FERROVIAL, S.A. & SUBSIDIARIES

Interim Management Report

January - June 2018

26 July 2018

PHOTO: LBJ

GENERAL OVERVIEW

In the results for the first half of 2018 (1H 2018), **infrastructure assets continued to show strong operating performance (407 ETR, Managed Lanes and HAH), with solid growth in traffic volumes and dividends**.

Consolidated results posted lower revenue (-2.1%) impacted by the lower contribution recorded by Services (both due to less activity in the UK, as well as Australia, where the immigration contracts that ended in October 2017 contributed to the result in 1H 2017) and the deconsolidation of the Portuguese toll roads that contributed in 1H 2017.

Consolidated EBITDA reached EUR122mn in 1H 2018 (EUR469mn in 1H 2017). Excluding the impact of the -EUR237mn (-GBP208mn) provision registered in 1Q 2018 for the Birmingham (BHM) contract in Services, EBITDA would have totalled EUR359mn. In comparable terms and excluding the BHM provision, EBITDA would have fallen by -16.7% vs. 1H 2017.

In proportional terms, revenues in 1H 2018 amounted to EUR6,432mn and EBITDA of EUR550mn. Excluding the impact of the Birmingham provision, total proportional EBITDA would have reached EUR787mn, with Infrastructure assets accounting for 68%.

The net cash position, excluding infrastructure projects, stood at EUR906mn at June 2018 (EUR1,341mn at year-end 2017). Net project debt stood at EUR4,816mn (vs. EUR4,804mn in December 2017). Net consolidated debt reached EUR3,909mn (vs. EUR3,463mn in December 2017).

MAIN INFRASTRUCTURE ASSETS

Strong operating growth: Managed Lanes in the USA (global consolidation) increased EBITDA in local currency by +19.8% for NTE and +25.5% for LBJ. The Infrastructure assets that are also accounted for by the equity method continue to show strong EBITDA growth in local currency: +11.4% at the 407 ETR toll road, +8.7% at the regional UK airports (AGS) and +1.8% at Heathrow airport.

Greater distribution of funds from the main assets:

- **407 ETR distributed dividends of CAD453mn** in 1H 2018, +9% vs. 1H 2017. The dividends distributed to Ferrovial amounted to EUR130mn.
- **Heathrow paid out GBP228mn** compared to GBP188mn in 1H 2017. The dividends distributed to Ferrovial amounted to EUR66mn.
- **AGS paid out GBP23mn** compared to GBP101mn in 1H 2017, which included an extraordinary dividend after the refinancing in 1Q 2017. Ferrovial received EUR13mn in 1H 2018.

Full opening of the managed lane NTE35W on July 19th 2018 (3 months early). Part of the remodelling & expansion of one of the most important corridors in Dallas/Fort Worth, one of the fastest growing metropolitan areas in US. Ferrovial holds 53.67% in this 16.4km long asset, which matures in 2061.

MAIN FINANCIAL EVENTS

- In March, Ferrovial formally completed a Euro Commercial Paper programme for a maximum amount of EUR1,000mn, via which it can issue commercial paper notes with maturities between 1 and 364 days, allowing for greater capital markets finance sourcing diversification and more efficiency when managing available liquidity.
- In May 2018, 407 ETR agreed to issue CAD500mn in senior bonds, at 3.72%, maturing on 11 May 2048.

RESULTS BY DIVISION

Toll roads: traffic on the main toll roads has performed very well, helped by the economic recovery in the countries where the main assets are located, and despite the negative impact from the winter storms in February and March. Ferrovial's main asset, 407 ETR, continued to post strong operating figures, with traffic growth of +2.2%, on the back of economic growth and higher personal disposable income. The Managed Lanes in Texas continued to post strong EBITDA growth of around and above 20% in 1H 2018, on the back of robust traffic and toll rate growth.

Airports: traffic at Heathrow reached an all-time record high of 38.1 million passengers (+2.5% compared to 1H 2017) with growth in all markets, equating to EBITDA growth of +1.8%. Regional airports (AGS) posted EBITDA growth of +8.7%, although AGS traffic declined by -0.8%, affected by adverse weather conditions in February and March, which lead to temporary cancellations, delays and closures of the airports.

Construction: revenue growth (+16.6% LfL), with positive performance in all areas and an 83% international contribution. However, profitability declined vs. 2017 (EBIT margin 1.9% vs. 4.0%), primarily in the Ferrovial Agroman division, due to tighter margins on projects currently in execution, as well as in Budimex, on increased costs for labour and materials. The order book stood at EUR11,090mn (90% international), equating to a reduction of -0.5% (-0.7% LfL) compared with December 2017. Contract awards exceeding EUR700mn are not included, notable among which are the Budimex contracts, as well as the construction of a Toll Road in Colombia (Bucaramanga-Barrancabermeja-Yondó).

Services: reported revenues (-11.4%) were affected by the reduced activity in the UK, due to withdrawing from non-profitable contracts and the selective tender policy adopted by Amey in the past few years, and in Australia, due to the ending of the contract with the Government of Australia's Immigration Department. The Division's profitability was affected by the -EUR237mn provision registered in the UK for the Birmingham contract, leading to a negative EBITDA of -EUR83mn.

KEY FIGURES

P&L (EUR mn)	JUN-18	JUN-17
REVENUES	**5.935**	**6.059**
EBITDA	**122**	**469**
Period depreciation	157	194
Disposals & impairments	-18	30
EBIT*	**-52**	**305**
FINANCIAL RESULTS	**-119**	**-147**
Equity-accounted affiliates	135	119
EBT	**-36**	**277**
Corporate income tax	-17	-18
CONSOLIDATED NET INCOME	**-53**	**259**
Minorities	-19	-19
NET INCOME ATTRIBUTED	**-72**	**240**

*EBIT after impairments and disposals of fixed assets

KEY DATA EXCLUDING THE BIRMINGHAM PROVISION

P&L Ex-BHM (EUR mn)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues ex-BHM	**5.947**	**6.028**	-1,4%	3,1%
EBITDA ex-BHM	359	473	-24,1%	-16,7%
EBITDA margin ex-BHM	6,0%	7,8%		
EBIT ex-BHM	**185**	**309**	**-40,2%**	**-17,7%**
EBIT margin ex-BHM	**3,1%**	**5,1%**		

BHM (Birmingham Contract)

KEY FIGURES REPORTED

REVENUES (EUR mn)	JUN-18	VAR.
Toll Roads	208	-5,8%
Airports	7	83,0%
Construction	2.437	12,3%
Services	3.238	-11,4%
Others	45	n.a.
Total	**5.935**	**-2,1%**

EBITDA (EUR mn)	JUN-18	VAR.
Toll Roads	136	-12,9%
Airports	-7	5,0%
Construction	64	-37,5%
Services	-83	-139,3%
Others	12	n.a.
Total	**122**	**-73,9%**

OPERATING FIGURES	JUN-18	VAR.
407 ETR (VKT´ 000)	1.292.106	2,2%
NTE (ADT)	34.740	3,9%
LBJ (ADT)	36.322	7,2%
Ausol I (ADT)	15.527	8,9%
Ausol II (ADT)	17.098	4,5%
Heathrow (million pax.)	38,1	2,5%
AGS (million pax.)	7,0	-0,8%
Construction order book*	11.090	-0,5%
Services order book*	19.084	-1,3%

*Order book compared with December 2017

FINANCIAL POSITION (EUR mn)	JUN-18	JUN-17
NCP ex-infrastructures projects	**906**	**1.341**
Toll roads	-4.336	-4.274
Others	-479	-530
NCP infrastructures projects	**-4.816**	**-4.804**
Total Net Cash /(Debt) Position	**-3.909**	**-3.463**

NCP: Net Cash Position.

PROPORTIONAL RESULTS

Ferrovial's main infrastructure assets are equity-accounted. In order to provide a more realistic picture of the Company's results, the following tables include the proportional results, adjusted for the stake held in equity-accounted assets and minorities of the globally consolidated assets.

P&L JUN-18 (EURmn)	REPORTED	PROPORTIONAL
Revenues	**5.935**	**6.432**
% var vs 1H 2017	-2,1%	-3,0%
EBITDA	**122**	**550**
% var vs 1H 2017	-73,9%	-36,5%
EBIT	**-34**	**269**
% var vs 1H 2017	-112,5%	-51,6%

PROPORTIONAL EBITDA

In 1H 2018, proportional EBITDA reached EUR550mn (vs. EUR122mn of reported EBITDA), equating to a decline of -36.5% (-33.6% LfL).

Excluding the impact of the BHM provision, proportional EBITDA would have reached EUR787mn, and Infrastructure assets would have accounted for close to 68%.

(EURmn)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Toll Roads	277	280	-1,1%	7,8%
Airports	259	259	0,0%	2,5%
Construction	52	81	-35,5%	-35,3%
Birmingham	-237	-4	n.s.	n.s.
Services (Ex-BHM)	191	248	-23,0%	-20,3%
Other	7	2	n.s.	n.s.
Total EBITDA	**550**	**865**	**-36,5%**	**-33,6%**
Total EBITDA ex-BHM	**787**	**870**	**-9,6%**	**-5,4%**

BHM (Birmingham contract)

PROPORTIONAL REVENUES

Proportional revenues reached EUR6,432mn compared with EUR5,935mn reported, equating to a decline of -3.0% (+1.2% LfL).

(EURmn)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Toll Roads	405	391	3,6%	11,7%
Airports	463	460	0,6%	3,2%
Construction	2.057	1.879	9,5%	14,2%
Birmingham	-12	31	-140,0%	-141,0%
Services (Ex-BHM)	3.533	3.891	-9,2%	-5,5%
Other	-13	-18	28,8%	n.s.
Total Revenues	**6.432**	**6.634**	**-3,0%**	**1,2%**
Total Revenues ex-BHM	**6.445**	**6.603**	**-2,4%**	**1,9%**

BHM (Birmingham contract)

TOLL ROADS

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	208	221	-5,8%	14,8%
EBITDA	136	156	-12,9%	11,4%
EBITDA margin	65,3%	70,6%		
EBIT	99	121	-18,4%	10,9%
EBIT margin	47,4%	54,7%		

Revenues at the division grew +14.8% in comparable terms in 1H 2018, bolstered by the higher contribution from the Managed Lanes toll roads in the USA and by traffic growth at the majority of assets. **In comparable terms, the division posted EBITDA growth of +11.4% in 1H 2018**.

The following table details the contributions from toll road revenue and EBITDA by country excluding headquarters in 1H 2018:

Contribution by country ex-headquarters	REVENUES	EBITDA
USA	50%	49%
SPAIN	40%	43%
PORTUGAL	10%	8%
TOTAL EX-HEADQUARTERS	202	166

The comparable figures stripped out the FX effect and the changes to the consolidation perimeter in 2017. More specifically due to the sale of Norte Litoral and Algarve agreed in 2017 with the Dutch fund DIF, to sell a 51% stake in the Norte Litoral toll road and a 49% stake in the Algarve toll road:

- **Norte Litoral**: the sale of the stake was completed in April 2017 (approx. four-month contribution in 2017) for EUR104mn. After the sale, Norte Litoral is consolidated using the equity method.
- **Algarve**: the sale of the stake was completed in September 2017 (nine month contribution in 2017) for EUR58mn. After the sale, Algarve is consolidated using the equity method.

Assets in operation

Traffic performance during 1H 2018 was very positive on Ferrovial's main toll roads, both from light and heavy traffic.

Canada: traffic on the 407 ETR increased by +2.2% in the period (light traffic +1.8% and heavy traffic +8.5%), bolstered by economic growth and higher personal disposable income.

USA: traffic growth was driven by the positive performance of the Managed Lanes toll roads (NTE +3.9% and LBJ +7.2%), which are currently in the ramp up phase.

Spain: traffic trended upwards, boosted by the country's economic growth. To June Ausol recorded growth in the region of +8.9% for Ausol I and +4.5% for Ausol II, despite comparatively unfavourable weather conditions during 1H 2018.

Portugal: performed positively in the period, aided by the economic recovery. Algarve traffic grew by +6.6%, helped by construction works performed in the alternative road that have changed its configuration. From March onwards, the positive impact appears to have consolidated and the double-digit monthly increases registered have eased slightly. On the Azores toll road (+4.8%), traffic continues to be supported by the increase in tourism, following the liberalisation of the airline market.

Ireland: positive performance thanks to employment recovery. Growth in 1H 2018 was affected by the snow storms in the country between the end of February and the start of March. Traffic in the first 4 days of March was -80% lower than usual (March traffic performance: M4 -3.1% and M3 -5.2%). Traffic at M4 grew by +4.9%, and +6.1% at M3 in 1H 2018.

Greece: the variations in ADT compared to 1H 2017 are distorted by the opening of new segments for both concessions in 2017 and 2018 (-1.9% Nea Odos and -40.0% Central Greece). Excluding this impact, the variation in ADT would have been +17.0% at Nea Odos and +18.2% at Central Greece. Furthermore, heavy traffic continues to post strong growth in all toll road markets, due to the Greek government imposing restrictions on lorries travelling on the secondary road network.

Globally Consolidated Toll Roads

(EUR million)	TRAFFIC (ADT)			REVENUES			EBITDA			EBITDA MARGIN		NET DEBT 100%	
Global consolidation	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**JUN-18**	**SHARE**
NTE	34.740	33.429	3,9%	44	41	7,1%	36	33	8,6%	83,0%	81,8%	-871	63,0%
LBJ	36.322	33.896	7,2%	49	44	12,6%	40	35	13,7%	81,4%	80,7%	-1.251	54,6%
NTE 35W*	20.882			8	0	n.a.	5	0	n.s.	67,7%		-629	53,7%
I-77 *						n.a.	-1	0	n.a.			-227	50,1%
TOTAL USA				**101**	**85**	**19,2%**	**81**	**69**	**18,1%**			**-2.978**	
Ausol I	15.527	14.253	8,9%	27	25	7,2%	22	21	6,3%	81,2%	82,0%	-456	80,0%
Ausol II	17.098	16.360	4,5%										
Autema	18.831	18.328	2,7%	53	50	7,2%	50	45	11,0%	93,3%	90,1%	-610	76,3%
TOTAL SPAIN				**80**	**75**	**7,2%**	**72**	**65**	**9,5%**			**-1.066**	
Azores	9.942	9.484	4,8%	14	13	8,3%	12	11	13,1%	89,3%	85,5%	-295	89,2%
Algarve**	12.694	11.913	6,6%		18	n.a		16	n.a	n.s.	88,9%		48,0%
Norte Litoral**	24.515	23.990	2,2%		14	n.a		12	n.a	n.s.	89,2%		49,0%
Via Livre				7	7	4,1%	1	1	8,7%	13,2%	12,7%	3	84,0%
TOTAL PORTUGAL				**21**	**52**	**-59,9%**	**13**	**40**	**-67,4%**			**-292**	
TOTAL HEADQUARTERS				**6**	**10**	**-35,8%**	**-30**	**-18**	**-62,0%**				
TOTAL TOLL ROADS				**208**	**221**	**-5,8%**	**136**	**156**	**-12,9%**			**-4.337**	

* Assets under construction. ** Algarve contribution to 26/09/2017 and Norte Litoral to 21/04/2017, when they then began to be consolidated by the equity method.

Toll roads consolidated using the equity method

(EUR million)	TRAFFIC (ADT)			REVENUES			EBITDA			EBITDA MARGIN		NET DEBT 100%	
Equity accounted	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**VAR.**	**JUN-18**	**JUN-17**	**JUN-18**	**SHARE**
407 ETR (VKT'000)	1.292.106	1.263.951	2,2%	421	407	3,5%	368	352	4,7%	87,5%	86,5%	-4.757	43,2%
M4	32.549	31.043	4,9%	14	14	4,7%	8	9	-6,1%	57,7%	64,3%	-89	20,0%
M3	38.761	36.521	6,1%	11	12	-9,6%	8	8	-4,0%	73,0%	68,7%	-142	20,0%
A-66 Benavente Zamora				12	12	-0,2%	11	11	-0,4%	91,0%	91,2%	-156	25,0%
Central Greece	6.888	11.486	-40,0%	7	5	44,2%	0	0	131,7%	2,9%	1,8%	-330	21,4%
Ionian Roads	17.618	17.955	-1,9%	48	31	53,2%	1	1	27,6%	1,6%	1,9%	-64	21,4%
Serrano Park				3	3	4,7%	2	2	4,0%	62,2%	62,6%	-39	50,0%
Algarve	12.694	11.913	6,6%	19		n.s.	17		n.s.	89,3%	n.a.	-114	48,0%
Norte Litoral	24.515	23.990	2,2%	21	7	186,8%	19	7	183,6%	88,9%	n.a.	-146	49,0%

407 ETR

Results

CAD million	JUN-18	JUN-17	VAR.
Revenues	651	592	10,0%
EBITDA	570	512	11,4%
EBITDA margin	87,5%	86,5%	
EBIT	517	461	12,3%
EBIT margin	79,5%	77,9%	
Financial results	-210	-172	-22,3%
EBT	307	289	6,3%
Corporate income tax	-81	-77	-5,4%
Net Income	**226**	**212**	**6,7%**
Contribution to Ferrovial equity accounted result (EUR mn)	**57**	**56**	**0,8%**

Note: following Ferrovial's disposal of 10% in 2010, the toll road began to be accounted for by the equity method, in line with the percentage stake controlled by Ferrovial (43.23%).

Revenues at 407 ETR increased by +10.0% in local currency in 1H 2018:

- **Toll revenues** (93% of the total): rose by +10.9% to CAD608mn, mainly due to the toll rate increases applied since February 2018 and the improvement in traffic.
- **Fee revenues** (7% of the total): reached CAD43mn (+12.2%), primarily aided by the increase in late payment charges.

  Average revenues per journey rose +9.2% (CAD10.59 vs. CAD9.70 in 1H 2017).

The toll road also recorded an **increase in EBITDA of +11.4%** in 1H 2018, with an EBITDA margin of 87.5% vs. 86.5% in 1H 2017.

Financial result: -CAD210mn, 38mn in increased spending vs. 1H 2017 (-22.3%). Main components:

- **Interest expenses:** -CAD188mn. CAD11mn higher than in the same period in 2017, largely due to the increase in debt, after the recent issuance of senior bonds in 2017 and May 2018.
- **Non-cash financial expenses linked to inflation:** -CAD32mn vs. -CAD2mn expenses in 1H 2017, due mainly to the negative impact of increasing inflation in 2018, partially offset by the positive impact resulting from the increase in the discount rate.
- **Other financial income:** CAD10mn (vs. CAD7mn in 1H 2017) due to greater returns on investment.

407 ETR contributed EUR57mn to Ferrovial's equity-accounted results (+0.8% vs. 1H 2017), after the annual amortisation of the goodwill following the sale of 10% in 2010, which is being written down over the life of the asset on the basis of the traffic forecast.

407 ETR Dividends

In 1H 2018, 407 ETR distributed dividends of CAD453mn, **+9.0% vs. 1H 2017**. In 1H 2018, the dividends distributed to Ferrovial amounted to EUR130mn.

At the July Board meeting, the 3Q 2018 dividend payment was approved in the amount of CAD233.8mn (+8.7% vs. 3Q 2017).

(CAD million)	2018	2017	2016	2015	2014	2013
1Q	226,3	207,5	187,5	188	175	100
2Q	226,3	207,5	187,5	188	175	130
3Q	233,8	215	207,5	188	175	200
4Q		215	207,5	188	205	250
Total		**845**	**790**	**750**	**730**	**680**

407 ETR traffic

Traffic (kilometres travelled) rose +2.2%, with an increase in the number of journeys (+1.5%) and an increase in the average distance travelled (+0.8%). Traffic has increased thanks to longer journeys, works on alternative roads and economic growth and higher personal disposable income.

407 ETR net debt

The net debt figure for 407 ETR at 30 June 2018 was CAD7,302mn (average cost of 4.52%). 60% of the debt matures in more than 15 years' time. The next maturity dates are CAD14mn in 2018, CAD15mn in 2019 and CAD316mn in 2020.

In May 2018, 407 ETR agreed to issue CAD500mn in senior bonds, at 3.72%, maturing on 11 May 2048.

407 ETR credit rating

- **S&P:** on 31 May 2018, the company remained at a rating of "A" (Senior Debt), "A-" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.
- **DBRS:** on 17 November 2017, the company remained at a rating of "A" (Senior Debt), "A low" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.

407 ETR Toll Rates

On 1 February 2018, the toll rates were increased and a new toll rate structure was announced, including variations depending on the direction of travel (as well as by area, day and time of travel which was already taking place). This new structure will extend the Zones from 3 in 2017 (Zone 1 West, Zone 2 Centre and Zone 3 East) to 4 in 2018 after the former Zone 2 Centre is divided in 2. Toll rates applied from 1 February 2018 for light vehicles (expressed in CAD cents/km):

(Canadian dollar cents/km)	ZONE 1	ZONE 2	ZONE 3	ZONE 4
EAST BOUND				
AM Peak Period: *M-F: 6-7am, 9-10am*	39.33	39.57	39.21	36.38
AM Peak Hours: *M-F: 7am-9am*	47.09	46.66	46.24	41.39
PM Peak Period: *M-F 2:30-3:30pm, 6-7pm*	38.11	41.05	42.17	40.68
PM Peak Hours: *M-F 3:30-6pm*	43.30	49.21	50.55	48.76
WEST BOUND				
AM Peak Period: *M-F: 6-7am, 9-10am*	37.08	38.49	39.21	39.21
AM Peak Hours: *M-F: 7am-9am*	42.18	43.78	44.6	46.24
PM Peak Period: *M-F 2:30-3:30pm, 6-7pm*	42.55	42.55	42.17	37.75
PM Peak Hours: *M-F 3:30-6pm*	51.00	48.34	47.91	42.89
Midday Rate				
Weekdays 10am-2:30pm	33.81	33.81	33.81	33.81
Weekends and holidays 11am-7pm	30.83	30.83	30.83	30.83
Off Peak Rate				
Weekdays 7pm-6am, weekends and holidays 7pm-11am	23.38	23.38	23.38	23.38

For more information on the 407 ETR toll road results, please click **here** to see the 407 ETR MD&A report.

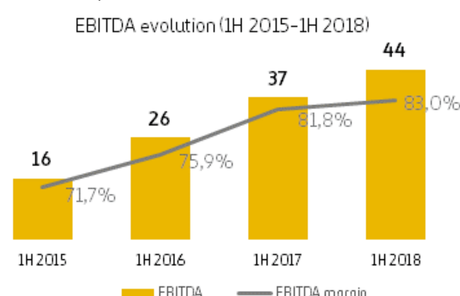
NTE

(USD million)	JUN-18	JUN-17	VAR.
Revenues	53	45	18,0%
EBITDA	**44**	**37**	**19,8%**
EBITDA margin	83,0%	81,8%	
EBIT	**33**	**27**	**21,0%**
EBIT margin	63,0%	61,5%	
Financial results	-31	-31	-0,4%
Net Income	**2**	**-3**	173,0%
Contribution to Ferrovial consolidated result - 62.97% stake (EUR mn)	**1**	**-2**	173,5%

During 1H 2018, revenue rose by +18.0% compared to the same period in 2017, on the back of traffic growth and higher toll rates.

EBITDA reached USD44mn (+19.8% vs. 1H 2017), with an EBITDA margin of 83.0% (+122 basis points vs. 1H 2017).

EBITDA evolution (1H 2015-1H 2018)



Traffic in the toll road continues increasing its market share in the corridor.During 2Q 2018, on-going construction activities near NTE have had a negative effect, particularly on Segment 2. However, most of the impact on traffic has been during off-peak hours and weekends so the impact on the overall revenue is low. The works along the SH183 corridor, which will connect NTE with LBJ, are expected to be completed in 4Q 2018. This new project is expected to have a positive impact on NTE's traffic. On the other hand, the strong traffic growth along the I35W corridor following the partial openings of the Managed Lanes in that corridor are having a positive impact of NTE's traffic.

Quarterly Traffic and EBITDA

In terms of traffic: in 2Q 2018, NTE recorded 7.2 million transactions, +3.1% more than in 2Q 2017 (7.0 million transactions).

Very positive EBITDA performance, with growth of +18.1% compared with 2Q 2017, as a result of good revenue performance and operating expense management.

Quarterly results	2Q'18	2Q'17	VAR.
Transactions (millions)	**7,2**	**7,0**	3,1%
EBITDA (USD mn)	23,6	20,0	18,1%

The average toll rate per transaction in 2Q 2018 at NTE reached USD3.9 vs. USD3.5 in 2Q 2017 (+13.3%).

NTE net debt

As of 30 June 2018, net debt for the NTE toll road amounted to USD1,017mn (USD1,028mn in December 2017), at an average cost of 5.30%

NTE credit rating

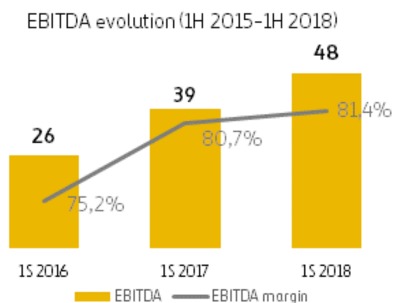
	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-

LBJ

(USD million)	JUN-18	JUN-17	VAR.
Revenues	59	48	24,2%
EBITDA	**48**	**39**	**25,5%**
EBITDA margin	81,4%	80,7%	
EBIT	**36**	**27**	**33,5%**
EBIT margin	60,5%	56,3%	
Financial results	-43	-43	-1,5%
Net Income	**-7**	**-16**	53,8%
Contribution to Ferrovial consolidated result - 54.6% stake (EUR mn)	-3	-7	55,2%

During 1H 2018, LBJ generated revenues of USD59mn (+24.2% compared with 1H 2017) as a result of both continued growth in traffic during the ramp-up phase and higher toll rates.

EBITDA reached USD48mn (+25.5% vs. 2017) aided by a strong surge in traffic. The EBITDA margin rose to 81.4%, aided by the significant growth in revenues.



During Q2 2018, on-going construction activities near LBJ have had a negative effect as construction intensified in the connection between LBJ's Segment 1 and the new Managed Lanes on SH183; the works are expected to be completed in Q4 2018 and we expect a positive impact once this new managed lanes project, connecting NTE with LBJ along the SH183 corridor, is completed. On the other hand, the strong traffic recovery along I35E since the opening of the new Managed Lanes in that corridor (May 2017) is having a positive impact on traffic in LBJ's Segment 1, which is showing a strong performance YOY with average workday trips growing at a rate that is twice that of the rest of the system.

Quarterly Traffic and EBITDA

In terms of traffic, a total of 11.4 million transactions took place during 2Q 2018, +8.6% in comparison with 2Q 2017 (10.5 million transactions).

EBITDA in 2Q 2018 reached USD26.2mn, a significant increase compared to 2Q 2017 (+28.2%):

Quarterly results	2Q'18	2Q'17	VAR.
Transactions (millions)	**11,4**	**10,5**	8,6%
EBITDA (USD mn)	26,2	20,4	28,2%

The average toll rate per transaction at LBJ reached USD2.8 in 2Q 2018 vs. USD2.5 in 2Q 2017 (+11.9%).

LBJ net debt

As of 30 June 2018, net debt for the LBJ toll road amounted to USD1,461mn (USD1,463mn in December 2017), at an average cost of 5.39%

LBJ credit rating

	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-

FINANCIAL ASSETS

Under the terms of IFRIC 12, concession contracts are classified as intangible and financial assets. **Intangible assets** (where the operator assumes the traffic risk) are those for which remuneration is earned from charging the corresponding rates depending on level of use. **Financial assets** (no traffic risk for the concession holder) in which payment consists of an unconditional contractual right to receive cash or other financial assets, either because the body awarding the concession guarantees the payment of specific sums, or because it guarantees the recovery of any shortfall between the sums received from users of the public service and the aforementioned specific sums.

The financial assets in operation are Autema, 407 East Ext Phase I, M8, Algarve, A66, Norte Litoral and Eurolink M3 (except for Autema, all of them are equity-accounted).

ASSETS UNDER DEVELOPMENT

(EUR million)	INVESTED CAPITAL	PENDING COMMITTED CAPITAL	NET DEBT 100%	SHARE
Global Consolidation				
Intangible Assets	**-200**	**103**	**-856**	
NTE 35W	-183	7	-629	54%
I-77	-16	96	-227	50%
Equity Consolidated				
Intangible Assets		**652**	**-819**	
I-66		652	-819	50%
Financial Assets	-59	77	-610	
407-East Extension II		9	-237	50%
Ruta del Cacao	-47	8	59	40%
Toowoomba	-11		-172	40%
Bratislava		30	-207	35%
OSARs		30	-52	50%

NTE 35W: On 5 April there was a planned opening of 4 miles (total length of the segment is 6.2 miles). On July 19th, the full opening took place.

I-77: The construction works began in 2015 and are now 72% complete, the toll road is expected to open at the end of 2018.

407 East Extension Phase II: in January 2018 Phase 2A was opened, in line with the expected time schedule. The construction works are 74% complete and the objective is to complete Phase 2B in December 2019.

I-66: Cintra was awarded the "Transform I-66 Project" (Virginia, USA), for which commercial negotiations were completed on 8 December 2016. Financial close was completed in November 2017 with the issue of PABs bonds for an amount of USD800mn. The project includes the construction of 35 km on I-66 corridor (between Route 29, close to Gainesville, and Washington DC ring road, I-495, in Fairfax County). The term allocated for construction of the project runs until 2022, while the concession is granted for 50 years from the completion of the commercial agreement. The design and construction works are 12% complete.

Western Roads Upgrade (OSARs) in Melbourne: Cintra was awarded the OSARs project in Australia in October 2017. An availability payment project with a concession term of 22 and a half years, which consists of the improvement and maintenance of the Melbourne toll road and inter-city motorway network. The commercial agreement was completed on 11 December and the financial agreement on 19 December 2017. The design and construction works are 10% complete.

Toowoomba: The design and construction works are 94% complete.

Ruta del Cacao: we continue advancing in the project financial close.

TENDERS PENDING

In the **USA**, we continue to pay close attention to private initiatives.

- In September, the **Maryland Department of Transport (MDOT),** issued a request for information (RFI) for the I-495/I-95 (Capital Beltway) and I-270 Congestion Relief Improvements projects. The MDOT is considering a design, construction, financing, operation and/or maintenance project for both projects, which would take the form of Managed Lanes. These projects fit perfectly with the Cintra strategy, as they are High Complexity Concessions, which Cintra has been extremely competitive on in the past.

- The offer for the **"I-10 Mobile River Bridge"** in Alabama, will be presented in April 2019. This is a design, construction, financing, operation and maintenance contract, with traffic risk for the construction and operation of a cable-stayed bridge over the Mobile River, with an approximate investment of USD2bn.

- The current economic and political climate in the USA favours infrastructure development and we are following various projects of interest in States such as Maryland, Illinois, Virginia and Texas, various of which are Managed Lanes structures.

In **Australia**, Cintra is analysing the highway projects "**Roads Upgrade (South East and North Packages**)", which is currently in the pre-classification phase and the bidding phase is expected to start at the end of 2018/start of 2019. With an approximate total investment of AUD1,000mn, both projects consist of the improvement and maintenance of the toll-road and inter-city motorway network in several parts of the outskirts of Melbourne.

In **other markets**, Cintra has been pre-qualified for the "**Silvertown Tunnel**" project in London (UK), with an estimated investment of EUR1,235mn and the offer will be presented on 30 January 2019.

NTE 35W

FER stake **53.67%**

Maturity in **2061** (43 years remaining)

EUR231mn Ferrovial equity contribution

16.4 km long

On 19 July Ferrovial opened the NTE35 toll road, three months ahead of the scheduled opening date in the contract (October 2018). This asset continues to be under the managed lane format, i.e., dynamic toll roads constructed as part of an urban highway, and forms part of the **remodelling and expansion project of one of the most important corridors in the Dallas/Fort Worth area**, the fifth largest metropolitan area in the USA and one of the fastest growing in the country.

As is the case with the NTE and LBJ toll roads, this asset has a **dynamic tolling** system, i.e. it allows flexibility in the determination of the toll rate depending on the level of congestion. **Speed is guaranteed at a minimum of 50mph** (around 80km/h). Toll rates can be modified every 5 minutes.

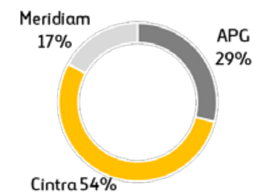
The project has used four **sources of financing**:

- Issue of Private Activity Bonds (PABs): USD274mn

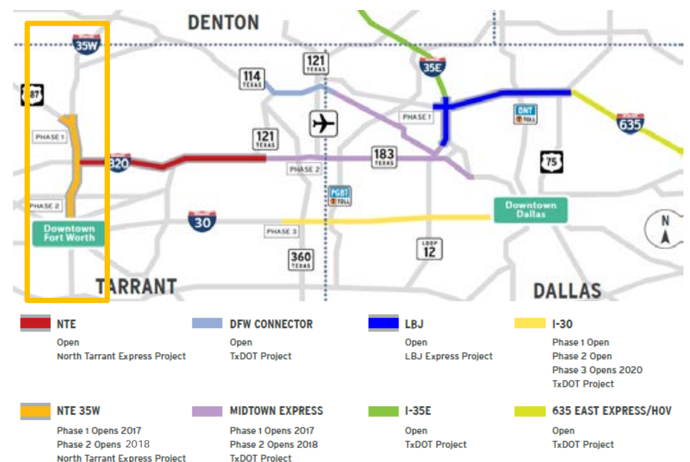
- Long-term TIFIA Credit of USD531mn, granted by the US Transport Department,

- Shareholder contributions (USD430mn) and the Texas Transport Department (USD109mn).

Shareholder structure: along with Cintra, the asset's leading operator with 53.67% of share capital, the consortium also consists of the APG infrastructure fund (29%) and Meridiam (17%).



Corridor Map:



AIRPORTS

The Airports division contributed EUR57mn to Ferrovial's equity-accounted results during 1H 2018 (compared with EUR43mn in 1H 2017).

- **HAH:** EUR56mn in 1H 2018 (EUR47mn in 1H 2017), due mainly to the positive mark to market performance of the hedging instruments, as a result of the lower than expected inflation figure and the uptick in interest rates.

- **AGS:** Contributed EUR0.3mn to the 1H 2018 equity-accounted results (vs. -EUR4mn in 1H 2017).

In terms of distributions to shareholders:

- **Heathrow paid out GBP228mn (100%)**, compared to GBP188mn in 1H 2017. Ferrovial received EUR66mn for its stake.

- **AGS paid out GBP23mn (100%)**, compared to GBP101mn in 1H 2017, which included an extraordinary dividend after the refinancing in 1Q 2017. Ferrovial received EUR13mn in 1H 2018.

HEATHROW

Heathrow Traffic

In 1H 2018 traffic at Heathrow reached an all-time record high of 38.1 million passengers (+2.5%) with growth in all markets and these passengers were travelling in more cleaner and quieter aircraft. The average number of seats per aircraft increased +0.6% to 213.3 (1H 2017: 212.1).

In May, Heathrow announced new direct services to the Chinese cities of Wuhan and Sanya, with the connection to Sanya being the first from Europe. These routes will increase additional cargo capacity and add 110,000 new seats for passengers per year. During March, Heathrow became the first European airport to carry out a direct flight to Australia, via the airline Qantas to Perth. Beijing Capital Airlines also began to operate two direct flights per week to Qingdao.

Million passengers	JUN-18	JUN-17	VAR.
UK	2,4	2,3	2,6%
Europe	15,9	15,5	2,6%
Intercontinental	19,8	19,3	2,5%
Total	**38,1**	**37,1**	**2,5%**

Intercontinental and short-distance traffic growth in the first half of 2018 were more balanced, demonstrating the success of the price strategy, which was aimed at driving domestic connectivity, with a 50% additional discount on airport charges for domestic flights.

Intercontinental traffic increased by +2.5%, while short-distance, including domestic traffic, by +2.6% in the period. Intercontinental traffic was primarily driven by routes to North America (+2.5%) and Asia (+1.8%), including additional flights to Boston, Mumbai and Istanbul.

European traffic (+2.6%) registered higher growth in load factors, especially on the routes to Istanbul, Rome, Amsterdam and Barcelona. **Domestic traffic** increased by +2.6%, demonstrating the benefits of the Heathrow discount on domestic flights, as well as the additional Flybe services to Scotland.

Heathrow cargo volumes registered robust growth (+2.2%) reaching 841,449 tonnes, driven by increased trade with China via four new routes.

Heathrow SP Revenue and EBITDA

Revenue growth increased by +2.3%, aided by robust traffic growth, coupled with strong retail revenues.

(GBP million)	JUN-18	JUN-17	VAR.
Aeronautic	828	814	1,7%
Retail	328	313	4,8%
Others	249	247	0,8%
TOTAL	**1.405**	**1.374**	**2,3%**

Aeronautical revenue increased by +1.7%, driven by traffic growth and increased headline tariffs offset by some recoverable yield dilution as more cleaner & quieter aircraft fly through Heathrow. **Average aeronautical revenue per passenger** declined slightly (-0.8%) to GBP21.75 (GBP21.92 in 1H 2017).

Retail revenue grew by +4.8%, particularly aided by growth in retail concessions, restaurants and advertising, which reflect the robust traffic growth and the increase in passengers willing to carry out in-terminal purchases. Restaurant revenues, also benefitted from refurbishments of restaurants in T5. Net retail revenues per passenger grew by +2.2%, reaching GBP8.62, compared to GBP8.43 in 1H 2017.

Heathrow SP EBITDA grew by +1.6% in 1H 2018, reaching GBP848mn, due to traffic growth and the robust performance of retail revenues, offset by higher costs, due to the greater volume of passengers, improved service, adverse weather conditions and higher expenses linked to the expansion.

User satisfaction

In 1H 2018, Heathrow continued to remain ahead of the main European competitors in terms of user satisfaction achieving a scoring of 4.17 out of 5 from passengers, according to Airport Service Quality (ASQ), and 81% of the passengers surveyed classified their experience in the airport as "excellent" or "very good".

In 2018, Heathrow Terminal 2 was named "Best Terminal in the World" for the first time by Skytrax World Airport Awards. As well as this award, which was voted for by passengers all around the world, Heathrow was also recognised as the "Best Airport in Western Europe" for the fourth year running and "Best Shopping Airport" for the ninth consecutive year.

Regulatory aspects

Regulatory Asset Base (RAB): At 30 June 2018, the RAB reached GBP15,952mn (GBP15,786mn in December 2017).

Regulatory period: The Civil Aviation Authority continues to develop a new regulatory framework for the coming period (H7) with a new consultation report launched in April entitled "Economic regulation of capacity expansion at Heathrow: policy update and consultation". Responses were collected up until 29 June 2018.

The main objective of the CAA in creating the regulatory framework for the coming period (H7) is to achieve the right balance right balance between affordability and financeability.

The current regulatory period (Q6) will be extended until the end of 2021, according to the CAA consultation, to align the beginning of the H7 period with the start of the expansion construction program. For 2020-2021, the CAA has reiterated its intention to maintain the existing Q6 headline tariff of RPI -1.5%, while reestablishing some of the underlying building blocks,

such as passenger forecast, commercial revenues and observable components of the cost of capital.

The CAA will provide greater clarity on the regulatory framework in 2H 2018, when it publishes its upcoming consultation documents.

Expansion: on 25 June 2018, Parliament overwhelmingly supported the expansion of Heathrow by voting in favour of the NPS (National Policy Statement).

Heathrow is preparing the second public consultation on its expansion plans prior to presenting its DCO (*Development Consent Oder*) which approval process is expected in 2021. If Heathrow obtains approval of the DCO, construction will begin in 2021 and the new runway will open in 2026.

Heathrow Airports Holding (HAH) profit and loss account

GBP million	JUN-18	JUN-17	VAR.
Revenues	**1.405**	**1.375**	**2,2%**
EBITDA	**852**	**836**	**1,8%**
EBITDA margin %	60,6%	60,8%	
Depreciation	374	350	-6,9%
EBIT	**477**	**486**	**-1,8%**
EBIT margin %	34,0%	35,4%	
Financial results	-226	-277	18,1%
EBT	251	210	19,7%
Corporate income tax	-53	-47	-12,2%
Net income	198	163	21,9%
Contribution to Ferrovial equity accounted result (EUR mn)	**56**	**47**	**19,0%**

Net Debt HAH

At 30 June 2018, the average cost of Heathrow's external debt was 5.54%, including all the interest-rate, exchange-rate and inflation hedges in place (5.62% in December 2017).

(GBP million)	JUN-18	JUN-17	VAR.
Loan Facility (ADI Finance 2)	75	0	n.a.
Subordinated	1.311	1.325	-1,1%
Securitized Group	12.170	12.234	-0,5%
Cash & adjustments	-33	-40	-18,6%
Total	**13.522**	**13.519**	**0,0%**

The net debt figure relates to FGP Topco, HAH's parent company.

For further information, please see the notes on HAH's results **here**.

UK REGIONAL AIRPORTS (AGS)

AGS Results

In 1H 2018, EBITDA grew by +8.7%, primarily due to an increase in revenue of +4.1%, coupled with operating cost efficiencies, which partially impacted by the loss of income and greater operating costs, due to adverse weather conditions.

(GBP million)	JUN-18	JUN-17	VAR.
Total Revenues AGS	**101**	**97**	**4,1%**
Glasgow	58	55	6,3%
Aberdeen	28	27	3,6%
Southampton	15	15	-2,9%
Total EBITDA AGS	**42**	**39**	**8,7%**
Glasgow	27	24	13,1%
Aberdeen	11	10	7,0%
Southampton	5	5	-7,6%
Total EBITDA margin	**42,1%**	**40,3%**	**179,1**
Glasgow	45,8%	43,0%	276,1
Aberdeen	39,0%	37,7%	124,4
Southampton	33,1%	34,7%	-167,2

AGS net bank debt

At 30 June 2018, the regional airports' net bank debt stood at GBP669mn.

AGS Traffic

In 1H 2018, the number of passengers at AGS declined by -0.8% (7.0 million), due to adverse weather conditions during 1Q 2018, which lead to cancellations, delays and temporary closures. Excluding the adverse weather, traffic rose by +0.6% in 1H 2018.

(Million Passengers)	JUN-18	JUN-17	VAR.
Glasgow	4,5	4,6	-1,2%
Aberdeen	1,5	1,5	1,0%
Southampton	1,0	1,0	-1,3%
Total AGS	**7,0**	**7,1**	**-0,8%**

Glasgow: **4,5 million passengers (-1,2%)**. Domestic traffic fell by -2.6% due to both the drop in the number of routes at London Stansted, and the adverse weather conditions across the whole of the UK during 1Q 2018, which forced the temporary closure of the airport. International traffic fell (-0.1%) owing to the suspension of the United service to New York during the winter months, the suspension of the Air France service and the cancellation of the Wizz routes to Warsaw, Gdansk and Poznan. These reductions in traffic were partially offset by new Ryanair routes (Lisbon, Valencia, Frankfurt, Madrid and Krakow) and new Lufthansa services (Munich and Frankfurt).

Aberdeen: 1.5 million passengers (+1.0%), despite the poor weather. Domestic traffic increased +2.0%, driven by the Flybe route to London Heathrow since 2Q 2017. International traffic declined by -1.2% due to the loss of the Lufthansa Frankfurt and Wizz Warsaw services in 1Q 2018, partially offset by growth in leisure routes, including a full year of Ryanair routes to Alicante, Malaga, Faro and the new route to Malta.

Southampton: 1.0 million passengers (-1.3%). Domestic traffic (-0.6%) was affected by the lower number of routes on the Flybe services from Newcastle, Glasgow and Edinburgh, factors that were partially offset by favourable load factors to the Channel Islands. International traffic declined (-2.4%) due to the cancellation of the BMI and Flybe services to Lyon, Malaga and Paris Orly, partially offset by the new EasyJet service to Geneva and the increase in cargo traffic on the KLM route to Amsterdam.

CONSTRUCTION

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	2.437	2.169	12,3%	16,6%
EBITDA	64	103	-37,5%	-37,2%
EBITDA margin	2,6%	4,7%		
EBIT	47	87	-46,4%	-46,5%
EBIT margin	1,9%	4,0%		
Order book*	11.090	11.145	-0,5%	-0,7%

*Order book compared with December 2017

Revenues increased by +16.6% in comparable terms, with positive performance in all areas. International revenue accounted for 83% of the division's revenues, very much focused on the company's traditional strategic markets: Poland (31%) and North America (30%).

Profitability declined vs. 2017 (EBIT margin 1.9% vs. 4.0%), primarily in the Ferrovial Agroman division, due to tighter margins on projects currently in execution, as well as in Budimex, on increased costs for labour and materials.

BUDIMEX

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	732	624	17,3%	17,2%
EBITDA	35	55	-36,5%	-36,6%
EBITDA margin	4,8%	8,8%		
EBIT	29	51	-42,2%	-42,3%
EBIT margin	4,0%	8,2%		
Order book*	2.464	2.467	-0,1%	4,7%

*Order book compared with December 2017

Revenues in comparable terms increased by +17.2%, with growth in all business segments, with the faster completion of Industrial projects being particularly notable, as well as being driven by contracting levels achieved in 2017. By contrast, there was a decline in profitability (-36.6% in comparable EBITDA), primarily due to higher subcontractor costs, materials and salaries, that are higher than the effect of the profits obtained from final payments on completed projects.

The order book continues to be at a record high, up by +4.7% LfL vs. December 2017. In 1H 2018, contracts reached more than EUR825mn, of which approximately 36% relate to Civil Works contracts awarded in large part due to the 2014-2020 New Highway Plan and 46% to Non-Residential Construction projects. Budimex also has contracts that are currently pending signing or have been signed since 30 June 2018, worth a total of more than +EUR400mn.

WEBBER

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	399	377	5,8%	16,7%
EBITDA	19	17	15,7%	29,9%
EBITDA margin	4,8%	4,4%		
EBIT	15	12	26,1%	42,5%
EBIT margin	3,7%	3,1%		
Order book*	1.338	1.171	14,2%	11,0%

*Order book compared with December 2017

Revenues grew by +16.7% primarily due to the acceleration of Civil Works projects, but there has also been an increase in Non-Residential Construction. EBIT margin continues to remain at very similar levels to last year.

In comparable terms, the order book increased by +11.0%, thanks to strong contracting in the second quarter, which has exceeded EUR500mn so far this year.

FERROVIAL AGROMAN

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	1.306	1.168	11,8%	16,3%
EBITDA	10	32	-67,0%	-68,3%
EBITDA margin	0,8%	2,7%		
EBIT	2	25	-89,9%	-90,5%
EBIT margin	0,2%	2,1%		
Order book*	7.288	7.507	-2,9%	-4,3%

*Order book compared with December 2017

Revenues grew (+16.3% LfL) primarily in the US, following the start of preliminary and design works at Grand Parkway in Houston, the I-66 in Virginia and Denver Airport. Profitability declined to June 2018 (EBIT margin 0.2%) compared to the previous year, primarily due to lesser levels of complexity and tighter margins on projects currently in execution.

ORDER BOOK

(EUR million)	JUN-18	JUN-17	VAR.
Civil work	8.462	8.635	-2,0%
Residential work	347	382	-9,2%
Non-residential work	1.602	1.347	19,0%
Industrial	679	782	-13,2%
Total	**11.090**	**11.145**	**-0,5%**

*Order book compared with December 2017

The order book decreased by -0.7% LfL compared to December 2017. The civil works segment remains the largest segment (76%), and very selective criteria are maintained when participating in tenders. The international order book amounted to EUR9,934mn, far more than the domestic order book (EUR1,156mn), and represented 90% of the total.

The Cintra share in the Construction order book, excluding Webber and Budimex, accounted for 41.5% of the order book at the end of June, vs. 42.9% in December 2017.

The order book figure at June 2018 does not include pre-awarded contracts or contracts for which commercial or financial agreement has not been finalised. These amount to over EUR700mn, notable among which are the aforementioned Budimex contracts, as well as the construction of a Toll road in Colombia (Bucaramanga-Barrancabermeja-Yondó).

SERVICES

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	3.238	3.654	-11,4%	-7,8%
EBITDA	-83	212	-139,3%	-140,6%
EBITDA Ex-BHM	**153**	**217**	**-29,1%**	**-26,7%**
EBITDA margin	-2,6%	5,8%		
EBITDA margin Ex-BHM	**4,7%**	**6,0%**		
EBIT	-183	72	n.s.	n.s.
EBIT Ex-BHM	**54**	**76**	**-28,7%**	**-27,8%**
EBIT margin	-5,6%	2,0%		
EBIT margin Ex-BHM	**1,7%**	**2,1%**		
Order book*	19.084	19.329	-1,3%	0,3%

BHM (Birmingham Contract) *Order book compared with December 2017

In 1H 2018, Services revenue reached EUR3,238mn, falling by -11.4% compared to 1H 2017. This variation reflects the reduced activity in the UK, due to the end of the construction phase in projects that have become operational, and the selective tendering policy adopted by the company that involves withdrawing from non-profitable contracts, focusing on activities with higher profitability (Consulting & Rail). Australia also contributed to the decline, due to the ending of the contract with the Australian Government Department of Immigration.

Revenues in Spain grew by +3.8%, driven by strong performance from treatment and industrial maintenance activities. International increased revenue by +14.2% LfL, thanks to positive business growth performance in all markets (of particular note were North America, Poland and Portugal).

EBITDA stood at -EUR83mn, EUR295mn less than in 1H 2017, as a result of the impact from the Birmingham contract in the UK. Excluding this effect and in comparable terms, the Services EBITDA stood at EUR153mn (4.7% EBITDA margin), down -26.7% compared to 1H 2017, primarily due to the ending of the immigration contract in Australia in October 2017.

The order book (EUR19,084mn) decreased by -1.3% vs December 2017.

SPAIN

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	968	933	3,8%	3,8%
EBITDA	101	98	3,2%	3,2%
EBITDA margin	10,4%	10,5%		
EBIT	56	52	8,8%	8,8%
EBIT margin	5,8%	5,5%		
Order book*	4.945	4.992	-0,9%	-0,9%

*Order book compared with December 2017

Revenues in Spain grew by +3.8% as compared with June 2017, largely driven by greater volumes in treatment and industrial maintenance. This revenue growth is carried through in percentage terms to EBITDA, which grew by +3.2%.

At June 2018, the order book volume stood at EUR4,945mn (-0.9% compared with December 2017). The performance of the order book is directly linked to the slowdown in public tenders, whose impact on revenues has been offset by the subsequent grant of extensions. In this regard, during 2017 contracts to the value of EUR460mn were extended, if this had been secured via contract awards, it would have resulted in an order book increase of EUR1,243mn (+15% on the order book at year-end 2017).

Notable among the contract awards in the first half of the year were the new contract for the bicycle rental service in Barcelona (EUR121mn, 10 years), the concession contract for the Torrejón de Ardoz sports centre (EUR47mn, 40 years), the Aena service contract for persons with reduced mobility at the Malaga, Seville and Jerez airports (EUR31mn, 4 years) and the extension of the comprehensive services management in the Ourense Hospital (EUR39mn, 11 years and 4 months). In the renovations and extensions section, notable were the renewal of the Line 010 Madrid Public Information Service, (EUR42mn, 4 years), the renewal of the cleaning contract at the Madrid Metro stations on Lines 1 and 7 (EUR25mn, 4 years), the extension of the trainline cleaning and collection contract in Pontevedra (EUR15mn, 3 years) and the extension of the M-40 and A-3 highway maintenance contract (EUR6mn, 1 year).

UK

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	1.162	1.329	-12,6%	-10,4%
EBITDA	-220	31	n.s.	n.s.
EBITDA Ex-BHM	17	35	-51,6%	-50,4%
EBITDA margin	-18,9%	2,4%		
EBITDA margin Ex-BHM	1,5%	2,7%		
EBIT	-233	13	n.s.	n.s.
EBIT Ex-BHM	3	17	-80,1%	-79,6%
EBIT margin	-20,1%	1,0%		
EBIT margin Ex-BHM	0,3%	1,3%		
Order book*	9.347	8.895	5,1%	4,6%

BHM (Birmingham Contract) *Order book compared with December 2017

In the UK, revenues fell by -12.6% compared with the first half of 2017 (-10.4% in comparable terms). As previously mentioned, the drop in activity was affected by the completion of the capex phase in the major toll road and environment contracts, and the withdrawal from non-profitable contracts, which are partially offset with a greater volume of mainly Consulting & Rail. These contracts are expected to have a greater contribution in 2H 2018.

Margin performance was significantly affected by the Birmingham contract. Excluding this effect, the EBITDA margin would have stood at 1.5%. This result is in line with expectations for this period. It must be noted that in the first half the construction phases of Sheffield and Milton Keynes have been completed, resulting in one-off losses of -EUR17mn. Adjusting for this, the company would have registered EBITDA of EUR30mn, increasing its EBITDA margin from 1.5% to 3.1%.

The company continues to focus on improving contracts with low rates of return, and on withdrawing from non-profitable contracts. In this regard, of note was the completion of the Liverpool contract in January 2018, following on from the other withdrawals at year-end 2017 of ASC 6&8 in Highways and Affinity Water. In 2H 2018, Amey will remain focused on the asset divestment plan, focusing on PFIs and joint ventures in non-strategic sectors. As such, the Company expects margins to improve and end the year at the expected level.

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. The Court overturned the judgement in which the High Court found in favour of Amey in September 2016. In talks with the Council regarding the execution of the ruling it was stated that said investments must be made during the initial phase of the investment (capex) and not during the lifecycle, as was thought to date. As the related income for this phase of capex has been fully utilised, a provision was registered for the pending costs required to effectively comply with the ruling. In addition, the company reassessed its forecasts regarding the level of penalties and extraordinary deductions, given the stance that the Council has been seen to adopt during recent months, when it has applied penalties and deductions in extremely high amounts. All of this led the Company to register an additional provision in 1Q 2018

in the amount of -EUR237mn, classifying this as an onerous contract.

In June, the order book stood at EUR9,347mn, up +5.1% compared with December 2017. In the increase, of particular note is the recent contract with the Welsh Department of Transport, which includes the operation of the train service for 15 years, the design and transformation of the current rail network for 5 years and the infrastructure management (15 years). This contract, which will be operated in consortium with Keolis, brings an order book of EUR472mn for the design and infrastructure management. Furthermore, also of note is the extension of the maintenance contract for the toll roads in Area 7 for EUR368mn (12 years), the EUR180mn relating to the purchase of Carillion contracts for the electrification of the Midland and North-East railway lines (2 years), and the new contract award for the design and construction of electrical substations in the south of the UK for EUR71mn (5 years). In the third quarter of the year subject to the authorisation of the European Competition Authority, Amey will fully integrate (100%) the defense contracts which are currently developed as JVs with Carillion. The expected annual impact is EUR570mn with a 7% margin.

AUSTRALIA SERVICES

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	862	1.164	-25,9%	-19,3%
EBITDA	25	77	-67,8%	-64,9%
EBITDA margin	2,9%	6,6%		
EBIT	-7	9	-172,5%	-179,0%
EBIT margin	-0,8%	0,8%		
Order book*	3.505	3.981	-12,0%	-9,6%

*Order book compared with December 2017

In 1H 2018, Australia Services revenue reached EUR862mn, falling by -19.3% LfL compared to 1H 2017. This reduction was due to two factors: the ending of the immigration contract, which contributed EUR198mn in the first six months of 2017 (excluding this contract, and in LfL terms, revenue would have fallen by -1%) and the strategy of ending non-profitable contracts such as East Noc (highway maintenance) and University of New Castle (facility management). Also of note is the sale completed in June 2018 of the light city bus transport service in a sector of Adelaide.

In 1H 2018, Australia Services has contributed an EBITDA of EUR25mn (2.9% of EBITDA margin), in line with forecasts for the year. The Australia Services account includes an expense of EUR10mn relating to the amortisation of the intangible fixed asset created by the acquisition. Net intangible assets amount to EUR84mn, and this figure will be gradually written down over the coming 8 years.

The order book at June 2018 stood at EUR3,505mn, a -9.6% LfL decline, compared to December 2017. This decline is largely due to the administration's delay with the large contract awards that the company has placed a tender for and for which the results are expected in the coming months. (It is also worth noting that this delay is being offset by contract extensions, such as the Facility Management services contract for New South Wales schools for EUR50mn, that would have resulted in an order book increase of circa EUR375mn (+10%) if it had been renewed). Lastly, it is worth noting that the company is the preferred bidder in contracts in the amount of EUR450mn, equating to 12% of the order book at end-June.

Among the contract awards for 1H 2018, of note are the extension of the public cleaning services contract for schools and government buildings in 3 regions (North and West Sydney and Hunter Valley) for EUR51mn (8 months), the renewal of the operating and maintenance contract for waste water treatment in Northland (New Zealand) for EUR50mn (7 years), the renewal of the road maintenance contract in Far North (New Zealand) for EUR28mn (4 years) and the construction of a waste water treatment plant in Queensland (EUR24mn, 2 years). Also of note are the opportunities identified in the country, which amount to approximately EUR16,000bn, (vs EUR20,00bn previously reported), in the Company's main business lines: transport, natural resources, defence, maritime services and environmental. The reduction is due to a more rigorous selection of opportunities and strategic fit.

INTERNATIONAL SERVICES

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Revenues	245	229	7,2%	14,2%
EBITDA	11	7	56,7%	59,5%
EBITDA margin	4,5%	3,0%		
EBIT	1	-3	148,5%	153,3%
EBIT margin	0,5%	-1,1%		
Order book*	1.287	1.460	-11,9%	5,1%

*Order book compared with December 2017

Revenues from International business amounted to EUR245mn for the first half of 2018, up by +14.2% LfL. There has been a general improvement across all geographies, particularly in North America, Poland and Portugal.

EBITDA has also performed well, coming in at EUR11mn, equating to an increase of +59.5% versus 1H 2017, in comparable terms. As with revenues, all countries contributed to this improvement, except Chile, which was down EUR2mn versus 1H 2017 (-23.3%), owing to contract delays.

The order book stood at EUR1,287mn. In comparable terms (excluding the exchange rate and using the same calculation criteria as the rest of the businesses) it increased by +5.1%. Particularly notable among the contracts awarded this year is the highway maintenance contract in Duval, Florida (USA), amounting to EUR72mn (10 years), the new highway maintenance contract from Peel Halton for EUR60mn (7 years) and the operations and maintenance of the hydrometallurgical plant in the Salvador (Chile) Division for EUR24mn (5 years).

BALANCE SHEET

	JUN-18	DIC-17		JUN-18	DIC-17
FIXED AND OTHER NON-CURRENT ASSETS	**15.321**	**14.927**	**EQUITY**	**6.004**	**6.234**
Consolidation goodwill	**2.059**	**2.062**	Capital & reserves attrib to the Company´s equity holders	5.273	5.503
Intangible assets	**404**	**431**	Minority interest	731	731
Investments in infrastructure projects	**7.320**	**6.917**	**Deferred Income**	**1.159**	**1.037**
Property	**6**	**6**			
Plant and Equipment	**661**	**694**	**NON-CURRENT LIABILITIES**	**10.158**	**9.871**
Equity-consolidated companies	**2.657**	**2.687**	**Pension provisions**	**27**	**66**
Non-current financial assets	**853**	**769**	**Other non current provisions**	**757**	**808**
Long term investments with associated companies	351	312	**Financial borrowings**	**7.870**	**7.511**
Restricted Cash and other non-current assets	353	285	Financial borrowings on infrastructure projects	5.526	5.363
Other receivables	150	172	Financial borrowings other companies	2.344	2.149
Deferred taxes	**1.063**	**1.035**	**Other borrowings**	**203**	**198**
Derivative financial instruments at fair value	**298**	**326**	**Deferred taxes**	**931**	**900**
			Derivative financial instruments at fair value	**369**	**387**
CURRENT ASSETS	**8.131**	**8.063**			
Assets classified as held for sale	**0**	**0**	**CURRENT LIABILITIES**	**6.131**	**5.848**
Inventories	**644**	**629**	**Liabilities classified as held for sale**	**0**	**0**
Trade & other receivables	**2.915**	**2.635**	**Financial borrowings**	**742**	**839**
Trade receivable for sales and services	2.411	2.032	Financial borrowings on infrastructure projects	66	207
Other receivables	504	603	Financial borrowings other companies	676	631
Taxes assets on current profits	**141**	**143**	**Derivative financial instruments at fair value**	**93**	**65**
Cash and other temporary financial investments	**4.380**	**4.601**	**Trade and other payables**	**4.298**	**4.221**
Infrastructure project companies	394	463	Trades and payables	2.318	2.283
Restricted Cash	43	58	Other non comercial liabilities	1.980	1.938
Other cash and equivalents	351	405	**Liabilities from corporate tax**	**112**	**94**
Other companies	3.985	4.137	**Trade provisions**	**886**	**629**
Derivative financial instruments at fair value	**52**	**55**			
TOTAL ASSETS	**23.452**	**22.990**	**TOTAL LIABILITIES & EQUITY**	**23.452**	**22.990**

RESULTS

(EUR million)	BEFORE FAIR VALUE ADJ.	FAIR VALUE ADJUESTMENT	JUN-18	BEFORE FAIR VALUE ADJ.	FAIR VALUE ADJUESTMENT	JUN-17
Revenues	5.935		**5.935**	6.059		**6.059**
Other income	2		2	3		3
Total income	5.937		5.937	6.062		6.062
COGS	5.815		5.815	5.593		5.593
EBITDA	122		**122**	469		**469**
EBITDA margin	2,1%		2,1%	7,7%		7,7%
Period depreciation	157		157	194		194
EBIT (ex disposals & impairments)	-34		**-34**	275		**275**
EBIT (ex disposals & impairments) margin	-0,6%		-0,6%	4,5%		4,5%
Disposals & impairments	5	-22	-18	25	5	30
EBIT	-30	-22	**-52**	300	5	**305**
EBIT margin	-0,5%		-0,9%	4,9%		5,0%
FINANCIAL RESULTS	-130	11	**-119**	-187	40	**-147**
Financial result from financings of infrastructures projects	-120		-120	-132		-132
Derivatives, other fair value adjustments & other financial result from infrastructure projects	-3	0	-4	-3		-3
Financial result from ex infra projects	3		3	-20		-20
Derivatives, other fair value adjustments & other ex infra projects	-9	11	2	-31	40	8
Equity-accounted affiliates	104	31	135	87	32	119
EBT	-55	19	**-36**	200	77	**277**
Corporate income tax	-20	3	-17	-16	-2	-18
NET INCOME FROM CONTINUED OPERATIONS	-75	22	**-53**	184	75	**259**
Net income from discontinued operations						
CONSOLIDATED NET INCOME	-75	22	**-53**	184	75	**259**
Minorities	-19	0	-19	-19	0	-19
NET INCOME ATTRIBUTED	-94	22	**-72**	165	75	**240**

REVENUES

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Toll Roads	208	221	-5,8%	14,8%
Airports	7	4	83,0%	98,2%
Construction	2.437	2.169	12,3%	16,6%
Services	3.238	3.654	-11,4%	-7,8%
Others	45	11	n.a.	n.a.
Total	**5.935**	**6.059**	**-2,1%**	**2,4%**

EBITDA

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Toll Roads	136	156	-12,9%	11,4%
Airports	-7	-7	5,0%	8,5%
Construction	64	103	-37,5%	-37,2%
Services	-83	212	-139,3%	-140,6%
Others	12	5	n.a.	n.a.
Total	**122**	**469**	**-73,9%**	**-71,4%**

DEPRECIATION

Depreciation fell -19.3% in 1H 2018 (-15.3% LfL), to EUR194mn.

EBIT

(Before impairments and disposals of fixed assets)

(EUR million)	JUN-18	JUN-17	VAR.	LIKE FOR LIKE
Toll Roads	99	121	-18,4%	10,9%
Airports	-8	-8	4,4%	6,4%
Construction	47	87	-46,4%	-46,5%
Services	-183	72	n.s.	n.s.
Others	11	3	n.a.	n.a.
Total	**-34**	**275**	**-112,5%**	**-114,2%**

IMPAIRMENTS & DISPOSALS

Impairments and disposals of fixed assets amounted to -EUR18mn at 30 June 2018, accounted for by the additional impairment applied to Autema (-EUR18mn). In 1H 2017, this figure rose to EUR30mn.

FINANCIAL RESULT

(EUR million)	JUN-18	JUN-17	VAR.
Infrastructure projects	-120	-132	9,6%
Ex infra projects	3	-20	112,8%
Net financial result (financing)	**-117**	**-153**	**23,4%**
Infrastructure projects	-4	-3	-29,5%
Ex infra projects	2	8	-79,1%
Derivatives, other fair value adj & other financial result	**-2**	**6**	**-133,5%**
Financial Result	**-119**	**-147**	**19,2%**

Financial expenses in 1H 2018 were less than compared to the corresponding period in 2017, as a combination of the following impacts:

- **Financing result:** EUR36mn drop in expenses to -EUR117mn. The change compared with 1H 2017 was primarily due to the following impacts:

  In the **infrastructure area**, expenses fell by EUR12mn, primarily due to the deconsolidation of assets in 2017:

  - Norte Litoral: (4 months' global consolidation in 2017, generating EUR3mn in financial expenses).
  - Algarve (9 months' global consolidation in 2017, generating EUR6mn in financial expenses).

  In the **ex-projects area**, EUR3mn in financial income compared to EUR20mn of expenses in 1H 2017, primarily due to improved conditions following the restructuring of Australia Services, along with the depreciation of the bond issued in 2013, for EUR500mn.

- **Result from derivatives and others:** EUR8mn more in financial expenses to -EUR2mn in 1H 2018, vs. EUR6mn in financial income in 1H 2017, mainly due to the hedges provided by equity swaps linked to payment plans, with no impact on cash flow. These hedges led to expenses of -EUR1mn at the close of 1H 2018, due to the negative performance of the share price, as compared with its positive performance in 1H 2017, as shown in the following table:

DATE	CLOSING PRICE (€)
31-dic-16	17,00
30-jun-17	**19,44**
31-dic-17	18,93
30-jun-18	**17,58**

EQUITY-ACCOUNTED RESULTS

At net profit level, equity-accounted consolidated assets contributed EUR135mn after tax (against EUR119mn in 1H 2017).

(EUR million)	JUN-18	JUN-17	VAR.
Toll Roads	68	64	7,1%
Airports	57	43	30,2%
Construction	0	-1	106,2%
Services	10	13	-25,0%
Total	**135**	**119**	**12,8%**

This improvement was due to the positive development of the Toll Roads (net profit at 407 ETR rose by +6.7%), together with the increase in Heathrow's contribution (EUR57mn in 1H 2018), primarily due to the positive mark to market inflation hedge performance.

TAXES

Corporate income tax for the first half amounted to -EUR17mn compared with -EUR18mn at the close of 1H 2017 (the latter impacted by the capital gains obtained from the Norte Litoral toll road divestment).

In addition, there are several impacts that must be considered when calculating the effective corporate tax rate, among which we highlight:

- The results from companies integrated through equity consolidation which, according to accounting policies, are presented net of their tax impact, which amount to EUR135mn.
- The Birmingham contract provision registered without tax impact, in the Services division, of -EUR237mn.
- Losses generated in Construction and Services projects, which take place outside of Spain, which do not generate tax credits, amounting to -EUR23mn.

Adjusting for the above, the tax impact would have reached EUR88mn and the effective tax rate 20% (-EUR18mn corporate tax impact over the EUR88mn fiscal result).

NET PROFIT

Net profit stood at -EUR72mn in 1H 2018 (EUR240mn in 1H 2017) excluding infrastructure projects. This result includes a series of impacts, notable among which were:

- Impact of the provision set aside for the Birmingham contract in Services: -EUR237mn.
- Fair value adjustments for derivatives: +EUR38mn (EUR55mn in 1H 2017), primarily impacted by derivatives from Toll Roads in Canadian Dollars, offset by the HAH derivatives, as previously mentioned.
- Impairment at Autema: -EUR13mn (-EUR14mn in 1H 2017).

NET DEBT AND CORPORATE CREDIT

NET DEBT

The net treasury position, excluding infrastructure projects, stood at EUR906mn at 30 June 2018 vs. EUR1,341mn in December 2017.

The main drivers of this change in the net cash position ex-infrastructure projects included the following:

- **Larger investments** that amounted to -EUR135mn in 1H 2018 (vs. -EUR126mn in 1H 2017).
- **Fewer divestments** amounting to +EUR48mn in 1H 2018, compared to +EUR167mn in 1H 2017, of which EUR59mn equated to the sale of a 3.9% holding in Budimex and EUR104mn obtained from the sale of 51% of Norte Litoral.
- **Higher shareholder remuneration of -EUR197mn** compared to -EUR129mn in 1H 2017, due to an increase in the purchase of treasury stock during 1H 2018 compared to 1H 2017.
- **Working capital** stood at -EUR482mn in 1H 2018, compared to -EUR529mn in 1H 2017.
- **Dividends received from projects and capital reimbursements (+EUR307mn):** this figure is a +18.5% increase compared to the dividends received in 1H 2017 (EUR259mn). In 1H 2018, particularly notable was the contribution from 407 ETR (EUR130mn), along with Airports, which paid out EUR87mn, a strong decline compared to EUR113mn in 1H 2017 due to the contribution from AGS which included an extraordinary dividend after the refinancing in 1Q 2017. The contribution of dividends from Services reached EUR81mn (vs EUR13mn in 1H 2017), primarily from projects in Services in Spain (+EUR69mn).

Net project debt stood at EUR4,816mn (EUR4,804mn in December 2017). This net debt includes EUR856mn that relates to toll roads under construction (NTE 35W and I-77).

The Group's **consolidated net group debt** at 30 June 2018 stood at EUR3,909mn (compared with EUR3,463mn in December 2017).

(EUR million)	JUN-18	JUN-17
NCP ex-infrastructures projects	**906**	**1.341**
Toll roads	-4.336	-4.274
Others	-479	-530
NCP infrastructures projects	**-4.816**	**-4.804**
Total Net Cash /(Debt) Position	**-3.909**	**-3.463**

(EUR million)	JUN-18	JUN-17
Gross financial debt	**-8.622**	**-8.367**
Gross debt ex-infrastructure	-3.030	-2.797
Gross debt infrastructure	-5.592	-5.570
Gross Cash	**4.713**	**4.904**
Gross cash ex-infrastructure	3.968	4.156
Gross cash infrastructure	745	748
Total net financial position	**-3.909**	**-3.463**

CORPORATE CREDIT RATING

AGENCY	RATING	OUTLOOK
S&P	BBB	Estable
Fitch Ratings	BBB	Estable

EX-INFRASTRUCTURE DEBT MATURITIES

YEAR	CORPORATE DEBT MATURITIES
2018*	610
2019	87
2020	4
2021 – 2031	2.304
2031 – 2041	0
>2041	4

(*) In 2018, the ex-infrastructure debt includes ECPs (Euro Commercial Paper) amounting EUR586mn, with average cost -0.25%.

CONSOLIDATED CASH FLOW

JUN-18	EXINFRASTRUCTURE PROJECTS CASH FLOW	INFRASTRUCTURE PRROJECTS CASH FLOW	ADJUSTMENTS	TOTAL CASH FLOW
EBITDA	-93	216		122
BHM provision with no cash impact	198			198
Dividends received	307		-77	229
Working capital variation (account receivables, account payables and others)	-482	-57		-539
Operating flow (before taxes)	**-71**	**159**	**-77**	**11**
Tax payment	2	-2		-1
Operating Cash Flow	**-69**	**156**	**-77**	**10**
Investments	-135	74	35	-27
Divestments	48			48
Investment cash flow	**-87**	**74**	**35**	**22**
Activity cash flow	-156	230	-43	32
Interest flow	-23	-95		-118
Capital flow from Minorities	0	66	-35	31
Scrip dividend	-100			-100
Treasury share repurchase	-97			-97
Ferrovial shareholder remuneration	-197			-197
Other shareholder remmuneration for subsidiary minorities	-48	-78	77	-48
Forex impact	-16	-90		-106
Variation of Bridge Loans (project financing)				
Changes in the consolidated perimeter	-5			-5
Other debt movements (non cash)	11	-45		-34
Financing cash Flow	-278	-242	43	-478
Net debt variation	**-434**	**-12**		**-446**
Net debt initial position	**1,341**	**-4,804**		**-3,463**
Net debt final position	**906**	**-4,816**		**-3,909**

JUN-17	EXINFRASTRUCTURE PROJECTS CASH FLOW	INFRASTRUCTURE PRROJECTS CASH FLOW	ADJUSTMENTS	TOTAL CASH FLOW
EBITDA	243	226		469
Dividends received	259		-2	257
Working capital variation (account receivables, account payables and others)	**-529**	**-11**		**-540**
Operating flow (before taxes)	-27	215	-2	187
Tax payment	-12	-4		-16
Operating Cash Flow	-38	211	-2	171
Investments	-126	-164	23	-267
Divestments	167			167
Investment cash flow	**41**	**-164**	**23**	**-100**
Activity cash flow	2	47	21	71
Interest flow	-39	-108		-147
Capital flow from Minorities	-1	44	-23	20
Scrip dividend	-93			-93
Treasury share repurchase	-35			-35
Ferrovial shareholder remuneration	-129			-129
Other shareholder remmuneration for subsidiary minorities	-46	-2	2	-46
Forex impact	-8	244		236
Other equity movements				
Variation of Bridge Loans (project financing)		-36		-36
Other debt movements (non cash)	33	-45		-12
Financing cash Flow	-191	97	-21	-114
Net debt variation	**-188**	**145**		**-43**
Net debt initial position	**697**	**-4,963**		**-4,266**
Net debt final position	**509**	**-4,819**		**-4,310**

CASH FLOW EX- INFRAESTRUCTURE PROJECTS

Activity cash flow ex-infrastructure *:

Details of Activity Cash Flow ex-infrastructure are as follows:

2018	OPERATING CF*	NET INVESTM. CF*	ACTIVITY CF*
Toll Roads Dividends	138	-36	102
Airports Dividends	87	0	87
Construction	-169	-13	-182
Services	-75	-38	-113
Other	-52	0	-52
Total	**-71**	**-87**	**-158**

2017	OPERATING CF*	NET INVESTM. CF*	ACTIVITY CF*
Toll Roads Dividends	134	70	203
Airports Dividends	113	0	113
Construction	-260	40	-220
Services	62	-68	-6
Other	-75	-1	-76
Total	**-27**	**41**	**14**

*Before taxes and operations receipts and payments

Operating Cash flow from ex-infrastructure

Operating Cash flow from ex-infrastructure totalled -EUR71mn (before tax) as at the end of June 2018 which was lower than the -EUR27mn recorded in June 2017, due mainly to the performance of the Services operating cash flows. On the other hand, Construction improved its operating cash flow in +EUR91mn compared to 1H 2017, although it remains negative due to the negative transitional evolution of Budimex working capital.

By contrast, the contribution made by the main infrastructure projects improved their contribution as the result of the collection of dividends (EUR307mn in 1H 2018 vs. EUR259mn in 1H 2017).

Changes in operating cash flow from ex-Infrastructure by division in 2018 as compared with 2017, are shown in the following table:

Operating cash flow	JUN-18	JUN-17
Dividends from Toll Roads	138	134
Dividends from Airports	87	113
Construction	-169	-260
Services	-75	62
Other	-52	-75
Operating flow (before taxes)	**-71**	**-27**
Tax payment	2	-12
Total	**-69**	**-38**

The entry "Others" includes the operating cash flow corresponding to Corporate Business, headquarters of Airports and Toll Roads as well as the Real Estate business in Poland.

Breakdown of cash flow from **Construction and Services:**

Construction	JUN-18	JUN-17
EBITDA	64	103
EBITDA from projects	7	7
EBITDA Ex projects	57	96
Dividends received	1	0
Provision variation with no cash impact	4	-25
Changes in factoring	-16	-12
Ex Budimex Working Capital	5	-108
Budimex Working Capital	-220	-211
Working capital variation (account receivables, account payables and others)	-227	-357
Operating Cash Flow before Taxes	**-169**	**-260**

Services	JUN-18	JUN-17
EBITDA	-83	212
EBITDA from projects	39	42
EBITDA Ex projects	-123	170
BHM provision with no cash impact	198	
Dividends received	81	13
Changes in factoring	-17	20
Pensions payments UK	-7	-17
Ex UK Working Capital	-17	3
UK Working Capital	-190	-127
Working capital variation (account receivables, account payables and others)	-232	-121
Operating Cash Flow before Taxes	**-75**	**62**

The following table shows a breakdown of the **Services** business:

	SPAIN	UK	AUSTRALIA	INTERNATIONAL	SERVICES
EBITDA Ex-infrastructure	66	-224	25	11	-123
Dividends received	69	10	0	2	81
Changes in factoring	-12	0	-6	0	-17
Pension scheme payments	0	-7	0	0	-7
Working capital	15	7	-12	-21	-10
Op. cash flow ex-Taxes	**139**	**-213**	**8**	**-8**	**-75**

Breakdown of cash flow from **Toll Roads and Airports:**

The revenue from **Toll Roads** operations amounted to EUR138mn in 2017, resulting from dividends and capital reimbursements from companies owning toll road infrastructure projects.

Dividends and Capital reimbursements	JUN-18	JUN-17
ETR 407	130	131
Irish toll roads	0,4	1
Portuguese toll roads	3	0
Greek toll roads	2	0
Spanish toll roads	0,3	1
Other	1	0
Total	**138**	**134**

Dividends and capital reimbursements from **Airports** (EUR87mn) include dividends received from HAH (EUR66mn) and AGS (EUR13mn). The AGS dividend in 1H 2017 (EUR58mn) was higher than that received in 1H 2018 due to the extraordinary dividend paid following the refinancing obtained in 1Q 2017.

Airports	**JUN-18**	**JUN-17**
HAH	66	55
AGS	13	58
Others	7	0
Total	**87**	**113**

Ex-infrastructure investment cash flow

The following table shows the breakdown by business segment of investment cash flow, excluding Infrastructure projects, with a separate entry in each case for the amounts paid for investments undertaken and the amounts received from divestments made:

JUN-18	INVESTMENT	DIVESTMENT	INVESTMENT CASH FLOW
Toll Roads	-36	0	-36
Airports	0	0	0
Construction	-20	7	-13
Services	-79	41	-38
Others	0	0	0
Total	**-135**	**48**	**-87**

JUN-17	INVESTMENT	DIVESTMENT	INVESTMENT CASH FLOW
Toll Roads	-34	104	70
Airports	0	0	0
Construction	-22	63	40
Services	-68	0	-68
Others	-2	0	-1
Total	**-126**	**167**	**41**

The net investment cash flow in 2018 (-EUR87mn) includes:

- Investments reached -EUR135mn vs. -EUR126mn in 1H 2017. In 1H 2018, investments excluding acquisitions reached -EUR133mn.
- Divestments reached +EUR48mn in 1H 2018:
  - EUR34mn received in Services, obtained following Australia Services sale of its 20% stake in Ratch-Australia.
  - EUR6mn received in Construction for the disposal of Cadagua, following the sale of Al Ghubrah.

Ex-infrastructure financing cash flow

Financing cash flows include:

- **Shareholder remuneration cash flow:** -EUR197mn for Ferrovial shareholders, which includes the cash payment of the scrip dividend of -EUR100mn and the share buy-back for -EUR97mn. Dividends to minorities in subsidiaries also reached -EUR48mn.
- **Net interest payments** for the first half of the year (-EUR23mn).
- **FX impact** (-EUR16mn), which originates from the operating cash for the businesses outside the Eurozone and the positions held in currencies, mainly in American and Canadian dollars (-EUR55mn), partially offset by exchange rate derivatives (+EUR38mn).
- **Other non-cash flow related movements** (+EUR11mn), which also includes book debt movements that do not affect cash flow, such as interest that has been accrued and remains unpaid, mainly resulting from interest accrued from corporate bonds.

INFRASTRUCTURE PROJECT CASH FLOW

Cash flow from infrastructure

As regards cash flows for companies that own Infrastructure project concessions, these basically include cash flow from those companies that are currently in operation, though they also include VAT refunds corresponding to projects currently in the construction phase.

The following table shows a breakdown of cash flow operations for infrastructure projects.

(EUR million)	**JUN-18**	**JUN-17**
Toll roads	130	184
Other	27	27
Operating flow	**156**	**211**

Infrastructure investment cash flow

The following table shows a breakdown of the investment cash flows for infrastructure projects, mainly payments made in respect of capex investments over the first half of the year.

Investment cash flow	**JUN-18**	**JUN-17**
LBJ	-3	-7
NTE	-1	-6
NTE 35W	-100	-107
I-77	-88	-44
Portuguese toll roads	0	-1
Spanish toll roads	-1	-1
Others	0	0
Total toll roads	**-194**	**-166**
Others	126	-22
Projects total	**-68**	**-188**
Equity Subsidy	142	24
Total investment cash flow (projects)	**74**	**-164**

Infrastructure financing cash flow

Financing cash flow includes the payment of dividends and the repayment of equity by concessionary companies to their shareholders, along with the payments for share capital increases received by these companies. In the case of concession holders which are globally integrated within Ferrovial, these amounts represent 100% of the

amounts paid out and received by the concession-holding companies, regardless of the percentage share that the Company holds in such concessions. No dividend or equity repayment is included for companies accounted for by the equity method.

The interest cash flow refers to the interest paid by the concession-holding companies, together with other fees and costs closely related to the acquisition of financing. The cash flow for these items relates to interest expenses for the period, along with any other item that represents a direct change in the net debt amount for the period.

Interest Cash Flow	JUN-18	JUN-17
Spanish toll roads	-31	-31
US toll roads	-38	-44
Portuguese toll roads	-7	-14
Other toll roads	0	0
Total toll roads	**-77**	**-89**
Other	-18	-19
Total	**-95**	**-108**

The financing cash flow also includes the impact that changes in the interest rate have had on the debt held in foreign currency, which in 1H 2018 was a negative impact in the amount of -EUR90mn, mainly as the result of the appreciation of the US dollar against the euro, a circumstance that had a significant effect on the net debt figure for the American toll roads.

SHAREHOLDER REMUNERATION

The company held its AGM on 5 April 2018. The AGM approved two capital increases, by means of the issuance of new ordinary shares, with no issue premium, of the same class and series as those at present in circulation, charged to reserves.

The first of the scrip issues (equivalent to the 2017 complementary dividend) took place in May 2018, with the following result:

Scrip Dividend details	MAY-18
Guaranteed set price to purchase rights	0,314
Rights per share	56
% shareholders chose shares as dividends	53,91%
% shareholders chose cash as dividends	46,09%
Number of new shares issued	7.049.868
Number of rights purchase	337.472.827

SHARE BUY-BACK AND CANCELLATION

The AGM held on 5 April also approved a share capital reduction through the acquisition and subsequent cancellation of the company's own shares. The aim of the programme was to contribute to the company's shareholder remuneration policy by means of increasing earnings per share.

This share buy-back programme has a ceiling of EUR275mn, or 19 million shares, and a duration from 5 June 2018 to 27 November 2018.

In addition to the above plan to buy back the Company's own shares, at end-June 2018, Ferrovial held 7,290,736 shares, of which 1,439,148 shares were acquired in 2017 and are due to be amortised over the course of 2018.

Ferrovial's share capital figure as of 30 June 2018 amounted to EUR147,863,068, all fully subscribed and paid up. The share capital comprises 739,315,340 ordinary shares of one single class, each with a par value of twenty-euro cents (EUR0.20).

SHAREHOLDER STRUCTURE

Significant holdings in the share capital of Ferrovial S.A., as detailed by the Spanish Stock Market Commission (CNMV):

- **Rijn Capital BV,** (a company controlled by Rafael del Pino y Calvo-Sotelo): 20.1%
- **Menosmares, S.L.U.,** (a company controlled by María del Pino y Calvo-Sotelo): 8.1%.
- **Siemprelara S.L.U.,** (a company controlled by Leopoldo del Pino y Calvo-Sotelo): 5.0%.
- **Blackrock** held 3.184% at the end-June 2018.
- **Fidelity International Limited** held 1.001% at the end-June 2018.

APPENDIX I: EXCHANGE-RATE MOVEMENTS

Exchange rates expressed in units of currency per Euro, with negative variations representing euro depreciation and positive variations euro appreciation.

	EXCHANGE RATE LAST (BALANCE SHEET)	CHANGE 18/17	EXCHANGE RATE MEAN (P&L)	CHANGE 18/17
GBP	0,8851	-0,44%	0,8802	2,43%
US Dollar	1,1677	-2,87%	1,2067	10,30%
Canadian Dollar	1,5350	1,93%	1,5468	6,35%
Polish Zloty	4,3765	4,81%	4,2461	-0,10%
Australian Dollar	1,5793	2,63%	1,5730	8,98%

APPENDIX II: SIGNIFICANT EVENT NOTICES.

- **On 5 April, Ferrovial communicated the resolutions of the 2018 AGM.**
- **On 26 April, Ferrovial notified of an** additional provision of GBP208mn (EUR237mn), relating to the contract managed by Amey for the refurbishment and subsequent maintenance and replacement of certain infrastructures in the city of Birmingham.
- **On 11 May, Ferrovial agreed a scrip issue charged to reserves as a means of implementing the Ferrovial Flexible Dividend system of shareholder remuneration.** At the same time, Ferrovial agreed to carry out a buy-back programme to reduce the company's capital by means of the cancellation of treasury stock, with the purpose of supporting the Company's shareholder remuneration policy by means of increasing earnings per share.
- **On 5 June, Ferrovial announced the closure of the period for trading the free rights assigned corresponding to the scrip issue for the purposes of implementing the Ferrovial Flexible Dividend shareholder remuneration system.** At the end of ththe period to trade the free allotment rights on 31 May 2018, the holders of 53.91% of the rights (a total of 394,792,608 rights) opted to receive new Ferrovial shares. The definitive number of ordinary shares with a nominal value of EUR0.20/share issued in the capital increase thus amounts to 7,049,868. The holders of 46.09% of the rights have sold their rights to Ferrovial, which acquired a total of 337,472,827 rights (EUR105,966,467.68). The capital increase was closed on 5 June 2018.

APPENDIX III: MAIN RISKS AND UNCERTAINTIES IN THE DIFFERENT BUSINESS AREAS IN 2H 2018

Ferrovial's activities take place in a number of countries, each with different regulatory frameworks and socio-economic environments. As a result, Ferrovial is exposed both to the risk that arises from developments in the global economy and to the different risks inherent in the business activities and sectors in which the company operates.

These risks, along with the management systems used to monitor them, are described in detail in both the management report for the 2017 financial year and in the corporate governance report. Financial risk management policy is also analysed in more detail in Note 5.4 of the consolidated annual accounts for 2017.

1. RISKS AND UNCERTAINTIES IN THE DIFFERENT BUSINESS AREAS

The following sections contain a description of the main risks and uncertainties faced by the company's business activities during the second half of 2018:

SERVICES

In the UK, there continues to be uncertainty around the resultant impact of the unilateral decision to abandon the European Union, with currency performance and the economic growth of the country being the variables that could be most affected depending on how events pan out. The Services division has a large presence in the country, via its subsidiary Amey, which accounted for 36% of revenues in this division during 1H 2018.

After the general elections in the UK in May 2015, local authorities also significantly cut back their budgets, with the aim of reaching a budget surplus in the coming 5 years, which has had a negative impact on the profitability on our business activity in the country. Finally, the subcontracting of services by public sector clients is being questioned, which would also affect our activity.

Besides the evolution of the macro factors previously mentioned, the main uncertainty which the UK Services business faces in the second half of 2018, is the evolution of the contract with Birmingham city council following the ruling from 22 February 2018 by the UK Court of Appeals in favour of Birmingham City Hall, and the registering in the first half of the year, of a GBP208mn provision.

As for Australia, the main uncertainty in the second half of the year is related to the new contracts awards, and to which extend the order book evolution can be recovered; an order book which in the first half of the year saw a reduction of 10% vs December 2017. This decrease is being offset by extensions in contracts, such as facility management services in schools in New South Wales for EUR50mn, which would have meant an

increase in the portfolio of approximately EUR375mn (+10%) in the case of having this contract renewed. However, it should be noted that Broadspectrum is in the position of preferred bidder in contracts worth EUR450mn, which represents 12% of the portfolio at the end of June.

Finally, regarding Spain, the macroeconomic climate appears to be positive after a few years of limited growth. The situation is expected to continue to be the same in 2H 2018. However, complying with the deficit continues to provoke budgetary restrictions in Government. Other external factors such as the ECB's intention to end growth incentives or a potential interest rate hike could have a negative impact on Ferrovial Services business in Spain.

CINTRA

The Company will continue to submit bids for contracts during the second half of the year in its target regions (North America, Europe, Australia, New Zealand, Colombia, Chile and Peru) focusing primarily on complex greenfield projects, given their high potential for value creation.

Construction works will also continue on various projects, such as the I-66 toll road in Virginia (USA), the D4R7 toll road in Slovakia and the project awarded and financed at the end of 2017 in Melbourne (Australia), Western Roads Upgrade. It is expected that various projects currently under construction will become operational during 2H 2018, the NTE 35W toll road located in Texas (USA) in July and the I-77 toll road in North Carolina (USA) at the end of 2H 2018. We continue advancing towards the financial close of Ruta del Cacao project in Colombia.

Traffic volumes have performed positively at the majority of concessions, with notable growth on the NTE and LBJ highways in the USA. During the second half of the year, traffic volumes are expected to continue to show consistent growth, in line with the performance of the macroeconomic indicators, as forecast by the majority of economic organisations.

As regards the 407 ETR, traffic volumes increased by +2.2% (VKT) during the first half of the year, as compared with the same period in 2017. This primarily due to economic growth in the Ontario region. It is expected that growth will slow during the second half of the year.

Finally, Autema will be impacted by the evolution of the open litigation between concessionaire and the Catalonian regional government.

AIRPORTS

The business currently engaged in by Ferrovial's Airports division is centred on the United Kingdom, through its 25% share in Heathrow Airport (HAH) and its 50% share in Aberdeen, Glasgow and Southampton Airports (AGS). In December 2017 the Denver international airport project reached financial close and is now in the construction phase, which is estimated to last 4 years.

The main risks facing these assets primarily relate to potential macroeconomic shocks, acts of terrorism, the potential impact of regulatory provisions (noise, the environment, restrictions on electronic equipment in the USA and other countries), extreme environmental conditions and environmental disasters. In order to minimise the effects of any of these factors on their business operations, the companies in the Group have drawn up contingency plans to minimise any potential negative impact.

Another uncertainty faced by companies in the Group is the process by which the United Kingdom will leave the EU (Brexit). The main uncertainty caused by Brexit with regard to these assets is the potential impact that a possible slowdown in the British economy could have.

In the case of Heathrow, this impact can be seen to be partially mitigated by the fact that the asset is at the limit of its capacity and by the importance to the United Kingdom of this asset, which in the past has shown itself to be resilient to periods of economic slowdown. Also in the short term, an increase in the rate of inflation could represent a positive factor in the asset's performance, since its revenues are linked to the inflation rate, along with its regulated assets.

On the other hand, following the decision of the British government to support the Heathrow expansion, one of the main aims of the airport has been to obtain approval of the NPS (National Policy Statement) on the construction of a third runway, which was finally approved in the British Parliament on 25 June 2018. At the same time, Heathrow continues to hold talks with the various interest groups (airlines, regulator, government and community groups) in relation to the project, which will have a decisive effect on the British economy.

As regards the next regulatory period (H7), a period of consultation with the British airports regulator has begun. In particular, in the consultation document launched by the CAA in April 2018, the British regulator assumes that the extension of the regulatory period will be an additional two years to the extension already approved up until December 2019, therefore the new regulatory period would start in 2022, although the approval of this extension will depend on the next steps of the expansion project. During this period consultations for the extension of the third runway will be carried out, as well as for the applicable regulation for the new regulatory period.

As regards its transmission line business, the Group holds 100% of Transchile, a company that was acquired in 2016, and efforts are currently under way to continue growing this new business activity, taking advantage of both the permits held by the company and its know-how.

Ferrovial Airports will also continue to submit bids for tendered contracts, participating in projects at airports in continental America and Europe, as well as in electricity transmission lines in Chile and the USA, among others.

CONSTRUCTION

Ferrovial Agroman is focused on the international market, which features strong competition from global constructors and local companies. Its differentiating strategic positioning versus other competitors means it focuses on select large countries with well-established economies, which are committed to modernising their infrastructure and large technically complex projects and the management thereof.

The forecast performance, risks and uncertainties in the main markets are the following:

In North America, an increase in Transport Infrastructure investment can be expected, with federal support from the USA Fast Act and the Canada Federal Infrastructure Plan, as well as increases in the state and provincial budgets. This boost, which includes numerous P3/DBF projects, in which Ferrovial, along with Ferrovial Agroman as the constructor, are leaders, will give continuity to drive contracts awarded in 2017 such as the I-66 in Virginia, SH-99 Grand Parkway in Texas and the Denver (Great Hall) Airport in Colorado. Although the project tender

pipeline is extensive, the drawn out large contract awarding processes, mean that there are fewer contracts awarded over time than in other markets. The sharp growth in the order book in 2017, and the contracts in operation from previous years, should allow the level of activity to be increased in 2H 2018, albeit with lower returns vs 2017 due to the reduced weighting of the concession contracts that are in full operation.

In **Poland**, contracting continues to remain at high levels as part of the 2014-2020 European Funding Framework, and increased funding and extended deadlines have been announced in the long-term plans. For the second half of the year, it is expected that turnover in the country will continue to grow thanks to the good level of contracts awarded in 2017 and entry into new sectors, such as hydraulic and maritime works. However, in terms of profitability, the sector is undergoing pressure from subcontracting prices and the increase in salaries and the cost of materials. To cover these risks, the company is carrying out selective tendering, negotiating the indexation of payments with clients that compensate for resource and raw materials price increases and employing personnel both on site and in central offices.

In **Spain**, despite the general economic improvement, it is expected that revenues will be sluggish during 2018, due to insufficient growth and high levels of competition in public tenders, exacerbated by the slowdown and uncertainty following the change of Government in June 2018, which is only partially offset by the greater activity in private construction work. We therefore continue to be in a climate of low activity, with significant tender risks, which means we continue to focus on selective contracts, prioritising returns over volume.

Exposure to the **United Kingdom** is limited and amounts to 6.5% – both in terms of the division's revenues and the order book as at June 2018, following the completion of the M8 toll road works in Scotland. Despite the risk and uncertainty surrounding Brexit, there is continued political will to develop large infrastructure projects, including a number of both short and medium term PPP projects, therefore we are maintaining our strategic interest in the country. In 2H 2018 progress will continue to be made on other major works such as the extension of the Northern Line of the London Underground, the Thames Tideway Tunnel, works for Heathrow Q6 and preliminary works for the Central Section of HS2, although revenues in 2018 are expected to be lower than last year.

Similarly, a strong pipeline has been maintained in **Australia**, helped by the Government's Infrastructure Plan, although 2018 revenues will not be up on previous years' due to fewer contracts in 2017. Ferrovial Agroman continues to be interested in the country, based on the expectation of forthcoming new large project tenders with suitable competition terms compared to large local companies, and the suitable client contract risk.

In **conclusion**, the main risks and uncertainties in this business area in relation to 2H 2018 are focused on the drawn out contract awarding processes for the North America projects, controlling price increases in Poland, the recovery and risks related to tenders in Spain, the impact of Brexit negotiations and the heightened levels of competition on the international stage, which is generating lower margins in the sector and from the main international competitors. Ferrovial Agroman aims to achieve its forecast revenue growth for 2018, primarily thanks to the USA and Poland, capitalise on the favourable pipeline in various of its main strategic markets and maintain its stable profit margins, in line with 2017, thanks to a selective risk-controlled global order book and by continuing to implement our disciplined strategic selection of countries and tenders.

2. FINANCIAL AND CAPITAL RISK

The main financial and capital risk to which Ferrovial is exposed is described in detail in the consolidated annual accounts for the 2017 financial year.

The following are the main financial and capital risks:

- Interest rate variations
- Exchange rate variations
- Credit and counterparty risk
- Liquidity risk
- Variable income risk
- Inflation risk
- Capital management risk

As regards exposure to exchange rate risk, it should be mentioned that the company has arranged hedging in the notional amount of USD713mn, CAD2,036mn and GBP491mn. This will cover an average rate of USD1.2482/€, CAD1.4677/€ and GBP0.8571/€.

The company's strategy regarding the years of dividends covered, in the case of GBP dividends are covered for approximately 3 years based on the dividends distributed by airports division business in 2017. In the case of CAD, the hedges that are alive cover, on one hand, the large volume of cash we have in CAD and, on the other hand, future dividends. Regarding USD, the company has hedge the value of the cash in the US, rather than future dividends.

Particular mention should be made of the fact that the company is approaching the second half of the year with high levels of liquidity, as shown in the following table:

EUR million	Total Cash (*)	Credit Lines available	Total Liquidity	12 months maturities
Ex-infra project	3.968	1.299	5.267	618
Infra Project	745	93	838	57
Total Ferrovial	**4.713**	**1.392**	**6.105**	**675**

(*) The cash entries include some infrastructure projects with cash balances to which access is restricted in both the long and short term, in order to ensure that certain obligations can be met with regard to the repayment of principal or interest on debts, and to allow for the operation and maintenance of the infrastructure item

APPENDIX IV: ALTERNATIVE PERFORMANCE MEASURES (APM)

The company presents its results in accordance with generally accepted accounting standards (IFRS). In addition, in the Interim Management Report and Interim Condensed Consolidated Financial Statements released in June, the Management provides other financial measures that are not regulated under the IFRS, known as APMs (Alternative Performance Measures), in accordance with the Guidelines issued by the European Securities and Markets Authority (ESMA). The Management uses these APMs when taking decisions and evaluating the company's performance. The following are the breakdowns required by the ESMA for each APM in respect of their definition and reconciliation, an explanation of their use and their comparison and consistency. More detailed information is provided on the corporate web page: http://www.ferrovial.com/es/accionistas-e-inversores/informacion-financiera/informacion-financiera-trimestral/

EBITDA = GROSS OPERATING RESULT

- ✓ **Definition**: operating result before charges for fixed asset depreciation and amortisation.

- ✓ **Reconciliation:** the company presents its EBITDA figure in its Consolidated Profit and Loss Account (see the Consolidated Profit and Loss Account in the Interim Management Report and the Interim Condensed Consolidated Financial Statements for June) as: Gross operating profit = Total Operating Revenues – Total Operating Expenses (excluding those relative to fixed assets depreciation and amortisation which are reported in a separate line).

- ✓ **Explanation of use**: EBITDA provides an analysis of the operating results excluding depreciation and amortisation, as they are non-cash variables which can vary substantially from company to company depending on accounting policies and the accounting value of the assets. EBITDA is the best approximation to pre-tax operating cash flow and reflects cash generation before working capital variation. One uses EBITDA as a starting point to calculate cash flow, adding the variation in working capital. Finally, it is an APM indicator which is widely used by investors when evaluating businesses (multiples valuation), as well as by rating agencies and creditors to evaluate the level of debt, comparing EBITDA with net debt.

- ✓ **Comparisons**: the Company presents comparative figures with previous years.

- ✓ **Consistency:** the criteria used to calculate EBITDA is the same as the previous year.

COMPARABLE ("LIKE-FOR-LIKE GROWTH")

- ✓ **Definition**: relative year-on-year variation in comparable terms of the figures for revenues, EBITDA, EBIT and order book. The comparable is calculated by adjusting the present year and the previous one, in accordance with the following rules:
  - Elimination of the exchange-rate effect, calculating the results of both periods at the rate in the current period.
  - Elimination from the EBIT of both periods of the impact of fixed asset impairments and results from company disposals (corresponds with the figure reported in the line "Impairments and disposals of fixed assets").
  - In the case of company disposals and loss of control, the homogenisation of the operating result is undertaken by eliminating the operating results of the sold company when the impact occurred in the previous year, or if it occurred in the year under analysis, considering the same amount of months in both periods.
  - Elimination in both periods of restructuring costs.
  - In acquisitions of new companies which are considered material, elimination in the current period of the operating results derived from those companies, except in the case where this elimination is not possible due to the high level of integration with other reporting units (material companies are those where revenues represent ≥5% of the reporting unit's revenues before the acquisition).
  - Elimination in both periods of other non-recurrent impacts (mainly related to tax and human resources) considered relevant for a better understanding of the company's underlying results.
  - Note: the new contracts in the Toll Roads division coming into operation are not considered acquisitions and thus are not adjusted in the comparable.

- ✓ **Reconciliation:** comparable growth is set out in separate columns in the section headed Business Performance, under the heading Key Figures in the Interim Management Report.

- ✓ **Explanation of use**: Ferrovial uses the comparable to provide a more homogenous measure of the underlying profitability of its businesses, excluding those non- recurrent elements which would induce a misinterpretation of the reported growth, impacts such as exchange-rate movements or changes in the consolidation perimeter which distort the comparability of the information. Additionally, it also allows the Company to present homogenous information, thus ensuring its uniformity, providing a better understanding of the performance of each of its businesses.

- ✓ **Comparisons**: the comparable breakdown is only shown for the current period compared with the previous period.

- ✓ **Consistency:** the criteria used to calculate the comparable "Like-for-like growth" is the same as the previous year.

FAIR VALUE ADJUSTMENTS

- ✓ **Definition**: the adjustments to the Consolidated P&L relative to previous results derived from: changes in the fair value of derivatives and other financial assets and liabilities; asset impairment and the impact of the two above elements in the 'equity-accounted results'.
- ✓ **Reconciliation:** a detailed breakdown of the Fair Value Adjustments is included in the Consolidated Profit and Loss Account (see the Consolidated Profit and Loss Account in the Interim Management Report and the Interim Condensed Consolidated Financial Statements for June).
- ✓ **Explanation of use**: The Fair Value Adjustments can be useful for investors and financial analysts when evaluating the underlying profitability of the company, as they can exclude elements that do not generate cash and which can vary substantially from one year to another due to the accounting methodology used to calculate the fair value.
- ✓ **Comparisons**: the Company presents comparisons with previous years.
- ✓ **Consistency:** the criteria used to calculate the Fair Value Adjustments is the same as previous year.

NET CONSOLIDATED DEBT

- ✓ **Definition:** this is the net balance of Cash and cash equivalents (including short and long term restricted cash), minus short and long-term financial debts (bank borrowing and bonds), including the balance relating to exchange rate derivatives that cover both the issue of debt in currency other than the currency used by the issuing company and cash positions that are exposed to exchange rate risk.
- ✓ **Reconciliation:** a detailed breakdown of the reconciliation of this figure is given in the section headed Net Debt and Corporate Credit Rating in the Interim Management Report and in Note 6, Net Cash Position, in the Interim Condensed Consolidated Financial Statements for June.
- ✓ **Explanation of use**: this is a financial indicator used by investors, financial analysts, rating agencies, creditors and other parties to determine the company's debt position. In addition, Ferrovial breaks down its net debt into two categories:
  - Net Debt of Infrastructure Projects. This is the ring-fenced debt which has no recourse to the shareholder or with recourse limited to the guarantees issued (see Note 10.2 Guarantees in the Interim Condensed Consolidated Financial Statements). This is the debt that corresponds to companies classified as Project companies.
  - Net debt ex-Projects. This is the net debt from Ferrovial's businesses, including holding companies in the Group and other businesses not classified as Project companies. The debt included in this calculation is mainly with recourse, and is thus the measure used by investors, financial analysts and rating agencies to assess the company's leverage, financial strength, flexibility and risks.
- ✓ **Comparisons**: the Company presents comparisons with previous years.
- ✓ **Consistency:** the criterion used to calculate the net debt figure is the same as previous year.

ORDER BOOK

- ✓ **Definition**: the revenues pending execution, which correspond to contracts which the Company has signed up to a certain date, and over which it has certainty on its future execution. The total revenues of a contract correspond to the price agreed or fee which correspond to the goods delivery and/or provision of services which have been agreed. If the implementation of a contract has its financing still pending, the revenues of said contract will not be added to the order book until the financing has been completed. The order book is calculated by adding the contracts of the current year to the balance of the contract order book of the previous year, then eliminating the revenues which have already been recognised in the current year.
- ✓ **Reconciliation:** the order book is presented under Key Figures under Services and Construction sections in the Interim Management Report. There is no comparable financial measure in IFRS.However, a breakdown of reconciliation with Construction and Services sales figures is provided in Appendix to this document. This reconciliation is based on the order book value of a specific construction being comprised of its contracting value less the construction work completed, which is the main component of the sales figure. The difference between the construction work completed and the Construction and Services sales figure reported in Ferrovial's Financial Statements is attributable to the fact that consolidation adjustments sale of machinery, confirming income and other adjustments are made to the latter. In addition to contracts awarded and the construction work completed, the exchange rate of contracts awarded in foreign currency, rescissions (when a contract is terminated early) or changes to the scope are all aspects that also have an impact on the movement between the original order book (corresponding to the previous year) and the end order book (for the year in question), as shown in the tables at the end of this document.
- ✓ **Explanation of use**: Management believes the order book is a useful indicator with respect to the Company's future revenues, as the order book for a certain project would be the final sale of the project less the work executed to an original state.
- ✓ **Comparisons**: the Company presents comparisons with previous years.
- ✓ **Consistency:** the criteria used to calculate the order book is the same as previous year.

WORKING CAPITAL VARIATION

- ✓ **Definition**: measurement that explains the conciliation between the EBITDA and the operating cash flow before taxes. It is the result of the non-cash-convertible gross income primarily from changes in debt balance and commercial liabilities.

- ✓ **Reconciliation**: in Note 7 Cash Flow of the Interim Condensed Consolidated June's Financial Statements, the Company provides a reconciliation between the working capital variation on the balance (see description on Section 4.6 Working Capital of the Interim Condensed Consolidated Financial Statements) and the working capital variation reported in the Cash Flow Statement.

- ✓ **Explanation of use**: the working capital variation reflects the company's ability to convert EBITDA into cash. It is the result of company activities related with inventory management, collection from customers and payments to suppliers. It is useful for users and investors because it allows a measurement on the efficiency and short-term financial situation of the Company.

- ✓ **Comparisons**: the Company presents comparative reports from previous years.

- ✓ **Consistency:** the criteria employed for calculating the working capital variation is the same as the previous year.

PROPORTIONAL RESULTS

- ✓ **Definition:** this is the contribution to the consolidated results in the proportion of Ferrovial's ownership in the group subsidiaries, regardless to the applied consolidation method. This information is prepared to revenues, EBITDA and EBIT.

- ✓ **Reconciliation:** a reconciliation between total and proportional figures is provided in Appendix to this document.

- ✓ **Explanation of use:** the proportional results can be useful for investors and financial analysts to understand the real weight of business divisions in the operative results of the Group, especially keeping in mind the weight of certain assets consolidated under the equity method as 407 ETR from Toronto and the airport of Heathrow. It is an indicator that other competitors with significant subsidiaries in infrastructure projects consolidated under the equity method present.

- ✓ **Comparisons**: the Company presents comparisons with previous years.

- ✓ **Consistency:** the criteria used to calculate proportional results is the same as the previous year, however this semester is the first one where these are presented.

BOARD APPROVAL

The foregoing pages contain the consolidated interim management report of Ferrovial, S.A. and its subsidiaries for the six-month period ended 30 June 2018, which was approved by the Board of Directors of the Company at its meeting held in Madrid on 26 July 2018 pursuant to Article 119 of the consolidated text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and applicable regulations (including the Instructions of the CNMV to prepare the Half-Yearly Financial Report (general model) section C.2.2); and which the Directors attending sign below.

____
Mr. Rafael del Pino y Calvo-Sotelo
Chairman

____
Mr. Santiago Bergareche Busquet
Vice-Chairman

____
Mr. Joaquín Ayuso García
Vice-Chairman

____
Mr. Íñigo Meirás Amusco
Chief Executive Officer

____
Mr. Juan Arena de la Mora
Director

____
Ms. María del Pino y Calvo-Sotelo
Director

____
Mr. Santiago Fernández Valbuena
Director

____
Mr. José Fernando Sánchez-Junco Mans
Director

____
Mr. Joaquín del Pino y Calvo-Sotelo
Director

____
Mr. Óscar Fanjul Martín
Director

____
Mr. Philip Bowman
Director

____
Ms. Hanne Birgitte Breinbjerg Sørensen
Director

The Secretary non Director of the Board of Directors states for the record that the Director Mr. Óscar Fanjul Martín has not signed this document because of his absence due to unavoidable professional commitments, having delegated his proxy to the External Director Mr. Santiago Bergareche Busquet. Likewise, I am not aware of the disagreement of Mr. Fanjul Martín with the approval of the consolidated interim management report of Ferrovial, S.A. and its subsidiaries for the first six month period of 2018.

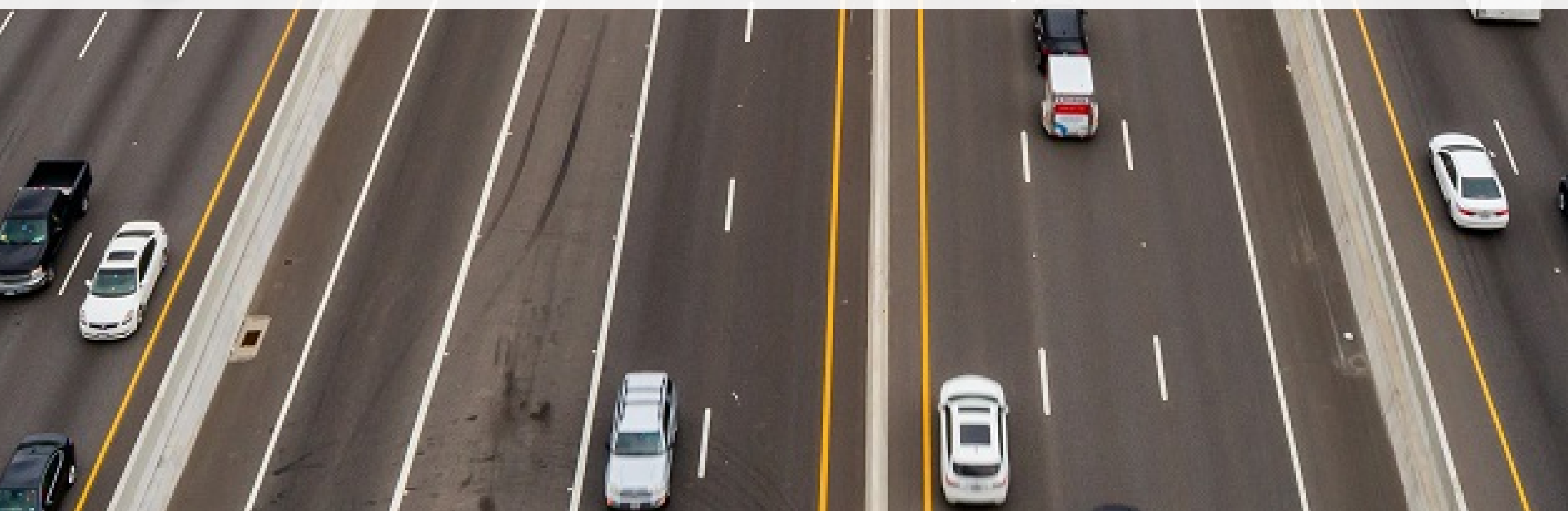
____
Mr. Santiago Ortiz Vaamonde
Secretary non Director of the Board of Directors

FERROVIAL, S.A. & SUBSIDIARIES

Interim Consolidated Financial Statements

June 2018

July 26th, 2018



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Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

ASSETS

(Millions of euros)	NOTE	30.06.2018	31.12.2017
Non-current assets		**15,321**	**14,927**
Goodwill on consolidation	4.2	2,059	2,062
Intangible assets		404	431
Investments in infrastructure projects	4.3	7,320	6,917
Intangible asset model		6,258	5,883
Financial asset model		1,062	1,035
Investment property		6	6
Property, plant and equipment		661	694
Investments in associates	4.4	2,657	2,687
Non-current financial assets	8	853	769
Non-current loans to associates		351	312
Restricted cash relating to infrastructure projects and other financial assets	8	353	285
Other receivables		150	172
Deferred taxes	4.8	1,063	1,035
Non-current derivative financial instruments at fair value	7	298	326
Current assets		**8,131**	**8,063**
Assets classified as held for sale		0	0
Inventories		644	629
Current income tax assets		141	143
Trade and other current receivables	4.5	2,915	2,635
Trade receivables for sales and services		2,411	2,032
Other current receivables		504	603
Cash and cash equivalents	6	4,380	4,601
Infrastructure project companies		394	463
Restricted cash		43	58
Other cash and cash equivalents		351	405
Ex-infrastructure project companies		3,985	4,137
Current derivative financial instruments at fair value	8	52	55
TOTAL ASSETS		**23,452**	**22,990**

LIABILITIES AND EQUITY

(Millions of euros)	NOTE	30.06.2018	31.12.2017
Equity	5	**6,004**	**6,234**
Equity attributable to shareholders		5,273	5,503
Equity attributable to non-controlling interests		731	731
Deferred income		**1,159**	**1,037**
Non-current liabilities		**10,158**	**9,871**
Pension plan deficit	4.7	27	66
Non-current provisions	4.6	757	808
Financial borrowings	6	7,870	7,511
Debt securities and borrowings of infrastructure project companies		5,526	5,363
Debt securities and borrowings of ex-infrastructure project companies		2,344	2,149
Other payables		203	198
Deferred taxes	4.8	931	900
Derivative financial instruments at fair value	8	369	387
Current Liabilities		**6,131**	**5,848**
Liabilities classified as held for sale		0	0
Financial borrowings	6	742	839
Debt securities and borrowings of infrastructure project companies		66	207
Bank borrowings excluding infrastructure project companies		676	631
Derivative financial instruments at fair value	8	93	65
Current income tax liabilities		112	94
Current trade and other payables	4.5	4,298	4,221
Trade payables		2,318	2,283
Customer advances		1,262	1,271
Other current payables		718	667
Operating provisions	4.6	886	629
TOTAL LIABILITIES AND EQUITY		**23,452**	**22,990**

The accompanying Notes 1 to 17 are an integral part of the Interim Condensed Consolidated Financial Statements as at 30 June 2018.

Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

B. CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE SIX-MONTH PERIODS ENDED AT 30 JUNE 2018 AND 30 JUNE 2017

		2018			2017		
(Millions of euros)	NOTE	BEFORE FAIR VALUE ADJUSTMENTS	(*) FAIR VALUE ADJUSTMENTS	TOTAL 2018	BEFORE FAIR VALUE ADJUSTMENTS	(*) FAIR VALUE ADJUSTMENTS	TOTAL 2017
Revenues	3	5,935	0	5,935	6,059	0	6,059
Other operating income		2	0	2	3	0	3
Total operating income		**5,937**	**0**	**5,937**	**6,062**	**0**	**6,062**
Cost of materials used		686	0	686	645	0	645
Other operating expenses		2,844	0	2,844	2,595	0	2,595
Staff costs	11	2,285	0	2,285	2,353	0	2,353
Total operating expenses		**5,815**	**0**	**5,815**	**5,593**	**0**	**5,593**
Gross operating profit		**122**	**0**	**122**	**469**	**0**	**469**
Fixed asset depreciation		157	0	157	194	0	194
Operating income before impairment losses and fixed asset disposals		**-34**	**0**	**-34**	**275**	**0**	**275**
Impairment losses and fixed asset disposals	9	4	-22	-18	25	5	30
Operating income		**-30**	**-22**	**-52**	**300**	**5**	**305**
Financial result on financing		-120	0	-120	-132	0	-132
Profit/(loss) on derivatives and other financial results		-3	0	-4	-3	0	-3
Financial result of infrastructure project companies		**-123**	**0**	**-123**	**-135**	**0**	**-135**
Financial result on financing		3	0	3	-20	0	-20
Profit/(loss) on derivatives and other financial results		-9	11	2	-31	40	8
Financial result ex-infrastructure project companies		**-7**	**11**	**4**	**-52**	**40**	**-12**
Financial result	9	**-130**	**11**	**-119**	**-187**	**40**	**-147**
Share of profits of companies accounted for using the equity method	4.4	104	31	135	87	32	119
Consolidated profit/(loss) before tax		**-56**	**19**	**-36**	**200**	**77**	**277**
Income tax	9	-20	3	-17	-16	-2	-18
Consolidated profit/(loss) from continuing operations		**-75**	**22**	**-53**	**184**	**75**	**259**
Net profit/(loss) from discontinued operations		0	0	0	0	0	0
Consolidated profit/(loss) for the year		**-75**	**22**	**-53**	**184**	**75**	**259**
Profit/(loss) for the year attributable to non-controlling interests		-19	0	-19	-19	0	-19
Profit/(loss) for the year attributed to the Parent Company		**-94**	**22**	**-72**	**165**	**75**	**240**
Net earnings per share attributed to the Parent Company (Basic /Diluted)				-0.10/-0.10		0.33 / 0.33	

(*) Relating to gains and losses arising from changes in the fair value of derivatives and other financial assets and liabilities and impairment losses on assets and liabilities (see Note 8)

The accompanying Notes 1 to 17 are an integral part of the Interim Condensed Consolidated Financial Statements as at 30 June 2018.

Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

C. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED AT 30 JUNE 2018 AND 2017

(Millions of euros)	**30.06.2018**	**30.06.2017**
a) Consolidated profit/(loss) for the year	**-53**	**259**
Profit/(loss) attributable to the Parent Company	-72	240
Profit /(loss) attributable to non-controlling interests	19	19
b) Other Income and Expenses recognised directly in equity	**60**	**-194**
Fully-Consolidated Companies	**13**	**-94**
Impact on reserves of hedging instruments	-1	53
Impact on reserves of defined benefit plans (*)	34	20
Translation differences	-16	-148
Tax effect	-4	-18
Companies Accounted for using the Equity Method	**47**	**-100**
Impact on reserves of hedging instruments	23	32
Impact on reserves of defined benefit plans (*)	67	-26
Translation differences	-28	-104
Tax effect	-15	-2
c) Transfers to the Profit & Loss Account	**0**	**8**
Fully-Consolidated Companies	0	0
Companies Equity Method/Held for sale	0	8
b+c) Total Income and Expenses recognised directly in equity	***60***	***-185***
a+b+c) TOTAL COMPREHENSIVE INCOME	**6**	**-74**
Profit/(loss) attributable to the Parent Company	**-19**	**89**
Profit /(loss) attributable to non-controlling interests	26	-15

(*) The impact on reserves of defined benefit plans is the only item of Income and Expenses recognised directly in equity that cannot be reclassified subsequently to the profit and loss account (see Note 5).

The accompanying Notes 1 to 17 are an integral part of the Interim Condensed Consolidated Financial Statements as at 30 June 2018.

Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

D. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2018 AND 2017

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY STOCK	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**
Transition to IFRS 9							-6	-6	0	-6
Balance at 01.01.2018	**146**	**1,202**	**349**	**-42**	**500**	**-1,277**	**4,618**	**5,497**	**730**	**6,228**
Consolidated profit/(loss) for the year							-72	-72	19	**-53**
Income and expenses recognised directly in equity						53		53	6	**60**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**0**	**53**	**-72**	**-19**	**26**	**6**
Scrip dividend	1						-107	-106	0	**-106**
Other dividends								0	-51	**-51**
Treasury stock transactions			-97	-97			97	-97	0	**-97**
Shareholder remuneration	**1**	**0**	**-97**	**-97**	**0**	**0**	**-10**	**-203**	**-51**	**-254**
Share capital increases/reductions								0	30	**30**
Share-based remuneration scheme							2	2	0	**2**
Changes in the scope of consolidation							0	0	-3	**-3**
Perpetual subordinated bond					-1			-1	0	**-1**
Other changes							-2	-2	-2	**-4**
Other transactions	**0**	**0**	**0**	**0**	**-1**	**0**	**-1**	**-2**	**25**	**23**
Balance at 30.06.2018	**148**	**1,202**	**252**	**-139**	**499**	**-1,224**	**4,535**	**5,273**	**731**	**6,004**

(Millions of euros)	SHARE CAPITAL	SHARE PREMIUM	MERGER PREMIUM	TREASURY STOCK	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**	**-1,092**	**4,731**	**5,597**	**717**	**6,314**
Transition to IFRS 15						-259	-259	0	-259
Balance at 01.01.2017	147	1,202	650	-41	-1,092	4,472	**5,338**	717	**6,055**
Consolidated profit/(loss) for the year						240	**240**	19	**259**
Income and expenses recognised directly in equity					-151		-151	-34	**-185**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**-151**	**240**	**89**	**-15**	**74**
Scrip dividend	1					-97	-96	**0**	**-96**
Other dividends							0	-45	**-45**
Treasury stock transactions			-35	-35		35	-35	0	**-35**
Shareholder remuneration	**0**	**0**	**-35**	**-35**	**0**	**-62**	**-131**	**-45**	**-176**
Share capital increases/reductions						0	0	18	**18**
Share-based remuneration scheme						-9	-9	0	**-9**
Changes in the scope of consolidation						0	0	62	**62**
Other changes						**7**	7	1	**8**
Other transactions	**0**	**0**	**0**	**0**	**0**	**-2**	**-2**	**81**	**79**
Balance at 30.06.2017	**148**	**1,202**	**615**	**-76**	**-1,243**	**4,649**	**5,294**	**738**	**6,032**

The accompanying Notes 1 to 17 are an integral part of the Interim Condensed Consolidated Financial Statements as at 30 June 2018.

Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

E. CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2018 AND 30 JUNE 2017

(Millions of euros)	NOTE	2018	2017
Net Profit/(Loss) attributable to the Parent Company		-72	240
Adjustments for:		195	228
Non-controlling interests		19	19
Tax		17	18
Result from companies accounted for using the equity method		-135	-119
Financial result		119	147
Impairments & asset disposals		18	-30
Amortizations		157	194
Gross Operating Profit (EBITDA)		**122**	**469**
Income taxes paid		-1	-16
Working Capital Variation (accounts receivables, accounts payable and others)	4.6 and 7	-341	-540
Dividends and other cash flows from companies accounted for using the equity method	4.5	229	257
Cash flows from operating activities		**10**	**171**
Investments in property, plant and equipment/intangible assets		-64	-49
Investments in infrastructure projects	4.4	74	-164
Loans granted to associates/acquisition of companies		-36	-54
Interest received		14	15
Investment of non-current restricted cash		-59	-9
Divestment of infrastructure projects		0	0
Divestment/sale of companies	1	48	167
Cash flows from investment activities		**-23**	**-94**
Cash flows before financing activities		**-13**	**77**
Capital proceeds from/payments to non-controlling interests		31	20
Scrip dividend		-100	-93
Acquisition of treasury stock		-97	-35
Shareholder remuneration	5	-197	-129
Dividends paid to non-controlling shareholders of investees		-48	-46
Other changes in shareholder equity		-4	5
Cashflows from shareholders and non-controlling interests		-219	-150
Interest paid		-132	-163
Increase in borrowings		704	907
Decrease in borrowings		-578	-398
Cash flows from financing activities		**-225**	**196**
Effect of exchange rates on cash and cash equivalents		**22**	**-46**
Change in cash and cash equivalents due to changes in the scope of consolidation		**-5**	**-32**
Change in cash and cash equivalents	**6**	**-221**	**195**
Cash and cash equivalents at beginning of the year		4.601	3.578
Cash and cash equivalents at end of year		4.380	3.773

The accompanying Notes 1 to 17 are an integral part of the Interim Condensed Consolidated Financial Statements as at 30 June 2018.

Translation 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 and 17). In the event of a discrepancy, the Spanish-language version prevails.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

1. Company activities, changes in the scope of consolidation.

1.1 Company activities

The consolidated Ferrovial Group ("the Group" or "Ferrovial") comprises the Parent Company, Ferrovial, S.A., and its subsidiaries. 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 primary reporting segments pursuant to IFRS 8: Construction, Services, Toll Roads and Airports.

For a more detailed description of the various areas of activity in which the consolidated Group conducts its business operations, please consult the consolidated financial statements as at December 2017 and the website: www.ferrovial.com.

For the purpose of understanding these Consolidated Financial Statements, it should be noted that a significant part of the activity carried on by the Group consists of the developing infrastructure projects, mainly in the Toll roads and Airports areas, but also in the Construction and Services fields. The modus operandi of these projects is described in the consolidated financial statements as at 31 December 2017.

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

Accordingly, and in order to aid understanding of the Group's financial performance, these financial statements separately present the impact of projects of this nature on both non-financial fixed assets ("Investments in Infrastructure Projects" includes the property, plant and equipment, intangible assets and investment property assigned to these projects) and non-current financial assets, borrowings and cash flows.

It is also important to highlight that two of the Group's main assets are its 25% stake in Heathrow Airport Holdings (HAH), the company that owns Heathrow Airport in London, and its 43.23% stake in 407 ETR, the concession operator of the 407 ETR toll road in Toronto (Canada), which have been accounted for using the equity method since 2011 and 2010, respectively. Detailed information on the two companies is included in Note 4, Investments in associates, and this information is completed in other Notes to the Interim Condensed Consolidated Financial Statements with data considered to be of interest.

1.2 Changes in the scope of consolidation.

There have been no significant changes to the scope of consolidation during the first six months of 2018.

2. Summary of the main accounting policies.

2.1 Bases of presentation.

The accompanying interim condensed consolidated financial statements of Ferrovial, S.A. for the six-month period ended 30 June 2018 were prepared in accordance with IAS 34, "Interim Financial Reporting".

As established in IAS 34, the interim financial information is intended only to provide an update on the content of the latest complete annual consolidated financial statements prepared by the Group, focusing on new activities, events and circumstances occurring during the six-month period, and does not duplicate information previously reported in the consolidated financial statements for 2017. Consequently, for a proper understanding of the information included in these interim condensed consolidated financial statements, they should be read together with the Group's consolidated financial statements for the year ended 31 December 2017, which were prepared in accordance with the International Financial Reporting Standards (IFRSs) in force.

2.2 New standards, amendments and interpretations adopted by the European Union mandatorily applicable for the first time in the six-month period ended 30 June 2018.

On 1 January 2018, the following standards which might have an impact on the interim condensed 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.

As commented in the 2017 financial statements, 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 EUR6mn.

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.

We provide below a breakdown of the changes to accounting policies that generate this impact, relating mainly to the following items:

(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 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. This model applies to all financial assets, including commercial assets contracted under IFRS 15, non-commercial 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 -EUR7mn.

(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 amortized 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.

As regards 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 EUR1mn in equity attributable to the Parent Company.

iii) 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 has not had any impact on the June Interim Consolidated Financial Statements. 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). However, in this regard, the Group is still analysing the possibility of applying hedge accounting against inflation for the hedges contracted at HAH and the analysis is still pending conclusion.

2.3 New standards and amendments not applied in the six-month period ended 30 June 2018 that will be applicable in future years.

The main standard that might have an effect on Ferrovial's financial statements in future years is IFRS 16, Leases (obligatory in 2019). The Group therefore continues to work on analysing lease agreements and potentially implementing an IT application in order to monitor and supervise the process. The impact is no different to that at other companies, where the amounts in the statement of financial position will be increased by the recognition of right-of-use assets and the financial liabilities for future payment obligations. From a preliminary analysis of the operating leases in place at the close of 2017, the Group estimates an approximate impact of EUR350mn in minimum, non-cancellable future payments, updated at the implicit interest rate, taking account of the type of asset and country. This estimate has been made on the basis of the contract order book and market conditions existing at 31 December 2017, though it may vary as the result of changes to both variables and contract analysis until the standard comes into effect.

2.4 Accounting estimates and judgements.

In the interim condensed financial statements for 30 June 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, 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 assessment of possible legal contingencies (see Note 10, Contingent liabilities, and Note 4.6, Provisions).

iii) Accounting record for hybrid guaranteed subordinated bond (see note 5, Equity)

iv) Estimates for the selection of the consolidation criteria to be applied in relation to a loss of control.

v) 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 8.2, Derivative financial instruments at fair value).

vi) The measurement of possible impairment losses on certain assets (see Note 4.2, Goodwill, and Note 4.4, Investments in Associates).

vii) Business performance projections that affect estimates regarding the recovery of tax credits and the possibility of their recovery.

viii) Estimates relating to the fair value of assets and liabilities acquired in the business combinations.

ix) 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 4.3, Investments in infrastructure projects, and Note 4.6, Provisions).

x) The assumptions used in the actuarial calculation of liabilities due to pensions and other obligations to employees (see Note 4.8, Pension plan deficit).

xi) The measurement of share award plans.

These estimates were made using the best information available at 30 June 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.

2.5 Basis of consolidation.

The consolidation bases applied at 30 June 2018 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2017.

3 Reporting by segment and geographical area.

The Board of Directors of the Parent Company 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. These segments are the same as those used in the Consolidated Financial Statements for 2017. The "Other" column in the accompanying segment profit and loss account includes consolidation adjustments between business divisions.

The detail, by segment, of revenue in the periods ended 30 June 2018 and 30 June 2017 is as follows:

	30/06/2018			
(Millions of euros)	EXTERNAL REVENUE	INTERSEGMENT REVENUE	TOTAL	CHANGE 18/17
Construction	2,150	286	2,437	12%
Toll roads	207	1	208	-6%
Airports	7	0	7	83%
Services	3,233	5	3,238	-11%
Other segments	83	71	153	22%
Adjustments	0	-109	-109	-5%
Total	**5,680**	**254**	**5,935**	**-2%**

	30/06/2017		
(Millions of euros)	EXTERNAL REVENUE	INTERSEGMENT REVENUE	TOTAL
Construction	1,920	249	2,169
Toll roads	217	3	221
Airports	4	0	4
Services	3,649	5	3,654
Other segments	58	68	126
Adjustments	0	-115	-115
Total	**5,849**	**210**	**6,059**

The total amount of revenue from client contracts is EUR5,862mn (30 June 2017: EUR5,964mn).

The inter-segment revenue that is not eliminated in the Group's consolidated financial statements are those made by the Construction Division to the project companies, as discussed in Note 13.

The annexes detail the profit and loss account by segments for the six-month periods ended 30 June 2018 and 30 June 2017:

Countries

Business volume by country breaks down as follows:

(Millions of euros)	2018	2017	Change 18/17
Spain	1,457	1,381	6%
UK	1,325	1,545	-14%
Australia	997	1,278	-22%
USA	935	771	21%
Canada	48	51	-6%
Poland	817	663	23%
Other	356	369	-4%
TOTAL	**5,935**	**6,059**	**-2%**

4 Main changes in the consolidated statement of financial position.

4.1 Exchange rate effect

In the first half of 2018 there was an appreciation in the closing exchange rates of some of the main currencies in which the Group operates, such as pound sterling (-0.43%) and the US dollar (-2.87%). In contrast, of note was the depreciation of the Canadian Dollar (1.93%), the Australian Dollar (2.63%) and the Polish zloty (4.81%).

CLOSING EXCHANGE RATE	2018	2017	CHANGE 18/17 (*)
Pound sterling	0.8851	0.8889	-0.43%
US Dollar	1.1677	1.2022	-2.87%
Canadian Dollar	1.5350	1.5059	1.93%
Australian Dollar	1.5793	1.5389	2.63%
Polish Zloty	4.3765	4.1755	4.81%
Chilean Peso	762.61	739.8	3.08%

AVERAGE EXCHANGE RATE	2018	2017	CHANGE 18/17 (*)
Pound sterling	0.8802	0.8593	2.43%
US Dollar	1.2067	1.094	10.30%
Canadian Dollar	1.5468	1.4545	6.35%
Australian Dollar	1.5730	1.4433	8.98%
Polish Zloty	4.2461	4.2502	-0.10%
Chilean Peso	743.54	722.20	2.96%

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

This change has had a negative impact on shareholder equity attributable to the Parent Company of -EUR54mn. The main impacts arose as a result of the depreciation of the Canadian dollar (-EUR42mn), the Australian dollar (-EUR14mn) and the Polish zloty (-EUR8mn), offset by the appreciation of pound sterling (+EUR10mn). It should be noted that, as discussed in the consolidated financial statements for 2017, Ferrovial has arranged various hedging instruments (see Note 8.2) the purpose of which is to hedge the foreign currency risk of the dividends that will foreseeably be received in future years and a portion of the cash balances invested in currencies other than the euro.

4.2 Acquisitions and goodwill

a) Main changes in the period:

The changes in “Goodwill on Consolidation” for December 2017 and June 2018 were as follows:

(Millions of euros)	BALANCES AT 31/12/2017	OTHERS	EXCHANGE RATE	BALANCES AT 30/06/2018
Services	**1,683**	**1**	**-5**	**1,679**
Services Spain	442	0	0	442
Amey	843	0	4	847
Broadspectrum	359	0	-8	351
Steel	28	0	-1	27
Other Services	11	1	0	12
Construction	**198**	**0**	**1**	**199**
Budimex	71	0	-3	68
Webber	127	0	4	131
Toll roads	**141**	**0**	**0**	**141**
Ausol	70	0	0	70
Autema	71	0	0	71
Airports	**40**	**0**	**1**	**41**
Transchile	40	0	1	41
TOTAL	**2,062**	**1**	**-3**	**2,059**

With regards to the exchange rate difference, it is noteworthy that the depreciation of the Australian dollar has reduced goodwill by EUR8mn, whereas the depreciation of the zloty led to a fall of EUR3mn in Budimex goodwill. On the other hand, this impact has been partially netted due to the appreciation of pound sterling (+EUR4mn in Amey’s goodwill) and the US dollar (+EUR4mn in Webber).

As described in Note 2.4, Accounting estimates and judgements, the assets and liabilities acquired were measured using the best information available at the date of preparation of the financial statements. The receipt of additional information regarding the acquisition process of the Polish company Trans-Formers Group has given rise to new measurements, which have made it necessary to alter the goodwill initially recognised, increasing it by EUR1mn.

b) Possible indications of impairment:

The impairment tests on the Group's existing goodwill were not updated since there were no indications that they might have become impaired at the date of preparation of these interim condensed consolidated financial statements.

4.3 Investments in infrastructure projects

The detail of “Investments in Infrastructure Projects” at 30 June 2018 and 31 December 2017 is as follows:

(Millions of euros)	BALANCE AT 31/12/2017	TOTAL ADDITIONS	TOTAL DISPOSALS	EXCHANGE RATE EFFECT	BALANCES AT 30/06/2018
Spanish toll roads	734	2		0	736
US toll roads	4,842	266	-1	155	5,262
Other toll roads	384			0	384
Investment in toll roads	**5,960**	**268**	**-1**	**155**	**6,382**
Accumulated amortization	-351	-30	0	-3	-385
Net investment in toll roads	**5,609**	**237**	**-1**	**151**	**5,997**
Investment in other infrastructure projects	521	2	0	0	522
Amortization of other infrastructure projects	-246	-15	0	0	-261
Total net investment in other infrastructure projects	**274**	**-13**	**0**	**0**	**261**
Total investment	**6,480**	**270**	**-1**	**155**	**6,904**
Total amortization and provision	**-598**	**-45**	**0**	**-3**	**-646**
Total net investment	***5,883***	***225***	***-1***	***151***	***6,258***

There was a total net change of EUR375mn in the net investment in assets accounted for using the Intangible Asset Model in the first half of 2018, with the most significant changes arising in the US:

- The appreciation of the US dollar (see Note 4.1) in the first six months of the year increased these assets by a total net amount of EUR151mn.
- Also, there was an increase in assets of EUR268mn (disregarding the exchange rate effect), primarily at North Tarrant Express Seg. 3 amounting to EUR150mn (31 December 2017: an accumulated amount of EUR262mn) and I-77 Mobility Partners LLC amounting to EUR116mn (31 December 2017: an accumulated amount of EUR165mn), currently under construction.

The assets accounted for using the Financial asset model pursuant to IFRIC 12, amounting to EUR1,062mn (31 December 2017: EUR1,035mn), relate mainly to non-current receivables (more than twelve months) from governments in return for services rendered or investments made under a concession arrangement. The most relevant balance relates to the Terrasa Manresa Toll Road for EUR650mn at 30 June 2018 (EUR634mn at 31 December 2017).

There were no material changes in this line item. However, of note is the -EUR4mn provision for the loss expected relating to the initial application of IFRS 9 (see Note 2.2).

The total cash flow impact of the additions to projects accounted for using the intangible asset and financial asset models amounted to EUR74mn (see Note 7), 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.

4.4 Investments in Associates

The detail of the investments in companies accounted for using the equity method at 30 June 2018 and of the changes therein in the period is shown in the following table. Due to their significance, the investments in 407 ETR (43.23%) and 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)	56	57	22	**135**
Dividends	-66	-126	-7	**-200**
Exchange rate differences	4	-32	0	**-28**
Pensions	52	0	4	**56**
Others	9	1	-3	**7**
Balance at 30.06.18	**793**	**1,552**	**313**	**2,657**

The changes in "Investments in Associates" in the first half of 2018 were due mainly to the profit for the period (EUR135mn) and the distribution of dividends (-EUR200mn).

Impact on cash flow: The difference between dividends of EUR200mn in the foregoing table and dividends of EUR229mn disclosed in the consolidated statement of cash flows (see Note 7) relate mainly to interest received on and repayments of loans granted to companies accounted for using the equity method and the effect of certain currency hedges related to dividends received.

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

a. Information relating to HAH

a.Impairment test

The operational performance of this asset in 2018 was positive compared with 2017 and in line with expectations. Additionally, during June 2018, the United Kingdom Parliament backed the expansion of Heathrow airport and the construction of a third runway. Based on the above, it was concluded that there were no indications of impairment giving rise to the need to conduct a new impairment test for these half-yearly financial statements.

b. Changes in the Balance Sheet 2018-2017

HAH (100%) GBP (MILLION)	JUNE 2018	DEC 2017	CHANGE 18/17
Non-current assets	**16,702**	**16,590**	**112**
Goodwill	2,753	2,753	0
Intangible fixed assets in infrastructure projects	13,376	13,344	32
Non-current financial assets	47	48	-2
Pension plan surplus	103	0	103
Deferred taxes	0	0	0
Hedging instruments	422	444	-22
Other non-current assets	0	0	0
Current assets	**358**	**1,002**	**-644**
Trade and other receivables	218	266	-47
Hedging instruments	0	170	-170
Cash and cash equivalents	94	554	-460
Other current assets	45	11	34
Total assets	**17,060**	**17,592**	**-532**

HAH (100%) GBP (MILLION)	JUNE 2018	DEC 2017	CHANGE 18/17
Equity	**484**	**297**	**187**
Non-current liabilities	**15,471**	**15,523**	**-53**
Provisions for pensions	34	158	-124
Financial borrowings	13,281	13,116	165
Deferred taxes	835	773	62
Hedging instruments	1,302	1,459	-156
Other non-current liabilities	19	18	1
Current liabilities	**1,105**	**1,771**	**-666**
Financial borrowings	643	1,356	-713
Trade payables	419	377	42
Hedging instruments	9	7	1
Other current liabilities	35	32	4
Total liabilities	**17,060**	**17,592**	**-532**

At 30 June 2018, equity amounted to GBP484mn, up GBP187mn year-on-year. In addition to the profit of +GBP198mn for the period, the main noteworthy changes are the dividends paid to shareholders amounting to -GBP228mn. In the opposite direction, the positive impact of GBP183mn for pension plans, as well as the impact of GBP37mn recognised in reserves relating to effective derivatives is noteworthy.

25% of the equity of the investee does not correspond to the carrying amount of the investment, since the carrying amount also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the loss of control on 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 book value of Ferrovial, it would be necessary to increase the 25% of the shareholders' equity presented above (GBP121mn) by the amount of the aforementioned gain (GBP581mn), giving a total of GBP701mn which, translated at the year-end exchange rate (EUR1 = GBP0.88506), equates to an investment of EUR793mn.

c. Financial borrowings

The borrowings of HAH (current and non-current) amounted to GBP13,924mn at 30 June 2018, a decrease of -GBP548mn with respect to previous year (31 December 2017: GBP14,471mn). This decrease is due mainly to the redemption of bonds for -GBP510mn, the repayment of bank borrowings for -GBP434mn and the impact of exchange rates and fair value of -GBP168mn and a reduction in accrued interest payable for an amount of -GBP43mn, which is offset by new bond issues of GBP386mn and a GBP220mn increase in bank borrowings.

d. Derivative financial instruments at fair value

The notional principal amount of HAH's derivatives portfolio at 30 June 2018 totalled GBP12,333mn, including cross-currency swaps with a notional value of GBP3,602mn to hedge issues in currencies other than the pound sterling, interest rate swaps (IRSs) with a notional value of GBP2,913mn to hedge the interest rate risk relating to the borrowings, and index-linked swaps (ILSs) with a notional value of GBP5,819mn to convert certain debt issues into index-linked debt.

The net change in the value (asset/liability position) of these financial instruments gave rise to a GBP37mn increase in liabilities in the period. The main impacts in this connection relate to:

- Cash settlements (net payments) of +GBP38mn.
- Accrual of borrowing costs (result on financing) of -GBP69mn.
- Fair value adjustments to these instruments (fair value-related result) with a negative impact of GBP51mn, due mainly to the Cross Currency Swaps (-GBP179mn, although these are offset by the fair value adjustments of the bonds issued in foreign currency associated with these financial instruments), which were partially offset by the Index Linked Swaps (GBP81mn) and the Interest Rate Swaps (GBP47mn).
- Effect on reserves of GBP44mn in relation to effective hedges.

e. Changes in the Profit and Loss Account 2018-2017

HAH (100%) GBP (MILLION)	JUNE 2018	JUN 2017	CHANGE 18/17
Operating income	1,405	1,375	31
Operating expenses	-554	-538	-15
Gross operating profit	**852**	**836**	**15**
Allocation to amortization	-374	-350	-24
Profit/(loss) from operations before impairment and disposals	**477**	**486**	**-9**
Impairment losses and fixed asset disposals	0	0	0
Operating income	**477**	**486**	**-9**
Financial result	-226	-277	50
Profit/(loss) before tax	**251**	**210**	**41**
Tax on profits	-53	-47	-6
Profit/(loss) from continuing operations	**198**	**163**	**36**
Profit/(loss) from discontinued operations	0	0	0
Net profit/(loss)	**198**	**163**	**36**
Profit/(loss) attributable to Ferrovial (Millions of euros)	**56**	**47**	**9**

Particularly noteworthy with respect to the Profit and Loss Account is the financial result, which was affected by the fair value adjustments to derivatives and liabilities at fair value (mainly Cross-Currency Swaps and Index Linked Swaps), totalling GBP137mn (EUR32mn net attributable to Ferrovial). Of this impact of GBP137mn, -GBP51mn relate to the impact of the derivatives discussed above and GBP188mn to the fair value adjustment of the bonds issued in foreign currency hedging of these instruments. At 30 June 2017, these items totalled GBP122mn (effect of EUR29mn on the net profit/(loss) of Ferrovial).

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

b. Information relating to 407 ETR

a. Impairment test

At 30 June 2018, there was no indication that the carrying amount of the 407 ETR toll road in the Group's consolidated financial statements had become impaired. As indicated in the Consolidated Financial Statements for 2017, there is a very significant buffer between the measurement and the carrying amount of the company.

b. Changes in the Balance Sheet and Profit & Loss Account 2018-2017.

These figures relate to the full balances of 407 ETR and are presented in millions of Canadian dollars. The exchange rates used in June 2018 are EUR1=CAD1.5350 (2017: CAD 1.5059) for the balance sheet figures and EUR 1=CAD 1.5468 (2017: CAD 1.4545) for the Profit and Loss account.

Changes in the Balance Sheet 2018-2017

407 ETR (100%) CAD MILLION	JUNE 2018	DEC 2017	CHANGE 18/17
Non-current assets	**4,438**	**4,408**	**30**
Intangible fixed assets in infrastructure projects	3,942	3,943	0
Non-current financial assets	457	429	28
Deferred taxes	39	37	2
Other non-current assets	0	0	0
Current assets	**974**	**1219**	**-245**
Debtors and other receivables	251	221	29
Cash and cash equivalents	723	998	-275
Total assets	**5,412**	**5,627**	**-216**
Equity	**-3,658**	**-3,435**	**-223**
Non-current liabilities	**8,890**	**8,364**	**526**
Financial borrowings	8,380	7,862	517
Deferred taxes	510	502	8
Current liabilities	**179**	**698**	**-519**
Financial borrowings	102	522	-420
Trade and other payables	77	176	-99
Total liabilities	**5,412**	**5,627**	**-216**

Below is a description of the main changes in the balance sheet of 407 ETR at 30 June 2018 compared to the previous year:

- Financial borrowings: Borrowings as a whole increased by CAD98mn with respect to December 2017. The main changes related to a series of bonds issued in May with a face value of CAD500mn (Series 18-A1 maturing in 2048). This increase was offset by the repayment of credit lines for -CAD422mn.

- Equity: Equity dropped by CAD223mn with respect to previous year, as a result of a profit for the year of CAD226mn and a reduction due to the payment of a dividend of CAD453mn to the shareholders. There was also an impact of CAD4mn due to the application of the IFRS 9 accounting standard.

43.23% of the equity of the investee does not correspond to the consolidated carrying amount 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, which was recognised as an addition to the value of the concession, and the goodwill arising in 2009 as a result of the merger of Ferrovial, S.A. and Cintra Infraestructuras, S.A. Therefore, in order to obtain the consolidated carrying amount at Ferrovial, it is necessary to increase the 43.23% of the shareholder equity presented above (-CAD1,581mn) by the aforementioned gain and the goodwill (CAD2,644mn and CAD1,319mn, respectively) giving a total of CAD2,382mn which, translated at the year-end exchange rate, amounts to the investment of EUR1,552mn.

c. Changes in the Profit and Loss Account 2018-2017.

The table below details the profit and loss account for 407 ETR in the period June 2018 and June 2017:

407 ETR (100%) CAD MILLION	JUNE 2018	DEC 2017	CHANGE 18/17
Operating income	651	592	59
Operating expenses	-81	-80	-1
Gross operating profit	**570**	**512**	**58**
Allocation to amortization	-53	-51	-2
Operating income	**517**	**461**	**57**
Financial result	-210	-172	-38
Profit/(loss) before tax	**307**	**289**	**18**
Tax on profits	-81	-77	-4
Net profit/(loss)	**226**	**212**	**14**
Profit/(loss) attributable to Ferrovial (millions of euros)	57	58	-1

The main changes in the profit and loss account were due to the increase in operating income (CAD59mn) as a result of an average increase in tolls since 1 February 2018 of 8.9% and a 2% rise in traffic. The Management Report contains explanations of 407 ETR's results.

c. *Other associates*

Appendix II to the Consolidated Financial Statements as at 31 December 2017 includes a list of the investments in companies accounted for using the equity method, indicating their name, the country in which they were incorporated, the business segment to which they belong, the proportion of ownership interest, the aggregate Assets and Liabilities, revenue and the profit or loss for the year.

The share of the profits includes most notably the contribution of the Services joint ventures (EUR10mn) and the Norte-Litoral and Algarve Portuguese toll roads (EUR7mn).

Also, the dividends received relate to the Services Division (EUR4mn), primarily from the Amey and FMM Company joint ventures (Doha airport maintenance contract) and Toll Roads, amounting to EUR3mn (Norte-Litoral).

4.5 Working capital

This line item reflects changes in the asset items Inventories and Current trade and other receivables and the liability item current trade and other payables. The net balance of these items is called Working Capital (see Section 4 of the Consolidated Financial Statements as at 31 December 2017).

The following table shows the changes in these items:

Millions of euros	2017	IFRS 9	Exchange rate	Others	2018
Total inventories	**629**	**0**	**-14**	**29**	**644**
Trade receivables for sales and services	1,319	-2	-8	143	1,452
Completed work pending certification	713	0	-10	256	959
Other receivables	603	-1	0	-98	504
Total current trade and other receivables	**2,635**	**-3**	**-18**	**301**	**2,915**
Trade payables	-2,283	0	16	-51	-2,318
Work certified in advance	-619	0	-2	-2	-623
Customer advances	-652	0	9	4	-639
Other current payables	-667	0	5	-56	-718
Total current trade and other payables	**-4,221**	**0**	**28**	**-105**	**-4,298**
TOTAL	**-957**	**-3**	**-4**	**225**	**-739**

The main changes relate to Current trade and other receivables, with a total increase of EUR280mn during 2018 as a result of different effects:

- The exchange rate effect had a negative impact on this line item of EUR18mn, due mainly to the depreciation of the Polish zloty, the Australian dollar and the Chilean peso; and partially offset by the appreciation of the pound sterling and the US dollar.
- The early application of IFRS 9 (see Note 2.2, Summary of the main accounting policies) gave rise to a reduction of EUR3mn in total trade and other receivables.
  The "Other" column includes changes arising mainly from trading of the year, affected by seasonality since, as described in Note 12, in the main countries in which Ferrovial has operations, collections from the public sector are higher in the second half of the year than in the first. The main increases arising from this factor are in the following business activities: Construction Poland (+EUR151mn), Services Spain (+EUR50mn) and Construction Spain (+EUR57mn), partially offset by Services UK (-EUR54mn). In addition, it includes the movement in factoring arrangements during the year, with a decrease of EUR34mn (EUR54mn as at 30 June 2018 compared to EUR88mn as at 31 December 2017). These operations have been deducted from Balance Sheet since it was considered that they met the conditions stipulated in IAS 39.20 regarding the derecognition of financial assets.

As regards changes in the current trade and other payables line item, the balance rose by EUR77mn, concentrated in the item "Other", mainly attributable to the reduction in the balance sheet at UK Services (both in trade for EUR36mn and in other current payables for EUR26mn).

Additionally, with respect to Inventories, there is an increase of EUR29mn under Other, primarily due to performance of the construction business in Poland (+EUR33mn).

4.6 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 "Non-Current Provisions" and "Operating Provisions" on the liability side of the consolidated statement of financial position. At 30 June 2018, the changes have been as follows:

(Millions of euros)	Non-current provisions	Current provisions	TOTAL
Balance at 31 December 2017	**808**	**629**	**1,437**
Impact of changes in the scope of consolidation and other transfers	-81	123	42
Impact of exchange rate	0	-14	-14
Other changes in the year:	**30**	**149**	**179**
Charges/Reversals with an impact on Gross Operating Profit	*8*	*254*	*261*
Charges/Reversals with an impact in other income and expense items	*35*	*7*	*41*
Total impacts Charges/Reversals	*42*	*260*	*302*
Amounts used with an impact on working capital	*-6*	*-111*	*-117*
Other amounts used	*-7*	*0*	*-7*
Total impact of amounts used	*-12*	*-111*	*-124*
Balance at 30 June 2018	**757**	**886**	**1,643**

The year-on-year change amounts to EUR206mn corresponding to:

- Charges/reversals that had an impact on the Profit and Loss account with a net reversal (expense) of EUR302mn, of which EUR261mn impacted negatively on gross operating profit (see Note 7. Cash Flow), which was primarily due to the additional charge of EUR237mn (GBP208.5mn) in relation to the Birmingham contract (once the expectations were reevaluated regarding the level of deductions and penalties that the company were facing (see Note 10.1) and EUR41mn also impacted other line items in the Consolidated Profit and Loss account, mainly amortizations and profit/(loss) from impairments and disposals.

- Use of provisions in the amount of -EUR124mn with no impact on the gross operating profit and had balance entries on working capital amount to -EUR117mn (see Note 7). In terms of the amounts used, -EUR51mn (GBP45.6mn) relate to costs incurred in relation to the Birmingham contract, of which EUR-39mn (GBP-34mn) have had impact on cash (see previous section and Note 10.1).

4.7 Pension plan deficit

This line item reflects the deficit relating to pension and other employee retirement benefit plans. The provision recognised in the consolidated statement of financial position amounted to EUR27mn (31 December 2017: EUR66mn). Of this amount, EUR24mn (31 December 2017: EUR64mn) relate to pension plans of the Amey Group in the UK:

Millions of euros	2018
Opening obligation	**1,037**
Opening assets	**973**
OPENING DEFICIT DECEMBER 2017	**-64**
Actuarial gains and losses recognised in reserves	34
Contributions made	10
Current service cost	*-2*
Interest cost	*-13*
Return on plan assets	*12*
Total impact on the profit and loss account	-3
Exchange differences and other	-1
Closing obligation	**989**
Closing assets	**965**
CLOSING DEFICIT JUNE 2018	**-24**

The Amey Group has 9 defined benefit plans covering a total of 7,968 employees and 5 defined contribution plans covering 11,393 employees. The most significant changes in the first half of 2018 that led to a EUR40mn reduction in the deficit of the defined contribution plans were as follows:

- An impact of +EUR34mn arising from actuarial gains and losses which reduced the pension plan deficit (lower liability) recognised in equity as a result of the change in actuarial assumptions (primarily the discount rate).
- Contributions of +EUR10 million made by the company to the pension plans, which reduced the pension plan deficit (lower liability). The ordinary contributions amounted to EUR2mn, while the extraordinary contributions aimed at improving the pension plan deficit totalled EUR8mn.
- A negative impact of -EUR3mn (-EUR2mn current service cost; -EUR13mn interest cost and +EUR12mn return on plan assets) on profit or loss, which increased the pension plan deficit (higher liability).
- A negative impact due to the exchange rate effect (-EUR1mn).

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 the first half of 2018 these curtailments and settlements totalled EUR13mn.

4.8 Deferred taxes

The detail of the deferred tax assets and liabilities at 30 June 2018 is as follows:

ASSETS (Millions of euros)	2017	Change	2018
Tax losses	298	2	300
Derivatives	101	-6	95
Non-deductible provisions	198	18	215
Difference arising from amounts billed in advance for construction work	132	10	142
Capitalised borrowing costs	84	2	86
Amortizations	44	0	45
Tax credits and tax relief	56	1	57
Others	122	1	123
Total deferred tax assets	**1,035**	**28**	**1,063**

Liabilities (Millions of euros)	2017	Change	2018
Provisions	353	6	358
Goodwill	223	6	229
Investments in associates	11	1	12
Recognition of financial asset in profit or loss	40	2	42
Derivatives	81	-5	76
Others	193	22	215
Total deferred tax liabilities	**900**	**31**	**931**

There were no significant changes in the first half of 2018 in the deferred taxes line items, with the main variations relating to provisions that are non-tax deductible until their realisation, mainly due to provisions for

losses in the Construction Division and deferred taxes that came about due to tax and accounting differences in recognising revenues.

4.10 Other Non-Current Assets and Liabilities

- Non-current financial assets and Financial derivatives: the changes in non-current financial assets and derivative financial instruments at fair value, both assets and liabilities, are explained in Note 7.2.
- Net debt: The changes in cash and cash equivalents and borrowings are explained in Note 6.

5. Equity

Changes in Equity

The detail of the changes in Equity in the six-month period ended 30 June 2018 is as follows:

2018 Millions of euros	**Attributable to Share-holders and Other Equity Instruments**	**Attributable to non-controlling interests**	**Total Equity**
Equity at 31.12.2017	**5,503**	**731**	**6,234**
Transition to IFRS 9	-6	0	-6
Equity at 01.01.2018	**5,497**	**731**	**6,228**
Consolidated profit/(loss) for the year	**-72**	**19**	**-53**
Impact on reserves of hedging instruments	23	-3	20
Impact on reserves of defined benefit plans	84	0	84
Translation differences	-54	10	-44
Income and expenses recognised directly in equity	**53**	**6**	**60**
Amounts transferred to Profit and Loss Account	**0**	**0**	**0**
Scrip and other dividends	-106	-51	-157
Treasury stock transactions	-97	0	-97
Shareholder remuneration	**-203**	**-51**	**-254**
Share capital increases/reductions	1	30	32
Share-based remuneration schemes	2	0	2
Subordinated hybrid bond	-1	0	-1
Other changes	-4	-5	-8
Other transactions	**-1**	**26**	**24**
Equity at 30.06.18	**5,273**	**731**	**6,004**

(*) Pursuant to the amendments to IAS 1, Presentation of Financial Statements, the impact on reserves of defined benefit plans is the only item of Income and Expenses recognised directly in equity that cannot subsequently be reclassified to profit/(loss).

The reduction in equity in the first half of the year relates to the following effects:

Transition to IFRS 9: As indicated in Note 2.2, the Group applied IFRS 9 retrospectively, recognising the cumulative effect of initial application as an adjustment to the opening balance of equity (as a transitional impact), which gave rise to a reduction in the Parent's reserves of -EUR6mn.

Consolidated profit/(loss) for the year: the consolidated profit/(loss) for the year attributable to the Parent Company amounted to -EUR72mn.

Income and expenses recognised directly in equity: unlike the detail presented in the main statement of changes in equity, the impacts are shown net of the related tax effect.

Impact on reserves of hedging instruments: the recognition of the fair value changes in derivative financial instruments designated as hedges gave rise to a positive impact of EUR20mn on the Group's total shareholder equity (impact of EUR23mn attributable to the Parent Company), of which, EUR4mn corresponds to fully consolidated companies and EUR19mn to companies accounted for using the equity method.

Impact on reserves of defined benefit plans: this reflects the impact on equity of the actuarial gains and losses arising from adjustments and changes to the Group's defined benefit plan assumptions, which had a net impact in the period of EUR84mn, relating to the companies accounted for by using the equity method (HAH/AGS) for EUR56mn and the Amey group for EUR28mn.

Translation differences: This change has had a negative impact on shareholder equity attributable to the Parent Company of -EUR54mn. The main impacts arose as a result of the depreciation of the Canadian dollar (-EUR42mn), the Australian dollar (-EUR14mn) and the Polish zloty (-EUR8mn), offset by the appreciation of pound sterling (+EUR10mn).

Shareholder remuneration

Scrip dividend: The impact in this connection relates to the first tranche of the shareholder remuneration scheme approved by the General Shareholders' Meeting of Ferrovial, S.A. held on 5 April 2018. Under this scheme, the shareholders can freely choose to receive newly issued shares of the Company by subscribing a share capital increase with a charge to reserves or an amount in cash through the transfer to the Company (if they have not already done so in the market) of the free allocation rights corresponding to the shares held by them. It should be noted that 53.91% of the shareholders opted to receive shares of the Company, whereas 46.09% availed themselves of the Company's commitment to purchase rights.

Consequently, in the first half of 2018, a share capital increase was carried out for a total amount of 7,049,868 shares with a par value of EUR0.20 per share, representing a share capital increase of EUR1.4mn. Also, free allocation rights amounting to EUR106mn were purchased, representing a price per share of EUR0.314.
The amount shown in this connection in the table on Changes in equity is -EUR106mn, although the amount disbursed at 30 June was EUR100mn, since withholdings of EUR6mn had not yet been paid.

Treasury stock transactions: the changes in treasury shares in the first half of 2018 were as follows:

TRANSACTION PERFORMED / OBJECTIVE	NUMBER OF SHARES	NUMBER OF SHARES USED FOR OBJECTIVE	TOTAL NUMBER OF SHARES
BALANCE AT 31 DECEMBER 2017			**2,167,237**
Treasury stock for capital reduction	1,055,000		1,055,000
Discretionary and other treasury stock	4,611,088		4,611,088
Treasury stock to cater for remuneration schemes	247,256	-899,241	-651,985
Shares received - scrip dividend	109,396		109,396
BALANCE AT 30 JUNE 2018			**7,290,736**

The changes in the balance of treasury shares can be explained as follows:

- Treasury stock for capital reduction: In the framework of the aforementioned scrip dividend resolution, on 5 May 2018 the General Shareholders' Meeting approved a plan to purchase shares for a maximum amount of EUR275mn, the objective of which is to subsequently reduce share capital by redeeming those shares. As a result of this resolution, during the first half of 2018, 1,055,000 shares were acquired at an average price of EUR18.02 per share, giving rise to a payment of EUR19mn.
- Discretionary and other treasury stock: During the first half of 2018, 4,611,088 treasury shares were acquired amounting to EUR78mn.
- Treasury stock to cater for remuneration schemes: Lastly, at 30 June 2018, 247,256 treasury shares had been acquired in order to implement various share-based remuneration schemes, and 899,241 shares had been used for this purpose, giving rise to a net change of -651,985 shares in this connection. The share-based remuneration schemes had an impact of EUR2mn on the Company's equity (see Other transactions section).
- Also, on implementation of the aforementioned scrip dividend, the Company received 109,396 treasury shares.

At 30 June 2018, there were 7,290,736 treasury shares amounting to EUR139mn.

Other transactions:

Share capital increases: There was an increase of EUR30mn in the equity attributable to non-controlling interests, relating mainly to North Tarrant Express Segments 3 and the I-77 Mobility Partners LLC toll road for EUR16mn and EUR15mn, respectively.
Share-based remuneration schemes: this reflects mainly the treasury stock transactions relating to share-based remuneration schemes for management, which had an impact of EUR2mn on equity, as mentioned in the preceding section.
Subordinated hybrid bond As described in the consolidated accounts at 31 December 2017, the Group issued perpetual subordinated bonds for a nominal amount of EUR500mn, the features of which remain unchanged at 30 June 2018. The impact of accrued interest is reflected in Reserves, in a similar manner to dividends, amounting to -EUR1mn at end 2018.

6. Net cash position

In order to present an analysis of the Group's net debt position, the following table contains a breakdown of the Net Cash Position. 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 borrowings (current and non-current bank borrowings and debentures). Also, the Net Cash Position includes Forwards totalling -EUR19mn that hedge the cash held by the Group in Australian dollars and Canadian dollars, as well as Cross Currency Swaps, with a value of -EUR10mn in December 2016, associated with the borrowings denominated in 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.
The method used to define the Group's net cash position coincides with that used in the preparation of the Consolidated Financial Statements for 2017.

The net cash position is in turn broken down into that relating to infrastructure projects and to other Group companies.

	30.06.2018							
(Millions of euros)	BANKING DEBT /BONDS	CROSS CURRENCY SWAPS	CASH AND CASH EQUIVALENTS	FORWARDS	NON-CURRENT RESTRICTED CASH	NET BORROWING POSITION	INTRA-GROUP POSITION	TOTAL
Ex-Infrastructure Project Companies	-3,020	-10	3,985	-19	1	937	-31	906
Infrastructure project companies	-5,592	0	394	0	351	-4,846	31	-4,816
Total net consolidated debt	**-8,612**	**-10**	**4,380**	**-19**	**353**	**-3,909**	**0**	**-3,909**

	31.12.2017							
(Millions of euros)	BANKING DEBT /BONDS	CROSS CURRENCY SWAPS	CASH AND CASH EQUIVALENTS	FORWARDS	NON-CURRENT 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**

An overall explanation of the changes in the Net Cash Position in the first six months of 2018 is included in Note 7, Cash Flow and in the Interim Management Report that has been formally prepared together with these Interim Condensed Consolidated Financial Statements.

6.1 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 current or non-current obligations relating to the payment of the principal or interest on the borrowings and to infrastructure maintenance and operation.

In this regard, the restricted cash at 30 June 2018 amounted to EUR394mn (December 2017: EUR343mn), including both non-current and current amounts. The most noteworthy changes were as follows:

- The exchange rate effect, which had a positive impact of EUR9mn (see Note 4).
- The EUR42mn increase in restricted cash, mainly at the LBJ toll road (EUR22mn) and the NTE toll road (EUR24mn), because of the requirements under the financing agreement (relating to extraordinary maintenance and debt servicing).

"Other Cash and Cash Equivalents" (excluding restricted cash), which decreased by EUR54mn in this period, and relates to bank accounts and highly liquid investments subject to interest rate risk. The changes therein are analysed in Note 7, Cash flow.

b) Infrastructure project borrowings

Millions of euros	Dic.2017	Net drawdowns	Exchange rate	30/06/2018
Toll roads	4,668	79	96	4,843
Services	509	-162	2	348
Other	394	0	7	400
Total Infrastructure Project Borrowings	**5,570**	**-83**	**105**	**5,592**

Infrastructure project borrowings increased by EUR22mn with respect to December 2017, a change that was mainly due to the following reasons:

- The depreciation of the euro against the dollar and pound sterling (see Note 4) increased indebtedness by EUR105mn. This impact arose primarily with respect to the US dollar (EUR103mn): EUR40mn at the LBJ toll road; EUR30mn at North Tarrant Express Managed Lanes Mobility Partners; EUR19mn at NTE Mobility Partners Segments 3 LLC and EUR7mn at I-77 Mobility Partners.

- As regards net drawdowns (EUR-83mn), -EUR147mn relates mainly to the repayment of the borrowings of the company AmeyCespa (MK) SPV Limited, a concession operator of a waste plant in the United Kingdom, after receiving payment from the customer when the plan became operational. In contrast, noteworthy were Toll Roads (+EUR79mn), primarily the US Toll Roads (EUR49mn at NTE Mobility Partners Segments 3 LLC, EUR18mn at LBJ Infrastructure Group, EUR15mn at North Tarrant Express Mobility Partners and EUR2mn at the I-77), primarily due to drawdowns at NTE Mobility Partners Segments 3 LLC, as well as the accrual of debt with no impact on cash (payable accrued interest and interest capitalisation).

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	CAPITALISED/ACCRUED INTEREST	OTHERS	Jun.2018
Bank borrowings/Bonds for Projects	5,570	-128	105	0	43	2	5,592
Gross Debt Position Projects	**5,570**	**-128**	**105**	**0**	**43**	**2**	**5,592**

According to the Company's estimates at the reporting date, the significant covenants in force associated with the Group's principal borrowings were being met.

6.2 Other companies

The Net Cash Position excluding infrastructure projects amounted to EUR906mn, a change of -EUR434mn compared with December 2017. This change is explained in further detail in the Management Report and the note on Cash Flow.

a) Cash and cash equivalents of other companies

The net decrease of -EUR152mn on December 2017 is explained mainly by the redemption of the first issue of corporate bonds in the amount of EUR500mn, as well as to developments in Construction and Services (see breakdown in the Management Report), partially offset by the liquidity obtained through the issuance of ECPs ("*Euro Commercial Paper")* in June 2018 for an amount outstanding of approximately EUR586mn and the dividend payment from the infrastructure projects.
Also, at 30 June 2018 there were certain restricted accounts totalling EUR75mn (December 2017: EUR31mn), which primarily include EUR43mn in the Construction Division, to service debts and operating payments for projects in progress in the US, as well as EUR30mn associated with the developments in progress of the real estate company B.N.I. Budimex.

b) Breakdown of borrowings of other companies

(Millions of euros)	31/12/2017	Other companies - net change	Exchange rate	30/06/2018
Construction	**39**	**4**	**-1**	**42**
Broadspectrum	*7*	*-2*	*0*	*5*
Amey	*11*	*181*	*-1*	*190*
Other	*167*	*-11*	*0*	*157*
Services	**185**	**168**	**-1**	**352**
Corporate and Other	**2,556**	**64**	**7**	**2,626**
Total Ex-Infrastructure Project Company Borrowings	**2,780**	**235**	**5**	**3,020**
Cross Currency Swaps	17	0	-7	10
Total Ex-Infrastructure Project Company Borrowings, including CCSs	**2,797**	**235**	**2**	**3,030**

The borrowings of ex-infrastructure project companies amounted to EUR3,030mn, an increase of EUR234mn. Excluding the exchange rate effect, the variation is EUR235mn. The increase in debt is primarily due to drawdowns by Amey (EUR181mn).
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 EUR1,000mn on the Irish Stock Exchange, approximately EUR586mn having been issued at June 2018, with an average rate of -0.25%. Through this programme, Ferrovial is able to issue commercial paper notes maturing between one and 364 days as of the issue date so as to diversify funding sources in the capital market and manage cash surpluses more efficiently.

Additionally, in January 2018, a corporate bond was redeemed in the amount of EUR500mn.

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	CAPITALISED/ACCRUED INTEREST	OTHERS	JUN.2018
Bank borrowings/Ex-Project Bonds	2,780	254	5	0	-22	3	3,020
Cross Currency Swaps	17	0	-7	0	0	0	10
Gross Non-Infrastructure Project Debt Position	**2,797**	**254**	**-2**	**0**	**-22**	**3**	**3,030**

7. Cash flow

7.1 Statement of Cash Flow

The consolidated statement of cash flows was prepared in accordance with IAS 7. This Note provides an additional breakdown in this connection. This breakdown is 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 cash flows from operating activities, and “Cash Flows of 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 statement of cash flows prepared in accordance with IAS 7, since this interest is included in cash flows from financing activities, as a reduction of the amount of interest paid, under “Interest Cash Flows”.

- 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.

It should also be noted that dividends received derive mainly from infrastructure projects and equity-consolidated companies. This includes both dividends and other similar items, mainly interest on subordinated borrowings and participating loans, and repayments of capital, debt and loans.

The change in cash flow is also discussed in the Interim Management Report that was formally prepared together with these Interim Consolidated Financial Statements.

(Millions of euros)	Note:	June 2018 (figures in millions of euros) Cash flow excluding infrastructure project companies	Cash flow of infrastructure project companies	Adjustments	Consolidated cash flow
EBITDA		-93	216	0	122
Dividends received	4.5	307	0	-77	229
Birmingham provision with no impact on cash		198	0	0	198
Working Capital Variation (accounts receivables, accounts payable and others)	4.5/7.1	-482	-57	0	-539
Cash flows from operating activities before tax		**-71**	**159**	**-77**	**11**
Taxes paid in the year		2	-2	0	-1
Cash flows from operating activities		**-69**	**156**	**-77**	**10**
Investment		-135	74	35	-27
Disposals		48	0	0	48
Cash flows from investment activities		**-87**	**74**	**35**	**22**
Cash flows from operating and investing activities		**-156**	**230**	**-43**	**32**
Interest cash flows		-23	-95	0	-118
Capital proceeds from/payments to non-controlling interests		0	66	-35	31
Scrip dividend		*-100*	*0*	*0*	*-100*
Acquisition of treasury stock		*-97*	*0*	*0*	*-97*
Shareholder remuneration	5	-197	0	0	-197
Dividends paid to non-controlling shareholders of investees		-48	-78	77	-48
Other Shareholder Equity changes		-4	0	0	-4
Exchange rate effect		-16	-90	0	-106
Changes in the scope of consolidation		-5	0	0	-5
Other changes in borrowings (not giving rise to cash flows)		15	-45	0	-30
Cash flows from financing activities		**-278**	**-242**	**43**	**-478**
Change in net cash position		**-434**	**-12**	**0**	**-446**
Opening position	6	1,341	-4,804	0	-3,463
Closing position	6	906	-4,816	0	-3,909

Millions of euros	Note:	June 2017 (figures in millions of euros) Cash flow excluding infrastructure project companies	Cash flow of infrastructure project companies	Adjustments	Consolidated cash flow
EBITDA		243	226	0	469
Dividends received		259	0	-2	257
Working Capital Variation (accounts receivables, accounts payable and others)		-529	-11	0	-540
Cash flows from operating activities before tax		**-27**	**215**	**-2**	**187**
Taxes paid in the year		-12	-4	0	-16
Cash flows from operating activities		**-38**	**211**	**-2**	**171**
Investment		-126	-164	23	-267
Disposals		167	0	0	167
Cash flows from investment activities		**41**	**-164**	**23**	**-100**
Cash flows from operating and investing activities		**2**	**47**	**21**	**71**
Interest cash flows		-39	-108	0	-147
Capital proceeds from/payments to non-controlling interests		-1	44	-23	20
Scrip dividend		*-93*	*0*	*0*	*-93*
Acquisition of treasury stock		*-35*	*0*	*0*	*-35*
Shareholder remuneration		-129	0	0	-129
Dividends paid to non-controlling shareholders of investees		-46	-2	2	-46
Other Shareholder Equity changes		5	0	0	5
Exchange rate effect		-8	244	0	236
Changes in the scope of consolidation		0	-36	0	-36
Other changes in borrowings (not giving rise to cash flows)		28	-45	0	-17
Cash flows from financing activities		**-191**	**97**	**-21**	**-114**
Change in net cash position	**6**	**-188**	**145**	**0**	**-43**
Opening position		697	-4,963	0	-4,266
Closing position		509	-4,819	0	-4,310

7.2 Changes in working capital:

The variations in Working Capital disclosed in the foregoing table are the metric that explain the difference between the Group's Gross Operating Profit and its Cash Flows from Operating Activities before Tax and arose 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 were transformed into cash, due mainly to changes in the balances of trade accounts receivable and payable to suppliers or other items in the consolidated statement of financial position. Thus a reduction in the balance of trade accounts receivable 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 item do not exactly coincide with the changes in working capital reported in Note 4.5 for the following reasons:

	Ex-infrastructure projects	Infrastructure projects and adjustments	TOTAL Ex-Bmgh	Bmgh provision	TOTAL
Change in working capital (Note 4.6)	**-443**	**218**	**-225**	**0**	**-225**
Changes in working capital with an impact on other lines in the statement of cash flows	-2	-266	**-267**	0	**-267**
Changes in provisions with an impact on gross operating profit from operations or on working capital.	-55	1	**-54**	198	**144**
Changes in other statement of financial position items with an impact on cash flows from operating activities	18	-10	**8**	0	**8**
Total working capital reported in statement of cash flows	**-482**	**-57**	**-539**	**198**	**-341**

The differences discussed above relate to the following items:

- Changes in working capital with an impact on other lines in the statement of cash flows (mainly cash flows from investing activities). The working capital accounts reported in Note 4.5, in particular the payables to suppliers, can relate to transactions that do not affect cash flows from operating activities, such as non-current asset purchases.

- Changes in provisions with an impact on gross operating profit from operations or on working capital amounts to EUR144mn, related to:

  - a net charge of EUR261mn with a negative impact on Gross Operating Profit from operations, but with no cash impact (see Note 4.6)

  -a use of provisions in working capital accounts amounts to -EUR117mn (see Note 4.6).

- Changes in other statement of financial position items with an impact on cash flows from operating activities. The changes in working capital reported in Note 4.5 reflect only movements in items included under "Current Trade and Other Receivables", "Current 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.

8 Non-current financial assets and derivative financial instruments at fair value

The main changes in derivative financial instruments at fair value (in assets and liabilities) and other financial assets were as follows:

Millions of euros	30.06.2018	31.12.2017	Change
Non-current financial assets	**853**	**769**	**84**
Non-current loans to associates	351	312	39
Restricted cash and other non-current financial assets	353	285	68
Other receivables	150	172	-22
Derivative financial instruments at fair value (net)	**-112**	**-71**	**-41**
Derivative financial instruments at fair value (assets)	350	381	-31
Derivative financial instruments at fair value (liabilities)	-462	-452	-10

8.1. Non-current financial assets

"Non-Current Loans to Associates" includes mainly the loan granted to AGS amounting to EUR169mn (31 December 2017: EUR175mn), as well as participating loans amounting to EUR41mn (2017: EUR40mn) and other ordinary loans to associates totalling EUR141mn (2017: EUR97mn).

"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. This item forms part of the Net Cash Position.

8.2 Derivative financial instruments at fair value

In general, the Group's position in derivatives and its hedging strategies remained in line with the situation described in detail in the financial statements for the year ended 31 December 2017. Derivatives are recognised at market value at the trade date and at fair value at subsequent dates.

The detail of the asset and liability balances relating to derivative financial instruments at fair value and of the main impacts on reserves and on profit/(loss) is as follows:

Millions of euros	Notional amounts at 30.06.18	MTM value at 30.06.2018	MTM value at 31.12.2017	Change	Impact on reserves	Impact on P&L - Fair value	Other effects on statement of financial position - P&L
Interest rate derivatives	1,865	-391	-408	18	20	1	-4
Index-linked derivatives	55	290	316	-26	-22	0	-4
Equity Swaps	50	-3	1	-4	0	-4	0
Exchange rate derivatives	3,670	0	36	-36	0	13	-50
Cross currency swaps	250	-10	-17	7	0	0	7
Others	0	2	1	1	1	0	0
Total	**5,890**	**-112**	**-71**	**-41**	**-1**	**11**	**-51**

The net change in the fair value of the Group's financial derivatives amounted to -EUR41mn, its liability position rising from -EUR71mn at 31 December 2017 to -EUR112mn at 30 June 2018.

The main change relates to the exchange rate derivatives (-EUR36mn), the detail being as follows:

- Fair value gain of EUR13mn.
- Other impacts totalling -EUR50mn, of which -EUR45mn relate to cash settlements and -EUR5mn to translation differences.

As regards the other financial derivatives at fair value, the Group has arranged interest rate derivatives to hedge the interest rate risk relating to infrastructure projects (especially in the Toll Roads Division). The fair value of these interest rate derivatives as a whole fell from -EUR408mn at 2017 year-end to -EUR391mn at the reporting date of these interim condensed consolidated financial statements (change of +EUR18mn).

The fair value of the index-linked derivatives, relating to the concession operator Autema, decreased by EUR26mn, mainly as a result of a slight improvement in inflation forecasts in Spain, whilst the cross currency swaps (arranged to hedge a US dollar borrowing drawdown), increased by EUR7mn, primarily as a result of the appreciation in the US dollar.

There was a EUR4mn decrease in the fair value of the equity swaps, due mainly to the fall in the quoted share price during the period, which gave rise to the recognition of expense for that same amount as a fair value adjustment in the Profit and Loss account. The Group has other derivatives, arranged principally in relation to commodities, with a valuation of EUR2mn; the change in their fair value was recognised in full in reserves.

Lastly, it should be noted that 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 (see Note 6 of the Consolidated Financial Statements for the year ended 31 December 2017).

Also, there are derivative financial instruments at companies accounted for using the equity method, the most significant effects of which are discussed in Note 4.4, Investments in associates.

9. Disclosures relating to the profit and loss account

Impairments and disposals of fixed assets

“Impairment and Fixed Asset Disposals” includes mainly asset impairment and the gains or losses on the sale and disposal of investments in Group companies and associates.

The main impacts recognised in this line item at 30 June 2018 relate to:

- Autopista Terrassa Manresa (Autema): in 1H 2018 a provision of -EUR18mn was recognised for the results generated by this company in the first half of the year, due to the situation of the project (see Note 10.1 on Litigations) (effect of -EUR13mn on the net profit/(loss) of Ferrovial).

At 30 June 2017, the gains or losses resulting from impairment or disposals of fixed assets related to:

- Norte Litoral Toll Road: during the first six months of 2017, the Group sold part of its stake in this company. This transaction had an impact of EUR48mn on “Impairment and Disposals of Fixed Assets” and of EUR56mn on net profit/(loss), of which EUR27mn relate to the remeasurement at fair value of the stake retained (49%).
- Autopista Terrasa Manresa (Autema): in the first six months of 2017, a provision of -EUR19mn was recognised for the results generated by this company in the first half of the year (effect of -EUR14mn on the net profit/(loss) of Ferrovial).

Financial result

- *Financial result on financing*

The financial result on the financing of the infrastructure project companies amounted to -EUR120mn (30 June 2017: -EUR132mn), relating primarily to these companies' external borrowing costs. The improvement in the financial result is due largely to the 2017 scope changes, mainly as a result of the change of consolidation method for Autopista Norte Litoral and Algarve to the equity method following the partial sales made in 2017, EUR9mn having accrued in the first half of the year. During 2018, financial income accrued based on Ferrovial's shareholding percentage on the line "Share of profits of companies accounted for using the equity method".

The financial result on the financing of the other companies (excluding infrastructure project information) amounted to EUR3mn (30 June 2017: -EUR20mn), corresponding to external borrowing costs (-EUR29mn) net of the interest obtained on financial investments and other items for EUR32mn. The improved financial result on financing was primarily

caused by the cancellation of the High Yield Bonds at Broadspectrum in April 2017 in the amount of AUD325mn (EUR243mn), the net value of the Cross Currency Swap. This debt had a high cost (8.38%), meaning that its cancellation has helped to reduce the Group's ex-infrastructure project financial expenses. In addition to this impact, of note is the lower cost of Corporate debt, following the repayment of the first Corporate bond in January 2018, the annual coupon of which was 3.375%, while the issue of the aforementioned Euro Commercial Papers (ECPs) (see Note 6.2) has a lower financial cost (average cost -0.25%).

- *Other Financial Results*

"Other financial results" for ex-infrastructure project companies includes mainly the result of changes in the fair value of financial instruments with no impact on cash. At 30 June 2018, these changes gave rise to income of EUR11mn, classified in the fair value adjustments column of the profit and loss account. Within this amount is the notable positive impact of Options and Forwards, for EUR13mn (mainly in USD, CAD and GBP). Also noteworthy is the impact of the equity swaps arranged by the Group to hedge the effect on equity of the share option plans; these swaps had a negative impact of EUR4mn in the period (see Note 8) due to the decrease in the share price in the first six months of the year.

Disregarding the fair value impact, the remainder of the financial result (-EUR9mn) primarily relates to bank guarantee costs (-EUR18mn), exchange rate differences (-EUR4mn), late payment interest (EUR8mn), as well as interest from loans with companies accounted for using the equity method (EUR7mn). The year-on-year change was primarily impacted by costs associated with the cancellation of the High Yield Bonds (-EUR15mn) from Broadspectrum in 2017.

There were no significant changes at the infrastructure project companies with respect to the previous year, with the main component of this line item being the financial accrual from the restatement of provisions (-EUR2mn).

Income Tax Expense

The income tax expense for the first six months of 2018 was calculated on the basis of the tax rate that is expected to be applicable to total annual earnings, as explained in Note 2.2, Bases for presentation, accounting estimates and policies. Accordingly, at 30 June 2018 this gave rise to an expense of -EUR17mn. However, it should be taken into account that this amount includes EUR1mn of prior years' adjustments. Excluding this impact, the income tax expense for the year is -EUR18mn.

Also, the profit/(loss) before tax (-EUR36mn at 30 June 2018) includes certain impacts, with no tax impact, that have to be excluded when calculating the effective income tax rate, of note are:

- The impact of the results of companies accounted for using the equity method (EUR135mn) which, in accordance with accounting standards, are presented net of the related tax effect.
- Losses that are generated in construction and services contracts performed outside Spain and do not generate a tax credit (EUR23mn).
- The setting aside of a EUR237mn provision with no tax impact in relation to the Birmingham contract in the Services Business.

Following adjustment for these three items, the pre-tax result amounts to EUR88mn.

After applying the aforementioned adjustments, the effective tax rate is 20% (income tax expense of -EUR18mn on EUR88mn of profit/(loss) before tax).

10. Contingent assets and liabilities, obligations and investment commitments

10.1. Litigation

The consolidated financial statements for 2017 contain detailed disclosures on the main litigation in which the various Group companies were involved at year-end. The following is an explanation of the main changes in the situation of those lawsuits in the first half of 2018:

a) Litigation relating to the Toll Road business

- **Terrassa Manresa Toll Road (Autema)**

On 30 December 2016 the Catalan Government published a new Decree 337/2016 that partially modified Decree 161/2015 initially legally challenged. This new Decree maintains the substantial modification of the rules governing the way payments are to be made to the Concession Company, which is why the Company appealed it and requested that this appeal be adjoined to the earlier one. This joinder was agreed to by the Court.
The co-defendants (the Catalan Government and Bagés Regional Council) filed their written submissions in reply to the complaints and, during 1H 2018, evidence was heard and a court hearing was held in which each of the parties' expert witnesses confirmed the findings set out in their expert opinions. The conclusions phase has now begun.

- **M-203 Toll Road**

As set out in the financial statements for 2017, on 3 November 2017 the Community of Madrid terminated the concession agreement and is therefore obliged to comply with the following milestones resulting from its termination within 6 months of issuing the said Order: (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; (iv) it must pay compensation for the investments made (net book value of the asset reclassified as the amount of EUR61mn recoverable from the Authority at the end of the 2017 financial year) and for any damage suffered.

A formal process for the acceptance of the works by the Community of Madrid took place on 3 April 2018, and the Company is currently awaiting compliance with the subsequent milestones.

- **AP 36 Ocaña-La Roda toll road and Radial R4 toll road.**

As regards the AP 36 toll road, the Administrator filed the Liquidation Plan with the Insolvency Court on 14 December 2017, and the Court classified the insolvency as fortuitous. On 15 March 2018, the public company SEITTSA took control of the asset, and the company that held the concession will continue with its liquidation process under the orders of the Insolvency Administrators.

As regards the Radial R4 toll road, there have been no substantial changes from the situation reported in the financial statements for the 2017 financial year. The public company SEITTSA took control of the asset on 21 February 2018.

- **SH-130 (Toll roads/Construction)**

There are currently two lawsuits underway with regard to the SH-130 toll road:

– ***Lawsuit regarding insolvency of toll road creditors***

On March 1, 2018, SH-130 Concession Company, LLC filed a complaint before the United States Bankruptcy Court Western District of Texas against Ferrovial, S.A, Cintra Infrastructures SE, Ferrovial Agroman, S.A. and other subsidiaries of the Ferrovial group, and against the partner in the project for the SH-130 toll road.

Until June 28, 2017, when it emerged from a voluntary petition for relief under Chapter 11 (submitted on the March 2, 2016) and transferred to its current owners, SH-130 Concession Company LLC was 65 % owned by Cintra TX 56 LLC.

The complaint is based on the claim that some of the payments made by the concession company 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, it was known that (i) the work was completed incorrectly and should not, therefore, have been paid for; and (ii) the concession company was insolvent. It also accuses several companies of Ferrovial group of benefiting from these allegedly fraudulent payments in the knowledge that they were fraudulent. The plaintiff is demanding the return of these payments, which amount to a total of USD329mn.

Likewise, the complaint also accuses Ferrovial, S.A., Cintra Infrastructures, SE and other companies of the group of causing SH-130 Concession Company, LLC to make such transfers, and doing that, breaching the fiduciary duties that should be fulfilled according to the commercial legislation of the State of Delaware, and that they aided and abetted to breach them.

Ferrovial group defendant companies have filed several motions to dismiss the initial complaint on various grounds, which are currently set for hearing before the Court on August 9, 2018.

The analysis made as of 30 June 2018 allows to conclude that Ferrovial group defendant companies have solid arguments in the defense of their interests in this proceeding, and it is reasonable to consider that they may obtain a rejection of the claims exercised against them. As a consequence, Ferrovial has not set aside any provision in this regard.

– ***Arbitration related to construction works***

No changes have occurred with relation to the situation set out in the consolidated financial statements at 31 December 2017. The Company continues to believe that it is not necessary to allocate any additional provision to the USD10mn currently set aside to cover deferred expenses in relation, in the main, to legal costs.

b) Litigation relating to the Construction business:

Other than the arbitration process reported in the preceding paragraph in relation to the SH-130 toll road, as of 30 June 2018 there has not been any substantial change from the situation described in the financial statements for the 2017 financial year as regards litigation involving the construction business, nor have any new legal proceedings been initiated that might represent a significant contingency for the Group.

c) Litigation relating to the Services business:

In relation to the Services business in the UK:

The main legal action is the one relating to the long-term contract that Amey holds with Birmingham City Council in relation to the refurbishment and subsequent maintenance and replacement of certain infrastructure items in the city through to 2035.

As indicated in the financial statements for 2017, on 22 February 2018 the United Kingdom Court of Appeal found in favour of Birmingham City Council and ordered the completion of the additional work that, in the client's opinion, was necessary. This overturned the judgement in which the High Court had previously ruled in favour of Amey in September 2016.

As of 31 December 2017, the Company had set aside a provision in relation to this project in the amount of GBP74.4mn, of which 37.9mn represented the balance of the provision set aside in relation to this case in 2016 and 36.5mn represented part of the adjustment required under the initial application of IFRS 15, on the grounds that certain amounts relating to compliance with milestones 6 to 9 (which were initially entered as income) did not meet the requirements set out in the said standard on 31 December 2016, since the entry of these amounts was dependent upon the appeal filed by Birmingham City Council against the judgement handed down in September 2016. 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, according to which it was estimated that a large portion of the investment required by the City Council would occur during the service phase of the Lifecycle, after the capex phase had been completed, and that the deductions and penalties applied by the City Council during the early months of the 2018 financial year would be reduced to the levels existing in previous financial years.

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 GBP208mn in addition to the amount already existing as of 31 December 2017. The following is a transcript of two paragraphs from the said significant event in which the Company explained the reasons behind this additional provision:

(i) ***Investments.*** *During negotiations with the Client that took place in 2017, a certain amount of investment was expected to take place after the closure of the Core Investment Period (CIP) and during the operational phase of the contract, as part of a type of services known as "Lifecycle".*

Recent communications from the Client make clear that the previous expectation is no longer realistic and that the CIP phase will now remain open until the Milestone works are completed. As the Contract is now accounted for under IFRS 15, with separate performance obligations for Capex (CIP), Lifecycle and Opex, the amount expected to be spent during CIP must be accounted for even though it is expected that during the overall Contract term a material proportion will be recovered through the lifecycle phase.

(ii) ***Deductions and penalties*** *The expectations of Amey, following the Court of Appeal judgment in favour of the Client, was that the extraordinarily high amounts of penalties and deductions levied in*

the first two months of the year would be reduced to a more reasonable level, as seen in previous years. However, it now appears that the Client will continue to apply deductions at high levels. Accordingly, the Company has reviewed the likely amount and provided to that level. Amey does not agree with the level of deductions and will attempt to overturn them with the mechanisms provided in the Contract.

Following entry of this provision in the accounts, the total accumulated provision set aside in relation to this lawsuit was GBP283mn.

As of the date on which these interim financial statements are being prepared, there have been no significant changes to the situation relating to this lawsuit. The accumulated total provision as of 30 June 2018 amounted to GBP237mn, the difference (GBP45.6mn) corresponding to obligations that have materialised during the course of the financial year in relation to the risks covered by the provision. This provision has had a cash impact of GBP34mn.

In relation to the Services business in Spain:

- The main lawsuit is 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. In particular, the penalty imposed on Cespa, S.A. and Cespa Gestión de Residuos, S.A.U. amounted to EUR13.6mn. On 27 February the National Court gave notice of a judgement in which it upheld the Group'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. It should be stressed that 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 is currently pending a decision on whether or not it will be admitted. The Group has not set aside any kind of provision in relation to this lawsuit due to the fact that it now involves no risk, even though it remains ongoing.

- 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. The Group has appeared in the proceedings (though the CNMC has not yet specified or categorised the anti-trust conduct or practices in question) 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 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.

- Other litigation related to the services business:

  Other than the litigation mentioned in the previous paragraph, as of 30 June 2018 there had not been any substantial change from the situation described in the 2017 financial statements as regards litigation in the Services business, nor had any new court proceedings been initiated that might represent a significant contingency for Ferrovial.

d) Tax litigation

As mentioned in its 2017 financial statements, Ferrovial is still engaged in ongoing tax actions, mainly in relation to tax inspections in Spain, for which it has set aside provisions in a total amount of EUR254mn.

In respect of these legal actions, the National Court handed down a judgement on 5 April 2018 in which it dismissed Ferrovial's claim relating to the possibility of making a deduction against Corporation Tax during the financial years from 2003 to 2005 in the amount of the provision entered by the company Autopista de Toronto SL in relation to its indirect investment in the Canadian 407 ETR project. The amount claimed is EUR75mn, a figure which includes penalties and late-payment interest and for which full provision had been set aside as of December 2017. Ferrovial has filed a cassational appeal with the Supreme Court against this judgement which remains pending admission for process. In the event that the appeal is not admitted for process or is dismissed, the judgement will not have any impact on the income statement as full provision has been made for the risk, though it will have an impact on cash flow in the amount claimed.

10.2 Guarantees

a) Bank guarantees and other guarantees provided by insurance companies

At 30 June 2018, the Group companies had provided bank and other guarantees issued by insurance companies totalling EUR7,152mn (31 December 2017: EUR7,472mn), primarily relating to the guarantees amounting to EUR4,580mn (2017: EUR4,848mn) provided in the Construction Division to cover the liability of the construction companies for the performance and completion of their construction contracts, as required in the contract award processes, EUR1,129mn (December 2017: EUR1,165mn) provided to the toll road division, primarily covering equity contributions and to the guarantees amounting to EUR1,115mn (December 2017: EUR1,109mn) provided in the Services Division for the liability relating to contract performance.

Of the total amount of the guarantees, EUR909mn (31 December 2017: EUR948mn) are securing commitments to invest in the capital of infrastructure projects (see Note 10.3.a below).

b) Guarantees provided by Group companies for other Group companies

Guarantees are provided among Group companies to cover third-party liability arising from contractual, commercial or financial relationships. In general, these guarantees do not have any impact on the analysis of the Group's consolidated financial statements. However, there are certain guarantees provided by ex-infrastructure project companies to infrastructure project companies which, due to the classification of project borrowings as being without recourse, it is relevant to disclose. It is also important to mention the guarantees provided to companies accounted for using the equity method, whether or not they are infrastructure project companies, to the extent that they could give rise to future additional capital disbursements at these companies if the guaranteed events took place.

The detail of the outstanding guarantees at 30 June 2018 and of the changes therein with respect to 31 December 2017 is as follows:

b.1) Guarantees provided by ex-infrastructure project companies to fully-consolidated infrastructure project companies (contingent capital).

These guarantees totalled EUR237mn at 30 June 2018 (31 December 2017: EUR239mn). Of that amount, only EUR34mn are secured.

b.2) Guarantees provided by ex-infrastructure project companies to infrastructure project companies accounted for using the Equity Method (contingent capital).
The guarantees in relation to the financing of the infrastructure projects amount to EUR48mn based on the Ferrovial Group's percentage of ownership (31 December 2017: EUR51mn).

b.3) Other guarantees provided for companies accounted for using the Equity Method.
Certain construction and services contracts are performed by companies accounted for using the equity method 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 10.2.a).
Notable in this respect are the guarantees provided by the Services Division in favour of various companies accounted for using the equity method, which totalled EUR1,078mn at 30 June 2018 (31 December 2017: EUR1,417mn). It should be noted that the aforementioned amount corresponds to work not yet performed in proportion to Ferrovial's percentage of ownership.

10.3 Obligations and commitments

a) Investment commitments

The investment commitments assumed by the Group in relation to the capital for infrastructure projects amount to EUR915mn (December 2017: EUR968mn) and the commitments to acquire property, plant and equipment and companies amount to EUR152mn (December 2017: EUR118mn). A portion of the commitments for infrastructure projects are secured by bank guarantees received from third parties amounting to EUR909mn (see Note 10.2). It should be mentioned that the EUR915mn include EUR34mn that also appear in the guarantees referred to in Note 10.2 section b.1) corresponding to the contingent capital of Ausol.

It should be noted that, although it is not included in the aforementioned commitments, in relation to the I-77 toll road, Ferrovial is guaranteeing the investment commitments of another shareholder amounting to EUR56.3mn. 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.

b) Obligations under operating and financial leases

In relation to the related disclosures in the consolidated financial statements for 2017, it should be noted that at 30 June 2018, as a lessee, Ferrovial had future total minimum lease payments on non-cancellable operating leases amounting to EUR317mn (31 December 2017: EUR414mn), associated mainly with the Services Division, where they amounted to EUR210mn (31 December 2017: EUR303mn).

c) Environmental commitments

There were no changes with respect to the information disclosed in the consolidated financial statements for 2017 on the provisions for probable or certain environmental liability, litigation in progress and indemnities or other outstanding obligations of undetermined amount.

11. WORKFORCE

The detail of the number of employees at 30 June 2018 and 2017, by professional category and gender, is as follows:

	30/06/2018			
CATEGORY	MEN	WOMEN	TOTAL	CHANGE 18/17
Executive Directors	2	0	2	0%
Senior Executives	11	2	13	8%
Executives	529	79	608	13%
University and further education college graduates	10,120	3,716	13,836	5%
Administrative personnel	3,532	4,414	7,946	-6%
Manual workers and unqualified technicians	52,749	19,279	72,028	-5%
Total	**66,943**	**27,490**	**94,433**	**-3%**

CATEGORY	30/06/2017		
	MEN	WOMEN	TOTAL
Executive Directors	2	0	2
Senior Executives	10	2	12
Executives	452	86	538
University and further education college graduates	9,699	3,443	13,142
Administrative personnel	3,811	4,617	8,428
Manual workers and unqualified technicians	55,685	19,802	75,487
Total	**69,659**	**27,950**	**97,609**

The average number of employees, by business division, in the first six months was as follows:

BUSINESS	30/06/2018			
	MEN	WOMEN	TOTAL	CHANGE 18/17
Construction	13,986	2,461	16,447	-4%
Toll roads	409	209	618	-4%
Airports	33	21	54	59%
Services	52,852	25,017	77,869	-1%
Other	296	260	557	1%
Total	**67,576**	**27,968**	**95,545**	**-1%**

BUSINESS	30/06/2017		
	MEN	WOMEN	TOTAL
Construction	14,302	2,875	17,177
Toll roads	436	206	642
Airports	20	14	34
Services	53,252	25,064	78,316
Other	297	257	554
Total	**68,307**	**28,416**	**96,723**

12. Comments on seasonality

Ferrovial's business activities are subject to a certain degree of seasonality over the various months of the year, making it impossible to extrapolate figures to a full year on the basis of figures for a six-month period.

In general, activity across nearly all the business areas is slightly greater in the second half of the year than the first.

The explanation for this seasonality, by business area, is as follows:

- In the case of Toll Roads, due to holiday periods and weather conditions there is more traffic in July, August and September as well as in December, although in a road-by-road analysis the cycle varies depending on the type of road and the proportion of industrial vehicles.
- In construction, weather conditions are also important, since in general they are better in the second half of the year.
- Weather conditions also play a major part in the services activity. Of note is that the seasonal effect in Australia is the opposite to the rest of the Group, therefore there is greater activity in the first half of the year. 2017 is the first year that Broadspectrum is accounted for the whole year.Noteworthy in terms of cash flows are the greater cash flows from operating activities generated in the second half of the year, which is due to the fact that, generally speaking, the way public sector customers budgets work, proceeds received in the second half of the year tend to be higher than in the first.

13 Related Party Transactions

The following table details the main transactions (within the ordinary course of business of the Company and of its Group), performed by the Company (or companies in its group) on an arm’s length basis with related parties in the first six months of 2018 and 2017, in line with the following line items.

a. Significant shareholders

The transactions carried out (i) between the Company and its significant shareholders, their close family members or the entities in which one or the other could exercise significant influence; and (ii) between the Company and its subsidiaries, it is included, were it to exist, in the following line items b) and c).

b. Transactions with Directors and Executives

This consists of transactions carried out between the Company and its Directors and Senior Management members, their close family members or entities in which one or the other could exercise significant influence. If they were considered as a related party during a portion of the half-year, the transactions performed in that period are indicated.

c. Transactions between Group employees, companies or entities.

This line item includes transactions carried out (i) between subsidiaries of the Company and its significant shareholders, their close family members or the entities in which one or the other could exercise significant influence; and (ii) between the subsidiaries of the Company and its Directors, members of Senior Management, their close family members, or entities in which one or the other can exercise significant influence. If the party related to the Company had this consideration during a portion of the year, the transactions performed in that period are indicated.

It also comprises transactions between subsidiaries of the Company which, in all cases forming part of their ordinary businesses as regards purpose and conditions, were not eliminated on consolidation for the following reasons.

As explained in detail in Note 1.3.2 to the consolidated financial statements for the year ended 31 December 2017, the balances and transactions relating to construction work performed by the Construction Division for Group 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, from both a financial and a legal viewpoint, is the grantor.

In the six-month period ended 30 June 2018, Ferrovial's Construction Division recognised sales of EUR254,176,000 relating to the aforementioned construction work (30 June 2016: EUR209,076,000).

In the first half of 2018 the profit from these transactions attributable to Ferrovial’s holdings in the concession operators in question and not eliminated on consolidation, net of taxes and non-controlling interests, was EUR21,216,000. At 30 June 2017, this amounted to EUR12,672,000.

(Thousands of euros)	30/06/2018					30/06/2017				
EXPENSES AND INCOME:	**Significant Shareholders**	**Directors and Executives**	**Group employees, companies or entities**	**Total expenses and income**	**Balance**	**Significant Shareholders**	**Directors and Executives**	**Group employees, companies or entities**	**Total expenses and income**	**Balance**
Financial costs			364	**364**	**0**			536	**536**	**0**
Services received		146	5,107	**5,253**	**735**		164	12,034	**12,198**	**-2,456**
EXPENSES	**0**	**146**	**5,472**	**5,617**	**-735**	**0**	**164**	**12,570**	**12,734**	**-2,456**
Financial income			40	**40**	**0**			102	**102**	**0**
Services rendered			259,822	**259,822**	**4,445**			213,824	**213,824**	**2,184**
INCOME	**0**	**0**	**259,862**	**259,862**	**4,445**	**0**	**0**	**213,926**	**213,926**	**2,184**

(Thousands of euros)	30/06/2018					30/06/2017				
OTHER TRANSACTIONS:	**Directors and Executives**	**Group employees, companies or entities**	**Other related parties**	**Total expenses and income**	**Balance**	**Directors and Executives**	**Group employees, companies or entities**	**Other related parties**	**Total expenses and income**	**Balance**
Financing agreements: loans and capital contributions (borrower)		86,570		**86,570**	**-86,570**	0	101,360	0	**101,360**	**-101,360**
Guarantees received	38,350	91,140		**-129,490**	**-129,490**	38,080	83,290	0	**121,370**	**-121,370**
Settlement of derivatives		-967		**-967**	**0**	0	-1,063	0	**-1,063**	**0**

14. REMUNERATION OF BOARD MEMBERS

The following is a detail, by item, of the remuneration received by all the Company's Directors as members of the Board of Directors of Ferrovial, S.A., and by the Senior Executives of Ferrovial, deemed to be the persons belonging to the Company's Management Committee or those who report directly to the Board, the Executive Committee or the Company's CEOs (except for those who are also Executive Directors, whose remuneration is included in that received by the Board of Directors):

DIRECTORS:	**Amount (thousands of euros)**	
Remuneration item:	**June 2018**	**June 2017**
Fixed remuneration	1,328	1,328
Variable remuneration	4,371	4,133
Bylaw-stipulated emoluments:		
– *Fixed Remuneration*	210	201
– *Attendance fees*	265	318
Transactions involving shares and/or other financial instruments	2,408	2,812
TOTAL	**8,582**	**8,792**

SENIOR EXECUTIVES:	**Amount (thousands of euros)**	
	June 2018	**June 2017**
Total remuneration received by Senior Executives	**12,914**	**13,019**

The decrease in remuneration of Directors and Senior Executives, is primarily due to the decline in value of the incentive relating to the performance-based share award plans.

With regard to the remuneration of Directors of Ferrovial, S.A. for their membership of other managing bodies of Group companies and associates, it is noted that one Director received EUR15,000 in this connection.

Also, in order to cover the extraordinary remuneration of certain Senior Executives (including the CEO), which is subject to the circumstances discussed in Note 6.6.7 to the Consolidated Financial Statements, on an annual basis the Parent Company of the Group makes contributions to a group savings insurance plan of which the Company itself is the policy holder and beneficiary, quantified based on a certain percentage of the total monetary remuneration of each Senior Executive. The contributions made during 1H 2018 amounted to EUR2,427,000.

15. Subsequent events

No significant events took place after the close of the first six months of 2018.

16. Annexes

Consolidated Profit and Loss Account as at 30 June 2018

(Millions of euros)	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER SEGMENTS	ADJUSTMENTS	TOTAL
Revenues	2,437	208	7	3,238	153	-109	5,935
Other operating income	1	0	0	1	0	0	2
Total operating income	**2,437**	**208**	**7**	**3,239**	**154**	**-109**	**5,937**
Cost of materials used	404	1	0	253	61	-32	686
Other operating expenses	1,563	43	10	1,258	48	-78	2,844
Staff costs	406	29	4	1,812	34	0	2,285
Total operating expenses	**2,373**	**72**	**14**	**3,323**	**142**	**-109**	**5,815**
Gross operating profit	**64**	**136**	**-7**	**-83**	**11**	**1**	**122**
Fixed asset depreciation	18	37	1	99	1	0	157
Operating income before impairment losses and fixed asset disposals	**47**	**99**	**-8**	**-183**	**10**	**1**	**-34**
Impairment losses and fixed asset disposals	1	-18	0	-1	0	0	-18
Operating income	**48**	**81**	**-8**	**-184**	**10**	**1**	**-52**
Financial result on financing	-5	-103	-1	-11	0	0	-120
Profit/(loss) on derivatives and other financial results	0	-2	0	-1	0	0	-4
Financial result of infrastructure project companies	**-5**	**-105**	**-1**	**-12**	**0**	**0**	**-123**
Financial result on financing	14	18	1	-21	-9	0	3
Profit/(loss) on derivatives and other financial results	-12	7	6	-4	6	-1	2
Financial result other ex-infrastructure project companies	**2**	**25**	**7**	**-25**	**-3**	**0**	**4**
Financial result	**-3**	**-80**	**5**	**-38**	**-3**	**0**	**-119**
Share of profits of companies accounted for using the equity method	0	68	57	10	0	0	135
Consolidated profit/(loss) before tax	**46**	**69**	**54**	**-212**	**7**	**1**	**-36**
Tax on profits	-12	-1	1	-6	0	0	-17
Consolidated profit/(loss) from continuing operations	**34**	**68**	**55**	**-217**	**7**	**1**	**-53**
Net profit/(loss) from discontinued operations	0	0	0	0	0	0	0
Consolidated profit/(loss) for the year	**34**	**68**	**55**	**-217**	**7**	**1**	**-53**
Profit/(loss) for the year attributable to non-controlling interests	-9	-5	0	0	-4	0	-19
Profit/(loss) for the year attributed to the Parent Company	**25**	**63**	**55**	**-218**	**3**	**1**	**-72**

Consolidated Profit and Loss Account as at 30 June 2017

(Millions of euros)	CONSTRUCTION	TOLL ROADS	AIRPORTS	SERVICES	OTHER SEGMENTS	ADJUSTMENTS	TOTAL
Revenues	2,169	221	4	3,654	126	-115	6,059
Other operating income	0	0	0	2	0	0	3
Total operating income	**2,169**	**221**	**4**	**3,657**	**126**	**-115**	**6,062**
Cost of materials used	358	1	0	282	42	-37	645
Other operating expenses	1,311	36	8	1,273	46	-79	2,595
Staff costs	398	29	3	1,890	34	0	2,353
Total operating expenses	**2,066**	**65**	**11**	**3,444**	**122**	**-116**	**5,593**
Gross operating profit	**103**	**156**	**-7**	**212**	**3**	**1**	**469**
Fixed asset depreciation	16	35	1	141	2	0	194
Operating income before impairment losses and fixed asset disposals	**87**	**121**	**-8**	**72**	**2**	**1**	**275**
Impairment losses and fixed asset disposals	0	30	0	0	0	0	30
Operating income	**87**	**151**	**-8**	**72**	**2**	**1**	**305**
Financial result on financing	-4	-114	-2	-13	0	0	-132
Profit/(loss) on derivatives and other financial results	0	-2	0	-1	0	1	-3
Financial result of infrastructure project companies	**-4**	**-115**	**-2**	**-14**	**0**	**1**	**-135**
Financial result on financing	11	12	0	-27	-15	-1	-20
Profit/(loss) on derivatives and other financial results	-12	19	8	-18	11	0	8
Financial result other companies	0	31	8	-45	-4	-1	-12
Financial result	**-5**	**-85**	**6**	**-59**	**-4**	**0**	**-147**
Share of profits of companies accounted for using the equity method	-1	64	43	13	0	0	119
Consolidated profit/(loss) before tax	**82**	**130**	**41**	**26**	**-2**	**1**	**277**
Tax on profits	-28	4	1	3	2	0	-18
Consolidated profit/(loss) from continuing operations	**54**	**133**	**42**	**29**	**0**	**1**	**259**
Net profit/(loss) from discontinued operations	0	0	0	0	0	0	0
Consolidated profit/(loss) for the year	**54**	**133**	**42**	**29**	**0**	**1**	**259**
Profit/(loss) for the year attributable to non-controlling interests	-18	2	0	-1	-2	0	-19
Profit/(loss) for the year attributed to the Parent Company	**36**	**135**	**42**	**29**	**-2**	**1**	**240**

17. Explanation added for translation to English

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

BOARD APPROVAL

The foregoing pages contain the consolidated condensed financial statements of Ferrovial, S.A. and its subsidiaries for the six-month period ended 30 June 2018, which were approved by the Board of Directors of the Company at its meeting held in Madrid on 26 July 2018 pursuant to Article 119 of the consolidated text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and applicable regulations (including the Instructions of the CNMV to prepare the Half-Yearly Financial Report (general model) section C.2.2); and which the Directors attending sign below.

____
Rafael del Pino y Calvo-Sotelo
Chairman

____
Santiago Bergareche Busquet
Vice-Chairman

____
Joaquín Ayuso García
Vice-Chairman

____
Íñigo Meirás Amusco
CEO

____
Juan Arena de la Mora
Director

____
María del Pino y Calvo-Sotelo
Director

____
Santiago Fernández Valbuena
Director

____
José Fernando Sánchez-Junco Mans
Director

____
Joaquín del Pino y Calvo-Sotelo
Director

____
Óscar Fanjul Martín
Director

____
Philip Bowman
Director

____
Hanne Birgitte Breinbjerg Sørensen
Director

The Secretary non Director of the Board of Directors states for the record that the Director Mr. Óscar Fanjul Martín has not signed this document because of his absence due to unavoidable professional commitments, having delegated his proxy to the External Director Mr. Santiago Bergareche Busquet. Likewise, I am not aware of the disagreement of Mr. Fanjul Martín with the approval of the consolidated condensed financial statements of Ferrovial, S.A. and its subsidiaries for the first six month period of 2018.

____
Santiago Ortiz Vaamonde
Secretary and Non-Member of the Board of Directors

ferrovial

English translation for information purposes only. In the event of discrepancies between English and Spanish version, the Spanish version shall prevail.

STATEMENT OF LIABILITY IN CONNECTION WITH THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AND THE CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2018

The members of the Board of Directors of Ferrovial, S.A. state that, to the best of their knowledge, the consolidated condensed financial statements for the period ended 30 June 2018 approved by the Board on 26 July 2018, have been prepared in accordance with the set of applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of Ferrovial, S.A. and of the subsidiaries included within its scope of consolidation, taken as a whole, and that the consolidated interim management report includes a fair review of the information required.

In witness whereof, this statement is given in accordance with article 11.1.b) of Royal Decree 1362/2007, of 19 October.

Madrid, 26 July 2018.

____
Mr. Rafael del Pino y Calvo-Sotelo
Chairman

____
Mr. Santiago Bergareche Busquet
Vice-Chairman

____
Mr. Joaquín Ayuso García
Vice-Chairman

____
Mr. Íñigo Meirás Amusco
Chief Executive Officer

____
Mr. Juan Arena de la Mora
Director

____
Ms. María del Pino y Calvo-Sotelo
Director

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Mr. Santiago Fernández Valbuena
Director

____
Mr. José Fernando Sánchez-Junco Mans
Director

____
Mr. Joaquín del Pino y Calvo-Sotelo
Director

____
Mr. Óscar Fanjul Martín
Director

____
Mr. Philip Bowman
Director

____
Ms. Hanne Birgitte Breinbjerg Sørensen
Director

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English translation for information purposes only. In the event of discrepancies between English and Spanish version, the Spanish version shall prevail.

The Secretary non Director of the Board of Directors states for the record that the Director Mr. Óscar Fanjul Martín has not signed this document because of his absence due to unavoidable professional commitments, having delegated his proxy to the External Director Mr. Santiago Bergareche Busquet. Likewise, I am not aware of the disagreement of Mr. Fanjul Martín with the statement of liability in connection with the consolidated condensed financial statements and the consolidated interim management report of Ferrovial, S.A. and its subsidiaries for the first six month period of 2018.

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Mr. Santiago Ortiz Vaamonde
Secretary non Director of the Board of Directors

FERROVIAL, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2018, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed 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 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
www.deloitte.es

Translation of a report originally issued in Spanish and of interim condensed 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 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Ferrovial, S.A., at the request of the Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Ferrovial, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position as at 30 June 2018, and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2018 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2017. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2018 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2018. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Ferrovial, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the directors of Ferrovial, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Miguel Laserna Niño
26 July 2018