

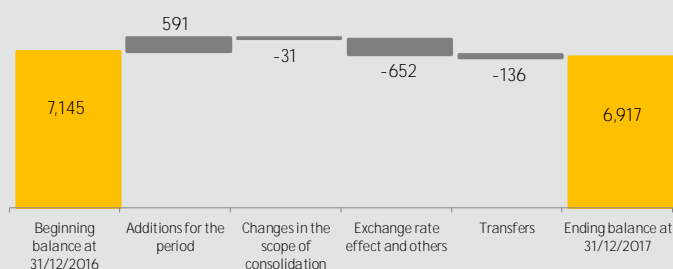
SECTION 3: NON-CURRENT ASSETS

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

The main components of the non-current assets at 31 December 2017 at Ferrovial are “Investments in Infrastructure Projects” amounting to EUR 6,917 million, accounting for 46% of total non-current assets (see Note 3.3), “Investments in Associates” amounting to EUR 2,687 million (relating mainly to the investments in HAH and 407 ETR), accounting for 18% of total non-current assets (see Note 3.5), and “Goodwill Arising on Consolidation” (EUR 2,062 million), which represents 14% of total non-current assets.

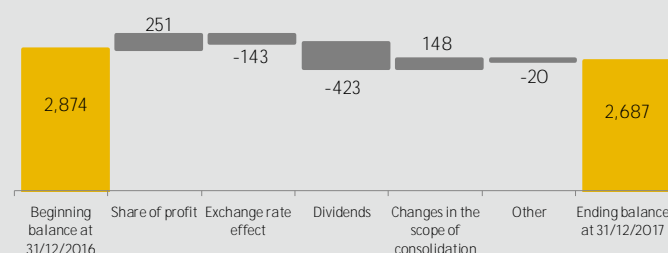
The decrease in investments in infrastructure projects with respect to 2016 was due mainly to the exchange rate effect (fall in the value of the US dollar), with an impact of EUR -652 million, partially offset by the non-current asset additions in construction projects in the US:

Investments in infrastructure projects



The decrease of EUR 187 million in investments in associates was due largely to the dividends paid amounting to EUR 423 million, mainly by HAH and 407 ETR, and to the exchange rate effect, mainly as a result of the fall in the value of the pound sterling and the Canadian dollar (EUR -143 million), partially offset by the share of the profits of those companies (EUR 251 million) and the changes in the scope of consolidation that took place in the year described in Note 1.1.3 (EUR 148 million).

Investments in associates



As regards the changes in goodwill, there was a decrease of EUR -93 million due mainly to the exchange rate effect (EUR -79 million), the impairment of Autema (EUR -29 million), the changes in the scope of consolidation and other effects (mainly in the Services Division) amounting to EUR 15 million.

3.1. Goodwill and acquisitions

The table below details the changes in goodwill in 2017:

(Millions of euros)	BALANCES AT 31/12/16 (*)	CHANGES IN THE SCOPE OF CONSOLIDA- TION AND OTHER	IMPAIRMENT LOSSES	EXCHANGE RATE EFFECT	BALANCES AT 31/12/17
Services	1,730	12	0	-59	1,683
Services Spain	435	7	0	0	442
Amey	877	0	0	-34	843
Broadspectrum	382	0	0	-24	358
Steel	29	0	0	-1	28
Other services	7	5	0	-1	11
Construction	210	2	0	-14	198
Budimex	67	0	0	4	70
Webber	143	2	0	-18	127
Toll roads	170	0	-29	0	141
Ausol	70	0	0	0	70
Autema	100	0	-29	0	71
Airports	45	1	0	-6	40
Transchile	45	1	0	-6	40
Total	2,155	15	-29	-79	2,062

(*) Adjusted amounts (see Note 1.1.4)

3.1.1. Changes in 2017

Following is a description of the main changes by type of change:

Definitive accounting for the acquisition of Broadspectrum:

In 2017 additional information was obtained –not available at the date of preparation of the 2016 consolidated financial statements– in relation to the financial statements of Broadspectrum at the date of its inclusion in the scope of consolidation of the Group. This additional information gave rise to the modification (EUR -15 million) of the goodwill arising on this acquisition. Pursuant to IFRS 3.45, this adjustment was made within the measurement period of one year from the acquisition date, which ended in May 2017.

Based on the foregoing, the consolidated statement of financial position as at 31 December 2016 was adjusted. The table below details the effect of these changes on the main affected line items in the Group's consolidated statement of financial position.

(Millions of euros)	FIN. STAT. BALANCES AT 31/12/16	PPA ADJUSTMENT	ADJUSTED BALANCES AT 31/12/16
Goodwill	2,170	-15	2,155
Intangible assets	503	41	544
Deferred tax assets	1,051	6	1,057
Amounts to be billed for work performed	942	-6	936
Assets	4,666	26	4,692

(Millions of euros)	FIN. STAT. BALANCES AT 31/12/16	PPA ADJUSTMENT	ADJUSTED BALANCES AT 31/12/16
Deferred tax liabilities	967	12	979
Amounts billed in advance for construction work	565	2	567
Short-term provisions	702	13	715
Liabilities	2,235	26	2,261

The following table summarises the main aggregates of the acquisition once the changes indicated in the foregoing tables have been made:

(Millions of euros)	2016 PPA	ADJUSTMENT	DEFINITIVE 2016 PPA
Acquisition-date equity	399	0	399
Fair value adjustments	-270	15	-255
Fair value of the debt	-42	0	-42
Contingencies	-12	-20	-33
Elimination of intangible asset	-370	0	-370
Allocation of intangible asset	211	41	252
Tax impact of PPA	-40	-6	-46
Other adjustments	-17	0	-17
Equity following adjustments	129	15	144
Ferrovial investment	526	0	526
Goodwill	397	-15	382

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

Definitive accounting for the acquisition of Pepper Lawson (Webber)

As with the case described above, in 2017 additional information was obtained that was not available at the date of preparation of the consolidated financial statements for 2016, which gave rise to an increase in the provisions associated with certain contracts, due to events already existing at the date of acquisition of the company, amounting to

EUR -2 million (net of the related taxes) and the consequent increase in the goodwill recognised. Since the impacts were not material, in this case the comparable information for 2016 was not adjusted and the changes are shown in the “Changes in the Scope of Consolidation and Other” column.

Also, Pepper Lawson was integrated in the business structure of Webber in 2017, and, accordingly, the two companies will be treated as a single cash-generating unit for the purposes of monitoring goodwill

(Millions of euros)	2017	2016	CHANGE
Acquisition-date equity	6	6	0
Fair value adjustments	-7	-5	-2
Equity following adjustments	-1	1	-2
Ferrovial investment	11	11	0
Goodwill	12	10	2

Changes in the scope of consolidation

Trans-Formers Group

- On 1 June 2017, the acquisition of all the shares of the Polish waste collection and treatment company Trans-Formers Group for EUR 31 million was completed (see Note 1.1, Basis of presentation, Company activities, changes in the scope of consolidation and adjustment). An intangible asset related to the customer portfolio was identified and recognised for EUR 17 million, as were property, plant and equipment for EUR 2 million and deferred taxes for EUR 3 million; which gave rise to goodwill on consolidation of EUR 5 million. In accordance with IFRS 3, the Group has one year from the acquisition date to review the purchase price allocation process.

Grupo Maviva

On 18 July, Ferrovial acquired, for EUR 18 million, all the shares of this Spanish company specialising in high value-added logistics operations, quality control and pre-assembly of components for the automotive industry. An intangible asset related to the customer portfolio was identified and recognised for EUR 7 million, together with deferred taxes of EUR 2 million. This gave rise to goodwill on consolidation of EUR 7 million. The Group has one year from the acquisition date to review the purchase price allocation process.

The provisional allocation of the purchase prices of these acquisitions can be consulted in the following table:

(Millions of euros)	GRUPO MAVIVA	TRANS-FORMERS
Acquisition-date equity	5	10
Fair value adjustments	5	16
Equity following adjustments	11	25
Ferrovial investment	18	31
Goodwill	7	5

Impairment losses

The only impairment loss recognised in the year, amounting to EUR 29 million, relates to the goodwill on consolidation allocated to Autema (see Note 3.1.2).

Exchange rate effect

As regards the changes caused by the exchange rate effect, the appreciation of the euro against most of the currencies in which the Group companies operate (with the exception of the Polish zloty) had a negative impact of EUR 79 million on goodwill, including most notably the change in this item in the Services Division, where the goodwill decreased by EUR 59 million, due mainly to Amey (EUR -34 million) and Broadspectrum (EUR -24 million). In the Construction Division, the main change due to the exchange rate effect arose at Webber (EUR -18 million).

3.1.2. Goodwill impairment tests

A. Services Division goodwill:

Methodology and discount rate

The goodwill of Amey (UK), Ferrovial Services Spain, Broadspectrum and Steel (Chile), amounting to EUR 843 million, EUR 442 million, EUR 358 million and EUR 28 million, respectively, at 31 December 2017 (31 December 2016: EUR 877 million, EUR 435 million, EUR 382 million and EUR 29 million in the case of Amey, Ferrovial Services Spain, Broadspectrum and Steel, respectively), is tested for impairment by using cash flow projections for a five-year period, except in the case of Broadspectrum, for which a ten-year period was used, since this coincides with the projection period used to value the company at the time of its acquisition and is consistent with the model used to value the contracts and the contractual relationship for the purposes of valuing the intangible asset in the acquisition process. The residual value is based on the cash flow for the last year projected, provided this represents a cash flow with no exceptional factors, and the growth rate applied in no case exceeds the estimated long-term growth rate for the market in which each company operates.

Cash flows are discounted using a rate based on the weighted average cost of capital (WACC) for assets of this nature. In order to value companies, Ferrovial uses a risk-free rate usually taking as a reference a ten-year sovereign bond based on the location of the company in question and a market premium of 6.0% (in line with 2016), based on studies of historical long-term and current market premiums demanded (mainly Dimson, Marsh & Staunton, Damodaran, etc.). As regards the risk-free interest rate, it should be noted that the Company considers that the current rate for sovereign bonds in some countries may be artificially low. For the impairment tests the risk-free interest rate used is a normalised rate of 2.0% for the UK (Amey) and 2.5% for Spain (Ferrovial Services Spain), which entails an upward adjustment with respect to the rate for sovereign bonds at 31 December 2017 of 79 basis points in the UK and 94 basis points in Spain. The risk-free interest rate used at Broadspectrum is 3.0% (26 basis points above the ten-year Australian sovereign bond) and the risk-free interest rate used in Chile is 4.4% (the same as the rate for the Chilean ten-year sovereign bond). Additionally, in order to reflect each company's exposure, portfolios of comparable companies were selected to obtain unlevered betas. The betas obtained were compared with other sources habitually used by analysts and investment banks (Barra Beta, Bloomberg, etc.).

The discount rates (WACC) after tax used to perform the impairment test are presented in the following table:

DISCOUNT RATE (WACC AFTER TAX)	2017	2016
Amey	6.7%	6.7%
Ferrovial Servicios	7.2%	7.3%
Broadspectrum	8.7%	8.4%
Steel	9.0%	8.8%

The approximate discount rates (WACC) before tax in 2017 were as follows:

DISCOUNT RATE (WACC BEFORE TAX)	2017	2016
Amey	7.6%	7.9%
Ferrovial Servicios	8.9%	9.0%
Broadspectrum	10.7%	10.2%
Steel	11.3%	12.6%

Main factors that affect the valuation and performance compared with 2016 and budget

The projected flows are based on the latest estimates approved by the Company, which take into account recent historical data. The main factors that affect the cash flow projections of the Services Division are revenue forecasts and the projected revenue margins. These projections are based on four basic components:

- The existing backlog, which offers certainty of a high percentage of revenue in the coming years. In 2017 the backlog was reduced across the board; the hardest hit area was Amey, with a fall of -13.6%, followed by Spain and Broadspectrum with falls of -8.4% and -8.2% respectively.
- Winning new contracts, which is calculated by applying a success rate (based on historical company data and market prospects) to the estimate of the contracts for which bids will be submitted in the coming years.
- The estimate of future margins, which are based on the company's historical margins adjusted by certain factors that might affect the markets in the future.
- Amey, which had an EBITDA margin of 3.5% in 2017 (compared to 1.5% in 2016), has maintained its strategy for monitoring competitive tendering processes, focusing on operating improvements by withdrawing from contracts with low profitability and implementing the restructuring plan that commenced in 2016, with the aim of recovering historic profitability. The short-term revenue projections used in the 2017 impairment test of Amey were adjusted downwards in comparison to 2016, due to the outlook for 2018, which is marked by Brexit and a competitive environment affected by the precarious situation of its main operators. Current sales volume will not foreseeably be recovered until 2021. The projections envisage EBIT margin remaining stable in the short term and a gradual improvement in the long term up to levels close to 6%, margins that are lower than they were in the years before 2014.
- **Ferrovial Services Spain's performance in 2017 was in line with the budget**, with an EBITDA margin slightly lower than that of 2016 (10.4% compared to 10.7%). The projections envisage a continuation of the improvement in the EBITDA margin of recent years up to levels close to 12%, which is lower than the margins obtained in the years prior to 2013.

- **Broadspectrum's performance in 2017 exceeded the budget** in both revenue (+15%) and EBITDA margin (5.5% compared to 3.6% in the budget). In the future the company expects to gradually recover from the withdrawal from the immigration contracts.
- **Steel's sales and EBITDA margin were below expectations in 2017**. Accordingly, the projections were adjusted downwards.
- **The perpetuity growth rate ("g")**, which is based on the prospects of the markets and industries in which the Company operates. The rates used are: 2% at Amey, 1.75% at Ferrovial Services Spain, 2.4% at Broadspectrum and 2.5% at Steel. These perpetuity growth rates are in line with the long-term inflation estimates in the UK, Spain, Australia and Chile, respectively. These perpetuity growth rates are in line with the long-term consensus estimates of inflation in the UK, Spain, Australia and Chile, respectively (sources used: IMF, Bloomberg, Economist Intelligence Unit, European Central Bank, etc.).

Impairment test results

The value of Amey resulting from application of this impairment test model is 225% higher than its carrying amount (2016: 231%). In the case of Ferrovial Services Spain, the buffer is 66% (2016: 49%). The value of Broadspectrum is 78% higher than its carrying amount.

The value of Steel resulting from application of this impairment test model is 6% higher than its carrying amount (2016: 146%). The reduction in the size of the buffer is due mainly to a downward adjustment of the projections owing to the fact that operating margins were lower than expected in 2017.

The residual value after the projection period represents approximately 83% of the total value at Amey, 71% at Ferrovial Services Spain, 81% at Steel and 62% at Broadspectrum.

Sensitivity analysis

Sensitivity analyses are performed on this goodwill, mainly in relation to the EBITDA margin, 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.

The main sensitivity factor in these impairment tests is the EBITDA margin. Accordingly, the carrying amount would equal the valuation disclosed if the EBITDA margin projected on the residual value were reduced by 314 basis points at Amey, 382 basis points at Ferrovial Services Spain and 179 basis points at Broadspectrum, thereby leaving the **assumption of perpetuity growth ("g") at 1%**.

Another relevant sensitivity factor is the perpetuity growth included in the residual value. In this regard, Amey, Ferrovial Services Spain and Broadspectrum, in a scenario in which the projected margins remain the same and assuming a zero-perpetuity growth rate, there would be no impairment.

Lastly, a pessimistic scenario combining the two factors was taken into consideration, with a perpetuity growth rate of 1% and a reduction in the EBITDA margin included in the residual value of 100 basis points compared to the base case. The valuation disclosed in this scenario evidences a buffer over the carrying amount of 123% in the case of Amey, 40% in the case of Ferrovial Services Spain, and 23% in the case of Broadspectrum.

The valuation of Steel disclosed a smaller buffer and, accordingly, a small variance in the projections could give rise to impairment.

B. Construction Division goodwill (Webber and Budimex):

Methodology and discount rate

The goodwill of Webber (US) and Budimex (Poland) amounted to EUR 127 million and EUR 70 million, respectively, at 31 December 2017 (31 December 2016: EUR 143 million and EUR 67 million, respectively).

The impairment test methodology used for Webber was similar to that described above for the Services companies and included a discount rate (WACC) after tax of 8.9% (compared to 8.7% in 2016) and a perpetuity growth rate of 2.0% (same rate as in 2016). The risk-free interest rate used to calculate the WACC was 2.4%, the same as the rate of the ten-year US bond at 31 December 2017.

The approximate discount rate (WACC) before tax was 10.6% in 2017 (compared to 12.1% in 2016). It is important to bear in mind the reduction in the federal tax rate in the US from 35% to 21% approved in December.

In the case of Budimex, since it is listed on the Warsaw Stock Exchange, the goodwill was tested for impairment by ascertaining whether the closing market price at 31 December 2017 of Budimex shares was higher than its carrying amount plus the allocated goodwill. The test did not evidence the existence of any impairment.

Main factors that affect the valuation and performance compared with 2016 and budget

The projected free cash flows are based on the latest estimates approved by the Company, which take into account recent historical data. The main factors that affect the cash flow projections of Webber are revenue forecasts and the projected operating margins. These projections are based on four basic components, similar to those described in the preceding section on Services (the existing backlog, the obtainment of new contracts, the estimate of future margins and the perpetuity growth rate). It should be noted that the projected operating margins are lower than the historical margins of recent years, in line with average margins in the industry. The perpetuity growth rate used was 2%, which is similar to long-term inflation forecasts for the US without considering actual economic growth.

Impairment test results

The value of Webber resulting from application of this impairment test model is 59% higher than its carrying amount (compared to 23% in 2016).

The residual value of Webber represents 40% of the total value after the explicit projection period.

The quoted market price of the Budimex share at 31 December 2017 was 491% higher than its carrying amount (compared to 321% in 2016).

Sensitivity analysis

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

Specifically, a pessimistic scenario was taken into consideration with a perpetuity growth rate of 1% and a reduction in the profit from operations of 50 basis points. The value disclosed in this scenario evidences a buffer of 40% over the carrying amount.

On this basis, the valuation disclosed would equal the carrying amount if the reduction in the margin with respect to the projection was of 265 basis points, thereby leaving the assumption of perpetuity growth ("g") at 1%.

Lastly, it should be stated that in a scenario in which the margins remain the same but assuming a zero perpetuity-growth rate (compared to 2.0%), there would be no impairment.

At Budimex, due to the significant buffer of the quoted market price over the carrying amount, the company believes that there is no evidence of impairment.

C. Toll Road Division goodwill:

Methodology and discount rate

The goodwill of the Toll Road business at 31 December 2017 amounted to EUR 141 million (31 December 2016: EUR 170 million). This goodwill arose on the merger transaction performed in 2009 by Ferrovial, S.A. and Cintra, S.A., and corresponds to the acquisition of the percentage of ownership of the non-controlling shareholders of Cintra. The goodwill arising on the difference between the acquisition price of the ownership interest and the carrying amount thereof was allocated by calculating the difference between the fair value of the main shareholdings in concession operators held by Cintra, S.A. at that time and the carrying amount thereof, adjusted by the percentage acquired.

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

To calculate the discount rates shown in the table below, the cost of equity was estimated using the CAPM model. For this purpose, a normalised risk-free rate usually referenced to a 30-year bond, taking into account the location of each concession operator, a beta coefficient reflecting the company's leverage and risk, and a market premium of 6.0% (the same as in 2016) are used. The table below shows the discount rate after tax used for each asset in 2017 and 2016.

DISCOUNT RATE (COST OF EQUITY OR KE)	2017	2016
Autema	8.9%	8.4%
Ausol	9.7%	10.0%

The approximate discount rates (WACC) before tax in 2017 were 12.3% at Autema (2016: 12.7%) and 12.0% at Ausol (2016: 12.6%).

Main factors that affect the valuation and performance compared with 2016 and budget

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

If the operator bears the demand risk, its revenue depends on traffic volumes and toll prices, which are generally updated with inflation. Of the two toll roads with goodwill, the intangible asset model is applied at Ausol, while the financial asset model is used at Autema, since the demand risk is assumed by the Catalonia Autonomous Community Government.

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

Valuation projections and models begin with the budget for the following year approved by management. Any variances in traffic volumes in the year under way are taken into consideration when the initial budget and the long-term projections are reviewed. In 2017 Ausol's revenue grew by 8.5% compared with 2016 and 2.2% compared with the budget.

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

Impairment test results

In the case of Ausol, the valuation evidences a buffer of 334% over carrying amount (compared with 250% in 2016).

In 2017 Autema recognised impairment of goodwill amounting to EUR 29 million. The economic and financial model used for the impairment test is based on a scenario in which the lawsuit against the Autonomous Community Government of Catalonia is won and the Economic and Financial Plan of the concession approved by the Autonomous Community Government of Catalonia in Decree 137/1999, of 18 May, is applied. This model envisages a delay in the collection of the collection flows from the Autonomous Community Government of Catalonia until the resolution of the lawsuit, and this is the reason for the aforementioned impairment.

Sensitivity analysis

In the case of Ausol, a more pessimistic scenario was built, taking into consideration a revenue 10% below budget. The value disclosed in this scenario evidences a buffer of 220% over the carrying amount.

3.2. Intangible assets

At 2017 year-end, the balance of intangible assets other than infrastructure projects amounted to EUR 431 million (2016 year-end: EUR 544 million). The changes in "Intangible Assets" in the consolidated statement of financial position were as follows:

CHANGES IN 2017 (Millions of euros)	RIGHTS ON CONCESSIONS	COMPUTER SOFTWARE	CUSTOMER CONTRACTS AND BUSINESS RELATIONSHIPS	TOTAL
Investment:				
Balance at 31/12/16 (*)	62	199	578	838
Additions	1	16	2	19
Disposals	0	-3	-123	-126
Transfers and other	-26	0	0	-25
Changes in the scope of consolidation	0	0	24	25
Exchange rate effect	0	-12	-23	-35
Balance at 31/12/17	37	201	458	696
Accumulated amortisation:				
Balance at 31/12/16 (*)	-34	-55	-206	-295
Additions	-2	-26	-100	-128
Disposals	0	2	122	124
Transfers and other	21	-1	0	20
Changes in the scope of consolidation	0	0	0	0
Exchange rate effect	0	6	8	14
Balance at 31/12/17	-15	-73	-176	-265
Carrying amount at 31/12/17	22	128	282	431

(*) Adjusted balances (see Note 1.1.4)

"Rights on Concessions" includes the rights to operate the tenders won in the Services industry in Spain that are not classified as projects (see definition in Note 1.1.2), amounting to EUR 22 million (31 December 2016: EUR 28 million).

The carrying amount of software was EUR 128 million (31 December 2016: EUR 145 million).

On the other hand, in relation to the "Customer contracts and commercial relationships", the net value of the commercial portfolio, customer databases and other intangible assets associated with various acquisition processes, carried out mainly in the Services Division, is included for a net value of EUR 282 million (31 December 2016: EUR 372 million). The most significant balance corresponds to Broadpectrum for EUR 108 million (31 December 2016: EUR 191 million).

Also, FBSerwis acquired Trans-Formers Wroclaw and Trans-Formers Kapatia, companies belonging to the Trans-Formers TFH Sp. z.o.o. Group, and this transaction gave rise to an increase in the balance of this line item of EUR 17 million, see Note 3.1. Thus, the value of FBSerwis's concession arrangements amounted to EUR 32 million (31 December 2016: EUR 17 million).

Furthermore, acquisition of Grupo Maviva had a net value impact on the commercial portfolio of EUR 7 million, see Note 3.1.

In 2017, fully amortised intangible assets were derecognised for a total of EUR 126 million, of which EUR 87 million related to the Tubelines Secondment concession and EUR 21 million to concession arrangements in Australia.

The cash flow impact of the additions to intangible assets amounted to EUR -3 million (see Note 5.3), an amount lower than the additions recognised in the consolidated statement of financial position, due mainly to investments made in computer software which have not been paid in full.

No impairment losses were recognised or reversed in relation to these assets in 2017.

3.3. Investments in infrastructure projects

3.3.1. Intangible asset model

(Millions of euros)	BALANCE AT 01/01/17	TOTAL ADDITIONS	TOTAL DISPOSALS	CHANGES IN THE SCOPE OF CONSOLIDATION AND TRANSFERS	EXCHANGE RATE EFFECT	BALANCES AT 31/12/17
Spanish toll roads	793	5	0	-64	0	734
US toll roads	5,025	477	0	0	-659	4,842
Other toll roads	384	0	0	0	0	384
Investment in toll roads	6,201	483	0	-64	-659	5,960
Accumulated amortisation	-300	-61	0	0	9	-351
Impairment losses	-25	1	25	0	0	0
Net investment in toll roads	5,876	423	25	-64	-650	5,609
Investment in other infrast. projects	487	10	-5	28	0	521
Amortisation - Other infrast. projects	-196	-27	-1	-23	0	-246
Total net investment - Other infrast. projects	291	-16	-6	5	0	274
Total investment	6,689	493	-5	-37	-659	6,480
Total amortisation and impairment losses	-521	-87	23	-23	9	-598
Total net investment	6,168	406	19	-60	-650	5,883

The most significant changes in 2017 were as follows:

- Exchange rate fluctuations resulted in a reduction of EUR -650 million (2016: increase of EUR 195 million) in the balance of these assets, the full amount of which was attributable to the change in the euro/US dollar exchange rate at the US toll roads (see Note 1.4).
- The assets relating to the US toll roads increased by EUR 477 million. The most significant of these increases in assets centred on the extension of the North Tarrant Express toll road (EUR 262 million - 2016: EUR 281 million-) and the I-77 Mobility Partners LLC toll road (EUR 165 million - 2016: EUR 67 million-), which are currently in the construction phase. The total investment in these toll roads includes a balance at 31 December 2017 of EUR 1,129 million (2016: EUR 807 million) relating to property, plant and equipment in the course of construction (see Note 5.3).
- “Impairment Losses” includes the estimated impairment losses on arrangements to which no goodwill has been allocated. These possible impairment losses were calculated using the same method as that indicated in Section 3.1. In 2017 the impairment loss recognised on the Euroscut Azores toll road was reversed (EUR 25 million) as a result of the improved projections for the toll road due to an increase in vehicle numbers (see Note 2.5).
- Also, “Investment in Other Infrastructure Projects” includes concession arrangements awarded to the Services Division that are classified as intangible assets under IFRIC 12, basically those relating to Autovía de Aragón Sociedad Concesionaria, S.A., with a net investment of EUR 115 million (2016: EUR 127 million) and various integral waste treatment plants located in Spain, mainly in Barcelona, Toledo and

Murcia (Ecoparc de Can Mata, S.L.U., Gestión Medioambiental de Toledo, S.A. and Servicios Urbanos de Murcia, S.A.) among others, for a net amount of EUR 159 million (2016: EUR 162 million).

In the case of the infrastructure project companies, all their concession assets have been pledged as security for the existing borrowings (see Note 5.2). The borrowing costs capitalised in this connection in 2017 are detailed in Note 2.6.

The changes in these assets in 2016 were as follows:

(Millions of euros)	BALANCE AT 01/01/16	TOTAL ADDITIONS	TOTAL DISPOSALS	CHANGES IN THE SCOPE OF CONSOLIDATION AND TRANSFERS	EXCHANGE RATE EFFECT	BALANCES AT 31/12/16
Spanish toll roads	793	0	0	0	0	793
US toll roads	5,764	437	0	-1,375	198	5,025
Other toll roads	384	0	0	0	0	384
Investment in toll roads	6,941	437	0	-1,375	198	6,202
Accumulated amortisation	-261	-75	0	40	-4	-300
Impairment losses	-28	0	3	0	0	-25
Net investment in toll roads	6,651	362	3	-1,334	195	5,876
Investment in other infrastructure projects	485	12	-11	0	0	486
Amortisation - Other infrast. projects	-179	-27	11	0	0	-195
Total net investment - Other infrast. projects	306	-15	0	0	0	291
Total investment	7,426	449	-11	-1,375	198	6,689
Total amortisation and impairment losses	-469	-102	14	40	-4	-521
Total net investment	6,957	347	3	-1,334	195	6,168

3.3.2. Financial asset model

The assets accounted for using the financial asset model pursuant to IFRIC 12 relate mainly to amounts receivable at long term (more than twelve months) from governments in return for services rendered or investments made under a concession arrangement. The changes in the years ended 31 December 2017 and 2016 were as follows:

CHANGES (Millions of euros)	2017 INFRASTRUCTURE PROJECT RECEIVABLES	2016 INFRASTRUCTURE PROJECT RECEIVABLES
Beginning balance	977	1,586
Additions	185	298
Disposals	-50	-215
Transfers and other	-75	-664
Changes in the scope of consolidation	0	0
Exchange rate effect	-2	-29
Ending balance	1,035	977

Note: balances presented net of allowances.

With respect to the account receivable relating to the Autema project, both the decree published in 2015 and the new decree published in 2016 have been appealed against cumulatively in one proceeding and, in this connection, no substantial changes were considered in addition to those already considered in relation to the treatment of the account receivable (see Note 6.5.1-a). As indicated in 6.5.1-a, the Company considers that there are very sound legal arguments to win the appeal and, therefore, it was resolved to continue to recognise the project as a financial asset. An

impairment test was performed with respect to the goodwill that had been allocated to this project, and a loss of EUR 29 million was recognised (see Note 3.1.2). Based on the same assumptions as those used to calculate the

impairment test on the goodwill, it was concluded that there was no impairment of the financial asset recognised at year-end.

CONCESSION OPERATOR (Millions of euros)	BALANCES AT 31/12/17		TOTAL 2017	BALANCES AT 31/12/16		TOTAL 2016
	LONG-TERM ACCOUNT RECEIVABLE	SHORT-TERM ACCOUNT RECEIVABLE (Note 4.2)		LONG-TERM ACCOUNT RECEIVABLE	SHORT-TERM ACCOUNT RECEIVABLE (Note 4.2)	
Autopista Terrasa Manresa, S.A.	634	25	659	571	77	648
Toll roads	634	25	659	571	77	648
Concesionaria de Prisiones Lledoners	66	2	68	68	1	70
Concesionaria de Prisiones Figueras	109	3	113	114	2	116
Depusa Aragón	26	0	26	13	0	13
Budimex Parking Wrocław	11	0	11	10	0	10
Construction	213	5	218	206	4	209
Hospital de Cantabria	71	14	85	79	10	89
Waste treatment plants in Spain	33	9	42	51	10	61
Waste treatment plants in the UK and Poland	71	168	239	71	169	239
Services	175	191	366	200	189	389
Denver Great Hall LLC	12	0	12	0	0	0
Airports	12	0	12	0	0	0
TOTAL GROUP	1,035	221	1,256	977	270	1,247

3.3.3 Cash flow impact

The total cash flow impact of the additions to projects accounted for using the intangible asset and financial asset models amounted to EUR -371 million (see Note 5.3), which differs from the additions recognised in the consolidated statement of financial position primarily due to the following reasons:

- In projects in which the intangible asset model is applied, due to differences between the accrual basis and cash basis of accounting, as well as the capitalisation of the borrowing costs attributable to projects under construction, which do not generate cash outflows.
- In projects in which the financial asset model is applied, due to the increases in the account receivable as a balancing entry to income for services rendered, which do not generate cash outflows either.

3.4. **Property, plant and equipment** the changes in “property, plant and equipment” in the consolidated statement of financial position were as follows:

CHANGES IN 2017 (Millions of euros)	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXTURES, TOOLS AND FURNITURE	TOTAL
Investment: Balances at 01/01/17	189	974	804	1,967
Additions	7	64	71	142
Disposals	-8	-61	-49	-119
Changes in the scope of consolidation and transfers	12	3	19	34
Exchange rate effect	-5	-32	-22	-59
Balances at 31/12/17	194	948	824	1,966
Accumulated depreciation and impairment losses at 01/01/17	-45	-669	-522	-1,235
Depreciation charge for the year	-7	-79	-58	-144
Disposals	7	48	37	92
Changes in the scope of consolidation and transfers	-3	3	-12	-12
Exchange rate effect	1	17	9	27
Impairment losses on property, plant and equipment	0	0	0	0
Balances at 31/12/17	-47	-680	-546	-
Carrying amount at 31/12/17	147	268	278	694

The most significant changes in 2017 were as follows:

Additions:

Of the total additions, amounting to EUR 142 million, the most significant arose at the Services Division EUR 83 million in relation to the investments made in the expansion of the capacity of landfills, the installation of new waste transfer and treatment facilities, and the renewal of cleaning and transport equipment and luminaires associated with contracts in force. Also, in the Construction Division, acquisitions totalling EUR 49 million were made in relation to specific construction machinery.

In addition, in 2017 the changes in value of the euro against the Australian and US dollars, the Chilean peso and the pound sterling gave rise to a net reduction of EUR 59 million in the balance of property, plant and equipment.

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

(Millions of euros)	2017	2016
Construction	49	60
Toll roads	9	4
Services	83	61
Other	1	16
TOTAL	142	141

Impact on cash flows: The impact on cash flows arising from additions to property, plant and equipment amounted to EUR -132 million (see Note 5.3).

Disposals or reductions:

The property, plant and equipment disposals and reductions amounted to EUR 119 million, due largely to the write-off of fully depreciated or obsolete items, although this did not have a material effect on the consolidated statement of profit or loss. Specifically, EUR 25 million were

derecognised at the Construction Division and EUR 80 million at the Services Division.

Other disclosures relating to property, plant and equipment:

The property, plant and equipment not used in operations are not material with respect to the ending consolidated balances. Impairment losses on other items of property, plant and equipment total EUR 70 million (2016: EUR 68 million), associated mainly with the Services Division.

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

The property, plant and equipment in the course of construction amount to EUR 58 million (2016: EUR 58 million), corresponding basically to the Services Division (EUR 44 million). The changes relate mainly to Cespa Gestión de Residuos and Broadpectrum Australia.

The changes in 2016 were as follows:

CHANGES IN 2016 (Millions of euros)	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXTURES, TOOLS AND FURNITURE	TOTAL
Investment: Balances at 01/01/16	174	859	675	1,707
Additions	19	47	74	141
Disposals	-1	-91	-29	-121
Changes in the scope of consolidation and transfers	5	167	83	255
Exchange rate effect	-8	-9	1	-15
Balances at 31/12/16	189	974	804	1,967
Accumulated depreciation and impairment losses at 01/01/16	-47	-682	-488	-1,217
Depreciation charge for the year	-7	-55	-51	-112
Disposals	0	54	23	77
Changes in the scope of consolidation and transfers	6	4	-7	2
Exchange rate effect	3	10	2	14
Impairment losses on property, plant and equipment	0	0	0	0
Balances at 31/12/16	-45	-669	-522	-1,236
Carrying amount at 31/12/16	144	305	282	731

3.5. Investments in associates

The detail of the investments in companies accounted for using the equity method at 2017 year-end and of the changes therein in 2017 is shown in the table below. Due to their significance, the investments in 407 ETR (43.23%) and Heathrow Airport Holdings (HAH) (25%) are presented separately.

2017 (Millions of euros)	HAH (25%)	407 ETR (43.23%)	OTHER	TOTAL
Balance at 31/12/16	837	1,881	156	2,874
Share of results	87	125	39	251
Dividends	-148	-248	-28	-423
Exchange differences	-33	-106	-3	-143
Pensions	-15	0	3	-12
Changes in the scope of consolidation	0	0	148	148
Other	9	0	-17	-8
Balance at 31/12/17	737	1,652	298	2,687

Changes: The changes in "Investments in Associates" were due mainly to the distribution of dividends of EUR 423 million, partially offset by the share of results for the year (EUR 251 million), and the appreciation in value of the euro, mainly against the pound sterling and the Canadian dollar, which had a negative effect of EUR -143 million. Also worthy of note is the positive impact of the inclusion in this line item of the Portuguese Norte Litoral and Algarve toll roads (EUR 148 million) following the partial divestments that took place in 2017 and are described in Note 1.1.3, Changes in the scope of consolidation.

Impact on cash flows: The difference between the dividends of EUR 423 million in the foregoing table and the EUR 543 million disclosed in the consolidated statement of cash flows (see Note 5.3) relates mainly to interest received on loans granted to companies accounted for using the equity method classified under "Non-Current Financial Assets" in the consolidated statement of financial position (see Note 3.6) and the effect of the certain foreign currency hedges related to dividends received.

The changes in "Investments in Associates" in the consolidated statement of financial position in 2016 were as follows:

2016 (Millions of euros)	HAH (25%)	407 ETR (43.23%)	OTHER	TOTAL
Balance at 31/12/15	1,213	1,909	116	3,237
Share of results	-57	98	41	82
Dividends received and equity reimbursed	-102	-234	-31	-367
Exchange differences	-155	109	1	-45
Pensions	-55	0	-18	-73
Other	-6	0	47	40
Balance at 31/12/16	837	1,881	156	2,874

In view of the importance of the investments in HAH and 407 ETR, set forth below is a detail of the balance sheets and statements of profit or loss of these two companies, adjusted to bring them into line with Ferrovial's accounting policies, together with comments on the changes therein in 2017.

Also, since the two ownership interests were remeasured when control was lost, giving rise to the recognition of goodwill, in accordance with IAS 28.40 et seq the possible existence of indications of impairment is assessed on an annual basis.

3.5.1. Information relating to HAH

a. Impairment test

Based on the valuations and sensitivity analyses performed, on the references to transactions performed with third parties and on the positive evolution of the asset in the year, it was concluded that no impairment existed.

The highlight of the positive trend in 2017 was the improvement in gross profit from operations, up 4.6% on the figure for 2016, and 6.0% compared with the 2017 budget used as the first year of projection in the 2016 impairment test. RAB grew by 3.6% in the year to stand at GBP 15,786 million. Also, traffic figures were 3.1% above those for 2016 and 3.9% higher than the 2017 budget.

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

- The most recent business plan approved by the company was considered. This plan is based on the 5.35% return on assets established by the regulator for the current five-year period (Q6: 2014-2019), representing an annual price reduction of -1.5% ("x" factor) + inflation (RPI) until December 2019.
- In compliance with IAS 36.44, possible plans to increase the capacity of Heathrow airport (third runway project) were not taken into account. However, it should be stated that on 25 October 2016 the UK government announced its decision to select the construction of a third runway at Heathrow Airport in order to increase airport capacity in the southeast of England. The Davies Commission, which was created to study the various capacity expansion options, had already unanimously recommended this as the best option in July 2015. However, this decision requires parliamentary approval of the National Policy Statement and subsequently the grant of a Development Consent Order by the Secretary of State, which are expected to be obtained between 2018 and 2021.
- The value of the investment was calculated by discounting the future cash flows per the business plan, using the adjusted present value

(APV) method until 2050 and an exit multiple for that year of 1.15 x RAB. The unlevered equity discount rate (K_u) is 7.5% and the tax shield generated by the debt is discounted at the cost of the debt.

The result of the valuation is 78% higher than the carrying amount. Also, sensitivity analyses were performed on the main variables (remuneration of the RAB, discount rate, long-term inflation and exit multiple) and in all cases the amount of the valuation exceeds the carrying amount. It should be noted that this valuation was made from a conservative perspective for the purpose of the impairment test.

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

In view of the importance of this investment, following is a detail of the balance sheet and statement of profit or loss for this Group of companies, adjusted to bring them into line with Ferrovial's accounting policies, together with comments on the changes therein in 2017.

The balance sheet figures shown relate to the full balances of HAH and are presented in pounds sterling. The exchange rates used in 2017 are EUR 1=GBP 0.88893 (2016: GBP 0.85448) for the balance sheet figures and EUR 1=GBP 0.87506 (2016: GBP 0.82301) for the statement of profit or loss.

Balance sheet

HAH (100%) GBP MILLION	2017	2016	CHANGE 17/16
Non-current assets	16,590	16,834	-245
Goodwill	2,753	2,753	0
Investments in infrastructure projects	13,344	13,347	-3
Non-current financial assets	48	32	17
Pension plan surplus	0	0	0
Deferred tax assets	0	0	0
Financial derivatives	444	676	-232
Other non-current assets	0	27	-27
Current assets	1,002	1,025	-24
Trade and other receivables	266	617	-352
Financial derivatives	170	78	92
Cash and cash equivalents	554	319	235
Other current assets	11	11	0
Total assets	17,592	17,860	-268
Equity	297	540	-243
Non-current liabilities	15,523	15,439	85
Provisions for pensions	158	113	45
Borrowings	13,116	13,125	-9
Deferred tax liabilities	773	761	11
Financial derivatives	1,459	1,419	39
Other non-current liabilities	18	20	-2
Current liabilities	1,771	1,881	-110
Borrowings	1,356	1,501	-146
Trade and payables	377	365	12
Financial derivatives	7	2	5
Other current liabilities	32	13	19
Total equity and liabilities	17,592	17,860	-268

Equity

At 31 December 2017, equity amounted to GBP 297 million, down GBP -243 million from the year ended 31 December 2016. In addition to the profit for the year of GBP 303 million, the main noteworthy changes

are the dividends paid to shareholders amounting to GBP -525 million and the impact of GBP -52 million recognised in reserves in relation to pension plans. These negative impacts are partially offset by the impact of GBP 28 million resulting from hedging derivatives.

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 74 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 0.88893), is equivalent to the investment of EUR 737 million.

Borrowings

The borrowings of HAH (current and non-current) amounted to GBP 14,471 million at 31 December 2017, a decrease of GBP 155 million with respect to 2016 (31 December 2016: GBP 14,626 million). This decrease was due mainly to the effect of:

- Redemption and issue of bonds amounting to GBP -1,122 million and GBP 718 million, respectively, and a net increase of GBP 372 million in bank borrowings.
- Decrease of GBP 104 million as a result of the fair value adjustments made to bonds issued in foreign currencies and of the related exchange rate effect. This impact is offset by the changes in value of the cross-currency swaps arranged to hedge this debt (EUR -144 million).
- Other changes of EUR -19 million (mainly accrued interest payable and fees and commissions).

Derivative financial instruments at fair value

The notional principal amount of HAH's derivatives portfolio at 31 December 2017 totalled GBP 12,014 million, including interest rate derivatives (IRSs) with a notional amount of GBP 2,914 million (hedging floating-rate borrowings), cross-currency swaps (hedging bonds issued in foreign currencies) with a notional amount of GBP 3,884 million, and index-linked swaps (ILSs) (notional amount of GBP 5,216 million). The purpose of the index-linked swaps is to offset the imbalance that can arise between the business revenue and the regulated asset base, which are indexed to inflation, and the interest payments on fixed-rate borrowings, which do not fluctuate in response to changes in inflation.

The net change in the value (asset/liability position) of these financial instruments gave rise to a GBP 184 million increase in liabilities in the year. The main impacts relate to:

- Cash settlements (net payments) of GBP -68 million.
- Accrual of borrowing costs (result on financing) of GBP -195 million.
- Effect on reserves of the change in value of hedging derivatives of GBP 34 million.

- Fair value adjustments to these instruments (fair value-related result) of GBP 44 million, due mainly to the index linked swaps (GBP +137 million), interest rate swaps (GBP +51 million) and cross-currency swaps (GBP -144 million, although these are partially offset by the fair value adjustments of the bonds issued in foreign currency and hedged by these instruments).

Statement of profit or loss 2017-2016

The following table shows the changes in HAH's statement of profit or loss in 2017 with respect to 2016.

HAH (100%) GBP MILLION	2017	2016	CHANGE 17/16
Operating income	2,883	2,809	74
Operating expenses	-1,123	-1,126	3
Gross profit from operations	1,760	1,683	77
Depreciation and amortisation charge	-750	-708	-41
Profit from operations before impairment and disposals of non-current assets	1,010	975	35
Impairment and disposals of non-current assets	0	-7	7
Profit from operations	1,010	969	42
Financial result	-628	-1,231	603
Profit or loss before tax	383	-263	645
Income tax	-79	74	-153
Profit or loss from continuing operations	303	-189	492
Profit from discontinued operations	0	0	0
Net profit/loss	303	-189	492
Profit or loss attributable to Ferrovial (Millions of euros)	87	-57	144

Operating income improved mainly as a result of the good performance of commercial and aeronautical revenues, which was due basically to the increase in passenger numbers. Costs were in line with 2016. These effects are reflected in the 4.6% rise in gross profit from operations.

The most significant improvement, however, was that in the financial result, which was affected by the fair value adjustments to derivatives and liabilities at fair value (mainly index-linked swaps and interest-rate swaps), totalling GBP +203 million (EUR +48 million net attributable to Ferrovial), caused mainly by the inflation and interest rate forecasts. At 31 December 2016, these adjustments totalled GBP -479 million (effect of EUR -121 million on the net profit of Ferrovial).

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

3.5.2. Information relating to 407 ETR

As with HAH, since Ferrovial's ownership interest in 407 ETR was remeasured when control was lost and implicit goodwill was considered to exist, pursuant to IAS 28.40 et seq, the possible existence of indications of impairment is assessed on an annual basis.

a. Impairment test

Based on the valuation of this concession conducted by Ferrovial, the positive evolution of the asset in recent years and the sensitivity analyses performed, it was concluded that no impairment existed.

The evolution of this asset over the last ten years has been very positive, with average annual growth of 10% in revenue, 12% in EBITDA and 23% in dividends. In 2017 the 407 ETR toll road revenue outperformed by 2.9%, in local currency terms, the estimates in the budget used as the starting point for the impairment test in the previous year. On a year-on-year basis revenue increased by 11.7% due to the 8.9% increase in tolls and a 2.3% increase in traffic. Along similar lines, EBITDA increased by 12.1% with respect to 2016 and was 3.4% higher than budgeted.

The valuation of this concession performed by Ferrovial evidences a buffer over the carrying amount of 400%. Sensibility analyses have been performed of the growth in revenue and the discount rate and the buffer continues to be ample.

The valuation methodology followed is similar to the one described for the other toll roads (see Note 3.1.2-c, Toll road division goodwill). To calculate the discount rates, a normalised risk-free rate referenced to the Canadian 30-year bond, a beta coefficient reflecting the company's leverage and risk, and a market premium of 6.0% (the same as in 2016) were used. The result is a discount rate (cost of equity or Ke) after tax of 6.5% (8.2% before tax).

Based on the valuation and the positive evolution of the asset in recent years, no indications of impairment were identified.

b. Changes in the balance sheet and statement of profit or loss for 2017-2016 relating to this Group of companies at 31 December 2017 and 2016

These figures relate to the full balances of 407 ETR and are presented in millions of Canadian dollars. The exchange rates used in 2017 are EUR 1=CAD 1.5059 (2016: CAD 1.4185) for the balance sheet figures and EUR 1=CAD 1.4755 (2016: CAD 1.4590) for the statement of profit or loss.

Balance sheet 2017-2016

407 ETR (100%) MILLIONS OF CAD	2017	2016	CHANGE 17/16
Non-current assets	4,408	4,362	46
Investments in infrastructure projects	3,943	3,938	5
Non-current financial assets	429	383	46
Deferred tax assets	37	41	-4
Other non-current assets	0	1	-1
Current assets	1,219	965	254
Trade and other receivables	221	188	34
Cash and cash equivalents	998	778	220
TOTAL ASSETS	5,627	5,328	299
Equity	-3,435	-3,059	-376
Non-current liabilities	8,364	7,310	1,054
Borrowings	7,862	6,819	1,044
Deferred tax liabilities	502	491	10
Current liabilities	698	1077	-379
Borrowings	522	993	-471
Trade and other payables	176	85	91
TOTAL EQUITY AND LIABILITIES	5,627	5,328	299

Set forth below is a description of the main changes in the balance sheet of 407 ETR at 31 December 2017 with respect to the end of the preceding year:

- Equity

Equity fell by CAD 376 million with respect to 2016, as a result of the inclusion of the profit for the year of CAD 470 million and the reduction of CAD 845 million due to the payment of a dividend to shareholders.

43.23% of the equity of the investee does not correspond to the consolidated 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 10% ownership interest in this company in 2010, recognised as an addition to the value of the concession, and the goodwill that arose in 2009 as a result of the merger of Grupo Ferrovial, S.A. and Cintra Concesiones de Infraestructuras de Transportes, S.A. Therefore, in order to obtain the consolidated carrying amount at Ferrovial, it is **necessary to increase the 43.23% of shareholders' equity presented above (CAD -1,485 million) by the amount of the aforementioned gain and of the goodwill (CAD 2,654 million and CAD 1,319 million, respectively), giving a total of CAD 2,488 million which, translated at the year-end exchange rate (EUR 1 = CAD 1.5059), is equivalent to the investment of EUR 1,652 million.**

- Borrowings

Borrowings as a whole (current and non-current) increased by CAD 573 million with respect to December 2016, due mainly to a bond issue in March with a face value of CAD 250 million (Series 17-A1 maturing in 2033) and other series issued in September with a face value of CAD 800 million (Series 17-D1 and 17-A2) maturing in 2022 and 2044. These increases were offset by the repayment of Series 10 D-1 bonds in September 2017 for CAD -300 million and that of credit facilities for CAD -180 million.

In net debt terms the change is smaller, since, parallel to the increase in borrowings, there was also an increase in cash and cash equivalents, including restricted cash, of CAD 220 million.

Statement of profit or loss 2017-2016

The following table shows the changes in the statement of profit or loss of 407 ETR in the year ended 31 December 2017 with respect to 2016:

407 ETR (100%) MILLIONS OF CAD	2017	2016	CHANGE 17/16
Operating income	1,268	1,135	133
Operating expenses	-164	-150	-14
Gross profit from operations	1,104	985	119
Depreciation and amortisation charge	-106	-105	-1
Profit from operations	998	880	118
Financial result	-358	-373	14
Profit before tax	640	507	132
Income tax	-169	-134	-35
Net profit	470	373	97
Profit attributable to Ferrovial (Millions of euros)	125	98	27

The main change in the statement of profit or loss relates to "Operating Income" (CAD +133 million) as a result of the increase in tolls and the increase in toll road traffic.

It should be noted that the profit attributable to Ferrovial also includes the amortisation over the concession term of the remeasurement recognised following the loss of control of the company as a result of the above-mentioned sale in 2010. Thus, EUR -19 million of amortisation would have to be deducted from the 43.23% of the local profit (CAD 203 million). Translating the resulting CAD 184 million at the average exchange rate (EUR 1 = CAD 1.4755) gives the EUR 125 million allocable to Ferrovial in 2017.

3.5.3. Other disclosures relating to associates

a) Changes in other associates

See Appendix II for a detail of the associates accounted for using the equity method including their carrying amount and their main aggregates.

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

2017 (Millions of euros)	OTHER
Balance at 31/12/16	156
Share of results	39
Dividends received and equity reimbursed	-28
Exchange differences	-3
Pensions	3
Changes in the scope of consolidation	148
Other	-17
Balance at 31/12/17	298

The share of results includes most notably the contributions of the joint ventures of the Services Division (EUR 26 million), AGS Airports Holding (EUR 2 million), 407 East Development (EUR 1 million) and other associates (EUR 10 million).

The dividends received relate to the Services Division (EUR 19 million, arising mainly from the joint ventures of Amey, FMM Company -Doha airport maintenance agreement- and EMESA-Calle 30) and to the Toll Roads Division (EUR 9 million, mainly Algarve and Norte Litoral).

The changes in the scope of consolidation, as indicated above, include the reclassification to this line item of the Portuguese toll roads Norte Litoral and Algarve (EUR 148 million).

b) Other disclosures relating to companies accounted for using the equity method

b.1) Investment in AGS

The companies accounted for using the equity method include most notably AGS Airports, which owns Aberdeen, Glasgow and Southampton airports. Since goodwill was generated on the acquisition date, an impairment test was performed. The carrying amount of AGS is EUR 180 million, the aggregate of the investment of EUR 5 million and the value of the participating loan recognised at EUR 175 million (see Note 3.6, Non-current financial assets). AGS was valued using a discount rate (Ke) of around 7.5% (approximately 8.5% before tax) and evidences a buffer of 381% over its carrying amount. In addition, the analysts' average valuation stood at EUR 515 million, 2.9 times higher than AGS' carrying amount. It must be stated that this asset performed well in 2017, with increases in the number of passengers and in EBITDA over 2016 of 4.9% and 10.7%, respectively, in like-for-like terms.

b.2) I-66 toll road

In November 2017 the financial close of the project for the I-66 toll road in Virginia took place. The Group has a 50% ownership interest in the concession operator, which is accounted for using the equity method.

Although at 2017 year-end the investment in the capital of this company was not material, there is a commitment to invest an additional EUR 633 million in the next five years.

b.3) Other disclosures

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

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

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

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

The guarantees granted by Group companies to companies accounted for using the equity method are detailed in Note 6.5.

3.6. Non-current financial assets

The changes in the year ended 31 December 2017 were as follows:

CHANGES IN 2017 (Millions of euros)	NON-CURRENT LOANS TO ASSOCIATES	RESTRICTED CASH RELATING TO INFRASTRUCTURE PROJECTS AND OTHER FINANCIAL ASSETS	OTHER LONG-TERM ACCOUNTS RECEIVABLE	TOTAL
Balance at 01/01/17	374	249	112	735
Additions	28	168	15	211
Disposals	-82	-102	-10	-194
Transfers and other	6	0	58	64
Exchange rate effect	-14	-30	-3	-47
Balance at 31/12/17	312	285	172	769

Note: balances presented net of allowances.

- "Long-Term Loans to Associates" includes mainly the loan granted to AGS amounting to EUR 175 million; participating loans to associates amounting to EUR 40 million (2016: EUR 38 million) and other ordinary loans to associates totalling EUR 97 million (2016: EUR 85 million).
- "Restricted Cash Relating to Infrastructure Projects and Other Financial Assets" relates primarily to deposits made at toll road concession operators, the use of which is limited to certain purposes established in the concession arrangement, such as payment of future investments, operating expenses or debt servicing. The net changes in this item relate mainly to two projects: LBJ Infrastructure Group, for EUR 22 million, net, and NTE Mobility Partners, for EUR 35 million, net. The Note on Net cash position provides a detail of the main balances and changes recognised under this heading.
- Lastly, "Other Receivables" includes:
 - Trade accounts receivable by the Services Division from various public authorities, mainly municipal councils and autonomous community governments, which had been renegotiated at long term, amounting to approximately EUR 21 million (2016: EUR 26 million).

- Other trade receivables, mainly from various public authorities in connection with long-term contracts, amounting to EUR 94 million (31 December 2016: EUR 42 million). The transfers to this line item of EUR 58 million relate to the reclassification of the concession asset M-203 from “Infrastructure Projects” (see Note 3.3.), pursuant to the termination of the concession arrangement, as explained in Note 6.5.1.
- Long-term deposits and guarantees amounting to EUR 19 million (December 2016: EUR 7 million).
- Available-for-sale financial assets of EUR 34 million relating to the Services Division. Specifically, this refers to a financial asset belonging to Broadpectrum, corresponding to non-controlling interests in certain companies.

- The changes in these items in 2016, for information purposes, were as follows:

CHANGES IN 2015 (Millions of euros)	LONG-TERM LOANS TO ASSOCIATES	RESTRICTED CASH RELATING TO INFRASTRUCTURE PROJECTS AND OTHER FINANCIAL ASSETS	OTHER LONG-TERM ACCOUNTS RECEIVABLE	TOTAL
Balance at 01/01/16	411	261	83	755
Additions	52	153	-2	204
Disposals	-27	-112	-16	-154
Transfers	-17	-61	0	-78
Changes in the scope of consolidation	4	0	41	45
Exchange rate effect	-49	7	8	-34
Balance at 31/12/16	374	249	112	735