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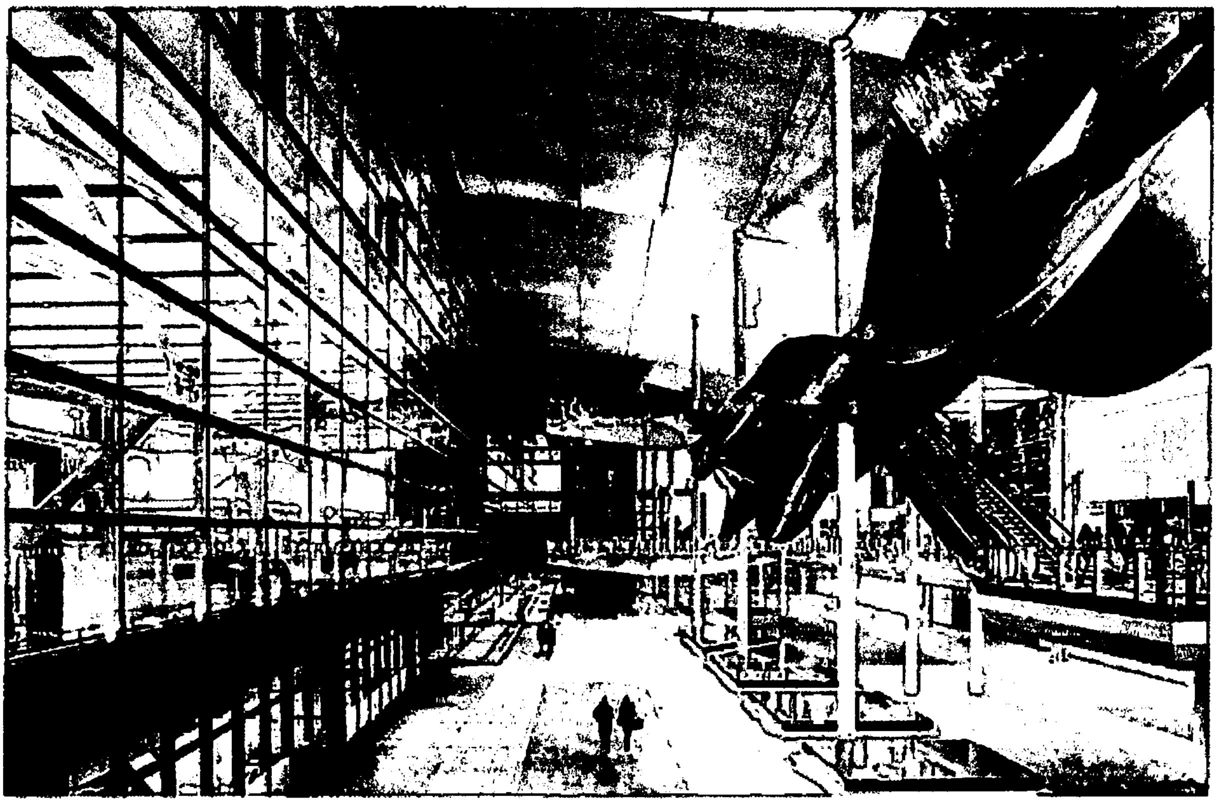
Ferrovial Airports International Ltd.

Annual Report and Financial Statements for the year ended
31 December 2017

Registration no: 09635449



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General Information

Board of Directors:

Jorge Gil Villén
Ignacio Aitor García Bilbao
Juan Bullón Alemán

Company Secretary:

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Strategic Report

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

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

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

In October 2016, Ferrovial Airports entered into the electricity transmission market through the acquisition of 65.94% of Transchile Charrua Trasmisión SA ("Transchile"), a Chilean company which owns a 204-km transmission line in the south of the country. The remaining 34.06% was acquired, at the same time, by Ferrovial Transco España, S.A.U. (former Ferrovial Aeropuertos Internacional, S.A.U.), whose ultimate parent company is also Ferrovial S.A.

In 2017 Ferrovial Airports completed the restructuring process of the electricity transmission business by creating its holding company Ferrovial Transco International UK, Ltd and including the remaining 34.06%, through two main agreements:

- *a Share Exchange Agreement between Ferrovial International, Ltd and Ferrovial Airports International, Ltd.* involving the acquisition of the shares representing the entire share capital of Ferrovial Aeropuertos Internacional, S.A.U. by Ferrovial Airports International, Ltd. The consideration for this sale was the allotment and issuance by Ferrovial Airports International, Ltd. of 1,848,594 ordinary shares of €1 each with a share premium of EUR 16,637 thousand.
- *a Share Exchange Agreement between Ferrovial Airports International, Ltd and Ferrovial Transco International UK, Ltd* involving the acquisition of the shares representing the entire share capital of Ferrovial Transco España, S.A.U. and the shares representing the 65.94% of the share capital of Ferrovial Transco Chile SpA, by Ferrovial Transco International UK, Ltd. The consideration for this sale was the allotment and issuance by Transco International UK, Ltd. of 8,311,689 ordinary shares of €1 each with a share premium of EUR 74,805 thousand.

In December 2017, the Great Hall Partners consortium, led by Ferrovial Airports, has achieved financial closure of the contract for remodelling and commercial operation of the Jeppensen terminal at Denver International Airport. Financial closure comes after the signature of the contract between Denver City and County (the "City") and Great Hall Partners (the "Operator" or "Denver Great Hall") on 24 August 2017. Ferrovial Airports, with an 80% stake in the subsidiary, is the majority partner of the consortium, alongside Saunders Construction and JLC (an investment fund created by Loop Capital and Magic Johnson Enterprises). The construction and refurbishment work, worth a total of 650 million dollars, will be carried out by Ferrovial Agroman and Saunders Construction.

Management Review

Business Model

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

Ferrovial Airports also owns a 50% of the unregulated airports of Aberdeen, Glasgow and Southampton (which are grouped together under the AGS brand) and it is represented on the AGS' Board of Directors.

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

The new contract for remodelling and commercial operation of the Jeppensen terminal at Denver International Airport is one of the first P3 airport transactions in the US and will allow the reconfiguration of the Great Hall to maximise its commercial performance and channel a substantial passenger flow through a new airside area.

Following the acquisition of Transchile in October 2016, the Group has diversified its business with the incorporation of electricity transmission.

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

Ferrovial Airports decided to start the development of the electricity transmission business line as a result of its bidding capabilities and know-how and experience managing regulated infrastructure assets.

Value Creation

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

Ferrovial Airports pursues the greatest efficiency in operation costs and the financial structure of its investments, together with innovative commercial solutions. In 2017, the increase of passengers together with the strong focus on operating efficiencies have led to an increase in gross operating income of 4.6% in Heathrow. A combination of benefits from the renegotiated NATS contract, the non-repeat of 2016 organisational change costs and benefits of cost efficiencies in people-related, absorbed the cost increase of managing higher passenger numbers whilst maintaining service and resilience. Furthermore the commercial income also benefited from the depreciation of pound sterling, although this trend has moderated since the middle of the year, and the redevelopment of Terminal 5 catering outlets and Terminal 4's luxury retail offering, completed in late 2016.

The improvement in the gross operating profit of AGS in 2017 has been possible thanks to the increased passengers and growth in commercial yield in all the airports. The improvement of the commercial yield is mainly due to the impact of the Aberdeen terminal transformation project, the implementation of a passenger access charge in Glasgow and the new terms of Glasgow's National Car Parks (NCP) contract.

The refinancing of AGS was completed during the first quarter of the year, after its acquisition in 2014 which has led to the optimisation of their financing structure, the extension of the deadlines and an extraordinary distribution among shareholders of GBP 75 million.

Business environment

Airports Business

There has been a further growth in passenger numbers at a global level in 2017. Up until today there has not been a negative impact of Brexit on traffic and income from British airports. At the same time, investment in airport assets is arousing greater interest and competition, with infrastructure and pension fund management companies being increasingly active.

Overall, the Group moves 93 million passengers per year. At the Heathrow airport alone, the Group manages 81 airlines to almost 204 destinations. A total of 82% of passengers rate their experience at Heathrow as "Excellent" or "Very good", according to the Airport Service Quality Survey by the Airport Council International (ACI).

Passenger traffic:

Passenger traffic by airport for the year ended 31 December 2017:

Millions passengers	Dec-17	Dec-16	Var.
Heathrow	78.0	75.7	3.1%
Glasgow	9.9	9.4	5.7%
Aberdeen	3.1	3.1	1.9%
Southampton	2.1	2.0	6.1%
Total	**93.1**	**90.1**	**3.4%**

In 2017, Heathrow Airport handled 78 million passengers, up +3.1% vs. 2016 and had a record year. The traffic growth was primarily driven by average load factor increasing by 2 percentage points to 78.0% (2016: 76.0%) partly reflecting an increase in UK inbound demand, influenced by the depreciation of sterling, particularly from the Middle East and Asia Pacific. The average number of seats per passenger aircraft rose 0.4% to 212.3 (2016: 211.5). The increase in the number of flights reflects the immediate benefit of a scheme we launched in the fourth quarter of 2017 to boost utilisation of the limited spare capacity which drove the net increase in flights in the final quarter of over 1,300 flights.

Traffic at Glasgow reached 9.9 million passengers (+5.7%) vs 2016. Domestic traffic was down (-1.1%) as a result of reduced rotations to London Stansted partly offset by additional rotations on Flybe and Loganair routes in the regional domestic market. International traffic increased (+11.5%) due to the growth in European traffic as a result of Ryanair's new routes which include Lisbon, Valencia, Palanga and Frankfurt, Jet2's new services to Dubrovnik and extra capacity to Canaries, Alicante, Cyprus and Malaga. Long haul traffic has also increased reflecting a strong performance by Emirates coupled with the new Delta service to New York.

Passenger numbers at Aberdeen reached 3.1 million (+1.9%) vs 2016. Domestic traffic increased (+1.3%), mainly driven by the new Flybe's London Heathrow route. International traffic increased (+3.2%), due to the growth in new leisure routes including Ryanair's new routes to Alicante, Malaga and Faro, Wizz's new services to Warsaw and Air Baltic's new route to Riga. This was partially offset by reduced rotations to international hubs (Paris CDG and Amsterdam) and a reduction in Scandinavian passengers.

Passenger numbers at Southampton totalled 2.1 million (+6.1%) vs 2016. Domestic traffic increased (+3.7%), driven by additional rotations on Flybe's Manchester, Glasgow and Newcastle services, partly offset by reduced rotations on the Guernsey route in the first quarter (including weather related disruption). International traffic increased (+9.8%) due to extra capacity from the new routes to Amsterdam, Munich, Malaga and Cork.

Airport tenders:

In 2017 Ferrovial Airports has been analysing mainly investment opportunities in the US.

Electricity transmission business

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

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

Electricity transmission tenders:

In 2017 Ferrovial Airports has been analysing mainly investment opportunities in Chile and Brazil.

Commitment to Innovation

Innovation is one of the key elements of the value proposal. In the last year, Ferrovial Airports has launched a large number of innovative projects:

- **Robird:** a pioneering pilot project in the United Kingdom in which a drone in the shape of a bird, and which flies like a bird, scares off birds that fly over runways, reducing the risk of contact in the landing and take-off of aircraft and in general operations on airports runways.
- **Autonomous vehicle:** at Heathrow Airport, pilot tests were carried out with autonomous vehicles for transporting passengers and employees in its terminals.
- **Airport Centre of Excellence:** in mid-2017, Ferrovial Airports signed a collaboration agreement as sole private operator of the first Airport Centre of Excellence, launched by Lion & Gazelle. The aim of the center is to identify trends in operation and technology applied to airports and develop innovative solutions and good practices in the processes.

Community engagement:

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

Heathrow launched the 'Heathrow 2.0' sustainability plan, at the start of 2017, with the aim of reducing the environmental impact of aviation while optimising growth opportunities in the United Kingdom.

In 2017, Heathrow launched the Green Car Scheme to encourage employees to change their car to a low-emission one and became one of the first ten members of EV100, a global initiative to bring together the companies most committed to the transition to electric vehicles.

Future Developments and Outlook

Over the next year Ferrovial Airports will continue to focus its efforts on its bidding activity and maximise the performance of its assets:

- Heathrow will continue with the development process of the third runway, which should be approved by the UK Parliament, together with different stakeholders (airlines, regulators and communities) as such a decisive contribution for the British economy. Regarding the next regulatory period H7, the Civil Aviation Authority has confirmed that a RAB-based remuneration model and single till will continue to be used, and the consultative process on capital cost, inflation indexation or cost of debt will continue among other issues.
- AGS will continue to invest in increasing the profitability of airports by expanding and improving the commercial area in Glasgow and Aberdeen and also improving operating costs.
- Denver, whose remodelling works at the Jeppensen Terminal will begin in the second half of the year.
- Transchile, consolidate operations after the restructuring process undertaken at the end of 2017.

The bidding activity at airports in 2018 will focus mainly on the North American market, with the opening of a new commercial office in Austin to improve the knowledge and needs of this market and strengthening the competitive advantages of the company. The bidding activity for electricity transmission will focus on Chile and other countries in South America.

Ferrovial Airports is considering its conversion into a public limited company (PLC) and then into a societas europaea (SE). It would subsequently transfer its corporate registered offices to another member State of the European Union (EU) in order to remain under the umbrella of EU Law. Said transactions would be expected to be completed before the end of 2018.

The directors expect no changes in the principal activities of the Company

Risk management

Effective risk management

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

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

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

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

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

- **Strong competition in the markets in which the Company operates**, that may affect the profitability and value creation in activities focused on long-term projects both in the management of the current Airports of the portfolio and in the bidding activity. As a response of these risks, the Company has a commercial committee and an investment approval procedure to identifying and assessing the most relevant project risks
- **Brexit:** after the United Kingdom Government submitted its formal intention to leave the European Union, the exit process was formally initiated and a two-year negotiation period began to determine the new terms of the UK's relationship with the European Union. The final result of this negotiation process is subject to a high level of uncertainty that could adversely affect economics conditions in the United Kingdom and/or in the European market as a whole, as well as contributing to instability in financial markets and global currencies, including volatility in the value of the euro.
  However, these estimates have been tweaked towards more optimistic outlook due to better economic data. Heathrow airport is the largest asset in which Ferrovial Airports participates in the United Kingdom but the forecast for a potential slowdown or standstill in the British economy is not expected to significantly affect its activity when compare to similar situations in the past in light of the relevance of the asset and its full-capacity status. In addition, the decision of the British Government to move forward with the third runway project, pending final parliamentary approval, highlights the importance that the airport has for this country and, therefore, its lower exposure to this risk.

  In the case of AGS airports, Ferrovial Airports will continue monitoring the developments in negotiations between the United Kingdom and European Union and continue tracking the trends in the financial markets to take the appropriate coverage measures.
- **Business resilience:** Assets, infrastructure, human and electronic processes or systems that may fail by accident or deliberate act and this could negatively impact airport operations, passenger experience or the running of the Airport as a business. To prevent and to cope if a critical service or operation is significantly interrupted for a prolonged period there are recovery plans in place in the main areas of risk;
- **Strategy, economic regulation and market changes:** Changes in economic regulation, the aviation market or the wider economy must be identified in order to influence the pace and direction of identified changes to prevent them and to achieve relevant requirements or outperform regulatory price reviews;
- **Safety and Security;** The aim is to protect and safeguard the welfare and safety of staff, business partners and the public who may be affected by the inherent risk of the activities that could result in injuries, disruption to operations impacting revenue, loss of infrastructure requiring reconstruction, damage to our reputation, and additional operating restrictions imposed which may increase costs and impact passenger satisfaction; and

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

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

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

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

  (iv) **Inflation risk:** Most of the revenue from infrastructure projects is associated with prices tied directly to inflation. This is the case of Heathrow and AGS airports accounted for using the equity method. Therefore, a scenario of rising inflation would result in an increase the cash flow from assets of this nature.
  Unlike the Company's assets, from the accounting standpoint the derivatives arranged at Heathrow have the objective of converting fixed-rate borrowings into index linked debt and are measured at fair value through profit and loss, since they are considered to be ineffective derivatives. In this regard, an increase of 100 b.p. throughout the inflation curve would have an effect on the net profit attributable to Ferrovial Airports (in proportion to its percentage of ownership) by EUR -162 million.

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

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

Financial Review

million euros	Dec-17	Dec-16	Var.
Net profit/ (loss)	100	(32)	408.5%
Equity accounted results	89	(46)	294.8%
Distribution received from joint ventures and associates	232	134	72.4%
Net debt position	(65)	(75)	14.3%
Group equity	1,291	1,256	2.8%

Net profit

In the year to 31 December 2017 the Group's profit after tax was EUR 100 million (vs. EUR 32 million of net loss in 2016) and included Denver Great Hall's net profit result of EUR 0,2 million after the financial closure in December 2017.

Equity accounted results

Heathrow and AGS contributed a profit of EUR 89 million to Ferrovial Airports' equity-accounted results (vs. EUR 46 million loss in 2016) and they are the main drivers for the Group's net profit.

- **Heathrow:** Contributed EUR 87 million profit in 2017, versus EUR 57 million loss in 2016. This upside on the result was mainly due to the positive mark to market performance of the hedging instruments in 2017 (EUR 169 million positive non-cash net profit impact) as compare with the negative impact seen in 2016, as a result of an uptick in the expected inflation figure and the cut in interests rates.
- **AGS:** Contributed EUR 2 million profit in 2017, versus EUR 12 million profit in 2016. This downside was primarily due to the positive non-recurrent non cash item in 2016, due to changes in the pension plan conditions (EUR 7 million) and the two percentage point drop in tax rate to 17% (EUR 6 million).

Distribution received from joint ventures and associates

With regards the amounts that have been received:

- Heathrow paid out GBP 525 million to shareholders (EUR 153 million for Ferrovial Airports in 2017, +60% vs. 2016) which is significantly more than in 2016 (GBP 325 million). This included an extraordinary distribution due to the good operating performance and the uptick in inflation.
- AGS paid out GBP 146 million to shareholders (EUR 84 million for Ferrovial Airports in 2017, +120% vs. 2016) of which GBP 75 million resulted from a loan repayment following the refinancing carried out in the first quarter of 2017, which led to optimisation of the finance structure, the extension of the maturity term and the partial repayment of shareholder debt.

Net debt position

The Group's net debt decreased 14,3% from EUR 75 million to EUR 65 million, the main driver is the decrease in borrowings from Ferrovial Group companies partially offset by the Denver´s new debt.

Group equity

The Group equity increased 3% from EUR 1.256 million to EUR 1.291 million mainly due to the increase in the net profit of the year.

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

Ignacio Aitor ~~García Bilbao~~

Director

Date:31 May 2018

Directors' Report

The Directors present their Annual report and the audited financial statement for the year ended 31 December 2017.

Principal activities

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

A review of the progress of the Group´s business during the year, the key performance indicators, principal business risks and likely future developments are contained in the Strategic report on pages 5 to 11.

Results and dividends

The profit after taxation for the financial year amounted to EUR 100 million (2016:EUR 32 million net loss).

As a result of the investment in Ferrovial Airports Denver UK and the restructuring process of the electricity transmission activity the Company issued 2,271,297 shares including a share premium amounting EUR 20.5 million and a voluntary reserve amounting EUR 0.4. million.

The Group did not distribute dividends in 2017.

Directors

The following individuals served as Directors during the year:

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

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

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

Interests held by the Directors and the secretary

None of the Directors of the Company, or their spouses or children, have shareholdings in the Company at 31 December 2017.

Going concern basis

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

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

Political donations

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

Independent auditor

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

Directors' statement regarding disclosure of information to auditor

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

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

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

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

Ignacio Aitor García Bilbao
Director
Date: 31 May 2018

Statement of Directors' Responsibilities

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

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

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

In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

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

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

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

Ignacio Aitor García Bilbao

Director

Date: 31 May 2018

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ferrovial Airports International Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated and parent company income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and company statements of cash flows;
- the consolidated and parent company statements of changes in equity;
- the accounting policies; and
- the Group related notes 1 to 29 and Company related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Philip Doherty

Philip Doherty FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
31 May 2018

Consolidated income statement

Thousands of euros	Note	2017	2016
Revenue	2	**19,488**	**1,593**
Personnel expenses	3	(911)	(299)
Provisions		489	-
Other operating expenses	4	(15,706)	(4,061)
Gross operating profit/(loss)		**3,360**	**(2,767)**
Depreciation and amortisation charge		(2,478)	(650)
Profit/(loss) from operations		**882**	**(3,417)**
Net finance income	7	**14,126**	**18,622**
Share in profits/(losses) of companies accounted for using the equity method	13	88,685	(45,522)
Profit/(loss) before tax		**103,693**	**(30,317)**
Income tax	8	(3,695)	(2,961)
Consolidated Profit/(loss) for the year		**99,998**	**(33,278)**
(Loss)/profit for the year attributable to non-controlling interests		(56)	878
Profit/(loss) for the year attributable to the Parent		**99,942**	**(32,400)**

Consolidated statement of comprehensive income

Thousands of euros	2017	2016
(a) Consolidated profit/(loss) for the year	**99,998**	**(33,278)**
Attributable to the Parent	99,942	(32,400)
Attributable to non-controlling interests	56	(878)
(b) Items that will not be reclassified to the income statement	**(11,858)**	**(73,010)**
Impact on reserves of pension plans in joint ventures and associates	(14,239)	(90,015)
Tax effect	2,381	17,006
(c) Items that may be reclassified subsequently to the income statement	**(35,990)**	**(185,677)**
Impact on hedging instrument reserves	11,034	14,245
Available-for-sale financial assets	(551)	305
Exchange differences on translation of foreign operations	(45,914)	(193,862)
Other	688	(90)
Tax relating of other comprehensive income that may be reclassified	(1,247)	(6,275)
(a)+(b)+(c) Total comprehensive income/(loss)	**52,150**	**(291,964)**
Attributable to the Parent	52,147	(294,147)
Attributable to non-controlling interests	3	2,183

Consolidated balance sheet

Thousands of euros	Note	2017	2016
Intangible assets	10	58,165	67,396
Investment in infrastructure projects: financial asset	11	36,362	-
Property, plant and equipment	12	56,259	65,643
Investments in joint ventures and associates	13	742,161	836,007
Non-current financial assets	14	174,950	252,562
Deferred tax assets	18	1,339	1,634
Non-current derivative financial instruments at fair value	15	2,195	3,066
Non-current assets		**1,071,431**	**1,226,308**
Current trade and other receivables		748	748
Current income tax assets		7,387	4,813
Amounts due from Ferrovial Group companies	16	287,234	111,251
Cash and cash equivalents	16	185,551	74,172
Current assets		**480,920**	**190,984**
TOTAL ASSETS		1,552,351	1,417,292
Debt securities and bank borrowings	17	(234,109)	(66,673)
Other payables		-	(47)
Deferred tax liability	18	(4,321)	(5,037)
Non-current liabilities		**(238,430)**	**(71,757)**
Debt securities and bank borrowings	17	(1,683)	(1,629)
Borrowings from Ferrovial Group companies	17	(14,331)	(81,257)
Current derivative financial instruments at fair value	15	-	(1,453)
Trade and other payables	19	(4,577)	(4,244)
Current income tax liabilities		(1,767)	(124)
Operating provisions and allowances		(286)	(783)
Current liabilities		**(22,644)**	**(89,490)**
TOTAL LIABILITIES		(261,074)	(161,247)
TOTAL NET ASSETS		**1,291,277**	**1,256,045**
Share capital	20	161,067	158,793
Share premium	20	644,604	624,139
Translation, hedging and Actuarial reserves	21	(235,561)	(188,213)
Retained earnings	21	378,222	278,280
Merger Reserves	21	342,376	344,985
Equity attributable to the shareholders		**1,290,708**	**1,217,984**
Equity attributable to non-controlling interests	22	**569**	**38,061**
TOTAL EQUITY		**1,291,277**	**1,256,045**

The Consolidated Financial Statements of Ferrovial Airports International Ltd., registered number 09635449, were approved by the Board of Directors and authorised for issue on 31 May 2018.

Signed on behalf of the Board of Directors

Ignacio Aitor García Bilbao

Consolidated statement of cash flows

Thousands of euros	Note	2017	2016
Cash flows from operating activities	23	**219,200**	**134,804**
Payment of income tax		(4,939)	(8,580)
Cash flow from operating activities		**214,261**	**126,224**
Investment in infrastructure projects		(24,667)	(1,546)
Investment through acquisition of companies		-	(67,046)
Change in amounts due from Ferrovial Group companies		(194,569)	(111,167)
Cash flow used in investing activities		**(219,236)**	**(179,759)**
Cash flows before financing activities		**(4,975)**	**(53,535)**
Interest received		1,030	1,921
Interest paid		(5,396)	(767)
Increase in financial debt		175,270	68,302
Repayment of bank debt		-	(22,760)
Increase in borrowings from Ferrovial Group companies		10,732	81,168
Repayment in borrowings from Ferrovial Group companies		(68,183)	(15,880)
Cash flows from the issue of equity		4,355	-
Cash flows from related parties (i)		280	2,420
Cash flow from financing activities		**118,088**	**114,405**
Net increase in cash and cash equivalents		**113,113**	**60,870**
Cash and cash equivalents at beginning of year		74,172	17,285
Effect of foreign exchange rate changes on cash and cash equivalents		(1,734)	(3,982)
Cash and cash equivalents at end of year		**185,551**	**74,172**

(i) This amount represents the net cash received from Ferrovial Airports International S.A.U. for the investment in Ferrovial Transco Chile Spa in 2016 and the cash received from MJE-Loop Capital Partners LLC and Saunders Concessions, LLC for the investment in Denver Great Hall Holding LLC in 2016 and 2017.

Consolidated statement of changes in equity

Thousands of euros	Share Capital	Share Premium	Translation diferences, Hedging reserves & others.	Retained Earnings	Merger Reserve	Attributable to the Parent	Attributable to non-controlling interests	Total Equity
Note	20	20	21	21	21		22	
Balance at 1 January 2016	**158,793**	**1,429,139**	**73,534**	**310,680**	**344,985**	**2,317,131**	**-**	**2,317,131**
Losses for the year	-	-	-	(32,400)	-	(32,400)	(878)	(33,278)
Other comprehensive income and expense	-	-	(261,747)	-	-	(261,747)	3,060	(258,687)
Total comprehensive loss recognised in the year	**-**	**-**	**(261,747)**	**(32,400)**	**-**	**(294,147)**	**2,183**	**(291,964)**
Capital reduction	-	(805,000)	-	-	-	(805,000)	-	(805,000)
Minority interest on acquisition of subsidiary	-	-	-	-	-	-	35,879	35,879
Balance at 31 December 2016	**158,793**	**624,139**	**(188,213)**	**278,280**	**344,985**	**1,217,984**	**38,061**	**1,256,045**
Gains for the year	-	-	-	99,942	-	99,942	56	99,998
Other comprehensive Expenses	-	-	(47,796)	-	-	(47,796)	(53)	(47,849)
Total comprehensive income recognised in the year	**-**	**-**	**(47,796)**	**99,942**	**-**	**52,146**	**4**	**52,150**
Capital Increase	2,274	20,465	447	-	-	23,186	-	23,186
Increase of ownership in a subsidiary	-	-		-	(2,608)	(2,608)	(37,495)	(40,104)
Balance at 31 December 2017	**161,067**	**644,604**	**(235,561)**	**378,222**	**342,376**	**1,290,708**	**569**	**1,291,277**

Notes to the financial statements

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

1.1 Basis of presentation

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

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

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

1.2 Company activity

The Group consists of the parent Company Ferrovial Airports International Ltd. and its subsidiaries and associates, as detailed in Note 26.

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

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

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

1.3 Changes in the scope of consolidation

Below are the most significant changes with respect to last year in the scope of consolidation.

Denver Great Hall Contract Award

The contract for remodelling and commercial operation of the Jeppensen terminal at Denver International Airport, between the City and Denver Great Hall, was signed on 24 August 2017. Ferrovial Airports, with an 80% stake, is the majority partner of the consortium, alongside Saunders Construction and JLC (an investment fund created by Loop Capital and Magic Johnson Enterprises).

This is a 34 year administrative concession, that meets the criteria to be considered within the scope of IFRIC 12 and it is fully consolidated.

Financial closure was achieved in December 2017. The total investment will be financed by a combination of governmental payments, equity committed by the consortium and a Long-Term-Fixed-Rate Exempt Facility (the "Series 2017 Bond). The equity provided by the consortium amounts to 68 million dollars, while the bond amounts to 189 million dollars.

The construction and refurbishment work, worth a total of 650 million dollars, will be carried out by Ferrovial Agroman and Saunders Construction.

Acquisition of Ferrovial Transco España S.A.U.- Comparative information

As of 3 November 2017 Ferrovial Airports International Ltd. ("the Transferee") agreed to acquire the entire share capital of Ferrovial Aeropuertos Internacional, S.A.U. that Ferrovial International Ltd. ("the Transferor") held in the Transferee. The consideration for this sale was the allotment and issuance by Ferrovial Airports International, Ltd. of 1,848,594 ordinary shares of €1 each with a share premium of EUR 16,637 thousand.

As this transaction occurred under common control, it is outside the scope of IFRS 3: Business Combinations 2008 ("IFRS 3"). Accordingly, the Group has an accounting policy choice as how to account for this transaction considering which accounting treatment is most useful and appropriate for the users of the accounts. The Group's policy is to prepare its consolidated financial statements using the principles of merger accounting, as set out under FRS 102 Section 19 (formerly FRS 6 "Acquisitions and Mergers").

Under these principles, the Company has consolidated the balance, result and cash flows of this subsidiary as of 1 November 2017, which are shown below:

Assets (EUR Thousand)	1st November 2017	Equity and liabilities (EUR Thousand)	1st November 2017
Non-current assets	**34,521**	**Equity**	**19,783**
Investment in subsidiaries	33,166	Equity attributable to the shareholders	19,783
Deferred tax asset	1,355		
Current assets	**20,360**	**Current liabilities**	**35,098**
Trade and other receivables	94	Current liablilities	35,098
Current financial assets	20,266		
TOTAL ASSETS	**54,881**	**TOTAL EQUITY AND LIABILITIES**	**54,881**

The difference between the fair value of the consideration given, and the nominal value of the shares received in exchange shall be known as a movement on other reserves in the consolidated financial statement, which amounts to EUR 2,608 million. There is no restated comparative for 2016. This has not been deemed necessary given the level of disclosures included and therefore would have no impact on decision making by users of these consolidated Financial Statements.

1.4 Accounting policies

1.4.1 New accounting standards

1.4.1.1. Early application of IFRS 15. Revenue from contracts with costumers

Although the new standard is not mandatorily applicable until 1 January 2018, Ferrovial Airports decided, making use of the option included in IFRS 15, to early apply the standard effective 1 January 2017. This decision has no material impact on the consolidated financial statements.

1.4.1.2. New standards, amendments and interpretation adopted by the European Union mandatorily applicable for the first time in 2017.

On 1 January 2017, the following standards which might have an impact on the consolidated financial statements came into force in the European Union: Amendments to IAS 7, Disclosure Initiative, Annual Improvements to IFRSs, 2014-2016 Cycle and Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses. No significant impact on the Group statements has been identified as a result of the amendments to IAS 12.

1.4.1.3. New standards, amendment and interpretation mandatorily applicable in annual reporting periods subsequent to 2017.

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

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Not yet applied but already approved for use in the EU		
IFRS 9	Financial instruments	1 January 2018
IFRS 16	Leases	1 January 2019
Not yet approved for use in the EU		
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendments to IFRS 2	Classification and measurement of share-based payments transactions	1 January 2018
Amendment to IAS 40	Investment property	1 January 2018
Amendment to IFRS 9	Prepayment features with negative compensation	1 January 2019
Amendment to IAS 28	Long term interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	2015-2017 cycle	1 January 2019
Amendment to IAS 19	Plan Amendments curtailments and settlements	1 January 2019

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

IFRS 9. Financial Instruments: The impacts identified are less important than those of IFRS 15, since the entities most affected by IFRS 9 are financial institutions. The mandatory application date is 1 January 2018. Set forth below is a summary of the main impacts, following an analysis of the three phases of the standard:

(i) Hedge accounting. The standard attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. IFRS 9 generally permits the designation of specific components of non-financial items and of financial instruments as hedged items, provided that they are separately identifiable and reliably measurable and that there is a liquid market for the items concerned (IFRS 9 B.6.3.8 et seq), and, in certain cases, it specifically permits the hedging of the inflation component of certain financial instruments (IFRS 9 B6.3.13 to 6.3.15). In this connection, the Group has identified as a possible impact that relating to the index-linked derivatives arranged at HAH, which, as indicated above, could meet the requirements for hedge accounting from 2018 onwards. The analysis of this impact has not yet been completed. The hedge accounting requirements of IFRS 9 must be applied retrospectively. The impact of adopting this standard will be disclosed in the Group's consolidated financial statements for 2018. This impact going forward will depend both on the financial instruments held in 2018, on the changes in the economic conditions affecting the valuation of those instruments, and on the specific results relating to the effectiveness of the future hedging relationships. At the date of preparation of these consolidated financial statements no adjustment on initial application has been calculated.

i) Impairment of financial assets. IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The Group intends to avail itself of the simplified approach (measuring the loss allowance at an amount equal to lifetime expected credit losses) for its accounts receivable relating to contracts with customers. To this end, in order to implement this approach the Group has established a procedure which not only provides for the write-down of accounts receivable when they are no longer recoverable (incurred losses), but also takes into consideration possible expected losses, based on the evolution of the specific credit risk of the customer, its industry and its country. The estimated negative impact on equity attributable to the shareholders as a result of the impairment of financial assets amounts to EUR 0.9 million.

ii) Classification and measurement of financial assets. A new classification is introduced that reflects the business model within which financial assets are held by the company. No significant impacts are expected to arise as a result of this new classification. The only potential impact for the Group relates to equity instruments, which by defect must be measured at fair value through profit or loss, since at initial recognition it may elect to present subsequent changes in the fair value of these instruments in other comprehensive income. This election is irrevocable and is made for each asset on an individual basis. Assets of this kind amounted to EUR 34 million at 31 December 2017. With regard to financial liabilities, IFRS 9 does not introduce any changes with respect to IAS 39, except for the change in the treatment of renegotiations of financial liabilities that did not result in the derecognition of those liabilities. Nevertheless, no significant impact is expected, since most of the Group's financial assets and liabilities will continue to be measured at amortised cost.

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

1.4.2. Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and of the entities it controls (subsidiaries), which together comprise the Group at 31 December 2017. Control is considered to exist when the Company:

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

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

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

The list of subsidiaries and associates is included in Note 26.

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

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

1.4.3.1. Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

As of 3 November 2017 Ferrovial Airports International Ltd. agreed to acquire the entire share capital of Ferrovial Aeropuertos Internacional, S.A.U. that Ferrovial International Ltd. held.

As this transaction occurred under common control, this transaction is outside the scope of IFRS 3: Business Combinations 2008 ("IFRS 3"). Accordingly, the Group has an accounting policy choice as how to account for this transaction considering which accounting treatment is most useful and appropriate for the users of the accounts. The Group's policy is to prepare its consolidated financial statements using the principles of merger accounting, as set out under FRS 102 Section 19 (formerly FRS 6 "Acquisitions and Mergers"). There is no restated comparative for 2016 as explained in Note 1.3.

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

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

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

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

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

1.4.3.3. Investment in infrastructure projects

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

IFRIC 12 financial asset model

"Investment in infrastructure projects – financial asset model" includes the service concession arrangements related to infrastructure in which the consideration consists of an unconditional contractual right to receive cash or another financial asset, either because the grantor guarantees to pay the operator specified or determinable amounts or because it guarantees to pay the operator the shortfall between amounts received from users of the public service and specified or determinable amounts. Therefore, these are concession arrangements in which demand risk is borne in full by the grantor. In these cases, the amount due from the grantor is accounted for as a loan or receivable in assets in the consolidated statement of financial position. To calculate the amount due from the grantor, the value of the construction, operation and/or maintenance services provided and the interest implicit in arrangements of this nature are taken into consideration.

Revenue from the services (mainly construction and maintenance) provided in each period increases the amount of the related receivables with a credit to sales. The interest on the consideration for the services provided also increases the amount of the receivables with a credit to sales. Amounts received from the grantor reduce the total receivable with a charge to cash. The aforementioned interest in concession arrangements of this type is classified as revenue, since it forms part of the ordinary concession activity and is earned on a regular and periodic basis.

Ferrovial Airports has the following concession arrangement:

CONCESION OPERATOR	COUNTRY	CONTRACT TERM (YEARS)	STATUS	FIRST YEAR OF CONCESSION (*)	ACCOUNTING METHOD
Denver Great Hall	US	34	Construction	2017	Financial Asset

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

Denver Great Hall entered into a Development Agreement ("DA") with the City on 24 August and reached Financial Close on 21 December 2017. The City has granted the Operator will to design, construct, finance, operate and maintain certain specified areas within the Jeppensen Terminal. The Development Agreement will be terminated on the 34th anniversary of Financial Close. In addition to entering into the DA, the Operator signed a design and construction contract with Ferrovial Agroman West, LLC (the "Contractor"), who will undertake all design and construction work described in the DA. Total project construction cost is estimated to be approximately USD 650 million. The project will be funded from the proceeds of the issuance of the Series 2017 Bonds, equity contributions from shareholders and the followings payments received from the City:

- Progress payments during the construction period based on the construction progress for a guaranteed total predefined amount.
- Supplemental payments, annual fixed amount on monthly instalments from project substantial completion to project termination.
- The Operator will have the exclusive right to enter into concession agreements with Concessionaries in the Terminal and to collect Concessions revenues paid by such Concessionaries under a Concession Program. The Concession Program will run from the date that the first concessions functional area is ready (expected to be on May 2019) to project termination. These commercial revenues will be sharing between DEN and the Operator of 80% and 20% respectively.

Construction on operating margin: construction risks are the responsibility of the Contractor, who satisfies the construction before transferred to the developer. Since the Operator will merely act as an agent on the construction project, the construction will be considered as incremental costs to satisfying the operation, and thus no margin will be registered on the Income Statement for the construction activity.

Commercial revenues from Concessions: these revenues will not be included in the Financial Asset for the following reasons:

- Commercial revenues are not for guaranteed amounts and are subject to Concessionaires risk.
- A Financial Asset will be more reliable without commercial revenues and it will be better reflect real business performance.
- Variable amount of revenue will affect the Financial Asset Model and require updating the IRR annually, making the model less stable.
- The investment could be covered by guaranteed fixed payments.

Deferred financing cost: the financial result, incurred between bond issuance and the ending of the construction phase, shall be capitalised, as they are directly attributable to the remodelling of the terminal and they will be included in the cost of the asset. When the construction is substantially completed, it shall cease capitalising these costs and they will be amortised during the concession period.

1.4.3.4. Other items on the balance sheet and income statement

Borrowings

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

Loan receivables

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

The Company derecognises financial assets when the risks and rewards of ownership of the financial asset have been substantially transferred. In the specific case of receivables, this is understood to occur if the risks of insolvency and default have been transferred.

Fair value measurement

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

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

As indicated in Note 15, Derivative financial instruments at fair value, all the Group's derivative financial instruments fall into Level 2.

1.4.3.5. Accounting for joint ventures and associates

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

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

1.4.3.6. Revenue recognition

As indicated in note 1.4.1.1. on the first time application of IFRS15, the Group has changed its revenue recognition policies to adapt them to the provisions of this standard, which has no material impact in this financial statements. In general, the services provided in this business are short-term services to customers (airline or airport users) for which regulated revenue is recognised at a point in time or an annual tariff for the availability of transmission line; therefore, there are no changes with respect to revenue recognition for this business. It should be noted that the revenue from certain contracts that fall within the scope of IFRIC 12 is recognised as described in Note 1.4.3.3. and is outside the scope of IFRS 15.

Electricity transmission revenues are recognise in accordance with Decreto N°163 published in the Diario Oficial in Chile on June 16, 2005, which adjudicates the rights of construction, operation and maintenance of the project, the winner is entitled to receive a tariff VATT (Valor Anual de Transmisión por Tramo) equal to US$ 6,499 million per year, which constitutes the remuneration of the project for a period of 20 years from the entry into operation. After 20 years the tariff VATT will be altered and subject to review every four years.

Interest income is recognised using the effective interest method. When the value of a receivable is impaired, the Group reduces the carrying amount to its recoverable value, discounting estimated future cash flows at the instrument's original effective interest rate, and continues carrying forth the discount as a decrease in interest income. Interest income on impaired loans is recognised using the effective interest method.

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

1.4.3.7. Taxation

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

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

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

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

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

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

1.4.3.8. Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

1.4.3.9. Disclosures

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

1.4.4. Going concern basis

The Group's business activity, along with the factors that could foreseeably affect its development, results and position, are set out in the Strategic Report from page 5 to page 11.

The financial and liquidity positions of the Group and of the Company are set out from page 18 to 22. Consolidated profit for 2017 stood at EUR 100 million (EUR 32 million loss in 2016), while the net cash position (non-GAAP disclosure), which includes cash and equivalents plus loans to Ferrovial's Group companies less current and non-current borrowings, was EUR 223 million (EUR 36 million in 2016).

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

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

1.4.5. Critical accounting estimates and judgments

Judgments:

It has been concluded there are no significant accounting judgments relating to these financial statements.

Estimates:

The Company has used estimates in the 2017 financial statements in order to appraise certain assets, liabilities, income, expenses and obligations recognised therein. These estimates relate to the following:

- Estimates on valuation of derivatives and the expected flows related thereto to determine the existence of hedging relationships (see note 15, Financial derivatives at fair value);
- The assessment of potential impairment losses on certain assets (see note 9, Goodwill on acquisition and note 13, Investments in joint ventures and associates);
- Projections of business performance that affect the estimate of a recovery of tax assets and the recoverability thereof (see note 8, Taxation);
- Estimates relating to the fair value of assets and liabilities acquired in the business combinations detailed in Note 1 on changes in the scope of consolidation; and
- The assumptions used in the actuarial calculation of liabilities for pensions and other commitments with personnel.

The estimates are carried out using the best information available at 31 December 2017 and 2016 on the events analysed. However, it is possible that circumstances may arise in the future obliging them to be amended, which shall be performed prospectively, in accordance with the provisions of IAS 8.

1.4.6. Exchange rate

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

Balance sheet items (exchange rate at 31 December 2017 and 2016 for the comparative figures):

Closing exchange rate	2017	2016	Change 17/16 (*)
Pound sterling	0.8889	0.8545	4.03%
US dollar	1.2022	1.0547	13.99%
Chilean Peso	739.80	705.7	4.83%

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

Income statement and cash flow items (average accumulated rates at 31 December 2017 and 2016 for the comparative figures):

Average exchange rate	2017	2016	Change 17/16 (*)
Pound sterling	0.8751	0.8230	6.32%
US dollar	1.1391	1.1034	3.24%
Chilean Peso	737.72	742.5	(0.64%)

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

2. Revenue

The breakdown of the Group´s operating revenue for 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Revenue	19,474	1,587
Other operating revenue	14	6
Total operating revenue	**19,488**	**1,593**

Revenue relates mainly to the Denver Great Hall which reached preferred bidder stage in 2016 and to Transchile's revenue from the whole year. The Chilean company is entitled to a fixed annual remuneration equal to US$6,499,000, that is adjusted every year according to US inflation, Chile's inflation and the currency's appreciation or depreciation.

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

Thousands of euros	2017	2016
Chile	6,289	1,587
Spain	12	-
USA	13,187	-
United Kingdom	-	6
Total operating revenue	**19,488**	**1,593**

3. Personnel expenses

The breakdown of personnel expenses is as follows:

Thousands of euros	2017	2016
Wages and salaries	(858)	(274)
Social Security	(53)	(25)
TOTAL	(911)	(299)

The increase in the personnel expenses in mainly due to Transchile being included for a full year for 2017.

The average number of employees at 31 December 2017 and 2016, by professional category and gender, is shown in the following table:

	31/12/2017			31/12/2016		
	Men	Women	Total	Men	Women	Total
Clerical staff	-	3	3	-	2	2
Qualified professionals	8	2	10	4	1	5
Operational staff	2	-	2	2	-	2
TOTAL	10	5	15	6	3	9

The increase of employees is mainly due to the addition of Denver Great Hall.

4. Other operating expenses

The breakdown of other operating expenses is as follows:

Thousands of euros	2017	2016
Denver Great Hall expenses	(12,900)	
Rest of expenses	(2,806)	(4,061)
Total other operating expenses	**(15,706)**	**(4,061)**

The other expenses relates mainly to Denver Great Hall which reached financial close on 21 December 2017 and represents mainly the cost incurred during the negotiation of the Development Agreement.

5. Remuneration of the Board of Directors and Management

Remuneration of Directors

The key management personnel of the Group is defined as the Board Directors. The members of the Company's Board of Directors received no remuneration for performing their duties in 2017.

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

Remuneration paid to key management

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

6. Audit Fees

Fees for the audit performed by the Group's statutory in 2017 and 2016 are as follows:

Thousands of euros	2017	2016
Fees for auditing the company's financial statements	98	86
Fees for auditing the financial statements for subsidiaries	93	62
Total Auditing Services	**191**	**148**
Other services - Currency conversion of 2015 financial statements	-	9
Total other audit-related services	**-**	**9**

7. Finance income

Details of the finance income/(cost) for 2017 and 2016 are as follows:

Thousands of euros	2017	2016
Finance income from Ferrovial Group companies	179	1,508
Finance income from Ferrovial Joint venture companies	14,591	19,512
Finance cost from external debt	(2,729)	(2,452)
Other	(265)	54
Results on derivatives	2,350	-
Finance income	**14,126**	**18,622**

Finance income from Ferrovial Group companies primarily includes interest received on the loan granted to Ferrofin, S.L.

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

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

The results on derivatives relates to the fair value of the sterling pound-denominated options, not designated as hedges for hedge accounting, amounting to EUR 2.4 million.

8. Taxation

Thousands of euros	**2017**	**2016**
Current year	(2,877)	(4,237)
Adjustments in respect of priors years	-	-
Corporation tax	**(2,877)**	**(4,237)**
Deferred tax	(361)	1,276
Adjustments in respect of priors years	(458)	-
Total income tax	**(3,695)**	**(2,961)**

Since the Company forms part of the tax group headed by Ferrovial International Ltd. in Spain, the corporation tax is calculated with the Spanish jurisdiction tax rate at 25% (2016: 25%) of the estimated taxable profit for the year.

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

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

Thousands of euros	**2017**	**2016**
Profit /(loss) before tax	**103,693**	**(30,317)**
Spain's corporation tax rate	*25%*	*25%*
Tax at Spain's corporation tax rate	(25,923)	7,579
Tax effect of share of results of joint ventures and associates	22,171	(11,381)
Effect of different tax rates of subsidiaries operating in other jurisdictions	57	841
Income tax for the year	**(3,695)**	**(2,961)**

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

Thousands of euros	**2017**	**2016**
Items that will not be reclassified subsequently to profit or loss:		
Share of taxation recognised in other comprehensive income for joint ventures	(620)	3,666
Share of taxation recognised in other comprehensive income for associates	3,000	13,340
	2,380	17,006
Items that will not be reclassified subsequently to profit or loss:		
Tax impact on hedging instrument reserves	286	(5,927)
Share of taxation recognised in other comprehensive income for joint ventures	(449)	808
Share of taxation recognised in other comprehensive income for associates	(1,084)	(1,156)
	(1,247)	(6,275)
Total income tax recognized in other comprehensive income	**1,133**	**10,731**

9. Goodwill on acquisition

The table below details the changes in the goodwill in 2017:

Thousands of euros	2016	Adjustment	Exchange rate effect	2017
Goodwill on acquisition				
Transchile	44,921	545	(5,540)	39,926
Total	44,921	545	(5,540)	39,926

In 2017 additional information was obtained that was not available at the date of the preparation of the consolidated statements of 2016, which gave rise to an increase in trade and other payables due to events already existed at the dated of acquisition of the company. The increase was related to penalties due to the delay in the start-up of the commercial service of the transmission line. On 27 April 2016 Transchile paid penalties related to delay in the start-up of the commercial service of the transmission line amounting to USD 1.7 million. This payment was provisioned during the years 2008 and 2009 and adjusted within the taxable income of the company. However to comply with the requirements established under the Tax Legislation, the expense may be deemed as a disallowed expense, subject to a taxation levied at 35% in accordance with Article 21 of the Tax Law. In this regard, a tax burden for the 2016 period has been stated at USD 0.5 million and the consequent increase in the goodwill recognised. Since the impact was not material, the comparable information for 2016 was not adjusted and the changes are shown in the "Adjustment" column.

Impairment test

Transchile is tested for impairment by discounting the future cash flow per the business plan, using the adjusted present value (APV) method until 2061 and a perpetuity growth rate in line with long term inflation estimates in Chile and USA. The Operational Free Cash Flow is discounted at the unlevered cost of equity and the tax shield generated by the net debt is discounted at the cost of the debt.

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

- Fixed revenue until 2030 (adjusted annually by US and Chile inflation)
- From 2030 onwards, fixed revenue reviewed every four years. Methodology set by law as the investment value of the transmission line with a return given by the regulator for the whole industry.

The result of the valuation is higher than the carrying amount. Also sensitivity analyses were performed on the perpetuity growth rate and the discount rate, so as to ensure that possible changes in the estimate do not affect the recovery of the goodwill recognised.

10. Intangible assets

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

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

Thousands of euros	Goodwill	Right of ways	PPP intangible assets	Total
Investment: Balance at 1 January 2016	-	-	-	-
On acquisition	42,197	20,790	-	62,987
Additions	-	-	1,685	1,685
Effect of exchange rate	2,724	-	-	2,724
Balance at 31 December 2016	**44,921**	**20,790**	**1,685**	**67,396**
Balance at 1 January 2017	**44,921**	**20,790**	**1,685**	**67,396**
Transfers	-	-	(1,685)	(1,685)
Other	545	-	-	545
Effect of exchange rate	(5,540)	(2,551)	-	(8,091)
Balance at 31 December 2017	**39,926**	**18,239**	-	**58,165**

The PPP intangible assets, registered in 2016, amount to 1.7 million. This figure relates to capitalised costs in Denver Great Hall as a result of entering into an exclusive negotiation for the public-private partnership to upgrade the main terminal and manage the commercial area at Denver International Airport. The deal structure of the DA, signed with the City in August 2017, recognizes an unconditional contractual right to receive a determinable amount of cash in exchange the construction and subsequent operating and maintaining the asset for a specified period of time. Therefore this cost has been transferred to the Financial Asset in the balance sheet.

11. Investment in infrastructure projects

Financial Asset

In August 2017 Denver Great Hall signed a concession arrangement with the City and it has been accounted under the financial asset model pursuant to IFRIC 12.

During the year 2017 the following amounts has been recorded as a part of the Financial Asset:

Thousands of euros	2017
Early design work	(9,004)
Total collections from the City (i)	**(9,004)**
Early design work	9,004
Design work	3,972
Total design amount paid to the Contractor	***12,976***
Mobilisation payment	19,897
Total construction amount paid to the Contractor	***19,897***
Total payments to the Contractor (ii)	**32,873**
O&M revenue (iii)	**12,493**
Total Investment in infrastructure projects (i+ii+iii)	**36,362**

12. Property, plant and equipment

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

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

Thousands of euros	Land	Substations and lines	Machinery and equipment	Other tangible assets	Total
Investment: Balance at 1 January 2016	-	-	-	-	-
On acquisition	68	61,844	7	363	62,282
Disposals	-	-	-	(2)	(2)
Transfers	-	(9)	-	-	(9)
Effect of exchange rate	4	3,884	1	132	4,021
Balance at 31 December 2016	72	65,719	8	493	66,292
Accumulated depreciation					
On acquisition	-	(153)	-	-	(153)
Charges		(493)	(1)	(2)	(497)
Balance at 31 December 2016	-	(646)	(1)	(2)	(649)

(i) Replaced elements has been transferred as spare parts in other tangible assets. With new parts being purchased for the substations and lines there was a transfer of old spare parts out of substations and lines to other tangible assets.

Thousands of euros	Land	Substations and lines	Machinery and equipment	Other tangible assets	Total
Investment: Balance at 1 January 2017	72	65,719	8	493	66,293
Additions	-	1,003	2	2	1,007
Disposals	-	(977)	-	-	(977)
Transfers	-	(490)	-	490	-
Effect of exchange rate	(9)	(8,056)	(1)	(60)	(8,126)
Balance at 31 December 2017	63	57,199	9	925	58,196
Accumulated depreciation	-	(646)	(1)	(2)	(649)
Depreciation charge for the year	-	(2,473)	(4)	(1)	(2,478)
Disposals	-	977	-	-	977
Effect of exchange rate	-	213	-	-	213
Balance at 31 December 2017	-	(1,929)	(5)	(3)	(1,937)
Carrying amount at 31 December 2017	63	55,270	4	922	56,259

13. Investments in joint ventures and associates

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

- FGP Topco Limited (Associate): Consortium 25%-owned by Ferrovial Airports International Ltd. which owns 100% of the share capital of Heathrow Airports Holdings Ltd, which in turn is the sole owner of the company that operates Heathrow airport.
- AGS: Holding Limited (Joint venture): Consortium 50%-owned by Ferrovial Airports International Ltd. and 50% owned by Macquarie European Infrastructure Fund, the sole owner of NDH1, which in turn holds 100% of the share capital of the companies that operate the Aberdeen, Glasgow and Southampton airports.

Thousands of euros	**FGP TOPCO**	**AGS**	**TOTAL**
Equity at 1 January 2016	**1,212,606**	**8,899**	**1,221,505**
(Loss)/profit for the period	(57,406)	11,884	(45,522)
Impact of hedging instruments	(6,299)	(3,444)	(9,743)
Impact of Pensions	(55,219)	(17,791)	(73,010)
Exchanges differences	(154,788)	(871)	(155,659)
Dividends	(101,960)	-	(101,960)
Other	490	(94)	396
Equity at 31 December 2016	**837,424**	**(1,417)**	**836,007**
Profit/(loss) for the period	86,618	2,067	88,685
Impact of hedging instruments	8,094	1,937	10,031
Impact of Pensions	(14,885)	3,026	(11,859)
Exchanges differences	(33,702)	(55)	(33,757)
Dividends	(147,658)	-	(147,658)
Other	712	-	712
Equity at 31 December 2017	**736,603**	**5,558**	**742,161**

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

- FGP Topco (HAH) Income statement:

Thousands of pound sterling	**2017**	**2016**
HAH (100%)		
Operating Revenue	2,883,241	2,809,334
Operating profit	**1,210,464**	**1,048,109**
Financial expense	(627,924)	(1,231,139)
Profit/(Loss) before tax	**582,540**	**(183,030)**
Income tax	(97,736)	69,894
Profit/(Loss) from continuing operations	**484,804**	**(113,136)**
Net profit/(loss)	**484,804**	**(113,136)**
Alignment of accounting policies (i)	(181,621)	(75,849)
Net profit/(loss) adjusted	**303,183**	**(188,985)**
25% attributable to Ferrovial (in thousands of pound sterling)	**75,796**	**(47,246)**
25% attributable to Ferrovial (in thousands of euros)	**86,618**	**(57,406)**

- FGP TOPCO (HAH) Balance sheet:

Thousands of pound sterling	2017	2016
HAH (100%)		
Non- current assets	17,300,771	17,345,403
Current assets	1,001,678	1,025,484
TOTAL ASSETS	18,302,449	18,370,887
Non-current liabilities	15,608,062	15,506,320
Current liabilities	1,771,442	1,881,000
TOTAL LIABILITIES	17,379,504	17,387,320
TOTAL NET ASSETS	922,945	983,567
TOTAL EQUITY	922,945	983,567
Alignment of accounting policies (i)	(624,768)	(443,147)
Total Equity Adjusted	298,177	540,420
25% attributable to Ferrovial	74,544	135,105
Historic remeasurement at fair value 25% (in thousands of pound sterling) (ii)	580,528	580,528
Equity attributable to Ferrovial 25% (in thousands of pound sterling)	655,072	715,633
Equity attributable to Ferrovial 25% (in thousands of euros)	736,603	837,425

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

(ii) The 25% of the equity of the investee does not correspond to the carrying amount of the investment, since the carrying amount also includes the amount of the gain arising from the remeasurement at fair value of the investment retained following the sale of a 5.88% ownership interest in HAH in October 2011. The gain was recognised as an addition to goodwill. Therefore, in order to obtain the carrying amount at Ferrovial, it would be necessary to increase the 25% of the shareholders' equity presented above (GBP 75 million) by the amount of the aforementioned gain (GBP 581 million), giving a total of GBP 655 million which, translated at the year-end exchange rate (EUR 1 = GBP 0.8889), gives the investment of EUR 737 million.

- AGS Holding Income statement:

Thousands of pound sterling	2017	2016
AGS (100%)		
Operating Revenue	209,423	197;095
Operating profit	123,888	75,931
Financial result	(50,446)	(49,806)
Profit before tax	73,442	26,126
Income tax	(14,766)	3,756
Net profit	58,676	29,881
Alignment of accounting policies (iii)	(55,058)	(10,320)
AGS adjusted net profit	3,618	19,561
50% attributable to Ferrovial (in thousands of pound sterling)	1,809	9,781
50% attributable to Ferrovial (in thousands of euros)	2,067	11,884

- AGS Holding Balance sheet:

Thousands of pound sterling	**2017**	**2016**
AGS (100%)		
Non- current assets	1,359,995	1,293,562
Current assets	37,430	58,007
TOTAL ASSETS	1,397,425	1,351,568
Non-current liabilities	1,151,878	1,173,138
Current liabilities	46,677	46,921
TOTAL LIABILITIES	1,198,555	1,220,059
TOTAL NET ASSETS	198,870	131,509
TOTAL EQUITY	198,870	131,509
Alignment of accounting policies (iii)	(87,400)	(32,343)
Total Equity Adjusted	111,470	99,166
50% attributable to Ferrovial	55,735	49,583
Acquisition adjustment (iv)	(50,805)	(50,805)
Equity attributable to Ferrovial 50% (in thousands of pound sterling)	4,930	(1,222)
Equity attributable to Ferrovial 50% (in thousands of euros)	5,558	(1,417)

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

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

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

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

14. Non-current financial assets

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

Thousands of euros	Non-current loans to joint ventures	Others long terms accounts receivable	Total non-current financial assets
Balance at 1 January 2016	**314,242**	-	**314,242**
Repayment of loan principal	(18,656)	-	(18,656)
Exchange rate differences	(43,024)	-	(43,024)
Balance at 31 December 2016	**252,562**	-	**252,562**
Additions	-	1	1
Repayment of loan principal	(68,039)	-	(68,039)
Deferred financing cost	-	214	214
Exchange rate differences	(9,788)	-	(9,788)
Balance at 31 December 2017	**174,735**	**215**	**174,950**

Changes in the balance at 31 December 2017 primarily relate to repayment of principal and interest in the amount of EUR 82 million, less the capitalisation of interest accrued, totalling EUR 68 million, and the depreciation of the pound sterling against the euro, which led to a negative impact of EUR 10 million.

The deferred financing cost corresponds with the Denver's financial result, capitalised during the construction phase.

15. Financial derivatives at fair value

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

The table below includes a detail of the fair values of the derivatives arranged at 31 December 2017 and 2016, as well as the maturities of the notional and cash flow amounts to which the derivatives relate (maturities of notional and cash flow amounts are shown as positive figures).

	Fair value		Notional maturities		
Thousands of euros	**2017**	**2016**	**2021**	**2036**	**TOTAL**
Type of instrument					
ASSET BALANCES	**2,195**	**3,066**	**59,949**	**53,867**	**113,816**
Interest rate derivative	**2,195**	**3,066**	**59,949**	**53,867**	**113,816**
cash flow hedges	*2,195*	*3,066*	*59,949*	*53,867*	*113,816*
LIABILITIES BALANCES	-	**1,453**	-	-	-
Exchange rate derivative	-	**1,453**	-	-	-
cash flow hedges	-	*797*	-	-	-
fair value hedges	-	*656*	-	-	-
NET BALANCES	**2,195**	**1,613**	**59,949**	**53,867**	**113,816**

	Fair value		Cash Flow maturities		
Thousands of euros	2017	2016	2021	2036	TOTAL
Type of instrument					
ASSET BALANCES	**2,195**	**3,066**	**1,165**	**1,030**	**2,195**
Interest rate derivative	**2,195**	**3,066**	**1,165**	**1,030**	**2,195**
cash flow hedges	*2,195*	*3,066*	*1,165*	*1,030*	*2,195*
LIABILITIES BALANCES	-	**1,453**	-	-	-
Exchange rate derivative	-	**1,453**	-	-	-
cash flow hedges		*797*	-	-	-
fair value hedges		*656*	-	-	-
NET BALANCES	**2,195**	**1,613**	**1,165**	**1,030**	**2,195**

At 31 December 2017, the Group had an interest rate swaps, with a fair value of EUR 2.2 million and maturity dates in 2021 and 2036, in order to hedge the interest risk on Transchile's acquisition loan of US$ 74 million signed with Scotiabank Chile and Banco Sabadell.

b) Main effects on profit or loss and equity

The changes for accounting purposes in the main derivatives arranged by fully consolidated companies, detailing the fair values thereof at 31 December 2017 and 2016, and the impact on reserves, profit and loss and other statement of financial position items is as follows:

Thousands of euros	2017	2016	Change	Impact on reserves (I)	Total
Type of instrument					
Exchange rate derivatives	-	(1,453)	1,453	1,453	1,453
Interest rate derivatives	2,195	3,066	(871)	(871)	(871)
TOTAL	2,195	1,613	582	582	582

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

c) Derivative measure methods

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

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

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

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

- Interest rate swaps: the future cash flows with floating reference rates are estimated by using current market projections at the measurement date for each currency and settlement frequency; and each flow is updated using the market zero-coupon rate that is appropriate for the settlement period and currency in question at the measurement date.

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

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

The breakdown of cash and cash equivalents at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	2017	2016
Short term deposits	155,002	23,220
Bank Current accounts	30,549	50,952
Cash and cash equivalents	**185,551**	**74,172**

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

The breakdown of amounts due from Ferrovial group companies at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	2017	2016
Ferrovial Group-current accounts	14,997	13,025
Loan to Ferrovial Group companies	272,237	98,226
Amounts due from Ferrovial Group companies	**287,234**	**111,251**

17. Borrowings

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

The bond debt is related to the issuance of the Series 2017 bonds and they are expected to partly fund the construction costs for the Denver Project.

Thousands of euros	2017	2016
Bank-loan Transchile (i)	57,471	66,673
Bond-Denver (ii)	176,638	-
Non- current debt securities and banks borrowings	**234,109**	**66,673**

Thousands of euros	2017	2016
Bank-loan Transchile	1,632	1,629
Other	51	-
Current debt securities and banks borrowings	**1,683**	**1,629**

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

Thousands of euros	2017	2016
Ferrovial Group-loan	858	77,582
American dollar (iii)	*858*	*77,582*
Ferrovial Group-current account	13,473	3,675
Pound sterling (iv)	*7,336*	*3,297*
Euros (v)	*6,137*	*354*
American dollar	-	*24*
Current borrowings from Ferrovial Group companies	**14,331**	**81,257**

(i) The non - current bank loans comprises EUR 68.302 million to Transchile from Scotiabank. This loan bears interest rate of the average of six months LIBOR plus 0% and has final maturity at 30 September of 2021.
(ii) The non-current bond- Denver comprises EUR 177 million of the Series 2017 Bonds issued by Denver Great Hall with an interest rate of 5% and final maturity at 30 September 2049.
(iii) The current Group-loans of EUR 77.582 million to Ferrovial Airports International Ltd. from Ferrofin with an interest rate of 2.06% was mainly repaid in 2017.
(iv) The current Group-current account comprises EUR 7,336 thousand to Faero UK from a group relief. This loan bears interest rate of 1.04%.
(v) The current Group-current account comprises EUR 3,157 thousand with Ferrofin with an interest rate of 0.38%, and a Group current account EUR 2,980 thousand with Ferrovial Aeropuertos España. This current accounts incurs an interest rate of 0.08%.

18. Deferred tax

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

Deferred tax liabilities:

Thousands of euros	Revaluation of assets	Others	Total
Balance at 1 January 2016	-	-	-
On acquisition of subsidiary	(4,772)	-	(4,772)
Charged to income statement	43	-	43
Exchange differences	(308)	-	(308)
Balance at 1 January 2017	**(5,037)**	-	**(5,037)**
Charged/(credited) to income statement	152	(57)	95
Exchange differences	618	3	621
Balance at 31 December 2017	**(4,267)**	**(54)**	**(4,321)**

Deferred tax assets:

Thousands of euros	Tax credits	Hedging reserves valuation	Revaluation of assets	Others	Total
Balance at 1 January 2016	-	4,990	-	-	4,990
On acquisition of subsidiary	1,745	20	271	(710)	1,326
Charged to income statement	1,173	-	-	60	1,233
Charged/(credited) to other comprehensive income statement	198	(5,983)	-	(142)	(5,927)
Exchange differences	-	-	18	(6)	12
Balance at 1 January 2017	**3,116**	**(973)**	**289**	**(798)**	**1,634**
On acquisition of subsidiary	607	-	-	(132)	475
(Credited) to income statement	(874)	-	-	(39)	(914)
Charged to other comprehensive income statement	-	286	-	-	286
Exchange differences	(102)	-	(35)	(6)	(143)
Balance at 31 December 2017	**2,747**	**(687)**	**254**	**(975)**	**1,339**

19. Trade and other payables

Thousands of euros	2017	2016
Trade Creditors	982	381
Payables to Ferrovial Group companies	3,522	3,855
VAT payable	73	8
Total trade and other payables	**4,577**	**4,244**

Details of payables to Group companies are provided in Note 27, Related-party transactions.

20. Share capital and share premium

	No. shares	EUR thousands
Ordinary shares with par value of EUR 1	**161,064,567**	**161,067**
Shares subscribed and fully paid up at 31/12/2017	161,064,567	161,067
Shares subscribed and fully paid during the period	2,271,297	2,274
Shares subscribed and fully paid up at 31/12/2016	158,793,270	158,793

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

At 27 July 2017, the Company issued 422,703 ordinary shares of EUR 1 at a premium of EUR 3,827 thousand to its sole shareholder Ferrovial International Limited. The payment was made by the transfer of USD 4,960 thousand in order to transfer this sum to Ferrovial Airports Denver UK in exchange for equity in that company.

At 3 November 2017, the Company issued 1,848,594 ordinary shares of EUR 1 at a premium of EUR 16,637 thousand to its sole shareholder Ferrovial International Limited in exchanged for the equity interest in Ferrovial Transco España S.A.U, owner of the remaining 34,06% of the electricity business.

21. Other Reserves

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

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

Hedging instruments below include the fair value measurement of the derivative financial instrument that qualified as effective hedges.

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

Translation, hedging and actuarial reserves

	Valuation adjustments				
Thousands of euros	**Translation differences**	**Hedging instruments**	**Pension plans**	**Others**	**Total**
Balance at 1 January 2016	**137,380**	**(14,261)**	**(51,448)**	**1,863**	**73,534**
Movement from Group companies	(40,203)	16,738	-	-	(23,465)
Movement from joint venture and associate companies	(155,968)	(9,743)	(73,010)	439	(238,282)
Balance at 31 December 2016	**(58,791)**	**(7,266)**	**(124,458)**	**2,302**	**(188,213)**
Movement from Group companies	(12,546)	(818)	-	449	(12,915)
Movement from joint venture and associate companies	(33,316)	10,031	(11,859)	711	(34,433)
Balance at 31 December 2017	**(104,653)**	**1,947**	**(136,317)**	**3,462**	**(235,561)**

Retained earnings and merger reserve

Thousands of euros	**Retained earnings**	**Merger reserve**
Balance at 1 January 2016	**310,680**	**344,985**
Consolidated loss for the period	(32,400)	-
Balance at 31 December 2016	**278,280**	**344,985**
Consolidated profit for the period	99,942	-
Increase of ownership in a subsidiary	-	(2,609)
Balance at 31 December 2017	**378,222**	**342,376**

The merger reserve arises on formation of the Group as at 1 January 2014 and the acquisition of Ferrovial Transco España SAU in November 2017, reflecting the difference between the net assets acquired and other capital and reserves items. This reserve is not distributable.

22. Non-controlling interest

At 31 December 2017, the profit and the share of capital attributable to non-controlling interests related to Denver Great Hall after the acquisition of Ferrovial Transco España SAU to the Ferrovial Airports Group.

In November 2017 Ferrovial Airports completed the restructuring process of the electricity transmission business by including the remaining 34.06%, through the acquisition of Ferrovial Transco España SAU.

	Non-controlling interests		
Thousands of euros	**2016**	**Increase of ownership**	**2017**
Transchile Charrúa Transmisión, S.A.	34.06%	(34.06%)	-
Ferrovial Transco Chile SPA	34.06%	(34.06%)	-
Denver Great Hall LLC	20.00%		20.00%
Denver Great Hall Holdings LLC	20.00%		20.00%

Thousands of euros	**2017**	**2016**
Opening non controlling interests	**38,061**	**-**
Non-controlling interest acquired	(37,495)	35,879
Non-controlling share of profit and loss account	56	(878)
Non-controlling share of other comprehensive income and expenses	(53)	3,060
Closing Non-controlling interest	**569**	**38,061**

As this transaction occurred under common control, this transaction is outside the scope of IFRS 3: Business Combinations 2008 ("IFRS 3"). Accordingly, the Group has an accounting policy choice as how to account for this transaction considering which accounting treatment is most useful and appropriate for the users of the accounts. The Group's policy is to prepare its consolidated financial statements using the principles of merger accounting, as set out under FRS 102 Section 19 (formerly FRS 6 "Acquisitions and Mergers"). There is no restated comparative for 2016 as explained in Note 1.3.

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

Thousands of euros	2017 Denver Great Hall LLC	Denver Great Hall Holdings LLC
Non-current assets	36,576	-
Current assets	143,900	2
Non-current liabilities	(176,638)	-
Current liabilities	(994)	(1)
Total Equity	2,844	1
Equity attributable to the shareholders	2,275	1
Equity attributable to non-controlling interests	569	0
Revenue	13,187	-
Expenses	(12,902)	(4)
Finance income	-	(1)
Profit/(loss) for the year	285	(5)
Profit/(loss) attributable to the shareholders	228	(4)
(Loss)/profit attributable to non-controlling interests	(57)	1
Total comprehensive income attributable to the Parent	1,137	1
Total comprehensive income attributable to non-controlling interests	284	0
Total comprehensive income for the year	1,421	1
Net cash (outflow) from operating activities	(12,776)	(3)
Net cash (outflow) from investing activities	(23,631)	-
Net cash inflow from financing activities	177,827	5
Net cash inflow	141,420	2

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

23. Note to the cash flow statement

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

Thousands of euros	**2017**	**2016**
Net profit attributable to the Parent	99,942	(32,401)
Adjustments for		
Tax	3,695	2,961
Non-controlling interests	56	(877)
Share in (losses)/profit of companies accounted for using the equity method	(88,685)	45,522
Finance income/cost	(14,126)	(18,622)
Depreciation and amortisation charge	2,478	650
Distributions received companies accounted for using the equity method (Note 21)	231,561	134,280
(Increase) in accounts receivables	(14,104)	2,073
(Decrease) in accounts payables and inventories	(1,616)	1,218
Cash flows from operating activities	**219,200**	**134,804**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Thousands of euros	**2016**	**Financing cash flows**	**Non-cash changes**			**2016**
			Fair Value adjustment	**Exchange differences**	**Interest accruals**	
Non-current debt securities and bank borrowings (note 17)	68,302	173,042	-	(8,189)	2,637	235,792
Borrowings from Ferrovial Group companies (note 17)	81,257	(59,589)	-	(9,476)	2,139	14,331
Interest rate swaps derivative fair value (note 15)	(3,066)	-	872	-	-	(2,195)
Total liabilities from financing activities	**146,493**	**113,453**	**872**	**(17,664)**	**4,775**	**247,928**

24. Distribution received from joint ventures and associates

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

Thousands of euros	**2017**	**2016**
Collection of dividends from FGP Topco	147,658	96,116
Collection of interest/Return of participating loan AGS	83,903	38,164
Distribution to shareholders	**231,561**	**134,280**

25. Financial instruments

Management of financial risk

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

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

The Group does not use financial instruments for speculative reasons.

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

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

a. Exposure to interest rate risk

Ferrovial Airports' business is subject to economic cycles and interest rate risk management is taken into consideration. The strategy is achieved by arranging hedging financial derivatives, a detail of which is provided in Note 14, Derivative financial instruments at fair value. The aim of these hedges is to optimise the finance costs borne by the Group. The accompanying table shows the percentage of the debt that is considered to be hedged.

2017			
Bank Borrowings Thousands of euros	**Total gross debt**	**% of debt hedged**	**Net debt exposed to interest rate risk**
Transchile	57,471	100%	-
Denver	176,638	100%	-
TOTAL BORROWINGS	**234,109**	**100%**	**-**

Also, it must be borne in mind that the results relating to companies accounted for using the equity method include the results corresponding to the 25% ownership interest in HAH and AGS. HAH has a significant volume of debt, of which 93% is hedged against interest rate risk.

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

Millions of euros	**Net profit / (loss)**	**Equity atrib. to the parent**
0.5% increase	37	18
0.5% decrease	(39)	(18)

b. Exposure to foreign currency risk

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

Note 1.4.6 contains a detail of the changes in the year in the closing exchange rates. As a result of these changes, the impact of translation differences on equity at 31 December 2017 was EUR -46 million for the Parent and EUR -0.1 million for non-controlling interests. Of the aforementioned EUR -46 million, EUR -42 million correspond to changes in the pound sterling, EUR 9 million to changes in euros, EUR -13 million to changes in the US dollar, and EUR -0.4 million to changes in the Chilean peso.

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

Millions of euros	**Net profit / (loss)**	**Equity atrib. to the parent**
Impact 10% appreciation of the euro	11	113
Impact 10% depreciation of the euro	(9)	(93)

c. Exposure to liquidity risk

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

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

Millions of euros	Fair value 2017	Carrying amount 2017	Maturities 2018	2019	2020	2022	2023	2024	2025	>2025	Total
Non - current financial assets											
Non-current loan to associate	175	175	-	-	-	-	-	-	175	-	175
Cash and Cash Equivalents	186	186	186	-	-	-	-	-	-	-	186
Bank Loan Transchile	59	59	2	2	55	-	-	-	-	-	59
Bond Denver	157	157	-	-	-	1	1	1	2	152	157
Total Borrowings	216	216	2	2	55	1	1	1	2	152	216

d. Exposure to inflation risk

Most of the revenue from infrastructure projects is associated with prices tied directly to inflation, this is the case of the prices of HAH accounted for using the equity method.

HAH is exposed to RPI risk on its index-linked bonds and derivatives held to economically hedge cash flows on debt instruments and RPI linked revenue. In this regard, with all other variables remaining constant, an increase or decrease of 100 b.p. through the inflation curve would have the following effects:

Millions of euros	Net profit	Equity atrib. to the parent
Impact increase of 100 b.p	(162)	(162)
Impact decrease of 100 b.p	147	147

e. Exposure to credit risk

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

Thousands of euros	2017	2016
Cash and cash equivalents	185,551	74,172
Amounts due from Ferrovial Group companies	287,234	111,251
Non-current financial assets	174,950	252,562
Financial derivatives (assets)	2,195	3,066
Trade and other receivables	748	748
Total assets exposed to credit risk	**650,678**	**441,799**

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

The Group, through its parent company, Ferrovial, monitors the credit rating of derivatives counterparties on a regular basis. As at 31 December 2017, the Group is not materially exposed to credit risk on its derivative financial instruments.

26. List of subsidiaries, joint ventures and associates

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

Subsidiary	% ownership	Parent	Activity
NETHERLANDS (Registered Address/Office: Kingsfordweg 151, 1043 GR Amsterdam, NL)			
Hubco Netherlands B.V.	100%	Ferrovial Airports International Ltd.	Holding company/ Airports
Ferrovial Santarem B.V.	100%	Ferrovial Transco International UK Ltd.	Dormant
Ferrovial Transco Brasil B.V.	100%	Ferrovial Transco international UK Ltd.	Dormant
UK (Registered Address/Office: Edmund Halley Road, UK, OX4 4DQ)			
Faero UK Holding Limited	100%	Hubco Netherlands B.V.	Holding company/ Airports
Ferrovial Airports Denver UK Ltd.	100%	Ferrovial Airports International Ltd.	Holding company/ Airports
Ferrovial Transco international UK Ltd.	100%	Ferrovial Airports International Ltd.	Holding company/Transmission
SPAIN (Registered Address/Office: Principe de Vergara 135, 28002 Madrid)			
Ferrovial Transco España, S.A.U.	100%	Ferrovial Transco international UK Ltd.	Holding company/Transmission
UNITED STATES (Registered Address/Office: 24735 E 75th Avenue, SUITE 100, DENVER CO 80249-6340)			
Ferrovial Airports Denver Corp	100%	Ferrovial Airports Denver UK Ltd.	Holding company/ Airports
Ferrovial Airports Great Hall Partners LLC	100%	Ferrovial Airports Denver Corp	Holding company/ Airports
Denver Great Hall Holding LLC	80%	Ferrovial Airports Great Hall Partners LLC	Holding company/ Airports
Denver Great Hall LLC	80%	Denver Great Hall Holding LLC	Airports
CHILE (Registered Address/Office: Nueva Tajamar, 481, Off. 1407, Santiago)			
Ferrovial Transco Chile SpA	100%	Ferrovial Transco International UK Ltd.	Holding company/Transmission
Ferrovial Transco Chile II SpA	100%	Ferrovial Transco Chile Spa	Holding company/Transmission
Transchile Charrúa Transmisión (*)	100%	Ferrovial Transco Chile Spa	Electricity Transmission
Ferrovial Transco Chile III SpA	100%	Ferrovial Transco International UK Ltd.	Holding company/Transmission

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

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

Joint ventures and associates	% ownership	Parent	Activity
UK (Registered Address/Office: 1 Park Row, Leeds, UK, LS1 5AB)			
AGS Airport Holdings Limited	50%	Faero UK Holding Limited	Holding company/ Airports
AGS Airports Investments Limited	50%	AGS Airport Holdings Limited	Holding company/ Airports
AGS Airports Limited	50%	AGS Airports Investments Limited	Holding company/ Airports
Airports Holdings NDH1 Limited	50%	AGS Airports Limited	Holding company/ Airports
BAA Lynton Limited	50%	Airports Holdings NDH1 Limited	Holding company/ Airports
UK (Registered Address/Office: Wide Lane SO18 2NL)			
Southampton International Airport Limited	50%	Airports Holdings NDH1 Limited	Airports
UK (Registered Address/Office: St Andrews Drive. Paisley. PA3 2SW. Scotland)			
Glasgow Airport Limited	50%	Airports Holdings NDH1 Limited	Airports
UK (Registered Address/Office: Dyce. Aberdeen. AB21 7DU. Scotland)			
Aberdeen International Airport Limited	50%	Airports Holdings NDH1 Limited	Airports

Joint ventures and associates	% ownership	Parent	Activity
UK (Registered Address/Office: The Compass Centre. Nelson Road. Hounslow. Middlesex TW6 2GW)			
FGP Topco Limited	25%	Hubco Netherlands B.V.	Holding company/ Airports
ADI Finance 1 Limited	25%	FGP Topco Limited	Holding company/ Airports
ADI Finance 2 Limited	25%	ADI Finance 1 Limited	Holding company/ Airports
Heathrow Airports Holdings Ltd.	25%	ADI Finance 2 Limited	Holding company/ Airports
Non Des Topco Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
BAA (NDH2) Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
Heathrow Holdco Limited	25%	Heathrow Airports Holdings Ltd.	Holding company/ Airports
LHR Airports Limited	25%	Heathrow Holdco Limited	Holding company/ Airports
Heathrow Enterprises Limited	25%	LHR Airports Limited	Holding company/ Airports
BMG Europe Limited	25%	Heathrow Enterprises Limited	Holding company/Airports
BMG (Ashford) General Partner Limited	25%	Heathrow Enterprises Limited	Holding company/ Airports
Ultraglobal Limited	19%	Heathrow Enterprises Limited	Holding company/ Airports
BMG (Swindon) Limited	20%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Ashford) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Cheshire Oaks) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Ashford) Partnership Trustco Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Bridgend) Limited	19%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (CO2) Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BMG (Swindon phases II & III) General Partner Limited	25%	BMG (Ashford) General Partner Limited	Holding company/Airports
BAA Partnership Limited	25%	LHR Airports Limited	Holding company/ Airports
Devon Nominees Limited	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Ashford) LP	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Bridgend Phases II and III) LP	15%	BAA Partnership Limited	Holding company/ Airports
The BMG (CO Phase IV) LP	25%	BAA Partnership Limited	Holding company/ Airports
The BMG (Swindon phases II & III) LP	18%	BAA Partnership Limited	Holding company/ Airports
BAA General Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Properties Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR Insurance Service Limited	25%	LHR Airports Limited	Insurance
LHR Building Central Services Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR Business Support Centre Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Lynton Management Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Lynton Developments Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR (IP Holdco) Limited	25%	LHR Airports Limited	Holding company/ Airports
BAA Pension Trust Company Limited	25%	LHR Airports Limited	Holding company/ Airports
9G Rail Limited	25%	LHR Airports Limited	Holding company/ Airports
World Duty Free Limited	25%	LHR Airports Limited	Holding company/ Airports
Airport Property GP (No.1) Limited	25%	LHR Airports Limited	Holding company/ Airports
Scottish Airports Limited	25%	LHR Airports Limited	Holding company/ Airports
Airports Hotels General Partner Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports 1992 Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports Limited	25%	LHR Airports Limited	Holding company/ Airports
London Airports 1993 Limited	25%	London Airports Limited	Holding company/ Airports
BAA International Limited	25%	LHR Airports Limited	Holding company/ Airports
LHR (Hong Kong) Limited	25%	LHR Airports Limited	Holding company/ Airports
Heathrow (DSH) Limited	25%	LHR Airports Limited	Holding company/ Airports
Heathrow Finance PLC	25%	Heathrow (DSH) Limited	Holding company/ Airports
Heathrow (SP) Limited	25%	Heathrow Finance PLC	Holding company/ Airports
Heathrow (AH) Limited	25%	Heathrow (SP) Limited	Holding company/ Airports
Heathrow Airport Limited	25%	Heathrow (AH) Limited	Airports
Heathrow Express Operating Company Limited	25%	Heathrow Airport Limited	Railway
UK (Registered Address/Office: 13 Castle Street. St Helier, Jersey JE5 5UT)			
Heathrow Funding Limited	25%	Heathrow (SP) Limited	Holding company/Airports

27. Contingent liabilities, obligations and commitments

Guarantees

a) Guarantees related to Transchile

On 6 October 2016, Transchile signed the loan agreement granted by Scotiabank Chile and Banco de Sabadell S.A. Miami Branch, for a total amount of US$74,085,158.

Transchile has provided the following guarantees over its assets in favour of Scotiabank Chile, The Bank of Nova Scotia and Banco de Sabadell, S.A., Miami Branch:

- Commercial pledge and prohibition, which features in public deed granted on 6 October 2016 by the notary of Santiago of Mr. Eduardo Avello Concha under public files N°30.319-2016, over the rights and/or credits owned by the Company as recorded in the Awarding Decree N° 163 on 20 May 2005 of the Ministry of Economy, Development and Reconstruction published in the Official Gazette on 16 June 2005;
- Commercial pledge and prohibition, which features in public deed granted on 6 October 2016 by the notary of Santiago of Mr. Eduardo Avello Concha of N°30.318-2016 under public files, over the rights and/or credits owned by the Company under the following contracts:
  - (i) Connection and Operations Coordination Convention, "*Convenio de Conexión y Coordinación de Operación*", entered into as a private document by the Company and Colbún S.A on 13 June of 2013, and the subsequent amendments;
  - (ii) Connection Convention, "*Convenio de Conexión*", entered into as a private document by the Company and Transelec S.A on 1 July of 2008, and the following modifications;
  - (iii) Operation Coordination Convention, "Convenio de Coordinación de Operación", agreed through private instrument by the Company and Transelec S.A on 1 July of 2008, and the following modifications;
  - (iv) Lease Agreement for Trama E1 in Microwave Network of Transelec Section S/E Charrúa an S/E Cautín and use of the infrastructures "Contrato Arriendo Trama E1 en Red de Microondas de Transelec Tramo S/E Charrúa y S/E Cautín y Uso Infraestructura", agreed through private instrument by the Company and Transelec S.A on 1 June of 2008, and the following modifications;
  - (v) Agreement for the use of Physical Spaces and Common use Facilities "Contrato Uso de Espacios Físicos y Utilización de Instalaciones de Uso Común", agreed through private instrument by the Company and Transelec S.A on 2 June of 2008, and the following modifications;
  - (vi) Maintenance and Technical Operations Services Contract "Contrato de Servicios de Operación Técnica y Mantenimiento", agreed through private instrument by the Company and Transelec S.A on 1 July of 2008, and the following modifications;

- First degree non-possessory pledge and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.324-2016, over the rights and/or credits owned by the Company currently devoted to the development of operating activities and businesses, and/or that are required or advisable for the good performance and operation of the Transmission Line owned by the Company, that connects the substations of Charrúa and Cautín (Nueva Temuco), not considering those rights and/or credits under the contracts included in letter b);
- First degree non-possessory pledge and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.321-2016, over the financial resources deposited and/or to be deposited in the accounts that the Company opens and maintains opened with Scotiabank Chile, under the credit contract agreed on 6 October of 2016, through public deed granted in the notary of don Eduardo Avello Concha, excluding the "Cuenta de Pagos Restringidos" (Restricted payments account) according to the legal terms founded in the loan contract; and
- First degree mortgage and prohibition, featured in public deed granted on 6 October 2016 by the notary Santiago de don Eduardo Avello Concha under the directory N°30.320-2016, over the property owned by the Company registered at sheet 5,920 number 5.740 of the Land Registry of the Second Curator Immovables of Temuco corresponding to the year 2008.

b) Guarantees related to Denver

The following guarantee is provided by Ferrovial International S.L.U., (external company to the Airports Group), to cover the capital commitment relating to Denver Great Hall project.

Beneficiary company	Guarantee purpose	Amount (millions of euros)
Ferrovial Airports Great Hall Partners, LLC	Equity Contribution	49

Obligations and commitments

The capital commitment undertaken by Ferrovial Airports in relation to the shareholders´equity of its project is a follows:

millions of euros	2018	2019	2020	2021	2022	2023 and subsequent years	TOTAL
Ferrovial Airports Great Hall Partners, LLC	1	-	18	-	-	30	49

28. Related party transactions

The detail of balances with companies of the Ferrovial Group and associates at 31 December 2017 and 2016 is as follows:

2017 Thousands of euros	Loans to associates	Amounts due from Ferrovial Group companies	Borrowings	Payables/(Receivables)	Operating Income	Operating Expenses	Finance income/ (cost)
Ferrovial, S.A. - Corporate	-	23,929	147	1,983	-	(2)	105
Ferrofin S.L.	-	254,335	4,019	-	-	-	(730)
Ferrovial Aeropuertos España S.A.	-	-	2,769	1,518	14	(4,535)	(1)
Ferrovial Transco España, S.A.U.	-	-	-	-	-	-	802
Ferrovial International, LTD.	-	1,635	-	-	-	-	1
Ferrovial Internacional, S.L.U.	-	7,243	-	-	-	-	2
Landmille Netherlands BV	-	1	-	-	-	-	-
Cintra Infrastructures, S.E.	-	91	-	-	-	-	-
Cintra Servicios - Mastrices autopistas	-	-	48	-	-	-	-
407 Toronto Highway, B.V.	-	-	-	1	-	(15)	-
AGS Airports Holding	174,950	-	-	-	-	-	14,591
Ferrovial Agroman UK Ltd.	-	-	12	-	-	-	-
Amey UK Plc.	-	-	-	11	-	-	-
Tax Group Relief	-	-	7,336	-	-	-	-
Ferrovial Agroman West, LLC	-	-	-	2	-	-	-
Ferrovial Holding US	-	-	-	-	-	(15)	-
Ferrovial Airports Holding US Corp	-	-	-	7	-	(1,264)	-
AMEY Consulting USA	-	-	-	-	-	(134)	-
TOTAL	174,950	287,234	14,331	3,522	14	(5,965)	14,770

2016 Thousands of euros	Loans to associates	Amounts due from Ferrovial Group companies	Borrowings	Payables/(Receivables)	Operating Income	Operating Expenses	Finance income/ (cost)
Ferrovial Aeropuertos Internacional, S.A.U.	-	34,610	-	15	-	-	193
Ferrovial, S.A. - Corporate	-	11,365	61	-	-	-	25
Ferrofin S.L.	-	63,641	77,651	-	-	-	1,255
Ferrovial Aeropuertos España S.A.	-	-	248	3,834	6	(3,145)	-
Ferrovial International, LTD.	-	1,634	-	-	-	-	36
Ferrovial Internacional, S.L.U.	-	-	-	-	-	-	-
407 Toronto Highway, B.V.	-	-	-	-	-	(14)	-
Landmille Netherlands BV	-	1	-	-	-	-	-
AGS Airports Holding	252,562	-	-	6	-	-	19,512
Tax Group Relief	-	-	3,297	-	-	-	-
TOTAL	252,562	111,251	81,257	3,855	6	(3,159)	21,021

29. Immediate and ultimate parent companies

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

The parent undertaking of the smallest such group in which these financial statements are consolidated within is Ferrovial Airports International Ltd. a company incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent and the largest group in which these financial statements are consolidated within is Ferrovial, S.A., whose corporate headquarters are in Spain.

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

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

Company income statement

Thousands of euros	Note	2017	2016
Revenue	2	315,000	6
Personnel expenses	3	(108)	(106)
Other operating expenses	4	(1,295)	(1,438)
Gross operating loss		313,597	(1,538)
Profit from operations		**313,597**	**(1,538)**
Net finance income / (expenses)	5	8,152	(3,108)
(Loss)/profit before tax		**321,749**	**(4,646)**
Income tax	6	(1,675)	1,149
(Loss)/profit for the year		**320,074**	**(3,497)**

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

Company balance sheet

Thousands of euros	Note	2017	2016
Investments in subsidiary undertakings	7	874,077	855,814
Non-current assets		**874,077**	**855,814**
Amounts due from Ferrovial Group companies	8	254,555	1,661
Current trade and other receivables		-	2
Current income tax assets		359	1,169
Cash and equivalents		-	-
Current assets		**254,914**	**2,832**
TOTAL ASSETS		1,128,991	858,645
Borrowings from Ferrovial Group companies	9	(3,396)	(77,867)
Trade and other payables	10	(1,212)	(1,329)
Current income tax liabilities		(1,675)	-
Current liabilities		**(6,283)**	**(79,196)**
TOTAL LIABILITIES		(6,283)	(79,196)
TOTAL NET ASSETS		**1,122,708**	**779,449**
Share capital	11	161,067	158,793
Share premium	11	644,604	624,139
Retained earnings and other reserves	11	317,037	(3,484)
TOTAL EQUITY		**1,122,708**	**779,448**

The Consolidated Financial Statements of Ferrovial Airports International Ltd., registered number 09635449, were approved by the Board of Directors and authorised for issue on 31 May 2018.

Signed on behalf of the Board of Directors

Ignacio Aitor Garcia Bilbao

Company statement of changes in equity

Thousands of euros	Share capital	Share premium	Other Reserves	Retained earnings	Total equity
Note	11	11	11	11	
Balance at 1 January 2016	**158,793**	**1,429,139**	**-**	**14**	**1,587,947**
Loss and total comprehensive loss	-	-	14	(3,511)	(3,497)
Capital reduction	-	(805,000)	-	0	(805,000)
Balance at 31 December 2016	**158,793**	**624,139**	**14**	**(3,497)**	**779,449**
Profit and total comprehensive income	-	-	-	320,074	320,074
Capital increase	2,274	20,465	447	-	23,186
Balance at 31 December 2017	**161,067**	**644,604**	**461**	**316,576**	**1,122,709**

Company statement of cash flows

Thousands of euros	Note	2017	2016
Cash flows from/(used in) operating activities	13	**64,716**	**(514)**
Collection/(payment) of income tax		992	(5)
Total cash flow from/(used in) operating activities		**65,708**	**(519)**
Investment through acquisition of companies		-	(69,153)
Cash flow from/(used in) investments		4,970	-
Change in amounts due from Ferrovial Group companies		(4,322)	(1,605)
Cash flow from/(used in) investing activities		**648**	**(70,758)**
Cash flows before financing activities		**66,356**	**(71,277)**
Interest (paid)/received		(1,339)	1,174
Increase in borrowings from Ferrovial Group companies		3,097	77,847
Repayment in borrowings from Ferrovial Group companies		(68,114)	(20)
Cash flows from/(used in) shareholders and non-controlling interests		-	(3,511)
Cash flow from/(used in) financing activities		**(66,356)**	**75,490**
Net increase in cash and cash equivalents		**(0)**	**4,213**
Cash and cash equivalents at beginning of year		-	18
Effect of foreign exchange rate changes on cash and cash equivalents		-	(4,231)
Cash and cash equivalents at end of year		**-**	**-**

Notes to the Company's 2017 Financial Statements

1. Accounting policies

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

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

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

2. Revenue

The breakdown of the operating revenue for 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Total operating revenue	315,000	6

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

Thousands of euros	2017	2016
United Kingdom	315,000	6
Total operating revenue	315,000	6

The operating revenue in 2017 is due to the dividend paid by Hubco Netherlands B.V. at December 2017 in exchange an assignment of EUR 249 million of the intercompany loan with Ferrofin, and the amount of EUR 66 million of cash.

3. Personnel expenses

The breakdown of personnel expenses for 2017 and 2016 is as follows:

Thousands of euros	2017	2016
Wages and salaries	(82)	(81)
Social Security	(26)	(25)
TOTAL	(108)	(106)

The number of employees at 31 December 2017 and 2016, by professional category and gender, is shown in the following table:

	31/12/2017			31/12/2016		
	Men	Women	Total	Men	Women	Total
Clerical staff	-	1	1	-	1	1
Qualified professionals	1	-	1	1	-	1
Operational staff	-	-	-	-	-	-
TOTAL	1	1	2	1	1	2

4. Other operating expenses

The breakdown of other operating expenses at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	2017	2016
Services provided by Ferrovial Group companies	(1,178)	(1,306)
Independent professional services	(117)	(125)
Travel expenses	-	(7)
TOTAL	**(1,295)**	**(1,438)**

Operating expenses incurred during 2017 and 2016 mainly relates to bidding support expenses invoiced by Ferrovial Aeropuertos España S.A.

5. Net finance income/(cost)

The breakdown of financial income is as follows:

Thousands of euros	2017	2016
Finance (cost)/income to/from Ferrovial Group companies	(1,339)	1,174
Exchange differences and others	9,491	(4,282)
Finance income/(loss)	**8,152**	**(3,108)**

Finance cost to Ferrovial Group companies primarily includes interest paid on the loan granted by Ferrofin for the acquisition of Transchile, which has been repaid in Dec 2017, and on several loans issued to other Group companies since 2014.

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

6. Taxation

Thousands of euros	2017	2016
Current year	(1,675)	1,149
Corporation tax	**(1,675)**	**1,149**
Deferred tax	-	-
Total income tax	**(1,675)**	**1,149**

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

Thousands of euros	2017	2016
Profit/(loss) before tax	**321,749**	**(4,646)**
Spain's corporation tax rate	*25%*	*25%*
Tax at the Spain's corporation tax rate	(80,437)	1,162
Tax effect of expenses that are not deductible in determining taxable profit	12	(13)
Tax effect of dividends that are not taxable under double tax treaties	78,750	
Income tax for the year	**(1,675)**	**1,149**

Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or until the four-year inspection period has elapsed. At 31 December 2017, the Company was opened to inspection by the tax authorities for all applicable taxes since its incorporation. The Company's Directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any potential liabilities that could arise would not have a material effect on the accompanying financial statements.

7. Investments in subsidiary undertakings

The breakdown of non-current investments in Group companies and associates at 31 December 2017 and 31 December 2016 is as follows:

Related undertaking **Thousands of euros**	**% ownership**	**Balance at 31/12/2016**	**Additions**	**Transfers**	**Portfolio provisions at 31/12/2017**	**Balance at 31/12/2017**
Hubco Netherlands B.V.	100%	782,933	-	-	-	782,933
Ferrovial Transco Chile Spa	66%	69,153	-	(69,153)	-	-
Ferrovial Airports Denver UK Ltd.	100%	3,728	4,303	-	-	8,031
Ferrovial Transco International UK LTD	100%	-	13,964	69,153	(4)	83,113
Total		**855,814**	**18,267**	**-**	**(4)**	**874,077**

Refer to note 25 of the Consolidated Financial Statements in these accounts for the full disclosure related to subsidiaries, joint ventures and associates.

After the restructuring process undertaken at the end of 2017, Ferrovial Airports International Ltd. acquired the 100% of Ferrovial Transco International UK, LTD, which owns 100% of Ferrovial Transco Chile Spa.

In 2017, capital contributions were made to Ferrovial Airports Denver UK Ltd. amounting to EUR 4,304 million, in order to finance the New Great Hall project of Denver International Airport, in which Ferrovial Airports heads the consortium selected as the preferred bidder for remodelling the Jeppesen Terminal and negotiation of the contract for the award of the commercial zone.

8. Amounts due from Ferrovial Group companies

The breakdown of amounts due from Ferrovial Group companies at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	**2017**	**2016**
Ferrovial Group-current accounts	2,586	1,661
Loan to Ferrovial Group companies	251,969	-
Amounts due from Ferrovial Group companies	**254,555**	**1,661**

The Company's borrowings with Group companies increased to EUR 254.6 million. The main driver of this increase is the assignment of the intercompany loan with Ferrofin, in exchange for part of the distribution received by Hubco Netherlands B.V.

9. Borrowings from Ferrovial Group companies

The breakdown of Borrowings from Ferrovial Group at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	2017	2016
Ferrovial Group-loan	-	77,582
Ferrovial Group-current account	3,396	285
Total Current Borrowings	**3,396**	**77,867**

The Company's borrowings decreased to EUR 3.4 million, the main driver of this decrease is the repayment in Dec 2017 of the intercompany loan with Ferrofin for the acquisition of Transchile.

10. Trade and other payables

The breakdown of trade and other payables at 31 December 2017 and 31 December 2016 is as follows:

Thousands of euros	2017	2016
Trade creditors	20	15
Payables to Ferrovial Group companies	1,184	1,306
VAT payable	8	8
Total trade and other payables	**1,212**	**1,329**

Payables to Ferrovial Group incurred during 2017 have been EUR 1,184 thousand, entirely invoiced by Ferrovial Aeropuertos España S.A. due to the bidding support.

11. Shareholders' equity

Details of shareholders' equity at 31 December 2017 is as follows:

Thousands of euros	Balance at 31/12/2016	Movement	Balance at 31/12/2017
Share capital	158,793	2,274	161,067
Share premium	624,139	20,465	644,604
Retaining earnings and other reserves	(3,484)	320,521	317,037
TOTAL	**779,448**	**343,260**	**1,122,708**

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

At 27 July 2017, the Company issued 422,703 ordinary shares of EUR 1 at a premium of EUR 3,827 thousand to its sole shareholder Ferrovial International Limited. The payment was made by the transfer of USD 4,960 thousand.

At 3 November 2017, the Company issued 1,848,594 ordinary shares of EUR 1 at a premium of EUR 16,637 thousand to its sole shareholder Ferrovial International Limited in exchanged for the equity interest in Ferrovial Transco España S.A.U.

12. Contingent liabilities

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

13. Note to the cash flow statement

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

Thousands of euros	**2017**	**2016**
Net profit	320,074	(3,497)
Adjustments for		
Tax	1,675	(1,149)
Finance (cost)/income	(323,152)	3,108
Distributions received	66,428	-
Changes in accounts receivable, accounts payables and inventories	(309)	1,024
Cash flows from/(used in) operating activities	**64,716**	**(514)**

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Thousands of euros	**2016**	**Financing cash flows**	**Non-cash changes**		**2017**
			Exchange differences	**Interest accruals**	
Borrowings from Ferrovial Group companies (note 17)	77,867	(66,356)	(9,470)	1,355	3,396
Total liabilities from financing activities	**77,867**	**(66,356)**	**(9,470)**	**1,355**	**3,396**

14. Related party transactions

The detail of balances with companies of the Ferrovial Group and associates at 31 December 2017 and 2016 is as follows:

2017 **Thousands of euros**	**Amounts due**	**Borrowings**	**Payables**	**Operating Expenses**	**Finance income/ (cost)**
Ferrovial, S.A. - Corporate	949	-	6	-	-
Ferrofin S.L.	251,969	3,157	-	-	(1,340)
Ferrovial Aeropuertos España S.A.	-	225	1,178	(1,178)	(0)
Ferrovial International, LTD.	1,635	-	-	-	1
Ferrovial Aeropuertos Internacional, S.A.U.	-	14	-	-	-
Ferrovial Aeropuertos Chile II, SPA	1	-	-	-	-
Ferrovial Airports Denver UK Ltd.	1	-	-	-	52
Ferrovial Transco International UK Ltd.	-	-	-	-	(4)
TOTAL	254,555	3,396	1,184	(1,178)	(1,291)

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

15. Information on the ultimate parent

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

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

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