracts in which the performance obligations are measured over time, the difference between the revenues recognised for services rendered and the amounts actually billed to the customer are systematically analysed on a contract by contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade Receivables for Sales and Services – Amounts to be billed for work performed" (see Note 4.2.a), whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Current Trade and Other Payables – Amounts billed in advance for construction works" (Note 4.3).

Also, in certain construction contracts or services, advances are agreed upon that are paid by the customer when work is commenced on the contract, the balance of which is offset against the various progress billings as the contract work is performed. These amounts are included on the liabilities side of the balance sheet, under "Trade payables" (Note 4.3.a).

In contrast to the advances, in some contracts the customer retains a portion of the price to be paid in each progress billing to guarantee the satisfaction of certain obligations under the contract. These "retentions" are not reimbursed until the contract is definitively settled. These amounts are included on the assets side of the balance sheet, under "Trade receivables for sales and services" (Note 4.2.a).

Unlike "Amounts to be billed for work performed" and "Amounts billed in advance for construction works", the "advances" and "retentions" are balances that will have an impact on future cash flows, since in the case of the "advances" a lower amount will be collected in the future as the advances are discounted from the progress billings, whereas the "retentions" will give rise to higher collections in the future, since the customer will reimburse the related amounts as and when the contract work is settled.

The detail of the amounts recognised in this connection at 31 December 2018 and 2017 is as follows:

Millions of euros	2017	EXCHANGE RATE	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER	TOTAL DISCONTINUED OPERATIONS	2018
Services Amounts to be billed for work performed	445	-10	40	137	-612	0
Construction Amounts to be billed for work performed	268	-5	-2	12	0	273
Amounts to be billed for work performed	**713**	**-15**	**37**	**150**	**-612**	**273**
Withholdings	**112**	**0**	**-1**	**-8**	**-17**	**86**
Total assets from contracts with customers	**825**	**-15**	**36**	**142**	**-629**	**359**
Services Amounts billed in advance for construction works	161	-3	0	15	-173	0
Construction Amounts billed in advance for construction works	457	4	-1	26	0	486
Amounts billed in advance for construction works	**619**	**1**	**-1**	**40**	**-173**	**486**
Advances	**652**	**-3**	**0**	**-41**	**-4**	**604**
Total liabilities in contracts with customers	**1,271**	**-2**	**-1**	**-1**	**-177**	**1,090**

The most notable change during 2018 was the reclassification of Services to discontinued operations.

The balance at 31 December 2018 of work completed and pending certification corresponds almost entirely to amounts relating to revenues from the main contract signed with the customer, since, in line with the general policy established by the Group, only works that are due and payable may be recognised, i.e. amounts that have been approved by the customer. The balance shown under claims includes only the cases in which it is deemed highly probable that there will be no reversal of revenues in the future.

As mentioned in Note 1.2.3.4, there are different methods for calculating revenues, depending on the nature of the contract. Generally speaking, performance obligations in the construction and service business are satisfied over time, meaning that in the case of contracts in which the output method is applied (given that the amounts relating to changes and claims are not relevant), the balance recognised corresponds principally to work that has been completed and remains pending certification under the main contract, due to the difference between the time at which it is completed and the time at which it is certified.

In contracts in which such obligations do not relate to recurrent and/or routine work, and in which the level of progress method is used because it is not possible to determine the unit price of the work units to be carried out, the balance includes both the difference between the level of progress and the certification achieved, as well as the difference between the current margin obtained from the contract and the expected margin at the end of the contract at the current point of completion. The balance of "Construction work pending certification" corresponding to this type of contract amounts to EUR 77 million (all of these balances relate to construction contracts). An additional EUR 137 million relating to contracts for services has been written off due to the discontinued operation classification.

In 2017 the total for "Construction work pending certification" in relation to these types of contract amounted to EUR 175 million (EUR 56 million relating to construction contracts and EUR 119 million relating to services contracts).

Other disclosures relating to IFRS 15:

Revenues from contracts with customers:

EUR 5,534 million of total revenue recognised in 2018 (see Note 2.1 Operating income) relate to revenue from contracts with customers, which represents 96% of revenue recognised.

(Millions of euros)	2018
Construction	5,047
Toll roads	342
Airports	14
Other segments	132
Revenue related to contracts with customers	**5,534**

With regard to income pending recognition in relation to uncompleted performance obligations at year-end, this line item corresponds to what is generally referred to as the order book (see the definition in the section Alternative Performance Measures in the Management Report). The table below is a breakdown of this figure by business area and includes an estimate of the years in which it is expected that it will appear in income.

INCOME	2018	2019	2020	2021	2022+	TOTAL
Construction (Continuing operation)	4,525	4,003	1,384	610	445	10,967
Services (Discontinued operation)	4,618	2,773	2,061	1,606	8,352	19,411
Total	**9,143**	**6,776**	**3,445**	**2,216**	**8,797**	**30,377**

The total numbers of contracts in the Construction and Services businesses are approximately 800 and 1,600 respectively.

Additionally, EUR 80 million of performance obligations of construction contracts executed in previous years (EUR 15 million and EUR 65 million relating to the Construction and Services businesses), were recognised as income.

Other quantitative and qualitative disclosures

The information relating to the disclosures that describe when performance obligations are paid under the various contracts, the existence of a significant financing component, and how the variable consideration criterion is applied, including the conditions to be met in order for revenues to be recognised in this regard and in respect of guarantees, is included in Note 1.2.3.4. In addition, information relating to the main value judgements and estimates used to enter revenues is set out in Note 1.2.4.

As regards assets originating from bidding and mobilisation costs relating to contracts with customers, information on the statement of financial position recognised at 31 December 2018 is set out in detail in Note 4.1, Inventories.

SECTION 5: CAPITAL STRUCTURE AND FINANCING

The Notes in this section describe the changes in the financial structure of Ferrovial as a result of variations in equity (see Note 5.1) and in its consolidated net debt (see Note 5.2), (taken to be the balance of cash and cash equivalents net of the financial debt, bank borrowings and debt securities), making a distinction between infrastructure project companies and ex-infrastructure project companies. They also describe the Group's exposure to the main financial risks and the policies for managing them (see Note 5.4), as well as the derivatives arranged in connection with those policies (see Note 5.5).

The equity attributable to shareholders (see Note 5.1) decreased with respect to 2017, primarily due to shareholder remuneration, and the consolidated net loss. There was also an impact of the first-time application of IFRS 9 (discussed in Note 1.2.1), and to the expenses recognised directly under equity (due to exchange rate effects, pensions and derivatives).

EQUITY ATTRIBUTABLE TO SHAREHOLDERS

(Millions of euros)

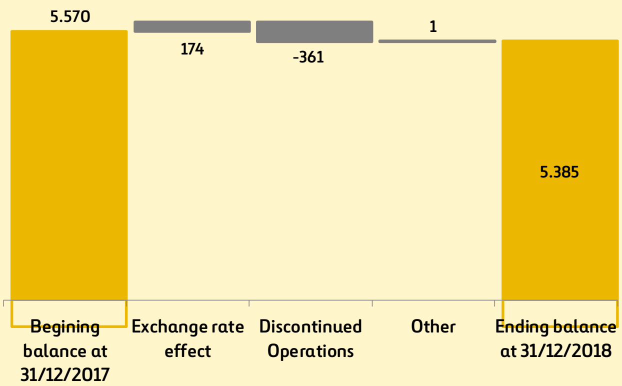
Closing Balance at 31/12/2017	**5,503**
IFRS 9 Impact	-31
Net profit/(loss)	-448
Income and expenses recognised directly in Equity	16
Shareholder remuneration	-520
Other	11
Closing Balance at 31/12/2018	**4,530**

Ferrovial's net consolidated debt for non-infrastructure projects remains at a positive net figure of EUR 975 million, lower than the amount in December 2017 (EUR 1,341 million). Especially noteworthy was the dividend payment (EUR -520 million), as well as the reclassification of the Services Division to discontinued operations (EUR -261 million), offset by the positive cash flow activity generated during the year (EUR 476 million). The other changes are analysed through cash flows (see Note 5.3) and the Management Report.

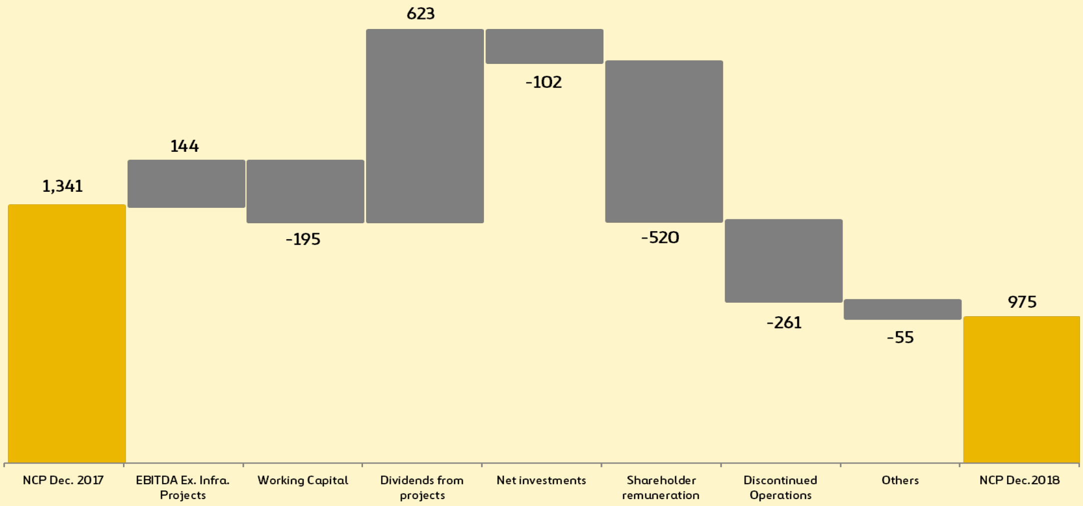
The consolidated net cash continues to make it possible to amply achieve the objective of maintaining an investment grade rating, where the Company considers a relevant metric a ratio, for ex-infrastructure projects, of Net Debt (gross debt less cash) to gross operating profit (EBITDA) plus dividends from projects of no more than 2:1. Ferrovial's current rating stands at BBB.

The borrowings of infrastructure projects, the changes compared to the previous year (EUR 5,385 million in December 2018, compared to EUR 5,570 million in December 2017), primarily explained by the reclassification of the Services Division to discontinued operations, as well as the positive exchange rate effect (EUR 174 million), due mainly to the appreciation in value of the US dollar.

BORROWINGS OF INFRAESTRUCTURE PROJECTS



NET CASH POSITION EX INFRAESTRUCTURES PROJECT:



5.1 Equity

5.1.1 Changes in Equity

The detail of the main impacts net of taxes that affected the changes in equity in 2018 and which explain the changes in equity in the period from December 2017 to December 2018 is as follows:

2018 (Millions of euros)	ATTRIBUTABLE TO SHAREHOLDERS	ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity at 31/12/2017	**5,503**	**731**	**6,234**
Transition to IFRS 9	**-31**	**-6**	**-38**
Equity at 01/01/2018	**5,471**	**725**	**6,197**
Consolidated profit/(loss) for the year	**-448**	**57**	**-391**
Impact on reserves of hedging instruments	66	8	74
Impact on reserves of defined benefit plans	69	0	69
Translation differences	-119	21	-98
Income and expenses recognised directly in equity	**16**	**29**	**45**
Amounts transferred to the Income Statement	**0**	**0**	**0**
Total recognised income and expenses	**-431**	**86**	**-346**
Scrip dividend agreement/Other dividends	-240	-54	-294
Treasury share transactions	-280	0	-280
Shareholder remuneration	**-520**	**-54**	**-574**
Share capital increases/reductions	1	77	78
Share-based remuneration scheme	10	0	10
Subordinated hybrid bond	-1	0	-1
Other changes	-1	-1	0
Other transactions	**9**	**76**	**89**
Equity at 31/12/18	**4,530**	**833**	**5,363**

The following is a description of the main changes in shareholders' funds in 2018, which gave rise to a reduction of EUR -973 million in equity attributable to the shareholders.

Transition to IFRS 9. As indicated in Note 1.2, the Group applied IFRS 9 retrospectively, recognising the cumulative effect of first-time adoption as an adjustment to the opening balance of equity, which gave rise to a negative impact in the company's reserves of EUR -31 million.

The consolidated income for the year attributable to the parent company totalled EUR -448 million

The income and expenses recognised directly in equity relate to:

- Hedging instruments: Recognition of the changes in value of the effective portion of derivatives designated as hedges, as detailed in Note 5.5, the positive impact of which was EUR 66 million, of which EUR 32.6 million corresponded to fully consolidated companies and EUR 16.8 million to equity-accounted companies and EUR 17.9 million relates to services classified to discontinued operations (See Note 1.1.3).
- Defined benefit plans: This item includes the impact on equity of actuarial gains and losses arising from adjustments and changes to the Group's defined benefit plan assumptions, as described in Note 6.2, which had an impact for the parent company of EUR 69 million net of taxes (EUR 33 million in companies classified as held for sale (Amey) and EUR 36 million at the equity-accounted companies (HAH/AGS).
- Translation differences: The currencies in which Ferrovial has the greatest exposure in terms of its equity (mainly the Canadian dollar, US dollar and the pound sterling), as detailed in Note 5.4, have given rise to translation differences of EUR -119 million attributable to the parent company. More specifically, the depreciation of the Canadian dollar, pound sterling and the Australian dollar gave rise to translation differences of EUR -79 million, EUR -42 million and EUR -26 million respectively, offsetting the appreciation of the US dollar, which had an impact of EUR 33 million. The effect of the remaining currencies is EUR -5 million, primarily due to changes in the exchange rate of the Polish Zloty.

Shareholder remuneration:

- Scrip dividend: On 5 April 2018, the Annual General Meeting of Ferrovial, S.A. approved for the fourth consecutive year, a flexible capital return scheme for shareholders under which they could freely opt to receive shares newly issued by the Company through the subscription of a share 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 this resolution, in 2018 two share capital increases were performed with the following characteristics:
    - In May 2018, 7,049,868 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a share capital increase of EUR 1.4 million, and EUR 106 million of bonus shares were purchased, representing a payment per share of EUR 0.314.
    - In November 2018, 9,510,262 new shares were issued with a charge to reserves at a par value of EUR 0.20 per share, representing a share capital increase of EUR 1.9 million, and EUR 134 million of bonus shares were purchased, representing a payment per share of EUR 0.407.
    - EUR -240 million are included in this connection in the foregoing table.
- Buy-back Programme: The Annual General Meeting of Ferrovial, S.A. held on 5 April 2018 approved a treasury share Buy-Back Programme, the objective of which was a subsequent share capital reduction through the retirement of the shares purchased. This transaction is described in Note 5.1.2 c) below.
- As can be observed in the preceding table, the cash flow impact of the remuneration of shareholders in 2018 amounted to EUR 520 million (see Note 5.3), of which EUR 240 million related to the scrip dividend and EUR 280 million due to the acquisition of treasury shares.

Other transactions:

- Share capital increases by non-controlling interests: There was an increase of EUR 77 million in the shareholders' funds attributable to non-controlling interests, relating mainly to North Tarrant Express Segment 3 toll road.

- Share-based remuneration schemes: in 2018 a total of 286,491 treasury shares were acquired, representing 0.19% of the share capital of Ferrovial, which were subsequently delivered, together with the treasury shares existing at the beginning of the year, to beneficiaries under share-based remuneration schemes. The total cost of acquisition of these shares was EUR 5.3 million and the total result recognised for these remuneration schemes in the Company's equity amounts to EUR 10 million.

  It should be noted, as discussed in Note 5.5, 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 2 million and the changes in the fair value thereof had an impact on the financial result of EUR -3 million.

- Subordinated hybrid bond: As described in the consolidated accounts at 31 December 2017, the Group issued perpetual bonds for a nominal amount of EUR 500 million, the features of which remain unchanged at 2018 year-end. Thus, these subordinated perpetual bonds are recognised under "Other Equity Instruments". The costs associated with the issue of these bonds and the accrued interest, which at the end of 2018 amounted to EUR -9 million, are recognised under "Reserves" and treated in a similar way to dividends.

5.1.2 Equity Components

The following is an explanation of each of the equity line items presented in the Consolidated Statement of Changes in Equity:

a) Share Capital

As at 31 December 2018 the share capital amounted to EUR 147,691,167.40 all fully subscribed and paid up. The share capital is represented by 738,455,837 ordinary shares of a single class and with a par value of twenty euro cents (EUR 0.20) per share. The changes in 2018 detailed in the table below relate to the share capital increase and reduction transactions described in the preceding paragraph.

SHARES	NUMBER	PAR VALUE
Beginning balance	732,265,472	146,453,094
Scrip dividend	16,560,130	3,312,026
Share capital reduction	-10,369,765	-2,073,953
Share closing	**738,455,837**	**147,691,167**

At 31 December 2018, the only company with an ownership interest of over 10% is Rijn Capital BV, with 20.11% 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 Company 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 2018, 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 71 million. Both line items are considered to be unrestricted reserves.

c) Treasury shares

At 31 December 2017, 2,167,237 treasury shares were held. The following changes took place in 2018:

TRANSACTION PERFORMED/OBJECTIVE	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES USED FOR OBJECTIVE	TOTAL NUMBER OF SHARES
Balance at 31.12.17			**2,167,237**
Share capital reduction	8,930,617	-10,369,765	-1,439,148
Discretionary shares	6,915,588	0	6,915,588
Remuneration schemes	286,941	-966,079	-679,138
Shares received - scrip dividend	447,129	0	447,129
Balance at 31.12.18			**7,411,668**

The Annual General Meeting of Ferrovial, S.A. held on 5 April 2018 approved a treasury share Buy-Back Programme for a maximum amount of EUR 275 million, the objective of which was a subsequent share capital reduction through the retirement thereof. Over the course of 2018 15,846,205 shares were acquired at an average price of EUR 17.65 per share, giving rise to a payment totalling EUR 280 million. Subsequently, it was resolved to reduce share capital by 10,369,765 shares, giving rise to a share capital reduction of EUR 2 million and an impact of EUR -278 million, which was recognised against unrestricted reserves (merger premium) and related to the difference between the acquisition price and the par value of the retired shares.

The market value of the treasury shares held by Ferrovial at 31 December 2018 (7,411,668 shares) was EUR 131 million.

d) Other equity instruments

Through its subsidiary Ferrovial Netherlands BV, with a guarantee from Ferrovial, S.A., the Group made a perpetual subordinated bonds issue in 2017 in the par amount of EUR 500 million and with an annual coupon of 2.124% until the first recalculation date (May 2023). Following the first recalculation date, the coupon will be changed to a rate equivalent to adding 2.127% to the 5-year swap rate that applies at that time. The same calculation will be made again in 2043, but in this case, the 5-year swap rate that applies at that time will be increased by 2.877%.

These bonds may be repaid for the first time, at the issuer's discretion, in five and a half years (2023) from the date of issue (from 14 February 2023 to 14 May 2023 inclusive), and subsequently on each coupon payment date. Ferrovial also has the right to defer the payment of coupons over time, and such payment cannot be demanded by the holders.

As stated in Note 1.2.3.3, when it is at the issuer's discretion to decide both the repayment of the principal and the possibility of deferring the payment of the bond's coupon, the bond should classified as an equity instrument.

Thus, these subordinated perpetual bonds are recognised under "Other Equity Instruments". The costs associated with the issue of these bonds and the accrued interest, which at the end of 2018 amounted to EUR -9 million, are recognised under "Reserves" and treated in a similar way to dividends.

Irrespective of this type of instrument being classified as shareholders' funds from an accounting standpoint, the method followed by the rating agencies for the purpose of analysing the Group's debt level is to consider the hybrid bond issue fully or partially as debt and/or partially as equity, according to the current methodologies applied by each of these rating agencies.

e) Valuation adjustments

"Valuation Adjustments" in the consolidated statement of changes in equity, the balance of which at 31 December 2018 was EUR -1,261 million, includes mainly the accumulated amount in reserves of the valuation adjustments made to derivatives (EUR -541 million), pension plans (EUR -442 million) and translation differences (EUR -572 million).

As regards the requirements of IAS 1 in relation to the disclosure of "income and expenses recognised directly in equity", it is important to note that the only items that under the related accounting legislation may not be transferred in a future period to the income statement are the items relating to pension plans.

f) Retained earnings and other reserves

This line item includes prior years' retained earnings and other reserves totalling EUR 3,993 million (2017: EUR 4,624 million). The other reserves include restricted reserves of the Parent, relating mainly to the legal reserve of EUR 29 million.

Adjustments relating to share-based remuneration schemes and the impact of the subordinated perpetual bond's coupons and associated costs are also recognised under this heading.

g) Proposed distribution of profit for 2018

It is planned for the Board of Directors to propose to the Company's duly convened Annual General Meeting that the profit of FERROVIAL, S.A. be distributed as follows:

(Millions of euros)	AMOUNT
Profit/(loss) FERROVIAL, S.A. (individual company) (euros)	48,321,239.91
Distribution (euros)	
To Voluntary Reserves (euros)	48,321,239.91

The Legal Reserve has reached the legally required minimum.

h) Non-Group companies with significant ownership interests in subsidiaries

At 31 December 2018, the non-controlling interests in the share capital of the most significant fully consolidated Group companies were as follows:

FERROVIAL GROUP SUBSIDIARY	NON-GROUP %	NON-GROUP SHAREHOLDER
Toll roads		
Autopista Terrassa-Manresa, S.A.	23.72%	Acesa (Autopista Concesionaria Española, S.A.)
Autopista del Sol, C.E.S.A.	20%	Unicaja
LBJ Infrastructure Group Holding LLC	28.3272%-17.0689%	LBJ Blocker (APG)-Meridiam Infr. S.a.r.l. (MI LBJ)
NTE Mobility Partners Holding, LLC	37.033%	Meridiam Infrastrucuture S.a.r.l.
NTE Mobility Partners SEG 3 Holding LLC	28.8399%-17.4949%	NTE Segments 3 Blocker, Inc. (APG) - Meridiam Infrastructure NTE 3A/3B LLC
Construction		
Budimex S.A.	9.8%-5.3%-29.8%	AVIVA OFE Aviva BZ WBK-Nationale Nederlanden OFE (listed on the stock exchange)

The main Financial Statement aggregates of the most significant Group companies in which other shareholders own interests are as follows (data in 100% terms):

2018 (Millions of euros)	ASSETS	LIABILITIES	EQUITY	NCP	NET PROFIT
Autema	1,138	308	830	25	41
Autopista del Sol	760	691	69	-443	7
LBJ Express	2,276	1,871	405	-1,265	-5
NTE Mobility Partners, LLC	1,878	1,590	289	-870	7
NTE Mobility Partners Segment 3 LLC	1,247	890	358	-662	-2
I-77 Mobility Partners LLC	527	422	105	-246	0
Budimex	1,331	1,102	229	269	40

The main changes in "Equity Attributable to Non-Controlling Interests" in 2018 were as follows:

COMPANY	BALANCE AT 31.12.2017	PROFIT/(LOSS)	DERIVATIVES	TRANS. DIFFERENCES	DIV.	SHARE CAPITAL INCREASE	OTHER	BALANCE AT 31.12.2018
Autopista Terrassa Manresa	**170**	17	7	0	-5	0	-6	**183**
Autopista del Sol	**-2**	2	0	0	0	0	0	**0**
LBJ Infraestructure Group	**179**	-4	0	9	0	0	0	**184**
I-77 Mobility Partners LLC	**-7**	0	0	1	0	58	0	**52**
NTE Mobility Partners	**98**	4	0	5	0	0	0	**107**
NTE Mobility Partners Segments 3 LLC	**139**	-1	0	7	0	21	0	**166**
Budimex	**140**	32	0	-2	-47	0	2	**124**
Others	**14**	8	1	0	-2	-1	-3	**17**
Total	**731**	**57**	**8**	**21**	**-54**	**77**	**-7**	**833**

The entry “other impacts” primarily includes the effect of EUR -6 million relating to the adjustment of the opening balance as a result of the transition to IFRS 9, as explained under “Other Transactions” in the foregoing Note 5.1.1.

5.2 Net consolidated debt

In order to present an analysis of the Group's net debt position, the following table contains a breakdown of the Net Cash Position, distinguishing between infrastructure project companies and the other companies. The Net Cash Position is understood to be the balance of the items included under "Cash and Cash Equivalents", together with the long-term restricted cash of infrastructure projects, less financial debt (short-term and long-term bank borrowings and bonds.

Also, the Net Cash Position includes Forwards totalling EUR 55 million that hedge the cash held by the Group in US and Canadian dollars, as well as Cross-Currency Swaps, with a value of EUR -6 million, associated with the borrowings denominated in US dollars. The derivatives are accounted for in this way because they are associated in full with the aforementioned borrowings/cash and the related exchange rate effect is netted off therefrom

31.12.2018

(Millions of euros)	BANKING DEBT /BONDS	CROSS CURRENCY SWAPS	CASH AND CASH EQUIVALENTS	FORWARDS	LONG-TERM RESTRICTED CASH	NET BORROWING POSITION	INTRA-GROUP POSITION	TOTAL
Ex-Infrastructure Project Companies	-2,807	-6	3,766	55	1	1,009	-34	975
Infrastructure project companies	-5,385	0	239	0	472	-4,673	34	-4,640
Total net consolidated debt	**-8,192**	**-6**	**4,005**	**55**	**473**	**-3,664**	**0**	**-3,664**

Net consolidated debt was reduced by EUR -202 million, falling from EUR -3,463 million in 2017 to EUR -3,664 million in December 2018. This reduction includes EUR -16 million due to the reclassification of Assets and Liabilities held for sale and discontinued operations in the Services Division (see Note 1.1.3). This change is explained in further detail in the note on cash flow (Note 5.3).

31.12.2017

(Millions of euros)	BANKING DEBT /BONDS	CROSS CURRENCY SWAPS	CASH AND CASH EQUIVALENTS	FORWARDS	LONG-TERM RESTRICTED CASH	NET BORROWING POSITION	INTRA-GROUP POSITION	TOTAL
Ex-Infrastructure Project Companies	-2,780	-17	4,137	18	0	1,359	-18	1,341
Infrastructure project companies	-5,570	0	463	0	285	-4,822	18	-4,804
Total net consolidated debt	**-8,350**	**-17**	**4,601**	**18**	**285**	**-3,463**	**0**	**-3,463**

Set forth below is a comparative analysis of net debt position of discontinued operations:

(Millions of euros) **2018**	BANKING DEBT/BONDS	CASH AND EQUIVALENTS	NET BORROWING POSITION
Ex – Infrastructure Projects Companies	-145	406	261
Infrastructure Projects Companies	-361	116	-245
Total net debt position	**-506**	**522**	**16**

(Millions of euros) **2017**	BANKING DEBT/BONDS	CASH AND EQUIVALENTS	NET BORROWING POSITION
Ex – Infrastructure Projects Companies	-185	550	365
Infrastructure Projects Companies	-509	192	-317
Total net debt position	**-694**	**742**	**48**

Ex – Infrastructure Projects:

Ex - Infrastructure project net borrowing position increased by EUR -104 million with respect to December 2017, a change that was mainly due to the restructuring of Broadspectrum debt and the negative evolution of Amey working capital.

Infrastructure Projects:

Infrastructure project net borrowing position decreased by EUR 72 million with respect to December 2017 mainly to the repayment of the borrowings of the company Milton Keynes after receiving payment from the customer when the plant became operational (EUR 144 million).

5.2.1. Infrastructure projects

a) Cash and cash equivalents and restricted cash

Infrastructure project financing agreements occasionally impose the obligation to arrange certain restricted accounts to cover short-term or long-term obligations relating to the payment of the principal or interest on the borrowings and to infrastructure maintenance and operation.

Restricted cash is classified as short-term or long-term depending on whether it must remain restricted for less than or more than one year. In any event, these funds are invested in highly-liquid financial products earning floating interest. The type of financial product in which the funds may be invested is also restricted by the financing agreements or, where no restrictions are stipulated, the decision is made on the basis of the Group's policy for the placement of cash surpluses.

Short-term balances, which amount to EUR 9 million (31 December 2017: EUR 58 million), are recognised under "Cash and Cash Equivalents" in the balance sheet whereas long-term balances, of EUR 472 million (31 December 2017: EUR 285 million) (see Note 3.6), are classified as financial assets. Therefore, the restricted cash at 31 December 2018 amounted to EUR 481 million, related entirely to the NTE (EUR 194 million), LBJ (EUR 171 million), NTE Segment 3 (EUR 67 million) and other European toll roads (EUR 49 million) (December 2017: EUR 343 million), including both long- and short-term amounts. Accordingly, there was a net change of EUR 138 million, due to:

- An increase therein of EUR 157 million (excluding the exchange rate effect), mainly at the NTE, NTE Segment 3 and LBJ toll roads (EUR 59 million, EUR 55 million and EUR 52 million, respectively), as a result of the business' operations, and at Autopistas del Sol C.E.A.S.A., amounting to EUR 4 million, in relation to future investments and debt servicing.

- The exchange rate effect, which had an impact of EUR 17 million, caused mainly by changes in the value of the US dollar (see Note 1.3).

- Reclassification of the Services Division to discontinued operations, amounting to EUR -36 million (Note 1.1.3).

The other cash and cash equivalents relate to bank accounts and highly-liquid investments subject to interest rate risk.

b) Infrastructure project borrowings

b.1) Breakdown by project, significant changes in the year and main characteristics of the borrowings

The following is a breakdown of borrowings by project, distinguishing between bonds and bank borrowings, short- and long-term, and changes during the year.

	31.12.2018			CHANGE 18/17		
(Millions of euros)	BONDS AND DEBENTURES	BANK BORROWINGS	TOTAL	BONDS	BANK BORROWINGS	TOTAL
Long-Term	**1,856**	**3,486**	**5,342**	**57**	**-78**	**-21**
US Toll Roads	1,193	2,306	3,498	57	281	338
Spanish Toll Roads	477	659	1,136	-10	-13	-23
Portuguese Toll Roads	0	311	311	0	-9	-9
Airports	187	59	245	10	1	11
Construction	0	151	151	0	-2	-2
Services	0	0	0	0	-335	-335
Short-Term	**10**	**32**	**43**	**1**	**-166**	**-165**
Spanish Toll Roads	10	16	26	1	6	7
US Toll Roads	0	0	0	0	0	0
Portuguese Toll Roads	0	11	11	0	2	2
Airports	0	2	2	0	0	0
Construction	0	4	4	0	0	0
Services	0	0	0	0	-174	-174
Total	**1,867**	**3,518**	**5,385**	**58**	**-244**	**-186**

	31.12.2017		
(Millions of euros)	BONDS AND DEBENTURES	BANK BORROWINGS	TOTAL
Long-Term	**1,799**	**3,563**	**5,363**
US Toll Roads	1,136	2,025	3,160
Spanish Toll Roads	487	672	1,159
Portuguese Toll Roads	0	320	320
Airports	177	57	234
Construction	0	154	154
Services	0	335	335
Short-Term	**9**	**199**	**207**
Spanish toll roads	9	10	19
US toll roads	0	0	0
Portuguese toll roads	0	9	9
Airports	0	2	2
Construction	0	4	4
Services	0	174	174
Total	**1,808**	**3,762**	**5,570**

The following table shows changes to gross borrowings on Infrastructure Projects, broken down into changes in borrowings with balancing entries in cash flow, exchange rate effects and changes in the scope of consolidation, along with changes in debt resulting from the accrual of interest, which do not involve any changes to cash positions during the financial year.

(Millions of euros)	DEC 2017	INCREASE/REDUCTION IN IMPACT ON CASH FLOW	EXCHANGE RATE EFFECT	IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION AND OTHER	CAPITALISED/ACCRUED INTEREST	RECLASSIFICATION TO DISCONTINUED OPERATIONS	DEC 2018
Gross Debt Position Projects	5,570	-93	174	2	92	-361	5,385

Infrastructure project borrowings decreased by EUR 186 million with respect to December 2017, a change that was mainly due to the following reasons:

- Exchange rate effect amounting to EUR 174 million, mainly due to the appreciation of the US dollar (EUR 174 million).

- Drawdowns against the borrowings already arranged at the end of 2017 and interest accrual and addition of interest to debt principal, for a net amount of EUR -1 million, of which:

- Repayment of the borrowings of the company Amey-Cespa (Milton Keynes) SPV Limited, the owner of a waste plant in the United Kingdom, totalling EUR -146 million, after receiving payment from the customer when the plant became operational.
- As regards the US toll roads, EUR 85 million relates to the debt drawn down by the NTE 35W toll road and EUR 90 million to the capitalisation of interest on the TIFIA debt, of which EUR 38 million relates to the LBJ toll road, EUR 31 million to the NTE toll road, EUR 17 million to the NTE 35W toll road and EUR 5 million to the I-77 Mobility Partners LLC toll road.
- EUR -16 million relate to the Spanish toll roads, including most notably Autopista del Sol (EUR -16 million), mainly due to the repayment of borrowings.

- Reclassification of the Services Division to discontinued operations, amounting to EUR -361 million (Note 1.1.3).

US Toll Roads:

NTE Mobility Partners, LLC

This project is financed through a USD 400 million issue of Private Activity Bonds (PABs) with final maturity in 2039 (USD 60 million bearing fixed interest at 7.50% of which EUR 29 million mature in 2030 and EUR 31 million in 2031 and USD 340 million bearing fixed interest at 6.875% with final maturity in 2039). It also has a TIFIA loan of USD 830 million bearing fixed interest at 4.52% (USD 650.0 million of principal and USD 180 million of interest added to the principal) granted by the US Federal Government, which was drawn down in full at 31 December 2018 and has a repayment profile from 2035 to final maturity in 2050.

NTE Mobility Partners Seg 3 LLC

The borrowings for this project were structured through the issue of USD 274 million of Private Activity Bonds (PABs), maturing at 25 and 30 years (7.00% fixed interest on USD 128 million and 6.75% fixed interest on USD 146 million), and a TIFIA loan of USD 531 million bearing a fixed rate of 3.84%, against which USD 572 million had been drawn down at 31 December 2018 (USD 530.6 million of principal and USD 41.4 million of interest added to the principal), with final maturity in 2054.

LBJ Infr. Group LLC

This concession operator is financed through a USD 615 million issue of PABs with final maturity in 2040 (7.00% fixed interest on USD 473.5 million, of which USD 419 million have final maturity in 2040 and USD 54.5 million in 2034; and 7.50% fixed interest on USD 142 million, of which USD 91 million have final maturity in 2032 and USD 51 million in 2033). LBJ also has a TIFIA loan of USD 850 million granted by the US Federal Government with a repayment profile from 2036 to 2050, against which USD 1,078.5 million had been drawn down at 31 December 2018 (USD 850 million of principal and USD 228.5 million of interest added to the principal). This loan bears interest at a fixed rate of 4.22% and has final maturity in 2050.

I-77 Mobility Partners, LLC

This concession operator is financed through a USD 100 million issue of PABs (5.00% fixed interest), of which USD 5 million have final maturity between 2026 and 2030, USD 13 million have final maturity in 2037 and EUR 80 million have final maturity in 2054. It also has a TIFIA loan of USD 189 million against which USD 198.7 million had been drawn down at 31 December 2018 (USD 189.0 million of principal and USD 9.7 million of interest added to the principal). This loan bears interest at a fixed rate of 3.04% and has final maturity in 2053.

Spanish Toll Roads:

Ausol I and II

The borrowings are structured in the form of senior bonds and debentures for EUR 507 million maturing in 30 years with a coupon of 3.75% (EUR 351.5 million for AUSOL I and EUR 155.5 million for AUSOL II) and a junior loan of EUR 50.8 million maturing in 10 years with a fixed interest rate of 7% (EUR 35.2 million for AUSOL I and EUR 15.6 million for AUSOL II).

The outstanding borrowings at 31 December 2018 amounted to EUR 490.5 million of senior bonds and debentures and EUR 21.1 million of junior loans.

Cintra Inversora Autopistas de Cataluña / A. Terrasa Manresa

The company is now financed through a credit facility with a tranche A and a tranche B with limits of EUR 300 million and EUR 316 million, respectively, both bearing interest at 6-month EURIBOR of -0.27% +1.50%. Both tranches have been drawn down in their entirety, and the loan matures in 2035. The company has also been granted a liquidity line of up to a maximum of EUR 25 million, against which it had drawn down EUR 42.8 million as at 31 December 2018 (bearing interest at 6-month EURIBOR of -0.27%+1.50%). It should also be noted that this company has a derivative with a notional amount of EUR 603 million, a guaranteed interest rate of 5.234% and maturity in 2035. The fair value of the derivative arranged (recognised under "Derivative Financial Instruments at Fair Value", see Note 5.5) was EUR -260.9 million at year-end.

Portuguese Toll Roads:

Euroscut Azores

Syndicated bank financing with final maturity in 2033, against which EUR 324.4 million had been drawn down at 31 December 2018 (bearing interest at 6-month EURIBOR of -0.27%+0.85%). In relation to these borrowings, the concession operator has arranged a derivative with a notional amount of EUR 279.7 million, a guaranteed fixed interest rate of 4.115% and maturity in 2033. The fair value of the derivative arranged (recognised under "Derivative Financial Instruments at Fair Value", see Note 5.5) was EUR -72.7 million at year-end.

Breakdown of other projects:

(Millions of euros)	LONG-TERM	SHORT-TERM	TOTAL 2018	CHANGE 2018/2017
Denver Great Hall LLC	187	0	187	10
Other Airports	59	2	61	2
Airports	**245**	**2**	**247**	**12**
AmeyCespa (MK) SPV Limited	0	0	0	-145
Autovía de Aragón, Sociedad Concesionaria, S.A.	0	0	0	-98
Smart Hospital Cantabria S.A.	0	0	0	-69
Other Services	0	0	0	-197
Services	**0**	**0**	**0**	**-509**
Conc. Prisiones Lledoners, S.A.	71	1	73	-1
Concesionaria de Prisiones Figueras S.A.U.	60	2	61	-2
Other Construction	20	1	21	0
Construction	**151**	**4**	**155**	**-3**
Total other infrastructure project borrowings	**397**	**6**	**402**	**-500**

(Millions of euros)	LONG-TERM	SHORT-TERM	TOTAL 2017
Denver Great Hall LLC	177	0	177
Other Airports	57	2	59
Airports	**234**	**2**	**236**
AmeyCespa (MK) SPV Limited	0	145	145
Autovía de Aragón, Sociedad Concesionaria, S.A.	85	13	98
Smart Hospital Cantabria S.A.	65	3	69
Other Services	185	12	197
Services	**335**	**174**	**509**
Conc. Prisiones Lledoners, S.A.	73	1	74
Concesionaria de Prisiones Figueras S.A.U.	61	2	63
Other Construction	20	1	21
Construction	**154**	**4**	**158**
Total other infrastructure project borrowings	**723**	**179**	**902**

Other infrastructure project borrowings decreased by EUR -500 million as compared with December 2017. This decrease is due to the reclassification of the Services Division to discontinued operations, with the main change during the year comprising the aforementioned repayment of AmeyCespa (MK) SPV debt, in the amount of EUR -147 million.

b.2) Maturities by currency and fair value of infrastructure project borrowings

(Millions of euros)	CURRENCY	FAIR VALUE 2018	FAIR VALUE 2017	CARRYING AMOUNT 2018	2019	2020	2021	2022	2023	2024+	TOTAL MATURITIES
Infrastructure project company bonds and debentures		**2,097**	**2,039**	**1,867**	**10**	**12**	**13**	**14**	**15**	**1,805**	**1,869**
Toll roads		**1,832**	**1,776**	**1,680**	**10**	**12**	**13**	**13**	**13**	**1,642**	**1,703**
	USD	1,345	1,281	1,193	0	0	0	0	0	1,213	1,213
	EUR	487	496	487	10	12	13	13	13	429	491
Airports		**265**	**262**	**187**	**0**	**0**	**0**	**1**	**1**	**163**	**165**
	USD	265	262	187	0	0	0	1	1	163	165
Bank borrowings of infrastructure project companies		**3,518**	**3,762**	**3,518**	**30**	**26**	**78**	**29**	**68**	**3,331**	**3,562**
Toll roads		**3,302**	**3,036**	**3,302**	**26**	**22**	**17**	**24**	**66**	**3,189**	**3,344**
	USD	2,306	2,025	2,306	0	0	0	0	38	2,302	2,340
	EUR	996	1,012	996	26	22	17	24	28	887	1,004
Airports		**61**	**59**	**61**	**2**	**2**	**58**	**0**	**0**	**0**	**61**
	USD	61	59	61	2	2	58	0	0	0	61
Construction		**155**	**158**	**155**	**2**	**3**	**3**	**4**	**3**	**142**	**157**
	EUR	155	158	155	2	3	3	4	3	142	157
Services (*)		**0**	**509**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	GBP	0	203	0	0	0	0	0	0	0	0
	EUR	0	306	0	0	0	0	0	0	0	0
Total financial borrowings of infrastructure project companies		**5,615**	**5,801**	**5,385**	**40**	**38**	**91**	**43**	**83**	**5,136**	**5,430**

(*) Reclassified Division to discontinued operations

The differences between the total maturities of the bank borrowings (EUR 5,430 million) and the carrying amounts thereof at 31 December 2018 (EUR 5,385 million) are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation. Thus, the accrued interest payable and the application of the amortised cost method represent an impact of EUR 46 million, taking into account that the maturities of the borrowings do not include interest.

The fair value reflected in the table above is calculated as follows:

- For fixed-rate bonds, subject to changes in value due to fluctuations in market interest rates: since they are quoted in an active market, the related market value is used.
- For fixed-interest bank borrowings, also subject to changes in value due to fluctuations in rates: future cash flows are discounted using a market interest rate, calculated using an internal valuation model.
- Lastly, for floating-rate bank borrowings: no significant differences are deemed to exist between the fair value of the borrowings and their book value and, therefore, the book value is used.

b.3) Information on credit limits and credit drawable for infrastructure projects

Set forth below is a comparative analysis of borrowings not drawn down at year-end:

2018 (Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CARRYING AMOUNT OF DEBT
Toll roads	5,073	5,047	25	4,982
US Toll Roads	3,553	3,553	0	3,498
Spanish Toll Roads	1,195	1,170	25	1,162
Other Toll Roads	324	324	0	322
Airports	226	226	0	247
Construction	157	157	0	155
Total financial borrowings	**5,456**	**5,430**	**25**	**5,385**

2017 (Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CARRYING AMOUNT OF DEBT
Toll roads	4,838	4,729	109	4,668
US Toll Roads	*3,293*	*3,210*	*84*	*3,160*
Spanish Toll Roads	*1,212*	*1,187*	*25*	*1,178*
Other Toll Roads	*333*	*333*	*0*	*329*
Airports	217	217	0	236
Construction	161	160	1	158
Services	514	508	6	509
Total borrowings	**5,730**	**5,615**	**116**	**5,570**

The differences between the total bank borrowings drawn down and the carrying amount of the related debt at 31 December 2018 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (primarily accrued interest payable and the application of the amortised cost method, as detailed in point b.2).

Of the EUR 25 million drawable (31 December 2017: EUR 116 million), the entire sum relates mainly to amounts not drawn down against Spanish toll roads. It should be noted that this drawable amount is associated exclusively with the projects, based on the nature and performance thereof, as discussed below.

b.4) Guarantees and covenants for project borrowings

The borrowings classified as project borrowings are without recourse to the shareholders of the projects or with recourse limited to the guarantees provided. The guarantees provided by subsidiaries of Ferrovial in relation with the borrowings of these projects are described in Note 6.5, Contingent liabilities.

At 31 December 2018, all the Project companies were achieving the significant covenants in force.

5.2.2 Net cash position excluding infrastructure project companies.

a) Borrowings of non-infrastructure project companies

a.1) Breakdown between short and long-term balances, changes during the year and main characteristics

(Millions of euros)	2018 LONG-TERM	2018 SHORT-TERM	2018 TOTAL	CHANGE 18/17 LONG-TERM	CHANGE 18/17 SHORT-TERM	CHANGE 18/17 TOTAL
Corporate Bonds and Debentures	1,788	19	1,807	1	-517	-516
Euro Commercial Paper	0	699	699	0	699	699
Corporate liquidity lines	243	0	243	12	0	11
Other borrowings	46	12	58	-84	-83	-167
Total financial borrowings excluding infrastructure project companies	**2,077**	**730**	**2,807**	**-72**	**99**	**27**

2017 (Millions of euros)	LONG-TERM	SHORT-TERM	TOTAL
Corporate Bonds	1,787	536	2,323
Euro Commercial Paper	0	0	0
Corporate liquidity lines	232	0	232
Other borrowings	129	95	225
Total financial borrowings excluding infrastructure project companies	**2,149**	**631**	**2,780**

The following table shows changes to gross borrowings on Ex-Infrastructure Projects, broken down into changes in borrowings with balancing entries in cash flow, exchange rate effects and changes in the scope of consolidation, along with changes in debt resulting from the accrual of interest, which do not involve any changes to cash positions during the financial year.

(Millions of euros)	DEC 2017	INCREASE/ REDUCTION IN IMPACT ON CASH FLOW	EXCHANGE RATE EFFECT	IMPACT OF CHANGES IN THE SCOPE OF CONSOLIDATION AND OTHER	CAPITALISED/ACCRUED INTEREST	RECLASSIFICATION TO DISCONTINUED OPERATIONS	DEC 2018
Bank borrowings/Ex-Project Bonds	2,780	157	8	22	-14	-145	2,807
Cross Currency Swaps	17	0	-11	0	0	0	6
Gross Ex-Infrastructure Project Debt Position	**2,797**	**157**	**-3**	**22**	**-14**	**-145**	**2,813**

a.1.1) Corporate Debt

The corporate debt comprises the following debt instruments:

- On the one hand, the debt consists of five corporate bonds the carrying amount of which totals EUR 1,807 million at 31 December 2018 (31 December 2017: EUR 2,323 million). These are broken down in the following table:

ISSUE DATE	(PAR) VALUE (millions of euros)	MATURITY	ANNUAL COUPON
07/06/2013	500	07/06/2021	3.375%
15/07/2014	300	15/07/2024	2.500%
14/09/2016	500	14/09/2022	0.375%
29/03/2017	500	31/03/2026	1.375%

The bonds issued in 2013 are traded on the secondary market of the London Stock Exchange, while those issued in 2014, 2016 and 2017 are admitted to trading on the Spanish AIAF Fixed-Income market. All these issues are guaranteed by Ferrovial S.A., the Parent Company of the Group. It should be noted that the Group has interest rate derivatives associated with the corporate bonds issued, with a notional amount of EUR 250 million; these derivatives convert the fixed interest rate into a floating one, see Note 5.5.

In January 2018, the first corporate bond issued in 2013 was redeemed in the amount of EUR 500 million.

- In the first quarter of 2018, in view of the favourable market context, the company arranged an issue of Euro Commercial Papers for a maximum of up to EUR 1,000 million on the Irish Stock Exchange, approximately EUR 699 million having been issued at December 2018, with an average interest rate of -0.23%. Through this programme, Ferrovial is able to issue commercial paper notes maturing between 1 and 364 days as of the issue date so as to diversify funding sources in capital markets and manage cash surpluses more efficiently.

- In July 2018, Ferrovial refinanced the corporate liquidity line, incorporating sustainability criteria. With respect to the above terms and conditions, the amount of EUR 1,250 million was reduced to EUR 900 million, finance costs were improved by cutting the margin of 50 bps to 35 bps (32.5 bps following the 2.5 bps reduction due to meeting the sustainability rating in September 2018) and the maturity date was extended from March 2022 to July 2023, with an option for two 12-month extensions (to 2025). Of the current maximum limit on the facility, USD 278.6 million is to be utilised and renewed monthly to September 2019 and USD 286.3 million from September 2019 to May 2020. The foreign currency and interest rate risks on these drawdowns were hedged using the cross currency swaps (Note 5.5) at an interest rate of -0.439% until September 2019 and -0.001% from September 2019 to May 2020, always guaranteeing a notional amount of EUR 250 million, thus giving rise to income for the Group.

The interest rate negotiated is tied to EURIBOR plus a spread based on the average rating assigned to the borrowings of Ferrovial S.A., the Parent Company of the Group.

Information on the credit limits and credit drawable of the corporate debt

The detail of the limits and the amounts drawable of the corporate debt at 31 December 2018 and at 31 December 2017 is as follows:

	2018			
(Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CONSOLIDATED DEBT
Bonds and debentures	1,800	1,800	0	1,807
Syndicated facility	900	250	650	243
ECPs	699	699	0	699
Other lines	0	0	0	0
Total corporate debt	**3,399**	**2,749**	**650**	**2,749**

	2017			
(Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CONSOLIDATED DEBT
Bonds and debentures	2,300	2,300	0	2,323
Syndicated facility	1,250	232	1,018	232
Other lines	175	18	157	0
Total corporate debt	**3,725**	**2,550**	**1,175**	**2,555**

Corporate credit rating

The credit rating agencies Standard & Poor's and Fitch maintained their opinion regarding the financial rating of Ferrovial's corporate debt in December 2018, respectively rating it at BBB and BBB with stable outlook and, therefore, within the "Investment Grade" category.

a.1.2) Other bank borrowings

"Other Borrowings" of EUR 58 million (31 December 2017: EUR 225 million) include mainly the finance leases of EUR 46 million (31 December 2017: EUR 54 million), mainly in the Construction Division. The fall in debt was largely due to the reclassification of the Services Division to discontinued operations.

Information on credit limits and available credit:

As regards information on the limits and amounts available for drawdown under other borrowings, the following table shows the position at 31 December 2018 and 31 December 2017:

	2018			
(Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CONSOLIDATED DEBT
Construction	149	56	93	59
Services	0	0	0	0
Other debt	**149**	**56**	**93**	**59**

	2017			
(Millions of euros)	DEBT LIMIT	DRAWN DOWN	AMOUNT DRAWABLE	CONSOLIDATED BORROWINGS
Construction	**131**	**35**	**96**	**39**
Broadspectrum	284	113	171	123
UK Services	191	11	180	11
Other Services	45	26	19	52
Services	**519**	**149**	**370**	**185**
Other borrowings	**650**	**184**	**466**	**224**

The differences between total bank borrowings and the carrying amount thereof at 31 December 2018 are explained mainly by the difference between the nominal values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation.

a.2) Maturities by currency and fair value of borrowings excluding infrastructure projects

FINANCIAL BORROWINGS (MILLIONS OF EUROS)	CURRENCY	FAIR VALUE 2018	CARRYING AMOUNT 2018	2019	2020	2021	2022	2023	2024+	TOTAL MATURITIES
Corporate Debt		**2,572**	**2,750**	**699**	**0**	**500**	**500**	**250**	**800**	**2,749**
	EUR	2,572	2,750	699	0	500	500	250	800	2,749
Other Borrowings		**58**	**58**	**1**	**1**	**4**	**7**	**19**	**24**	**56**
	EUR	3	3	0	0	0	0	0	2	2
	PLN	54	54	0	1	4	7	19	22	54
	CLP	1	1	0	0	0	0	0	0	0
Total borrowings excluding infrastructure project companies		**2,630**	**2,807**	**700**	**1**	**504**	**507**	**269**	**824**	**2,805**

The differences between the total maturities of financial borrowings and the carrying amounts of the debt at 31 December 2018 are explained mainly by the difference between the par values and carrying amounts of the debts, as certain adjustments are made in accordance with applicable accounting legislation (basically accrued interest payable and the application of the amortised cost method).

The fair value of bank borrowings excluding infrastructure project companies coincides with the related carrying amount because the borrowings are tied to floating market interest rates and, therefore, changes in the benchmark interest rates do not affect their fair value.

As regards corporate bonds: since they are quoted in an active market, the related market value is used.

Based on the aforementioned criteria, the estimated total fair value of bank borrowings and bonds excluding infrastructure projects was EUR 2,630 million at 31 December 2018 (31 December 2017: EUR 2,632 million).

The 2019 maturities amount to EUR 700 million and primarily relate to the maturity of the ECPs. The debt maturities do not include interest.

b) Cash and cash equivalents of other companies

In general the method used to classify the cash and cash equivalents at short- and long-term coincides with that used in the preparation of the Consolidated Annual Accounts for 2017.

Also, at 31 December there were certain restricted accounts totalling EUR 78 million (31 December 2017: EUR 31 million) primarily relating to Construction, for operating motives in construction projects in the US, as well as the Budimex real estate developments in progress.

5.3. CASH FLOW

The consolidated cash flow statement was prepared in accordance with IAS 7. This note provides an additional breakdown, based on internal criteria established by the Company for business purposes, which in certain cases differ from the provisions of IAS 7. The main criteria applied are as follows:

- In order to provide a clearer explanation of the cash generated, the Group separates cash flows into "Cash Flows excluding Infrastructure Projects", where infrastructure project concession operators are treated as financial assets and the investments in the capital of these companies are therefore included in cash flows from investing activities and the yields from the investments (dividends and capital reimbursements) are included in operations cash flow, and "Cash Flows from Infrastructure Projects", consisting of cash flows from the operating and financing activities of infrastructure project concession operators.

- The treatment given to interest received on cash and cash equivalents differs from that in the cash flow statement prepared in accordance with IAS 7, since this interest is included in financing cash flows, as a reduction of the amount of interest paid, under "Interest Cash Flow".

- The cash flows endeavour to present the changes in the net cash position as the net amount of borrowings, cash and cash equivalents and restricted cash. This method also departs from that established in IAS 7, which explains the changes in cash and cash equivalents.

		DECEMBER 2018 (figures in millions of euros)			
DECEMBER 2018	**NOTE:**	**CASH FLOW EXCLUDING INFRASTRUCTURE PROJECT COMPANIES**	**CASH FLOW INFRASTRUCTURE PROJECT COMPANIES**	**ADJUSTMENTS**	**CONSOLIDATED CASH FLOW**
EBITDA including discontinued operations	2.4	144	470	0	614
Dividends received	3.5	623	0	-112	511
Birmingham Provision with no impact on cash flow	6.3	155	0	0	155
Working capital variation (receivables, payables and other)	5.3	-351	-60	0	-410
Operations cash flow before tax		**572**	**410**	**-112**	**870**
Taxes paid in the year	2.8.2	6	-31	0	-25
Operations cash flow		**577**	**380**	**-112**	**845**
Investment	3.2, 3.3 and 3.4	-332	-213	83	-462
Divestment	1.1.4 and 3.3.3	230	144	0	374
Investment cash flow		**-102**	**-69**	**83**	**-87**
Cash flow from business activities		**476**	**310**	**-29**	**758**
Interest cash flow	2.6	-11	-191	0	-202
Capital proceeds from non-controlling interests		-2	163	-86	75
Scrip dividend		*-240*	*0*	*0*	*-240*
Acquisition of treasury shares		*-280*	*0*	*0*	*-280*
Shareholder remuneration	5.1.1	-520	0	0	-520
Dividends paid to non-controlling shareholders of investees		-49	-120	115	-54
Other changes in shareholder's funds		3	0	0	3
Exchange rate effect		-12	-150	0	-162
Changes in the scope of consolidation	1.1.4	0	0	0	0
Other changes in borrowings (not giving rise to cash flows)		11	-94	0	-83
Financing cash flow		**-581**	**-391**	**29**	**-944**
Disposal for safety net debt from discontinued operations		**-261**	**245**	**0**	**-16**
Change in net cash position	**5.2**	**-366**	**164**	**0**	**-202**
Opening position		1,341	-4,804	0	-3,463
Closing position		975	-4,640	0	-3,664

Changes in Working Capital:

The variations in Working Capital disclosed in the foregoing table are the measure used to explain the difference between the Group's EBITDA (Gross Operating Profit) and its Operating Cash Flow before tax, and they arise from the difference between the timing of recognition of revenue and expenses for accounting purposes and the date on which the aforementioned revenue and expenses are converted into cash, primarily due to changes in the balances of trade receivables and payables to suppliers or other items in the consolidated balance sheet. Thus, a reduction in the balance of trade receivables will give rise to an improvement in working capital and a reduction of the balance of payables to suppliers will give rise to a worsening of working capital.

The changes in this line item do not exactly coincide with the changes in working capital reported in Section 4 of the consolidated annual accounts, as detailed in the following table:

	EX-INFRASTRUCTURE PROJECT COMPANIES	INFRASTRUCTURE PROJECTS	ADJUSTMENTS	TOTAL ex-Bmgh	BMGH PROVISION	TOTAL
Change in working capital (Section 4)	**-253**	**178**	**67**	**-9**	**0**	**-9**
Changes in working capital with an impact on other lines in the cash flow statement	4	-203	-74	-273	0	-273
Changes in provisions with an impact on Gross Operating Profit or on working capital	-85	0	0	-85	155	70
Changes in other balance sheet items with an impact on operating cash flows	-16	-34	6	-44	0	-44
Total working capital reported in the cash flow statement	**-351**	**-60**	**0**	**-410**	**155**	**-255**

The differences discussed above relate to the following items:

- Changes in working capital with an impact on other lines in the cash flow statement. The working capital accounts reported in Section 4, can relate to transactions that do not affect operating cash flows, such as fixed asset purchases or disvestments. The main difference between Working Capital reported in the cash flow statement (EUR -255 million) and the change in working capital in the balance sheet (EUR -9 million) reported in Section 4, is primarily due to movements in the balances of assets subject to infraestructure projects, especifically associated to Milton Keynes treatment plant in the United Kingdom which amounts to EUR 144 million (Note 4.2.b). This impact is shown in the short term receivables from infraestructure projects in the Balance Sheet, having an impact on Working Capital, however in the Cash Flows Statement is reported as positive cash flow from disvestments in projects. In addition to this impact, balances of assets subject to the receivable model (under IFRIC 12), along with movements of short term receivables are affected by the change in the long-term receivable as well as other impacts that may have an offset in the Working Capital cash flow from additions, withdrawals and transfers (Note 3.3.2).

- Changes in provisions with an impact on Gross Operating Profit or on working capital. These relate to the recognition/reversal of provisions with an impact on Gross Operating Profit but with no impact on cash, or provisions used with a balancing entry in working capital accounts. The differences for this item amounted to EUR 70 million (Note 6.3) in the current year, related to movement of provisions with an impact on Gross Operating Profit of EUR 555 million, a reversal of EUR 282 million, in addition to the use of provisions with a balancing entry in working capital accounts (EUR -204 million). From these items, stands out the provision made in the Birmingham contract (EUR 235 million) at the Services division, out of which (EUR 85 million) has been used in the current year. This represent a net balance of EUR 155 million which, given its relevance, is broken down separately in the previous table as well as in the cash flow table included in this note.

- Changes in other balance sheet items with an impact on operating cash flows. The changes in working capital reported in Section 4 reflect only movements in items included under "Short-term trade and other receivables", “Short-term trade and other payables” and "inventories". In certain cases, operating income and expenses relate not only to items shown in working capital (current items) but also to certain items recognised as non-current assets and liabilities, such as non-current trade receivables and non-current payables to suppliers, or even to items in equity accounts such as transactions relating to share-based remuneration schemes. In addition, this line item also includes the other financial income that is not directly connected with financing, such as late payment interest, guarantees and expenses arising from guarantee bonds.

Cash flow from discontinued operations:

The cash flow from discontinued operations in the Services Division is set out below, which as commented in Note 1.1.3 is recorded in the reported cash flow line:

(Millions of euros) 2018	EX INFRASTRUCTURE PROJECTS	INFRASTRUCTURE PROJECTS	ADJUSTMENTS	CONSOLIDATED
Operations cash flow before tax	**160**	**65**	**-98**	**126**
Corporate income tax cash flow	-7	-10	0	-17
Operations cash flow	**153**	**55**	**-98**	**110**
Investment	-186	-6	0	-192
Divestment	111	144	0	255
Cash flow from business activities	**78**	**193**	**-98**	**173**
Cash flows from financing activities (external interest)	**-9**	**-21**	**0**	**-30**

(Millions of euros) 2017	EX INFRASTRUCTURE PROJECTS	INFRASTRUCTURE PROJECTS	ADJUSTMENTS	CONSOLIDATED
Operations cash flow before tax	**396**	**98**	**-3**	**491**
Corporate income tax cash flow	-34	-8	0	-42
Operations cash flow	**362**	**91**	**-3**	**449**
Investment	-139	-17	0	-155
Divestment	19	0	0	19
Cash flow from business activities	**242**	**74**	**-3**	**312**
Cash flows from financing activities (external interest)	**-20**	**-25**	**0**	**-45**

The cash flow reported in 2017 is detailed below:

DECEMBER 2017	NOTE:	DECEMBER 2017 (figures in millions of euros) CASH FLOW EXCLUDING INFRASTRUCTURE PROJECT COMPANIES	CASH FLOW INFRASTRUCTURE PROJECT COMPANIES	ADJUSTMENTS	CONSOLIDATED CASH FLOW
EBITDA including discontinued operations		484	449	0	932
Dividends received	3.5	553	0	-10	543
Working capital variation (receivables, payables and other)	5.3	-38	-16	0	-53
Operating cash flows before tax		**999**	**433**	**-10**	**1,422**
Taxes paid in the year	2.8.2	-115	-27	0	-142
Operations cash flow		**883**	**407**	**-10**	**1,280**
Investment	3.2, 3.3 and 3.4	-355	-371	43	-684
Divestment	1.1.4 and 3.3.3	253	0	-5	248
Investment cash flow		**-102**	**-371**	**38**	**-436**
Cash flows from business activities		**781**	**35**	**28**	**844**
Interest cash flows	2.6	-32	-204	0	-236
Capital proceeds from non-controlling interests		0	73	-38	35
Scrip dividend		*-218*	*0*	*0*	*-218*
Acquisition of treasury shares		*-302*	*0*	*0*	*-302*
Shareholder remuneration	5.1	-520	0	0	-520
Dividends paid to non-controlling shareholders of investees		-48	-11	10	-49
Exchange rate effect		-43	398	0	354
Changes in the scope of consolidation	1.1.4	0	-43	0	-43
Subordinated hybrid bond issue		500	0	0	500
Other changes in borrowings (not giving rise to cash flows)		6	-88	0	-82
Cash flows from financing activities		**-137**	**125**	**-28**	**-40**
Change in net cash position	**5.2**	**644**	**160**	**0**	**804**
Opening position		697	-4,963	0	-4,266
Closing position		1,341	-4,804	0	-3,463

5.4. Management of financial risks and capital

The Group's business is affected by changes to the financial variables that have an impact on the Group's accounts, these being mainly interest rate risk, exchange rates, inflation, credit, liquidity and variable income. The policies adopted by the Group in managing these risks are explained in detail in the Management Report.

Following are specific data on the Group's exposure to each of these risks and an analysis of the sensitivity to a change in the various variables, together with a brief description of the way in which each risk is managed.

In addition, in view of the importance of the UK's decision to leave the European Union both economically and politically (Brexit), this Note includes a separate in-depth analysis of the impact it has had for Ferrovial with respect to the various financial risks and how these risks are being managed.

a. Exposure to interest rate variations

Ferrovial's businesses are subject to changes in the economic cycles and interest rate risk management takes this into consideration, modelling interest rate settings against financial instrument liquidity management. When interest rates are low, the Group seeks to fix future levels at non-infrastructure project level, although such hedging can affect liquidity in the event of cancellation. At infrastructure project level, the banks and rating agencies require a higher percentage of fixed-rate debt. These strategies are implemented by issuing fixed-rate debt or by arranging hedging financial derivatives, a detail of which is provided in Note 5.5, Derivative Financial Instruments at Fair Value. The aim of these hedges is to optimise the financial expenses borne by the Group.

The accompanying table shows a breakdown of the Group's debt, indicating the percentage of the debt that is considered to be hedged (either by a fixed rate or by derivatives).

	2018			
DEBTS (Millions of euros)	TOTAL GROSS DEBT	% DEBT HEDGED	EXPOSED DEBT	IMPACT ON RESULTS + 100 b.p.
Non-infrastructure Project Companies	**2,807**	**89.3%**	**299**	**3**
Toll roads	4,982	98%	99	1
Construction	155	94%	9	0
Airports	247	100%	0	0
Infrastructure Projects	**5,385**	**98%**	**108**	**1**
Total borrowings	**8,192**	**95%**	**407**	**4**

	2017			
DEBTS (Millions of euros)	TOTAL GROSS DEBT	% DEBT HEDGED	EXPOSED DEBT	IMPACT ON RESULTS + 100 b.p.
Non-infrastructure Project Companies	**2,797**	**87.0%**	**363**	**4**
Toll roads	4,668	98%	99	1
Construction	158	94%	10	0
Services	509	65%	177	2
Airports	236	100%	0	0
Infrastructure Projects	**5,570**	**95%**	**285**	**3**
Total borrowings	**8,367**	**92%**	**648**	**6**

Also, it must be taken into consideration that the results relating to equity-accounted companies include the results corresponding to the 25% ownership interest in HAH and the 43.23% ownership interest in 407 ETR. As indicated in Note 3.5, the two companies have a significant volume of debt, of which 89% (HAH) and 100% (407 ETR) is hedged against interest rate risk.

Based on the foregoing, at the fully consolidated companies, a linear increase of 100 basis points in the market yield curves at 31 December 2018 would increase the finance costs in the income statement by an estimated EUR 4 million, of which EUR 1 million relate to infrastructure projects and EUR 3 million to non-infrastructure project companies, with a net impact on the profit of Ferrovial of EUR -3 million.

It is also necessary to take into account changes in the fair value of the financial derivatives arranged, which are indicated in Note 5.5.

As regards these interest rate hedging instruments, a linear increase of 100 basis points in the market yield curves at 31 December 2018 would, in the case of the effective hedges, have a positive impact of approximately EUR 247 million on the shareholders' funds attributable to the parent company (EUR 163 million at equity-accounted companies, EUR 84 million in fully consolidated companies), while a decrease of 100 basis points would produce a negative impact of approximately EUR 276 million (EUR 181 million in consolidated equity-accounted companies and EUR 95 million at fully consolidated companies).

As regards discontinued operations, a linear increase of 100 basis points in the market yield curves would, in the case of the effective hedges, have a positive impact of approximately EUR 29 million (EUR 15 million at equity-accounted companies and EUR 14 million in fully consolidated companies), while a decrease of 100 basis points would produce an impact of EUR 32 million (EUR 17 million in equity-accounted companies and EUR 15 million at fully consolidated companies).

b. Exposure to foreign currency risk

Ferrovial regularly monitors its expected net exposure with regard to each currency over the coming years, both as the result of dividends receivable and as regards investment in new projects or divestments.

Ferrovial establishes its hedging strategy by analysing past changes in both short- and long-term exchanges rates, establishing monitoring mechanisms such as future projections and long-term equilibrium exchange rates. These hedges are established by using foreign currency deposits or arranging derivatives (see Note 5.5. for more details).

The following tables show, by type of currency, the values of assets, liabilities, non-controlling interests and shareholders' funds attributable to the parent company at December 2018, adjusted by the aforementioned currency forwards corresponding to each currency:

	2018			
CURRENCY (Millions of euros)	ASSETS	LIABILITIES	PARENT COMPANY SHAREHOLDERS' FUNDS	NON-CONTROLLING INTERESTS
Euro	6,527	4,544	1,793	190
Pound sterling	2,437	2,025	412	0
US Dollar	7,785	6,781	488	515
Canadian Dollar	2,861	1,628	1,232	0
Australian Dollar	1,216	972	244	0
Polish Zloty	1,437	1,179	130	128
Chilean Peso	315	180	136	0
Colombian Peso	135	42	93	0
Other	100	98	1	0
TOTAL GROUP	**22,813**	**17,450**	**4,530**	**833**

Note 1.3 contains a breakdown of the changes in the year in the closing exchange rates. As a result of these changes, the impact of translation differences on equity at 31 December 2018 was EUR -119 million for the Parent and EUR +21 million for non-controlling interests. Of the aforementioned EUR -119 million, EUR -79 million correspond to changes in the Canadian dollar, EUR -42 million to changes in pound sterling, EUR -26 million to changes in the Australian dollar, EUR +33 million to changes in the US dollar and EUR -6 million to changes in other currencies.

After analysing the sensitivity to changes in exchange rates, Ferrovial has estimated that a possible 10% appreciation of the euro at year-end against the main currencies in which the Group has investments would give rise to a change in the Parent's shareholders' funds of EUR 277 million, of which 49% would relate to the effect of the Canadian dollar, 19% to the US dollar and 17% to pound sterling. This fluctuation in the value of the Euro would give rise to a change in total assets of EUR 1,663 million, of which 52% would relate to the investments in US dollars, 19% to the Canadian dollar and 16% to the investments in pound sterling.

Also, the detail of the net profit/(loss) attributable to the Parent Company by type of currency for 2018 and 2017 is detailed in the following table.

	NET PROFIT/(LOSS)	
CURRENCY (Millions of euros)	2018	2017
Euro	128	208
Pound sterling	-858	96
US Dollar	77	37
Canadian Dollar	147	105
Australian Dollar	-17	-24
Polish Zloty	49	60
Chilean Peso	50	9
Others	-24	-37
Total Group	**-448**	**454**

Note 1.3 contains a detail of the changes in the year in the average exchange rates. In this regard, the impact of a 10% appreciation of the euro against other currencies on the income statement would have amounted to a change of EUR -59 million.

c. Exposure to credit and counterparty risk

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

(Millions of euros)	2018	2017	CHANGE 18/17
Investments in financial assets (1)	693	886	-193
Non-current financial assets	1,629	1,804	-174
Financial Derivatives (assets)	445	381	64
Trade and other receivables	1,090	2,635	-1,545

(1) Included in Cash and Cash Equivalents

Ferrovial actively monitors the risk that it assumes with its various counterparties.

- Ferrovial actively monitors the risk that it assumes with its Financial Institutions: Ferrovial constantly analyses the performance of risk via internal credit quality studies for each of the financial institutions at which it is exposed. Its internal regulations for managing surpluses sets maximum investment limits for each counterparty, based on objective criteria: a minimum acceptable risk is required in order for surplus cash to be invested, and limits are also set on the amounts invested, depending on the risk given to each of these counterparties. In addition, the Risk Department monitors the performance of each of the different counterparties, proposing the appropriate protective or corrective measures on the basis of specific events.

- Territories: Ferrovial monitors the performance of the markets (territories) in which it has a presence, along with that of its target markets. The Financial Risk Department proposes the potential action to be taken in the event that some change in risk levels is expected in a particular territory or market.

- Customers: Ferrovial analyses and monitors its customers' credit risk, using an internal methodology for the rating of Ferrovial customers that is standardised for the whole Group.

d. Exposure to liquidity risk

The Group has established the mechanisms necessary to preserve the level of liquidity that reflect the cash generation and need projections, in relation to both short-term collections and payments and obligations to be met at long term.

Ex-infrastructure project companies

At 31 December 2018, cash and cash equivalents amounted to EUR 3,766 million (2017: EUR 4,137 million). Also, at that date undrawn credit lines totalled EUR 743 million (2017: EUR 1,641 million).

Infrastructure project companies

At 31 December 2018, cash and cash equivalents (including short-term restricted cash) amounted to EUR 239 million (2017: EUR 463 million). Also, at that date undrawn credit lines amounted to EUR 25 million (2017: EUR 116 million), which were primarily arranged to cover committed investment needs.

e. Exposure to variable income risk

Ferrovial is also exposed to the risk relating to the fluctuation of its share price. This exposure arises specifically in equity swaps used to hedge against risks of appreciation of share-based remuneration schemes, the detail of which is shown in Note 5.5 to these consolidated financial statements.

Since these equity swaps are not classified as hedging derivatives, their market value has an impact on profit or loss and, accordingly, a EUR 1 increase/decrease in the Ferrovial share price would have a positive/negative impact of EUR 2 million on the net profit of Ferrovial.

f. Exposure to inflation risk

Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of the prices of both the toll road concession contracts and those of HAH, which are accounted for using the equity method. Therefore, an increase in inflation would increase the cash flow derived from assets of this nature. In addition, fixed benefit pension plans in the United Kingdom include obligations that are linked to inflation. These are covered individually, since they are not consolidated within Ferrovial.

Unlike the other company assets, from the accounting standpoint the derivatives arranged at HAH, the objective of which is to convert fixed-rate borrowings into index linked debt, are measured at fair value through profit and loss, since they are considered to be ineffective derivatives up until now. HAH is assessing their classification as an accounting hedge under the new accounting standards (IFRS 9). The accounting impact to date means that an increase of 100 b.p. throughout the inflation curve would have an effect on the net profit attributable to Ferrovial (in proportion to its percentage of ownership) of EUR -241 million.

Also, in the case of the toll road concession operator Autema, there is a derivative tied to inflation that is deemed to qualify for hedge accounting, in which an increase of 100 b.p. throughout the inflation curve would have a negative effect on reserves of EUR -104 million.

g. Capital management

The Group aims to achieve a debt-equity ratio that makes it possible to optimise costs while safeguarding its capacity to continue managing its recurring activities and the capacity to continue to grow through new projects in order to create shareholder value.

With regard to financial debt, Ferrovial Group's objective is to maintain a low level of indebtedness, excluding infrastructure project debt, in a way that will allow it to retain its investment grade credit rating. In order to achieve this target it has established a clear and adequate financial policy in which a relevant metric refers to a maximum ratio, for non-infrastructure project companies, of net debt (gross debt less cash) to gross operating profit plus dividends from projects of 2:1.

At 31 December 2018, the Net Cash Position was positive (assets exceeded liabilities) and, therefore, the difference with respect to the maximum debt-equity ratio established is very significant. For the purpose of calculating this ratio, "net debt excluding infrastructure projects" is defined in Note 5.2 and "gross operating profit plus dividends" is the profit from operations before impairment losses, disposals and depreciation and amortisation of the Group companies other than infrastructure concession operators, plus the dividends received from infrastructure projects.

h. Impact of Brexit on financial risks

This section includes an analysis of the impact that Brexit is having for Ferrovial with respect to the financial risks and how these risks are being managed. The risk section of the Management Report contains a comprehensive analysis of Brexit and how it may affect the Group's various business areas.

Ferrovial's UK exposure on the basis of the various financial and business variables is detailed in the following table:

	2018		
(Millions of euros)	FERROVIAL TOTAL	UK EXPOSURE	% OF TOTAL
Revenues (*)	12,511	2,942	12,511
EBITDA (*)	614	-184	-
Net Profit/(Loss)	-448	-877	-
Equity	4,530	412	4,530
Consensus analyst estimate	-	-	13.5%
Construction Order Book	10,967	675	6%
Services Order Book	19,411	9,251	48%
Airports managed	25% HAH, 50% AGS		

(*) Including discontinued activities

Exchange rate

During the 2018 financial year, with the United Kingdom and the European Union deep in negotiations, the pound continued to show weakness against the euro. At 31 December 2018, the pound sterling had fallen by 1% year-on-year. In order to hedge its foreign currency risk, due to the negative Brexit negotiations, Ferrovial has arranged hedges with a notional amount of GBP 641 million, which covers a higher amount than the dividends it expects to receive on its UK assets over the next 4 years. The depreciation of the pound can have a positive effect on the commercial revenues of Heathrow and AGS.

Inflation and interest rates

In 2018, the market has increased its inflation forecast in relation to the future Retail Price Index (RPI) by an average of 0.20%, with figures standing at around 3.5% and a present rate that is slightly lower, due to the slightly higher nominal interest rates.

An adverse scenario in Brexit negotiations in 2019 could result in a sharp rise in inflation, negatively affecting the value of the obligations in the defined benefit pension plans, as well as a significant increase in the nominal interest rate, leading to an increase in financing costs.

With regard to this adverse scenario, the Group has put in place natural hedges for the business (for example an increase in profit due to inflation) and financial hedges (for example an increase in hedges for inflation and nominal amounts under pension plans).

Additionally, it must be taken into account that an increase in inflation has a positive impact on Heathrow, raising the value of the regulated asset (RAB), which is indexed to inflation.

5.5 Derivative financial instruments at fair value

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

The table below includes a detail of the fair values of the derivatives arranged at 31 December 2018 and 2017, as well as the expiry date of the notional amounts to which the derivatives relate (maturities of notional amounts are shown as positive figures and already-arranged future increases are presented as negative amounts):

	FAIR VALUE		NOTIONAL MATURITIES					
TYPE OF INSTRUMENT (Millions of euros)	**BALANCE AT 31/12/18**	**BALANCE AT 31/12/17**	**2019**	**2020**	**2021**	**2022**	**2023+**	**TOTAL**
ASSET BALANCES	**444**	**381**	**2,119**	**336**	**57**	**246**	**65**	**2,823**
Cintra index-linked swaps (inflation derivatives)	358	316	0	-3	-1	-4	62	55
Cross Currency Swaps, Corporate Business	0	0	0	250	0	0	0	250
IRS Corporate Business	11	13	0	0	0	250	0	250
Equity swaps	0	1	0	0	0	0	0	0
Exchange rate derivatives, Corporate Business	50	30	1,709	15	0	0	0	1,724
Other derivatives	26	21	410	74	58	0	2	544
LIABILITY BALANCES	**390**	**452**	**1,319**	**15**	**519**	**78**	**847**	**2,778**
Cintra interest-rate swaps (interest-rate derivatives)	334	357	9	11	16	74	773	883
Cross Currency Swaps, Corporate Business	6	17	250	0	0	0	0	250
Equity swaps	2	0	50	0	0	0	0	50
IRS Corporate Business	9	0	0	0	500	0	0	500
Exchange rate derivatives, Corporate Business	2	3	353	0	0	0	0	353
Other derivatives	38	75	657	4	3	4	74	742
NET BALANCES (ASSETS)	**54**	**-71**	**3,437**	**351**	**576**	**324**	**912**	**5,601**

The cash flows comprising the fair value of the derivatives expire as follows:

TYPE OF INSTRUMENT (Millions of euros)	FAIR VALUE BALANCE AT 31/12/18	FAIR VALUE BALANCE AT 31/12/17	CASH FLOW MATURITIES 2019	2020	2021	2022	2023+	TOTAL
ASSET BALANCES	**444**	**381**	**86**	**18**	**17**	**15**	**308**	**444**
Toll road index-linked swaps (inflation derivatives)	358	316	10	12	13	15	308	358
Cross Currency Swaps, Corporate Business	0	0	0	0	0	0	0	0
IRS Corporate Business	11	13	4	4	3	0	0	11
Equity swaps (*)	0	1	0	0	0	0	0	0
Exchange rate derivatives, Corporate Business	50	30	49	1	0	0	0	50
Other derivatives	26	21	23	1	1	1	1	26
LIABILITY BALANCES	**390**	**452**	**75**	**44**	**47**	**40**	**184**	**390**
Toll road interest-rate swaps (interest-rate derivatives)	334	357	43	42	39	34	176	334
Cross Currency Swaps, Corporate Business	6	17	6	0	0	0	0	6
Equity swaps (*)	2	0	2	0	0	0	0	2
Corporate IRS	9	0	0	0	6	4	0	9
Exchange rate derivatives, Corporate Business	2	3	2	0	0	0	0	2
Other derivatives	38	75	23	2	2	2	9	38
NET BALANCES (ASSETS)	**54**	**-71**	**11**	**-26**	**-30**	**-25**	**124**	**54**

(*) The items indicated are the main derivatives arranged by the Group that do not qualify for hedge accounting, as explained in this Note

The following is a description of the main types of derivatives and of the most significant changes therein in 2018:

Toll Road Derivatives

Interest Rate Swaps, Toll Roads

In order to hedge the interest rate risk in toll road infrastructure projects, the concession holders have arranged interest rate hedges on the projects' debt, establishing a fixed or increasing interest rate for a total notional amount of EUR 883 million at 31 December 2018. Overall, the fair value of these hedges increased from EUR -357 million at 31 December 2017 to EUR -334 million at 31 December 2018.

In general, since these derivatives are considered to be effective, the changes in their fair value are recognised in reserves, with an impact of EUR +23 million (EUR +17 million attributable to the Parent, after tax and non-controlling interests).

The changes in settlements and accruals gave rise to an impact on the financial result of EUR -47 million and of EUR -46 million in cash.

Index Linked Swaps, Toll Roads

This item relates exclusively to Autema, which in 2008 arranged an index linked swap to hedge income variability, by means of which an annual CPI of 2.50% was fixed.

This hedge, which was considered effective, had an impact of EUR 40 million on reserves (EUR 23 million after tax attributable to the Parent)

Corporate Business Derivatives

Interest Rate Swaps, Corporate Business

In relation to the bond issues launched in 2013, the Group arranged interest rate derivatives for a notional amount of EUR 250 million expiring in 2022. Since they convert a portion of the fixed interest rate on the bonds into a floating interest rate, these derivatives constitute a partial fair value economic hedge of the aforementioned bond issues and they all qualify for hedge accounting. The fair value impact of these bonds on the financial result amounted to EUR 2 million.

During 2018, the Group also arranged new interest rate derivatives for a notional amount of EUR 500 million to hedge future bond issues. At year-end 2018 the fair value of these derivatives amounts to EUR -9 million.

Cross Currency Swaps, Corporate Business

In 2016, Ferrovial arranged cross-currency swaps to hedge a drawdown of borrowings in US dollars (see Note 5.2.2). The notional amount of these instruments is USD 279 million (EUR 250 million) and they expire in 2019, with a fair value of EUR -6 million. New cross currency swaps were agreed to during 2018, as a hedge against future increases in the aforementioned debt for a notional amount of USD 286 million (EUR 250 million) and they mature in 2020, with a fair value of EUR 0.1 million.

Equity Swaps

Ferrovial has arranged equity swaps in order to hedge against the possible impact on equity resulting from the exercise of the share-based remuneration schemes granted to its employees.

The modus operandi of these equity swap contracts is as follows:

- The calculation base is a given number of Ferrovial shares and a reference price, which is normally the market price of the share on the grant date.
- For the duration of the contract, Ferrovial pays interest equivalent to a given interest rate (EURIBOR plus a spread, to be applied to the result of multiplying the number of shares by the exercise price) and receives remuneration equal to the dividends corresponding to those shares.
- When the swap expires, if the share price has increased, Ferrovial will receive the difference between the market price and the reference price. If the share price has fallen, Ferrovial will pay the difference to the bank.

At 2018 year-end, these derivatives had a notional amount equivalent to 2.7 million shares, which, based on the exercise price of the equity swaps (the price at which they must be settled with the banks), represented a total notional amount of EUR 50 million.

Exchange rate derivatives, Corporate

These derivatives relate to Corporate hedges of foreign currency risk, the main aim of which is to protect against the volatility of future cash flows in foreign currencies (basically the pound sterling, the Australian dollar, the US dollar, and the Canadian dollar). Their notional value amounted to EUR 2,077 million at 31 December 2018, of which EUR 1,037 million relate to the Canadian dollar, EUR 451 million relate to the US dollar, EUR 421 million to the Australian dollar, EUR 139 million to the pound sterling and EUR 29 million to the New Zealand dollar. They expire in the short-term. The changes in their value are recognised as translation differences and amounted to EUR -1 million in 2018 (for effective derivatives). Options, which are not classified as accounting hedges, are recognised in financial results at fair value and in 2017 represented an expense of EUR 11 million.

Other derivatives

This item comprises the rest of the derivatives arranged by the Group, including the derivatives corresponding to the Services Division. Its reclassification to discontinued operations has had a positive impact of EUR 40 million on the derivatives line item.

B) MAIN EFFECTS ON PROFIT & LOSS AND EQUITY

The changes for accounting purposes in the main derivatives arranged by fully consolidated companies, detailing the fair values thereof at 31 December 2018 and 2017, and the impact on reserves, profit & loss and other balance sheet items are as follows:

TYPE OF INSTRUMENT	FAIR VALUE			IMPACTS							
(Millions of euros)	BALANCE AT 31/12/2018	BALANCE AT 31/12/2017	CHANGE	IMPACT ON RESERVES (I)	FAIR VALUE IMPACT ON PROFIT/(LOSS) (III)	IMPACT ON FINANCIAL PROFIT/(LOSS) (III)	CASH (IV)	EXCHANGE RATE EFFECT (V)	OTHER IMPACTS ON BALANCE OR INCOME STATEMENT (VI)	TOTAL DISCONTINUED OPERATIONS (VII)	TOTAL
Index Linked Swaps, Cintra	358	316	42	40	1	0	-8	0	9	0	42
Interest Rate Swaps, Cintra	-334	-357	23	23	0	-47	46	0	0	0	23
Interest Rate Swaps, Corporate Business	2	13	-11	-9	2	0	-4	0	0	0	-11
Cross Currency Swaps, Corporate Business	-6	-17	11	0	0	7	-7	0	12	0	11
Equity swaps	-2	1	-3	0	-3	0	-2	0	2	0	-3
Corporate exchange rate derivatives	48	27	20	0	11	0	3	-1	8	0	20
Other derivatives	-11	-54	43	6	11	-13	11	-4	-9	40	43
TOTAL	**54**	**-71**	**125**	**60**	**22**	**-53**	**39**	**-5**	**21**	**40**	**125**

Derivatives are recognised at market value at the arrangement date and at fair value at subsequent dates. Changes in the value of these derivatives are recognised for accounting purposes as follows:

- The changes in the year in the fair value of the derivatives that qualify for cash flow hedge accounting are recognised with a balancing entry in reserves (column I).
- The changes in fair value of the derivatives that do not qualify for hedge accounting or that are considered to be held for speculative purposes are recognised as a fair value adjustment in the Group income statement (column II) and are reflected separately in the income statement.
- "Impact on Financial Result" (column III) reflects the impacts on the financial result due to financing arising from the interest flows accrued during the year.
- "Impact on Cash" (column IV) indicates net payments and collections during the year.
- The impact of the difference between closing translation differences at December 2017 and 2016 is also presented separately (column V).
- The "Other Impacts" column shows the impacts on operating profit/(loss), financial result (exchange rate effect) or other effects not considered in the other columns (column VI).
- Lastly, the final column shows the impact of reclassifying Services to discontinued operations (column VII).

C) DERIVATIVE MEASUREMENT METHODS

All the Group's derivative financial instruments and other financial instruments carried at fair value are included in LEVEL 2 of the Fair Value Measurement Hierarchy, since although they are not quoted on regulated markets, the inputs on which their fair values are based are observable, either directly or indirectly.

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

Equity swaps are measured as the difference between the market price of the share on the calculation date and the unit settlement (strike) price agreed at inception, multiplied by the number of shares under the contract.

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

- Interest rate swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.
- Index-linked swaps: the future cash flows are estimated by projecting the future behaviour implicit in the market curves on the measurement date for each currency and settlement frequency, for both reference interest rates and reference inflation rates. As in the cases described above, the flows are discounted using the discount rates obtained at the measurement date for each flow settlement period and currency.
- Cross currency swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is discounted using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date, including the cross-currency basis spreads. The present value of the flows in a currency other than the measurement currency is translated at the spot exchange rate prevailing at the measurement date.
- Foreign currency derivatives: as a general rule, the future cash flows are estimated by using the exchange rates and market curves associated with each currency pair (forward points curve), and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date. For other more complex instruments (options, etc.), the valuation models appropriate for each instrument are employed, taking into consideration the necessary market data (volatilities, etc.).

Lastly, credit risk, which pursuant to IFRS 13 was included in the measurement of derivatives, is estimated as follows:

- In order to calculate the adjustments associated with own and counterparty credit risk (CVAs/DVAs), Ferrovial applies a methodology based on calculating the future exposure of the various financial products using Monte Carlo simulations. To this potential exposure, a probability of default and a loss given default based on the parties' business and credit quality are applied, as well as a discount factor based on the currency and applicable maturity at the measurement date.
- In order to calculate the probabilities of default of the Ferrovial Group companies, the Credit Risk Management department assesses the rating of the counterparty (company, project, etc.) using a proprietary, rating agency-based methodology. This rating is used to obtain market spread curves according to the currency and term in question (generic curves by rating level).

In order to calculate the probabilities of default of the balancing entries, the CDS curves of those companies are used, if available; otherwise, the CDS curves of a similar entity (proxy) or a generic spread curve (by rating level) are used.

SECTION 6: OTHER DISCLOSURES

This section includes other Notes required under the applicable legislation.

Of particular note due to its importance is Note 6.5, Contingent liabilities, contingent assets, obligations and commitments, in which the main lawsuits that affect the Group companies and guarantees provided are described, with particular emphasis on the guarantees provided by ex-infrastructure project companies on behalf of infrastructure project companies.

The changes in liabilities other than current liabilities and borrowings, such as the pension obligations (see Note 6.2) and provisions (see Note 6.3), are also analysed.

6.1. Deferred income

The detail of Deferred income at 31 December 2018 and 2017 is as follows:

(Millions of euros)	2018	2017	CHANGE 18/17
Capital grants	1,241	1,033	208
Other deferred income	0	4	-4
Total deferred income	**1,241**	**1,037**	**204**

The balance of "Deferred Income" totalled EUR 1,241 million at the end of 2018 (2017: EUR 1,037 million), primarily relating to the capital grants received from the infrastructure concession grantors for EUR 1,241 million. EUR 1,239 million of this amount relates to the Toll Roads Division.

These grants are mainly located in the following toll road projects: EUR 415 million for LBJ Infrastructure Group, EUR 505 million for NTE Mobility Partners, EUR 143 million for NTE Mobility Partners Segments 3 LLC and, lastly, EUR 176 million for I-77 Mobility Partners.

The main change during the financial year occurred at I-77 Mobility Partners and NTE Mobility Partners Segments 3, Cintra subsidiaries in the USA, which received additional grants over the course of the year in the amount of EUR 125 million and EUR 57 million respectively.

The US companies have also seen their value rise by USD 55 million, due to the rise in the value of the dollar against the euro.

These capital grants are recognised in profit & loss over the year and in the proportions in which depreciation expense on those assets is recognised, offseting it. The impact of these grants on cash flows is presented as a reduction of cash flows from investing activities.

Finally, it is noteworthy that the reclassification of the Services Division to discontinued operations (Note 1.1.3) resulted in an impact of EUR -53 million at 31 December 2018, EUR 22 million as opening balance and EUR 31 million in movements in the financial year, which main impact is related to Milton Keynes amounting to EUR 35 million (Note 3.2).

6.2 Pension plan deficit

This line item reflects the deficit relating to pension and other employee retirement benefit plans, including both defined benefit and defined contribution plans. The provision recognised in the consolidated statement of financial position amounted to EUR 3 million, related entirely to Budimex (31 December 2017: EUR 66 million). It should be noted that on 31 December 2018, the defined benefit plans of the Amey Group in the UK were reclassified to Discontinued Operations (see Note 1.1.3) to the amount of EUR 15 million (EUR 64 million at 31 December 2017).

The accompanying table analyses the changes in Amey's pension plan deficit. As the table shows, the main change relates to the actuarial gains and losses (EUR 40 million).

(Millions of euros)	ASSETS	LIABILITIES	TOTAL
Balance at 31/12/2017	**973**	**-1,037**	**-64**
Actuarial gains and losses recognised in reserves	-37	77	40
Contributions	19	0	19
Impact on P&L	22	-33	-11
Settlement Plan	-33	33	0
Forex Impact	-10	10	0
Reclassification to Discontinued Operations	-936	951	15
Balance at 31/12/2018	**0**	**0**	**0**

The Amey Group has 9 defined benefit plans covering a total of 7,902 employees and 8 defined contribution plans covering 12,441 employees. The most significant changes in 2018 that led to a EUR 49 million reduction in the deficit were as follows:

AMEY GROUP DEFINED BENEFIT PLANS	2018
Actuarial gains and losses	40
Company contributions	19
Income statement	-11
Total changes	**49**

- An impact of EUR 40 million arising from actuarial gains and losses which reduced the contribution to the pension plan deficit (a decrease in the related liability) recognised in equity. This pension deficit is explained by an improvement in actuarial assumptions due to a higher discount rate (EUR +70 million), the return on pension plan assets (EUR -36 million) and changes to demographic assumptions (EUR +6 million). More details are provided in section a) of this Note.

- Contributions of EUR 19 million made by the company to the pension plans, which reduced the pension plan deficit (lower liability). The ordinary contributions amounted to EUR 3 million, while the extraordinary contributions aimed at improving the pension plan deficit totalled EUR 16 million.

- A negative impact of EUR -11 million on profit/(loss), which increased the pension plan deficit (an increase in the related liability), as detailed in section b) of this Note.

Also, although they did not have any effect on the pension plan deficit, there were curtailments and settlements as a result of the payment of obligations to employees, which therefore reduced the related obligation at year-end and gave rise to a reduction of the same amount in the plan assets. In 2018 these curtailments and settlements totalled EUR 33 million.

a) Actuarial gains and losses recognised in reserves

The effects of changes in the actuarial assumptions relating to the defined benefit pension plans of the Amey Group are recognised directly in equity and are summarised (before taxes) in the following table:

AMEY GROUP DEFINED BENEFIT PLANS: (Millions of euros)	2018	2017
Actuarial gains and losses on bonds	77	31
Actuarial gains/losses on plan assets due to the difference between the expected return at the beginning of the year and the actual return	-37	45
Impact on recognised equity	**40**	**76**

The main actuarial assumptions used to calculate the defined benefit pension plan obligations are summarised as follows:

AMEY GROUP DEFINED BENEFIT PLANS MAIN HYPOTHESIS	2018	2017
Salary increase	2.31%	2.40%
Discount rate	2.85%	2.45%
Expected inflation rate	3.25%	3.25%
Expected return on assets	2.85%	2.45%
Maturity (years)	87-90	87-90

The mortality assumptions used by the Amey Group to calculate its pension obligations are based on the Actuarial Mortality Tables, with an estimated life expectancy of between 87 and 90 years.

The defined benefit pension plan assets stated at their fair value for 2018 and 2017 are summarised as follows:

AMEY GROUP DEFINED BENEFIT PLANS (Millions of euros)	2018	2017
Total plan assets (Fair value)		
Capital instruments	214	275
Debt instruments	633	580
Properties	50	62
Cash and other	39	56
Total plan assets	**936**	**973**

b) Impact on profit/(loss)

The detail of the impact of the defined benefit pension plans on profit/(loss) is as follows:

AMEY GROUP DEFINED BENEFIT PLANS: (Millions of euros)	2018	2017
Impact on profit/(loss) before tax		
Current service cost	-4	-4
Interest cost	-25	-28
Expected return on plan assets	24	24
Other	-5	-2
Total included in net profit/(loss) from discontinued operations	**-11**	**-11**

c) Complete actuarial reviews

The Amey Group performs complete actuarial valuations every three years, depending on the plan, the majority of the reviews were carried out in 2016 and 2017. An actuarial valuation was made of the remaining pensions plan in 2018.

Based on these reviews, the extraordinary contributions to be made in the coming years have been maintained.

For 2019 the ordinary contributions agreed with the trustees will be EUR 4 million for ordinary contributions and EUR 17 million for extraordinary contributions.

d) Sensitivity analysis

Below is a sensitivity analysis showing the impact on the Income Statement and on Shareholders' Funds of a change of 50 basis points in the Discount Rate.

	ANNUAL IMPACT ON PROFIT/(LOSS)		ANNUAL IMPACT ON BALANCE SHEET	
DEFINED BENEFIT PLANS GRUPO AMEY SENSITIVITY ANALYSIS DISCOUNT RATE (+ / - 50.B.P.)	PRE-TAX	AFTER TAXES	PRE-TAX	AFTER TAXES
+ 50 b.p.	3	2	70	58
- 50 b.p.	-2	-2	-80	-66

6.3. PROVISIONS

The provisions recognised by the consolidated Group are intended to cover the risks arising from its various operating activities. They are recognised using the best estimates of the existing risks and uncertainties and their possible evolution.

This Note provides a breakdown of all the line items composing "Long-Term Provisions" and "Operating Provisions" on the liability side of the consolidated statement of financial position. In addition to these line items, there are other impairment losses and allowances that are presented as a reduction of certain asset line items and which are disclosed in the Notes relating to those specific assets.

The changes in the long-term and short-term provisions presented separately in liabilities in the consolidated statement of financial position were as follows:

(Millions of euros)	WASTE LANDFILLS	COMPULSORY PURCHASES	RELOCATION AND UPGRADES IFRIC 12	LITIGATION AND TAXES	OTHER LONG-TERM RISKS	TOTAL NON-CURRENT PROVISIONS	SHORT-TERM PROVISIONS	TOTAL
Balance at 31 December 2017	**130**	**25**	**126**	**443**	**84**	**808**	**629**	**1,437**
Changes in the scope of consolidation and transfers	**0**	**0**	**-13**	**-50**	**-17**	**-80**	**76**	**-4**
Allocations:	**30**	**0**	**27**	**28**	**10**	**95**	**514**	**609**
EBITDA	24	0	0	14	11	**48**	**507**	**555**
Financial result	6	0	5	6	0	**17**	**7**	**24**
Impairments & disposals	0	0	0	0	0	**0**	**0**	**0**
Corporate Income Tax	0	0	0	8	0	**8**	**0**	**8**
Fixed asset depreciation	0	0	22	0	0	**22**	**0**	**22**
Reversals:	**-17**	**0**	**0**	**-12**	**-2**	**-31**	**-251**	**-282**
EBITDA	-17	0	0	-12	-2	-31	**-251**	-282
Financial result	0	0	0	0	0	**0**	**0**	**0**
Impairments & disposals	0	0	0	0	0	**0**	**0**	**0**
Corporate Income Tax	0	0	0	0	0	**0**	**0**	**0**
Fixed asset depreciation	0	0	0	0	0	**0**	**0**	**0**
Amounts used recognised in current assets or current liabilities	**-4**	**0**	**-12**	**-7**	**-2**	**-26**	**-178**	**-204**
Amounts used recognised in other assets	**0**	**0**	**-1**	**0**	**17**	**15**	**0**	**15**
Exchange differences	**0**	**0**	**1**	**0**	**-1**	**0**	**-11**	**-11**
Reclass. to disc. operations (1.1.3)	**-139**	**0**	**-62**	**-79**	**-43**	**-323**	**-347**	**-670**
Balance at 31 December 2018	**0**	**25**	**64**	**323**	**47**	**459**	**431**	**890**

The table above shows the changes in the year by detailing, on the one hand, the charges for the year and reversals that had an impact on the various lines in the consolidated income statement and, on the other, other changes which did not have an impact thereon, such as: changes in the scope of consolidation and transfers, amounts used recognised under various headings in the consolidated statement of financial position and the exchange rate effect.

Therefore, analysing the effect of the income statement, of note is the net reversal (expense) of EUR 273 million that impacts the EBITDA, of which EUR (264) million relate to the discontinued operations of services, which was primarily due to the additional charge of EUR 235 million (GBP 208.5 million) in relation to the Birmingham contract (once the expectations were reevaluated regarding the level of penalties and deductions that the company were facing (see Note 6.5), as well as the EUR 204 million applied against working capital line items, of which EUR 155 million relate to the discontinued operations of services, of which EUR 85 million (GBP 75 million) relate to costs incurred relating to the Birmingham contract. The sums of both impacts are explained for the purpose of working capital in the cash flow statement (see Note 5.3).

Provision for landfills

"Provision for Landfills" contains the estimated cost of landfill closure and post-closure activities relating to the landfills operated by the Ferrovial Services business in Spain and UK. The provision is calculated based on a technical estimate of the consumption to date of the total capacity of the respective landfills. This provision is recognised and reversed with a charge/credit, respectively, to changes in provisions within gross operating profit in the consolidated income statement, as the costs required for closure of the landfill are incurred. At 31 December 2018 the impact of the allocation and reversion are discontinued and the EUR 139 million balance of the provision has been classified as being held for sale, see Note 1.1.3.

Provision for compulsory purchases

The provision for compulsory purchases recognised by the Spanish toll roads, totalling EUR 25 million (31 December 2017: EUR 25 million). This provision is charged against the concession infrastructure as the costs are incurred over the concession term.

Provision for replacements and upgrades pursuant to IFRIC 12

This line item includes the provisions for investments in replacements established by IFRIC 12 (see Note 1.2.3.2), the total amount of which amounted to EUR 64 million. This provision is recognised and reversed with a charge/credit, respectively, to the depreciation and amortisation charge over the period in which the obligations accrue, until the replacement becomes operational. The impact of this amortisation amounts to EUR 19 million for the continuing operations and EUR 3 million for discontinued operations. At 31 December 2018 the EUR 62 million provisions associated with the Services Division have been reclassified as held for sale (see Note 1.1.3)

Litigation provisions

The total litigation provisions for the Group amounts to EUR 323 million. Additionally, it is worth mentioning that EUR 79 million have been classified as held for sale in relation to the Services business (see Note 1.1.3). This line item includes:

- Provisions to cover the possible risks resulting from litigation in progress, amounting to EUR 133 million (31 December 2017: EUR 189 million), of which EUR 82 million (31 December 2017: EUR 94 million) relate to the construction business and EUR 46 million (31 December 2017: EUR 91 million) relate to litigation of the Services business which are detailed in Note 6.5 and that have been classified to discontinued operations. These provisions are recognised and reversed with a charge/credit, respectively, to changes in provisions within EBITDA. The impact of the Services business is recognised in the Net Profit/(Loss) of discontinued operations (see Note 1.1.3).

- Provisions for tax claims, amounting to EUR 269 million (31 December 2017: EUR 254 million), of which EUR 33 million relate to Services Division, which has been classified to discontinued operations, arising in relation to local or central government duties, income taxes and other taxes, as a result of the varying interpretations that can be made of the tax legislation in the various countries in which the Group operates (see Note 6.5.1.d). These provisions are recognised and reversed with a charge/credit to gross operating profit, financial result and/or corporate income tax, depending on the nature of the tax for which the provision has been recognised (penalties, related interest, and/or tax deficiencies in assessments signed on a contested basis). The impact of the Services business is recognised in the Net Profit/(Loss) of discontinued operations (see Note 1.1.3).

Provisions for other long-term risks

This line item includes the provisions recognised to cover certain long-term risks other than those attributable to litigation or tax claims, such as third-party liability resulting from the performance of contracts, guarantees provided with enforcement risk and other similar items, which amounted to EUR 47 million at 31 December 2018 (31 December 2017: EUR 84 million). Additionally, EUR 43 million of provisions for other long-term risks of the services business are classified under assets held for sale (see Note 1.1.3).

Short-term provisions

At 31 December 2018, the Group short-term provisions balance amounts to EUR 431 million (31 December 2017: EUR 629 million). Furthermore, a balance of EUR 347 million of the services business was reclassified as liabilities held for sale at the end of the financial year (see Note 1.1.3) .

This entry principally covers provisions relating to customer contracts, such as provisions for deferred costs (relating to the completion of works and the removal of site equipment, pursuant to the contract) and provisions for budgeted losses. In this regard, these types of provisions are mainly focused on the Construction Division for EUR 414 million (2017: EUR 432 million) and the Services Division for EUR 347 million (31 December 2017: EUR 186 million).

These provisions are recognised and reversed with a charge/credit, respectively, to changes in provisions within EBITDA. The impact of the Services business is recognised in the Net Profit/(Loss) of discontinued operations (see Note 1.1.3).

6.4 Other long-term payables

This line item includes:

- The participating loans granted by the State to various infrastructure project concession operators amounting to EUR 115 million (31 December 2017: EUR 156 million), of which EUR 105 million relate to the Toll Roads Division and EUR 10 million to the Construction Division. The reclassification of the Services Division to discontinued operations amounts to EUR 41 million.

- Long-term deposits and guarantees amounting to EUR 2 million (31 December 2017: EUR 7 million), of which EUR 2 million relate to the Toll Roads Division, and EUR 5 million were reclassified and held for sale in relation to the Services Division.

- Long-term trade payables of the Toll Roads Division, amounting to EUR 7 million (31 December 2017: EUR 3 million).

6.5 Contingent liabilities, contingent assets, obligations and commitments

6.5.1 Litigation

In carrying on its activities the Group is subject to possible contingent liabilities of varying kinds. These contingent liabilities lead to lawsuits or litigation in relation to which a provision is recognised based on the best estimate of the foreseeable disbursements required to settle the obligation. These provisions are set out in Note 6.3.

Therefore, it is not expected that any significant liabilities will arise, other than those for which provisions have already been recognised, that might represent a material adverse effect.

The detail of the most significant litigation, in terms of amount, in the Group's various business divisions is as follows:

a) Litigation relating to the Toll Road business

Autopista Terrassa Manresa (Autema):

Contentious-administrative action against Decrees 161/2015 and 337/2016 approved by the Government of Catalonia:

On 14 July 2015, the Government of Catalonia published Decree 161/2015, which radically amended the rules governing the concession for the project originally established in Decree 137/1999. This legislative change was carried out in December 2016 via Decree 337/2016.

The change introduced by the new legislation has entailed moving from a regime under which the Government of Catalonia paid the concession operator the difference between the tolls collected and the operating surplus established in the Economic and Financial Plan, to a system whereby the remuneration earned by the concession operator will depend on the number of the infrastructure's users, with the Government of Catalonia subsidising a portion of the toll paid by the user, reducing Autema's revenues by between 50% and 43%.

In this regard, the Concession Operator considers that there are sound arguments to conclude that the Government of Catalonia, given the two published decrees, has clearly exceeded the limits of the power to amend the arrangements. Accordingly, the company has filed an appeal against the aforementioned Decrees at the High Court of Catalonia.

Over the course of 2017, the co-defendants (the Catalan Government and Bages Regional Council) filed their written submissions in reply to the complaint and, during 1H 2018, evidence was heard. Following the submission of written conclusions by Autema in July and by the co-defendants in September, the conclusions phase of the trial was brought to an end. The Company has been given notice that the date set for the Catalan High Court to vote on and hand down its judgement is 28 February 2019. This means that, on the aforementioned date, the Court will decide on the contents of the judgement that will subsequently be drafted by the Presiding Judge and notified to the parties. The Court has not set a specific timeframe for this.

As a result of the amendment to the concession regime and taking into consideration the solid legal position against this amendment, the company has decided to classify this concession as a financial asset. However, the goodwill impairment test has been revised and an impairment loss of EUR 13 million in 2018 (2017: EUR 29 million) was recognised on the basis of the assumptions described in Note 3.1.

M-203 Toll Road:

Legal action filed by the Concession operator seeking the termination of the concession agreement on the grounds of a breach by the Grantor:

Legal action filed by the Concession operator (100% owned by Ferrovial) seeking the termination of the concession agreement on the grounds of a breach by the Grantor:

On 24 April 2014, the Concession operator instigated a proceeding at the Madrid High Court of Justice requesting the termination of the concession arrangement due to a breach by the grantor and the annulment of the penalties imposed on the Concession Operator due to the halting of the construction work. In February 2015, the Madrid High Court of Justice issued a judgement upholding in full the appeal for judicial review. A cassation appeal against this judgment was filed at the Supreme Court by the Autonomous Community of Madrid and, lastly, on 22 December 2016, the Supreme Court's decision was handed down, which dismissed the Autonomous Community of Madrid's cassation appeal.

Following the decision in the Concession Operator's favour, it has requested through various channels that the Autonomous Community of Madrid issue a formal administrative decision terminating the concession arrangement and initiating a procedure to settle the arrangement.

Finally, in an Order from the Community of Madrid's Ministry of Transport, Infrastructure and Housing dated 3 November 2017 (the "Order for Termination"), the Community of Madrid terminated the concession agreement. The Community of Madrid is obliged to comply with the following milestones resulting from its termination: (i) it must take possession of the works; (ii) it must return the bonds put in place by way of a definitive guarantee; (iii) the Authorities must subrogate to the expropriation proceedings; and (iv) it must pay compensation for the investments made (equity value of the investment) and for any damages suffered.

The milestones that were met during 2018 are as follows: (i) A formal process for the acceptance of the works by the Community of Madrid took place on 3 April 2018, and (ii) on 15 October 2018, the Ministry at the Community of Madrid returned the bonds originally put in place by the Company by way of a definitive guarantee for the concession. These bonds amounted to a total of EUR 6,180,970.20.

The Company has entered into negotiations with the Grantor since receiving the Order for Termination, to agree on the net investment value (NIV), and is currently waiting for the Grantor to issue the relevant ruling establishing the NIV amount. It must also initiate a procedure to settle any damages that it must pay to the Company.

As a result of the termination of the concession arrangement, at 31 December 2018 the company reclassified the carrying amount of the asset (EUR 74 million) as an account receivable from the grantor (see Note 3.6).

AP 36 Ocaña - La Roda and Radial 4 Toll Roads:

The companies that own both projects were adjusted in the 2015 financial year, due to the fact that they were both in a situation of insolvency. Since then, the insolvency process has followed its course, and the concession operators are currently entering the liquidation phase.

Provisional measures were adopted during the 2018 financial year to allow the public company SEITTSA to take control over both assets, and finally, on 16 July 2018, the Ministry of Public Works informed the Insolvency Administrator that it had agreed to terminate the concession agreement and enforce the guarantees.

With regard to Radial 4, in June 2013 a group of financial institutions from the banking syndicate that was financing the Project filed court proceedings against the shareholders of Cintra Infrastructures, SE and Sacyr Concesiones, S.L., seeking the enforcement of a guarantee that had been put in place by the shareholders, on the grounds of an alleged breach of certain ratios. This guarantee amounts to a total of EUR 23 million, of which Cintra's share amounts to EUR 14.95 million. In their reply to the action, Cintra and Sacyr argued, *inter alia*, that the banks did not have active *locus standi* (a legitimate right to act), believing that they could not file an action against the Sponsors but should instead file it against the company that was the Investor in the Project. They also argued that the purpose of the final maturity undertaking was not to afford the borrower funds to cover payments relating to the financing, but rather to ensure its financial solvency in order to meet obligations arising from a refinancing process that has not taken place. Finally, Madrid Court of First Instance 61 handed down a judgement rejecting the banks' arguments in October 2015. The Banks appealed this judgement before the Madrid Court of Appeal, which in turn upheld the original judgement rejecting their arguments in December 2016. Against this judgement, the financial institutions filed an extraordinary appeal for procedural infringement with the Supreme Court, and this appeal is currently pending judgement.

Lawsuit regarding insolvency of SH-130 toll road creditors:

On 1 March 2018, "SH-130 Concession Company, LLC" filed an initial statement of case at the United States Bankruptcy Court Western District of Texas against Ferrovial, S.A, Cintra Infrastructures SE, Ferrovial Agroman, S.A. and other companies of the Ferrovial Group, and against the partner in the SH-130 toll road project.

SH-130 Concession Company, LLC was 65% owned by Cintra TX 56, LLC until 28 June 2017, when ownership of its share capital was transferred to the current shareholders as the result of the completion of the voluntary insolvency process (Chapter 11) filed on 2 March 2016.

The complaint is based on the claim that some of the payments made by the concession operator to the construction company in 2011 and 2012, during the toll road's design and construction phase, were allegedly made in a way that defrauded the creditors, since, in the claimant's opinion: (i) the works were completed incorrectly and should not, therefore, have been paid for; and (ii) the concession operator was insolvent.

The claimant is demanding the return of these payments, which amount to a total of USD 329 million.

It also accuses Ferrovial, S.A., Cintra Infrastructures SE and other companies in the group of having caused SH-130 Concession Company, LLC to make such payments, thus breaching the fiduciary duties that it should have observed under the mercantile law of the State of Delaware, as well as accusing them of aiding and abetting the breach of such duties.

In an amendment to the initial statement of case filed on 28 September 2018, the claimant sought additional damages consisting of the return of the profits earned under the agreements for services for which the defendants had invoiced the claimants over the said period. The claimant is yet to specify the amount required for this item. It has also extended the initial complaint in relation to fulfilment of fiduciary duties.

The Ferrovial Group defendant companies presented various motions to dismiss on the initial legal action. On 7 September 2018, the Court admitted the preliminary motions to dismiss relating to group companies Ferrovial Internacional, S.L.U. and Ferrovial International Ltd. (which have been excluded from the legal action), though the proceedings continue in respect of the other defendants. The aforementioned amendment to the complaint was also the subject of a second motion to dismiss, though the court has not yet ruled on this motion.

At the closing of these financial statements the lawsuit continues to be in a preliminary phase, and the case has not yet begun to be analysed in-depth. The lawsuit discovery, presentation and debate phases are still pending. A final ruling is expected by 2H 2020. An analysis of the current situation would lead to the conclusion that the Ferrovial group companies named as defendants have strong arguments to defend their interests in these legal proceedings, and it is reasonable to think that they could succeed in having the actions brought against them rejected by the Court. Based on the above, Ferrovial has not set aside any provision in relation to this legal proceedings.

b) Litigation relating to the Construction business

The Construction Division is involved in a number of ongoing legal actions, relating principally to potential construction defects in the building work it has completed and claims for civil liability.

The provisions recognised in relation to these risks at 31 December 2018 totalled EUR 82 million (2017: EUR 94 million) and relate to a total of approximately 94 lawsuits.

The main legal proceeding is related to the SH 130 toll road construction works in Texas, as detailed below.

Construction works at the SH-130 toll road in Texas

In addition to the legal action relating to the toll road business detailed in the previous section, the concession operator for the SH-130 toll road filed a request for the submission to arbitration of a dispute against the company, in which Ferrovial Agroman holds a stake, Central Texas Highway Contractors, LLC, the toll road's constructor, and against the companies Zachry Industrial, INC. and Ferrovial Agroman S.A., as the joint guarantors of the aforementioned company. In the request for arbitration, the concession operator claimed in both general and specific terms that there were failings and defects during the construction, mainly in the aggregates used to surface the toll road, which it valued at no less than USD 130 million. Of this, 50% (USD 65 million) would be attributable to Ferrovial's stake in the company, though there is no joint and several liability with regard to the other stakeholder's involvement.

During 2018, the three arbitrators that will resolve the dispute were appointed and another arbitration proceeding was initiated between the construction company and the subcontractors that took part in the project.

At the closing date of these financial statements, the discovery phase of the arbitration proceeding is in progress, the document containing the arguments supporting the claim has not been filed. As with the other proceeding relating to this project, a ruling is not expected to be received until 2020.

Although the company has not yet had access to the arguments used by the claimant, the company's legal advisors believe that construction work at the toll road was carried out in accordance with the terms of the contract and good industry practice, and that, in any case, any liability that may result from this lawsuit could be reduced by certain factors, such as:

- The existence of an insurance policy to the benefit of the construction company;
- Liability for the defects being alleged should rest with the companies that were subcontracted by the construction company, both with regard to design and as regards the work done to lay the road surface;
- It would appear that the Texas Department of Transport and the concession operator have reached an agreement to carry out the work required to repair the defects at a value of USD 60 million, which represents less than 50% of the amount being claimed.

On the basis of the foregoing, it was concluded that, at year-end, it was not necessary to allocate any additional provision to the USD 10 million currently set aside by the company to cover deferred expenses in relation to guaranteeing the construction work completed as part of this project.

With regard to arbitration in relation to the construction project for Warsaw airport, in August 2018 both parties signed a transactional agreement that put an end to the legal proceedings in progress. This agreement resulted in a payment of PLN 79 million to the consortium that carried out the project, comprised of Ferrovial Agroman (60%) and Budimex (40%), (EUR 21 million), which primarily results from the recovery of witholdings made by the client.

c) Litigation relating to the Services business

The total amount provisioned in the Services Division (discontinued activity) at the end of the financial year is EUR 237 million, of which EUR 46 million are recognised as a long term provisions and EUR 191 million (GBP 172 million) are registered as a short term provision related to the lawsuit with Birmingham City Council, see details below. The provisions recognised in relation to these risks at 31 December 2017 totalled EUR 91 million.

The main lawsuits that remain ongoing are as follows:

The main lawsuit for this business division relates to the Amey contract (Services business in the UK) with Birmingham City Council.

- As indicated in the annual accounts for 2017, on 22 February 2018, the UK Court of Appeals found in favour of Birmingham City Council, agreeing the execution of the additional works that were deemed necessary by the client. This overturned the judgement in which the High Court previously ruled in favour of Amey in September 2016.
- At 31 December 2017, the company has set aside a provision in relation to this project in the amount of GBP 74.4 million. The provision set aside in relation to this legal action as of the said date represented the Management's best estimate, based on negotiations with the client during the 2017 financial year.
- On 26 April 2018, Ferrovial notified the Stock Market of a significant event, indicating that, following communications that it had recently received from the client, the company had proceeded to set aside a provision of GBP 208 million in addition to the amount already existing as of 31 December 2017. This provision was recorded assuming the continuity of the scenario envisaged in the contract, in which the company must make the necessary investments to complete the Core Investment Period (CIP) and the customer will continue to apply the relevant deductions and penalties during that period.
- Given the negotiations held, in 2H 2018 both parties agreed that the best way to resolve the conflict was to reach a negotiated settlement.
- Over the past few months, the parties have been negotiating a settlement, although no agreement has been reached at the closing date of these financial statements.
- It should be noted that the company posted a cumulative provision of GBP 283 million for this contract, the outstanding balance of the provision being GBP 207 million at 31 December and the total losses accumulated under the contract having reached GBP 330 million.

- The Services business in the UK also received notification of claims by Aggregate Industries, the subcontractor in the Sheffield contract, amounting to GBP 32 million. Of this amount, GBP 21 million relate mainly to claims for delays and additional costs due to the sequence in which the works were executed, and GBP 11 million relate to the new estimates of the work performed. The Group considers that a significant portion of the claim made by the subcontractor, particularly in relation to the first items, has not been proven by Aggregate Industries, which has suspended the claim because it is recalculating the amounts, and it may reactivate it in the coming months. Aggregate Industries has acknowledged that a final settlement proposal is to be prepared. The Group considers that this contingency has been correctly provided for at year-end.

In relation to the Services business in Spain:

- The main lawsuit was related to a Resolution of the Spanish National Markets and Competition Commission (CNMC) imposing a penalty on Cespa Group companies and Cespa Gestión de Residuos, S.A.U. and other companies from the waste management and urban cleaning industry for participating in a market share agreement. Specifically, the penalty imposed on Cespa, S.A. and Cespa Gestión de Residuos, S.A.U. amounted to EUR 13.6 million. As already noted in the 2017 Annual Accounts, on 27 February the National Court gave notice of a judgement in which it upheld the Ferrovial's appeal, finding that there were no grounds for accusing it of participating in a cartel of this kind. It cancelled the penalty imposed on companies belonging to the Group and awarded costs against the Administration. This Judgement has not been appealed by the State Attorney's Office. However, bearing in mind that the judgement did not uphold the other two grounds for annulment that the Group had argued (annulment of all the evidence seized and time-barring of the penalty proceedings), the Group decided to file a cassation appeal with the Supreme Court. This cassation appeal was not granted leave to proceed, so the judgement is final and the lawsuit has been closed.

- In relation to the same matter, on 18 April 2018, new penalty proceedings were initiated in which the same practices that gave rise to the previous proceedings are going to be examined. Ferrovial has appeared in the proceedings (though the CNMC has not yet specified or categorised the anti-trust conduct or practices in question, nor has it quantified the potential penalty) and filed a contentious-administrative appeal with the National Court on the grounds that the initiation of these new proceedings violates the basic right of Cespa S.A. and Cespa Gestión de Residuos S.A.U. not to be tried twice for the same offence. The appeal has been concluded and is now pending a date to be set for voting and handing down of the judgement. The Group has decided not to set aside any provision, given that the Company's legal advisors believe that the arguments set out in the appeal seeking protection for basic rights are robust, even though the action is still in its very early stages.

- In addition, acting through the company Empresa de Mantenimiento y Explotación M-30, S.A. (Emesa) in which it holds a 50% stake, the Group is operating the contract for the maintenance of the M-30 infrastructure, and it holds a 20% stake in the mixed financial holding company Madrid Calle 30, which is the holder of the concession agreement for this infrastructure. During the 2017 financial year, Madrid City Council, which also holds a stake in Madrid Calle 30, formed a municipal Investigation Commission whose main recommendations (insofar as they affect the Group) are to reverse the management model for Madrid Calle 30 to one in which the company is 100% municipally owned and to request the relevant City Council bodies to determine who is liable for paying for the electricity supply, which to date has been paid for by Madrid Calle 30. In the opinion of the Group's legal advisors, there are arguments to justify that the electricity supply should be paid for by Madrid Calle 30 and not by Emesa. Furthermore, in the event that the concession is removed, under the terms of the contract Emesa's stakeholders would recover the value of the participation loans they granted to the company and Emesa would recover the value of its stake in Madrid Calle 30, along with the subordinated loan it granted to the said company. It should also be mentioned that Emesa has filed a contentious-administrative appeal against the resolution in which the City Council approved the Report by the Investigation Commission, and this appeal has been admitted for process. On this basis, the Group has not set aside any allowance provision.

- Also, through Ecoparc de Can Mata, S.L.U., the Group has a contract for the construction and operation of a waste treatment centre. In 2017 notification was received from the granting body (the Ecop4rc Consorci) of the initiation of a proceeding to claim EUR 15.6 million in payments and penalties due to discrepancies regarding the waste recovery percentages and refuse dumping and in relation to the regularisation of the payments made on the basis of the remuneration formulas provided for in the contract. The granting body also issued a resolution that the billing method to be used from now on should meet the requirements used by it in the proceeding. The Group filed an appeal against the payments and penalties as well as against the resolution obliging billing to be performed in accordance with the imposed criteria. In October 2018, "Consorci del Ecop4rc" decided to partially uphold the appeal lodged by the Group, ordering a settlement of EUR 1,398 thousand in favour of "Consorci del Ecop4arc", covering all items. The customer also concluded that the new operating scheme reflects the actual status of the waste and the plant, it not being necessary to change the billing process in the future. The Group considers that the agreement reached marks the end of this lawsuit.

d) Tax litigation

As indicated in Note 6.3, Ferrovial has recognised provisions for taxes for a total amount of EUR 269 million, of which EUR 231 million are primarily on-going tax-related lawsuits, relating to tax assessments in Spain. Although the most important relate to Company Tax and VAT for the years between 2002 and 2013, amounting to a total of EUR 305 million, the Group believes that it has strong arguments to defend its procedural position, for which it has set aside partial allowance provisions to cover the risk that could arise from them (worth EUR 231 million mentioned above), of which EUR 33 million are classified as discontinued activities.

These actions include one that relates to the tax write-down of financial goodwill resulting from the acquisition of Amey and Swissport. Ferrovial has filed an appeal against the decision by the European Commission in 2014 ("Third Decision"), in which this kind of tax measure is classified as constituting state aid. Although we feel there are sound grounds supporting the Group's procedural stance, if a favourable court judgement is not issued, the amount of EUR 78 million will be payable to the Treasury, of which EUR 37 million was already settled in 2017. In this pessimistic scenario, the impact on the income statement would be EUR 16 million after applying other tax credits available to the company.

e) Other litigation

In addition to the litigation discussed above, of particular note is the Group continuing to maintain its contractual position vis-à-vis certain tax claims that had been filed by Promociones Habitat, S.A., which was sold by Ferrovial Fisa, S.L. in 2016. These claims are currently pending resolution or payment and a provision for the amount thereof has been duly recognised in the consolidated financial statements.

6.5.2 Guarantees

a) Bank guarantees and other guarantees provided by insurance companies

In carrying on its activities the Group is subject to possible contingent liabilities – uncertain by nature – relating to the liability arising from the performance of the various contracts that constitute the activity of its business divisions.

In order to cover the aforementioned liability, the Group has bank guarantees and other guarantees issued by insurance companies. At 31 December 2018, the balance amounted to EUR 7,524 million (2017: EUR 7,472 million).

The following table contains a breakdown of the risk covered in each business area.

(Millions of euros)	2018	2017
Construction	5,041	4,850
Toll roads	1,068	1,165
Services	1,015	1,109
Airports	128	90
Other	272	259
Total	**7,524**	**7,472**

The EUR 7,524 million, by type of instrument, relate to: i) EUR 3,511 million of bank guarantees; ii) EUR 4,013 million of guarantees provided by insurance companies and bonding agencies.

These guarantees cover the liability to customers for correct performance in construction or services contracts involving Group companies. Thus, if a project was not carried out, the customer would enforce the guarantee.

Despite the significant amount of these guarantees, the impact that might arise on the consolidated financial statements is very low, since the Group companies perform contracts in accordance with the terms and conditions agreed upon with the customers and recognise provisions within the results of each contract for risks that might arise from performance thereof (see Note 6.3).

Lastly, of the total amount of the Group's bank guarantees listed in the above table, EUR 873 million (see Note 6.5.3.) secure its commitments to invest in the capital of infrastructure projects.

b) Guarantees provided by Group companies for other Group companies

As indicated previously, in general guarantees are provided among Group companies to cover third-party liability arising from contractual, commercial or financial relationships.

Although these guarantees do not have any effect at consolidated Group level, there are certain guarantees provided by non-infrastructure project companies to infrastructure project companies (see Note 1.1.2.) which, due to the classification of project borrowings as being without recourse, it is relevant to disclose (see Note b.1. on Contingent Capital Guarantees).

Other noteworthy guarantees have also been provided to equity-accounted companies (see b.2.).

b.1) Guarantees provided by ex-infrastructure projects to infrastructure project companies in relation to the borrowings of the latter that could give rise to future additional capital disbursements if the events guaranteed took place (Contingent Capital Guarantees).

Guarantees provided by non-infrastructure project companies to infrastructure project companies can be classified into the following two categories:

- Guarantees that address the correct performance in construction and service contracts which have been mentioned in Note 6.5.2-a).
- Guarantees related to risks other than the correct performance of construction and service contracts, which could give rise to future additional capital disbursements if the events guaranteed take place.

The latter guarantees are the ones that are going to be explained in further detail in this section since, as mentioned in Note 5.2., Net Cash Position, the borrowings for infrastructure projects are without recourse to the shareholders or with limited recourse to the guarantees provided and, therefore, it is relevant to distinguish those guarantees that if the guaranteed event occurs, could be executed and could result in disbursements to the infrastructure projects or holders of their debt other than the committed capital or investment mentioned in Note 6.5.3. Such guarantees are called contingent capital guarantees.

The detail, by beneficiary company, purpose and maximum amount, of the outstanding guarantees of this nature at 31 December 2018 relating to fully consolidated infrastructure project companies is as follows. It should be noted that the amounts below relate to Ferrovial:

BENEFICIARY COMPANY (PROJECT)	GUARANTEE PURPOSE	AMOUNT
Ausol	Guarantee limited to covering compulsory purchase proceedings for 11 plots of land in Mijas (EUR 20 million) and the investment to bring tunnels into line with European legislation (EUR 13.7 million).	34
Subtotal of Guarantees for Cintra Projects		**34**
Conc. Prisiones Lledoners	Technical guarantee to repay amounts to the bank in the event of termination of the contract. Does not cover insolvency (default) or breach by the grantor	72
Conc. Prisiones Figueras	Technical guarantee for failure to repay the bank in three specific cases relating to construction permit, General Urban Development Plan (PGOU) and modifications. Does not cover insolvency (default) or breach by the Grantor	60
Subtotal of Guarantees for Construction Projects		**132**
Servicios Urbanos Murcia	Technical guarantee obtaining a presumed act of obtaining a license, actions for environmental authorization and granting a real right of pledge up to a joint limit of 70 million euros. Technical guarantee available to vehicles with a limit of 31.9 million euros.	70
Subtotal of Guarantees for Services Projects		**70**
Total guarantees for fully consolidated infrastructure projects		**236**

It should be noted that of the EUR 34 million related to Ausol, EUR 10 million have been included as investment commitments, because it is not considered probable that there will be an outflow of resources for the rest of the contingent capital. The detail of the amounts of the guarantees, in relation to the financing of the equity-accounted infrastructure projects and, accordingly, the borrowings of which are not included in the Group's consolidated Financial Statements is as follows:

BENEFICIARY COMPANY	GUARANTEE PURPOSE	AMOUNT
Serrano Park (Cintra)	Guarantee to cover repayment of the debt	2
Auto-Estradas Norte Litoral (Cintra)	Guarantee limited to compulsory purchase overruns.	1
I66 (Cintra)	Guarantee limited to cover construction work cost overruns	13
URBICSA (Construction)	Technical guarantee for repayment in the event of termination of the agreement or breach of certain contracts on grounds attributable to the Borrower or its Shareholders. Does not cover insolvency or breach by the Grantor.	44
Total guarantees for equity-accounted infrastructure projects		**59**

Of the aforementioned guarantees detailed by fully consolidated infrastructure projects and infrastructure projects accounted for using the equity method, only bank guarantees are provided to Ausol.

In addition, the Company has provided a guarantee amounting to EUR 14.9 million in relation to the Radial 4 toll road, which was excluded from the scope of consolidation in 2015. This amount had been provided for in full at 31 December 2018 (see Note 6.5.1.a)).

<u>b.2) Other guarantees provided to equity-accounted companies other than infrastructure project companies</u>

Certain construction and services contracts are performed by equity-accounted companies, often created specifically to perform contracts previously awarded to their shareholders. In these cases, the shareholders of those companies provide performance bonds relating to those contracts. The liability secured is similar to that indicated in Note 6.5.2.a.

Notable in this respect are the performance bonds provided by the Services Division for various companies accounted for using the equity method totalling EUR 439 million, of which the most significant are those relating to contracts for the UK Ministry of Justice and the Manchester tram network. It should be noted that the aforementioned amount corresponds to the annual amount of contracts not yet performed in proportion to Ferrovial's percentage of ownership.

c) Security interests in assets

The security interests in assets are described in the following Notes:

- Security interests in property, plant and equipment, see Note 3.4.
- Security interests in deposits or restricted cash, see Note 5.2.

d) Guarantees received from third parties

At 31 December 2018, Ferrovial had received guarantees from third parties totalling EUR 1,098 million (31 December 2017: EUR 1,049 million), mainly in the Construction Division in the Ferrovial Agroman companies in the United States (EUR 882 million), the Budimex Group (EUR 140 million) and other construction companies (EUR 69 million).

These third-party guarantees are technical guarantees that are offered by certain subcontractors or suppliers in the construction business in order to guarantee complete compliance with their contractual obligations with regard to the work they are engaged to complete, and the may not be sold or pledged.

6.5.3 COMMITMENTS

As described in Note 1.1, the infrastructure projects carried out by the Group are performed through long-term contracts where the concession operator is a company in which the Group has interests, either alone or together with other partners, and the borrowings necessary for financing the project are allocated to the project itself, without recourse to the shareholders or with recourse limited to the guarantees provided, under the terms set forth in Note 5.2. From the management viewpoint, therefore, Ferrovial takes into account only the investment commitments relating to the capital of the projects, since the investment in the assets is financed by the borrowings of the projects themselves.

a) Investment commitments

The investment commitments of the Group in relation to the capital of its projects are as follows:

(Millions of euros)	2019	2020	2021	2022	2023	2024+	TOTAL
Toll roads	57	7	0	0	0	0	64
Airports	14	55	91	23	0	0	183
Investments in fully consolidated infrastructure projects	**71**	**62**	**91**	**23**	**0**	**0**	**247**
Toll Roads	18	158	294	250	21	0	741
Services	25	0	0	0	0	0	25
Construction	1	0	0	0	0	0	1
Investments in equity-accounted infrastructure projects	**44**	**158**	**294**	**250**	**21**	**0**	**767**
Total investments infrastructure projects	**114**	**220**	**385**	**273**	**21**	**0**	**1,013**

At 31 December 2018, the investment commitments amount to EUR 1,013 million (2017: EUR 968 million). The increase in investment commitments is primarily related to the EUR 51 million and EUR 132 million in equity investment due to transmission lines in Chile (in Aiport Activity). This amount has been partly offset by the investments made in US toll road projects in 2018.

As indicated in 6.5.2-a), a portion of these commitments, amounting to EUR 873 million, are secured by bank guarantees. The aforementioned amount includes EUR 34 million which are also included in the guarantees mentioned in 6.5.2.b.1), Contingent capital guarantees and which relate to Ausol. It should be noted that only EUR 10 million of these EUR 34 million were included as investment commitments because an outflow of resources of the other contingent capital relating to Ausol and other projects as indicated in b.1 above was considered to be unlikely.

In relation to the I-77 toll road project, Ferrovial is guaranteeing the investment commitments of another shareholder amounting to EUR 32 million. In return for providing this guarantee, if the shareholder fails to make the related disbursements, its ownership interest will be diluted in proportion to the disbursements not made.

There are also property, plant and equipment purchase commitments in the Services Division totalling EUR 162 million (2017: EUR 102 million) which relate mainly to the acquisition of machinery or the construction of treatment plants, and EUR 19 million (2017: EUR 15 million) relating mainly to the acquisition of the equity of Carillion-Amey (due to the liquidation of Carillion Plc. in January 2018), the purchase of two waste treatment companies in Poland, two maintenance contracts in Canada, and a logistics company in Spain. The schedule of the commitments of the Services Division is as follows:

(Millions of euros)	2019	2020	2021	2022	2023	2024+	TOTAL
Acquisition of Property, Plant and Equipment	80	20	43	7	5	7	162
Acquisition of Companies	10	2	1	0	6	0	19
Total services	**91**	**22**	**44**	**7**	**11**	**7**	**181**

It should be noted that the foregoing commitments of the Services Division are not secured by bank guarantees.

b) Equity commitments between continued and discontinued activities

In April 2018, Ferrovial S.A assumed a commitment to disburse additional funds in favor of Amey UK plc up to an amount of GBP 75 million for certain purposes and circumstances. At the date of signing of these annual financial statements, this commitment remains in force but has not materialized.

c) Obligations under operating and financial leases

The expense recognised in relation to operating leases for continuing operations in 2018 totals EUR 298 million (2017: EUR 269 million). Additionally, the expense of the Services activity related to operating leases amount to EUR 273 million (EUR 254 million in 2017), which is reclassified to discontinued operations (see 1.1.3).

The future total minimum lease payments for non-cancellable operating leases are shown below:

2018 (Millions of euros)	CORPORATION	CONSTRUCTION	TOLL ROADS	SERVICES	AIRPORTS	TOTAL
Less than one year	5	32	3	89	0	**129**
Between one and five years	6	46	1	138	0	**190**
More than five years	0	15	0	55	0	**70**
Lessee	**11**	**93**	**4**	**282**	**0**	**389**

2017 (Millions of euros)	CORPORATION	CONSTRUCTION	TOLL ROADS	SERVICES	AIRPORTS	TOTAL
Less than one year	5	32	3	97	0	**136**
Between one and five years	11	44	3	179	0	**236**
More than five years	0	14	0	27	0	**42**
Lessee	**16**	**90**	**6**	**303**	**0**	**414**

The Group has made no significant commitments as a lessor under operating leases.

d) Environmental commitments

Any operation designed mainly to prevent, reduce or repair damage to the environment is treated as an environmental activity.

Costs incurred to protect and improve the environment are taken to profit or loss in the year in which they are incurred, irrespective of when the resulting monetary or financial flow takes place.

Provisions for probable or certain environmental liability, litigation in progress and indemnities or other outstanding obligations of undetermined amount not covered by insurance policies are recorded when the liability or obligation giving rise to the indemnity or payment arises. These provisions include most notably the provisions for waste landfill closure discussed in Note 6.3, corresponding to the Services Division, which have been reclassified to discontinued operations.

6.6 Remuneration of the Board of Directors and Senior Executives

6.6.1 BYLAW-STIPULATED BOARD OF 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) a 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 long-term independence and commitment.

On the same date that these annual accounts were authorised for issue, the Board of Directors prepared and made available to shareholders the Annual Report on Directors' Remuneration referred to in Article 541 of the Spanish Capital Companies Act. 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 2018, as well as a detailed account of the individual remuneration earned by each of the Directors in 2018.

The table below shows the itemised bylaw-stipulated remuneration of the members of the Board of Directors earned in 2018 and 2017. It also includes the supplementary fixed remuneration relating to the bylaw-stipulated remuneration. 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 remuneration amount 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 on 28 February 2019 it was decided, within the maximum limits approved by the General Meeting, to supplement the amount of supplementary fixed remuneration for 2018 for the entire Board by EUR 167,955, sharing the amount among the Directors according to their time on the Board in 2018.

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 6.6.2.

	2018			
DIRECTOR (Thousands of euros)	**FIXED REMUNERATION**	**ATTENDANCE FEES**	**SUPPLEMENTARY FIXED REMUNERATION**	**TOTAL**
Rafael del Pino y Calvo-Sotelo	35	85	106	226
Santiago Bergareche Busquet	35	53	95	183
Joaquín Ayuso García	35	43	72	150
Iñigo Meirás Amusco	35	43	60	138
Juan Arena de la Mora	20	31	34	85
María del Pino y Calvo-Sotelo	35	43	60	138
Santiago Fernández Valbuena	35	68	60	163
José Fernando Sánchez-Junco Mans	35	62	60	157
Joaquín del Pino y Calvo-Sotelo	35	36	60	131
Oscar Fanjul Martín	35	48	60	143
Philip Bowman	35	43	60	138
Hanne Birgitte Breinbjerg Sorensen	35	43	60	138
Bruno Di Leo (since 25/9/2018)	9	12	16	37
TOTAL	**414**	**607**	**804**	**1,826**

	2017			
DIRECTOR (Thousands of euros)	**FIXED REMUNERATION**	**ATTENDANCE FEES**	**SUPPLEMENTARY FIXED REMUNERATION**	**TOTAL**
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 (since 05.04.2017)	26	30	43	99
Total	**411**	**618**	**774**	**1,803**

6.6.2 Individual remuneration of the Executive Directors

a) Remuneration earned in 2018 and 2017.

The two Executive Directors in 2018 earned the following remuneration for performing their duties, in addition to the remuneration discussed in the preceding section.

2018

REMUNERATION OF THE EXECUTIVE DIRECTORS* (Thousands of euros)	RAFAEL DEL PINO	IÑIGO MEIRÁS	TOTAL
Fixed Remuneration	1,455	1,200	2,655
Variable Remuneration	1,337	1,053	2,390
Life insurance premiums	8	4	12
Share plans (1)	1,204	1,204	2,408
Total 2018	4,004	3,461	7,465

*Remuneration for their role as executive directors

(1) In March 2018, since the agreed metrics had been complied with, a number of shares equivalent to the units allocated in 2015 were delivered, after the relevant withholdings had been made. The CNMV was notified on 19/03/2018.

2017

REMUNERATION OF THE EXECUTIVE DIRECTORS (Thousands of euros)	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

*Remuneration for their role as Executive Directors.
(1) In March 2017, since the agreed metrics had been complied with, a number of shares equivalent to the units allocated in 2014 were delivered, after the relevant withholdings had been made. The CNMV was notified on 13/03/2017.

b) Share-based remuneration scheme

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

EXECUTIVE DIRECTORS' PLAN SITUATION AT 31.12.2018		UNITS	NO. OF VOTING RIGHTS	% OF VOTING POWER
Rafael del Pino y Calvo-Sotelo	Allowance 2016	74,000	74,000	0.01%
	Allowance 2017	76,850	76,850	0.01%
	Allowance 2018	73,900	73,900	0.01%
Íñigo Meirás Amusco	Allowance 2016	74,000	74,000	0.01%
	Allowance 2017	76,850	76,850	0.01%
	Allowance 2018	73,900	73,900	0.01%

6.6.3 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 38 thousand in this connection in 2018 (2017: EUR 31 thousand).

6.6.4 Pension funds and plans or life insurance premiums

As in 2017, no contributions were made in 2018 to pension plans or funds for former or current members of the Company's Board of Directors or for directors of the Company who are members of other Boards of Directors and/or senior executives of Group companies or associates. Similarly, no obligations were acquired in these connections in 2017.

As regards life insurance premiums, the Company has insurance policies covering death (for which premiums totalling EUR 12 thousand were paid in 2018; EUR 13 thousand in 2017), of which the Executive Directors are beneficiaries. No life insurance premiums were paid for the Directors of the Company who are members of other Boards of Directors and/or senior executives of Group Companies or Associates.

Lastly, the Company 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 the Company. Those insureds include the Company's Directors. The premium paid in 2018 under the aforementioned insurance policy amounted to EUR 592 thousand.

6.6.5 Advances and loans

At 31 December 2018, 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.

6.6.6 Remuneration of Senior Executives

The joint remuneration earned by the Company's Senior Executives in 2018 was as follows:

REMUNERATION OF SENIOR EXECUTIVES (Millions of euros)	2018	2017
Fixed remuneration	5,237	5,165
Variable remuneration	3,803	5,170
Performance-based share plan	5,083	5,435
Remuneration as members of managing bodies of other Group companies, jointly controlled entities or associates	35	33
Insurance premiums	19	19
Other (1)	8,924	0
Total	**23,101**	**15,822**

(1) Removal of three Senior Executive members (figure subject to personal income tax - IRPF).

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 6.6.2.

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 193 thousand from the Company, instead of the equivalent remuneration shown in the foregoing table (2017: EUR 181 thousand).

6.6.7 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 2018, 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 thirteen 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 policy-holder and beneficiary. The contributions made in 2018 amounted to EUR 2,628 thousand (2017: EUR 2,366 thousand), of which EUR 542 thousand correspond to Executive Directors. The figure for "Others" amounting to EUR 8,924 thousand, which appears in the table in Note 6.6.6., corresponds to the amounts received by three members of senior management who have been separated from the company in the year 2018. This amount does not affect the account of results of the exercise, since the company recognizes as an expense annually the amounts contributed in the year to the collective savings insurance regardless of when these amounts are received.

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.

6.7 Share-based remuneration schemes

Performance-based share plan

In 2018, Ferrovial had one remuneration schemes in place for Ferrovial Group Executive Directors, senior executives and executives, consisting of performance-based share plans:

The Plan was approved on 29 October 2015 by the Board of Directors. It covers 2016,2017 and 2018. The annual cost of the Plan may not exceed EUR 22 million for each year and is conditional upon employees having at least three years' service at the Company since grant date (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, investing activities and total shareholder return with respect to a comparable Group.

As mentioned, 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. As per the notification issued to the CNMV on 5 March 2018, the date of allocation of units for 2018 to the Executive Directors for the purpose of calculating the duration and terms and conditions of the aforementioned Plan was 15 February 2018.

There were 3,274,816 shares outstanding at 31 December 2018 relating to this plan.

The changes in the share-based remuneration schemes in 2018 and 2017 are summarised as follows:

	2018	2017
Number of shares at beginning of year	3,212,739	3,266,221
Plans granted	1,136,353	1,155,685
Plans settled	-1,030,008	-1,157,188
Shares surrendered and other	-27,479	-33,889
Shares exercised	-16,789	-18,090
Number of shares at end of year	3,274,816	3,212,739

This amount includes remuneration relating to Executive Directors and Senior Executives described above in Note 6.6

In 2018 the staff expenses recognised at the Group in relation to these remuneration schemes amounted to EUR 16 million (2017: EUR 18 million) with a balancing entry in equity, of which EUR 4 million relate to the discontinued operations of services (2017: EUR 4 million).

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 meas ured when granted and the initially calculated value thereof is not re-estimated. The related amounts are recognised under "Staff Expenses" with a balancing entry in reserves.

6.8 Related party transactions

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 2018 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) Transactions between Ferrovial, S.A. and significant shareholders, directors and senior executives

This line item includes the transactions performed (i) between Ferrovial, S.A. and its significant shareholders, close family members or the entities over which those mentioned above might exercise significant influence; and (ii) by Ferrovial, S.A. with its Directors, Senior Executives, close family members or the entities over which those mentioned above might exercise significant influence.

TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS, DIRECTORS AND SENIOR EXECUTIVES
(Thousands of euros)

		2018			2017		
NAME/COMPANY NAME	TRANSACTIONS	AMOUNT	PROFIT OR LOSS	BALANCE	AMOUNT	PROFIT OR LOSS	BALANCE
Bankia	Balance drawn down against guarantee facilities	-56,080	-	-56,080	-	-	-
Bankia	Services received	-146	-	-	-292	0	0
Rafael del Pino Foundation	Services received	-	-	-	-0,3	0,0	-0,3
Fundación Seres	Collaboration agreement	-	-	-	-18	(*)	0

Information on remunerations and loans with Directors and Senior Executives can be consulted in Note 6.6.

b) Transactions between subsidiaries of Ferrovial S.A and significant shareholders, administrators and senior executives

This line item includes the transactions performed (i) between the Company's subsidiaries and 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 related party to the Company had this consideration during a portion of the year, the transactions performed in that period are indicated.

TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS, DIRECTORS AND SENIOR EXECUTIVES

(Thousands of euros)

		2018			2017		
NAME/COMPANY NAME	**TRANSACTIONS**	**AMOUNT**	**PROFIT OR LOSS**	**BALANCE**	**AMOUNT**	**PROFIT OR LOSS**	**BALANCE**
Rafael del Pino y Calvo-Sotelo	Services rendered	9	0	1	188	-	186
María del Pino y Calvo-Sotelo	Services rendered	10	-	-	3	-	-
Joaquín del Pino y Calvo-Sotelo	Services rendered	0	0	0	59	9	-
Ana María Calvo-Sotelo y Bustelo	Services rendered	98	2	2	24	2	0
Joaquín Ayuso García	Services rendered	0	0	0	7	-	-
Almirall Laboratorios	Services rendered	4	0	0	7	0	2
Altamira Asset Management	Services received	-17	-	-			
	Services rendered	6,930	336	2,425			
Burberry Spain Retail, S.L.	Services rendered	-	-	-	5	0	0
Criu, S.L.	Services rendered	67	6	2	30	2	131
Cummins and group companies	Services received	23	0	0			
Maxam Holding and its Group companies	Purchase of goods/services received	-60	-	-	-437	(*)	-6
	Services rendered	0	0	0			
Marsh and its group companies	Receipt of insurance services	-3,461	0	60	-5,228	(*)	-15
Meliá Hotels and its group companies	Receipt of hotel and catering services	-3	0	0	-10	(*)	0
	Performance of construction works and maintenance and waste collection services	1,463	338	2	5,425	845	1,005
Bankia	Receipt of financial services	-1,107	0	0	-1,911	(*)	0
	Financing agreements. Guarantees	-91,421	0	-91,421	-87,483	(*)	-87,483
	Interest received	53	53	0	186	186	0
	Interest payment	-894	0	0	-1,093	(*)	0
	Balance drawn down against guarantee facilities	-94,360	0	-94,360	-134,370	(*)	-134,370
	Transactions with derivatives	-1,010	0	0	-2,984	(*)	0
	Services rendered				1	0	4
Bimaran Pozuelo, S.L.	Services rendered	-	-	-	537	68	-
Polan, S.A.	Services rendered	182	5	63	179	5	75
Rijn Capital BV	Services rendered	-	-	-	23	-	23
Rafael del Pino Foundation	Services rendered	6	0	0	0	0	0
	Services received	-1	0	0			
Centro de Innovación de Infraestructuras Inteligentes Foundation	Collaboration agreements	-1,598	0	-18	-1,338	0	-12
	Services rendered	38	0	0	92	0	0
Red Eléctrica and its group companies	Construction works	1,697	240	-	6,743	-1,613	865
	Services received	-33	0	0	-9	-	-
Hispania Activos Inmobiliarios Socimi, S.A.	Services rendered	64	2	0	204	142	25
Lafarge Holcim and group companies	Purchase of cement and related materials	-5,101	0	-325	-11,796	0	-1,060
	External services	-86	0	-24			
	Waste collection	34	2	17	-	-	-
Mª Jesús Alcina Pérez-Gorostiaga	Services rendered	-	-	-	2	0	0
Sidecu, S.A.	Services rendered	2	0	1	2	0	0
Sulzer and group companies	Services received	-863	0	-111			

c) Transactions between group companies

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 1.2.2, 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 2018 Ferrovial's Construction Division billed those concession operators for EUR 509,764 thousand (2017: EUR 391,813 thousand) for work performed and related advance payments and, in this respect, recognised sales totalling EUR 483,211 thousand (2017: EUR 411,158 thousand).

In 2018 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 22,491 thousand. In 2017, this amounted to EUR 18,301 thousand.

6.9. Conflicts of interest

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

6.10. Fees paid to auditors

Pursuant to Royal Decree 1514 of 16 November 2007, approving the Spanish National Chart of Accounts, following is a disclosure of the total fees relating to the "audit services" and "other consultancy services" provided by the auditors of the 2018 and 2017 financial statements of the Group companies, including both the principal auditor of Ferrovial S.A. and the other auditors of all its subsidiaries, both in Spain and abroad.

"Fees for Audit Services" includes the following items:

- "Audit Services" relates to strictly statutory audit services.
- "Audit-Related Services" relates to services other than statutory audit services which by law or by regulation can only be provided by the Company's auditor, such as the review of financial information in bond issues and services which due to their nature are normally provided by the Company's auditor, such as the review of tax returns.

The total "Other Audit Services" provided by the principal auditor represented 5.54% of the total fees for audit services in 2018.

(Millions of euros)	2018	2017
Fees for audit services	**5.7**	**6.5**
Lead auditor	4.6	5.3
Audit services	4.5	5.0
Audit-related services	0.1	0.3
Other auditors	1.1	1.2
Audit services	1.0	1.2
Audit-related services	0.1	0.0
Other audit services	**0.3**	**0.3**
Lead auditor	0.3	0.3

6.11. Subsequent events

There have been no subsequent events after 31 December 2018.

6.12. Appendices

Appendix I: information related to the tax system laid down in Articles 107 and 108 of Law 27/2014

In 2014 Ferrovial opted to be taxed under the regime established currently in Articles 107 and 108 of the Spanish Corporate Income Tax Act, of 27 November, which became applicable from 1 January 2014 and, consequently, applied to all of 2018. 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 Corporate Income Tax Act ("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 Corporate Income Tax Act 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 Corporate Income Tax Act ("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 (IRPF), 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 Act, 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 Corporate Income Tax Act 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 Corporate Income Tax Act 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 Corporate Income Tax Act obtained by Ferrovial in 2018 and the related tax paid abroad are as follows:

A) Exemption for foreign source dividends and income

A.1 Exemption for foreign source dividends

(Amount in euros)		
Ferrovial Internacional, SLU		619,139,653.55
Ferrovial International SE Dividend	619,139,653.55	
Ferrovial International SE		702,256,219.75
Ferrovial Agromán International, SE Dividend	57,400,000.00	
Ferrovial Airports International, SE Dividend	519,655,532.91	
Cintra Infrastructures, SE Dividend	125,200,686.84	
Cintra Infraestructures, SE		528,684,188.86
Ferrovial Holding US Corp Dividend	519,366,197.19	
Norte Litoral Dividend	5,333,487.53	
Euroscut Algarve Dividend	2,639,993.47	
Algarve BV Dividend	160,320.00	
Via Livre Dividend	1,184,190.67	
Ferrovial Airports International, SE		202,992,579.72
Hubco Netherlands BV Dividend	202,992,579.72	
Ferrovial Agromán International, SE		57,400,000.00
Valivala Dividend	57,400,000.00	
Total		**2,110,472,641.88**

A.2 Exemption for income from Permanent Establishments abroad:

No income was obtained from permanent establishments abroad during the year.

B) Exemption for foreign source capital gains

The sale of the Greek toll roads in 2018 resulted in a capital gain, which is still pending application of the exemption set out in Article 21 of the Spanish Corporate Income Tax Act (LIS) for EUR 84,825,069.03. The amount exempt from tax stands at EUR 11,307,039.92.

In prior years, no capital gains were obtained to which the exemption included in Article 21 of the Spanish Corporate Income Tax Act 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 Corporate Income Tax Act. Nevertheless, the capital gains that would have been reported for tax purposes had these regimes not been not applicable (consolidated tax or tax neutrality) are as follows:

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

None took place during 2018.

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

	(Amount in euros)
Ferrovial, SA	2,580,214,929.68
Ferrovial Internacional, SLU	172,926,357.00
Cintra Infraestructuras internacional, SLU	22,143,952.38
Total	**2,775,285,239.06**

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 Corporate Income Tax Act.

The result of this assessment means that these assets represent 92% of the total market value of Ferrovial. At 31 December 2017, this percentage amounted to 91%.

Taxation of Ferrovial's Scrip Dividend

In 2018 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 per share for tax purposes, both of the bonus shares and the shares to which they correspond, will be the result of distributing the total cost of acquisition 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 be subject to the tax rules indicated below:

  a) Shareholders who pay personal income tax (IRPF) (natural persons with tax residence 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. As a result, the transferring shareholder will have been deemed to have made a capital gain in the tax period that the sale occurs. The amount obtained will be subject to 19% personal income tax withholdings. This withholding tax will be applied by the relevant custodian (and, failing this, by the financial intermediary or public notary involved in the transfer), Ferrovial not being required to make the withholdings or supply related tax information to its shareholders. Shareholders are therefore advised to contact the relevant custodians in this regard.

  b) Shareholders who pay personal income tax, without a permanent establishment in Spain. In the case of non-resident shareholders, the amount obtained on the sale to the market of the bonus issue rights is also subject to the same rules established in tax legislation for pre-emption rights, therefore the transferring shareholder will be considered to have made a capital gain in the tax period that the sale occurs, subject to non-resident income tax at a general rate of 19%. At present, this payment is not subject to non-resident income tax withholdings and the shareholders must self-assess this income in their tax returns. However, the income will be exempt from non-resident income tax in certain cases, such as non-resident shareholders that transfer their rights in official secondary securities markets in Spain, that are residents of a State that has a double taxation treaty (DTT) with Spain containing an information exchange clause and that do not operate or reside in a tax haven for Spanish purposes.

c) Shareholders who pay Spanish Corporate Income Tax, or Personal Income Tax with a permanent establishment in Spain. To the extent that a full business cycle is completed, tax will be paid in accordance with applicable accounting legislation and, if appropriate, the adjustments applicable under corporate income tax (CIT) regulations and any special tax CIT schemes applicable.

- **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 equivalent to the regime applied to the distribution of a cash dividend, and will therefore be subject to the corresponding witholding tax and taxation. Where shareholders provide evidence of non-resident income taxpayer status, no permanent establishment in Spain and non-residence in Spain or in a territory classed as a tax haven, the dividends paid by Ferrovial and therefore the amounts received from the sale of free allotment rights to Ferrovial will not be subject to tax or tax withholdings in Spain, since for tax purposes they are paid out of the exempt income from non-resident entities envisaged in Articles 21 and 22 of CIT Law 27/2014 of 27 November.

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) (MILLIONS OF EUROS)

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
CONTINUING OPERATIONS					
CORPORATION					
Spain (Registered Office: Madrid, Spain)					
Betonial, S.A. (a)		Ferrovial, S.A. (a)	99.0%	4	
Ferrovial Inversiones, S.A. (a)		Ferrovial, S.A. (a)	99.6%	0	
Can-Am, S.A. (a)		Ferrovial, S.A. (a)	100.0%	2	
Ferrovial Emisiones, S.A. (a)		Ferrovial, S.A. (a)	99.0%	0	■
Triconitex, S.L. (a)		Ferrovial, S.A. (a)	100.0%	4	
Ferrovial Corporación, S.A. (a)		Ferrovial, S.A. (a)	100.0%	5	■
Ferrofin, S.L. (a)		Ferrovial Agroman, S.A. (a)	52.0%	206	■
Ferrovial Internacional, S.L.U. (a)		Ferrovial, S.A. (a)	100.0%	6,337	■
Temauri, S.L. (a)		Ferrovial, S.A. (a)	100.0%	6	
Tríbulo, S.L. (a)		Ferrovial, S.A. (a)	100.0%	0	
Wondo Mobility, S.L. (a)		Ferrovial, S.A. (a)	100.0%	0	
Ferrovial 001, S.A. (a)		Ferrovial, S.A. (a)	100.0%	0	
Ferrovial 002, S.A. (a)		Ferrovial, S.A. (a)	100.0%	0	
Ferrovial 003, S.L. (a)		Ferrovial, S.A. (a)	100.0%	0	
UNITED KINGDOM (Registered Office: Oxford, United Kingdom)					
Ferrocorp UK Ltd.		Ferrovial, S.A. (a)	100.0%	1	■
Ferrovial International, S.E.		Ferrovial Internacional, S.L.U. (a)	100.0%	5,949	■
UNITED KINGDOM (Registered Office: London, United Kingdom)					
Ferrovial Ventures, Ltd.		Ferrovial International, Ltd. (a)	100.0%	7	
IRELAND (Registered Office: Dublín, Ireland)					
Landmille Ireland DAC		Ferrovial Internacional, S.L.U. (a)	100.0%	95	■
LUXEMBURGO. Luxemburgo					
Krypton RE, S.A.		Ferrovial, S.A. (a)	100.0%	8	■
NETHERLANDS (Registered Office: Amsterdam, Netherlands)					
Ferrovial Netherlands B.V.		Ferrovial International, S.E.	100.0%	2	
Ferrovial Services Netherlands, B.V.		Ferrovial Internacional, S.L.U. (a)	100,0%	0	■
UNITED STATES (Registered Office: Austin, United States)					
Landmille US LLC		Ferrovial Holding US Corp	100.0%	0	
Ferrovial Holding US Corp		Cintra Infraestructures, S.E.	100.0%	1,001	
REAL ESTATE					
SPAIN (Registered Office: Madrid, Spain)					
Ferrovial FISA, S.L. (a)		Ferrovial, S.A. (a)	100.0%	57	
Vergarapromoinvest, S.L. (a)		Ferrovial FISA, S.L. (a)	99.7%	26	
CONSTRUCTION					
SPAIN (Registered Office: Madrid, Spain)					
Ferroconservación, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	20	■
Arena, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	0	
Editesa, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.1%	2	
Compañía de Obras Castillejos, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	8	■
Ditecpesa, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	1	■
Teraoui, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	0	
Técnicas de Pretensado y Serv.Aux, S.A. (a)		Editesa, S.A. (a)	100.0%	3	
Urbaoeste, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	0	
Ferrrovial Railway, S.A. (a)		Ferrovial Agroman, S.A. (a)	98.8%	0	
Ferrovial Medio Ambiente, S.A. (a)		Ferrovial Agroman, S.A. (a)	99.0%	1	
Pilum S.A. (a)		Ferrovial Agroman, S.A. (a)	25.0%	1	
SPAIN (Registered Office: Barcelona, Spain)					
Concesionaria de Prisiones Lledoners (a)	Proyecto	Ferrovial Agroman, S.A. (a)	100.0%	16	■
Concesionaria de Prisiones Figueras S.A.U. (a)	Proyecto	Ferrovial Agroman, S.A. (a)	100.0%	11	■
Cadagua, S.A. (a)		Ferrovial Agroman, S.A. (a)	100.0%	49	■
Depusa Aragón S.A. (a)	Proyecto	Cadagua, S.A. (a)	51.7%	2	■
GERMANY (Registered Office: Colonia, Germany)					
Budimex Bau GmbH		Budimex SA	100.0%	0	
SAUDÍ ARABIA (Registered Office: Riyadh, Saudí Arabia)					
Ferrovial Agroman Company		Ferrovial Agroman, S.A. (a)	95.0%	0	■
AUSTRALIA (Registered Office: Sidney, Australia)					
FA Australia PTY LTD		Ferrovial Agroman Ltda.	100.0%	20	■
BRAZIL (Registered Office: Sao Paulo, Brazil)					
Constructora Ferrovial Agromán Ltda. Brasil		Ferrovial Agroman International, S.E.	99.0%	7	
CANADA (Registered Office: Markham, Canada)					
F&A Canada		Constco Holdings B.V.	100.0%	1	■
CHILE (Registered Office: Santiago de Chile , Chile)					
Constructora Agroman Ferrovial Ltda.		Ferrovial Agroman Empresa Constructora Ltda.	97.2%	0	■
Ferrovial Agroman Chile S.A.		Ferrovial Agroman Empresa Constructora Ltda.	100.0%	31	■
Ferrovial Agroman Empresa Constructora Ltda.		Ferrovial Agroman International, S.E.	100.0%	24	■
UNITE STATES (Registered Office: Atlanta, United States)					
Ferrovial Agromán Southeast, LLC		Ferrovial Agroman US Corp	100.0%	0	■

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
UNITED STATES (Registered Office: Austin, United States)					
Ferrovial Agroman US Corp		Ferrovial US Construction Corp.	100.0%	315	■
Ferrovial US Construction Corp		Ferrovial Holding US Corp	100.0%	363	■
Ferrovial Agroman Texas LLC		Ferrovial Agroman US Corp	100.0%	0	
Ferrovial Agroman Indiana		Ferrovial Agroman US Corp	100.0%	0	
Ferrovial Agroman 56 LLC		Ferrovial Agroman Texas, LLC	100.0%	0	
Cadagua US, LLC		Ferrovial US Construction Corp.	100.0%	5	
Grand Parkway Infrastructure SH99		Ferrovial Agroman Texas LLC	40.0%	0	
UNITED STATES (Registered Office: Charlotte, United States)					
Sugar Creek Construction LLC		Ferrovial Agroman Southeast, LLC	70.0%	0	■
UNITED STATES (Registered Office: Dallas, United States)					
Trinity Infrastructure LLC		Ferrovial Agroman Texas LLC	60.0%	0	
UNITED STATES (Registered Office: Fort Worth, United States)					
North Tarrant Infrastructures		Ferrovial Agroman Texas LLC	75.0%	0	■
UNITED STATES (Registered Office: Georgia, United States)					
North Perimeter Contractors LLC		Ferrovial Agroman Southeast, LLC	100.0%	0	■
UNITED STATES (Registered Office: Katy, United States)					
52 Block Builders		Pepper Lawson Construction LP	100.0%	0	
UNITED STATES (Registered Office: Los Angeles, United States)					
California Rail Builders, LLC		Ferrovial Agroman West, LLC	80.0%	0	■
Ferrovial Agroman West, LLC		Ferrovial Agroman US Corp	100.0%	0	
Great Hall Builders LLC		Ferrovial Agroman West, LLC	70.0%	0	
UNITED STATES (Registered Office: Madrid, United States)					
Norvarem, S.A.		Ferrovial Internacional, S.L.U. (a)	100.0%	0	
UNITED STATES (Registered Office: North Richland Hills, United States)					
Bluebonnet Constractor, LLC		Ferrovial Agroman Texas LLC	60.0%	0	
UNITED STATES (Registered Office: Sufolk, United States)					
US 460 Mobility Partners LLC		Ferrovial Agromán Southeast, LLC	70.0%	0	
UNITED STATES (Registered Office: The Woodlands, United States)					
Webber Management Group, LLC		Webber Equipment & Materials LLC	100.0%	41	
Southerm Crushed Concrete, LLC		Webber Equipment & Materials LLC	100.0%	88	
W.W. Webber LLC		Ferrovial US Construction Corp.	100.0%	421	■
DBW Construction LLC		W.W. Webber LLC	100.0%	0	
Webber Barrier Services		W.W. Webber, LLC	100.0%	5	
Central Texas Mobility Partners		W.W. Webber LLC	50.0%	0	
Webber Holdings, LLC		Ferrovial US Construction Corp.	100.0%	0	
Katy Equipment LP		W.W. Webber, LLC	99.0%	0	
Pepper Lawson Waterworks, LLC		W.W. Webber, LLC	50.0%	0	
Pepper Lawson Construction LP		W.W. Webber, LLC	99.0%	6	
FAM Construction LLC (I-66)		Ferrovial Agroman US Corp	70.0%	0	■
Webber Equipment & Materials LLC		W.W. Webber, LLC	100.0%	201	
SLOVAKIA (Registered Office: Bratislava, Slovakia)					
Ferrovial Agroman Slovakia S.R.O.		Ferrovial Agroman Ltda.	99.0%	3	■
D4R7 Construction S.R.O.		Ferrovial Agroman Slovakia S.R.O.	65.0%	3	■
NETHERLANDS (Registered Office: Amsterdam, Netherlands)					
Valivala Holdings, B.V.		Ferrovial Agroman International, S.E.	100.0%	141	
Contsco Holdings B.V.		Ferrovial Agroman International, S.E.	100.0%	0	
INDIA (Registered Office: Nueva Delhi, India)					
Cadagua Ferrovial India		Cadagua, S.A. (a)	95.0%	0	■
IRELAND (Registered Office: Dublín, Ireland)					
Ferrovial Agroman (Ireland), Ltd.		Ferrovial Agroman Ltda.	100.0%	9	■
MEXICO (Registered Office: Mexico FD, México)					
Cadagua Ferr. Industrial México		Cadagua, S.A.	75.1%	0	
Ferrovial Agroman Mexico		Ferrovial Agroman International, S.E.	100.0%	1	
NEW ZEALAND (Registered Office: Wellington, New Zealand)					
FA New Zeland Limited		FA Australia PTY LTD	100.0%	1	
POLAND (Registered Office: Cracovia, Poland)					
Mostostal Kraków S.A.		Budimex SA	100.0%	3	■
Mostostal Kraków Energetyka sp. z o.o.		Mostostal Kraków SA	100.0%	0	
POLAND (Registered Office: Varsovia, Poland)					
Bx Budownictwo Sp. z o.o.		Budimex SA	100.0%	0	■
Bx Kolejnictwo SA		Budimex SA	100.0%	1	■
Bx Parking Wrocław Sp. z o.o.	Proyecto	Budimex SA	51.0%	1	■
SPV-PIM 1 Sp. z o.o.		Budimex Nieruchomości Sp. z o.o.	100.0%	0	
Bx Nieruchomości Sp. z o.o.		Budimex SA	100.0%	154	■
Budimex, S.A.		Valivala Holdings, B.V.	55.1%	91	■
PUERTO RICO (Registered Office: Puerto Rico)					
Ferrovial Agroman LLC		Ferrovial Agroman International, S.E.	100.0%	6	■
UNITED KINGDOM (Registered Office: County Louth, United Kingdom)					
Ferrovial Agroman Irlanda del Norte		Ferrovial Agroman Ireland, Ltd.	100.0%	0	■

- ■ Deloitte
- ■ BDO
- ■ KPMG
- ■ El Sayed, El Ayouty & co
- ■ Valdés, García, Marín & Martínez, Llp
- ■ Mohinder Puri & Company
- ■ EY
- ■ Vir Audit

(a) Form part of Ferrovial, S.A. tax frameworkand subsidiary companies.

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
UNITED KINGDOM (Registered Office: Londres, United Kingdom)					
Ferrovial Agroman UK Ltd.		Ferrovial Agroman Ltda.	100.0%	6	■
Ferrovial Agroman Ltda.		Ferrovial Agroman International, S.E.	100.0%	5	■
Cadagua Al Ghubrah		Cadagua, S.A. (a)	100.0%	4	■
Ferrovial Agroman International, S.E.		Ferrovial International, S.E.	100.0%	258	■
Cadagua UK Limited		Ferrovial Agroman Ltda.	100.0%	0	
AIRPORTS					
SPAIN (Registered Office: Madrid, Spain)					
Ferrovial Transco España , S.A.U.	Proyecto	Ferrovial Transco International B.V.	100.0%	18	■
Ferrovial Aeropuertos España, S.A. (a)		Ferrovial, S.A. (a)	99.0%	0	■
CHILE (Registered Office: Santiago, Chile)					
Ferrovial Power Infrastructure Chile, SpA	Proyecto	Ferrovial Transco España S.A.U.	65.9%	105	■
Ferrovial Transco Chile II SpA	Proyecto	Ferrovial Power Infraestructure Chile, SpA	100.0%	0	
Transchile Charrúa Transmisión, S.A.	Proyecto	Ferrovial Power Infraestructure Chile, SpA	100.0%	99	■
Ferrovial Transco Chile III SPA	Proyecto	Ferrovial Transco International, B.V.	100.0%	0	
Centella Transmisión, S.A.	Proyecto	Ferrovial Power Infrastructure Chile, SpA	100.0%	0	
UNITED STATES (Registered Office: Austin, United States)					
Ferrovial Airports Holding US Corp	Proyecto	Ferrovial Holding US Corp	100.0%	0	
UNITED STATES (Registered Office: Denver, United States					
Ferrovial Airports Denver Corp	Proyecto	Ferrovial Airports Denver UK Ltd.	100.0%	4	
Ferrovial Airports Great Hall Partners LLC	Proyecto	Ferrovial Airports Denver Corp	100.0%	4	■
Denver Great Hall Holding LLC	Proyecto	Ferrovial Airports Great Hall Partners LLC	80.0%	1	
Denver Great Hall LLC	Proyecto	Denver Great Hall Holding LLC	80.0%	1	■
NETHERLANDS (Registered Office: Amsterdam, Netherlands)					
Hubco Netherlands B.V.		Ferrovial Airports International, S.E.	100.0%	783	■
Ferrovial Transco Brasil, B.V.	Proyecto	Ferrovial Transco International, B.V.	100.0%	0	
Ferrovial Santarem, B.V.	Proyecto	Ferrovial Transco International, B.V.	100.0%	0	
Ferrovial Transco International B.V.	Proyecto	Ferrovial International, S.E.	100.0%	83	
United Kingdom (Registered Office: Oxford, United Kingdom)					
Faero UK Holding Limited		Hubco Netherlands B.V.	100.0%	288	■
Ferrovial Airports International, S.E.	Proyecto	Ferrovial International, S.E.	100.0%	1,241	■
Ferrovial Airports Denver UK Ltd.		Ferrovial Airports International, S.E.	100.0%	4	■
TOLL ROADS					
SPAIN (Registered Office: Madrid, Spain)					
Cintra Infraestructuras España, S.L. (a)		Ferrovial, S.A. (a)	100.0%	696	
Cintra Infraestructuras Internacional, S.L.U. (a)		Cintra Global, S.E.	100.0%	3	
Autopista del Sol, C.E.S.A. (a)	Proyecto	Cintra Infraestructuras España, S.L. (a)	80.0%	258	■
Cintra Inversora Autopistas de Cataluña, S.L.U. (a)	Proyecto	Cintra Infraestructuras España, S.L. (a)	100.0%	0	■
Inversora Autopistas de Cataluña, S.L.U. (a)	Proyecto	Cintra Inversora Autopistas de Cataluña, S.L.U. (a)	100.0%	0	■
Cintra Inversiones, S.L.U. (a)		Cintra Infraestructuras España, S.L. (a)	100.0%	318	■
Cintra Servicios de Infraestructuras, S.A. (a)		Cintra Infraestructuras España, S.L. (a)	100.0%	9	■
Cintra Autopistas Integradas, S.A.U. (a)		Cintra Infraestructuras España, S.L. (a)	100.0%	0	
M-203 Alcalá-O'Donnell, S.A.U. (a)		Cintra Autopistas Integradas, S.A.U. (a)	100.0%	60	
SPAIN (Registered Office: Barcelona, Spain)					
Autopista Terrasa Manresa, S.A. (a)	Proyecto	Cintra Inversora Autopistas de Cataluña, S.L.U. (a)	75.3%	445	■
AUSTRALIA (Registered Office: Melbourne, Australia)					
Cintra OSARS (Western) Holdings Unit Trust		Cintra OSARS Western, Ltd	100.0%	0	
Cintra OSARS Western Unit Trust		Cintra OSARS (Western) Holdings PTY, Ltd	100.0%	0	
AUSTRALIA (Registered Office: Sidney, Australia)					
Cintra Developments Australia PTY, Ltd		Cintra Infrastructures UK, Ltd	100.0%	0	
Cintra OSARS (Western) Holdings PTY, Ltd		Cintra OSARS Western, Ltd	100.0%	0	
Cintra OSARS Western PTY, Ltd		Cintra OSARS (Western) Holdings PTY, Ltd	100.0%	0	
CANADA (Registered Office: Toronto, Canada)					
Cintra 407 East Development Group Inc		407 Toronto Highway B.V.	100.0%	4	
Cintra OM&R 407 East Development Group Inc		407 Toronto Highway B.V.	100.0%	0	
4352238 Cintra Canada Inc		407 Toronto Highway B.V.	100.0%	0	
Blackbird Maintenance 407 Cintra GP Inc		407 Toronto Highway B.V.	100.0%	1	■
Blackbird Infrastructures 407 Cintra GP Inc		407 Toronto Highway B.V.	100.0%	0	
COLOMBIA (Registered Office: Bogotá, Colombia)					
Cintra Infraestructuras Colombia, S.A.S.		Cintra Global, S.E.	100.0%	5	■
UNITED STATES (Registered Office: Austin, United States)					
Ferrovial Holding US Corp		Cintra Infrastructures, S.E.	100.0%	787	
Cintra Holding US Corp		Ferrovial Holding US Corp	96.1%	578	
Cintra Texas Corp		Cintra Holding US Corp	100.0%	0	
Cintra US Services LLC		Cintra Texas Corp	100.0%	4	

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
Cintra Skyway LLC		Cintra Holding US Corp	100.0%	0	
Cintra ITR LLC		Cintra Holding US Corp	49.0%	20	
Cintra LBJ LLC		Cintra Holding US Corp	100.0%	336	
Cintra NTE LLC		Cintra Holding US Corp	100.0%	268	
Cintra NTE Mobility Partners Seg. 3 LLC		Cintra Holding US Corp	100.0%	200	
Cintra Toll Services LLC		Cintra Holding US Corp	100.0%	0	
Cintra I-77 Mobility Partners LLC		Cintra Holding US Corp	100.0%	92	■
Cintra 2 I-66 Express Mobility Partners		Cintra Holding US Corp	100.0%	0	
Cintra I-66 Express Corp		Cintra I-66 Express UK Ltd	100.0%	0	
Cintra I-66 Express Mobility Partners LLC		Cintra I-66 Express Corp	100.0%	0	
UNITED STATES (Registered Office: Charlotte, United States)					
I-77 Mobility Partners Holding LLC	Proyecto	Cintra I-77 Mobility Partners LLC	50.1%	61	
I-77 Mobility Partners LLC	Proyecto	I-77 Mobility Partners Holding LLC	100.0%	62	■
UNITED STATES (Registered Office: Chicago,United States)					
Skyway Concession Company Holdings LLC	Proyecto	Cintra Skyway LLC	55.0%	0	
UNITED STATES (Registered Office: Dallas, United States)					
LBJ Infrastructure Group Holding LLC	Proyecto	Cintra LBJ LLC	54.6%	336	
LBJ Infrastructure Group LLC	Proyecto	LBJ Infrastructure Group Holding LLC	100.0%	587	■
UNITED STATES (Registered Office: North Richland Hills, United States)					
NTE Mobility Partners Holding LLC	Proyecto	Cintra NTE LLC	63.0%	268	
NTE Mobility Partners LLC	Proyecto	NTE Mobility Partners Holding LLC	100.0%	372	■
NTE Mobility Partners Seg. 3 Holding LLC	Proyecto	Cintra NTE Mobility Partners Seg. 3 LLC	53.7%	200	
NTE Mobility Partners Seg. 3 LLC	Proyecto	NTE Mobility Partners Seg. 3 Holding LLC	100.0%	371	■
NETHERLANDS (Registered Office: Amsterdam, Netherlands)					
407 Toronto Highway B.V.		Cintra Global, S.E.	100.0%	2,664	
IRELAND (Registered Office: Dublín, Ireland)					
Financinfrastructures, Ltd		Cintra Global, S.E.	100.0%	32	■
Cinsac, Ltd		Cintra Infraestructuras Internacional, S.L.U. (a)	100.0%	0	■
POLAND (Registered Office: Varsovia, Poland)					
Autostrada Poludnie, S.A.		Cintra Infrastructures, S.E.	93.6%	0	■
PORTUGAL (Registered Office: Lisboa, Portugal)					
Vialivre, S.A.	Proyecto	Cintra Infrastructures, S.E.	84.0%	0	■
PORTUGAL (Registered Office: Ribeira Grande, Portugal)					
Euroscut Açores, S.A.	Proyecto	Cintra Infrastructures, S.E.	89.2%	0	■
UNITED KINGDOM (Registered Office: Oxford, United Kingdom)					
Cintra Infrastructures UK, Ltd		Cintra Global, S.E.	100.0%	1	■
Cintra Toowoomba, Ltd		Cintra Infrastructures UK, Ltd	100.0%	2	■
Cintra UK I-77, Ltd		Cintra Infrastructures, S.E.	100.0%	2	■
Cintra Slovakia, Ltd		Cintra Global, S.E.	100.0%	0	■
Cintra I-66 Express UK, Ltd		Cintra Infrastructures UK, Ltd	100.0%	0	■
Cintra OSARS Western, Ltd		Cintra Infrastructures UK, Ltd	100.0%	0	
Cintra Infrastructures, S.E.		Ferrovial International S.E.	100.0%	1,131	■
Cintra Global, S.E.		Ferrovial International S.E.	100.0%	2,873	■
DISCONTINUED OPERATIONS					
SERVICES					
SPAIN (Registered Office: Madrid, Spain)					
Ferrovial Servicios, S.A. (a)		Ferrovial, S.A. (a)	100.0%	264	■
Cespa, S.A (a)		Ferrovial Servicios, S.A. (a)	100.0%	553	■
Sitkol, S.A. (a)		Cespa, S.A (a)	99.0%	5	
Cespa Jardinería, S.L. (a)		Cespa, S.A (a)	99.0%	7	■
Cespa Gestión de Residuos (a)		Cespa, S.A (a)	99.0%	86	■
Ecoenergia de Can Mata A.I.E. (a)		Cespa Gestión de Residuos (a)	70.0%	0	
Albaida Residuos, S.L. (a)		Cespa Gestión de Residuos (a)	99.0%	5	
Contenedores de Reus, S.A. (a)		Cespa Gestión de Residuos (a)	99.0%	0	
Cespa G.T.R, S.A. (a)		Cespa Gestión de Residuos (a)	100.0%	21	■
Ferrovial Servicios Logistica, S.A. (a)		Ferrovial Servicios, S.A. (a)	99.0%	0	
Siemsa Industria S.A. (a)		Ferrovial Servicios, S.A. (a)	99.0%	17	■
Siemsa Control y Sistemas S.A. (a)		Siemsa Industria S.A. (a)	99.0%	1	■
Ferrovial Servicios Participadas, S.L. (a)		Ferrovial Servicios, S.A. (a)	99.0%	2	
Car Sharing Mobility Services, S.L. (a)		Ferrovial Servicios, S.A. (a)	80.0%	4	■
Ferroser Servicios Auxiliares (a)		Ferrovial Servicios, S.A. (a)	99.5%	10	■
Ferroser Infraestructuras, S.A. (a)		Ferrovial Servicios, S.A. (a)	100.0%	18	■
Autovía de Aragón, Sociedad Concesionaria, S.A. (a)	Proyecto	Ferroser Infraestructuras, S.A. (a)	60.0%	11	■
Pilum, S.A. (a)	Proyecto	Ferroser Infraestructuras, S.A. (a)	60.0%	3	
Ferrovial Aravia, SA (a)	Proyecto	Ferroser Infraestructuras, S.A. (a)	60.0%	0	
SPAIN (Registered Office: Albacete, Spain)					
Ayora Gestión Biogás, S.L. (a)		Cespa, S.A (a)	80.0%	0	■
SPAIN (Registered Office: Alicante, Spain)					
Reciclaje y Compostaje Piedra Negra, S.A. (a)		Cespa Gestión de Residuos (a)	100.0%	7	■
SPAIN (Registered Office: Almería, Spain)					
TRM, S.L.		Albaida Residuos, S.L. (a)	55.0%	0	
SPAIN (Registered Office: Barcelona, Spain)					
Residuos del Maresme, S.L.		Cespa, S.A (a)	51.0%	0	■
Ecoparc de Can Mata, S.L. (a)	Proyecto	Cespa, S.A (a)	99.0%	11	■

■ Deloitte
■ BDO
■ KPMG
■ El Sayed, El Ayouty & co
■ Valdés, García, Marín & Martínez, Llp
■ Mohinder Puri & Company
■ EY
■ Vir Audit

(a) Form part of Ferrovial, S.A. tax frameworkand subsidiary companies.

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
C.E.R.R. S.L. (a)		Cespa Gestión de Residuos (a)	81.1%	0	
Ecoparc del Mediterrani		Cespa Gestión de Residuos (a)	48.0%	3	■
SPAIN (Registered Office: Cáceres, Spain)					
Biogas Extremadura		Biotran Gestión de Residuos (a)	51.0%	0	
SPAIN (Registered Office: Granada, Spain)					
Inagra, S.A. (a)		Cespa, S.A (a)	80.0%	3	■
SPAIN (Registered Office: Guipuzcoa, Spain)					
Oñeder S.A.		Cespa Gestión de Residuos (a)	51.6%	0	
SPAIN (Registered Office: Málaga, Spain)					
Andaluza de Señalizaciones, S.A. (a)		Ferroser Infraestructuras, S.A. (a)	99.0%	1	
SPAIN (Registered Office: Murcia, Spain)					
Cespa Serv. Urbanos Murcia (a)	Proyecto	Cespa, S.A (a)	100.0%	10	■
SPAIN (Registered Office: Satander, Spain)					
Smart Hospital Cantabria (a)	Proyecto	Ferrovial Servicios, S.A. (a)	85.0%	8	■
SPAIN (Registered Office: Toledo, Spain)					
Gestión Medioambiental de Toledo, S.A.	Proyecto	Cespa, S.A (a)	60.0%	8	■
SPAIN (Registered Office: Valladolid, Spain)					
Biotran Gestión de Residuos (a)		Cespa Gestión de Residuos (a)	99.0%	11	■
Reciclum, Reciclaje y valorización de Residuos, S.L. (a)		Biotran Gestión de Residuos (a)	99.0%	0	
Maviva Valladolid, S.L.		Ferrovial Servicios Logistica, S.A. (a)	99.7%	1	
SPAIN (Registered Office: Vigo, Spain)					
Maviva, S.A.		Ferrovial Servicios Logistica, S.A. (a)	100.0%	12	■
Maviva Servicios Globales, S.L.		Ferrovial Servicios Logistica, S.A. (a)	99.4%	0	
Almacenes Servicios y Recuperaciones, S.L.		Ferrovial Servicios Logistica, S.A. (a)	99.7%	3	■
AUSTRALIA (Registered Office: Melbourne, Australia)					
Amey Consulting Australia Pty Ltd		Amey OW Ltd	100.0%	0	
AUSTRALIA (Registered Office: Melbourne, Australia)					
Amey Consulting Australia Pty Ltd		Amey OW Ltd	100.0%	0	
AUSTRALIA (Registered Office: Sidney, Australia)					
Ferrovial Services Australia Pty Ltd		Ferrovial Services UK, Ltd.	100.0%	0	■
APP Corporation Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	1	■
Appoint Consulting Pty Ltd		APP Corporation Pty Ltd	100.0%	0	
Australian Drilling Solutions Pty Ltd		Piver Pty Ltd	100.0%	0	
Australian Quality Assurance & Superintendence Pty Ltd		Appoint Consulting Pty Ltd	100.0%	0	
BE & MG Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
BR & I Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Asset Management Optimisation) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (Australia) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	-1	
Broadspectrum (Chile) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (East Timor) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (Finance) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Holdings) Pty Ltd		Broadspectrum Pty Ltd	100.0%	32	
Broadspectrum (India) Pty Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (International) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	31	
Broadspectrum (IP) Holdings Pty Limited		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (Oil & Gas) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum (USM) Holdings Pty Ltd		Broadspectrum Holdings (Delaware) Pty Ltd LLC	100.0%	55	
Broadspectrum Australia (QLD) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Australia (WA) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Holdings (Delaware) Pty Ltd LLC		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum Hospitality Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Metrolink Pty Ltd		Broadspectrum Pty Ltd	100.0%	0	
Broadspectrum Property Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Pty Ltd		Ferrovial Services Australia Pty Ltd	100.0%	428	■
Broadspectrum Services Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Broadspectrum Training Services Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
BRS Employee Plan Co Pty Limited		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
CI Australia Pty Limited		APP Corporation Pty Ltd	100.0%	0	
Collinsville Operations Pty Ltd		Broadspectrum Pty Ltd	100.0%	0	
Eastern Catering Services Holdings Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Eastern Catering Services Pty Ltd		Eastern Catering Services Holdings Pty Ltd	100.0%	0	
Eastern Pressure Control Pty Ltd		Easternwell Group Investments Pty Ltd	51.0%	0	
Eastern Well Rigs Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Eastern Well Service No 2 Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Drilling Holdings Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Drilling Labour Hire Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Easternwell Drilling Services Assets Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
Easternwell Drilling Services Holdings Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Easternwell Drilling Services Labour Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	
Easternwell Drilling Services Operations Pty Ltd		Easternwell Drilling Services Holdings Pty Ltd	100.0%	0	
Easternwell Energy Rigs Pty Ltd		Easternwell Drilling Holdings Pty Ltd	100.0%	0	
Easternwell Engineering Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Group Assets Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Group Investments Pty Limited		Piver Pty Ltd	100.0%	0	
Easternwell Group Operations Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Easternwell Group Pty Ltd		Broadspectrum (Oil and Gas) Pty Ltd	100.0%	97	
Easternwell WA Pty Ltd		Piver Pty Ltd	100.0%	0	
Gorey & Cole Drillers Pty Ltd		Gorey & Cole Holdings Pty Ltd	100.0%	0	
Gorey & Cole Holdings Pty Ltd		Piver Pty Ltd	100.0%	0	
ICD (Asia Pacific) Pty Limited		Broadspectrum (Australia) Pty Ltd	100.0%	0	
O.G.C. Services Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Piver Pty Ltd		Easternwell Group Pty Ltd	100.0%	0	
Sides Drilling Contractors Pty Ltd		Sides Drilling Pty Ltd	100.0%	0	
Sides Drilling Pty Ltd		Piver Pty Ltd	100.0%	0	
Silver City Drilling (QLD) Pty Ltd		Easternwell Group Investments Pty Ltd	100.0%	0	
Ten Rivers Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Transhare Plan Company Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
Translink Investments Pty Ltd		Broadspectrum Pty Ltd	100.0%	0	
TS (Procurement) Pty Ltd		Broadspectrum (Holdings) Pty Ltd	100.0%	0	
CANADA (Registered Office: Toronto, Canada)					
Broadspectrum Canada (Holdings) Limited		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (Ontario) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	0	
Broadspectrum (Canada) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	0	■
Broadspectrum (Alberta) Limited		Broadspectrum Canada (Holdings) Limited	100.0%	0	
CHILE (Registered Office: Antofagasta, Chile)					
Broadspectrum Chile SpA		Inversiones Broadspectrum (Chile) Limitada	65.1%	35	■
CHILE (Registered Office: Los Andes, Chile)					
Steel Ingenieria S.A.		Ferrovial Servicios Chile S.L	99.9%	6	■
Ferrovial Servicios Chile Soc Limitada		Ferrovial Services International S.E	99.0%	11	
CHILE (Registered Office: Santiago, Chile)					
Siemsa Chiles SPA		Siemsa Industria S.A. (a)	100.0%	0	
Ferrovial Servicios Ambientales		Broadspectrum Chile SpA	99.7%	3	■
Inversiones Broadspectrum (Chile) Holding Limitada		Broadspectrum (International) Pty	100.0%	4	
Inversiones Broadspectrum (Chile) Limitada		Inversiones Broadspectrum (Chile) Holding Limitada	100.0%	1	
UNITED STATE (Registered Office: Austin, United State)					
Broadspectrum Holdings (Delaware) Pty Ltd LLC		Broadspectrum (International) Pty Ltd	100.0%	0	
Broadspectrum (Delaware) General Partnership		Broadspectrum Holdings (Delaware) Pty Ltd LLC	61.73%	0	
Ferrovial Services U.S., Inc.		Broadspectrum Holdings (Delaware) Pty Ltd LLC	100.0%	0	■
Ferrovial Services Infrastructure, Inc.		Ferrovial Services U.S., Inc.	100.0%	0	■
Ferrovial Services Oil and Gas, Inc.		Ferrovial Services U.S., Inc.	100.0%	0	■
Broadspectrum Downstream Services, Inc.		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
Timec Specialty Services, Inc.		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
Timec Upstream Holdings, LLC		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
Timec Oilfields, LLC		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
Ferrovial Services Holding US Corp		Ferrovial Services Holding US Corp	100.0%	0	
UNITED STATE (Registered Office: Buffalo, United State)					
Timec, Inc.		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
UNITED STATE (Registered Office: Houston, United State)					
Amey Consulting USA, Inc.		Amey OW Ltd	100.0%	0	
UNITED STATE (Registered Office: Vallejo, United State)					
T.R.S.C., Inc.		Ferrovial Services Oil and Gas, Inc.	100.0%	0	■
MALAYSIA (Registered Office: Kuala Lumpur, Malaysia)					
Transfield Services (Asia) Sdn Bhd		Broadspectrum (International) Pty Ltd	100.0%	0	
MOROCCO (Registered Office: Tánger, Morocco)					
Cespa Nadafa, S.A.R.L.		Cespa, S.A (a)	98.8%	0	
MAURICIO (Registered Office: Cybercity, Islas Mauricio)					
Broadspectrum (Mauritius) Ltd		Broadspectrum (International) Pty Ltd	100.0%	0	
NEW ZEALAND (Registered Office: Auckland, New Zealand)					
Broadspectrum (New Zealand) Limited		Broadspectrum (International) Pty Ltd	100.0%	45	■
Ferrovial Services (NZ Holdings) Limited		Broadspectrum (New Zealand) Limited	100.0%	0	
Ferrovial Services (NZ) Limited		Ferrovial Services (NZ Holdings) Limited	100.0%	0	
TSNZ Pulp & Paper Maintenance Limited		Broadspectrum (New Zealand) Limited	100.0%	0	

■ Deloitte
■ BDO
■ KPMG
■ El Sayed, El Ayouty & co
■ Valdés, García, Marín & Martínez, Llp
■ Mohinder Puri & Company
■ EY
■ Vir Audit

(a) Form part of Ferrovial, S.A. tax frameworkand subsidiary companies.

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
POLAND (Registered Office: Breslavia, Poland)					
FBSerwis Wrocław Sp. z o.o.		FBSerwis, S.A.	100.0%	24	■
POLAND (Registered Office: Kamiensk, Poland)					
FBSerwis Kamieńsk Sp. z.o.o.		FBSerwis, S.A.	80.0%	8	■
POLAND (Registered Office: Poznan, Poland)					
FBSerwis Karpatia Sp. z o.o		FBSerwis, S.A.	100.0%	6	■
POLAND (Registered Office: Varsovia, Poland)					
FBSerwis SA		Ferrovial Services International, S.E.	51.0%	15	■
FBSerwis Dolny Śląsk Sp. z o.o.		FBSerwis, S.A.	100.0%	6	■
FBSerwis A Sp. z o.o.		FBSerwis, S.A.	100.0%	0	■
FBSerwis B SP. z o.o.		FBSerwis, S.A.	100.0%	0	■
PORTUGAL (Registered Office: Lisboa, Portugal)					
Ferrovial Serviços, SA		Ferrovial Services International S.E	100.0%	23	■
Sopovico, SA		Ferrovial Serviços, SA	100.0%	1	■
PORTUGAL (Registered Office: Porto, Portugal)					
Maviva Portugalia Lda.		Ferrovial Servicios Logistica, S.A. (a)	100.0%	1	
Citrup, Lda		Ferrovial Serviços, SA	70.0%	0	■
Ferrovial Serviços - Ecoambiente, ACE		Ferrovial Serviços, SA	60.0%	0	
QATAR (Registered Office: Doha, Qatar)					
Amey Consulting LLC		Amey OW Ltd	49.0%	0	
Transfield Services Mannai Oil and Gas WLL		Broadspectrum (International) Pty Ltd	49.0%	0	
UNITED KINGDOM (Registered Office: Glasgow, United Kingdom)					
Byzak Contractors (Scotland) Ltd		Byzak Ltd	100.0%	0	
C.F.M Building Services Ltd		Enterprise Managed Services Ltd	100.0%	4	■
UNITED KINGDOM (Registered Office: Liverpool, United Kingdom)					
Fleet and Plant Hire Ltd		Enterprise Managed Services Ltd	100.0%	0	■
UNITED KINGDOM (Registered Office: Manchester, United Kingdom)					
Enterprise Utility Services (DCE) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Utility Services (TBC) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
UNITED KINGDOM (Registered Office: Oxford, United Kingdom)					
Ferrovial Services International, S.E.		Ferrovial International, S.E.	100.0%	562	
Amey UK plc (a)		Ferrovial Services Netherlands, B.V.	100,0%	103	■
Cespa UK Ltd		Cespa, S.A. (a)	100,0%	9	■
Cespa Ventures Ltd		Cespa UK Ltd	100.0%	0	■
Amey Holdings Ltd		Amey UK plc	100.0%	554	■
Amey plc		Amey Holdings Ltd	100.0%	554	■
Amey Environmental Services Ltd		Amey plc	100.0%	0	■
Amey Building Ltd		Amey plc	100.0%	1	
Amey Community Ltd		Amey plc	100.0%	60	■
Amey Construction Ltd		Amey plc	100.0%	7	■
Amey Datel Ltd		Amey OW Ltd	100.0%	0	
Amey Facilities Partners Ltd		Comax Holdings Ltd	100.0%	2	
Amey Fleet Services Ltd		Amey plc	100.0%	49	■
Amey Group Information Services Ltd		Amey plc	100.0%	15	■
Amey Group Services Ltd		Amey plc	100.0%	45	■
Amey Highways Ltd		Amey plc	100.0%	0	■
Amey Investments Ltd		Amey plc	100.0%	0	■
Amey IT Services Ltd		Amey plc	100.0%	0	
Amey LG Ltd		Amey plc	100.0%	249	■
Amey LUL 2 Ltd		Amey Tube Ltd	100.0%	7	■
Amey Mechanical & Electrical Services Ltd		Amey Community Ltd	100.0%	1	■
Amey OW Group Ltd		Amey plc	100.0%	34	
Amey OW Ltd		Amey OW Group Ltd	100.0%	1	■
Amey OWR Ltd		Amey OW Group Ltd	100.0%	0	■
Amey Programme Management Ltd		Amey plc	100.0%	0	■
Amey Rail Ltd		Amey plc	100.0%	38	■
Amey Railways Holding Ltd		Amey plc	100.0%	0	
Amey Roads (North Lanarkshire) Ltd		Amey LG Ltd	66.7%	0	■
Amey Services Ltd		Amey plc	100.0%	175	■
Amey Technology Services Ltd		Amey plc	100.0%	0	
Amey Tramlink Ltd		Amey Technololgy Services Ltd	100.0%	0	
Amey Tube Ltd		JNP Ventures Ltd	100.0%	8	
Amey Ventures Asset Holdings Ltd		Amey Investments Ltd	100.0%	0	■
Amey Ventures Ltd		Amey plc	100.0%	6	■
Amey Ventures Management Services Ltd		Amey Investments Ltd	100.0%	0	■
Amey Wye Valley Ltd		Amey LG Ltd	80.0%	0	■
Comax Holdings Ltd		Amey plc	100.0%	0	
JNP Ventures 2 Ltd		Amey Tube Ltd	100.0%	8	
JNP Ventures Ltd		Amey Ventures Ltd	100.0%	0	
Sherard Secretariat Services Ltd		Amey plc	100.0%	0	■
TPI Holdings Ltd		Amey OW Ltd	100.0%	0	
Transportation Planning International Ltd		TPI Holdings Ltd	100.0%	0	
Wimco Ltd		Amey Railways Holding Ltd	100.0%	0	
Amey Public Services LLP		Amey LG Ltd	66.7%	0	■

COMPANY	TYPE OF COMPANY	PARENT	% OF OWNERSHIP	NET COST OF THE OWNERSHIP INTEREST	AUDIT.
Nationwide Distribution Services Ltd		Amey LG Ltd	100.0%	5	■
AmeyCespa (MK) ODC Ltd		AmeyCespa Ltd	100.0%	0	■
A.R.M. Services Group Ltd		Enterprise Holding Company No 1 Ltd	100.0%	95	■
Access Hire Services Ltd		Enterprise Managed Services Ltd	100.0%	4	
Accord Asset Management Ltd		Accord Ltd	100.0%	11	
Accord Consulting Services Ltd		Accord Ltd	100.0%	0	
Accord Environmental Services Ltd		Accord Ltd	100.0%	0	
Accord Ltd		Enterprise plc	100.0%	170	■
Accord Network Management Ltd		Accord Asset Management Ltd	100.0%	1	
Brophy Grounds Maintenance Ltd		Enterprise Public Services Ltd	100.0%	5	■
Byzak Ltd		Globemile Ltd	100.0%	9	■
Countrywide Property Inspections Ltd		Durley Group Holdings Ltd	100.0%	0	
CRW Maintenance Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Durley Group Holdings Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise (AOL) Ltd		Accord Ltd	100.0%	90	■
Enterprise (ERS) Ltd		Trinity Group Holdings Ltd	100.0%	0	
Enterprise (Venture Partner) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	■
Enterprise Building Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Foundation (ETR) Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Holding Company No.1 Ltd		Enterprise plc	100.0%	577	■
Enterprise Lighting Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Managed Services (BPS) Ltd		Enterprise Managed Services Ltd	100.0%	21	
Amey Metering Ltd		Enterprise Managed Services Ltd	100.0%	10	■
Enterprise Managed Services Ltd		Amey Utility Services Ltd	100.0%	3	■
Enterprise plc		Amey plc	100.0%	0	■
Amey Power Services Ltd		Enterprise Managed Services Ltd	100.0%	11	■
Enterprise Public Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	4	■
Amey Utility Services Ltd		ARM Services Group Ltd	100.0%	47	■
Globemile Ltd		Enterprise Managed Services Ltd	100.0%	20	■
Haringey Enterprise Ltd		Accord Ltd	100.0%	0	
Heating and Building Maintenance Company Ltd		Enterprise Holding Company No 1 Ltd	100.0%	1	■
Hillcrest Developments (Yorkshire) Ltd		Durley Group Holdings Ltd	100.0%	0	
ICE Developments Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
J J McGinley Ltd		Enterprise Holding Company No 1 Ltd	100.0%	4	
JDM Accord Ltd		Accord Ltd	100.0%	1	
MRS Environmental Services Ltd		Enterprise Holding Company No 1 Ltd	100.0%	16	■
MRS St Albans Ltd		MRS Environmental Services Ltd	100.0%	0	
Trinity Group Holdings Ltd		Enterprise Holding Company No 1 Ltd	100.0%	0	
Enterprise Business Solutions 2000 Ltd		Enterprise Holding Company No 1 Ltd	90.0%	0	
Enterprise Islington Ltd		Accord Ltd	99.0%	0	
EnterpriseManchester Partnership Ltd		Enterprise Managed Services Ltd	80.0%	0	■
Slough Enterprise Ltd		Accord Environmental Services Ltd	100.0%	0	■
Enterprise Fleet Ltd		Enterprise Managed Services Ltd	54.5%	0	
AmeyCespa Ltd		Amey LG Ltd	50.0%	0	■
AmeyCespa Ltd		Cespa UK Ltd	50.0%	0	■
AmeyCespa (East) Holdings Ltd		AmeyCespa Ltd	100.0%	54	■
AmeyCespa Services (East) Ltd	Proyecto	AmeyCespa (East) Ltd	100.0%	8	■
Allerton Waste Recovery Park Interim SPV Ltd		AmeyCespa Ltd	100.0%	0	
AmeyCespa (AWRP) ODC Ltd		AmeyCespa Ltd	100.0%	0	■
AmeyCespa (East) Ltd		AmeyCespa (East) Holdings Ltd	100.0%	0	■
AmeyCespa WM (East) Ltd	Proyecto	AmeyCespa Services (East) Ltd	100.0%	0	■
Novo Community Ltd		Amey Community Ltd	100.0%	0	■
Amey (IOW) SPV Ltd		Amey Ventures Asset Holdings Ltd	100.0%	0	■
Amey TPT Limited		Amey OWR Ltd	100.0%	6	■
Amey Finance Services Ltd		Amey plc	100.0%	0	■
AmeyCespa (MK) Holding Co Ltd	Proyecto	Amey Ventures Asset Holdings Ltd	50.0%	0	■
AmeyCespa (MK) Holding Co Ltd	Proyecto	Cespa Ventures Limited	50.0%	0	■
AmeyCespa (MK) SPV Ltd	Proyecto	AmeyCespa (MK) Holding Co Ltd	100.0%	0	■
Amey MAP Services Limited		Amey Investments Ltd	100.0%	0	
Amey Equitix Smart Meters 1 Holdings Limited		Amey Ventures Asset Holdings Ltd	100.0%	0	
Amey Equitix Smart Meters 1 SPV Limited		Amey Equitix Smart Meters 1 Holdings Limited	100.0%	0	
Amey Keolis Infrastructure/Seilwaith Amey Keolis Limited		Amey Rail Limited	90.0%	0	■
Amey Defence Services Limited		Enterprise Managed Services Limited	100.0%	10	■
Amey Defence Services (Housing) Limited		Enterprise Managed Services Limited	100.0%	11	■

- ■ Deloitte
- ■ BDO
- ■ KPMG
- ■ El Sayed, El Ayouty & co
- ■ Valdés, García, Marín & Martínez, Llp
- ■ Mohinder Puri & Company
- ■ EY
- ■ Vir Audit

(a) Form part of Ferrovial, S.A. tax frameworkand subsidiary companies.

APPENDIX II - ASSOCIATES

(COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD) (MILLIONS OF EUROS)

COMPANY	TYPE OF COMPANY	PARENT COMPANY	% PAR.	VALUE BY EQUITY METHOD	ACTIVE	PASIVE	REVENUES	RESULT	AUDIT.
CONSTRUCTION									
SPAIN									
Sociedad Concesionaria BAIO	Proyecto	Ferrovial Agroman, S.A.	50.0%	2	4	4	0	0	
Via Olmedo Pedralba, S.A.	Proyecto	Ferrovial Agroman, S.A.	25.2%	1	10	10	25	0	■
Boremer, S.A.		Cadagua, S.A.	50.0%	0	8	8	0	0	■
Urbs Iudex et Causidicus, S.A.		Ferrovial Agroman, S.A.	22.0%	0	381	381	37	6	■
OMÁN									
Muscat City Desalination O&M CO LLC		Cadagua, S.A.	7.0%	0	8	8	3	0	■
International Water Treatment LLC		Cadagua, S.A.	37.5%	0	2	2	0	-1	■
USA									
Pepper Lawson Horizon Intl. Group		Pepper Lawson Construction LP	70.0%	0	2	2	0	0	
POLAND									
PPHU Promos Sp. z o.o.		Budimex, S.A.	26.3%	0	3	1	2	0	
AIRPORTS									
UNITED KINGDOM									
FGP Topco Limited	Proyecto	Hubco Netherlands B.V.	25.0%	705	22,453	19,631	3,353	279	■
AGS Airports Holdings Limited	Proyecto	Faero UK Holding Limited	50.0%	60	1,332	1,223	241	7	■
TOLL ROADS									
SPAIN									
Serrano Park, S.A.	Proyecto	Cintra Infraestructuras España, S.L.	50.0%	0	66	83,236	6	-2	■
A-334 Autovía del Almanzora (a)	Proyecto	Cintra Infrastructures, S.E.	23.8%	0	0	0	0	0	
Sociedad Concesionaria Autovía de la Plata, S.A.	Proyecto	Cintra Infrastructures, S.E.	25.0%	15	232	172	24	11	■
Bip & Drive, S.A.	Proyecto	Cintra Infraestructuras España, S.L.	20.0%	2	21	12	236	0	■
AUSTRALIA									
Nexus Infrastructures Holdings Unit Trust		Cintra Toowoomba, Ltd	40.0%	3	19	0	0	0	■
Nexus Infrastructures Unit Trust	Proyecto	Nexus Infrastructures Holdings Unit Trust	40.0%	11	63	27	4	5	■
Nexus Infrastructure Finance Holdings PTY, Ltd		Cintra Toowoomba, Ltd	40.0%	0	0	0	0	0	■
Nexus Infrastructure Finance PTY, Ltd	Proyecto	Nexus Infrastructure Finance Holdings PTY, Ltd	40.0%	0	0	0	0	0	■
Netflow Osars (Western) PTY, Ltd	Proyecto	Cintra Osars (Western) PTY, Ltd	50.0%	-1	147	146	46	1	
CANADA									
407 International Inc	Proyecto	4352238 Cintra Canada Inc.	43.2%	1,475	3,372	5,816	908	352	■
407 East Development Group General Partnership	Proyecto	Cintra 407 East Development Group Inc	50.0%	11	136	113	6	2	■
OM&R 407 East Development Group General Partnership	Proyecto	Cintra OM&R 407 East Development Group Inc	50.0%	1	5	2	4	0	
Blackbird Maintenance 407 GP	Proyecto	Blackbird Maintenance 407 Cintra GP Inc	50.0%	1	4	3	2	0	
Blackbird Infrastructures 407 GP	Proyecto	Blackbird Infrastructures 407 Cintra GP Inc	50.0%	5	373	363	13	5	■
COLOMBIA									
Concesionaria Ruta del Cacao, S.A.S.	Proyecto	Cintra Infraestructuras Colombia, S.A.S.	41.8%	14	278	245	35	10	■
SLOVAKIA									
Zero Bypass Limited, Organizacná Zlozka		Zero Bypass, Ltd	35.0%	0	0	0	0	0	■
UNITED STATES									
I-66 Express Mobility Partners Holdings LLC	Proyecto	Cintra 2 I-66 Express Mobility Partners	40.0%	0	0	0	0	0	
I-66 Express Mobility Partners Holdings LLC	Proyecto	Cintra I-66 Express Mobility Partners LLC	10.0%	0	0	0	0	0	
I-66 Express Mobility Partners LLC	Proyecto	I-66 Express Mobility Partners Holdings LLC	50.0%	-13	990	1,016	0	0	■

COMPANY	TYPE OF COMPANY	PARENT COMPANY	% PAR.	VALUE BY EQUITY METHOD	ACTIVE	PASIVE	REVENUES	RESULT	AUDIT.
GREECE									
Nea Odos, S.A. (a)	Proyecto	Ferrovial,S.A.	21.4%	0	0	0	0	0	
Central Greece Motorway, S.A. (a)	Proyecto	Ferrovial,S.A.	21.4%	0	0	0	0	0	
Hellas Tolls, S.A. (a)	Proyecto	Ferrovial,S.A.	33.3%	0	0	0	0	0	
NETHERLANDS									
Algarve International B.V.	Proyecto	Cintra Infrastructures, S.E.	48.0%	1	159	157	0	0	■
IRELAND									
Eurolink Motorway Operation (M4-M6), Ltd	Proyecto	Cintra Infraestructuras Internacional, S.L.U.	20.0%	5	277	278	30	3	■
Eurolink Motorway Operation (M3), Ltd	Proyecto	Cinsac, Ltd	20.0%	3	194	181	20	5	■
PORTUGAL									
Autoestrada do Algarve, S.A.	Proyecto	Cintra Infrastructures, S.E.	48.0%	58	227	161	38	15	■
Auto-Estradas Norte Litoral, S.A.	Proyecto	Cintra Infrastructures, S.E.	49.0%	97	363	215	43	21	■
UNITED KINGDOM									
Scot Roads Partnership Holdings, Ltd	Proyecto	Cintra Infrastructures UK	20.0%	0	0	0	0	0	■
Scot Roads Partnership Finance, Ltd	Proyecto	Scot Roads Partnership Holdings, Ltd	20.0%	0	432	432	0	0	■
Scot Roads Partnership Project, Ltd	Proyecto	Scot Roads Partnership Holdings, Ltd	20.0%	0	437	437	26	0	■
Zero Bypass Holdings, Ltd	Proyecto	Cintra Slovakia, Ltd	35.0%	0	0	0	0	0	■
Zero Bypass, Ltd	Proyecto	Zero Bypass Holdings, Ltd	35.0%	-2	401	400	13	-2	■
TOTAL VALUE BY EQUITY METHOD CONTINUING OPERATIONS				**2,455**					
SERVICES									
SPAIN									
Nora, S.A.		Cespa, S.A.	40.0%	0	10	9	10	0	■
Vialnet Vic, S.L.		Cespa, S.A.	49.0%	0	1	0	2	0	■
Recollida Residus Osona, S.L.		Cespa, S.A.	45.0%	1	3	2	7	0	■
Inusa Ing. Urbana, S.A.		Cespa, S.A.	35.0%	4	13	1	1	0	■
Valdemingomez 2000, S.A.		Cespa, S.A.	20.0%	0	27	28	6	8	■
Novalis Medio Ambiente . S.A.		Cespa Gestión de Residuos, S.A.	50.0%	0	3	4	0	0	
Valvení Soluciones para el desarrollo sostenible		Biotran Gestión de Residuos	50.0%	4	0	0	0	0	
Valoraciones Farmaceúticas, S.L.		Biotran Gestión de Residuos	50.0%	0	0	0	0	0	
Empresa Mant. y Explotación M 30, S.A.		Ferrovial Servicios, S.A.	50.0%	-33	198	195	25	8	■
Concesionaria Madrid Calle 30	Proyecto	Empresa Mant. y Explotación M 30, S.A.	20.0%	49	611	126	125	64	■
Necropolis Valladolid, S.A.		Sitkol, S.A.	49.0%	4	19	3	4	1	■
Aetec, S.A.		Ferroser Infraestructuras S.A.	9.2%	0	1	0	1	0	
FerroNats Air Traffic Services, S.A.		Ferrovial Servicios, S.A.	50.0%	2	9	4	15	1	■
AUSTRALIA									
Ventia Boral Amey Qld Pty Ltd		Amey Consulting Australia Pty Ltd	20.0%	0	0	0	0	0	■
Ventia Boral Amey NSW Pty Ltd		Amey Consulting Australia Pty Ltd	22.2%	0	0	0	0	0	■
TW Power Services Pty Ltd		Broadspectrum (Australia) Pty Ltd	50.0%	14	37	20	72	2	■
Skout Solutions Australia		Broadspectrum (Australia) Pty Ltd	50.0%	1	2	1	10	0	■
TW New Cal JV		Broadspectrum (Australia) Pty Ltd	50.0%	0	0	0	0	0	
UNITED STATES									
AmeyWebber LLC		Amey Consulting USA, Inc	51.0%	0	0	0	0	0	
MALASIA									
Broadspectrum WorleyParsons JV (M) Sdn Bhd		Broadspectrum (International) Pty Ltd	50.0%	0	0	0	0	0	■
NEW ZEALAND									
Skout Solutions (NZ) Limited		Broadspectrum (International) Pty Ltd.	50.0%	0	0	0	0	0	■

- ■ Deloitte
- ■ BDO
- ■ KPMG
- ■ PWC
- ■ Grant Thornton UK LLP
- ■ Vir Audit
- ■ Gabinete Técnico de Auditoría y Consultoría S.A
- ■ EY
- ■ Martins Pereira, João Careca & Associados, SROC.

COMPANY	TYPE OF COMPANY	PARENT COMPANY	% PAR.	VALUE BY EQUITY METHOD	ACTIVE	PASIVE	REVENUES	RESULT	AUDIT.
PORTUGAL									
Valor Rib, Lda		Ferrovial Serviços, SA	45.0%	1	5	4	3	0	
Ecobeirão, SA		Ferrovial Serviços, SA	20.0%	0	19	19	8	0	■
Ferrovial Serviços, Egeo, ECAC, Gabriel Couto, ACE		Ferrovial Serviços, SA	35.0%	0	1	1	0	0	
UNITED KINGDOM									
GEO Amey PECS Ltd		Amey Community Ltd	50.0%	4	4	0	48	2	■
Amey Infrastructure Management (1) Ltd		Amey Ventures Asset Holdings Ltd	10.0%	0	0	0	0	0	
AHL Holdings (Manchester) Ltd		Amey Ventures Investments Ltd	2.5%	0	1	1	0	0	■
Amey Highways Lighting (Manchester) Ltd	Proyecto	AHL Holdings (Manchester) Ltd	2.5%	0	0	0	0	0	■
AHL Holdings (Wakefield) Ltd		Amey Ventures Investments Ltd	2.5%	0	1	1	0	0	■
Amey Highways Lighting (Wakefield) Ltd	Proyecto	AHL Holdings (Wakefield) Ltd	2.5%	0	0	0	0	0	■
ALC (Superholdco) Ltd		Amey Ventures Investments Ltd	2.5%	2	15	12	17	7	■
ALC (FMC) Ltd		ALC (Superholdco) Ltd	50.0%	0	0	0	0	0	■
ALC (Holdco) Ltd		ALC (Superholdco) Ltd	2.5%	0	0	0	0	0	■
ALC (SPC) Ltd		ALC (Holdco) Ltd	2.5%	0	0	0	0	0	■
Amey Belfast Schools Partnership Hold Co Ltd		Amey Ventures Investments Ltd	5.0%	0	11	11	1	0	■
Amey Belfast Schools Partnership PFI Co Ltd	Proyecto	Amey Belfast Schools Partnership Hold Co Ltd	5.0%	0	0	0	0	0	■
Amey Birmingham Highways Holdings Ltd		Amey Ventures Asset Holdings Ltd	33.3%	0	147	147	26	-1	■
Amey Birmingham Highways Ltd	Proyecto	Amey Birmingham Highways Holdings ltd	33.3%	0	0	0	0	0	■
Amey FMP Belfast Strategic Partnership Hold Co Ltd		Amey Ventures Management Services Ltd	70.0%	0	1	1	4	0	■
Amey FMP Belfast Strategic Partnership SP Co Ltd		Amey FMP Belfast Schools Partnership Hold Co Ltd	70.0%	0	0	0	0	0	■
Amey Roads NI Holdings Ltd		Amey Ventures Investments Ltd	2.5%	0	15	15	1	0	■
Amey Roads NI Financial plc		Amey Roads NI Ltd	2.5%	0	0	0	0	0	■
Amey Roads NI Ltd	Proyecto	Amey Roads NI Holdings Ltd	2.5%	0	0	0	0	0	■
Amey Lighting (Norfolk) Holdings Ltd		Amey Ventures Investments Ltd	5.0%	0	4	4	1	0	■
Amey Lighting (Norfolk) Ltd	Proyecto	Amey Lighting (Norfolk) Holdings Ltd	5.0%	0	0	0	0	0	■
E4D&G Holdco Ltd		Amey Ventures Investments Ltd	4.3%	0	10	10	0	0	■
E4D&G Project Co Ltd	Proyecto	E4D&G Holdco Ltd	4.3%	0	0	0	0	0	■
Eduaction (Waltham Forest) Ltd (IP)		Amey plc	50.0%	0	0	0	0	0	
Integrated Bradford Hold Co One Ltd		Amey Ventures Investments Ltd	1.3%	0	4	4	0	0	■
Integrated Bradford Hold Co One Ltd		Integrated Bradford LEP Ltd	2.0%	0	0	0	0	0	■
Integrated Bradford PSP Ltd (IP)		Amey Infrastructure Management (1) Ltd	25.0%	0	1	0	0	0	■
Integrated Bradford Hold Co Two Ltd		Amey Infrastructure Management (1) Ltd	1.0%	0	7	7	0	0	■
Integrated Bradford Hold Co Two Ltd		Integrated Bradford LEP Ltd	2.0%	0	0	0	0	0	■
Integrated Bradford LEP Ltd		Integrated Bradford PSP Ltd	20.0%	0	0	0	0	0	■
Integrated Bradford LEP Fin Co One Ltd		Integrated Bradford LEP Ltd	20.0%	0	0	0	0	0	■
Integrated Bradford SPV One Ltd	Proyecto	Integrated Bradford Hold Co One Ltd	3.3%	0	0	0	0	0	■
Integrated Bradford SPV Two Ltd	Proyecto	Integrated Bradford Hold Co Two Ltd	3.0%	0	0	0	0	0	■
RSP (Holdings) Ltd		Amey Ventures Investments Ltd	1.8%	0	4	4	0	0	■
The Renfrewshire Schools Partnership Ltd	Proyecto	RSP (Holdings) Ltd	1.8%	0	0	0	0	0	■

COMPANY	TYPE OF COMPANY	PARENT COMPANY	% PAR.	VALUE BY EQUITY METHOD	ACTIVE	PASIVE	REVENUES	RESULT	AUDIT.
Services Support (Avon & Somerset) Holdings Ltd		Amey Ventures Investments Ltd	1.0%	0	1	1	0	0	■
Services Support (Avon & Somerset) Ltd	Proyecto	Services Support (Avon & Somerset) Holdings Ltd	1.0%	0	0	0	0	0	■
Keolis Amey Docklands Ltd		Amey Rail Ltd	30.0%	4	24	20	31	1	■
Keolis Amey Metrolink Ltd		Amey Rail Ltd	40.0%	2	2	0	7	1	
AmeyVTOL Ltd		Amey OWR Ltd	60.0%	0	0	0	0	0	
Scot Roads Partnership Holdings Ltd		Amey Ventures Asset Holdings Ltd	20.0%	0	93	93	2	0	■
Scot Roads Partnership Project Ltd	Proyecto	Scot Roads Partnership Holdings Ltd	20.0%	0	0	0	0	0	■
Scot Roads Partnership Finance Ltd		Scot Roads Partnership Holdings Ltd	20.0%	0	0	0	0	0	■
MTCNovo Ltd		Novo Community Ltd	50.0%	1	19	19	54	1	■
The Thames Valley Community Rehabilitiation Company Ltd		MTCNovo Ltd	50.0%	0	0	0	0	0	■
The London Community Rehabilitiation Company Ltd		MTCNovo Ltd	50.0%	0	0	0	0	0	■
Amey Infrastructure Management (2) Ltd		Amey Ventures Asset Holdings Ltd	10.0%	0	0	0	0	0	
AmeyCespa (AWRP) Holdco Ltd	Proyecto	Amey Infrastructure Management (2) Ltd	3.3%	0	11	11	12	2	■
AmeyCespa (AWRP) SPV Ltd	Proyecto	AmeyCespa (AWRP) Holdco Ltd	3.3%	0	0	0	0	0	■
Amey Infrastructure Management (3) Ltd		Amey Ventures Asset Holdings Ltd	10.0%	0	0	0	0	0	
Amey Hallam Highways Holdings Ltd	Proyecto	Amey Infrastructure Management (3) Ltd	3.3%	0	8	8	16	1	■
Amey Hallam Highways Ltd	Proyecto	Amey Hallam Highways Holdings Ltd	3.3%	0	0	0	0	0	■
Amey Ventures Investments Ltd		Amey Investments Ltd	5.0%	0	2	2	0	0	■
Keolis Amey Wales Cymru Ltd		Amey Rail Ltd	40.0%	0	0	0	0	0	
Keolis Amey Operations/ Gweithrediadau Keolis Amey Ltd		Amey Rail Ltd	36.0%	2	2	0	32	1	
QATAR									
FMM Company LLC		Ferrovial Servicios, S.A.	49.0%	11	39	17	94	9	
SINGAPORE									
BW Energy Services		Broadspectrum (International) Pty Ltd	50.0%	2	3	1	9	1	■
TOTAL VALUE BY EQUITY METHOD DISCONTINUED OPERATIONS				**75**					

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■ PWC
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■ EY
■ Martins Pereira, João Careca & Associados, SROC.

Appendix III: Information by segment

The Board of Directors analyses the performance of the Group mainly from a business perspective. From this perspective, the Board assesses the performance of the Construction, Toll roads, Airports and Services segments. Set forth below are the consolidated statements of financial position and consolidated income statement for 2018 and 2017, broken down by business segment. The "Other" column includes the assets and/or liabilities and income and/or expenses of the companies not assigned to any of the business segments, including most notably the Parent, Ferrovial, S.A., and its smaller subsidiaries, the current Polish Real Estate business, and inter-segment adjustments.

Segment statement of financial position: 2018 (millions of euros).

ASSETS	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	ADJUSTMENTS	TOTAL
Non-current assets	**891**	**10.232**	**1.074**	**0**	**1.497**	**-1.640**	**12.055**
Goodwill	202	128	42	0	0	0	372
Intangible assets	8	4	19	0	1	0	32
Investments in infrastructure projects	200	6.950	78	0	0	-73	7.155
Investment property	1	0	0	0	8	0	9
Property, plant and equipment	155	21	59	0	15	2	251
Investments in associates	4	1.686	766	0	0	0	2.455
Non-current financial assets	39	887	106	0	1.292	-1.570	754
Deferred taxes	281	209	2	0	171	1	664
Long-term derivative financial instruments at	2	348	3	0	11	0	364
Current assets	**3.990**	**2.442**	**209**	**4.892**	**1.530**	**-2.306**	**10.758**
Assets classified as held for sale and discontinued operations	0	0	0	4.892	**0**	**0**	4.892
Inventories	245	11	0	0	335	2	594
Current income tax assets	32	11	9	0	57	-13	97
Trade and other short-term receivables	987	88	4	0	126	-115	1.090
Cash and cash equivalents	2.724	2.268	196	0	957	-2.140	4.005
Receivables with Group companies	973	830	41	0	299	-2.143	0
Other	1.752	1.438	155	0	658	2	4.005
Short-term derivative financial instruments at	1	64	0	0	55	-40	80
Total assets	**4.881**	**12.674**	**1.284**	**4.892**	**3.028**	**-3.945**	**22.813**

LIABILITIES AND EQUITY	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	ADJUSTMENTS	TOTAL
Equity	**1.364**	**5.271**	**996**	**1.634**	**-3.103**	**-798**	**5.363**
Equity attributable to shareholders	1.305	4.584	996	1.615	-3.180	-790	4.530
Equity attributable to non-controlling interests	59	686	0	19	77	-8	833
Deferred income	**2**	**1.239**	**0**	**0**	**0**	**0**	**1.241**
Non-current liabilities	**436**	**5.945**	**252**	**0**	**2.616**	**-337**	**8.912**
Pension plan deficit	3	0	0	0	0	0	3
Long-term provisions	103	182	0	0	175	0	459
Financial borrowings	199	4.986	246	0	2.324	-337	7.419
Payable to Group companies	2	41	1	0	293	-337	0
Other	197	4.945	245	0	2.031	0	7.419
Other payables	10	126	0	0	-1	0	135
Deferred taxes	105	363	5	0	101	0	574
Derivative financial instruments at fair value	17	288	0	0	17	0	321
Current liabilities	**3.079**	**219**	**36**	**3.259**	**3.515**	**-2.810**	**7.297**
Liabilities classified as held for sale and from discontinued operations	0	0	0	3.259	0	0	3.259
Financial borrowings	106	93	36	0	3.123	-2.585	773
Payable to Group companies	89	56	34	0	2.405	-2.584	0
Other	17	37	2	0	719	-1	773
Short-term derivative financial instruments at	4	59	1	0	52	-46	69
Current income tax liabilities	29	-47	-10	0	106	-13	65
Current trade and other payables	2.532	101	9	0	233	-175	2.700
Operating provisions	407	13	0	0	1	9	431
Total liabilities and equity	**4.881**	**12.674**	**1.284**	**4.892**	**3.028**	**-3.945**	**22.813**

Segment statement of financial position: 2017 (millions of euros).

ASSETS	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	ADJUSTMENTS	TOTAL
Non-current assets	**852**	**9,622**	**1,073**	**3,571**	**1,307**	**-1,498**	**14,927**
Goodwill	198	140	40	1,684	0	0	2,062
Intangible assets	8	4	18	399	1	0	431
Investments in infrastructure projects	216	6,367	36	449	0	-151	6,917
Investment property	6	0	0	0	0	0	6
Property, plant and equipment	140	21	57	448	16	13	694
Investments in associates	4	1,848	742	92	0	0	2,687
Non-current financial assets	39	670	175	152	1,094	-1,361	769
Deferred taxes	239	265	2	345	182	1	1,035
Long-term derivative financial instruments at fair value	2	307	2	0	14	0	326
Current assets	**4,347**	**1,661**	**500**	**2,569**	**1,370**	**-2,384**	**8,063**
Assets classified as held for sale	0	0	0	0	0	0	0
Inventories	233	10	0	71	311	5	629
Current income tax assets	44	46	11	29	48	-35	143
Trade and other short-term receivables	965	97	4	1,587	125	-143	2,635
Cash and cash equivalents	3,101	1,490	484	880	856	-2,210	4,601
Receivables with Group companies	1,214	266	298	138	297	-2,212	0
Other	1,886	1,224	187	742	559	2	4,601
Short-term derivative financial instruments at fair value	4	19	0	2	30	0	55
Total assets	**5,199**	**11,283**	**1,572**	**6,140**	**2,677**	**-3,882**	**22,990**

LIABILITIES AND EQUITY	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	ADJUSTMENTS	TOTAL
Equity	**1,474**	**4,395**	**1,314**	**1,658**	**-2,598**	**-8**	**6,234**
Equity attributable to shareholders	1,403	3,822	1,314	1,639	-2,675	-1	5,503
Equity attributable to non-controlling interests	71	572	1	19	76	-7	731
Deferred income	**2**	**1,012**	**0**	**22**	**0**	**0**	**1,037**
Non-current liabilities	**666**	**5,687**	**238**	**2,076**	**2,566**	**-1,362**	**9,871**
Pension plan deficit	3	0	0	64	0	0	66
Long-term provisions	113	172	0	376	147	0	808
Financial borrowings	438	4,671	234	1,222	2,307	-1,361	7,511
Payable to Group companies	257	31	0	784	288	-1,361	0
Other	180	4,640	234	438	2,019	0	7,511
Other payables	10	119	0	70	-1	0	198
Deferred taxes	85	423	4	294	95	0	900
Hedging instruments at fair value	17	302	0	50	17	0	387
Current liabilities	**3,057**	**189**	**20**	**2,384**	**2,710**	**-2,512**	**5,848**
Liabilities classified as held for sale	0	0	0	0	0	0	0
Financial borrowings	38	93	20	611	2,285	-2,209	839
Payable to Group companies	22	64	18	356	1,749	-2,209	0
Other	16	28	2	256	536	1	839
Short-term derivative financial instruments at fair value	4	57	0	1	3	0	65
Current income tax liabilities	15	-56	-8	26	152	-35	94
Short-term trade and other payables	2,567	95	7	1,559	270	-277	4,221
Operating provisions	432	0	0	186	0	9	629
Total liabilities and equity	**5,199**	**11,283**	**1,572**	**6,140**	**2,677**	**-3,882**	**22,990**

The detail of total assets by geographical area is as follows:

(Millions of euros)	2018	2017	CHANGE
Spain	5,596	5,656	-60
UK	2,423	3,304	-881
USA	7,627	6,508	1,118
Canada	2,861	2,867	-6
Australia	1,216	1,499	-283
Poland	1,437	1,602	-164
Other	1,654	1,554	100
Total	**22,813**	**22,990**	**-177**

Income statement by business segment: 2018 (millions of euros).

	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	DISCONTINUED OPERATIONS	ADJUSTMENTS	TOTAL
Revenues	5,193	471	14	6,785	276	-6,776	-226	5,737
Other operating income	1	0	0	6	0	-6	0	2
Total operating income	**5,194**	**471**	**14**	**6,791**	**276**	**-6,782**	**-226**	**5,738**
Cost of materials used	957	2	0	514	96	-514	-69	985
Other operating expenses	3,257	92	21	2,506	107	-2,502	-156	3,324
Staff expenses	810	59	8	3,635	67	-3,635	0	945
Total operating expenses	**5,024**	**152**	**29**	**6,655**	**271**	**-6,652**	**-225**	**5,254**
EBITDA	**170**	**319**	**-16**	**136**	**5**	**-131**	**0**	**484**
Fixed asset depreciation	43	80	2	222	3	-222	0	127
Operating income before impairment losses and fixed asset disposals	127	239	-18	-87	3	92	0	356
Impairment and fixed asset disposals	13	71	0	2	0	-2	-2	82
Operating profit/(loss)	**141**	**310**	**-18**	**-85**	**3**	**90**	**-2**	**438**
Financial result on financing	-9	-221	-2	-21	0	21	0	-233
Profit/(loss) on derivatives and other financial results	2	1	-1	-3	0	3	1	3
Financial result of infrastructure project companies	**-8**	**-220**	**-4**	**-24**	**0**	**24**	**1**	**-230**
Financial result on financing	31	30	1	-42	-19	8	0	9
Profit/(loss) on derivatives and other financial results	-20	29	11	-12	11	12	-1	30
Financial result other companies	**11**	**59**	**12**	**-54**	**-9**	**20**	**-1**	**39**
Financial result	**4**	**-161**	**8**	**-78**	**-9**	**44**	**0**	**-192**
Share of profits of equity-accounted companies	0	166	73	15	0	-15	0	239
Consolidated profit/(loss) before tax	**144**	**315**	**64**	**-148**	**-6**	**119**	**-2**	**486**
Income tax	-40	6	3	47	-1	-42	0	-25
Consolidated income from continuing operations	**104**	**322**	**67**	**-101**	**-7**	**77**	**-2**	**460**
Net profit/(loss) from discontinued operations	0	0	0	0	0	-851	0	-851
Consolidated profit/(loss) for the year	**104**	**322**	**67**	**-101**	**-7**	**-774**	**-2**	**-391**
Profit/(loss) for the year attributable to non-controlling interests	-29	-17	0	-4	-8	0	1	-57
Profit/(loss) for the year attributed to the Parent	**74**	**305**	**67**	**-105**	**-15**	**-774**	**-1**	**-448**

Income statement by business segment: 2017 (millions of euros).

	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER	DISCONTINUED OPERATIONS	ADJUSTMENTS	TOTAL
Revenues	4,628	461	21	7,069	262	-7,056	-232	5,152
Other operating income	1	0	0	8	0	-8	0	1
Total operating income	**4,629**	**461**	**21**	**7,077**	**262**	**-7,064**	**-232**	**5,154**
Cost of materials used	796	2	0	527	91	-527	-71	818
Other operating expenses	2,849	83	26	2,389	103	-2,383	-163	2,905
Staff expenses	785	56	7	3,737	68	-3,737	0	915
Total operating expenses	**4,430**	**141**	**33**	**6,653**	**262**	**-6,647**	**-234**	**4,638**
EBITDA	199	320	-12	423	0	-417	2	516
Fixed asset depreciation	37	72	3	260	3	-260	0	115
Operating income before impairment losses and fixed asset disposals	162	247	-15	163	-3	-156	2	401
Impairment and fixed asset disposals	0	88	0	-7	0	7	0	88
Operating profit/(loss)	**162**	**335**	**-15**	**156**	**-3**	**-149**	**2**	**489**
Financial result on financing	-9	-217	-3	-25	0	25	1	-229
Profit/(loss) on derivatives and other financial results	0	-4	0	-2	0	2	1	-4
Financial result of infrastructure project companies	**-9**	**-222**	**-4**	**-28**	**0**	**28**	**2**	**-233**
Financial result on financing	24	16	0	-47	-30	12	-2	-26
Profit/(loss) on derivatives and other financial results	-26	26	17	-27	-1	27	0	15
Financial result other companies	**-2**	**42**	**17**	**-74**	**-32**	**39**	**-2**	**-11**
Financial result	**-11**	**-179**	**13**	**-101**	**-32**	**67**	**0**	**-244**
Share of profits of equity-accounted companies	-1	138	89	26	0	-26	0	225
Consolidated profit/(loss) before tax	**150**	**293**	**87**	**80**	**-35**	**-108**	**2**	**469**
Income tax	-52	-11	1	-20	12	25	0	-46
Consolidated income from continuing operations	**98**	**282**	**88**	**60**	**-22**	**-83**	**2**	**424**
Net profit/(loss) from discontinued operations	0	0	0	0	0	83	0	83
Consolidated profit/(loss) for the year	**98**	**282**	**88**	**60**	**-22**	**0**	**2**	**507**
Profit/(loss) for the year attributable to non-controlling interests	-44	-3	0	-2	-5	0	1	-53
Profit/(loss) for the year attributed to the Parent	**54**	**279**	**88**	**58**	**-28**	**0**	**3**	**454**

SECTION 7: Explanation added for translation to english

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1.1.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

PHOTO: Glasgow Airport (United Kingdom).

ISSUE OF THE FINANCIAL STATEMENTS

The foregoing pages contain the consolidated financial statements –the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements- and the consolidated management report (which includes the consolidated non-financial reporting statement) of Ferrovial, S.A. for the year ended 31 December 2018, which were approved by the Board of Directors of Ferrovial, S.A. at the meeting held in Madrid on 28 February 2019 and which, pursuant to Article 253 of the Spanish Capital Companies Act, the directors attending sign below.

D. Rafael del Pino y Calvo-Sotelo Chairman	D. Santiago Bergareche Busquet Vice-Chairman
D. Joaquín Ayuso García Vice-Chairman	D. Íñigo Meirás Amusco Chief Executive Officer
Dña. María del Pino y Calvo-Sotelo Director	D. Santiago Fernández Valbuena Director
D. José Fernando Sánchez-Junco Mans Director	D. Joaquín del Pino y Calvo-Sotelo Director
D. Óscar Fanjul Martín Director	D. Philip Bowman Director
Dña. Hanne Birgitte Breinbjerg Sørensen Director	D. Bruno Di Leo Director

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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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1.1 and 7.1). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Ferrovial, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferrovial, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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 Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated 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.

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Key Audit Matters

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

Recognition of revenue from long-term contracts	
Description	**Procedures applied in the audit**
The Group's method for recognising revenue from long-term contracts, both in the Construction Division and in the Services Division, was a key matter in our audit, since it affects a very significant amount of total consolidated revenue and requires Group management to make significant estimates relating mainly to the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the measurement of the work completed in the period, or the accounting for any modifications to the initial contract, all of which have an impact on the revenue recognised in the reporting period. In this connection, it should be noted that the Group generally recognises contract modifications when it has received approval for them from the customer. Also, if the parties have agreed to a modification, but the related price has yet to be determined, the corresponding revenue is recognised for an amount in relation to which it is highly probable that a significant change therein will not occur when the uncertainty associated therewith is resolved. These judgements and estimates are made by the persons in charge of performing the construction work or services contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.	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 recognise revenue from contracts in which performance obligations are satisfied at long term, as well as tests to verify that the aforementioned controls operate effectively. We also performed substantive tests which included an in-depth, itemised analysis of the main projects in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group, which include, among others, the identification of the various performance obligations, the determination of the transaction price, the allocation of the transaction price to the various performance obligations, the treatment for accounting purposes of the modifications approved by the customer and the recognition of variable consideration. In certain individually significant construction and services contracts, we involved our internal infrastructure project experts in order to assist us in the process of assessing the reasonableness of the assumptions and hypotheses used by the Group to update the estimated costs, and to measure progress towards satisfaction of the performance obligations. We also reviewed the consistency of the estimates made by the Group in 2017 with the actual data for the contracts in 2018. Lastly, we reviewed the disclosures made by the Group in relation to these matters. Notes 1.2.3.4 and 4.4 to the accompanying consolidated financial statements contain the relevant information relating to the recognition of revenue from contracts in which performance obligations are satisfied at long term.

Recoverable amount of assets classified as held for sale and inclusion of operations under "Discontinued Operations"

Description

As described in Note 1.1.3 to the accompanying consolidated financial statements, at the end of the reporting period the Group adopted the decision to dispose of the Services line of business, and, therefore, the consolidated statement of financial position as at 31 December 2018 includes assets and liabilities held for sale amounting to EUR 4,892 million and EUR 3,259 million, respectively, and the consolidated statements of profit or loss for 2018 and 2017 present EUR -851 million and EUR 83 million, respectively, under "Net Profit or Loss from Discontinued Operations" in relation to the results of the aforementioned line of business. In this connection, the result for 2018 includes the recognition of an impairment loss of EUR 774 million on the net assets associated with the Services business in the UK, which is included under "Net Profit or Loss from Discontinued Operations." Lastly, the cash flows generated by the Services line of business are presented separately in the consolidated statement of cash flows.

Both the determination of the probability of disposal of the aforementioned line of business in the short term and the estimation of the recoverable amount less costs to sell of the associated net assets make it necessary to use valuation techniques that include the utilisation of assumptions and require judgements and estimates to be made by the Group's management. Therefore, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the obtainment of the documentation supporting the decision adopted to dispose of the Services line of business, and verification of fulfilment of the other criteria provided for in *IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"* in order to classify the assets and liabilities of this line of business as held for sale, and to include its results as profit or loss from discontinued operations.

In relation to the determination of the recoverable amount of the net assets held for sale, we assessed the valuation methodology and assumptions applied by the Group, and also involved our internal valuation experts to assist us in the process of evaluating the reasonableness of the methodology and assumptions used by the Group in determining the recoverable amount.

Lastly, we focused our work on reviewing both the restatement of the affected accounting statements for 2017 in accordance with the content of IFRS 5, and the disclosures of information in relation to these matters, included in Notes 1.1.3, 2.9 and 5.3 to the accompanying consolidated financial statements, which contain information relating to the estimate of the recoverable amount of the assets and liabilities held for sale and of the existing uncertainties regarding the timing and ultimate amounts of their realisation or settlement.

Recoverability of goodwill and other assets recognised at fair value	
Description	**Procedures applied in the audit**
Two of the Group's main assets, the investments in the 407 ETR concession arrangement and Heathrow Airport Holdings (HAH), were remeasured in the consolidated accounting records at their fair value at the time when the respective control was lost, which occurred in previous years. At 2018 year-end the carrying amount of the two investments, which includes the aforementioned remeasurement and subsequent adjustments arising as a result of application of the equity method, totalled EUR 2,180 million. Also, the consolidated statement of financial position includes goodwill amounting to EUR 372 million relating to certain investments, associated mainly with the Cash-Generating Units (CGUs) of the Toll Road (EUR 128 million) and Construction (EUR 202 million) Divisions. The Group tests these assets for impairment each year. Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made, mainly in relation to: • Goodwill of the Construction Division: discount rates, contract backlog, award of new contracts, estimated future margins and the perpetuity growth rate. • Goodwill of the Toll Road Division: discount rates, projected traffic and tolls. • Investments in associates recognised at fair value: discount rates, business plans and rates.	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 recoverable amount of goodwill and of the investments in 407 ETR and HAH, as well as the performance of tests to determine whether the aforementioned controls operate effectively. We also performed substantive tests based on the obtainment of the impairment tests performed by the Group and verified the clerical accuracy of the calculations made and assessed the reasonableness of the projected operating assumptions. Furthermore, we analysed the consistency of the assumptions used in the impairment tests of previous years with the actual figures. Also, we involved our internal valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various areas and businesses, as well as the reasonableness of the perpetuity growth rates used. 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. We also focused our work on reviewing the disclosures relating to these matters, included in Notes 3.1 and 3.5 to the accompanying consolidated financial statements, which contain information relating to the impairment tests performed on these assets and, in particular, the detail of the main assumptions used and the sensitivity analysis performed by management of changes in the key assumptions used in the tests performed.

Recoverability of investments in infrastructure projects operated under concession arrangements	
Description	**Procedures applied in the audit**
At 31 December 2018, the Group recognised EUR 7,155 million of investments in transport infrastructure, services and waste treatment plant projects, relating to those made by infrastructure concession operators within the scope of IFRIC 12 *Service Concession Arrangements*, the remuneration for which consists of the right to collect the related charges based on the level of usage of the public service or to receive amounts paid by the grantor based on the asset's availability. Each year the Group tests the aforementioned investments in infrastructure projects in operation for impairment. We consider this to be a key matter in our audit since the measurement of the recoverable amount of those investments in infrastructure projects involves a complex process that requires estimates to be made including significant judgements and assumptions by Group management when preparing the impairment tests, in particular in relation to future investments, discount rates, changes in traffic and tolls, and future operating costs.	Our audit procedures included the performance of substantive tests based on the obtainment of the infrastructure projects' economic and financial models prepared by the Group, and we verified the clerical accuracy of the calculations performed and evaluated the reasonableness of the main operating assumptions projected (relating mainly to traffic, tolls, operating costs and disbursements for investments). To do so we cross-checked the traffic or use estimates made against external evidence, and checked the consistency of the actual records with the assumptions included in the economic and financial models prepared in previous years. We also involved our internal valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those relating to the calculation of the discount rates used. 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. Furthermore, we reviewed the disclosures made by the Group in relation to this matter. Note 3.3 to the accompanying consolidated financial statements contains the relevant information relating to the recoverability of the investments in infrastructure projects operated under concession arrangements.

Deferred tax assets and liabilities

Description	Procedures applied in the audit
The consolidated statement of financial position as at 31 December 2018 presents a balance of EUR 664 million of deferred tax assets, which includes EUR 214 million corresponding to tax losses and tax credits, of which EUR 150 million relate to the Spanish tax group. The Group also has EUR 810 million of deferred tax liabilities and provisions for tax contingencies. Each year the Group prepares financial models to assess the recoverability of the tax credits and 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 tax assets. The Group 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.	Our audit procedures were based mainly on the performance of substantive tests comprising, among others, the review of the aforementioned financial models, which included verifying that the data included in the models were the same as the budgeted data that had been approved by the various businesses, and that they were consistent with the data furnished to us in the assessment of the recoverability of intangible and concession assets, as well as analysing the consistency of the actual results obtained compared with the results projected in the previous years' models. We also involved our internal tax experts to assist us in evaluating the reasonableness of the tax assumptions and of the changes in provisions for tax contingencies in 2018 based on the applicable tax legislation. Furthermore, we reviewed the disclosures made by the Group in relation to this matter. Notes 2.8 and 6.3 to the accompanying consolidated financial statements contain the relevant information relating to the Group's deferred taxes and tax-related provisions.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

a) A specific level that applies to the consolidated non-financial information statement, as well as 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 consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated 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 section of the consolidated 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 consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 9 and 10, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 28 February 2019.

Engagement Period

The Annual General Meeting held on 5 April 2018 appointed us as auditors for a period of one year from the year ended 31 December 2017, i.e. for 2018.

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

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692

Miguel Laserna Niño
Registered in R.O.A.C. under no. 18207

28 February 2019

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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit 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 Parent's audit 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 Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated 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.