

AUDITORS REPORT

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1.1 and 7.1). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Ferrovial, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferrovial, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from long-term contracts - IFRS 15

Description

The Group's method for recognising revenue from long-term contracts, both in the Construction Division and in the Services Division, was a key matter in our audit, since it affects a very significant amount of total consolidated revenue and requires that Group management make significant estimates relating mainly to the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the measurement of the work completed in the period, or the accounting for any modifications to the initial contract, all of which have an impact on the revenue recognised in the reporting period.

In this connection, it should be noted that following first-time application by the Group in 2017 of the new revenue recognition standard (IFRS 15, Revenue from Contracts with Customers), the Group generally recognises contract modifications when it has received approval for them from the customer. Also, if the parties have agreed to a modification, but the related price has yet to be determined, the corresponding revenue is recognised for an amount in relation to which it is highly probable that a significant change therein will not occur when the uncertainty associated therewith is resolved. These judgements and estimates are made by the persons in charge of performing the construction work or services contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process to recognise revenue from contracts in which performance obligations are satisfied at long term, as well as tests to verify that the aforementioned controls operate effectively.

We also performed substantive tests which included an in-depth, itemised analysis of the main projects in order to evaluate the reasonableness of the hypotheses and assumptions made by the Group, which include, among others, the identification of the various performance obligations, the determination of the transaction price, the allocation of the transaction price to the various performance obligations, the treatment for accounting purposes of the modifications approved by the customer and the recognition of variable consideration. In certain individually significant construction and services contracts, we involved our internal infrastructure project experts in order to assist us in the process of assessing the reasonableness of the assumptions and hypotheses used by the Group to update the estimated costs, and to measure progress towards satisfaction of the performance obligations.

We also reviewed the consistency of the estimates made by the Group in 2016 with the actual data for the contracts in 2017.

Lastly, we reviewed the disclosures made by the Group in relation to these matters. Notes 1.3.3.4 and 4.4 to the accompanying consolidated financial statements contain the relevant information relating to the recognition of revenue from contracts in which performance obligations are satisfied at long term.

Recoverability of goodwill and other assets recognised at fair value

Description

Two of the Group's main assets, the investments in the 407 ETR concession arrangement and Heathrow Airport Holdings (HAH), were remeasured in the consolidated accounting records at their fair value at the time when the respective control was lost, which occurred in previous years. At 2017 year-end the carrying amount of the two investments, which includes the aforementioned remeasurement and subsequent adjustments arising as a result of application of the equity method, totalled EUR 2,389 million.

Also, the consolidated statement of financial position includes goodwill amounting to EUR 2,062 million relating to certain investments, associated mainly with the Cash-Generating Units (CGUs) of the Services (EUR 1,683 million), Toll Road (EUR 141 million) and Construction (EUR 198 million) Divisions.

The Group tests these assets for impairment each year. Management's assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant number of estimates, judgements and assumptions to be made, mainly in relation to:

- Goodwill of the Services and Construction Divisions: discount rates, contract backlog, award of new contracts, estimated future margins and the perpetuity growth rate.
- Goodwill of the Toll Road Division: discount rates, projected traffic and tolls.
- Investments in associates recognised at fair value: discount rates, business plans and rates.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process to assess the recoverable amount of goodwill and of the investments in 407 ETR and HAH, as well as the performance of tests to determine whether the aforementioned controls operate effectively.

We also performed substantive tests based on the obtainment of the impairment tests performed by the Group and verified the arithmetic accuracy of the calculations made and assessed the reasonableness of the projected operating assumptions. Furthermore, we analysed the consistency of the assumptions used in the impairment tests of previous years with the actual figures.

Also, we involved our internal valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various areas and businesses, as well as the reasonableness of the perpetuity growth rates used.

In addition, we reviewed the sensitivity analyses of the key assumptions, which are those with the greatest effect on the determination of the recoverable amount of the assets.

We also focused our work on reviewing the disclosures relating to these matters, included in Notes 3.1 and 3.5 to the accompanying consolidated financial statements, which contain the information relating to the impairment tests performed on these assets and, in particular, the detail of the main assumptions used and the sensitivity analysis performed by management of changes in the key assumptions used in the tests performed.

Recoverability of investments in infrastructure projects operated under concession arrangements

Description

At 31 December 2017, the Group had recognised EUR 6,917 million of investments in transport infrastructure, services and waste treatment plant projects, relating to those made by infrastructure concession operators within the scope of IFRIC 12, Service Concession Arrangements, the remuneration for which consists of the right to collect the related charges based on the level of usage of the public service or to receive amounts paid by the grantor based on the asset's availability.

Each year the Group tests the aforementioned investments in infrastructure projects in operation for impairment.

We consider this to be a key matter in our audit since the measurement of the recoverable amount of those investments in infrastructure projects involves a complex process that requires estimates to be made including significant judgements and assumptions by Group management when preparing the impairment tests, in particular in relation to future investments, discount rates, changes in traffic and tolls, and future operating costs.

Procedures applied in the audit

Our audit procedures included the performance of substantive tests based on the obtainment of the infrastructure projects' economic and financial models prepared by the Group, and we verified the arithmetic accuracy of the calculations performed and assessed the reasonableness of the main operating assumptions projected (relating mainly to traffic, tolls, operating costs and disbursements for investments). To do so we cross-checked the traffic or use estimates made against external evidence, and checked the consistency of the actual records with the assumptions included in the economic and financial models prepared in previous years.

We also involved our internal valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates used.

In addition, we reviewed the sensitivity analyses of the key assumptions, which are those with the greatest effect on the determination of the recoverable amount of the assets.

Furthermore, we reviewed the disclosures made by the Group in relation to this matter. Note 3.3 to the accompanying consolidated financial statements contains the relevant information relating to the recoverability of the investments in infrastructure projects operated under concession arrangements.

Deferred tax assets and liabilities

Description

The consolidated statement of financial position as at 31 December 2017 presents a balance of EUR 1,035 million of deferred tax assets, which includes EUR 353 million corresponding to tax losses and tax credits, of which EUR 231 million relate to the Spanish tax group. The Group also has EUR 1,154 million of deferred tax liabilities and provisions for tax contingencies.

Each year the Group prepares financial models to assess the recoverability of the tax credits and tax losses, taking into consideration the new legislative developments and the latest business plans approved for the various business divisions and geographical areas. We identified this matter as key in our audit, since the preparation of these models requires a significant level of judgement, largely in connection with the projections of business performance, which affect the estimate of the recoverability of the tax assets.

The Group also regularly assesses, together with its tax advisers, the possible tax contingencies to which it is exposed, and, as appropriate, recognises the related provisions or reverses the existing provisions if the contingency has become statute-barred.

Procedures applied in the audit

Our audit procedures were based mainly on the performance of substantive tests comprising, among others, the review of the aforementioned financial models, which included verifying that the data included in the models were the same as the budgeted data that had been approved by the various businesses, as well as analysing the consistency of the actual results obtained compared with the results projected in the previous years' models.

We also involved our internal tax experts to assist us in assessing the reasonableness of the tax assumptions and of the changes in provisions for tax contingencies in 2017 based on the applicable tax legislation.

Furthermore, we reviewed the disclosures made by the Group in relation to this matter. Notes 2.8 and 6.3 to the accompanying consolidated financial statements contain the relevant information relating to the Group's deferred taxes and tax-related provisions.

Emphasis of Matter

We draw attention to Note 1.3.1, which indicates that the Group has applied early, effective from 1 January 2017, IFRS 15, Revenue from Contracts with Customers. IFRS 15 was applied retrospectively, recognising the cumulative effect of such retrospective application as an adjustment to the opening balances in the consolidated statement of financial position, with an impact on equity attributable to the Parent of EUR 272 million. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the above legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 9 and 10, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 28 February 2018.

Engagement Period

The Annual General Meeting held on 5 April 2017 appointed us as auditors for a period of one year from the year ended 31 December 2016, i.e. for 2017.

Previously, we were designated pursuant to a resolution/resolutions of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterrupted since the year ended 31 December 2010.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Miguel Laserna Niño
Registered in ROAC under no. 18207

28 February 2018

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.