June 2017

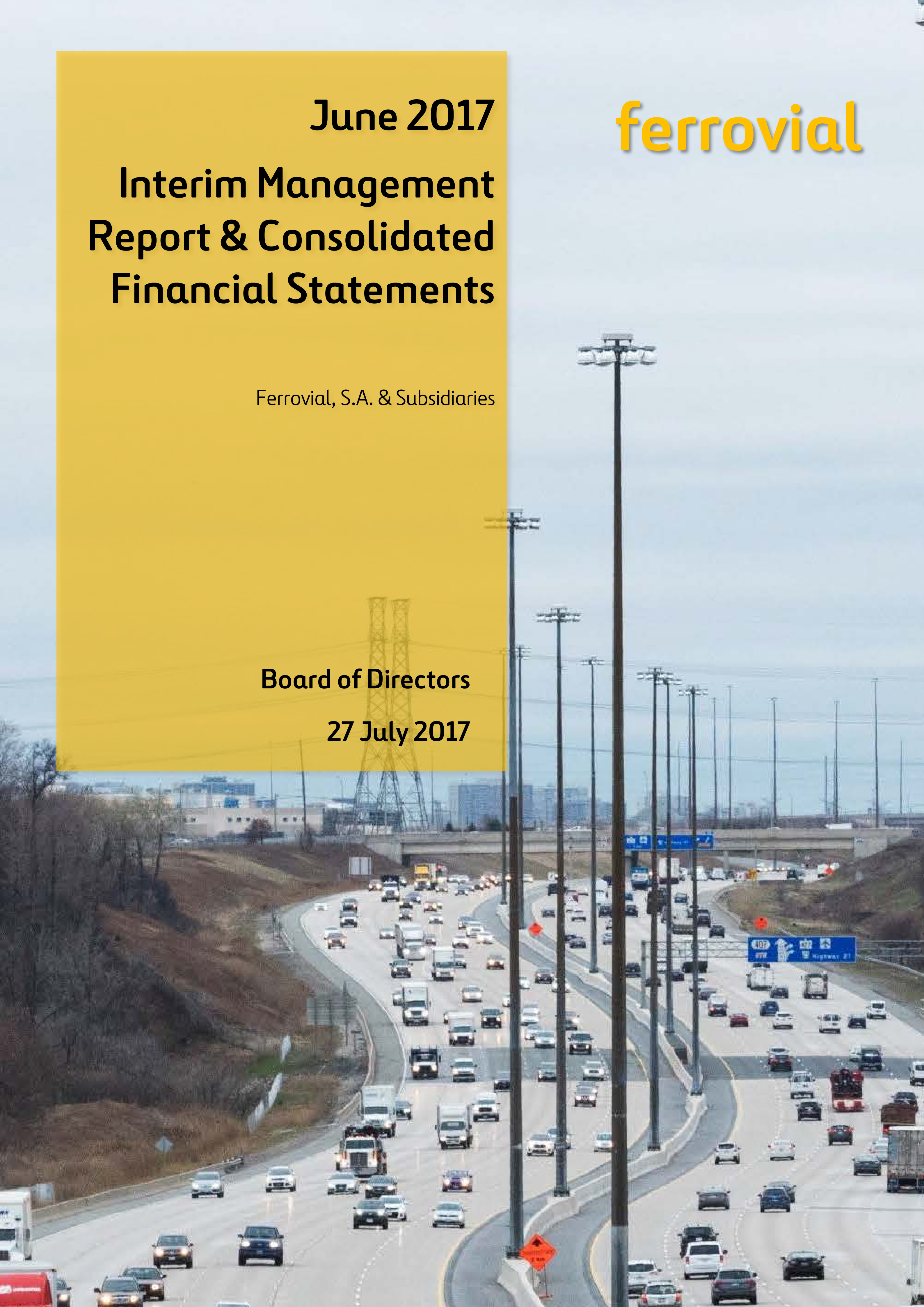
Interim Management Report & Consolidated Financial Statements

ferrovial

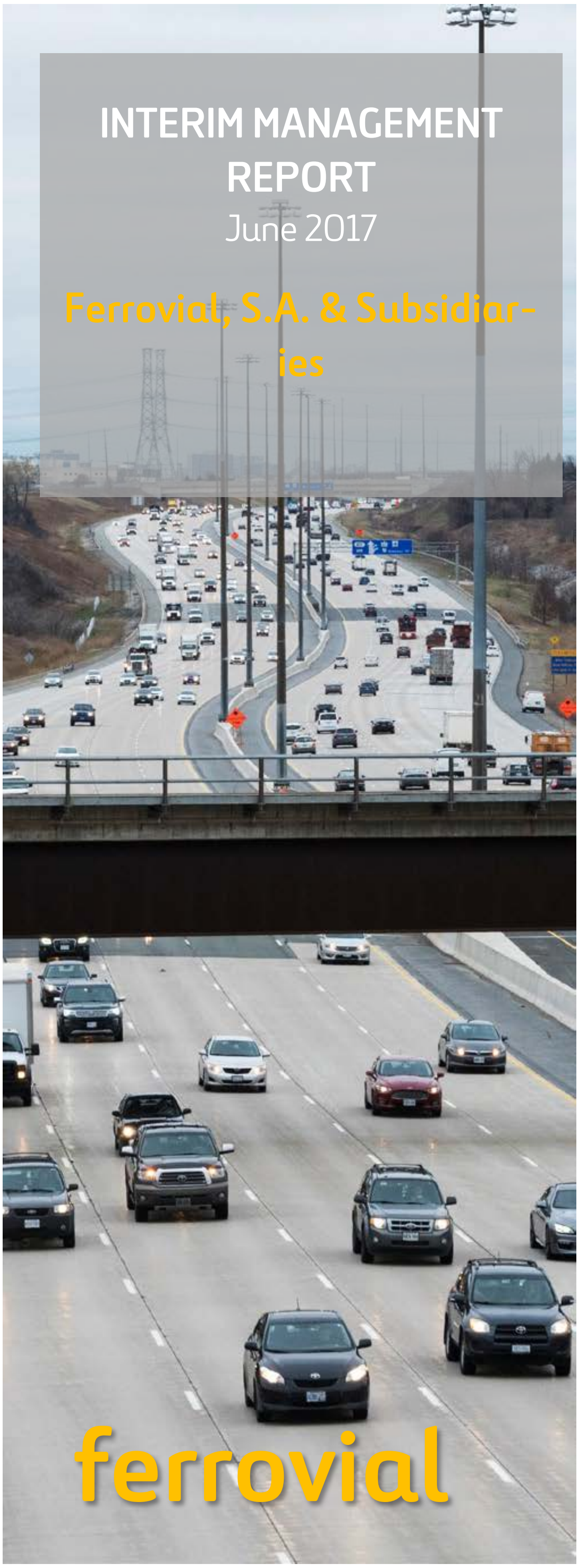
Ferrovial, S.A. & Subsidiaries

Board of Directors

27 July 2017



INTERIM CONSOLIDATED FINANCIAL STATEMENTS



GENERAL OVERVIEW

In the results for 1H2017 the positive performance of infrastructure assets (407ETR, HAH and AGS) was particularly notable, with solid growth in traffic volumes and greater contribution from dividends (dividends for projects reached a total of EUR259mn).

The combined Construction and Services order book exceeded EUR31,000mn (including JVs), down by -5.7% vs. December 2016, affected by the decline in Amey's order book (-13.1%).

The consolidated results performed well in 1H2017, with revenues and EBITDA up (+29.0% and +11.5% respectively) helped by the contribution from Broadspectrum in 1H2017, which has been consolidated since June 2016. In comparable terms, revenues grew +9.6% and EBITDA decreased -1.8%.

MAIN CORPORATE TRANSACTIONS IN 1H2017:

- On 31 March 2017, **1 million shares in Budimex were sold** (equivalent to 3.9% of the company's share capital), which had no impact on Ferrovial's Profit and Loss Account, as it retains a controlling share in the company (55.1%). The impact on cash flow was +EUR59mn (PLN252mn).
- On 21 April 2017, the **sale of a 51% stake in Norte Litoral** was approved, for which EUR104mn was received in April. The sale of Algarve is still pending approval, which is expected to be received during 2H2017.

MAIN FINANCIAL EVENTS:

- On 22 March 2017, Ferrovial **issued EUR500mn of 8-year corporate bonds** with an annual coupon of 1.375%.
- On 21 March 2017, **407ETR toll road announced a senior bonds issue worth CAD250mn**, maturing in 2033 (16 years to maturity) with an annual coupon of 3.43%.
- 1H2017 saw the completion of the **refinancing of the regional airports in United Kingdom (AGS)**, which has led to the improvement of their financing structure, the extension of deadlines, partial repayment of shareholder debt and an increase in the amounts distributed among shareholders (GBP101mn distributed in 1H2017).

MAIN INFRASTRUCTURE ASSETS:

Robust operational growth from **equity consolidated assets**: EBITDA: rose to +15.0% at 407ETR, +6.9% at Heathrow and +19.1% at AGS.

Greater distribution of funds in the main assets:

- **407ETR distributed dividends of CAD415mn** in 1H2017. A third dividend payment for the year was also confirmed in July, **CAD215mn**.
- **Heathrow paid out GBP188mn**, of which EUR55mn corresponded to Ferrovial.
- **AGS paid out GBP101mn** (including GBP75mn in extraordinary dividends after its refinancing).

FINANCIAL POSITION:

The net cash position, excluding infrastructure projects, stood at EUR509mn at end-1H2017 (EUR697mn at year-end 2016). **Net project debt stood at EUR4,819mn** (vs. EUR4,963mn in December 2016). **Net consolidated debt reached EUR4,310mn** (vs. EUR4,266mn in December 2016).

BUSINESS PERFORMANCE

Toll Roads: Significant improvements in traffic volumes on the main toll roads, helped by the economic recovery though offset in part by the effects of the calendar (2016 was a leap year) and by the fact that the weather conditions were worse. 407ETR, the group's most important asset, maintained its operating strength, with traffic growth of +4.3%, supported by the opening of the 407Ext I, which was toll-free up to 1 February 2017.

Services: Reported revenues (+40.1%) were positively impacted by the integration of Broadspectrum (contributing EUR1,326mn in revenues in 1H2017, of which EUR1,164mn were obtained in Australia and New Zealand and EUR162mn in America) and adversely affected by the weakness of the pound sterling and budgetary cuts in United Kingdom. In United Kingdom, Amey (EBITDA margin 2.4%) has maintained its strategy for monitoring competitive tendering processes and focusing on improving contracts with low rates of return or, where relevant, withdrawing from unprofitable contracts. If current market conditions continue, we expect to see a gradual improvement in margins for the remainder of the year.

Construction: Revenues growth (+16.5%), with positive performance in all areas. However, the profitability was down vs. 1H2016 due to the number of major projects in their initial phases and the lower proportion of toll road concession contracts in the portfolio of projects currently underway. In addition, during 2Q2017, two contracts already completed showed losses in Colombia (due to an unfavourable ruling) and United Kingdom. The order book increased +3.4% vs. December 2016 to EUR9,400mn (85% international) excluding contract awards for EUR3,150mn, among which we would particularly note the I-66 managed lane (Virginia, USA) for approximately EUR2,000mn.

Airports In the first six months of 2017, the number of passengers at Heathrow airport reached 37.1 million, +3.9% vs. 1H2016, with a new monthly record for the eighth consecutive month. The airport achieved a daily record, with 259,917 passengers flying on 30 June, the busiest day in the history of the airport. Traffic at AGS rose +6.2% (Glasgow +7.3%, Southampton +11.7%, Aberdeen -0.1%).

KEY FIGURES:

P&L (EUR mn)	Jun-17	jun-16
REVENUES	6,059	4,697
EBITDA	469	421
Period depreciation	194	131
Disposals & impairments	30	268
EBIT*	305	557
FINANCIAL RESULTS	-147	-207
Equity-accounted affiliates	119	5
EBT	277	356
Corporate income tax	-18	-171
CONSOLIDATED NET INCOME	259	184
Minorities	-19	5
NET INCOME ATTRIBUTED	240	189

*EBIT after impairments and disposals of fixed assets

Revenues (EUR mn)	Jun-17	Var.
Construction	2,169	16.5%
Airports	4	46.9%
Toll Roads	221	-6.3%
Services	3,654	40.1%
Others	11	n.a
Total	6,059	29.0%

EBITDA (EUR mn)	Jun-17	Var.
Construction	103	-25.7%
Airports	-7	6.4%
Toll Roads	156	7.1%
Services	212	49.3%
Others	5	n.a.
Total	469	11.5%

Operating figures	Jun-17	Var.
ETR 407 (VKT´ 000)	1,263,951	4.3%
NTE (ADT)	33,429	10.6%
LBJ (ADT)	33,896	14.4%
Ausol I (ADT)	14,253	10.8%
Ausol II (ADT)	16,360	6.3%
Heathrow (million pax.)	37	3.9%
AGS (million pax.)	7	6.2%
Construction order book*	9,400	3.4%
Services order book (incl JVs)*	22,211	-9.1%

*Order book compared with December 2016

	Jun-17	Dec-16
NCP ex-infrastructures projects	509	697
Toll roads	-4,280	-4,426
Others	-539	-537
NCP infrastructures projects	-4,819	-4,963
Total Net Cash Position	-4,310	-4,266

TOLL ROADS

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	221	236	-6.3%	11.6%
EBITDA	156	145	7.1%	22.9%
EBITDA margin	70.6%	61.8%		
EBIT	121	109	10.3%	21.7%
EBIT margin	54.7%	46.5%		

Revenues at Toll Roads division increased by +11.6% in comparable terms (stripping out changes to the perimeter and FX effect) in 1H2017 vs. 1H2016. This growth was bolstered by a higher contribution from managed lanes toll roads in the USA and by traffic growth for the majority of assets. In comparable terms, the division also posted strong EBITDA growth (+22.9%).

The comparable figures strip out the FX effect and the impact of the changes in the consolidation perimeter during 2016. Notably the changes for the disposals of:

- **Chicago Skyway**: Sale to a consortium of Canadian pension funds of Cintra's 55% stake in this asset, for EUR230mn. The deal was closed in February 2016, such that it contributed for just two months in 2016.
- **Irish Toll Roads**: sale of a 46% stake in M4 and 75% of M3 to the Dutch fund DIF for EUR59mn. Ferrovial retains a 20% stake in each asset. The deal was closed in February 2016, such that it contributed to EBITDA for just two months in 2016.
- **Norte Litoral & Algarve Toll Roads:** In June 2016, Ferrovial reached an agreement with the Dutch infrastructure management fund DIF to sell a 51% stake in the Norte Litoral toll road and a 49% stake in the Algarve toll road for EUR159mn. Sale of the share in Norte Litoral was completed in April 2017 at a price of EUR104mn. This will be consolidated by means of the equity method from that point onwards. At the end of June, the sale of Algarve remained pending authorisation from the Authorities.

ASSETS IN OPERATION

Traffic performance

Traffic performance during 1H2017 was very positive on the Group's main toll roads, with good performance from both light and heavy traffic. This positive performance was due, in general terms, to the economic recovery observed since the second half of 2014, though it was offset in part by calendar effects, as 2016 was a leap year.

By country:

In **Canada** traffic on 407ETR increased by +4.3% in 1H2017, both in terms of light (+3.9%) and heavy traffic (+6.6%), boosted by the positive impact of the opening of the 407 East Extension Phase I toll road (open to traffic in June 2016) and by the stronger economic growth in the Ontario region.

In **USA,** traffic growth was driven by the positive performance of the managed lanes toll roads (NTE +10.6% and LBJ +14.4%) this growth is a sign that the toll roads are still in the ramp up period, though it was affected by the works in the area.

In **Spain**, traffic maintained the trend observed in recent quarters, in which economic growth and the strength of tourism have helped to drive a recovery in traffic on all of the country's concessions. Traffic at Ausol I increased in 1H2017 by +10.8% (+13.8% in the second quarter standalone).

The **Portuguese concessions** performed positively in 1H2017, spurred by the economic recovery. On the Azores toll road, the traffic performance has been very positive, +7.1%, supported by the increase of tourism on the back of the airline market liberalisation.

In **Ireland**, traffic continues to perform well as it has been in recent years, reflecting the continuing improvement in the Irish economy and, in particular, the levels of employment in the country. From 1 March 2016, following the completion of the sale of stakes in both M3 and M4 toll roads in Ireland, these two assets have been consolidated by equity method.

€ million	Traffic (ADT)			Revenues			EBITDA			EBITDA margin		Net Debt 100%	
Global consolidation	Jun-17	Jun-16	Var.	Jun-17	Jun-16	Var.	Jun-17	Jun-16	Var.	Jun-17	Jun-16	Jun-17	Share
Intangible assets													
NTE	33,429	30,231	10.6%	41	31	31.1%	33	24	41.3%	81.8%	75.9%	-906	57%
LBJ	33,896	29,629	14.4%	44	31	42.2%	35	23	52.4%	80.7%	75.2%	-1,279	51%
Ausol I	14,253	12,867	10.8%	25	23	9.8%	21	19	11.7%	82.0%	80.5%	-481	80%
Ausol II	16,360	15,393	6.3%										
Azores	9,484	8,854	7.1%	13	12	7.7%	11	10	11.5%	85.5%	82.6%	-303	89%
Financial Assets													
Autema				50	48	2.7%	45	43	2.9%	90.1%	89.9%	-615	76%
Algarve				18	20	-6.6%	16	17	-5.9%	88.9%	88.3%	-126	97%
Via Livre				7	6	7.6%	1	1	-8.7%	12.7%	14.9%	3	84%
Equity accounted													
Intangible assets													
407 ETR (VKT'000)	1,263,951	1,212,262	4.3%	407	352	15.6%	352	303	16.0%	86.5%	86.2%	-4,605	43%
M4	31,043	29,210	6.3%	14	13	6.7%	9	8	4.2%	64.3%	65.8%	-100	20%
Central Greece	11,486	10,867	5.7%	5	4	13.9%	2	1	54.4%	42.6%	31.4%	-342	21%
Ionian Roads	17,955	22,649	-20.7%	31	28	12.1%	20	19	8.0%	64.5%	67.0%	-65	21%
Serrano Park				3	3	2.1%	2	2	-1.1%	62.6%	64.6%	-41	50%
Financial Assets													
M3				12	11	6.7%	8	8	-3.5%	68.7%	76.0%	-160	20%
A-66 Benavente Zamora				12	12	3.6%	11	10	4.2%	91.2%	90.7%	-160	25%
Norte Litoral				21	22	-37.9%	19	20	-3.8%	89.5%	88.2%	-157	49%

FINANCIAL ASSETS

Under the terms of IFRIC 12, concession contracts may be classified in one of two ways: intangible assets or financial assets.

Intangible assets (where the operator assumes the traffic risk) are those for which remuneration is earned from the right to charge the corresponding rates depending on level of use.

Financial assets are concession agreements in which payment consists of an unconditional contractual right to receive cash or other financial assets, either because the entity 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. In this type of concession agreement, the demand risk is therefore assumed by the entity awarding the concession.

The assets in operation classified as financial assets, which bear no traffic risk due to a particular type of guarantee mechanism are Autema, Via Livre, Algarve, 407 East Extension I, M8, A66, Norte Litoral and Eurolink M3 (the last three are equity-accounted). Algarve was classified as a financial asset in December 2015 after an agreement with the Portuguese government under which the concession was converted to a contract for availability (with no traffic risk).

ASSETS UNDER DEVELOPMENT

Assets under construction

€ million	Invested Capital	Pending committed capital	Net Debt 100%	Share
Global Consolidation				
Intangible Assets	**-150**	**157**	**-699**	
NTE 35W	-149	43	-527	54%
I-77	-1	114	-172	50%
Equity Consolidated				
Financial Assets	**-48**	**66**	**-320**	
407-East Extension II		9	-256	50%
Ruta del Cacao	-37	16	45	40%
Toowoomba	-11		48	40%
Bratislava		40	-157	45%

NTE 35W: Financing for the project was closed in September 2013 and work is proceeding on schedule (89% completed at June 2017, with the full opening scheduled for mid-2018).

I-77: Construction work began in November 2015. In June 2017 the design and construction works were 34% complete, with the toll road expected to open at the end of 2018.

407 East Extension Phase II: At end-June 2017, the design and construction works were 55% complete.

I-66: In October 2016, Cintra won the "Transform I-66 Project" (Virginia, USA), for which commercial negotiations were completed on 8 December 2016.

The project includes the construction of 35 km along the I-66 corridor between Route 29, close to Gainesville, and the Washington DC ring road, the I-495, in Fairfax County.

The term allocated for construction of the project runs until 2022, while the concession is granted for 50 years.

With the financing still to be secured (which is forecast for the second half of 2017), the committed capital for this project is estimated at approximately EUR700mn (for Cintra's stake).

TENDERS PENDING

Development activity is continuously monitored in Ferrovial's international target markets (North America, Europe and Australia).

Bilateral negotiations are being held with the Texas Department of Transportation (TxDOT) in USA in relation to "**Segment 3C of the North Tarrant Express Project**" (Texas, USA). This consists of the northward extension of segment 3B, with the reconstruction of the existing general purpose carriageways and the addition of two new managed lanes in each direction.

In Canada, Cintra has submitted two pre-qualification bids for railroad projects: **"Hurontario LTR"** (Ontario) and **"Hamilton LTR"** (Ontario), both of which will be paid on the basis of availability payment.

In Australia, Cintra has been pre-qualified for the "**Outer Suburban Arterial Roads (OSAR Western Package)"** project, which consists of the improvement and maintenance of the toll road and inter-city motorway network in several parts of the outskirts of Melbourne under a payment according to availability contract with a concession term of between 20 and 25 years.

In addition, as regards its activities in other markets, Cintra has been pre-qualified for the "**Silvertown Tunnel**" project in London (United Kingdom), with an estimated investment of EUR1,150mn.

PROJECT DIVESTMENTS

Norte Litoral & Algarve Toll Roads
In June 2016, Ferrovial, through its toll roads subsidiary Cintra, reached an agreement with the Dutch infrastructure fund DIF to sell 51% of Norte Litoral and 49% of Algarve toll roads for a total of EUR159mn. After this transaction, Ferrovial will continue to hold 49% of Norte Litoral and 48% of Algarve, as well as its position as the principal industrial partner in both assets.

On 21 April 2017, the sale of a 51% stake in Norte Litoral was approved, for which EUR104mn were received in April. The sale of Algarve is still pending approval, which is expected to be received during 2H2017.

OTHER EVENTS

Autema
On 16 July 2015, the official journal of the regional government of Catalonia (*Diario Oficial de la Generalitat de Cataluña*) published Decree 161/2015, which unilaterally approved changes to the administrative concession for the Tarrasa-Manresa toll road. The new tariffs (discounts) included in this Decree were first applied on 4 January 2016. On 21 October 2016, the concession holder Autopista Tarrasa-Manresa filed a legal challenge to this Decree with the Catalan High Court (TSJC).

A further Decree was published in the official journal of the regional government of Catalonia on 30 December 2016 (337/2016). This was once again unilateral, and it basically amended and extended the discounts contained in the earlier Decree. The concession holder, Autopista Tarrasa-Manresa, also filed a legal challenge to this decree on 20 July 2017.

Both of these legal actions have been adjoined in one single action by the TSJC.

407ETR

Profit and Loss Account

CAD million	Jun-17	Jun-16	Var.
Revenues	592	516	14.6%
EBITDA	512	445	15.0%
EBITDA margin	86.5%	86.2%	
EBIT	461	392	17.5%
EBIT margin	77.9%	76.0%	
Financial results	-172	-175	2.2%
EBT	289	217	33.4%
Corporate income tax	-77	-58	-33.6%
Net Income	**212**	**159**	33.3%
Contribution to Ferrovial equity accounted result (EUR mn)	**56**	**41**	39.4%

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

Revenues at 407ETR increased by +14.6% in local currency in 1H2017 vs. 1H2016.

- **Toll revenues** (93% of the total): grew by +14.0% to CAD548mn, mainly due to the tariff increases applied since February 2017 and the improvement in traffic.
- **Fee revenues** (6.5% of the total): increased +19.9% to CAD38.5mn, mainly due to the start of toll management at 407 East Ext Phase I, more transponders and higher tariffs.

Average revenues per journey rose by +12.1% (CAD9.70 vs. CAD8.65 in 1H2016).

The toll road also recorded an **increase in EBITDA of +15.0%** in 1H2017, improving its EBITDA margin from 86.2% to **86.5%**.

Financial result: -CAD172mn, CAD3mn fewer expenses vs. 1H2016 (+2.2%). Main components:

- **Interest expenses: -CAD177mn**. CAD6mn higher than in 1H2016 largely due to the increase in debt, after the recent issuance of CAD250mn senior bonds in March 2017, CAD500mn in May 2016.
- **Non-cash inflation-linked financial income: CAD2mn**, vs. CAD9mn income in 1H2016, due mainly to the negative impact of higher inflation during the six-month period, though this was partially offset by the positive impact of the reduction in the breakeven inflation rate.
- **Other financial income: +CAD7mn** (vs. +CAD5mn in 1H2016) due to greater returns on investment and higher average cash balance.

407ETR contributed EUR56mn to Ferrovial's equity-accounted results (+39.4% vs. 1H2016), after the annual amortization 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.

Dividends 407ETR

In 1H2017, 407ETR distributed dividends of CAD415mn, **+10.7% vs. 1H2016.** Of these, EUR131mn were distributed to Ferrovial (EUR117mn in 1H2016). At the July Board meeting, the 3Q2017 dividend payment was approved in the amount of CAD215mn (**+3.6% vs. 3Q2016**).

CAD million	2017	2016	2015	2014	2013	2012
Q1	207,5	187,5	188	175	100	87,5
Q2	207,5	187,5	188	175	130	87,5
Q3	215,0	207,5	188	175	200	87,5
Q4		207,5	188	205	250	337,5
Total		**790**	**750**	**730**	**680**	**600**

407ETR Traffic

Traffic (kilometres travelled) rose by +4.3%, with an increase in the number of journeys (+1.4%) and an increase in the average distance travelled (+2.8%). Traffic was affected by economic growth and the opening of the 407 East Extension Phase I toll road, which opened to the public on 20 June 2016, and which was toll-free until February 2017.

407ETR net debt

The net debt figure for 407ETR at 30 June 2017 was CAD6,827mn, at an average cost of 4.45%. On 21 March 2017, a CAD250mn bond was issued with maturity in May 2033 and a coupon of 3.43% (Series 17-A1).

35% of the debt matures in more than 20 years' time. The next maturity dates will occur this year (CAD313mn), 2018 (CAD14mn) and 2019 (CAD15mn).

407ETR credit rating

- S&P: In S&P ratings issued on 31 May 2017, the company remained at "A" (Senior Debt), "A-" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.
- DBRS: In DBRS ratings issued on 4 November 2016, the company remained at "A" (Senior Debt), "A low" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.

407ETR Tariffs

In 2017, coinciding with the rise in tariffs applied from 1 February 2017, a new tariff structure was announced for 407ETR toll road, involving different tariffs depending on the direction of travel (in addition to the previous segmentation based on area, day and time of travel). This change means that a straight comparison cannot be made with the tariffs applied in 2016.

Tariffs applied from 1 February for light vehicles (expressed in CAD cents/km):

CAD (¢/km)	Zone 1	Zone 2	Zone 3
Eastbound			
AM Peak Period: *Mon-Fri: 6am-7am, 9am-10am*	35.97	35.97	34.65
AM Peak Hours: *Mon-Fri: 7am-9am*	42.42	42.42	39.42
PM Peak Period: *Mon-Fri: 2:30pm-4pm, 6pm-7pm*	35.95	37.32	37.32
PM Peak Hours: *Mon-Fri: 4pm-6pm*	40.85	44.74	44.74
Westbound			
AM Peak Period: *Mon-Fri: 6am-7am, 9am-10am*	34.65	35.97	35.97
AM Peak Hours: *Mon-Fri: 7am-9am*	39.42	40.92	42.42
PM Peak Period: *Mon-Fri: 2:30pm-4pm, 6pm-7pm*	37.32	37.32	35.95
PM Peak Hours: *Mon-Fri: 4pm-6pm*	44.74	42.40	40.85
Midday Rate			
Weekdays 10am-2:30pm	30.88	30.88	30.88
Weekend & public holidays 11am-7pm	28.29	28.29	28.29
Off Peak Rate			
Weekdays 7pm-6am, Weekend & public holidays 7pm-11am	22.48	22.48	22.48

For more information, click here to see the 407ETR MD&A report

NTE

NTE Profit & loss account

USD million	Jun-17	Jun-16	Var.
Revenues	45	35	29.0%
EBITDA	**37**	**26**	**38.9%**
EBITDA margin	81.8%	75.9%	
EBIT	**27**	**19**	**46.4%**
EBIT margin	61.5%	54.1%	
Financial results	-31	-30	-2.1%
Net Income	-3	-11	71.2%

During 1H2017, **revenues rose by +29.0%** compared to the same period the year before, on the back of traffic growth and higher tariffs.

EBITDA reached USD37mn (+38.9% vs. 1H2016). The EBITDA margin rose close to +6% to 81.8% during 1H2017, as a result of the growth in revenues and operational cost management.

NTE Quarterly Traffic and EBITDA

In terms of traffic: **in 2Q2017, NTE recorded 7.0 million transactions, +13.0% more than in 2Q2016** (6.2 million transactions). Traffic continues to increase its market share of traffic on the corridor, maintaining a high percentage of new customers every month. During 2Q2017, NTE continued to be affected by the construction of various projects for the future network of managed lanes, and it is expected that once these projects have been completed (second half of 2018), this will have a positive effect on NTE, due to the increased demand created by the newly available capacity and that it will increase traffic on the corridor. A ramp was also added in 2Q2017, in order to improve access to the managed lane, which has brought additional traffic to NTE.

NTE EBITDA shows a very positive evolution, with growth of +41.9% in 2Q2017 vs. 2Q2016, reaching **the highest quarterly figure for EBITDA since the toll road was opened, at USD20mn**.

Quarterly results	2Q'17	2Q'16	Var.
Transactions (millions)	7.0	6.2	13.0%
EBITDA (USD mn)	20.0	14.1	41.9%

The average toll rate per transaction in 2Q2017 at NTE reached USD3.5 vs. USD3.0 in 2Q2016 (+16.1%).

NTE net debt

As of 30 June 2017, net debt for the toll road amounted to USD1,034mn (USD1,032mn in December 2016), at an average cost of 5.33%.

NTE credit rating

The agencies have assigned the following ratings to NTE's debt:

	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-

LBJ

LBJ Profit and Loss Account

USD million	Jun-17	Jun-16	Var.
Revenues	48	34	39.9%
EBITDA	**39**	**26**	**49.9%**
EBITDA margin	80.7%	75.2%	
EBIT	**27**	**17**	**56.0%**
EBIT margin	56.3%	50.5%	
Financial results	-43	-42	-1.0%
Net Income	-16	-25	37.3%

During the first half of 2017, the toll road generated **revenues of USD48mn (up +39.9% compared with the same period in 2016**) as a result of both the continued growth in traffic during the ramp-up phase and higher tariffs.

E**BITDA reached USD39mn (+49.9%)**, mainly driven by the strong traffic growth. The EBITDA margin rose to 80.7%, aided by the significant growth in revenues.

LBJ Quarterly Traffic and EBITDA

In terms of traffic, a total of 10.4 million transactions took place during the second quarter of 2017, +7.2% in comparison with the 2Q2016 (9.7 million transactions). Traffic along the corridor continues to grow and is now reaching levels that are well above those recorded prior to the project's construction. Traffic during 1H2017 was affected by the final phases of construction of the IH-35E. Works for the new managed lanes at IH-35E (which connect with LBJ) were completed at the end of 2Q 2017, which is sending additional traffic to the LBJ corridor.

EBITDA in 2Q2017 reached USD20mn, a significant increase compared to 2Q2016 (+38%):

Quarterly results	2Q'17	2Q'16	Var.
Transactions (millions)	10.4	9.7	7.2%
EBITDA (USD mn)	20.4	14.8	38.0%

The average toll rate per transaction at LBJ reached USD2.5 in 2Q2017 vs. USD2.0 in 2Q2016 (+25.6%).

Net debt

As of 30 June 2017, net debt for the toll road amounted to USD1,460mn (USD1,449mn in December 2016), at an average debt cost of 5.42%.

LBJ credit rating

The agencies have given the following credit ratings to LBJ's debt:

	PAB	TIFIA
Moody's	Baa3	
FITCH	BBB-	BBB-

SERVICES

In 1H2017, Services revenues reached EUR3,654mn, an increase of +40.1% compared to 1H2016. This growth was largely due to the contribution from Broadspectrum, acquired in May 2016. Excluding this impact, growth would be +3.7% compared with 2016.

Broadspectrum revenues in this half stand at EUR1,326mn. Of this amount, EUR1,164mn corresponds to revenues obtained in Australia and New Zealand and EUR162mn to revenues obtained in America. One of the actions arising out of the integration plan has been to separate the American business from Broadspectrum's other activities, with the aim of optimising commercial opportunities in the different geographical territories. Since January 2017, Broadspectrum's activities in America have been integrated with and report as part of the International Services business.

In Spain, the increase was +9.6%, the United Kingdom remained in line with 1H2016 (-0.2%) and International was up by +6.4%.

In June, the order book reached EUR22,211mn, -9.1% down on December 2016 (-7.2% excluding the FX impact).

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	3,654	2,609	40.1%	3.7%
EBITDA	212	142	49.3%	1.6%
EBITDA margin	5.8%	5.5%		
EBIT	72	63	13.4%	-2.1%
EBIT margin	2.0%	2.4%		
Order book*	20,148	22,205	-9.3%	-7.5%
JVs order book*	2,063	2,226	-7.3%	-4.4%
Global order book+JVs*	22,211	24,431	-9.1%	-7.2%

*Order book compared with December 2016

SPAIN

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	933	851	9.6%	9.6%
EBITDA	98	93	5.0%	3.8%
EBITDA margin	10.5%	10.9%		
EBIT	52	50	2.6%	0.4%
EBIT margin	5.5%	5.9%		
Order book*	5,231	5,450	-4.0%	-4.0%
JVs order book*	275	291	-5.6%	-5.6%
Global order book+JVs*	5,505	5,741	-4.1%	-4.1%

*Order book compared with December 2016

Revenues in Spain grew by +9.6% as compared with June 2016. This growth was mainly generated by industrial and infrastructure maintenance work carried out for private clients. These activities usually offer lower returns. This fact, combined with the lower revenues from the contract to provide on-board services for Renfe due to the labour disputes that arose between February and April, constitute the main reasons why the EBITDA margin stood at 10.5%, compared with 10.9% in 1H2016.

The order book volume stood at EUR5,505mn in June (-4.1% compared with December). The decline in the order book is directly related to the reduction in public sector projects out to tender and shorter duration in the new contracts. Particularly notable among the contracts awarded during the first half were the contract to provide cleaning services at the Virgen del Rocío and Virgen Macarena Hospitals in Seville (2 years, EUR38mn), and the contract to manage the health transport service in La Rioja (4 years EUR27mn).

UK

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	1,329	1,455	-8.7%	-0.2%
EBITDA	31	33	-5.6%	3.1%
EBITDA margin	2.4%	2.3%		
EBIT	13.3	12	8.0%	18.0%
EBIT margin	1.0%	0.8%		
Order book*	9,134	10,636	-14.1%	-11.8%
JVs order book*	1,206	1,262	-4.4%	-1.9%
Global order book+JVs*	10,340	11,898	-13.1%	-10.8%

*Order book compared with December 2016

The economic climate in United Kingdom continued to be affected by the budgetary restrictions imposed on public sector clients. In this context, Amey has maintained its strategy for monitoring competitive tendering processes and focusing on improving contracts with low rates of return or, where relevant, withdrawing from unprofitable contracts.

The business continues to perform in line with company forecasts The EBIDTA margin has risen from the 2% reported in March to 2.4% in June. If current market conditions continue, we expect to see a continued improvement in margins in the second half of the year.

As regards the Birmingham contract, talks are continuing with the City Council in relation to application of a judgement handed down in Amey's favour. These talks, which have reached an advanced stage, are aimed at allowing for a balanced transition from the capex phase to the maintenance phase, which would result in definitive stabilisation of the contract. Income from the contract in June stood at -EUR4.1mn, which included the release of EUR4mn from the allowance provision set aside in December 2015. An allowance provision of GBP44mn (around EUR50mn) is still being held.

In June, the order book stood at EUR10,340mn (-10.8% LfL compared with December). The most important contracts awarded this year are the waste collection contract in Surrey (EUR131mn, 10 years) and the contract to maintain the Manchester light railway (EUR181mn, 7 years). The latter of these two amounts corresponds to Amey's 40% share in the joint venture that will perform the contract.

BROADSPECTRUM (AUSTRALIA AND NEW ZEALAND)

	Broadspectrum Jun-17	Intangible Amortization	Broadspectrum post intangible amort
Revenues	1,164		**1,164**
EBITDA	77		**77**
EBITDA margin	6.6%		**6.6%**
EBIT	52	-43	**9**
EBIT margin	3.0%		**0.8%**
Order book*	4,240		**4,240**
JVs order book*	295		**295**
Global order book+JVs*	4,535		**4,535**

*Order book compared with December 2016

Broadspectrum's business in Australia and New Zealand is reported in this unit.

The EBITDA margin stood at 6.6% compared to 6.3% in 1Q2017. As regards the second half of the year, the most significant impact on the Profit and Loss Account will be caused by the ending in October of the contracts with the Department of Immigration, which compared with this first half year will give rise to a reduction in EBIDTA and the write-down of the intangibles associated with these contracts.

By sector, revenues for June are as follows:

- **Government (EUR631mn):** Includes all the current contracts with regional and central governments.
- **Urban Infrastructures (EUR248mn):** Includes activities in the water, electricity, energy and telecommunications sectors.
- **Natural Resources (EUR175mn):** Focused on the maintenance and operation of wells and oil, gas, mining and agricultural installations, as well on solutions for industrial clients.
- **Transport (EUR115mn):** Includes activities related to the highway, railway and public transport networks.

The order book, which at December 2016 (excluding America) stood at EUR5,081mn, stood at EUR4,535mn in June (-5.3% in comparable terms, if FX impact is excluded). Notable among the contracts awarded this semester are a contract to install optical fibre for the client Chorus in New Zealand (EUR164mn, 8 years), a contract to maintain a liquefied gas plant for the client Inpex in Australia (EUR143mn, 5 years), and a renewed contract to maintain public schools in New South Wales (EUR101mn, 1 year). As regards the tendering of bids, during the first six months of the year Broadspectrum continues to achieve the same success ratios as in the past, though tendering periods in the Australian market are longer than in other markets.

INTERNATIONAL SERVICES

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	229	61	275.5%	6.4%
EBITDA	7	6	22.0%	-41.5%
EBITDA margin	3.0%	9.4%		
EBIT	-3	2	-267.0%	-213.4%
EBIT margin	-1.1%	2.5%		
Order book*	1,543	530	190.9%	2.4%
JVs order book*	288	145	n.s.	n.s.
Global order book+JVs*	1,831	675	171.2%	0.6%

*Order book compared with December 2016

Revenues from the International business amounted to EUR229mn for the first half, as compared with EUR61mn in 2016.

As we have already mentioned, since January 2017 the International business has included Broadspectrum's activities in America (North America and Chile), which have brought in revenues of EUR162mn (EUR132mn in North America and EUR30mn in Chile). The company provides highway maintenance services and support services for oil & gas companies in North America, while in Chile it supplies mining services. The EBITDA margin for BRS's business in America stood at 2.2% in June.

As regards other countries, revenues and business developments as compared with 2016 were as follows: Poland EUR23mn (+24%), Chile EUR30mn (-2.3%) and Portugal EUR15mn (+1.6%). In combination, and in comparable terms, revenues were up by +6.4% vs. 2016, while the EBITDA was EUR3mn lower than for 1H2016 due to winter maintenance costs relating to the highway contracts in Poland in the first quarter of the year and due to losses of EUR1mn in Chile due to a contract that has now finished.

As regards the order book, this stands at EUR1,831mn, up +0.6% in comparable terms vs. December 2016 (if we include Broadspectrum's North American contracts in a total amount of EUR1,248mn in the order book for December 2016). Notable among the contracts awarded this year are the incorporation of the Trans Formers order book, a waste management company acquired in Poland in June and the tunnel maintenance contract in Washington DC (EUR22mn, 2 years).

CONSTRUCTION

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	2,169	1,862	16.5%	15.4%
EBITDA	103	139	-25.7%	-27.2%
EBITDA margin	4.7%	7.4%		
EBIT	87	125	-29.8%	-31.3%
EBIT margin	4.0%	6.7%		
Order book*	9,400	9,088	3.4%	5.4%

*Order book compared with December 2016

Revenues were up by +15.4% in comparable terms, with positive performance in all areas. International turnover was responsible for 83% of the Division's revenues, with the regional mix very much focused on the company's traditional strategic markets: Poland (29% of revenues) and North America (30%).

In the Construction division, profitability declined compared to 1H2016 (EBITDA margin 4.7% vs. 7.4%), due to the number of large projects in their preliminary stages and a lower proportion of toll road concession contracts in the portfolio of projects currently in course. In addition, in 2Q'2017, there were losses derived from an unfavourable resolution of a ruling on a project in Colombia executed in 2012/2013 as well as losses in a contract, already finalized, in United Kingdom.

BUDIMEX

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	624	563	10.8%	8.1%
EBITDA	55	39	41.0%	37.2%
EBITDA margin	8.8%	6.9%		
EBIT	51	36	41.3%	37.5%
EBIT margin	8.2%	6.4%		
Order book*	2,274	2,027	12.2%	7.7%

*Order book compared with December 2016

A notable event during the first half of 2017 was the sale of a portion of the Company's share in Budimex (3.9%), and while this did not impact on Ferrovial's Profit and Loss Account, which retained its controlling share, it did have a cash impact, which was up by +EUR59mn. From 31 March 2017 onwards, Budimex was consolidated at 55.1%.

Business activity continues to display the same positive trend as previous years. In comparable terms, and despite adverse weather conditions, revenues increased by +8.1% as a result of the faster completion of Industrial projects and Residential and Non-Residential Construction. As far as profitability is concerned, this showed a marked increase (+37.2% in EBITDA), primarily due to final payment on infrastructure projects that have been completed.

The order book reached another all-time high of EUR2,274mn, up by +7.7% LfL as compared with December 2016. Budimex's contracts as of June 2017 reached more than EUR775mn, out of which approximately 66% relate to the signing of Civil Works contracts, the majority of them awarded under the 2014-2020 New Highway Plan. We would highlight the award of the Lagiewnicka Highway in Krakow (EUR154mn), and rail works for approximately EUR240mn. Budimex also has contracts that are currently pending signing or have been signed since 30 June 2017 worth a total of more than +EUR450mn.

WEBBER

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	377	334	12.7%	13.5%
EBITDA	17	28	-40.9%	-42.8%
EBITDA margin	4.4%	8.4%		
EBIT	12	24	-50.7%	-52.3%
EBIT margin	3.1%	7.2%		
Order book*	1,371	1,084	26.5%	36.9%

*Order book compared with December 2016

Revenues were up by +13.5% LfL, thanks to the incorporation of the company Pepper Lawson, which is specialised in water projects and non-residential construction and which was acquired in March 2016 (and whose revenues in 1H2017 totalled EUR80mn vs. EUR34mn in 1H2016). The fall in the EBITDA margin (to 4.4%) was due to the lower proportion of toll road concession contracts in the portfolio of projects currently in course.

The value of contracts during the first half was highly significant, totalling over EUR750mn (65% higher than the value of contracts for the whole of 2016), which has led to a growth in the order book of +37% in comparable terms.

FERROVIAL AGROMAN

	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	1,168	964	21.1%	20.5%
EBITDA	32	72	-55.9%	-56.4%
EBITDA margin	2.7%	7.4%		
EBIT	25	65	-61.9%	-62.4%
EBIT margin	2.1%	6.7%		
Order book*	5,755	5,977	-3.7%	-0.8%

*Order book compared with December 2016

Revenues grew (+ 21.1%) driven by the entry of new projects, although profitability decreased (RBE margin 2.7%) in 1H'2017 mainly due to losses resulting from an unfavourable resolution of a ruling on a project in Colombia executed in 2012/2013 as well as losses in a contract, already finalized, in United Kingdom due to adjustments on execution deadlines and lack of agreement with the client in the implementation of alternative technical solutions.

ORDER BOOK

	Jun-17	Dec-16	Var.
Civil work	7,388	7,088	4.2%
Residential work	421	344	22.2%
Non-residential work	861	873	-1.4%
Industrial	731	783	-6.6%
Total	**9,400**	**9,088**	**3.4%**

*Order book compared with December 2016

The order book was up by +3.4% on December 2016 (+5.4% LfL). The civil works segment remains the largest segment (79%), and very selective criteria are maintained when participating in tenders. The international order book amounted to EUR7,976mn, far more than the domestic order book (EUR1,424mn), and represented 85% of the total.

The order book figure for June 2017 does not include pre-awarded contracts or contracts for which commercial or financial agreement has not been finalised. These amount to a total value of EUR3,150mn, of which the I-66 managed lane in Virginia accounts for approximately EUR2,000mn.

AIRPORTS

The Airports division contributed EUR43mn to Ferrovial's equity-accounted results during 1H2017 (as compared with -EUR55mn in 1H2016).

- **HAH**: EUR47mn in 1H2017, vs. -EUR51mn in 1H2016. This increase in the result as compared with 1H2016 was due mainly to the positive mark to market performance of the hedging instruments, as compared with the negative impact seen in 2016, as a result of an uptick in the expected inflation figure and the cut in interest rates.
- **AGS**: Contributed -EUR4mn to the 1H2017 equity-accounted results (vs. -EUR4mn in 1H2016).

In terms of distributions to shareholders:

- **Heathrow paid out GBP188mn (100%),** of which EUR55mn were for Ferrovial.
- **AGS distributed GBP101mn (100%) among its shareholders**, of which GBP75mn resulted from an extraordinary distribution following the refinancing carried out in 1Q2017, which led to optimisation of the financing structure, the extension of maturity terms and the partial repayment of shareholder debt. **Ferrovial received EUR58mn in 1H2017.**

HEATHROW

Heathrow Traffic

In the first six months of 2017, the number of passengers at Heathrow airport reached 37.1 million, +3.9% vs. 1H2016, including in June, a new monthly record for the eighth consecutive month. The airport also achieved a daily record, with 259,917 passengers flying on 30 June, the busiest day in the history of the airport.

Occupancy levels increased year-on-year (75.8% vs. 73.1% in 2016). The average number of seats per plane also increased due to larger plane sizes (212.1 seats, as compared with an average of 210.6 in 2016.

This positive performance with regard to traffic volumes has caused that the full year 2017 passenger number forecast increased to 76.7 million, as compared with the previously expected figure of 75 million.

Traffic performance by destination

Million passengers	Jun-17	Jun-16	Var.
UK	2.3	2.2	2.7%
Europe	15.5	15.0	3.1%
Long Haul	19.4	18.5	4.7%
Total	**37.1**	**35.7**	**3.9%**

Intercontinental traffic has been the main driver for growth in traffic, increasing by +4.7%, with more flights and greater occupancy. Traffic was particularly robust on the Middle East routes (+13.1%) due to larger aircraft and more flights, and to the Asia Pacific region (+5.7%), as a result of substantial growth in existing routes to Malaysia, Thailand and Singapore, along with new services to Indonesia, the Philippines and Vietnam. In North America, traffic volumes recovered after slowing during the first quarter, ending the half year up by +1.6% on 1H2016. Traffic volumes in Latin America increased by +4.1%, due to an increase in the number of flights and fuller aircrafts.

In **Europe**, traffic grew by +3.1%, with notable growth in the routes to Belgium, Portugal, Denmark, Italy and Russia. The new Flybe services to Scotland, which came about following Heathrow's reduction in domestic flight tariffs, contributed to the growth of **+2.7% in domestic traffic.**

More than 30% (in terms of value) of non-EU exports from the United Kingdom currently pass through Heathrow. In the first six months of 2017, cargo volumes at Heathrow increased by +9.1%, making it one of the strongest quarters in the last 5 years in terms of year-on-year performance.

Heathrow SP Revenue

Revenue growth (+4.1%) thanks to the strong performance of retail revenue (+11.8%), coupled with the increase in aeronautical revenues (+1.5%) and in other revenues (+3.8%).

Revenue breakdown

GBP million	Jun-17	Jun-16	Var.	Like-for-Like
Aeronautic	814	802	1.5%	1.5%
Retail	313	280	11.8%	11.8%
Others	247	238	3.8%	3.8%
TOTAL	**1,374**	**1,320**	**4.1%**	**4.1%**

Average **aeronautical revenue** per passenger decreased -2.3% to GBP21.93 (GBP22.44 in 2016), but was compensated for by the increase in traffic (+3.9%), which pushed up revenues by GBP30mn.

Retail revenue grew by +11.8%, particularly in the World Duty Free stores (+12.9%) and specialist stores (+23.5%), due to the depreciation of sterling after the referendum to leave the EU at the end of June 2016 and the increase in traffic. The remodelling of the luxury goods stores at terminal 4, which was completed in 2016, also contributed to this growth.

Net retail revenues per passenger reached GBP8.43, up by +7.6% compared to 1H2016.

Heathrow SP EBITDA

Heathrow's adjusted EBITDA increased by +6.9% in the first six months of the year vs. revenuess growth of +4.1%. The EBITDA margin reached 60.8% (59.1% in 2016). Amortization fell by -7.8% vs. 2016.

User satisfaction

Heathrow continued to deliver its world-class passenger service, maintaining its record service quality score for the second quarter of the year of 4.16 out of 5, while 83% of passengers surveyed rated their Heathrow experience 'Excellent' or 'Very Good' (82% in 1H'2017). Heathrow has been ranked first among major European hub airports for service quality in this survey for twelve successive quarters.

In 2017, Heathrow has been nominated "Best Airport in Western Europe" for the third time running by Skytrax World Airport Awards. The award, voted by passengers all around the world, also recognised Heathrow as the "Best Shopping Airport" for the eighth year running.

Regulatory aspects

Regulatory period: On 21 December 2016, the CAA confirmed the extension of the current regulatory period (Q6) until 31 December 2019, continuing with the annual maximum tariff increase per passenger of -1.5% RPI.

In June 2017, CAA issued a consultation document including a decision to further extend Heathrow's Q6 regulatory period by at least a year to 31 December 2020. Both the decision on the new extension and the tariffs in this extra year will be taken in 2018, once the position on designation of the NPS is clearer.

Regulatory Asset Base **(RAB)**: At 30 June 2017, the RAB reached GBP15,485mn (vs. GBP15,237mn in December 2016).

Expansion: On 25 October 2016, the British Government announced its decision to select the building of a third runway at Heathrow Airport to increase airport capacity in the Southeast of England.

This decision requires parliamentary approval of the National Policy Statement and subsequently approval by the Secretary of State of the Development Consent Order, which are expected between the first semester of 2018 and end of 2020.

On 2 February 2017, the expansion project passed the first hurdle after the British Government published the first draft of the National Policy Statement. Following its publication, the draft of the NPS was submitted for public consultation, and it is expected to be concluded after the Parliamentary approval on the first semester 2018.

HAH

GBP million	Jun-17	Jun-16	Var.	Like-for-Like
Revenues	**1,375**	**1,321**	**4.1%**	**4.1%**
EBITDA	**836**	**783**	**6.8%**	**6.8%**
EBITDA margin %	60.8%	59.3%		
Depreciation	350	378	7.3%	7.3%
EBIT	**486**	**405**	**19.9%**	**19.9%**
EBIT margin %	35.4%	30.7%		
Impairments & disposals		-10	n.a	n.a.
Financial results	-277	-580	52.3%	-13.6%
EBT	210	-184	214.1%	60.3%
Corporate income tax	-47	23	n.s.	-54.2%
Net income	**163**	**-160**	**201.3%**	**63.1%**
Contribution to Ferrovial equity accounted result (EUR mn)	**47**	**-51**	**192.8%**	**63.1%**

HAH net debt

At 30 June2017, the average cost of Heathrow's external debt was 5.46%, including all the interest-rate, exchange-rate and inflation hedges in place (5.11% in December 2016).

GBP million	Jun-17	Jun-16	Var.
Loan Facility (ADI Finance 2)	306	306	0.1%
Subordinated	1,045	1,098	-4.9%
Securitized Group	12,836	12,923	-0.7%
Cash & adjustments	-390	-20	n.s.
Total	**13,797**	**14,307**	**-3.6%**

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

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

UK REGIONAL AIRPORTS (AGS)

AGS Traffic

Million Passengers	Traffic		
	jun-17	jun-16	Var.
Glasgow	4.6	4.3	7.3%
Aberdeen	1.5	1.5	-0.1%
Southampton	1.0	0.9	11.7%
Total AGS	**7.1**	**6.6**	**6.2%**

In 1H2017, the number of passengers at the regional airports grew by +6.2% to 7.1 million, with robust growth at Glasgow (+7.3%) and Southampton (+11.7%).

Traffic at **Glasgow reached 4.6 million passengers (+7.3%)**. Domestic traffic volumes remained in line with 2016, changes in volumes included a reduction in the number of flights on the London route. In the remaining domestic markets there was an improvement on occupancy from EasyJet's routes to Bristol and Belfast, and growth on Loganair's services to Islay and Stornoway. International traffic volumes increased (+14.6%) as the result of increased European traffic, due to Ryanair's new summer routes and new services from Jet2. Long-distance traffic volumes also increased, reflecting good performance from Emirates, coupled with the new Delta service to New York.

The number of passengers in **Aberdeen totalled 1.5 million (-0.1%)**, in line with the previous year. Domestic traffic volumes were up slightly (+0.4%), mainly due to the London Heathrow route operated by Flybe and the good performance of EasyJet Luton. International traffic volumes increased (+2.1%) thanks to new Ryanair routes, the new Wizz service to Warsaw and Air Baltic's new route to Riga. This increase was partially offset by the reduction in return flights to international airports (Paris CDG and Amsterdam) and less Scandinavian passengers.

In 1H2017 **passenger numbers at Southampton totalled 1.0 million (+11.7%)**. Domestic traffic volumes increased by +2.5%, mainly driven by additional flights in Flybe's Manchester, Glasgow and Edinburgh services, though this was partially offset by the reduction in the number of flights on its Guernsey route. International traffic volumes rose (+28.8%) as a result of increased capacity on new routes.

AGS Revenue and EBITDA

The airports posted EBITDA growth of +19.1% in 1H2017, on traffic growth of +6.2% and revenues growth of +6.0%, coupled with a -1.3% drop in expenses driven by greater cost control.

AGS net bank debt

At 30 June 2017, the regional airports' net bank debt stood at GBP643mn.

AGS RESULTS

GBP million	Revenues			EBITDA			EBITDA margin		
	jun-17	jun-16	Var.	jun-17	jun-16	Var.	jun-17	jun-16	Var. (bps)
Glasgow	54.8	50.5	8.5%	23.6	19.9	18.6%	43.0%	39.4%	368.1
Aberdeen	26.8	27.7	-3.2%	10.1	9.7	4.7%	37.7%	34.9%	286.1
Southampton	15.1	13.0	16.3%	5.3	3.1	66.8%	34.7%	24.2%	1,051.2
Total AGS	**96.7**	**91.2**	**6.0%**	**39.0**	**32.7**	**19.1%**	**40.3%**	**35.8%**	**443.1**

BALANCE SHEET

	Jun-17	Dec-16
FIXED AND OTHER NON-CURRENT ASSETS	**15,161**	**15,679**
Consolidation goodwill	**2,121**	**2,155**
Intangible assets	**484**	**544**
Investments in infrastructure projects	**6,970**	**7,145**
Property	**6**	**6**
Plant and Equipment	**715**	**731**
Equity-consolidated companies	**2,784**	**2,874**
Non-current financial assets	**715**	**735**
Long term investments with associated companies	333	374
Restricted Cash and other non-current assets	258	249
Other receivables	125	112
Deferred taxes	**1,041**	**1,057**
Derivative financial instruments at fair value	**325**	**432**
CURRENT ASSETS	**7,746**	**7,745**
Assets classified as held for sale	**258**	**624**
Inventories	**594**	**516**
Trade & other receivables	**2,888**	**2,822**
Trade receivable for sales and services	2,228	2,193
Other receivables	660	629
Taxes assets on current profits	**155**	**186**
Cash and other temporary financial investments	**3,773**	**3,578**
Infrastructure project companies	301	277
Restricted Cash	53	62
Other cash and equivalents	248	215
Other companies	3,472	3,301
Derivative financial instruments at fair value	**77**	**18**
TOTAL ASSETS	**22,906**	**23,423**

	Jun-17	Dec-16
EQUITY	**6,032**	**6,314**
Capital & reserves attrib to the Company´s equity holders	5,294	5,597
Minority interest	738	717
Deferred Income	**1,052**	**1,118**
NON-CURRENT LIABILITIES	**10,450**	**10,421**
Pension provisions	**141**	**174**
Other non current provisions	**747**	**757**
Financial borrowings	**8,052**	**7,874**
Financial borrowings on infrastructure projects	5,193	5,310
Financial borrowings other companies	2,859	2,564
Other borrowings	**209**	**200**
Deferred taxes	**912**	**979**
Derivative financial instruments at fair value	**388**	**436**
CURRENT LIABILITIES	**5,372**	**5,570**
Liabilities classified as held for sale	**188**	**440**
Financial borrowings	**319**	**302**
Financial borrowings on infrastructure projects	200	200
Financial borrowings other companies	119	102
Derivative financial instruments at fair value	**71**	**69**
Trade and other payables	**3,860**	**3,895**
Trades and payables	2,346	2,299
Other non comercial liabilities	1,515	1,596
Liabilities from corporate tax	**168**	**150**
Trade provisions	**767**	**715**
TOTAL LIABILITIES & EQUITY	**22,906**	**23,423**

As already mentioned in the consolidated annual accounts for 2016, the company has decided to bring the application of IFRS rule 15 (Revenue from Contracts with Customers) forward to the 2017 financial year. Application of this rule has had a negative impact on the company's reserves to the value of -EUR259mn. For more details on the plan for the application of this rule and its expected impact, please see Note 2.2 of the interim consolidated accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Before Fair value Adjust-ments	Fair value Adjustments	Jun-17	Before Fair value Adjust-ments	Fair value Adjustments	Jun-16
Revenues	6,059		**6,059**	4,697		**4,697**
Other income	3		3	2		2
Total income	6,062		6,062	4,699		4,699
COGS	5,593		5,593	4,279		4,279
EBITDA	469		**469**	421		**421**
EBITDA margin	7.7%		7.7%	9.0%		9.0%
Period depreciation	194		194	131		131
EBIT (ex disposals & impairments)	275		**275**	290		**290**
EBIT (ex disposals & impairments) margin	4.5%		4.5%	6.2%		6.2%
Disposals & impairments	25	5	30	278	-10	268
EBIT	300	5	**305**	567	-10	**557**
EBIT margin	4.9%		5.0%	12.1%		11.9%
FINANCIAL RESULTS	-187	40	**-147**	-187	-20	**-207**
Financial result from financings of infrastructures projects	-132		-132	-170		-170
Derivatives, other fair value adjustments & other financial result from infrastructure projects	-3		-3	-4	-9	-13
Financial result from ex infra projects	-20		-20	-17		-17
Derivatives, other fair value adjustments & other ex infra projects	-31	40	8	3	-11	-8
Equity-accounted affiliates	87	32	119	65	-60	5
EBT	200	77	**277**	445	-89	**356**
Corporate income tax	-16	-2	-18	-179	8	-171
NET INCOME FROM CONTINUED OPERATIONS	184	75	**259**	266	-82	**184**
Net income from discontinued operations						
CONSOLIDATED NET INCOME	184	75	**259**	266	-82	**184**
Minorities	-19	0	-19	4	1	5
NET INCOME ATTRIBUTED	165	75	**240**	269	-80	**189**

REVENUES

	Jun-17	Jun-16	Var.	Like-for-Like
Construction	2,169	1,862	16.5%	15.4%
Airports	4	3	46.9%	-73.7%
Toll Roads	221	236	-6.3%	11.6%
Services	3,654	2,609	40.1%	3.7%
Others	11	-12	n.a	n.a
Total	**6,059**	**4,697**	**29.0%**	**9.6%**

EBITDA

	Jun-17	Jun-16	Var.	Like-for-Like
Construction	103	139	-25.7%	-27.2%
Airports	-7	-8	6.4%	-31.2%
Toll Roads	156	145	7.1%	22.9%
Services	212	142	49.3%	1.6%
Others	5	2	n.a.	n.a.
Total	**469**	**421**	**11.5%**	**-1.8%**

DEPRECIATION

Depreciation increased by +48.1% (or +10.8% LfL) to EUR194mn in comparison with 2016.

EBIT

(before impairments and disposals of fixed assets)

	Jun-17	Jun-16	Var.	Like-for-Like
Construction	87	125	-29.8%	-31.3%
Airports	-8	-8	-6.8%	-31.0%
Toll Roads	121	109	10.3%	21.7%
Services	72	63	13.4%	-2.1%
Others	3	0	n.a.	n.a.
Total	**275**	**290**	**-5.1%**	**-6.7%**

For the purposes of analysis, all comments regarding EBIT are before impairments and fixed asset disposals.

DISPOSALS & IMPAIRMENTS

Impairments and disposals of fixed assets amounted to +EUR30mn at end-June 2017, accounted for by the additional impairment applied to Autema (-EUR19mn) and the capital gains on the sale of Norte Litoral (EUR49mn). This figure stood at +EUR268mn for the same period in 2016, as it was affected by the capital gains relating to the divestments in Chicago Skyway and Irish toll roads.

FINANCIAL RESULT

	Jun-17	Jun-16	Var.
Infrastructure projects	-132	-170	22.0%
Ex infra projects	-20	-17	-22.3%
Net financial result (financing)	**-153**	**-186**	**18.1%**
Infrastructure projects	-3	-13	79.0%
Ex infra projects	8	-8	206.8%
Derivatives, other fair value adj & other financial result	**6**	**-21**	**126.4%**
Financial Result	**-147**	**-207**	**29.1%**

Financial expenses in 1H2017 were less than the corresponding period in 2016, as a combination of the following impacts:

- **Financing result:** EUR34mn drop in expenses to -EUR153mn. The change compared with 1H2016 was primarily due to changes in the consolidation perimeter in the infrastructure projects:
  - Deconsolidation of Chicago Skyway (2 months' contribution in 2016, generating -20mn in costs).
  - Deconsolidation of debt in Irish toll roads (2 months' global consolidation in 2016, generating -3mn in costs).
  - Deconsolidation of the SH-130 toll road (deconsolidated at the close of 2016, it contributed with –EUR12mn to the financial result in 1H'2016).

- **Results from hedging and other instruments**: +EUR6mn in financial revenues in 1H2017 vs. -EUR21mn in financial expenses in 1H2016, mainly due to:
  - As regards infrastructure projects, EUR10mn less in financial expenses due mainly to the extraordinary negative impact caused in 1H2016 by the removal of the mark to market of the Ausol hedge, result of the refinancing carried out in respect of this asset.
  - As regards ex-infra projects, EUR16mn less in financial expenses (8mn in revenues was obtained) due mainly to the coverage provided by equity swaps linked to payment plans, with no impact on cash flow. This coverage led to revenues of +EUR7mn at the close of the half, due to the positive performance of the share price in 1H2017, as compared with its negative performance in 1H2016, as shown in the following table:

Date	Closing price(€)
31-December-15	20.86
30-June-16	17.44
31-December-16	17.00
30-June-17	**19.44**

At end-June 2017, the number of shares hedged reached 2,689,600.

EQUITY-ACCOUNTED RESULTS

	Jun-17	Jun-16	Var.
Construction	-1	0	n.s.
Services	13	14	-2.3%
Toll Roads	64	47	36.5%
Airports	43	-55	178.9%
Total	**119**	**5**	**n.s.**

At net profit level, equity-accounted consolidated assets contributed EUR119mn after tax (against EUR5mn in the same period of 2016).

This improvement was due to the positive performance of Toll Roads (net profit at 407ETR rose by +33.3%) and the recovery of Heathrow's contribution (+EUR47mn as compared with -EUR51mn in 1H2016, due to the negative impact of the fair value of the hedging instruments). AGS's contribution remained in line with its performance in 1H2016 (-EUR4mn vs. -4mn in 1H2016).

TAXES

Company tax for the first quarter amounted to -EUR18mn (-EUR30mn excluding the impact of regularisations from previous tax years) compared with -EUR171mn at the close of 1H2016, the latter having been impacted principally by the capital gains obtained from the divestment of Chicago and the Irish toll roads.

Additionally, the tax rate has been affected by the following circumstances:

- Impact of the results of companies accounted for using the equity method which, pursuant to accounting legislation, are presented net of the related tax effect, in the amount of EUR119mn.
- Capital gain from the sale of Norte Litoral, of which EUR78mn does not generate any cost with regard to Company Tax.
- Losses at companies in the USA, consolidated by global integration, where the tax credit is exclusively recognised as the percentage stake when paying tax under a fiscal transparency regime, which generates an adjustment of -EUR8mn.

Following adjustment for these three items, the pre-tax result amounts to EUR88mn. Therefore, the tax rate after the aforementioned adjustments would be 34%.

NET PROFIT

Net profit stood at EUR240mn at end-June 2017 (EUR189mn in June 2016).

Net profit for the first six months of 2017 includes a series of extraordinary impacts:

- Fair value adjustments for derivatives: +EUR55mn (this item resulted in a negative impact of -EUR73mn in 1H2017).
- Capital gain after tax on the sale of Norte Litoral: +EUR56mn (+EUR129mn was earned during the same period in 2016 from the sale of Chicago and Irish toll roads.
- Impairment at Autema: -EUR14mn (-EUR12mn in 1H2016)

NET DEBT AND CORPORATE CREDIT RATING

NET DEBT

The net treasury position, excluding infrastructure projects, stood at EUR509mn at 30 June 2017 vs. EUR697mn in December 2016.

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

- **Dividends received from projects (+EUR259mn)**: this figure is a +9.9% increase compared to the dividends received in 1H2016 (EUR236mn). Notable this semester was the contribution of EUR113mn made by Airports (as compared with EUR72mn in 1H2016), affected mainly by the extraordinary dividend paid out by AGS following its refinancing (AGS's contribution amounted to EUR58mn, of which EUR44mn was an extraordinary amount).
- **Cash flow from divestments amounting to +EUR167mn**, of which EUR59mn equates to the sale of a stake in Budimex (sale of 1 million shares equivalent to a 3.9% stake) and EUR104mn obtained after the sale of 51% of Norte Litoral.
- **Negative evolution of working capital -EUR529mn.**
- **Organic investments in the amount of -EUR126mn.**
- **Shareholder remuneration in the amount of -EUR129mn.**

Net project debt stood at EUR4,819mn (EUR4,963mn in December 2016). This net debt includes EUR699mn related to toll roads under construction (NTE 35W and I-77).

The Group's **consolidated net group debt** at 30 June 2017 stood at EUR4,310mn (compared with EUR4,266mn in December 2016).

	Jun-17	Dec-16
NCP ex-infrastructures projects	**509**	**697**
Toll roads	-4,280	-4,426
Others	-539	-537
NCP infrastructures projects	**-4,819**	**-4,963**
Total Net Cash Position	**-4,310**	**-4,266**

	Jun-17	Dec-16
Gross financial debt	**-8,375**	**-8,093**
Gross debt ex-infrastructure	-2,982	-2,584
Gross debt infrastructure	-5,393	-5,510
Gross Cash	**4,065**	**3,827**
Gross cash ex-infrastructure	3,506	3,301
Gross cash infrastructure	559	526
Total net financial position	**-4,310**	**-4,266**

CORPORATE CREDIT RATING

Agency	Rating	Outlook
S&P	BBB	Estable
Fitch Ratings	BBB	Estable

EX-PROJECT DEBT MATURITIES

Year	Corporate debt maturity
2017	9
2018	564
2019	75
2020	15
2021 - 2030	2.261
2031 - 2040	7
2041 - 2050	11

CONSOLIDATED CASH FLOW

Jun-17	Ex-infrastructure projects Cash Flow	Infrastructure projects 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
Tax return from previous exercises				
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
Variation of Bridge Loans (project financing)				
Changes in the consolidated perimeter		-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**

Jun-16	Ex-infrastructure projects Cash Flow	Infrastructure projects Cash Flow	Adjustments	Total Cash Flow
EBITDA	203	218		420
Dividends received	236		-18	217
Working capital variation (account receivables, account payables and others)	**-421**	**-53**	**0**	**-474**
Operating flow **(before taxes)**	18	165	-18	164
Tax payment	-45	-3		-48
Tax return from previous exercises				
Operating Cash Flow	-27	161	-18	116
Investments	-677	-190	28	-840
Divestments	**318**			**318**
Investment cash flow	**-359**	**-190**	**28**	**-521**
Activity cash flow	-386	-29	10	-405
Interest flow	-31	-181		-211
Capital flow from Minorities	0	55	-28	27
Scrip dividend	-89			-89
Treasury share repurchase	-86			-86
Ferrovial shareholder remuneration	-175			-175
Other shareholder remmuneration for subsidiary minorities	-23	-26	18	-31
Forex impact	-80	93		13
Other equity movements		0		0
Variation of Bridge Loans (project financing)				
Other debt movements (non cash)	**-447**	**129**		**-318**
Financing cash Flow	**-757**	**71**	**-10**	**-696**
Net debt variation	**-1,142**	**42**	**0**	**-1,101**
Net debt initial position	**1,514**	**-6,057**		**-4,542**
Net debt final position	**372**	**-6,015**	**0**	**-5,643**

EX-INFRASTRUCTURE PROJECT CASH FLOW

Cash flow from ex-project operations

Cash flow from ex-infrastructure project operations totalled -EUR27mn (before tax) as of the end of June 2017.

This was lower than the EUR18mn recorded in June 2016, due mainly to the evolution of the Construction operations cash flow, impacted by a negative transitional evolution of Budimex working capital.

By contrast, **the contribution made by infrastructure projects improved as the result of the collection of dividends (EUR259mn in 1H2017 vs. EUR236mn in 1H2016)**, with a significant increase in the funds paid out to shareholders by the main assets. 407ETR (+10.7%), HAH (+25%) and AGS (following the refinancing operation carried out in 1Q2017, GBP101mn was distributed, as compared with GBP19mn in 1H2016).

Changes in cash flow from ex-Infrastructure project operations by segment in 1H2017 as compared with 1H2016 are shown in the following table:

Operating cash flow	Jun-17	Jun-16
Construction	-260	-195
Services	62	52
Dividends from Toll roads	134	136
Dividends from Airports	113	72
Other	-75	-48
Operating flow (before taxes)	**-27**	**18**
Tax payment	-12	-45
Total	**-38**	**-27**

The entry “Others” includes the revenues from operations corresponding to Corporate Business, Airports, Toll Roads and Real Estate, as well as remuneration systems linked to the share prices of the Airports, Toll Roads and Corporate divisions.

Breakdown of the revenues from **Construction and Services:**

Construction	Jun-17	Jun-16
EBITDA	103	139
EBITDA from projects	7	6
EBITDA Ex projects	96	132
Dividends received	0	0
Provision variation with no cash impact	-25	-68
Changes in factoring	-12	6
Ex Budimex Working Capital	-108	-116
Budimex Working Capital	-211	-149
Working capital variation (account receivables, account payables and others)	-357	-327
Operating Cash Flow before Taxes	**-260**	**-195**

Services	Jun-17	Jun-16
EBITDA	212	142
EBITDA from projects	42	43
EBITDA Ex projects	170	99
Dividends received	13	27
Changes in factoring	20	0
Pensions payments UK	-17	-7
Ex UK Working Capital	3	70
UK Working Capital	-127	-137
Working capital variation (account receivables, account payables and others)	-121	-74
Operating Cash Flow before Taxes	**62**	**52**

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

	Spain	UK	Broadspectrum	International	Services
EBITDA Ex-infrastructure	64	23	77	7	170
Dividends received	1	9	0	3	13
Changes in factoring	20	0	0	0	20
Pension scheme payments	0	-17	0	0	-17
Working capital	2	-127	18	-16	-124
Op. cash flow ex-Taxes	**88**	**-113**	**94**	**-7**	**62**

At **Toll Roads**, the operating cash flow at June 2017 includes an amount of EUR134mn proceeding from dividends and capital repayments from the concession-holding companies of the toll road infrastructure projects. The details of this are reflected in the following table:.

Dividends and Capital reimbursements	Jun-17	Jun-16
ETR 407	131	117
Irish toll roads	1	1
Portuguese toll roads	0	18
Greek toll roads	0	0
Spanish toll roads	1	0
Other	0	0
Total	**134**	**136**

Distribution to shareholders from **Airports** (EUR113mn) corresponds to dividends received from HAH (EUR55mn) and AGS (EUR58mn). Of particular note as regards the second of these two figures is the extraordinary dividend paid following the refinancing obtained in 1Q2017 (EUR44mn in extraordinary dividends due to Ferrovial).

Airports	Jun-17	Jun-16
HAH	55	59
AGS	58	14
Total	**113**	**72**

Ex-project 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-17	Investment	Divestment	Investment Cash Flow
Construction	-22	63	40
Services	-68	0	-68
Toll roads	-34	104	70
Airports	0	0	0
Others	-2	0	-1
Total	**-126**	**167**	**41**

Jun-16	Investment	Divestment	Investment Cash Flow
Construction	-35	1	-34
Services	-572	30	-542
Toll roads	-70	287	217
Airports	0	0	0
Others	0	0	0
Total	**-677**	**318**	**-359**

The net investment cash flow (+EUR41mn) includes:

- **EUR59mn received after the sale of 1 million shares in Budimex** (equivalent to 3.9% of the company's share capital), having no impact on Ferrovial's Profit and Loss Account as it retains a controlling share in the company (55.1%).
- **EUR104mn received for a 51% stake in Norte Litoral.**

The following table shows Cintra's capital investment in infrastructure projects:

Equity investment in toll roads	jun-17	jun-16
LBJ	0	0
NTE	0	0
NTE 35W	-22	-29
Spanish toll roads	0	-4
Portuguese toll roads	0	-26
Greek toll roads	0	0
Others	-11	-11
Total	**-34**	**-70**

Ex-project financing cash flow

Financing cash flow includes:

- **Shareholder remuneration cash flow:** -EUR129mn for Ferrovial shareholders, which includes the cash payment of the scrip dividend of -EUR93mn and the share buy-back for -EUR35mn. Dividends to minorities in subsidiaries also reached -EUR46mn.
- **Net interest payments for the year** (-EUR39mn).
- **FX impact** (-EUR8mn), which originates from the operating cash for the businesses outside the Eurozone and the positions held in currencies, mainly in Polish Zloty and Australian dollars (-EUR51mn), offset by exchange rate derivatives (+EUR44mn).
- **Other non-cash flow related movements** (+EUR32mn), 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 project operations

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

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

	Jun-17	Jun-16
Toll roads	184	141
Other	27	20
Operating flow	**211**	**161**

Project investment cash flow

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

Investment cash flow	jun-17	jun-16
LBJ	-7	-5
North Tarrant Express	-6	-3
North Tarrant Express 35W	-107	-146
Portuguese toll roads	-1	-1
Spanish toll roads	-1	-1
Other	-44	-23
Total toll roads	**-166**	**-179**
Other	-22	-18
Projects total	**-188**	**-197**
Equity Subsidy	24	7
Total investment cash flow (projects)	**-164**	**-190**

Project financing cash flow

Financing cash flow include 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 fully integrated within the consolidated Group, these amounts represent 100% of the amounts paid out and received by the concession-holding companies, regardless of the percentage share that the Group 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 costs 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-17	Jun-16
Spanish toll roads	-31	-100
US toll roads	-44	-43
Portuguese toll roads	-14	-13
Other toll roads	0	-3
Total toll roads	**-89**	**-159**
Other	-19	-22
Total	**-108**	**-181**

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 June 2017 had a positive impact in the amount of EUR244mn, mainly as the result of the depreciation 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

2016 - 2017 DIVIDEND

The company held its AGM on 5 April 2017. 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.

These increases form part of the shareholder remuneration system known as the "Ferrovial Scrip Dividend", which the company introduced in 2014, and which will replace the traditional complementary dividend payment for 2016 and the 2017 interim dividend.

The purpose of this programme is to offer to all the company's shareholders the option, at their choice, of receiving free new shares in the company, though without altering the company's policy of paying its shareholders in cash, as they can alternatively opt to receive a cash payment by means of selling the free rights that they receive against the shares they already own to the company (or selling them in the market).

The first of the scrip issues (equivalent to the 2016 complementary dividend) took place in May 2017, with the following result:

Scrip Dividend Details	May-17
Guaranteed set price to purchase rights	0,315
Rights per share	61
% shareholders chose shares as dividend	58,05%
% shareholders chose cash as dividend	41,95%
Number of new shares issued	6.971.168
Number of rights purchased	307.307.195

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.

The above-mentioned share buy-back programme has a ceiling of EUR275mn, or 19 million shares.

In addition to the above plan to buy back the company's own shares, at end-June 2017, Ferrovial held 2,406,950 shares (acquired in 2016), and these are due to be amortised over the course of 2017.

Ferrovial's share capital figure as of 30 June 2017 amounted to EUR147,903,928.40, all fully subscribed and paid up. The share capital comprises 739,519,642 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): 20.3%
- **Menosmares, S.L.U.,** (a company controlled by María del Pino y Calvo-Sotelo): 8.2%
- **Siemprelara S.L.U.,** (a company controlled by Leopoldo del Pino y Calvo-Sotelo): 5.0%
- **Soziancor, S.L.U.**, (company controlled by Joaquin del Pino y Calvo-Sotelo): 2.5%.

On 22 March 2017, Blackrock notified the CNMV that it had changed its stake in Ferrovial S.A, which at the time of this report's publication stands at 3.104%.

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 17/16	Exchange-rate Mean (P&L)	Change 17/16
GBP	0.8774	5.13%	0.8593	9.26%
US Dollar	1.1413	3.07%	1.0940	-1.66%
Canadian Dollar	1.4826	3.16%	1.4545	-0.86%
Polish Zloty	4.2279	-3.24%	4.2502	-2.44%
Australian Dollar	1.4865	-0.03%	1.4433	-4.50%

APPENDIX II: IMPORTANT INFORMATION ANNOUNCEMENTS 1H2017

✓ **Ferrovial successfully completes a bond issue worth EUR500mn, maturing on 31 March 2025.**

(22 March 2017)

Ferrovial Emisiones, S.A., a subsidiary of Ferrovial, has successfully completed the pricing of a EUR500mn bond issue maturing on 31 March 2025, guaranteed by Ferrovial. The bonds will give a coupon of 1.375% per year, payable on an annual basis. The price has been fixed at 99.295% of the nominal value of the bonds. The close and payment of the issuance was on 29 March 2017, pending the normal pre-conditions for this type of issuance.

Ferrovial expects to receive net profits of approximately EUR494mn, to be applied to general corporate needs.

✓ **Ferrovial communicates the resolutions of the 2017 AGM.**

(05 April 2017)

✓ **Ferrovial agrees a scrip issue charged to reserves as a means of implementing the Ferrovial Flexible Dividend system of shareholder remuneration.**

(04 May 2017)

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.

✓ **Ferrovial held an Investor Day in London to provide information on Cintra (Toll Roads division) and published the presentation of its plans for the company shown at the event for investors and analysts.**

(25 May 2017)

✓ **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.**

(26 May 2017)

At the end of this period on 23 May 2017, the holders of 58.05% of the rights (a total of 425,241,256 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 6,971,168. The holders of 41.95% of the rights have sold their rights to Ferrovial, which acquired a total of 307,307,195 rights (EUR96,801,766.43). The capital increase was closed on 26 May 2017.

APPENDIX III: DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES IN THE DIFFERENT BUSINESS AREAS, 1H2017

Ferrovial is active 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 2016 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 2016.

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 2017:

SERVICES

In the United Kingdom, the future consequences of the referendum held in June 2016, in which the British electorate decided to leave the European Union (Brexit), remains one of the main uncertainties facing Ferrovial's Services division during the second half of the year, given the company's significant presence in the country. Specifically, its subsidiary Amey, which accounted for 36.4% of revenues in this division during the first six months of 2017.

On 29 March 2017, the British government initiated Brexit using the mechanism provided for under Article 50 of the EU Treaty, which sets out the procedure by which a member state may voluntarily leave the European Union. A period of 2 years from that date is allocated for the negotiation of an orderly withdrawal. Following the elections held on 9 June 2017, which returned a government that does not have an absolute majority, the United Kingdom would appear to be in a weakened position as regards these negotiations. Brexit is giving rise to uncertainty regarding both the performance of the country's currency and its economic growth.

The United Kingdom is also currently undergoing a process of fiscal consolidation aimed at achieving a budget surplus within the next 5 years. The budgets of all the different administrative departments have suffered cuts over the last year. These budgetary cuts have had a negative impact on Amey's margins. The impact that Brexit may have in this context of reduced budgets is unclear, since, although the economic slowdown could result in increased pressure on the budgets of the different public authorities, one potential way of countering this effect could be to increase public spending, which might have an impact on Amey (75% of Amey's revenues come from public sector contracts in the United Kingdom). Similarly, revenues from these contracts could benefit from the increase in inflation, given that some of them are index-linked to the inflation rate.

As regards the lawsuit relating to the Birmingham contract, it is of note that in 2H2017 negotiations with the client will continue with regard to the award in 2016 of a legal judgement in Amey's favour and the resolution of the associated commercial disputes, with a view to achieving normalisation of the contract.

In Spain, the main macroeconomic indicators continued to perform positively during the early months of the year, thanks to an increase in domestic demand in both the consumer and investment sectors, along with improved export figures. It is expected that these factors will continue to have a positive impact on the economy during the second half of the year, particularly where exports are concerned. The main risks confronting the Spanish economy in 2017 relate to budgetary restrictions, high unemployment rates and external factors such as the potential increase in the cost of borrowing following the gradual withdrawal of ECB stimuli.

Following the slowdown in the number of contracts put out to tender over recent years, there has been a certain level of recovery in the number of tendering processes introduced by the public authorities. Good GDP figures for the first half of 2017 have led to guarded optimism as regards the performance of the business during the second half of the year, both with public and with private clients.

In Australia, following the acquisition of Broadspectrum in May 2016, the main aim during the second half of the year is to continue moving forwards with the company's integration in Ferrovial's Services division and the generation of synergies with other divisions within the Group. It should be mentioned that the two contracts signed by Broadspectrum with the Australian government for the maintenance of immigration centres in Nauru and Manus Province (Papua New Guinea) will not be renewed and will therefore end in October 2017. One of the main uncertainties with regard to the second half of the year therefore involves replacing this source of revenue with another one that falls within the company's business remit.

CINTRA

The first half of 2017 saw formal completion of the sale of 51% of the Norte Litoral concession in Portugal to the Dutch infrastructure fund DIF. It is expected that the sale to the same investment fund of 49% of the Algarve highway in Portugal (Via do Infante) will be completed during the second half of the year, once the necessary administrative authorisations have been received. The total value of both transactions amounted to circa EUR159mn. Following this transaction, Ferrovial will continue to hold 49% of Norte Litoral and 48% of Algarve, as well as its position as the core industrial partner in both assets.

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. It is expected that all the necessary financing will be in place and that work will start on the I66 highway in Virginia (USA) and the Ruta del Cacao (Colombia), and that work will continue on the various projects that are currently in the construction phase: 407 Extension II in Canada, I-77 in North Carolina and NTE 35W (Segment 3B is expected to be partially opened before the end of July 2017), both in the USA, and Toowoomba in Australia. It is expected that construction work on the

D4R7 highway (Slovakia) will begin in the coming months, once all the necessary administrative authorisations have been obtained. None of these projects are expected to come into operation in 2017.

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 will 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 4.3% (VKT) during the first half of the year, as compared with the same period in 2016. This was mainly due to the fact that 407 Extension I opened to traffic on 20 June 2016 and was free until 1 February 2017. However, it is expected that growth will slow during the second half of the year and will be lower than in 2016, since the positive impact of 407 Extension I will no longer be felt.

As regards Autema, in 2015 and 2016 the Catalan Government published two Decrees (the one published in 2016 amended the one from 2015), introducing changes to the concession agreement for this highway. The company believes that there are robust grounds for arguing that in publishing these Decrees the authorities have overstepped their powers with regard to the modification of contacts, and the concession holder therefore appealed the Decree published in 2015 at the Catalan High Court. Following the submission of a complaint by the Concession holder in October 2016, and after a series of delays from the Authorities relating to the administrative process and the translations requested from the court, a reply to the complaint was received in March 2017 from the Catalan Government and Bagés Regional Council (which has appeared in the process as co-defendant). Following a request from Autema, the Court also agreed that the subject of the proceedings could be extended to the 2016 Decree, and a complaint against this Decree was formally filed on 20 July 2017.

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). Work also remains ongoing on the commercial and financial completion of the contract for the concession at Denver Airport, which is expected to be finalised during the last quarter of this year.

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). Negotiations on the terms and conditions for the country's exit are just beginning. While these terms and conditions and the framework for action are being decided, all current rules, procedures and regulations will remain in place, and there will be no immediate impact on airport operations, security or immigration. 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.

One of the main aims at Heathrow will centre on obtaining approval for the National Policy Statement on the construction of a third runway, which must be approved by the British government. At present, Heathrow is in 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 published by the CAA in June 2017, the British regulator raised the possibility of extending the current regulatory period until at least December 2020 (the CAA had already extended the current regulatory period by one year to December 2019. The decision regarding both the length of any new extension and the tariffs that will apply for this period will be made in 2018, once the National Policy Statement has been approved.

As regards its transmission line business, the Group holds 100% of Transchile, a company that was acquired last year, and efforts are currently under way to consolidate this acquisition and 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 the USA and Europe and in electricity transmission in Chile, Brazil and the USA, among other projects.

CONSTRUCTION

Ferrovial Agroman is primarily active in the international market, focusing its efforts on selected large countries where our expectations of success remain positive, despite significant levels of competition from both global construction companies and local businesses.

Following the presidential elections in the USA, increased investment in Transport is expected in North America, linked particularly with privately financed projects in which Cintra and Ferrovial Agroman are market leaders. This trend, coupled with approval of the Fast Act federal financing plan and the increased budgetary contributions made by the different states to their Transport Departments will provide continuity for recent awards such as the US-281 in Texas and other large-scale projects which have not yet been added to the order book but in which the company has been selected as a preferred bidder, such as the I-66 in Virginia, the SH-99 Grand Parkway, the NTE Extension 3C in Texas and Denver Airport (Great Hall) in Colorado. The efficient speed at which projects such as the NTE Extension in Texas, the HSR Package 4 in California, the I-285 in Georgia and the I-77 in North Carolina are being completed will lead to increased business volumes in comparison with 2016.

In Poland, despite delays in bidding for contracts associated with the 2014-20 European Financial Framework, which were resumed by the new government during the second half of 2016, the company expects to see a slight increase in turnover in 2017 thanks to the award of significant contracts such as the Olsztyn bypass, the Lagiewnicka highway in Krakow and the preliminary railroad design and construction projects, combined with the completion of projects in the industrial sector.

In Spain, despite the economic recovery seen in recent years, the number of contracts completed fell once again in 2017 due to the stagnation of public works projects, while the high levels of competition seen in previous years remained. The only positive development that one can point to is the growth in the private clients' Building market. Our order book was smaller in 2016 and the first half of 2017, in line with our focus on selective contracting and the prioritising of profitability over volume.

Our exposure in the United Kingdom amounted to 10% of the division's business as of June 2017, 6.5% of the order book. Despite the risks and uncertainties arising from Brexit negotiations (currency, prices, human resources, etc.), there was continued political willingness to undertake large projects under the infrastructure plan, as demonstrated by the award to Ferrovial Agroman of preliminary work on the Central Section of the HS2 rail line, which will link London and Birmingham. The completion of other large projects will continue in 2017, such as the extension of London Underground's Northern Line and the Thames Tideway Tunnel.

Finally, we have strengthened our position in Australia with a number of important awards, and we maintain an extensive pipeline of projects for which bids will be submitted in the short and medium term, supported by the government's Infrastructure Plan.

In all of the above places, as well as in other stable countries in which we maintain a presence, such as Chile, Colombia and Peru, we have an extensive pipeline of complex infrastructure projects on which we will be bidding in 2017, all of which are a match for our skills and which are increasingly weighted towards public-private contracts in which we can draw a competitive advantage from our collaboration with other divisions of the Ferrovial Group, particularly Cintra and Ferrovial Airports.

In conclusion, the main uncertainties in this business area during the second half of the year centre around the way the business will develop in Spain, the impact of Brexit negotiations, the high levels of competition in the sector, and the degree to which growth in international business volumes can be achieved, in terms of both operating results and cash flow. This will in turn depend on the success of the bids currently submitted for tender and the speed at which recently awarded contracts can be started up.

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 2016 financial year.

The following are the main financial and capital risks:

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

As regards variation in the exchange rate, it should be noted that the value of both the US dollar and the Canadian dollar fell during the first half of 2017, closing at USD1.1413/€ and CAD1.4826/€ on 30 June, a depreciation of 8.2% and 4.5% respectively as compared with December 2016. The pound has also fallen against the euro, though not significantly (2.7%). The negative impact of the increased value of the euro is already accounted for in the Company's Equity.

As regards exposure to exchange rate risk, it should be mentioned that the company has arranged hedging in the notional amount of USD817mn, CAD1,497mn and GBP425mn. This will cover an average rate of USD1.1250/€, CAD1.4335/€ and GBP0.8623/€. The company's strategy in this regard is to guarantee dividends for the next 2-3 years.

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	3,506	1,253	4,759	509
Infra project	559	282	841	179
Total Ferrovial	**4,065**	**1,534**	**5,600**	**688**

(*) 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 and EBIT. 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 has changed with regard to the previous year, due to the inclusion in its calculation of the effect of exchange rate derivatives related to cash positions.

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. Hence we do not provide a reconciliation of the order book with the financial statements.

- ✓ **Explanation of use**: Management believes the order book is a useful indicator with respect to the Company's future revenues.

- ✓ **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 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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 2017

Ferrovial, S.A. & Subsidiar-ies

Translation 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 16). In the event of a discrepancy, the Spanish-language version prevails.

A. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016

Assets (Millions of euros)	Notes	06/30/17	(*) 12/31/16
Non-current assets		**15.161**	**15.679**
Goodwill arising on consolidation	4	2.121	(*) 2.155
Intangible assets		484	(*) 544
Investments in infrastructure projects	4	6.970	7.145
Intangible asset model		5.961	6.168
Financial asset model		1.010	977
Investment property		6	6
Property, plant and equipment		715	731
Investments in associates	4	2.784	2.874
Non-current financial assets	8	715	735
Long-term loans to associates		333	374
Restricted cash relating to infrastructure projects and other financial assets	6	258	249
Other receivables		125	112
Deferred tax assets	4	1.041	(*) 1.057
Non-current derivative financial instruments at fair value	8	325	432
Current assets		**7.746**	**7.745**
Assets classified as held for sale	4	258	624
Inventories		594	516
Current trade and other receivables	4	2.888	2.822
Trade receivables for sales and services		1.325	1.256
Amounts to be billed for work performed		904	(*) 936
Other current receivables		660	629
Current income tax assets		155	186
Cash and cash equivalents	6	3.773	3.578
Infrastructure projects		301	277
Restricted cash		53	62
Other cash and cash equivalents		248	215
Excluding infrastructure projects		3.472	3.301
Current derivative financial instruments at fair value	8	77	18
TOTAL ASSETS		**22.906**	**23.423**

Equity and liabilities (Millions of euros)	Notes	06/30/17	(*) 12/31/16
Equity	5	**6,032**	**6,314**
Equity attributable to the shareholders		5,294	5,597
Equity attributable to non-controlling interests		738	717
Deferred income		**1,052**	**1,118**
Non-current liabilities		**10,450**	**10,421**
Pension plan deficit	4	141	174
Long-term provisions		747	757
Borrowings	6	8,052	7,874
Debt securities and bank borrowings of infrastructure projects		5,193	5,310
Debt securities and borrowings excluding infrastructure projects		2,859	2,564
Other payables		209	200
Deferred tax liabilities	4	912	(*) 979
Derivative financial instruments at fair value	8	388	436
Current liabilities		**5,372**	**5,570**
Liabilities classified as held for sale	4	188	440
Borrowings	6	319	302
Debt securities and bank borrowings of infrastructure projects		200	200
Bank borrowings excluding infrastructure projects		119	102
Derivative financial instruments at fair value	8	71	69
Current trade and other payables		3,860	3,895
Trade payables		2,346	2,299
Customer advances		427	424
Amounts billed in advance for construction work		511	(*) 567
Other current payables		577	605
Current income tax liabilities		168	150
Operating provisions		767	(*) 715
TOTAL EQUITY AND LIABILITIES		**22,906**	**23,423**

(*) Adjusted figures at 12/31/16 (see Notes 1.3 and 4.2).
The accompanying Notes 1 to 16 are an integral part of the interim condensed consolidated financial statements as at 30 June 2017.

Translation 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 16). In the event of a discrepancy, the Spanish-language version prevails.

B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 2016.

		2017			2016		
(Millions of euros)	Notes	Before fair value adjust-ments	(*) Fair value adjustments	Total 2017	Before fair value adjust-ments	(*) Fair value adjustments	Total 2016
Revenue	3	6,059	0	6,059	4,697	0	4,697
Other operating income		3	0	3	2	0	2
Total operating income		**6,062**	**0**	**6,062**	**4,699**	**0**	**4,699**
Materials consumed		645	0	645	505	0	505
Other operating expenses		2,595	0	2,595	2,223	0	2,223
Staff costs	11	2,353	0	2,353	1,551	0	1,551
Total operating expenses		**5,593**	**0**	**5,593**	**4,279**	**0**	**4,279**
Gross profit from operations		**469**	**0**	**469**	**421**	**0**	**421**
Depreciation and amortisation charge		194	0	194	131	0	131
Profit from operations before impairment and disposals of non-current assets		**275**	**0**	**275**	**290**	**0**	**290**
Impairment and disposals of non-current assets	9	25	5	30	262	6	268
Profit from operations		**300**	**5**	**305**	**552**	**6**	**557**
Financial result on financing		-132	0	-132	-170	0	-170
Result on derivatives and other financial results		-3	0	-3	-4	-9	-13
Financial result of infrastructure projects		**-135**	**0**	**-135**	**-174**	**-9**	**-183**
Financial result on financing		-20	0	-20	-17	0	-17
Result on derivatives and other financial results		-31	40	8	3	-11	-8
Financial result excluding infrastructure projects		**-52**	**40**	**-12**	**-14**	**-11**	**-24**
Financial result	9	**-187**	**40**	**-147**	**-187**	**-20**	**-207**
Share of profits of companies accounted for using the equity method	4	87	32	119	65	-60	5
Consolidated profit before tax		**200**	**77**	**277**	**429**	**-74**	**356**
Income tax	9	-16	-2	-18	-175	4	-171
Consolidated profit from continuing operations		**184**	**75**	**259**	**254**	**-70**	**184**
Net profit from discontinued operations		0	0	0	0	0	0
Consolidated profit for the period		**184**	**75**	**259**	**254**	**-70**	**184**
Profit or loss for the period attributable to non-controlling interests		-19	0	-19	4	1	5
Profit for the period attributable to the Parent		**165**	**75**	**240**	**258**	**-68**	**189**
Net earnings per share attributable to the Parent (Basic / Diluted)				0.33/0.33		0.26 / 0.26	

(*) Relating to gains and losses arising from changes in the fair value of derivatives, other financial assets and liabilities and asset impairment (see Note 8)
The accompanying Notes 1 to 16 are an integral part of the interim condensed consolidated financial statements as at 30 June 2017.

Translation 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 16). In the event of a discrepancy, the Spanish-language version prevails.

C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 2016

Millions of euros	06/30/17	06/30/16
a) Consolidated profit for the year	**259**	**184**
Attributable to the Parent	240	189
Attributable to non-controlling interests	19	-5
b) Other income and expense recognised directly in equity	**-194**	**-383**
Fully consolidated companies	**-94**	**-132**
Impact on reserves of hedging instruments	53	-6
Impact on reserves of defined benefit plans (*)	20	16
Translation differences	-148	-182
Tax effect	-18	41
Companies accounted for using the equity method	**-100**	**-108**
Impact on reserves of hedging instruments	32	-57
Impact on reserves of defined benefit plans (*)	-26	-12
Translation differences	-104	-48
Tax effect	-2	8
Companies classified as held for sale	**0**	**-143**
Impact on reserves of hedging instruments	0	-154
Impact on reserves of defined benefit plans (*)	0	0
Translation differences	0	10
Tax effect	0	1
c) Transfers to profit or loss	**8**	**124**
Fully consolidated companies	0	0
Companies accounted for using the equity method/Classified as held for sale	8	124
b+c) Total income and expense recognised directly in equity	*-185*	*-259*
a+b+c) TOTAL COMPREHENSIVE INCOME	**74**	**-75**
Attributable to the Parent	**89**	**-4**
Attributable to non-controlling interests	-15	-71

(*) The impact on reserves of defined benefit plans is the only item of income and expense recognised directly in equity that cannot be reclassified subsequently to profit or loss (see Note 5).
The accompanying Notes 1 to 16 are an integral part of the interim condensed consolidated financial statements as at 30 June 2017.

Translation 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 16). In the event of a discrepancy, the Spanish-language version prevails.

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 2016

Millions of euros	Share capital	Share premium	Merger premium	Treasury shares	Valuation adjustments	Retained earnings and other reserves	Attributable to the shareholders	Attributable to non-controlling interests	Total equity
Balance at 12/31/16	**147**	**1,202**	**650**	**-41**	**-1,092**	**4,731**	**5,597**	**717**	**6,314**
Transition to IFRS 15						-259	-259	0	-259
Balance at 01/01/17	147	1,202	650	-41	-1,092	4,472	**5,338**	717	**6,055**
Consolidated profit for the period						240	**240**	19	**259**
Income and expense recognised directly in equity					-151		-151	-34	**-185**
Total comprehensive income	**0**	**0**	**0**	**0**	**-151**	**240**	**89**	**-15**	**74**
Scrip dividend	1					-97	-96	**0**	**-96**
Other dividends							0	-45	**-45**
Treasury share transactions			-35	-35		35	-35	0	**-35**
Remuneration of shareholders	**0**	**0**	**-35**	**-35**	**0**	**-62**	**-131**	**-45**	**-176**
Capital increases/reductions						0	0	18	**18**
Share-based payment						-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 06/30/17	**148**	**1,202**	**615**	**-76**	**-1,243**	**4,649**	**5,294**	**738**	**6,032**

Millions of euros	Share capital	Share premium	Merger premium	Treasury shares	Valuation adjustments	Retained earnings and other reserves	Attributable to the shareholders	Attributable to non-controlling interests	Total equity
Balance at 12/31/15	**146**	**1,202**	**963**	**-16**	**-805**	**4,567**	**6,058**	**483**	**6,541**
Consolidated profit for the period						189	**189**	-5	**184**
Income and expense recognised in equity					-193		-193	-66	**-259**
Total comprehensive income	**0**	**0**	**0**	**0**	**-193**	**189**	**-4**	**-71**	**-75**
Scrip dividend	1					-95	-94		**-94**
Other dividends							0	-24	**-24**
Treasury share transactions			-86	-87		86	-87		**-87**
Remuneration of shareholders	**1**	**0**	**-86**	**-87**	**0**	**-9**	**-180**	**-24**	**-204**
Capital increases/reductions						0	0	24	**24**
Share-based payment						-25	-25	0	**-25**
Other changes						-3	-3	226	**223**
Other transactions	**0**	**0**	**0**	**0**	**0**	**-29**	**-29**	**250**	**222**
Balance at 06/30/16	**148**	**1,202**	**876**	**-103**	**-998**	**4,716**	**5,845**	**639**	**6,484**

The accompanying Notes 1 to 16 are an integral part of the interim condensed consolidated financial statements as at 30 June 2017.

Translation 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 16). 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 2017 AND 2016

	Notes	2017	2016
Net profit attributable to the Parent		240	189
Adjustments for:		228	231
Non-controlling interests		19	-5
Tax		18	171
Result of companies accounted for using the equity method		-119	-5
Financial result		147	207
Impairment and gains or losses on disposals of non-current assets		-30	-268
Depreciation and amortisation charge		194	131
Gross profit from operations (EBITDA)		**469**	**421**
Income taxes paid		-16	-48
Change in working capital (receivables, payables and other)	4.6/7	-540	-474
Dividends received from infrastructure projects	4.5	257	210
Cash flows from operating activities		**171**	**108**
Investments in property, plant and equipment and intangible assets		-49	-96
Investments in infrastructure projects	4.4	-164	-190
Loans granted to associates/acquisition of companies		-54	-553
Investment of long-term restricted cash		-9	-34
Divestment of infrastructure projects		0	0
Divestment/Sale of companies	1	167	318
Cash flows from investing activities		**-109**	**-555**
Cash flows before financing activities		**61**	**-447**
Capital proceeds from non-controlling interests		20	27
Scrip dividend		-93	-89
Acquisition of treasury shares		-35	-86
Remuneration of shareholders	5	-129	-175
Dividends paid to non-controlling shareholders of investees		-46	-24
Other changes in shareholders' equity		5	0
Cash flows from shareholders and non-controlling interests		-150	-172
Interest paid		-163	-215
Interest received		15	4
Increase in borrowings		907	559
Decrease in borrowings		-398	-108
Cash flows from financing activities		**211**	**67**
Effect of foreign exchange rate changes on cash and cash equivalents		**-46**	**-41**
Change in cash and cash equivalents due to changes in the scope of consolidation		**-32**	**-22**
Change in cash and cash equivalents	**6**	**195**	**-443**
Cash and cash equivalents at beginning of period		3,578	3,279
Cash and cash equivalents at end of period		3,773	2,836

The accompanying Notes 1 to 16 are an integral part of the interim condensed consolidated financial statements as at 30 June 2017.

Translation 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 16). In the event of a discrepancy, the Spanish-language version prevails.

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

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

1.1 Company activities

The consolidated Ferrovial Group ("the Group" or "Ferrovial") comprises the Parent, 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 31 December 2016 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 performance of 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 2016.

From the 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 present separately the impact of projects of this nature on both non-financial non-current 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% ownership interest in Heathrow Airport Holdings (HAH), the company that owns Heathrow Airport in London, and its 43.23% ownership interest in ETR 407, the concession operator of the ETR 407 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 in 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.

Toll roads: sale of the Portuguese Norte-Litoral toll roads.

In the first half of 2017 one of the agreements was concluded for the sale of the Portuguese Norte-Litoral toll roads, whereby Ferrovial reduced its ownership interest to 49%. Following the review of the shareholders agreement entered into and the conclusion that a loss of control has arisen, this ownership interest has been accounted for using the equity method since the date of sale (21 April). The sale price of the transaction amounted to EUR 104 million and the transaction gave rise to a net gain of EUR 56 million (see Note 9).

Services: Acquisition of Trans-Formers Group.

On 1 June 2017, the Services Division, through the subsidiary FBSerwis, completed the purchase of all the shares of the Polish company, which engages in waste collection and treatment. The value of the transaction amounted to PLN 133 million (approximately EUR 32 million). The agreement encompasses the acquisition of the following companies: Trans-Formers Group, Trans-Formers Wroclaw and Trans-Formers Karpatia. The estimated annual revenue for 2017 amounts to PLN 112 million (around EUR 26 million). At 30 June 2017, one month of the company's results were included in the financial statements of the Ferrovial Group.

Construction: sale of 3.9% of Budimex.

On 31 March 2017, 1 million shares of Budimex (3.9% of the company's share capital) were sold, with no impact on the consolidated statement of profit or loss because a controlling interest is still held in the company (55.1%). The proceeds from the transaction total EUR 59 million (PLN 252 million). The difference between the price of the transaction and the carrying amount of the ownership interest sold (EUR 48 million) was recognised as reserves attributable to non-controlling interests.

1.3 Adjustment of the comparable consolidated statement of financial position as at 31 December 2016.

As discussed in Note 4.2, the consolidated statement of financial position as at 31 December 2016 has been adjusted in order to reflect, as part of the allocation of the purchase price of Broadspectrum, the impact of the new information obtained about facts and circumstances that existed at the acquisition date relating to the duration of the existing contracts and the probability of renewal. The accompanying table details the effect that these changes have had on the affected line items in the consolidated statement of financial position. This adjustment was made within twelve months from the acquisition date, as required by IFRS 3.62.

Millions of euros	2016	Adj. PPA	Restatement 2016
Goodwill	2,170	-15	2,155
Intangible assets	503	41	544
Deferred taxes	1,051	6	1,057
Amounts to be billed for work performed	942	-6	936
ASSETS	**4,666**	**26**	**4,692**

Millions of euros	2016	Adj. PPA	Restatement 2016
Deferred taxes	967	12	979
Amounts billed in advance for construction work	565	2	567
Short term provisions	702	13	715
LIABILITIES	**2,235**	**26**	**2,261**

The other financial statements were not adjusted as the impact was not material.

2. Summary of the main accounting policies.

2.1 Basis of presentation.

The accompanying interim condensed consolidated financial statements of Ferrovial, S.A. for the six-month period ended 30 June 2017 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 2016. Consequently, for a proper comprehension 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 2016, which were prepared in accordance with the International Financial Reporting Standards (IFRSs) in force.

2.2 New standards and amendments applied in the six-month period ended 30 June 2017. First-time application of IFRS 15, Revenue from Contracts with Customers

Although the new standard is not mandatorily applicable until 1 January 2018, as stated in the consolidated financial statements for 2016, Ferrovial decided, making use of the option included in IFRS 15, to early apply the standard effective 1 January 2017. As a result of this decision, Ferrovial has changed its accounting policies and updated its internal processes and controls relating to revenue recognition.

IFRS 15 was applied retrospectively, recognising the cumulative effect of initially applying this standard as an adjustment to the opening balances for 2017 of the consolidated statement of financial position. Therefore, the comparative information for 2016 was not restated and continues to be presented in accordance with IAS 11 and IAS 18.

The impact, by line item, on the consolidated statement of financial position as at 1 January 2017 was as follows:

Assets (Millions of euros)	Balance at 01/01/17	Transition to IFRS 15	Balance at 01/01/17 per IFRS 15
Non-current assets	**15,679**	**25**	**15,703**
Goodwill arising on consolidation	2,155	0	**2,155**
Intangible assets	544	0	**544**
Investments in infrastructure projects	7,145	0	**7,145**
Investment property	6	0	**6**
Property, plant and equipment	731	0	**731**
Investments in associates	2,874	-8	**2,867**
Non-current financial assets	735	0	**735**
Deferred tax assets	1,057	32	**1,089**
Non-current derivative financial instruments at fair value	432	0	**432**
Current assets	**7,745**	**-239**	**7,506**
Assets classified as held for sale	624	0	**624**
Inventories	516	0	**516**
Current income tax assets	186	0	**186**
Current trade and other receivables	2,822	-239	**2,583**
Cash and cash equivalents	3,578	0	**3,578**
Current derivative financial instruments at fair value	18	0	**18**
TOTAL ASSETS	**23,423**	**-214**	**23,209**

Equity and liabilities (Millions of euros)	Balance at 01/01/17	Transition to IFRS 15	Balance at 01/01/17 per IFRS 15
Equity	**6,314**	**-259**	**6,055**
Equity attributable to the shareholders	**5,597**	**-259**	**5,337**
Equity attributable to non-controlling interests	717	0	**717**
Deferred income	1,118	0	**1,118**
Non-current liabilities	**10,421**	**-2**	**10,419**
Pension plan deficit	174	0	**174**
Long-term provisions	757	0	**757**
Borrowings	7,874	0	**7,874**
Other payables	200	0	**200**
Deferred tax liabilities	979	-2	**977**
Derivative financial instruments at fair value	436	0	**436**
Current liabilities	**5,570**	**47**	**5,618**
Liabilities classified as held for sale	440	0	**440**
Borrowings	302	0	**302**
Derivative financial instruments at fair value	69	0	**69**
Current income tax liabilities	150	0	**150**
Current trade and other payables	3,895	-42	**3,853**
Operating provisions	715	90	**804**
TOTAL EQUITY AND LIABILITIES	**23,423**	**-214**	**23,209**

The main impact of the application of this new standard was to reduce the equity attributable to shareholders by EUR -259 million, the main balancing entries being a reduction of EUR -239 million in the balance of trade and other receivables, basically amounts to be billed for work performed, an increase of EUR 90 million in operating provisions, a reduction of EUR -42 million in accounts payable (specifically in amounts billed in advance) and the tax effect of these adjustments, which was recognised for EUR 34 million in deferred taxes.

The main changes in accounting policies giving rise to these impacts relate mainly to the following three issues:

(i) Definition of distinct performance obligations in long-term services contracts and allocation of a price to each obligation.
These are mainly long-term contracts (more than ten years) in the Services Division in which Ferrovial carries out various different activities throughout the life of the infrastructure (Capex, Opex and Lifecycle). Under the previous standards, these contracts were regarded as having a single performance obligation, the outcome of which was recognised by reference to the overall revenue from the contract. Under the new standard, unlike the above-mentioned criterion, several performance obligations are recognised (IFRS 15.27), to which the prices established in the contract, provided they are deemed to be market prices, are allocated (IFRS 15.73-80). The effect of this new criterion is to delay the recognition of revenue, insofar as the expected margin on the performance obligations already satisfied will be lower than that forecast for the contract as a whole. The negative impact of this adjustment on equity attributable to the shareholders amounted to EUR -80 million.

(ii) Change in the method of recognising revenue from contract modifications and transactions subject to variable consideration. In the case of revenue arising from contract modifications, IFRS 15 requires customer **approval** (IFRS 15.18), a stricter criterion than the **probability** requirement in the current standards (IAS 11.13 and IAS 18.18).

In the case of transactions subject to variable consideration, the new standard establishes that revenue from the transaction is recognised to the extent that **it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur** when the uncertainty associated with the variable consideration is subsequently resolved (IFRS 15.56-58). The transactions subject to variable consideration include most notably revenue from claims submitted to customers and contractual incentive payments, which were recognised using a **probability** criterion under the previous standard (IAS 11.14 and 15).

This change gave rise to a delay in revenue recognition as the new standard establishes stricter criteria. It also entailed updating the criteria relating to which revenue, coming from change orders and transactions subject to variable considerations, can be deemed to be revenue from a contract, for the purpose of establishing the benefits that might derive therefrom, in order to determine whether a contract should be classified as onerous and whether it is necessary to recognise a provision for future losses pursuant to IAS 37.

The negative impact on equity attributable to the shareholders in this connection amounted to EUR -155 million.

(iii) Establishment of a consistent revenue recognition method for contracts with similar characteristics. The new standard requires a consistent revenue recognition method to be used for contracts and performance obligations with similar characteristics (IFRS 15.40). The Group has chosen the output method for measuring the value of goods or services for which control is transferred to the customer over time, provided that the progress of the work performed can be measured on the basis and over the course of the contract (IFRS 15.B17). In contracts to provide different highly interrelated goods or services in order to produce a combined output, which occurs habitually in contracts with a construction component, the applicable output method is that of measurement of units produced ("surveys of performance completed to date" output method). Also, in routine service contracts in which the goods or services are substantially the same and are transferred with the same pattern of consumption, in such a way that the customer receives and consumes the benefits of the goods or services as the entity provides them, the method selected by the Group to recognise revenue is the time elapsed (output method), whereas costs are recognised on an accrual basis. On the basis of the foregoing, the input method (based on resources consumed) will only be used when the progress of the work cannot be measured reliably by an output method. The use of this rule will give rise to a change of recognition method for certain contracts, and the negative impact on equity attributable to the shareholders will be EUR -24 million.

New standards and amendments not applied in the six-month period ended 30 June 2017 that will be applicable in future years.

The main standards that might have an effect on Ferrovial's financial statements in future years are IFRS 9, Financial Instruments (obligatory in 2018) and IFRS 16, Leases (obligatory in 2019). The Company continues to analyse the impact that the two standards might have, although there have been no significant changes with respect to the disclosures in the financial statements for 2016. In any event, the impact will be less significant than that caused by IFRS 15.

2.3 Accounting estimates and judgements.

In the interim condensed consolidated financial statements as at 30 June 2017 estimates were made to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- Judgements to define the methods of accounting for investees.
- The assessment of possible legal contingencies (see Note 10, Contingent assets and liabilities, obligations and investment commitments).
- The estimates taken into consideration when recognising revenue from customers pursuant to the new IFRS 15 in construction and services activities, which include, inter alia:
    - Criteria established for determining claimability from the customer: approval, compliance with contractual conditions or effective transfer of goods or services.
    - The identification of performance obligations in each contract and the determination of the transaction price when the transaction price is not disclosed in the contract (if there is more than one performance obligation) or it is not directly observable.
    - Determining prices when the consideration includes a variable amount; only revenue that it is highly probable will not reverse in the future is recognised.
    - Measurement of revenue both in cases when the "output method" or the "input method" is applied, in construction and services contracts.
- The estimates required to calculate provisions in the performance of construction and services contracts, the most noteworthy of which are provisions relating to estimated losses at the end of the contract (onerous contracts) or estimated expenses at the end of the contract.

The judgements and estimates described in the two preceding segments are made by the persons in charge of performing the construction work or services contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

- Estimates regarding the valuation of derivatives and the expected flows associated with them in order to determine the existence of hedging relationships (see Note 8, Non-current financial assets and derivative financial instruments at fair value).
- The assessment of possible impairment losses on certain assets (see Note 4.2, Goodwill and acquisitions, and Note 4.5, Investments in associates).
- Business performance projections affecting the estimate of tax assets and their possible recoverability (see Note 4.10, Deferred taxes).
- Estimates regarding the tax rate expected to be applicable to the total annual earnings with a view to calculating the income tax expense for the first six months of the year.
- Estimates taking into account the future vehicle numbers on toll roads for the purpose of preparing financial information for toll roads pursuant to IFRIC 12 (see Note 4.4, Investments in infrastructure projects).
- The assumptions used in the actuarial calculation of pension and other obligations to employees (see Note 4.9, Pension plan deficit).
- The measurement of share options and share-based payment schemes.
- The measurement of the fair value of assets and liabilities in new business acquisition transactions and the consequent calculation of goodwill.

Although these estimates were made using the best information available at 30 June 2017 on the events analysed, events that 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.

2.4 Basis of consolidation.

The consolidation bases applied at 30 June 2017 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2016.

3. Reporting by segment and geographical area.

The Board of Directors analyses the performance of the Group mainly from a business perspective. From this perspective, the Board assesses the performance of the Construction, Toll roads, Airports and Services segments. These segments are the same as those used in the consolidated financial statements for 2016. The "Other" column in the accompanying statement of profit or loss by segment includes the income and/or expenses of the companies not assigned to any of the business segments, including most notably the Group's Parent, Ferrovial, S.A., and its smaller subsidiaries, the current Polish real estate business, and inter-segment consolidation adjustments.

The detail, by segment, of revenue in the periods ended 30 June 2017 and 30 June 2016 is as follows:

	06/30/17			06/30/16			
(Millions of euros)	External sales	Inter-segment sales	Total	External sales	Inter-segment sales	Total	Change 17/16
Construction	1,920	249	2,169	1,596	266	1,862	16%
Toll roads	217	3	221	235	0	236	-6%
Airports	4	0	4	3	0	3	47%
Services	3,649	5	3,654	2,604	5	2,609	40%
Other and adjustments	58	-47	11	31	-43	-12	191%
TOTAL	**5,849**	**210**	**6,059**	**4,469**	**228**	**4,697**	**29%**

The inter-segment sales that are 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.

Following are the segment statements of profit or loss for the six-month periods ended 30 June 2017 and 30 June 2016:

Consolidated statement of profit or loss for the six-month period ended 31 June 2017.

(Millions of euros)	Construction	Toll roads	Airports	Services	Other	Total
Revenue	2,169	221	4	3,654	11	6,059
Other operating income	0	0	0	2	0	3
Total operating income	**2,169**	**221**	**4**	**3,657**	**11**	**6,062**
Materials consumed	358	1	0	282	5	645
Other operating expenses	1,311	36	8	1,273	-33	2,595
Staff costs	398	29	3	1,890	34	2,353
Total operating expenses	**2,066**	**65**	**11**	**3,444**	**6**	**5,593**
Gross profit from operations	**103**	**156**	**-7**	**212**	**5**	**469**
Depreciation and amortisation charge	16	35	1	141	2	194
Profit from operations before impairment and disposals of non-current assets	**87**	**121**	**-8**	**72**	**3**	**275**
Impairment and disposals of non-current assets	0	30	0	0	0	30
Profit from operations	**87**	**151**	**-8**	**72**	**3**	**305**
Financial result on financing	-4	-114	-2	-13	0	-132
Result on derivatives and other financial results	0	-2	0	-1	1	-3
Financial result of infrastructure projects	**-4**	**-115**	**-2**	**-14**	**1**	**-135**
Financial result on financing	11	12	0	-27	-17	-20
Result on derivatives and other financial results	-12	19	8	-18	12	8
Financial result excluding infrastructure projects	**0**	**31**	**8**	**-45**	**-5**	**-12**
Financial result	**-5**	**-85**	**6**	**-59**	**-4**	**-147**
Share of profits of companies accounted for using the equity method	-1	64	43	13	0	119
Consolidated profit before tax	**82**	**130**	**41**	**26**	**-1**	**277**
Income tax	-28	4	1	3	2	-18
Consolidated profit or loss from continuing operations	**54**	**133**	**42**	**29**	**1**	**259**
Net profit from discontinued operations	0	0	0	0	0	0
Consolidated profit or loss for the period	**54**	**133**	**42**	**29**	**1**	**259**
Profit or loss for the period attributable to non-controlling interests	-18	2	0	-1	-2	-19
Profit or loss for the period attributable to the Parent	**36**	**135**	**42**	**29**	**-1**	**240**

Consolidated statement of profit or loss for the six-month period ended 30 June 2016

(Millions of euros)	Construction	Toll roads	Airports	Services	Other	Total
Revenue	1,862	236	3	2,609	-12	4,697
Other operating income	0	0	0	2	0	2
Total operating income	**1,862**	**236**	**3**	**2,611**	**-12**	**4,699**
Materials consumed	311	1	0	205	-13	505
Other operating expenses	1,056	57	8	1,135	-33	2,223
Staff costs	357	31	3	1,128	32	1,551
Total operating expenses	**1,724**	**90**	**10**	**2,468**	**-14**	**4,279**
Gross profit from operations	**139**	**145**	**-8**	**142**	**2**	**421**
Depreciation and amortisation charge	14	36	0	79	2	131
Profit from operations before impairment and disposals of non-current assets	**125**	**109**	**-8**	**63**	**0**	**290**
Impairment and disposals of non-current assets	0	268	0	0	0	268
Profit from operations	**125**	**377**	**-8**	**63**	**0**	**557**
Financial result on financing	-4	-148	0	-17	0	-170
Result on derivatives and other financial results	0	-12	0	-1	0	-13
Financial result of infrastructure projects	**-5**	**-160**	**0**	**-18**	**0**	**-183**
Financial result on financing	14	10	2	-24	-18	-17
Result on derivatives and other financial results	-2	0	10	-1	-15	-8
Financial result excluding infrastructure projects	**12**	**10**	**11**	**-25**	**-33**	**-24**
Financial result	**7**	**-150**	**11**	**-43**	**-32**	**-207**
Share of profits of companies accounted for using the equity method	0	47	-55	14	0	5
Consolidated profit or loss before tax	**132**	**274**	**-52**	**34**	**-33**	**356**
Income tax	-39	-137	0	-5	10	-171
Consolidated profit from continuing operations	**93**	**136**	**-51**	**30**	**-23**	**184**
Net profit from discontinued operations	0	0	0	0	0	0
Consolidated profit or loss for the period	**93**	**136**	**-51**	**30**	**-23**	**184**
Profit or loss for the period attributable to non-controlling interests	-16	23	0	0	-2	5
Profit or loss for the period attributable to the Parent	**77**	**159**	**-51**	**29**	**-25**	**189**

Geographical areas

The detail of "Revenue" by geographical area is as follows:

(Millions of euros)	2017	2016	Change 17/16
Spain	1,381	1,248	11%
UK	1,545	1,643	-6%
Australia	1,278	310	312%
US	771	565	36%
Canada	51	48	6%
Poland	663	574	16%
Other	369	308	20%
TOTAL	**6,059**	**4,697**	**29%**

4. Main changes in the consolidated statement of financial position.

4.1 Exchange rate effect.

In the first half of 2017 there was a depreciation in the exchange rates of the main currencies in which the Group operates, except for the Polish zloty, which appreciated.

Worthy of mention was the decline in value of the US dollar, Chilean peso and Canadian dollar with respect to the euro (8.21%, 7.36% and 4.52%, respectively, in the case of the closing exchange rate).

	Closing exchange rate				Average exchange rate		
	June 2017	Dec. 2016	Change 17/16 (*)		June 2017	Dec. 2016	Change 17/16 (*)
Pound sterling	0.8774	0.8545	2.68%	Pound sterling	0.8593	0.7865	9.26%
US dollar	1.1413	1.0547	8.21%	US dollar	1.0940	1.1125	-1.66%
Canadian dollar	1.4826	1.4185	4.52%	Canadian dollar	1.4545	1.4671	-0.86%
Australian dollar	1.4865	1.4615	1.71%	Australian dollar	1.4433	1.5113	-4.50%
Polish zloty	4.2279	4.4046	-4.01%	Polish zloty	4.25023	4.3566	-2.44%
Chilean peso	757.64	705.71	7.36%	Chilean peso	722.20167	757.82	-4.70%

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

These changes had a negative impact of EUR 251 million on total equity, due mainly to the effect of the depreciation of the aforementioned three currencies: Canadian dollar (EUR -90 million), US dollar (EUR -91 million) and Australian dollar (EUR -24 million). This impact is presented net of the effect of the hedges that Ferrovial has arranged to hedge the foreign currency risk. As discussed in the consolidated financial statements for 2016, 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 Arising on Consolidation" in the six-month period ended 30 June 2017 were as follows:

Millions of euros	Balances at 12/31/16	Adjusted figures BRS	Adjusted figures 12/31/2016	Update of 2016 transactions	changes in the scope of consoli-dation	Exchange rate	Balances at 06/30/17
Services	**1,746**	**-15**	**1,731**	**0**	**6**	**-32**	**1,705**
Amey	877	0	877	0	0	-23	854
Broadspectrum	397	-15	382	0	0	-7	375
Services Spain	436	0	436	0	0	0	436
Other	36	0	36	0	6	-2	40
Construction	**210**	**0**	**210**	**2**	**0**	**-8**	204
Webber	132	0	132	0	0	-10	122
Pepper Lawson	11	0	11	2	0	-1	12
Budimex	67	0	67	0	0	3	70
Toll Roads	**169**	**0**	**169**	**0**	**0**	**0**	**169**
Ausol	70	0	70	0	0	0	70
Autema	99	0	99	0	0	0	99
Airports	**45**	**0**	**45**	**1**	**0**	**-3**	**43**
Transchile	45	0	45	1	0	-3	43
TOTAL	**2,170**	**-15**	**2,155**	**3**	**6**	**-43**	**2,121**

As described in Note 2.3, Accounting estimates and judgements, the assets and liabilities of these companies acquired were measured using the best information available at the date of preparation of the financial statements. The obtainment of additional information that is currently not available or more detailed information on the aforementioned assets and liabilities could give rise to the need to subsequently change (upwards or downwards) the value of the assets and liabilities recognised in these interim condensed consolidated financial statements, although the period for making such changes may not exceed twelve months from the acquisition date, as provided for in IFRS 3.

In this connection, it must be stated that in 2017, and by the aforementioned deadline, additional information was obtained relating to the financial statements of Broadspectrum and Pepper Lawson at the date of their inclusion in the scope of consolidation of the Group that was not available at the date of preparation of the consolidated financial statements for 2016. Further information on the adjustments made is disclosed in *c) Definitive accounting for the acquisitions of Broadspectrum and Pepper Lawson*. It must be stated that in the case of Broadspectrum the comparative information for 2016 was adjusted, while in the case of Pepper Lawson, in view of the scant materiality of the amounts, the changes were recognised as changes in 2017.

In relation to the changes caused by exchange rate fluctuations, the appreciation of the euro against the US dollar, the Chilean peso, the pound sterling and the Australian dollar gave rise to a negative impact on goodwill of EUR 43 million.

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.

c) Definitive accounting for the acquisitions of Broadspectrum and Pepper Lawson:

In 2017 additional information was obtained relating to the financial statements of Broadspectrum and Pepper Lawson at the date of their inclusion in the scope of consolidation of the Group that was not available at the date of preparation of the consolidated financial statements for 2016. This additional information gave rise to the modification (EUR -15 million and EUR +2 million, respectively) of the goodwill arising on these acquisitions. Pursuant to IFRS 3.45, the changes were made within the measurement period of one year from the acquisition date, which ended in May 2017 in the case of Broadspectrum and in April 2017 in the case of Pepper Lawson.

c. 1) Broadspectrum

Changes introduced related to Broadspectrum purchase price allocation are as follows:

	Millions of AUD			*Millions of EUR (*)*		
	2016 PPA	*Adjustment*	*Final PPA*	*2016 PPA*	*Adjustment*	*Final PPA*
Acquisition-date equity	**583**	**0**	**583**	**399**	**0**	**399**
Fair value adjustments	**-394**	**22**	**-372**	**-270**	**15**	**-255**
Fair value of the debt	*-61*	*0*	*-61*	*-42*	*0*	*-42*
Provisions	*-18*	*-29*	*-48*	*-12*	*-20*	*-33*
Elimination of intangible asset	*-541*	*0*	*-541*	*-370*	*0*	*-370*
Allocation of intangible asset	*309*	*60*	*369*	*211*	*41*	*252*
Tax impact of PPA	*-59*	*-8*	*-67*	*-40*	*-6*	*-46*
Other adjustments	*-24*	*0*	*-24*	*-17*	*0*	*-17*
Equity following adjustments	**189**	**22**	**211**	**129**	**15**	**144**
Ferrovial investment	**769**	**0**	**769**	**526**	**0**	**526**
Goodwill	**580**	**-22**	**558**	**397**	**-15**	**382**

(*) Exchange rate at 2016 year-end

Accordingly, in 2017 the measurement of the value of the intangible assets corresponding to the contracts entered into with Broadspectrum's customers and the contractual relationship with them was recalculated. The new value of the contracts and the contractual relationships was calculated based on a more precise estimate of the cash flows that will be generated by the contracts based on their expected duration and a forecast of the future cash flows in the event of renewal adjusted on the basis of the estimated probability of the renewal taking place. Following this analysis, the measurement of the intangible assets was increased by AUD 60 million (EUR 41 million). Similarly provisions relating to the performance of certain contracts were adjusted, giving rise to an increase in the liabilities recognised of AUD 29 million (EUR 20 million). These liabilities have an offsetting balances in provisions (EUR 13 million), amounts billed in advance for construction work (EUR 2 million) and amounts to be billed for work performed (EUR -6 million), as described in Note 1.3. The overall impact of the two effects, net of the related tax effect, was to reduce goodwill by AUD 22 million (EUR 15 million).

c. 2) Pepper Lawson

As with the case described above, in 2017 additional information was obtained that was not available at the date of preparation of the consolidated financial statements for 2016, which gave rise to an increase in the provisions associated with certain contracts, due to events already existing at the date of acquisition of the company, amounting to EUR -2 million (net of the related taxes) and the consequent increase in the goodwill recognised. Since the impacts were not material, in this case the comparable information for 2016 was not adjusted and the changes are shown in the "Update of 2016 Transactions" column in the table in Note 4-a) above.

(Millions of euros) (*)	Jun 17	Dec. 16	Chg.
Acquisition-date equity	6	6	0
Fair value adjustments	-7	-5	-2
Equity following adjustments	-1	1	-2
Ferrovial investment	11	11	0
Goodwill	**12**	**10**	**2**

(*) Acquisition-date exchange rate

d) Acquisition of Trans-Formers Group:

On 1 June 2017, the acquisition of all the shares of the Polish waste collection and treatment company Trans-Formers Group for EUR 32 million was completed (see Note 1, Company activities, changes in the scope of consolidation and adjustment). In an initial analysis, an intangible asset related to the customer portfolio was identified and recognised for EUR 19 million, together with deferred taxes of EUR 4 million; which consequently gave rise to goodwill on consolidation of EUR 6 million. However, in accordance with IFRS 3, the Group has one year from the acquisition date to review the purchase price allocation process.

The provisional allocation of the purchase price of this acquisition can be consulted in the following table:

(Millions of euros)	EUR
Acquisition-date equity	11
Fair value adjustments	15
Equity following adjustments	26
Ferrovial investment	32
Goodwill	**6**

4.4 Investments in infrastructure projects.

The detail of "Investments in Infrastructure Projects" at 30 June 2017 and 31 December 2016 is as follows:

Millions of euros	Balances at 12/31/16	Total additions	Total disposals	Changes in the scope of consolidation and transfers	Exchange rate effect	Balances at 06/30/17
Spanish toll roads	793	0	0	0	0	793
US toll roads	5,025	232	0	0	-403	4,855
Other toll roads	384	0	0	0	0	384
Investment in toll roads	**6,202**	**232**	**0**	**0**	**-403**	**6,032**
Accumulated amortisation	-300	-31	0	0	5	-325
Impairment losses	-26	0	0	0	0	-26
Net investment in toll roads	**5,877**	**202**	**0**	**0**	**-398**	**5,681**
Investment in other infrastructure projects	486	1	0	0	0	488
Amortisation - Other infrastructure projects	-195	-13	0	0	0	-209
Total net investment - Other infrastructure projects	291	**-12**	**0**	**0**	**0**	**279**
Total investment	**6,689**	234	**0**	**0**	**-403**	**6,520**
Total amortisation and impairment losses	**-521**	**-44**	**0**	**0**	**6**	**-559**
Total net investment - Assets accounted for using the intangible asset model	**6,168**	**190**	**0**	**0**	**-397**	**5,961**
Total assets accounted for using the financial asset model	**977**	**163**	**-87**	**-40**	**-3**	**1,010**
Total investments in infrastructure projects	**7,144**	**353**	**-87**	**-40**	**-399**	**6,970**

There was a total net change of EUR -207 million in the net investment in assets accounted for using the intangible asset model in the first half of 2017, with the most significant changes arising in the US:

- The 8.21% appreciation of the euro against the US dollar (see Note 4.1) in the first six months of the year reduced these assets by a total net amount of EUR -398 million.
- Also, there was an increase in assets of EUR 232 million (disregarding the exchange rate effect), mainly at North Tarrant Express Seg. 3 amounting to EUR 173 million (31 December 2016: an accumulated amount of EUR 281 million) and I-77 Mobility Partners LLC amounting to EUR 50 million (31 December 2016: an accumulated amount of EUR 67 million), currently under construction.

The assets accounted for using the financial asset model pursuant to IFRIC 12, amounting to EUR 1,010 million (31 December 2016: EUR 977 million), relate mainly to amounts receivable at long term (more than twelve months) from governments in return for services rendered or investments made under a concession arrangement. There were no material changes in this line item.

The total cash flow impact of the additions to projects accounted for using the intangible asset and financial asset models amounted to EUR -164 million (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 account receivable as a balancing entry to income for services rendered, which do not generate cash outflows either.

4.5 Investments in associates.

The detail of the investments in companies accounted for using the equity method at 30 June 2017 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.

2017 (Millions of euros)	HAH (25%)	407 ETR (43.23%)	OTHER	TOTAL
Balance at 12/31/16	**837**	**1,881**	**156**	**2,874**
Share of results	47	56	16	**119**
Dividends received and equity reimbursed	-55	-123	-2	**-180**
Exchange differences	-21	-80	-3	**-104**
Other	-19	0	93	**74**
Balance at 06/30/17	**790**	**1,734**	**260**	**2,785**

The changes in "Investments in Associates" in the first half of 2017 were due mainly to the depreciation of the pound sterling and the Canadian dollar against the euro, which had a net effect of EUR -104 million, and, in addition, to the profit for the period (EUR 119 million) and the distribution of dividends (EUR -180 million).

Also worthy of note is the increase in the balance of “Investments in Associates” resulting from the inclusion in this line item of Autoestradas Norte Litoral (EUR 91 million) which, following the agreement to sell a portion of the ownership interest described in Note 1, Company activities, changes in the scope of consolidation and adjustment, is now accounted for using the equity method (49% holding).

Impact on cash flow: the difference between dividends of EUR 180 million in the foregoing table and dividends of EUR 257 million 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 foreign currency hedges related to dividends received. Noteworthy to mention the EUR 58 million change on a loan in favour to AGS at June 2017(Note 8).

In view of the importance of the investments in 407 ETR and HAH, set forth below is a detail of the balance sheets and statements of profit or loss 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 2017.

a. Information relating to HAH

Impairment test

The operational performance of this asset in 2017 was positive compared with 2016 and in line with expectations, despite the uncertainty generated initially by Brexit. In addition, the project for the possible development of a third runway is still on course, although a final decision is not expected in 2017. 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.

Changes in the balance sheet 2017-2016

HAH (100%) GBP million	2017.06	2016.12	Change
Non-current assets	**16,652**	**16,834**	**-183**
Goodwill	2,753	2,753	0
Investments in infrastructure projects	13,368	13,347	21
Non-current financial assets	51	32	19
Pension plan surplus	0	0	0
Deferred tax assets	0	0	0
Financial derivatives	480	676	-196
Other non-current assets	0	27	-27
Current assets	**1,036**	**1,025**	**11**
Trade and other receivables	271	617	-346
Financial derivatives	147	78	68
Cash and cash equivalents	608	319	289
Other current assets	11	11	0
TOTAL ASSETS	**17,688**	**17,860**	**-172**

HAH (100%) GBP million	2017.06	2016.12	Change
Equity	**451**	**540**	**-89**
Non-current liabilities	**15,904**	**15,439**	**465**
Provisions for pensions	199	113	86
Borrowings	13,508	13,125	383
Deferred tax liabilities	768	761	7
Financial derivatives	1,410	1,419	-9
Other non-current liabilities	19	20	-1
Current liabilities	**1,333**	**1,881**	**-548**
Borrowings	897	1,501	-604
Trade and other payables	402	365	37
Financial derivatives	1	2	-1
Other current liabilities	33	13	21
TOTAL EQUITY AND LIABILITIES	**17,688**	**17,860**	**-172**

At 30 June 2017, equity amounted to GBP 451 million, down GBP 89 million from the year ended 31 December 2016. In addition to the profit for the period of GBP +163 million, the main noteworthy changes are the dividends paid to shareholders amounting to GBP -188 million and the negative impact of GBP -79 million relating to pension plans. In the opposite direction, the positive impact of GBP 16 million recognised in reserves relating to effective derivatives must be highlighted.

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 carrying amount at Ferrovial, it would be necessary to increase the 25% of the shareholders' equity presented above (GBP 113 million) by the amount of the aforementioned gain (GBP 581 million), giving a total of GBP 693 million which, translated at the year-end exchange rate (EUR 1 = GBP 0.87737), gives the investment of EUR 790 million.

- *Borrowings*

The borrowings of HAH (current and non-current) amounted to GBP 14,404 million at 30 June 2017, GBP -222 million lower than at 2016 year-end (31 December 2016: GBP 14,626 million). This decrease is due mainly to the redemption of bonds for GBP 1,121 million, the repayment of bank borrowings for GBP 145 million and the impact of exchange rates and accrued interest payable for a total amount of GBP 160 million, which is offset by a GBP 928 million increase in bank borrowings and new bond issues of GBP 275 million.

- *Derivative financial instruments at fair value*

The notional principal amount of HAH's derivatives portfolio at 30 June 2017 totalled GBP 11,521 million, including cross-currency swaps with a notional value of GBP 3,442 million to hedge issues in currencies other than the pound sterling, interest rate swaps (IRSs) with a notional value of GBP 2,964 million to hedge the interest rate risk relating to the borrowings, and index-linked swaps (ILSs) with a notional value of GBP 5,116 million 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 GBP 117 million increase in liabilities in the period. The main impacts in this connection relate to:

- Cash settlements (net payments) of GBP -62 million.
- Accrual of borrowing costs (result on financing) of GBP -86 million.
- Fair value adjustments to these instruments (fair value-related result) with a positive impact of GBP 12 million, due mainly to the *index-linked swaps* (GBP 75 million) and the *interest rate swaps* (GBP 38 million), partially offset by the c*ross-currency swaps* (GBP -101 million).
- Effect on reserves of GBP 20 million in relation to effective hedges.

- *Changes in the statement of profit or loss 2017-2016*

HAH (100%) GBP million	2017.06	2016.06	Change
Operating income	1,375	1,321	54
Operating expenses	-538	-538	0
Gross profit from operations	836	783	54
Depreciation and amortisation charge	-350	-378	28
Profit from operations before impairment and disposals of non-current assets	486	405	81
Impairment and disposals of non-current assets	0	-9	9
PROFIT FROM OPERATIONS	**486**	**396**	**90**
Financial result	-277	-580	303
Profit or loss before tax	210	-184	393
Income tax	-47	23	-70
Profit or loss from continuing operations	163	-160	323
Profit from discontinued operations	0	0	0
Net profit or loss	**163**	**-160**	**323**
Profit or loss attributable to Ferrovial (Millions of euros)	**47**	**-51**	**98**

Particularly noteworthy with respect to the statement of profit or loss is the financial result, which was affected by the fair value adjustments to derivatives and liabilities at fair value (mainly index-linked swaps and interest-rate swaps), totalling GBP 122 million (EUR 29 million net attributable to Ferrovial). Of this impact of GBP 122 million, GBP 12 million relate to the impact of the derivatives discussed above and GBP 110 million to the fair value adjustment of the bonds issued in foreign currency hedging these instruments. At 30 June 2016, these items totalled GBP -229 million (effect of EUR -60 million on the net profit of Ferrovial).

The directors' report includes detailed disclosures on the changes in HAH's results.

b. Information relating to 407 ETR

a. Impairment test

At 30 June 2017, 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 2016, there is a very significant buffer between the valuation and the carrying amount of the company.

b. Changes in the balance sheet and statement of profit or loss 2017-2016.

These figures relate to the full balances of 407 ETR and are presented in millions of Canadian dollars. The exchange rates used in 2017 are EUR 1=CAD 1.4826 (2016: CAD 1.4185) for the balance sheet figures and EUR 1=CAD 1.4545 (2016: CAD 1.4671) for the statement of profit or loss.

Changes in the balance sheet 2017-2016

407 ETR (100%) CAD million	2017.06	2016.12	Change
Non-current assets	**4,359**	**4,362**	**-3**
Investments in infrastructure projects	3,922	3,938	-16
Non-current financial assets	398	383	15
Deferred tax assets	39	41	-2
Other non-current assets	0	1	-1
Current assets	**1,114**	**965**	**149**
Current trade and other receivables	212	188	25
Cash and cash equivalents	902	778	124
Total assets	**5,474**	**5,328**	**146**

407 ETR (100%) CAD million	2017.06	2016.12	Change
Equity	**-3,263**	**-3,059**	**-203**
Non-current liabilities	**7,564**	**7,310**	**254**
Borrowings	7,066	6,819	248
Deferred tax liabilities	497	491	6
Current liabilities	**1,173**	**1,077**	**95**
Borrowings	1,061	993	69
Current trade and other payables	111	85	27
Total equity and liabilities	**5,474**	**5,328**	**146**

Set forth below is a description of the main changes in the balance sheet of 407 ETR as at 30 June 2017 with respect to the end of the preceding period:

- Borrowings: borrowings as a whole increased by CAD 317 million with respect to December 2016. The main changes related to a series of bonds issued in March with a face value of CAD 250 million (Series 17-A1 maturing in 2033), and an increase of CAD 68 million in the credit facility.

- Equity: equity dropped by CAD 203 million with respect to 2016, as a result of a profit for the year of CAD 212 million and a reduction due to the payment of a dividend of CAD 415 million to the shareholders.

43% 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% of the equity presented above (CAD -1,410 million) by the aforementioned gain and the goodwill (CAD 2,663 million and CAD 1,319 million, respectively) giving a total of CAD 2,571 million which, translated at the year-end exchange rate, gives the investment of EUR 1,734 million.

c. Changes in the statement of profit or loss 2017-2016

The following table shows the changes in the statement of profit or loss of 407 ETR between the six-month periods ended 30 June 2017 and 2016:

407 ETR (100%) CAD million	2017.06	2016.06	Change
Operating income	592	516	76
Operating expenses	-80	-71	-9
Gross profit from operations	**512**	**445**	**67**
Depreciation and amortisation charge	-51	-53	2
Profit from operations	**461**	**392**	**69**
Financial result	-172	-175	4
Profit before tax	**289**	**217**	**72**
Income tax	-77	-58	-19
Net profit	**212**	**159**	**53**

The main changes in the statement of profit or loss were due to the increase in operating income (CAD 76 million) as a result of an average increase in tolls since 1 February 2017 of 8.9% and a 4.3% rise in traffic. The directors' report contains explanations of 407 ETR's results.

c. Other associates

Appendix II to the consolidated financial statements as at 31 December 2016 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 most significant impact in this connection in the first half of 2017 relates to the inclusion in this line item of the aforementioned company Autoestradas Norte Litoral.

4.6 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 2016).

The following table shows the changes in these items:

Millions of euros	2016	NIIF 15	Exchange rate	Changes in the scope of consolidation	Other	2017
Total inventories	**516**	**0**	**2**	**0**	**76**	**594**
Trade receivables for sales and services	1,257	-18	-23	7	101	1,324
Amounts to be billed for work performed	936	-221	-14	0	203	904
Other receivables	629	0	-11	0	42	660
Total current trade and other receivables	**2,822**	**-239**	**-48**	**7**	**346**	**2,888**
Trade payables	-2,299	-2	34	-4	-74	-2,345
Amounts billed in advance for construction work	-567	44	10	0	2	-511
Customer advances	-424	0	-5	0	2	-427
Other current payables	-605	0	4	-2	26	-577
Total current trade and other payables	**-3,895**	**42**	**43**	**-6**	**-44**	**-3,860**
TOTAL WORKING CAPITAL	**-557**	**-197**	**-3**	**1**	**378**	**-378**

Main changes are related to Current trade and other receivables, with a total increase of 66 million that is the result of different increase and decrease movements:

- The exchange rate effect reduced this line item by EUR 48 million, due mainly to the depreciation of the pound sterling and the Australian dollar against the euro, which was partially offset by the appreciation of the Polish zloty, as indicated in Note 4.1.
- The early application of IFRS 15 (see Note 2.2, Summary of the main accounting policies) gave rise to a reduction of EUR 239 million in total trade and other receivables.
- Changes in the scope of consolidation includes the balances relating to the inclusions in the scope of consolidation (mainly the Trans-Formers Group) amounting to EUR 7 million.
- 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 changes arising from this factor are in the following business activities: Construction Poland (EUR +139 million) and Services UK (EUR +162 million). In addition, it includes a movement of EUR 8 million in factoring arrangements (EUR 68 million as at 30 June 2017 compared to EUR 60 million as at 31 December 2016). 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. Finally, it also includes the movement of allowance for doubtful accounts that offset trade receivables for sales and services, where a reversal of EUR 4 million has been registered, with an impact in Gross profit from operations of the Construction business unit.

Relating the changes in the other line items, worthy of mention is the impact of IFRS15 application in amounts billed in advance for construction works, derived from a reclassification between this line and provisions amounting to EUR 46 million, with no equity impact, and that is the result of establishing a consistent revenue recognition method for contracts with similar characteristics (Note 2.2.(iii)).

Additionally, with respect to inventories, there is an increase of EUR 76 million under Other, of which EUR 41 million relate mainly to land purchases relating to the real estate activities in Poland.

4.7 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.

The changes in the six-month period ended 30 June 2017 in the long-term and short-term provisions disclosed separately under liabilities in the consolidated statement of financial position were as follows:

Millions of euros	Long term provisions	Short term provisions	TOTAL
Balance at 31 December 2016	**757**	**702**	**1,459**
Impact of BRS adjustment	0	13	13
Adjusted balance at 31 December 2016	**757**	**715**	**1,472**
Impact of IFRS 15	0	90	90
Balance at 1 January 2017	**757**	**804**	**1,561**
Impact of changes in the scope of consolidation and other	-1	17	15
Impact of exchange rate	-2	-4	-7
Changes in 2017:	**-6**	**-50**	**-56**
Charges/Reversals with an impact on gross profit from operations	*-14*	*14*	*-1*
Charges/Reversals with an impact in other income and expense items	*31*	*0*	*31*
Total impacts charges/Reversals	***16***	***14***	***30***
Amounts used with an impact on working capital	*-22*	*-64*	*-86*
Total impact of amounts used	***-22***	***-64***	***-86***
Balance at 30 June 2017	**747**	**767**	**1,514**

As can be observed, the effect of application of the transition to IFRS 15, which is explained in Note 2.1, gave rise to an impact of EUR 90 million on provisions. As a result of this impact, EUR 44 million affected equity coming from an update of provision for future operating losses at December 2016, excluding from to the calculation of the estimated result those revenues arising from contract modifications or transactions subject to variable consideration, that do not meet the new requirements in the current standards (see Note 2.2 ii). The rest corresponds mainly to a reclassification between work billed in advance and provisions, without impact on equity (see Notes 2.2 iii and 4.6).

Detail of changes excluding the effect of applications of the transition to IFRS 15, impact of the allocation of the purchase price of Broadspectrum, change in the scope of consolidation and exchange rates, are shown below (EUR 56 million):

- Charges/reversals that had an impact on profit or loss with a net reversal (expense) of EUR (30) million, of which EUR 1 million impacted gross profit from operations as revenue (Note 7. Cash Flow) and EUR 31 million impacted other line items in the consolidated statement of profit or loss (mainly amortizations and results from impairment and disposals).
- Use of provisions in the amount of EUR -86 million with no impact on gross profit from operations and had balance entries on working capital (Note 7).

4.8 Assets and liabilities classified as held for sale.

The changes in the assets and liabilities classified as held for sale in the six-month period ended 30 June 2017 were as follows:

Assets	Balances at 12/31/16	Additions	Disposals	Balances at 06/30/17
Autoestradas Norte	379		-379	0
Autoestrada do Algarve	246	13		258
TOTAL	**624**	**13**	**-379**	**258**

Liabilities	Balances at 12/31/16	Additions	Disposals	Balances at 06/30/17
Autoestradas Norte	256		-256	0
Autoestrada do Algarve	183	5		188
TOTAL	**440**	**5**	**-256**	**188**

The changes in the assets and liabilities classified as held for sale (EUR -366 million and EUR -252 million, respectively) relate mainly to the fact that in the first six months of 2017 the agreement was concluded for the sale of the Portuguese toll road Norte Litoral; this transaction, which commenced in 2016, is described in Note 1 to the consolidated financial statements as at 31 December 2016. This sale gave rise to a net gain of EUR 56 million (see Note 9) and subsequently this company has been accounted for using the equity method.

The Group continues to make progress in the final execution of the transaction to sell Autoestrada do Algarve, for which a contract has already been signed and is awaiting authorisation by the Portuguese authorities.

4.9 Pension plan deficit

This line item reflects the deficit relating to pension and other employee retirement benefit plans, including both defined benefit and defined contribution plans. The provision recognised in the consolidated statement of financial position amounted to EUR 141 million (31 December 2016: EUR 174 million). Of this amount, EUR 139 million (31 December 2016: EUR 172 million) relate to defined benefit and defined contribution plans of the Amey Group in the UK.

Millions of euros	2017
Initial obligation	**1,116**
Initial assets	**944**
INITIAL DEFICIT DECEMBER 2016	**-172**
Actuarial gains and losses recognised in reserves	20
Contributions made	15
Current service cost	*-2*
Interest cost	*-14*
Return on plan assets	*12*
Total impact on profit or loss	-5
Exchange differences and other	3
Ending obligation	**1,068**
Ending assets	**929**
ENDING DEFICIT JUNE 2017	**-139**

The Amey Group has nine defined benefit plans covering a total of 8,136 employees and nine defined contribution plans covering 11,781 employees. The most significant changes in the first half of 2017 that led to a EUR 33 million improvement in the deficit were as follows:

- An impact of EUR +20 million 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.
- Contributions of EUR +15 million made by the company to the pension plans, which reduced the pension plan deficit (lower liability). The ordinary contributions amounted to EUR 2 million, while the extraordinary contributions aimed at improving the pension plan deficit totalled EUR 13 million.
- A negative impact of EUR -5 million (EUR -2 million current service cost; EUR -15 million interest cost and EUR +12 million return on plan assets) on profit or loss, which increased the pension plan deficit (higher liability).
- A positive impact due to the exchange rate effect (EUR +3 million).

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 2017 these curtailments and settlements totalled EUR 16 million.

4.10 Deferred taxes

The detail of the deferred tax assets and liabilities at 30 June 2017 is as follows:

Deferred tax assets (Millions of euros)	December 2016	IFRS 15	Other changes	June 2017
Tax losses	277	0	8	285
Derivatives	114	0	-11	104
Non-deductible provisions	277	6	0	284
Difference arising from amounts billed in advance for construction work	137	1	16	153
Capitalised borrowing costs	80	0	2	82
Depreciation and amortisation charge	46	0	-1	44
Tax credits and tax relief	33	0	0	33
Other	92	26	-62	57
Total deferred tax assets	**1,057**	**32**	**-48**	**1,041**

Deferred tax liabilities (Millions of euros)	December 2016	IFRS 15	Other changes	June 2017
Provisions	383	0	-17	366
Goodwill	269	0	-5	264
Investments in associates	35	-2	-22	10
Recognition of financial asset in profit or loss	44	0	2	46
Derivatives	82	0	-1	81
Other	166	0	-22	145
Total deferred tax liabilities	**979**	**-2**	**-65**	**912**

The main change in the deferred tax accounts resulted from the application of IFRS 15, which gave rise to the recognition of deferred tax assets and liabilities of EUR 32 million and EUR -2 million, respectively (see Note 2.1.).

In addition, among other changes, there were changes in the balances of the tax loss carryforwards, where the EUR 8 million change arose as a result of a reduction at the consolidated tax group in the US (EUR -16 million), offset by increases in Canada and Australia (EUR 15 million and EUR 9 million, respectively).

As a result of these changes, no tax losses were recognised in the US. Noteworthy at the rest of the Group are the EUR 193 million of the consolidated tax group in Spain and EUR 76 million in Australia.

4.11 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 2017 is as follows:

2017 Millions of euros	Attributable to the share-holders	Attributable to non-controlling interests	Total equity
Equity at 12/31/16	**5,597**	**717**	**6,314**
Transition to IFRS 15	-259	0	-259
Equity at 01/01/17	**5,338**	**717**	**6,055**
Consolidated profit for the period	**240**	**19**	**259**
Impact on reserves of hedging instruments	62	1	63
Impact on reserves of defined benefit plans	-5	0	-5
Translation differences	-217	-35	-251
Income and expense recognised directly in equity	**-160**	**-34**	**-194**
Amounts transferred to profit or loss	**8**	**0**	**8**
Scrip and other dividends	-97	-45	-142
Treasury share transactions	-35	0	-35
Shareholder remuneration	**-132**	**-45**	**-177**
Capital increases/reductions	1	18	19
Share-based payment	-9	0	-9
Changes in the scope of consolidation	0	62	62
Other changes	**7**	**1**	**7**
Other transactions	**0**	**81**	**80**
Equity at 06/30/17	**5,294**	**738**	**6,032**

(*) 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 expense recognised directly in equity that cannot subsequently be reclassified to profit or loss.

The reduction in equity in the first half of 2017 relates to the following effects:

Transition to IFRS 15: As indicated in Note 2.1, the Group applied IFRS 15 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 EUR -259 million.

Consolidated profit for the period: the consolidated profit for the period attributable to the Parent amounted to EUR 240 million.

Income and expense 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.

<u>Impact on reserves of hedging instruments</u>: the recognition of the fair value changes in derivative financial instruments designated as hedges gave rise to a positive impact of EUR 63 million on the Group's total equity (impact of EUR 62 million attributable to the Parent). Of the total impact, EUR 38 million relate to fully consolidated companies and EUR 25 million to companies accounted for using the equity method.

<u>Impact on reserves of defined benefit plans</u>: 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 an impact in the period of EUR -5 million. Of the total impact, EUR 20 million relate to fully consolidated companies (mainly Amey) and EUR -25 million to companies accounted for using the equity method (HAH/AGS).

<u>Translation differences</u>: these gave rise to a decrease of EUR -251 million in equity, EUR -217 million of which are attributable to the Parent. The main impacts arose as a result of the depreciation of the Canadian dollar (EUR -90 million), the US dollar (EUR -91 million), the Australian dollar (EUR -24 million) and the pound sterling (EUR -32 million). The other changes under "Translation Differences" related to other currencies (EUR -14 million, net).

Amounts transferred to profit or loss: this item includes the transfer to profit or loss mainly of fair value changes in derivatives (EUR 8 million) relating to the sale of a 51% ownership interest in Norte Litoral (see Notes 1 and 9).

Shareholder remuneration:

Scrip dividend: the impact in this connection relates to the first tranche of the shareholder remuneration scheme approved by the Annual General Meeting of Ferrovial, S.A. held on 4 May 2017. Under this scheme, the shareholders can freely choose to receive newly issued shares of the Company by subscribing a 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 bonus issue rights corresponding to the shares held by them. It should be noted that 58.05% of the shareholders opted to receive shares of the Company, whereas 41.95% availed themselves of the Company's commitment to purchase rights.

Consequently, in the first half of 2017 capital was increased by a total of 6,971,168 shares with a par value of EUR 0.20 per share, representing an increase in share capital of EUR 1.4 million. Also, bonus issue rights amounting to EUR 96.8 million were purchased, representing a price per share of EUR 0.315.

The amount shown in this connection in the table on Changes in equity is EUR -97 million, although the amount disbursed at 30 June was EUR 93 million, since withholdings of EUR 4 million had not yet been paid.

Other dividends: includes mainly the dividends distributed to the non-controlling shareholders of the Budimex Group (EUR -41 million) and US 460 Mobility Partners LLC (EUR -3 million).

Treasury share transactions: the changes in treasury shares in the first half of 2017 were as follows:

TRANSACTION PERFORMED / OBJECTIVE	NUMBER OF SHARES	NUMBER OF SHARES USED FOR OBJECTIVE	TOTAL NUMBER OF SHARES
BALANCE AT 31 DECEMBER 2016			**2,775,174**
Treasury shares for capital reduction	1,761,281		1,761,281
Treasury shares to cater for remuneration systems	787,727	-957,150	-169,423
Shares received - scrip dividend	42,716		42,716
BALANCE AT 30 JUNE 2017			**4,409,748**

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

- Treasury shares for capital reduction: in the framework of the aforementioned scrip dividend resolution, on 4 May 2017 the Annual General Meeting approved a plan to purchase shares for a maximum amount of EUR 275 million, the objective of which is to subsequently reduce share capital by retiring those shares. As a result of this resolution, during the first half of 2017, 1,761,281 shares were acquired at an average price of EUR 20.02 per share, giving rise to a payment of EUR 35 million.

- Treasury shares to cater for remuneration systems: lastly, at 30 June 2017, 787,727 treasury shares had been acquired in order to implement various share-based remuneration schemes, and 957,150 shares had been used for this purpose, giving rise to a net change of -169,423 shares in this connection. The share-based remuneration schemes had an impact of EUR -9 million on the Company's equity (see Other transactions section).

- Also, on implementation of the aforementioned scrip dividend, the Company received 42,716 treasury shares.

At 30 June 2017, there were 4,409,748 treasury shares amounting to EUR 76 million.

Other transactions:

Capital increases**:** there was an increase of EUR 18 million in the equity attributable to non-controlling interests, relating mainly to North Tarrant Express Segments 3.

Share-based remuneration schemes**:** this reflects mainly the treasury share transactions relating to share-based remuneration schemes for management, which had an impact of EUR -9 million on equity, as mentioned in the preceding section.

Changes in the scope of consolidation: The impact on equity attributable to the Group's non-controlling interests relates to the sale of 3.9% of the shares of the Budimex Group, which gave rise to the recognition of a gain (EUR 48 million, see Note 1) that was accounted for as an increase in non-controlling interests, and the transaction had a total impact of EUR 59 million.

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 financial debt (current and non-current bank borrowings and bonds). Also, the net cash position includes forwards totalling EUR 34 million that hedge the cash held by the Group in US and Canadian dollars, as well as cross-currency swaps, with a value of EUR -5 million, associated with the borrowings denominated in US dollars and Chilean pesos. 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.

Although in general the method used to define the Group's net cash position coincides with that used in the preparation of the consolidated financial statements for 2016, in 2017 certain Canadian dollar and US dollar forwards hedging deposits in those currencies, which are recognised under "Current Derivative Financial Instruments at Fair Value", were included as an addition to the net cash position.

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

		06/30/17						
(Millions of euros)	Bank borrowings/Bonds	Cross-currency swaps	Cash and cash equivalents	Forwards	Long-term restricted cash	Net borrowing position	Intra-Group balances	Total
NON-INFRASTRUCTURE PROJECT COMPANIES	-2.978	-5	3.472	34	0	524	-15	509
INFRASTRUCTURE PROJECTS	-5.393	0	301	0	258	-4.834	15	-4.819
TOTAL NET CASH POSITION	**-8,371**	**-5**	**3,773**	**34**	**258**	**-4,310**	**0**	**-4,310**

		12/31/16						
(Millions of euros)	Bank borrowings/Bonds	Cross-currency swaps	Cash and cash equivalents	Forwards	Long-term restricted cash	Net borrowing position	Intra-Group balances	Total
NON-INFRASTRUCTURE PROJECT COMPANIES	-2,667	83	3,301	0	0	717	-20	697
INFRASTRUCTURE PROJECTS	-5,510	0	277	0	249	-4,983	20	-4,963
TOTAL NET CASH POSITION	**-8,176**	**83**	**3,578**	**0**	**249**	**-4,266**	**0**	**-4,266**

An overall explanation of the changes in the net cash position in the first six months of 2017 is included in Note 7, Cash flow and in the interim directors' report that was 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 short-term or long-term 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 2017 amounted to EUR 311 million (December 2016: EUR 311 million), including both long- and short-term amounts. The most noteworthy changes were as follows:

- The exchange rate effect, which had a negative impact of EUR -18 million (see Note 4).
- The EUR 19 million increase in restricted cash, mainly at the NTE toll road (EUR 16 million), because of the requirements under the financing agreement (relating to extraordinary maintenance and debt servicing).

"Other Cash and Cash Equivalents" (excluding restricted cash), which increased by EUR +33 million in this period, relates to bank accounts and highly liquid investments subject to interest rate risk. The changes in this line item are analysed in Note 7, Cash flow.

b) Infrastructure project borrowings

Millions of euros	12/31/16	Net drawdowns	Exchange rate effect	Changes in the scope of consolidation	06/30/17
Toll roads	4,760	146	-252	0	4,655
Services	534	-8	-6	0	520
Other	215	7	-5	0	217
Total infrastructure project borrowings	**5,510**	**146**	**-262**	**0**	**5,393**

Infrastructure project borrowings decreased by EUR 117 million with respect to December 2016, due mainly to the following:

- The appreciation of the euro against the other currencies (see Note 4) reduced indebtedness by EUR -262 million. This impact arose primarily with respect to the US dollar (EUR -252 million): EUR -113 million at the LBJ toll road; EUR -83 million at North Tarrant Express Managed Lanes Mobility Partners; EUR -43 million at NTE Mobility Partners Segments 3 LLC and EUR -12 million at I-77 Mobility Partners.

- In connection with the net drawdowns: EUR 156 million relate to the US toll roads (EUR 75 million at NTE Mobility Partners Segments 3 LLC, EUR 47 million at I-77 Mobility Partners, EUR 19 million at LBJ Infrastructure Group and EUR 16 million at North Tarrant Express Mobility Partners).

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. At December 2016 the only covenant that was not being met was that of the SH-130 toll road, which was involved in insolvency proceedings. An agreement for its effective exit from insolvency proceedings was ultimately reached in June 2017, as explained in Note 10.

6.2 Other companies

The net cash position excluding infrastructure projects amounted to EUR 509 million, a change of EUR -188 million compared with December 2016. This change is explained in further detail in the directors' report and the note on cash flow.

a) Cash and cash equivalents of other companies

The net change of EUR +171 million with respect to December 2016 is due mainly to the liquidity obtained from a corporate bond issue in March 2017, which was offset by the adverse impact of exchange rate changes (EUR -86 million), cash denominated in currencies other than the euro and, in particular, the depreciation of both the US dollar and the Canadian dollar. This impact was offset by the forwards entered into in order to hedge the cash and cash equivalents against such exchange rate fluctuations. The value of these forwards amounted to EUR +34 million at June 2017.

Also, at 30 June 2017 there were certain restricted accounts totalling EUR 33 million (December 2016: EUR 37 million), which include primarily EUR 32 million 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	12/31/16	Other companies - net change	Exchange rate effect	Changes in the scope of consolidation	06/30/17
Construction	**35**	**0**	**0**	**0**	**35**
Broadspectrum	475	-335	-6	0	134
Amey	12	184	-4	0	192
Other	51	-6	0	4	51
Services	**538**	**-156**	**-10**	**4**	**377**
Corporate and other	**2,093**	**473**	**0**	**0**	**2,566**
Total non-infrastructure project company borrowings	**2,667**	**317**	**-10**	**4**	**2,978**
Cross-currency swaps	**-83**	**89**	**-1**	**0**	5
Total non-infrastructure project company borrowings, including CCSs	**2,584**	**406**	**-11**	**4**	**2,982**

The borrowings of non-infrastructure project companies amounted to EUR 2,982 million, an increase of EUR 399 million. Excluding the exchange rate effect, the variation is EUR 406 million. The increase in borrowings relates mainly to the new eight-year EUR 500 million corporate bond issue launched on 22 March 2017 with an annual coupon of 1.375%.

Also noteworthy, in Services, is the repayment in May 2017 of the High Yield Bonds held by Broadspectrum for USD 325 million (EUR 243 million), the amount being net of the cross-currency swap. The effect of this transaction is partially offset by the EUR 184 million increase in borrowings at the Amey Group.

7. 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 performance 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”.

- Lastly, these flows endeavour to explain 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.

The change in cash flow is also discussed in the interim directors' report that was formally prepared together with these interim condensed consolidated financial statements.

		June 2017 (figures in millions of euros)			
Millions of euros	Note:	Cash flows excluding infrastructure projects	Cash flows of infrastructure projects	Eliminations	Consolidated cash flow
EBITDA		243	226	0	469
Dividends received	4,5	259	0	-2	257
Change in working capital (receivables, payables and other)	4.6/7.1	-529	-11	0	-540
Cash flows from operating activities before tax		**-27**	**215**	**-2**	**187**
Taxes paid in the period		-12	-4	0	-16
Cash flows from operating activities		**-38**	**211**	**-2**	**171**
Investments		-126	-164	23	-267
Disposals		167	0	0	167
Cash flows from investing 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 non-controlling interests		-1	44	-23	20
Scrip dividend		*-93*	*0*	*0*	*-93*
Acquisition of treasury shares		*-35*	*0*	*0*	*-35*
Remuneration of shareholders	5	-129	0	0	-129
Dividends paid to non-controlling shareholders of investees		-46	-2	2	-46
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)		33	-45	0	-12
Cash flows from financing activities		**-191**	**97**	**-21**	**-114**
Change in net cash position		**-188**	**145**	**0**	**-43**
Opening position	6	697	-4,963	0	-4,266
Closing position	6	509	-4,819	0	-4,310

Millions of euros	Note:	June 2016 (figures in millions of euros)			
		Cash flows excluding infrastructure projects	Cash flows of infrastructure projects	Eliminations	Consolidated cash flow
EBITDA		203	218	0	420
Dividends received		236	0	-26	210
Change in working capital (receivables, payables and other)		-421	-53	0	-474
Cash flows from operating activities before tax		**18**	**165**	**-26**	**156**
Taxes paid in the period		-45	-3	0	-48
Cash flows from operating activities		**-27**	**161**	**-26**	**108**
Investments		-677	-190	28	-840
Disposals		318	0	0	318
Cash flows from investing activities		**-359**	**-190**	**28**	**-521**
Cash flows from operating and investing activities		**-386**	**-29**	**2**	**-413**
Interest cash flows		-31	-181	0	-211
Capital proceeds from non-controlling interests		0	55	-28	27
Scrip dividend		*-89*	*0*	*0*	*-89*
Acquisition of treasury shares		*-86*	*0*	*0*	*-86*
Remuneration of shareholders		-175	0	0	-175
Dividends paid to non-controlling shareholders of investees		-23	-26	26	-24
Exchange rate effect		-7	93	0	86
Changes in the scope of consolidation		-430	311	0	-119
Other changes in borrowings (not giving rise to cash flows)		-17	-181	0	-199
Cash flows from financing activities		**-684**	**71**	**-2**	**-616**
Change in net cash position	**6**	**-1,070**	**42**	**0**	**-1,028**
Opening position		1,514	-6,057	0	-4,542
Closing position		444	-6,015	0	-5,571

7.2 Change in working capital:

The change in working capital disclosed in the foregoing table is the measure that explains the difference between the Group's EBITDA (Gross profit from operations) and its cash flows from operating activities before tax; it arises from the difference between the accrual of revenue and expenses for accounting purposes and the time when such revenue and expenses are transformed into cash, and relates mainly to changes in the balances of trade receivables and payables to suppliers or other items in the consolidated statement of financial position. Thus, a reduction in the balance of trade receivables will give rise to an improvement in working capital and a reduction in 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 4.6 for the following reasons:

	Non-infrastructure project	Infrastructure projects and adjustments	TOTAL
Change in working capital (Note 4.6)	**-444**	**67**	**-378**
Changes in working capital with an impact on other lines in the statement of cash flows	34	-101	-67
Changes in provisions with an impact on gross profit from operations	-1	0	-1
Changes in provisions with an impact on working capital	-86	0	-86
Changes in other statement of financial position items with an impact on cash flows from operating activities	-33	24	-9
Total working capital reported in statement of cash flows	**-529**	**-11**	**-540**

The differences mentioned 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 4.6, 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 profit from operations. These relate to a net reversal impact of EUR 1 million (Note 4.7) with a positive impact on gross profit from operations with no cash impact. Included in this figure, there is a net reversal of EUR 21 million from the Construction business unit, that added to the EUR 4 million of Allowance for doubtful accounts mentioned in Note 4.6, they sum up EUR 25 million reported in the Construction Cash Flow of the Management Report as change in provisions with no cash impact.
- Changes in provisions with an impact on working capital from operations. These relate to use of provisions in working capital accounts (see Note 4.7).
- 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 4.6 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:

	30/06/17	31/12/16	Change
Non-current financial assets	**715**	**735**	**-20**
Long-term loans to associates	333	374	-42
Restricted cash and other non-current financial assets	258	249	9
Other receivables	125	112	12
Derivative financial instruments at fair value (net)	**-57**	**-55**	**-2**
Derivative financial instruments at fair value (assets)	402	450	-49
Derivative financial instruments at fair value (liabilities)	-459	-505	46

8.1. Non-current financial assets

“Long-Term Loans to Associates” includes mainly the loan granted to AGS amounting to EUR 196 million (31 December 2016: EUR 253 million), participating loans amounting to EUR 39 million (2016: EUR 39 million) and other ordinary loans to associates totalling EUR 97 million (2016: EUR 82 million). As mentioned on Note 4.5. the most significant change under this item corresponds to the repayment of AGS loan of EUR 58 million.

“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 consolidated net debt.

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 2016. 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 or loss is as follows:

(Millions of euros)	Notional amounts at 06/30/17	MTM value at 06/30/17	MTM value at 12/31/16	Change	Impact on reserves	Impact on profit or loss - Fair value	Other effects on statement of financial position - Profit or loss
Interest rate derivatives	1,678	-421	-461	40	42	0	-2
Index-linked derivatives	53	313	321	-7	-3	0	-4
Equity swaps	49	3	-4	7	0	7	0
Exchange rate derivatives	3,124	51	-9	60	5	20	34
Cross-currency swaps	274	-5	95	-100	10	-10	-99
Other	1	1	3	-2	-1	0	-1
Total	**5,179**	**-57**	**-55**	**-2**	**53**	**18**	**-72**

The net change in the fair value of the Group's financial derivatives amounted to EUR -2 million, its liability position rising from EUR -55 million at 31 December 2016 to EUR -57 million at 30 June 2017.

The main change relates to the cross-currency swaps (EUR -100 million), the detail being as follows:

- The cross-currency swaps arranged at the Group at 2016 year-end related mainly to Broadspectrum and hedged fluctuations in the fair value of the High Yield Bonds issued in US dollars by converting this debt into Australian dollars at floating rate. Since this debt was repurchased in May 2017 (as discussed in Note 6.2), these derivatives were derecognised, giving rise to a variation of EUR -82 million compared with 2016 year-end. Broadspectrum has also arranged cross-currency swaps to hedge debt issued in Chilean pesos, and the variation in these swaps was EUR 1 million.

- The corporate cross-currency swaps were arranged in 2016 to hedge borrowings drawn down in US dollars. The change in the current period was EUR -19 million.

Another significant impact was due to the effect of the exchange rate derivatives (EUR 60 million), the detail being as follows:

- Impact on reserves of EUR 5 million.
- Fair value gain of EUR 20 million.
- Other impacts totalling EUR 34 million, of which EUR 83 million relate to translation differences arising from the depreciation of the US dollar and the Canadian dollar, EUR -47 million relate to cash settlements and EUR -2 million to other items.

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 EUR -461 million at 2016 year-end to EUR -421 million at the reporting date of these interim condensed consolidated financial statements (change of EUR 40 million).

The fair value of the index-linked derivatives, relating to the concession operator Autema, decreased by EUR 7 million, mainly as a result of a slight improvement in inflation forecasts in Spain.

There was a EUR 7 million increase in the fair value of the equity swaps, due mainly to the rise in the quoted share price during the period, which gave rise to the recognition of income for that same amount as a fair value adjustment in profit or loss. The Group has other derivatives, arranged principally in relation to commodities, with a fair value of EUR 1 million; 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 to the consolidated financial statements for the year ended 31 December 2016).

Also, there are derivative financial instruments at companies accounted for using the equity method, the most significant effects of which are discussed in Note 4.5, Investments in associates.

9. Disclosures relating to profit or loss

Impairment and disposals of non-current assets

"Impairment and Disposals of Non-Current Assets" 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 2017 relate to:

- Autopista Norte Litoral: as described in Note 1, Company activities, changes in the scope of consolidation and adjustment, in the current period the Group sold part of its ownership interest in this company. This transaction had an impact of EUR 48 million on "Impairment and Disposals of Non-Current Assets" and of EUR 56 million on net profit, of which EUR 27 million relate to the remeasurement at fair value of the interest retained (49%).
- Autopista Terrasa Manresa (Autema): in the first six months of 2017 a provision of EUR -19 million was recognised for the results generated by this company in the first half of the year, due to the situation of the project as described in Note 10, Contingent assets, contingent liabilities, obligations and commitments (effect of EUR -14 million on the net profit of Ferrovial).

At 30 June 2016, the gains or losses resulting from impairment or disposals of non-current assets related to:

- Irish M3 and M4-M6 toll roads: in 2016 the Group sold part of its ownership interest in these companies. This sale had an impact of EUR 22 million on "Impairment and Disposals of Non-Current Assets" and of EUR 19 million on net profit, of which EUR 5 million related to the remeasurement at fair value of the interest retained (20% in the two companies).
- Chicago Skyway: in February 2016 the US toll road Chicago Skyway was sold. The gain on this transaction amounted to EUR 259 million (EUR 110 million attributable to Ferrovial after tax).
- Autopista Terrasa Manresa (Autema): a provision of EUR -16 million was recognised for the results generated by this company in the first half of 2016 (effect of EUR -12 million on the net profit of Ferrovial).

Financial result

- *Financial result on financing*

The financial result on the financing of the infrastructure project companies amounted to EUR -132 million (30 June 2016: EUR -170 million), relating primarily to these companies' borrowing costs. The improvement in the financial result was due mostly to the changes in the scope of consolidation in 2016 (sale of the Chicago Skyway toll road, effective from March 2016, and the filing for Chapter 11 insolvency of the SH-130 toll road); in 2016 these companies contributed a financial result on financing of EUR -34 million.

The financial result on the financing of the other companies (excluding infrastructure project information) amounted to EUR -20 million (30 June 2016: EUR -17 million), corresponding to borrowing costs (EUR -49 million) net of the interest obtained on financial investments and other items (EUR 28 million).

- *Other financial results*

"Result on Derivatives and Other Financial Results" for non-infrastructure project companies includes mainly the result of changes in the fair value of financial instruments with no impact on cash. At 30 June 2017, these changes gave rise to income of EUR 40 million, classified in the fair value adjustments column of the statement of profit or loss. This amount includes most notably the positive impact relating to Canadian dollar-denominated options (EUR 21 million) and the repayment of the High Yield Bonds (fair value of the debt after the PPA procedure in 2016) and the consequent settlement of the cross-currency swaps associated with that debt (EUR 9 million). 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 positive impact of EUR 7 million in the period (see Note 8) due to the increase in the share price in the first six months of the year.

Disregarding the fair value impact, the remainder of the financial result (EUR -31 million) corresponds basically to bank guarantee costs (EUR -14 million), costs associated with the repayment of the High Yield Bonds (EUR -15 million) and late-payment interest (EUR 3 million).

The improvement in "Result on Derivatives and Other Financial Results" at the infrastructure project companies (EUR -3 million at 30 June 2017, compared with EUR -13 million in June 2016) is explained by the negative impact (EUR -9 million) of the interest rate derivative of Autopista del Sol up to the date of its termination in 2016.

Income tax expense

The income tax expense for the first six months of 2017 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, Accounting estimates and judgements. Accordingly, at 30 June 2017 this gave rise to an expense of EUR -18 million. However, it should be taken into account that this amount includes EUR 12 million of prior years' adjustments. Excluding this impact, the income tax expense is EUR -30 million.

Also, the profit before tax includes certain impacts, with no tax impact, that have to be excluded when calculating the effective income tax rate:

- Impact of the results of companies accounted for using the equity method (EUR 119 million) which, in accordance with accounting standards, are presented net of the related tax effect.
- Gain on the sale of Autoestradas Norte, of which EUR 78 million do not give rise to an income tax expense.
- Losses at fully consolidated US companies, at which the tax asset is recognised only in respect of the percentage of ownership, since they are taxed under a fiscal transparency regime, giving rise to an adjustment of EUR -8 million.

Adjusting for these three effects, profit before tax would be EUR 88 million.

After applying the aforementioned adjustments, the effective tax rate is 34% (income tax expense of EUR -30 million on EUR 88 million of profit before tax).

10. Contingent assets and liabilities, obligations and investment commitments

10.1. Litigation

The consolidated financial statements for 2016 contain detailed disclosures on the main litigation in which the various Group companies were involved at year-end. Following is an explanation of the main changes in the situation of those lawsuits in the first half of 2017:

a) Litigation and contingencies relating to the Toll Road business

- **SH-130**

  As disclosed in the consolidated financial statements for 2016, on 8 December the agreement relating to the reorganisation plan for this company was entered into, thus confirming the Group's loss of control over it. On 18 May 2017, the company's creditors approved the aforementioned reorganisation plan, and it effectively exited Chapter 11 insolvency proceedings on 28 June. Cintra had previously withdrawn from the shareholder structure of SH-130 on selling its shares for a symbolic price of USD 10.

- **I-77 Mobility Partners LLC**

  I-77 Mobility Partners LLC and the North Carolina Department of Transportation ("NCDOT") are subject to a joint lawsuit in a proceeding which seeks to annul the comprehensive agreement entered into by I-77 Mobility Partners LLC and NCDOT relating to an access toll road to Charlotte under a managed-lane regime. The claims of the claimants were dismissed by the Judge on 8 January 2016. The claimants lodged an appeal at a superior court in the civil jurisdiction, and the related hearing took place at the North Carolina Court of Appeals on 8 February 2017. On 24 February the Judge found in favour of the defendants and subsequently, on 2 May 2017, the appeal filed by the claimants was dismissed. The claimants have lodged an appeal at the Supreme Court. If this appeal succeeds the impact would be to annul the comprehensive agreement currently granted to I-77, which would give rise to a right to indemnification for any damage and losses for the concession operator.

- **Radial 4 toll road and the Ocaña-La Roda toll road (AP36) - Spain**

  There has been a substantial development with respect to the insolvency proceedings of the Radial 4 toll road. On 12 April 2017, the insolvent parties (AMS and IMS) requested commencement of the liquidation phase as provided for in the Spanish Insolvency Law, following the relevant resolutions adopted by the Board of Directors and ratified at the creditors' meeting. On 10 May 2017, Madrid Commercial Court no. 4 ordered the commencement of the liquidation phase, as a result of which the Board of Directors ceased to discharge its functions, and currently the insolvent parties are being managed by the insolvency practitioners in their capacity as liquidators. The liquidators are preparing their proposed liquidation plan, which in all likelihood they will submit to the Insolvency Judge in September.
  With respect to the insolvency proceedings of the AP36 toll road, the company is currently being liquidated. Specifically, in December 2016 the Madrid Provincial Appellate Court definitively set aside the arrangement proposal submitted by the Government through SEITTSA. Accordingly, at 31 December 2016 the only viable solution was the definitive liquidation of the company. In fact, on 29 June 2017 the Insolvency Judge resumed the proceedings by granting the insolvency practitioners, in their capacity as liquidators, a further 15-day period in which to submit their liquidation plan; the liquidators have indicated their intention to request the extension of this period.
  These events confirm the exclusion of these companies from consolidation in 2015, since the circumstances indicating loss of control are evident: there is no exposure to variable returns from the involvement with the investees and there is no ability to direct the relevant activities of the investees.

- **M-203 toll road - Spain**

  As disclosed in the consolidated financial statements for 2016, on 22 December 2016 notification was received of the decision handed down by the Supreme Court dismissing the cassation appeal filed by the Madrid Autonomous Community Government and upholding the recognition of the concession operator's right to terminate the concession arrangement. On 16 June 2017, the concession operator submitted pleadings against the Madrid Autonomous Community Government, which initiated the procedure for termination of the concession arrangement. The request for termination of the arrangement entails (i) the return of the concession assets to the grantor; (ii) the return of the bank guarantees provided as a definitive guarantee; (iii) the subrogation of the grantor to the compulsory purchase proceedings and (iv) the payment of compensation for the investments made and the damage and losses suffered.

- **Autopista Terrasa Manresa (Autema) - Spain**

  On December 30, 2016 the Catalonia Autonomous Government published a new Decree 337/2016 that partially modified Decree 161/2015 initially legal challenged. The new Decree maintains the substantial modification of the retribution system to the Concession Company. Due to this reason the Concession Company has appealed both Decrees with a result that the courts admitted for consideration the claim. Therefore, both decrees are currently appealed in a single proceeding at the High Court of Justice of Catalonia.

b) Litigation and contingencies relating to the Construction Division:

With regard to the lawsuits at the Construction Division disclosed in the consolidated financial statements for 2016, the only change in the first half of 2017 relates to the lawsuit with the Polish Directorate-General for Roads and Toll Roads ("GDDKiA"), in which the Court has definitively accepted the withdrawal of the claim.

On 24 July 2017, Ferrovial Agroman was notified of an arbitration settlement resolution in relation to an open dispute about a Colombian port construction work for a mining company named Cerrejon. The consortium where Ferrovial has a 50% stake, has been held jointly and severable liable to pay compensation for damages amounting to EUR 30 million (EUR 15 million taking in mind Ferrovial' share of 50%) in the client´s favour (for further detail, see note 15).

c) Litigation and contingencies relating to the Services Division:

- With respect to the Services business in the UK, the main lawsuit outstanding at June 2017 relates to the agreement entered into by Amey and Birmingham City Council. On 5 September 2016, a court decision was handed down ruling in Amey's favour with respect to all the matters disputed by the parties. In 2017 the court acknowledged the right of Birmingham City Council to appeal against this decision, which it did recently. The trial relating to this appeal is not expected to take place before January 2018. At the same time, the company is currently negotiating with Birmingham City Council in order to reach an out-of-court settlement. At 30 June 2017, the company had recognised a provision of EUR 52 million to cover the risks that may arise from the final resolution of this dispute.

- Also in relation to the Services business in the UK, as disclosed in the consolidated financial statements for 2016, a lawsuit was in progress with Cumbria County Council (CCC) in the UK. On 11 November 2016, a court decision was handed down ruling in Amey's favour, although at the end of the reporting period the final amount of the legal costs to be recovered had not yet been determined. In the first half of 2017 payment of these legal costs was received, thus bringing this lawsuit to an end.

- With respect to the Services business in Spain, the main lawsuit in which the Company was involved at 31 December 2016 related to a resolution of the Spanish National Markets and Competition Commission (CNMC) imposing a penalty on Cespa Group companies and Cespa, G.R. 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, G.R. amounted to EUR 13.6 million. At the end of the reporting period, the National Appellate Court had not handed down a judgment in connection with the appeal filed on 11 March 2015 against the enforcement proceedings of the CNMC. In the opinion of the company's legal advisers, there are robust arguments to challenge the aforementioned resolution and, accordingly, on the basis of such arguments, the Group decided not to recognise any type of provision in connection with this lawsuit.

Certain of the above-mentioned risks are covered by insurance policies (third-party liability, construction defects, etc.), and no significant changes in litigation or the related provisions have arisen since 2016 year-end.

10.2. Guarantees

a) Bank guarantees and other guarantees provided by insurance companies

At 30 June 2017, the Group companies had provided bank and other guarantees issued by insurance companies totalling EUR 5,864 million (31 December 2016: EUR 5,944 million), relating basically to the guarantees amounting to EUR 3,893 million (31 December 2016: EUR 3,992 million) 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, and to the guarantees amounting to EUR 1,146 million (December 2016: EUR 1,183 million) provided in the Services Division for the liability relating to contract performance.

Of the total amount of the guarantees, EUR 267 million (31 December 2016: EUR 317 million) 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 companies in the Group

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 non-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 2017 and of the changes therein with respect to 31 December 2016 is as follows:

b.1) Guarantees provided by non-infrastructure project companies to fully consolidated infrastructure project companies (contingent capital).
These guarantees totalled EUR 275 million at 30 June 2017 (31 December 2016: EUR 241 million). Of that amount, only EUR 34 million are secured.

b.2) Guarantees provided by non-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 amounted to EUR 50 million based on the Ferrovial Group's percentage of ownership (31 December 2016: EUR 51 million).

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 EUR 890 million at 30 June 2017 (31 December 2016: EUR 1,060 million). It should be noted that the aforementioned amount corresponds to work not yet performed in proportion to Ferrovial's percentage of ownership.

c) Guarantees received from third parties and assets pledged as collateral

The guarantees received from third parties correspond mainly to the fulfilment of certain rights held by various companies in the Construction Division. At 30 June 2017, Ferrovial had received guarantees from third parties totalling EUR 431 million (31 December 2016: EUR 1,056 million), down EUR 625 million due to the completion of the NTE and LBJ toll road projects led by the Construction Division. Thus, Ferrovial Agromán in the United States had received collateral totalling EUR 213 million (31 December 2016: EUR 836 million), the Budimex Group EUR 131 million (31 December 2016: EUR 114 million) and the other construction companies EUR 88 million (31 December 2016: EUR 106 million).

There were no significant changes in the assets pledged as collateral with respect to the situation described in the consolidated financial statements for 2016.

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 EUR 959 million (December 2016: EUR 1,074 million) and the commitments to acquire property, plant and equipment and companies amount to EUR 126 million (December 2016: EUR 126 million). The investment commitments include the EUR 668 million expected to be invested for our 50% ownership interest in the I-66 toll road; this figure is tentative since the financial close of the project has not yet taken place. A portion of the commitments for infrastructure projects are secured by bank guarantees received from third parties amounting to EUR 267 million (see Note 10.2). It should be mentioned that the EUR 959 million include EUR 34 million 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 EUR 64 million. In return for providing this guarantee, if the shareholder fails to make the related disbursements, its ownership interest will be diluted in proportion to the disbursements not made.

b) Obligations under operating and finance leases

In relation to the related disclosures in the consolidated financial statements for 2016, it should be noted that at 30 June 2017, as a lessee, Ferrovial had future total minimum lease payments on non-cancellable operating leases amounting to EUR 404 million (31 December 2016: EUR 435 million), associated mainly with the Services Division, where they amounted to EUR 287 million (31 December 2016: EUR 312 million).

c) Environmental commitments

There were no changes with respect to the information disclosed in the consolidated financial statements for 2016 on the provisions for probable or certain environmental liability, litigation in progress and indemnities or other outstanding obligations of undetermined amount.

11. Employees

The detail of the number of employees at 30 June 2017 and 2016, by professional category and gender, is as follows:

	June 2017			June 2016		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	2	0	**2**	2	0	**2**
Senior executives	10	2	**12**	10	2	**12**
Executives	452	86	**538**	431	70	**501**
University and further education college graduates	9.699	3.443	**13.142**	9.419	3.170	**12.589**
Clerical staff	3.811	4.617	**8.428**	3.881	4.639	**8.520**
Manual workers and unqualified technicians	55.685	19.802	**75.487**	55.852	19.018	**74.870**
Total	**69.659**	**27.950**	**97.609**	69.595	26.899	**96.494**

The average number of employees, by business division, in the first six months of 2017 and 2016 was as follows:

	June 2017			(*) June 2016		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Construction	14.302	2.875	**17.177**	14.203	2.017	**16.220**
Corporate	242	181	**423**	237	159	**395**
Real estate	55	76	**131**	45	67	**112**
Services	53.252	25.064	**78.317**	40.162	20.367	**60.528**
Toll roads	436	206	**642**	619	278	**897**
Airports	20	14	**34**	15	9	**25**
Total	**68.306**	**28.417**	**96.722**	55.280	22.897	**78.177**

(*) The average number of employees at June 2016 includes only one month of Broadspectrum.

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 substantially 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.
- In the Services business there is also a certain seasonality due to weather conditions, although road maintenance activity is normally more intense in the winter months.
- This seasonality due to weather conditions is different in the southern hemisphere countries in which Ferrovial operates (mainly Australia and Chile).

Noteworthy in terms of cash flows are the greater flows from operating activities generated in the second half of the year, which is due to the fact that a significant portion of the public sector customers close their budget cycles in December each year. As a result, the proceeds received in the second half of the year are higher than in the first. In the case of Australia, the budget cycle is normally closed in June each year.

In addition to these recurring impacts, mention should be made in 2017 of a series of specific events that may affect the comparability of the two six-month periods, such as the planned divestment of the Algarve concession in the toll road business or the scheduled completion in October of the immigration contracts at Broadspectrum.

13. Related party transactions

Following is a detail of 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 2017 and 2016.

a. Significant shareholders

The transactions with significant shareholders are included under "Transactions with Directors and Executives", together with the other transactions performed between the directors (and other parties related to the Company) and the Company or companies in its Group.

b. Transactions with directors and executives

The transactions performed in the first six months of 2017 and 2016 by the Company and companies in its Group with the Company's directors and senior executives are shown below. The table also includes the transactions, if any, performed with persons or entities considered to be parties related to the Company (if they were so considered during a portion of the half-year, the transactions performed in that period are indicated).

c. Transactions between Group employees, companies or entities

Set forth below is information on transactions between Ferrovial companies 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 2016, 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 2017, Ferrovial's Construction Division recognised sales of EUR 209,766 thousand relating to the aforementioned construction work (30 June 2016: EUR 228,005 thousand).

In the first half of 2017 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 EUR 12,672 thousand. At 30 June 2016, the profit recognised in this connection amounted to EUR 22,970 thousand.

Thousands of euros	06/30/17					06/30/16				
EXPENSES AND INCOME:	Significant shareholders	Directors and executives	Group employees, companies or entities	Total expenses and income	Statement of financial position balance	Significant shareholders	Directors and executives	Group employees, companies or entities	Total expenses and income	Statement of financial position balance
Finance costs		536		**536**	**0**		1,373		**1,373**	**0**
Services received		12,198		**12,198**	**-2,456**		19,361		**19,361**	**-5,166**
EXPENSES	**0**	**12,734**	**0**	**12,734**	**-2,456**	**0**	**20,734**	**0**	**20,734**	**-5,166**
Finance income		102		**102**	**0**		136		**136**	**0**
Services rendered	0	4,058	209,766	**213,824**	**2,184**	0	7,793	228,005	**235,799**	**5,518**
INCOME	**0**	**4,160**	**209,766**	**213,926**	**2,184**	**0**	**7,929**	**228,005**	**235,934**	**5,518**

Thousands of euros	06/30/17					06/30/16				
OTHER TRANSACTIONS:	Directors and executives	Group employees, companies or entities	Other related parties	Total expenses and income	Statement of financial position balance	Directors and executives	Group employees, companies or entities	Other related parties	Total expenses and income	Statement of financial position balance
Financing agreements: loans and capital contributions (borrower)		101,360		**101,360**	**-101,360**		107,400		**107,400**	**-107,400**
Guarantees received		121,370		**121,370**	**-121,370**		119,400		**119,400**	**-119,400**
Settlement of derivatives		-1,063		**-1,063**	**0**		-12,439		**-12,439**	**0**

14. Remuneration of the Board of Directors

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 2017	June 2016
Fixed remuneration	1,328	1,328
Variable remuneration	4,133	3,871
Bylaw-stipulated emoluments:		
- Fixed remuneration	201	187
- Attendance fees	318	414
Transactions involving shares and/or other financial instruments	2,812	15,004
TOTAL	**8,792**	**20,804**
SENIOR EXECUTIVES:	Amount (thousands of euros)	
	June 2017	June 2016
Total remuneration received by senior executives	**13,019**	**15,138**

The reduction in the directors' remuneration with respect to the year-ago period was due basically to the expiry in 2016 of the share option plans granted and communicated in the past. In the case of the senior executives, the decrease was due mainly to the expiry of the share option plans granted and communicated in the past, as well as 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 EUR 15 thousand 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 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 in the first six months of 2017 amounted to EUR 2,366 thousand.

15. Events after the reporting period

On 24 July 2017, Ferrovial Agroman was notified of an arbitration settlement resolution in relation to an open dispute about a Colombian port construction work for a mining company named Cerrejon. The consortium where Ferrovial has a 50% stake, has been held jointly and severable liable to pay compensation for damages amounting to EUR 30 million (EUR 15 million taking in mind Ferrovial' share of 50%) in the client´s favor.

The arbitration started as a result of the contract termination requested by the construction consortium in February 2013. The consortium reached its decision based on the fact that there was a strike on Cerrejon´s mining facilities which lasted for over 30 days. In accordance with the company´s legal advisors interpretation, being of force majeure, the matter gave the consortium the right to terminate the contract. The cross-claims were: the construction consortium claimed a total of 34 million euros, on the other hand Cerrejon claimed a total amount of 30 million euros. At a first instance, on September 2013, and based on the existing legal reports, it was considered that the consortium had a solid case, thus no provision was recognized for the dispute.

The arbitration settlement finds that the circumstances alleged by the consortium do not give the right to terminate the contract, thus rejects the claim and admits and condemns the consortium to the payment of 100% of the claim made by Cerrejon.

After a first revision of the settlement´s content, and after considering that this resolution constitutes an event after the closing period that requires an adjustment to the financial statements as of June 30, 2017, it has been decided to include a provision for the previously mentioned 15 million euros.
Legal advisors of the company are currently analysing deep and thoroughly the settlement in order to conclude if a nullity action can be filed

16. Explanation added for translation to English

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

BOARD APPROVAL

The foregoing pages contain the consolidated condensed financial statements and the consolidated interim management report of Ferrovial, S.A. and its subsidiaries for the six-month period ended 30 June 2017, which were approved by the Board of Directors of the Company at its meeting held in Madrid on 27 July 2017 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. Juan Arena de la Mora 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. Arena de la Mora with the approval of 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 2017.

____
Mr. Santiago Ortiz Vaamonde
Secretary non Director 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 2017

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 2017 approved by the Board on 27 July 2017 have been prepared in accordance with the applicable set of 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, 27 July 2017.

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. Juan Arena de la Mora 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. Arena de la Mora 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 2017.

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 2017, 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 16). In the event of a discrepancy, the Spanish-language version prevails.

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 16). 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 2017, 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 2017 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 2016. 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 2017 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 2017. 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

27 July 2017