SECTION 2: PROFIT FOR THE YEAR

This section comprises the Notes relating to the profit for the year.

Net profit for the year amounted to EUR 454 million, an improvement of 20.6% on 2016 (EUR 376 million).

This increase is affected by a series of non-recurring results related mainly to divestments, derivatives and taxes, per the following breakdown, and which are explained in more detail in the Notes indicated in the table:

Notwithstanding these non-recurring impacts, revenue grew by 13.5%, due mainly to the inclusion of a whole year of Broadspectrum (compared with seven months in 2016). However, profit from operations was down 7.4% on 2016, due mainly to the worsening of the margin of the Construction business. In like-for-like terms (see definition in the section on alternative performance measures), the aforementioned changes were growth of 7.2% and a fall of -8.6%, respectively (see the directors' report for a detailed explanation of the changes by business division).

	BALANCES AT 31/12/17		BALANCES AT 31/12/16	
NON-RECURRING IMPACTS (MILLIONS OF EUROS)	PROFIT BEFORE TAX	NET PROFIT	PROFIT BEFORE TAX	NET PROFIT
Impact of financial derivatives (Note 2.6)	35	26	-26	-18
Divestment, exclusion from consolidation and impairment of infrastructure projects (Note 2.5)	81	83	324	153
Non-recurring impacts, HAH (Note 2.7)	48	48	-105	-105
US tax reform (Note 2.8)	0	31	0	0
Other non-recurring tax effects (Note 2.8)	0	-14	0	20
Other impacts	0	0	0	-11
TOTAL	163	173	193	40

2.1. Operating income

The detail of the Group's operating income at 31 December 2017 is as follows:

(Millions of euros)	2017	2016
Revenue	12,208	10,759
Other operating income	10	7
Total operating income	12,218	10,765

The Group's revenue at 31 December 2017 relating to contracts with customers amounted to EUR 11,872 million (see Note 1.3.3.4, Revenue recognition).

"Revenue" includes the financial consideration for the services provided by the concession operators that apply the financial asset model, amounting to EUR 153 million (2016: EUR 189 million), as described in Note 1.3.3.2.

"Other Operating Income" includes the impact of the grants related to income received in 2017 amounting to EUR 10 million (2016: EUR 7 million).

The detail, by segment, of revenue in 2017 and 2016 is as follows:

	31/12/17			
(Millions of euros)	EXTERNAL SALES	INTER-SEGMENT SALES	TOTAL	CHANGE 17/16
Construction	4,139	489	4,628	10%
Toll roads	457	4	461	-5%
Airports	20	0	21	383%
Services	7,056	13	7,069	16%
Other segments	125	137	262	21%
Adjustments	0	-232	-232	5%
Total	11,797	411	12,208	13%

	2016		
(Millions of euros)	EXTERNAL SALES	INTER-SEGMENT SALES	TOTAL
Construction	3,721	474	4,194
Toll roads	486	1	486
Airports	4	0	4
Services	6,067	11	6,078
Other segments	305	132	217
Adjustments	0	-221	-221
Total	10,362	397	10,759

The inter-segment sales that are not eliminated in the Group's consolidated financial statements are the sales made by the Construction Division to the infrastructure concession operators, as discussed in Notes 1.3.3.2 and 6.8.

The detail of sales, by geographical area, is as follows:

(Millions of euros)	2017	2016	CHANGE 17/16
Spain	2,837	2,629	208
UK	2,871	3,171	-300
Australia (*)	2,504	1,469	1,035
US	1,634	1,291	344
Canada	117	123	-6
Poland	1,563	1,316	246
Other	681	759	-78
Total	12,208	10,759	1,450

(*) This relates to Australia and the activity of Broadspectrum on other Pacific islands.

The Ferrovial Group's sales in its six main markets account for 94% of total sales.

2.2. Materials consumed and other operating expenses

"Materials Consumed" includes mainly the raw materials used and the changes in inventories in 2017.

"Other Operating Expenses" includes mainly services rendered by third parties under subcontracting arrangements and independent professional services.

(Millions of euros)	2017	2016	CHANGE 17/16
Total materials consumed	1,345	1,267	78
Work performed by other companies	3,464	3,065	400
Leases	523	412	111
Repair and upkeep	209	192	16
Independent professional services	364	360	3
Changes in provisions and allowances (Note 6.3)	-111	-117	6
Other operating expenses	839	824	15
Total other operating expenses	5,288	4,736	552
Total materials consumed and other operating expenses	6,633	6,003	630

The sum of these headings increased by EUR 630 million from EUR 6,003 million at 31 December 2016 to EUR 6,633 million at 31 December 2017. This increase is explained basically by services rendered by third parties under subcontracting arrangements in the Construction Division and lease expenses on machinery and vehicles in the Construction and Services Divisions.

2.3. Staff costs

The detail of "Staff Costs" is as follows:

(Millions of euros)	2017	2016	CHANGE
Wages and salaries	4,066	3,270	796
Social security costs	453	428	25
Pension plan contributions	50	56	-5
Share-based payment	18	17	1
Other employee benefit costs	66	48	18
Total	4,653	3,819	834

The 22% increase in staff costs in 2017 is related mainly to the acquisition of Broadspectrum, which was included in the consolidated statement of profit or loss in every month in 2017, compared to seven months in 2016.

The changes in the number of employees at 31 December 2017 with respect to that at 2016 year-end, by professional category and gender, were as follows:

	31/12/17			
CATEGORY	MEN	WOMEN	TOTAL	CHANGE 17/16
Executive directors	2	0	2	0%
Senior executives	10	2	12	0%
Executives	448	80	528	2.3%
University and further education college graduates	9,963	3,551	13,514	6.5%
Clerical staff	3,773	4,627	8,400	2.3%
Manual workers and unqualified technicians	53,769	19,753	73,522	-1.4%
Total	67,965	28,013	95,978	-0.02%

	31/12/16		
CATEGORY	MEN	WOMEN	TOTAL
Executive directors	2	0	2
Senior executives	10	2	12
Executives	443	73	516
University and further education college graduates	9,374	3,317	12,691
Clerical staff	3,653	4,553	8,206
Manual workers and unqualified technicians	54,897	19,677	74,574
Total	68,379	27,622	96,001

The average number of employees, by business division, for the two periods is as follows:

	31/12/17			
BUSINESS	MEN	WOMEN	TOTAL	CHANGE 17/16
Construction	14,348	2,605	16,953	2%
Toll roads	425	206	631	-14%
Airports	23	15	38	46%
Services	53,917	25,163	79,080	14%
Other	297	257	554	6%
Total	69,010	28,246	97,256	12%

	31/12/16		
BUSINESS	MEN	WOMEN	TOTAL
Construction	14,516	2,077	16,593
Toll roads	494	238	732
Airports	16	10	26
Services	46,908	22,367	69,275
Other	284	236	520
Total	62,218	24,928	87,146

The increase in the average number of employees, as in the case of staff costs, is explained by the inclusion of Broadspectrum throughout 2017.

2.4. Gross profit from operations (EBITDA) and profit from operations before impairment and disposals of non-current assets

EBITDA at December 2017 amounted to EUR 932 million (December 2016: EUR 944 million), representing a decrease of 1.2% with respect to 2016.

The depreciation and amortisation charge for 2017 is EUR 375 million, compared to EUR 342 million in 2016.

Thus, profit from operations before impairment and disposals of non-current assets at December 2017 amounted to EUR 557 million (December 2016: EUR 602 million), representing a fall of 7.4% with respect to 2016, due mainly to the worsening of the margin of the Construction business.

The directors' report provides a detailed analysis of the changes in these headings by business.

2.5. Impairment and disposals of non-current assets

The detail of the main gains and losses relating to impairment and disposals is as follows:

Gains and losses recognised in 2017:

The net gains corresponding to impairment and disposals in 2017 amounted to EUR 81 million and relate mainly to the following:

- Gain on the partial disposal of the Portuguese Norte Litoral toll road amounting to EUR 48 million (EUR 56 million in net profit). This impact includes EUR 24 million relating to the remeasurement at fair value of the investment retained following loss of control (49.54%). This transaction is described in Note 1.1.3, Changes in the scope of consolidation.

- Gain on the partial disposal of the Portuguese Algarve toll road amounting to EUR 42 million (EUR 42 million in net profit). This impact includes EUR 21 million relating to the remeasurement at fair value of the investment retained following loss of control (49%). This transaction is described in Note 1.1.3, Changes in the scope of consolidation.

- Impairment of the goodwill allocated to the Terrasa Manresa toll road (AUTEMA) amounting to EUR -29 million (see Note 3.1.). This amount is taken to income in full as it is not tax deductible.

- Reversal of impairment of EUR 25 million (EUR 17 million in net profit) at the Euroscut Azores toll road concession operator as a result of improvement in the projections for the toll road due to the increase in traffic (see Note 3.3.1).

  Recognition of other impairment losses of EUR -10 million (EUR -7 million in net profit), mainly at the Services Division, relating to several waste treatment plants and landfills.

(Millions of euros)	IMPACT ON PROFIT OR LOSS BEFORE TAX: BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS	TOTAL 2017	IMPACT ON NET PROFIT OR LOSS
Norte Litoral	25	24	48	56
Algarve	21	21	42	42
Other gains	5	0	5	4
Result on fair value adjustments and disposals	51	45	96	103
Autema	0	-29	-29	-29
Azores	0	25	25	17
Other impairment losses	0	-10	-10	-7
Impairment	0	-15	-15	-20
Total impairment and disposals of non-current assets	51	30	81	83

The net gains corresponding to impairment and disposals in 2016 related mainly to the following:

(Millions of euros)	IMPACT ON PROFIT OR LOSS BEFORE TAX: BEFORE FAIR VALUE ADJUSTMENTS	FAIR VALUE ADJUSTMENTS	TOTAL 2016	IMPACT ON NET PROFIT OR LOSS
Chicago Skyway	259		259	103
SH-130	52		52	30
M4-M6	16	6	22	20
M3	0		0	1
Other gains	1		1	0
Result on fair value adjustments and disposals	327	6	333	154
Autema	0	-21	-21	-21
M-203	0	16	16	14
Other impairment losses	3	-7	-4	5
Impairment	3	-12	-9	-2
Total impairment and disposals of non-current assets	330	-6	324	153

2.6. Financial result

The table below shows the detail of the changes in the financial result from 2016 to 2017. The result of infrastructure projects is presented separately from the result of non-infrastructure project companies (see Note 1.1.2 for the definition) and in each of them a further distinction is made between the financial result on financing -which includes the finance costs on bank borrowings and bonds, and the returns on financial assets and loans granted- and the financial result on derivatives and other items, which includes the impact of the fair value measurement of ineffective hedges and other income and expenses not directly related to financing.

(Millions of euros)	2017	2016	CHANGE
Finance income on financing	*2*	*1*	*160%*
Finance costs on financing	*-256*	*-306*	*16%*
Financial result on financing of infrastructure projects	-254	-305	17%
Result on derivatives (*)	*0*	*-12*	*100%*
Other financial results	*-6*	*-7*	*17%*
Other financial results of infrastructure projects	-6	-20	69%
Total financial result of infrastructure projects	-261	-325	20%
Finance income on financing	*54*	*43*	*24%*
Finance costs on financing	*-83*	*-92*	*10%*
Financial result on financing excluding infrastructure projects	-29	-49	40%
Result on derivatives (*)	*35*	*-13*	*-361%*
Other financial results	*-56*	*-4*	*n.m.*
Other financial results excluding infrastructure projects	-21	-18	20%
Total financial result excluding infrastructure projects	-50	-66	-24%
Financial result	-311	-391	20%

(*) Included in the "Fair Value Adjustments" column in relation to the financial result in the consolidated statement of profit or loss for a total amount of EUR 35 million (2016: EUR -26 million).

- The financial result on the financing of the infrastructure project companies: amounted to EUR -254 million in 2017 (31 December 2016: EUR -305 million). Of this result, EUR -256 million relate to these companies' borrowing costs. The following table shows a detail of these borrowing costs, which include the capitalised costs of toll roads under construction:

BORROWING COSTS OF INFRASTRUCTURE PROJECT COMPANIES (Millions of euros)	2017	2016
Accrued finance costs	-298	-342
Borrowing costs capitalised during the construction period	42	36
Finance costs recognised in profit or loss	-256	-306

The improved financial result on financing is due mainly to the changes in the scope of consolidation in 2016 (sale of the Chicago Skyway toll road and the Irish M3 and M4/M6 toll roads and the filing for Chapter 11 insolvency of the SH-130 toll road); in 2016 these companies contributed a financial result on financing of EUR -36 million. In addition to the above impact, it should be noted that in 2017 partial divestments, with the consequent loss of control, were made of the Portuguese Norte Litoral (April) and Algarve (September) toll roads, as a result of which a finance cost of only EUR -12 million accrued, compared with EUR -22 million in 2016.

- Other financial results of infrastructure projects: include mainly other financial results, which include exchange differences and other results considered to be of a financial nature but not directly related to financing. The change compared to 2016 (EUR 14 million) is due mainly to the impact in 2016 of the result on derivatives (EUR -12 million), most notably Autopista del Sol (EUR -11 million) as a result of the termination of the interest rate swap held by it, as part of the refinancing of its debt, which did not take place in 2017.

- The financial result on financing excluding infrastructure projects in 2017 amounted to EUR -29 million (31 December 2016: EUR -49 million), corresponding to borrowing costs (EUR -83 million) net of the interest obtained mainly from financial investments (EUR 54 million). The improvement compared with 2016 is due mainly to the higher returns on available cash than in 2016 (larger position in Canadian dollars, which is remunerated at better rates than the eurozone) and the reduction of debt in 2017 (mainly the repayment of the High Yield Bonds at Broadspectrum in April 2017 for AUD 325 million -EUR 243 million-), the net amount of the cross-currency swap.

- Other financial results excluding infrastructure projects include the impact of derivatives and other fair value adjustments relating mainly to the impact of the derivatives not designated as hedges, including most notably Canadian dollar-denominated options amounting to EUR 22 million, aimed at hedging the cash balances the Group holds in that currency, and the equity swaps arranged by the Group to hedge the impact on equity of share-based variable remuneration schemes (see Note 6.7) with a positive impact in 2017 of EUR 5 million due to the positive performance of the share price in 2017.

Excluding the impact of derivatives, the detail of other financial results excluding infrastructure projects is as follows:

OTHER FINANCIAL RESULTS EXCLUDING INFRASTRUCTURE PROJECTS (Millions of euros)	2017	2016	CHANGE 17/16
Cost of guarantees	-30	-30	0
Late-payment interest	5	12	-7
Exchange differences	-8	5	-12
Interest on loans to companies accounted for using the equity method	17	24	-8
Finance costs on pension plans	-4	-1	-3
Interest on tax assessments	-7	-7	-1
Other	-30	-8	-22
Total	-56	-4	-52

This sub-heading includes mainly the cost of guarantees, late-payment interest, exchange differences, interest on loans granted to companies accounted for using the equity method, finance costs on pension plans and interest on tax assessments. The other items in 2017 include basically the impact of EUR -15 million relating to the repayment of the High Yield Bonds at Broadspectrum (see Note 5.2.2). These borrowings bore very high finance costs (8.38%) and, therefore, the repayment thereof contributed to a reduction in the Group's non-infrastructure project finance costs.

The same line item also includes the costs relating to the penalty incurred for the delay in delivering a waste treatment plant in the UK (EUR -10 million), which was calculated as a specific rate of interest on the amount of the borrowings of the concession operator.

- Impact on cash flows: As can be observed in the following table, the difference between the financial result on financing and the interest cash flows reported in the statement of cash flows is EUR -90 million.

(Millions of euros)	FINANCIAL RESULT ON UNCAPITALISED FINANCING	INTEREST CASH FLOWS	DIFFERENCE
Infrastructure projects	-296	-204	-92
Excluding infrastructure projects	-29	-32	2
Total	-326	-236	-90

This difference at infrastructure project level arose mainly at the US toll roads (NTE, LBJ, NTE Segment 3 and I-77), whose financing arrangements allow for the compounding of interest in the first years of the concession, as a result of which the interest is added to the principal and does not represent a cash outflow in the year (EUR -83 million).

2.7. Share of profits of companies accounted for using the equity method

The share of the net profit of companies accounted for using the equity method in 2017 amounted to EUR 251 million (2016: EUR 82 million). The detail of the most significant companies is as follows:

RESULT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD (Millions of euros)	2017	2016
HAH	87	-57
407 ETR	125	98
Other	39	41
Total	**251**	**82**

In 2017 HAH's results include most notably non-recurring impacts totalling EUR 48 million, due to the effect of fair value adjustments, relating mainly to the measurement of index-linked derivatives (EUR 33 million). The difference compared to 2016 is because HAH's loss for 2016 included non-recurring losses of EUR -105 million relating to derivatives and taxes.

Note 3.5 provides greater detail on the results of these companies.

2.8. Income tax and deferred taxes

2.8.1. Explanation of the income tax expense for the year and the applicable tax rate

The income tax expense for 2017 amounted to EUR 71 million (2016: EUR 233 million), a figure which:

- Does not include the income tax expense relating to the companies accounted for using the equity method (see Notes 2.7 and 3.5), since, in accordance with accounting legislation, their results are presented net of the related tax effect.

- Includes income tax benefit amounting to EUR 17 million relating to prior years' income tax, mainly as a result of the reduction in the US tax rate from 35% to 21% (EUR 31 million) and other regularizations (EUR -14 million).

Excluding the result of these companies accounted for using the equity method (profit after tax of EUR 251 million), permanent differences (EUR -32 million), results arising from consolidation with no tax impact ((EUR 4 million) and taking into consideration the income tax expense incurred in 2017 (EUR 88 million), the resulting effective income tax rate is 25%, as evidenced in the table below.

This effective tax rate is in line with the rates applicable in the main countries in which Ferrovial has a presence.

2017 (Millions of euros)	SPAIN	UK	AUSTRALIA (*)	US	POLAND	CANADA	OTHER COUNTRIES(**)	TOTAL
Profit/Loss before tax	**139**	**61**	**-44**	**16**	**135**	**117**	**154**	**578**
Result of companies accounted for using the equity method	-14	-100	-4	12	0	-130	-14	-251
Permanent differences	15	9	-19	5	3	37	-18	32
Results arising from consolidation with no tax impact	34	3	0	15	0	4	-59	-4
Taxable profit/Tax loss	**174**	**-28**	**-67**	**47**	**137**	**28**	**63**	**355**
Current income tax expense/ benefit	**-49**	**7**	**20**	**5**	**-27**	**-12**	**-15**	**-71**
Change in estimate of prior years' taxes	6	-1	-7	-22	0	4	4	-17
Adjusted tax expense/benefit	**-43**	**5**	**13**	**-16**	**-27**	**-7**	**-11**	**-88**
Effective rate applicable to taxable profit	25%	19%	19%	35%	20%	27%	18%	25%
Effective tax rate of the country	25%	19%	20%(*)	35%	19%	27%		

(*) This relates to Australia and the activity of Broadspectrum on other Pacific islands. The effective income tax rate of the country is obtained by combining the tax rates of the various countries.

(**) "Other Countries" includes mainly the profit generated in Portugal.

Following is an explanation of the various items that must be adjusted in order to calculate the effective tax rate:

Permanent differences. This item relates to period expenses or income which, pursuant to the tax legislation applicable in each of the countries, are not deductible (expenses) or taxable (income) in the year, and are not expected to be deductible or taxable in future years. The cumulative balance in this connection is an expense of EUR 32 million. The detail of the most significant of these adjustments is as follows:

- Gains on the sale of the Portuguese toll roads (EUR 46 million), which are exempt from taxation.

- Losses on specific construction and services projects performed outside Spain that do not give rise to a tax asset (EUR -86 million).

- Recovery for tax purposes, pursuant to Royal Decree 3/2016, of the impairment losses on investments, which increase the taxable profit by EUR 14 million. The recovery is made within five years, with last year application in 2020.

Results arising from consolidation with no tax impact. This item relates to results derived from accounting consolidation criteria which do not have any tax implications. The cumulative balance in this connection is income of EUR 4 million. The detail of the most significant of these adjustments is as follows:

- Losses of infrastructure project companies in the US in which other companies have ownership interests and which are fully consolidated. The tax asset is recognised solely at Ferrovial's percentage of ownership as these companies are taxed under the pass-through tax rules; the shareholders of these companies are the taxpayers, at the percentage of ownership that they hold therein. The adjustment in this connection amounts to EUR -15 million and relates to the tax asset allocable to the other shareholders.

- Impairment of EUR -29 million of the goodwill of the Autema toll road, with no tax impact (see Note 2.5).

- Gain arising from the revaluation of the ownership interest in the Portuguese toll roads (EUR 45 million), which under current legislation is not subject to taxation.

The following table includes the detail of the calculation of the effective tax rate for 2016.

2016 (Millions of euros)	SPAIN	UK	US	POLAND	CANADA	OTHER COUNTRIES (*)	TOTAL
Profit/Loss before tax	113	-81	259	115	112	99	617
Result of companies accounted for using the equity method	-10	45	0	0	-103	-13	-82
Permanent differences	-19	10	4	6	14	-2	13
Results arising from consolidation with no tax impact	2	0	186	0	0	-17	171
Taxable profit/Tax loss	87	-26	450	121	22	67	719
Current income tax expense/benefit	7	5	-208	-24	-10	-4	-233
Change in estimate of prior years' taxes	-29	0	32	1	4	-3	5
Adjusted tax expense/benefit	-22	5	-176	-23	-6	-7	-229
Effective rate applicable to taxable profit	25%	19%	39%	19%	27%	11%	32%
Effective tax rate of the country	25%	20%	39%	19%	27%		

(*) "Other Countries" includes mainly the profit generated in Portugal, Ireland and Australia.

2.8.2 Detail of the current and deferred tax expense and the tax paid in the year

The breakdown of the income tax expense for 2017 and 2016, differentiating between current tax, deferred tax and changes in estimates of prior years' taxes, is as follows:

(Millions of euros)	2017	2016
Current income tax expense/benefit	-71	-233
Current tax expense	-70	-74
Deferred tax expense	-43	-128
Tax effect of consolidation adjustments in equity	25	-26
Change in estimate of prior years' taxes and other adjustments	17	-5

The amount of income tax paid in the year was EUR 142 million, as shown in the note on cash flows (see Note 5.3).

2.8.3. Changes in deferred tax assets and liabilities

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2017 is as follows:

ASSETS (Millions of euros)	BALANCE AT 01/01/17	TRANSFERS AND OTHER	CHANGE IN ESTIMATE OF PRIOR YEARS' TAXES	CHARGE/CREDIT TO PROFIT OR LOSS	CHARGE/ CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 15	BALANCE AT 31/12/17
Tax assets	311	15	17	17	0	-6	0	353
Differences between tax and accounting income and expense recognition methods	557	-17	-18	-67	3	2	3	462
Deferred tax assets arising from valuation adjustments	144	-2	0	0	-29	-1	0	112
Other	45	16	-3	1	0	-5	55	107
Total	1,056	11	-4	-50	-26	-11	58	1,035

LIABILITIES (Millions of euros)	BALANCE AT 01/01/17	TRANSFERS AND OTHER	CHANGE IN ESTIMATE OF PRIOR YEARS' TAXES	CHARGE/CREDIT TO PROFIT OR LOSS	CHARGE/ CREDIT TO EQUITY	EXCHANGE RATE EFFECT	IFRS 15	BALANCE AT 31/12/17
Deferred tax liabilities relating to goodwill	270	-53	-8	13	0	1	0	223
Differences between tax and accounting income and expense recognition methods	243	44	-1	-8	1	-2	0	278
Deferred tax liabilities arising from valuation adjustments	416	-1	-25	-9	4	-38	-2	344
Other	51	12	2	-4	0	-6	0	55
Total	979	2	-32	-7	5	-45	-2	900

The changes in the deferred tax assets and liabilities include most notably the impact recognised as a result of the early application of IFRS 15, Revenue from contracts with customers (see Note 1.3.1-a), totalling EUR 60 million (net of deferred assets and liabilities).

The deferred tax assets and liabilities recognised at 31 December 2017 arose mainly from:

a) Tax assets

These relate to tax assets which have not yet been deducted by the Group companies. This item does not include all the existing tax assets, but rather only those that, based on the Group's projections, are expected to be able to be used before they expire. The balance recognised totalled EUR 353 million, of which EUR 298 million related to recognised tax losses and the remainder to unused double taxation, reinvestment and other tax credits totalling EUR 228 million at 31 December 2017 (2016: EUR 207 million), of which EUR 55 million have been recognised.

The detail of the total tax loss carryforwards, distinguishing between the maximum tax asset and the tax asset recognised based on the projected recoverability thereof, is as follows:

COUNTRY	TAX LOSS	LAST YEARS FOR OFFSET	MAXIMUM TAX ASSET	TAX ASSET RECOGNISED
Spanish consolidated tax group	755	No expiry date	190	190
US consolidated tax group	82	2030-2038	17	0
Australia	246	No expiry date	74	72
UK	76	No expiry date	13	8
Other	455	2018-No expiry date	118	28
Total	1,614		412	298

Spanish consolidated tax group:

The tax loss carryforwards of the consolidated tax group in Spain at 2017 year-end totalled EUR 190 million. For the purpose of ascertaining the recoverability of these assets, a model was designed that takes into account the changes introduced by Royal Decree 3/2016 and uses the Group companies' latest available earnings projections. Based on this model, the Group will recover all the tax loss carryforwards, since profits will be generated on a recurring basis in the projected period, as well as the tax credits already recognised (EUR 41 million), and, accordingly, they have been retained in the consolidated statement of financial position.

US consolidated tax group:

At 31 December 2017, the balance of tax loss carryforwards of the consolidated tax group in the US totalled EUR 82 million, of which EUR 17 million had been recognised in prior years. In a similar fashion to the consolidated tax group in Spain, a model was designed that uses the latest available earnings projections of the US consolidated tax group companies. In line with the approach adopted in previous years, it was decided to not to recognise the full amount of the tax assets since profit is not expected to be reported until 2024 and the projections could vary significantly depending on the new infrastructure projects that may be awarded.

Australian consolidated tax group:

Following the acquisition of Broadspectrum, Ferrovial established a consolidated tax group with all of its Australian companies. The tax losses recognised relate mainly to historical losses incurred by Broadspectrum (EUR 63 million) and the Construction Division (EUR 10 million). As in the foregoing cases, a projections model was prepared in which it is concluded that the group will generate taxable profits on a systematic basis in the coming years. On the basis of this conclusion, a decision was made to continue to recognise the tax losses.

UK:

The new UK tax regime came into effect on 1 April 2017 and gave rise to new regulations with an impact on the UK consolidated tax group. The main changes relate to the limitation of the use of tax loss carryforwards; the possibility of using them to offset 100% of taxable profit of up to GBP 5 million and 50% of the remaining amount of taxable profit, with no time limit and irrespective of whether the losses were generated before or after the entry into force of the reform. Also, tax loss carryforwards can be used by any company in the consolidated tax group. Under the new regime, in 2017 tax losses totalling EUR 8 million were recognised in the UK.

b) Assets and liabilities arising from timing differences between the accounting and tax income and expense recognition methods

This item relates to the tax impact resulting from the fact that the timing of recognition of certain expenses or depreciation and amortisation charges is different for accounting and tax purposes.

The recognition of a tax asset in this connection means that certain expenses have been recognised for accounting purposes before their recognition for tax purposes and, therefore, the Company will recover these expenses for tax purposes in future years. Conversely, a liability in this connection represents an expense that is recognised for tax purposes before its recognition for accounting purposes.

The deferred tax assets include most notably:

- Provisions recognised for accounting purposes which do not have a tax effect until they are materialised (EUR 200 million).
- Deferred tax assets of EUR 132 million arising as a result of differences between the tax and accounting methods used to recognise income, mainly in the Construction Division.
- Differences relating to borrowing costs at concession operators in Spain, which for tax purposes are recognised as an asset and subsequently amortised whereas for accounting purposes they are expensed currently (EUR 84 million).
- Accelerated depreciation and amortisation for accounting purposes (EUR 44 million).

Within liabilities, the balance is related mainly to:

- Differences between tax and accounting criteria in relation to the recognition of provisions (EUR 353 million).
- Deferred tax liabilities of EUR 40 million arising as a result of differences between the tax and accounting methods used to recognise income in conformity with IFRIC 12, mainly in the Toll Road Division.

c) Deferred taxes arising from valuation adjustments

This reflects the cumulative tax impact resulting from valuation adjustments recognised in reserves. This impact appears as an asset or liability since there is generally no direct tax effect until this amount in reserves is transferred to profit or loss.

The asset balance relates to accumulated losses in reserves that will have a tax impact when they are recognised in profit or loss. Conversely, the liability balance relates to gains not yet recognised for tax purposes. Noteworthy are the deferred tax asset and liability relating to financial derivatives amounting to EUR 101 million and EUR 81 million, respectively.

d) Deferred taxes relating to goodwill

These correspond to deferred tax liabilities relating to the tax credit for goodwill amounting to EUR 223 million, which mainly include those related to the amortisation of the of Amey and Swissport goodwill, as discussed in Note 6.5.1.b.

The detail of the changes in the deferred tax assets and deferred tax liabilities in 2016 is as follows:

ASSETS (Millions of euros)	BALANCE AT 01/01/16	TRANSFERS AND OTHER	CHANGE IN ESTIMATE OF PRIOR YEARS' TAXES	CHARGE/ CREDIT TO PROFIT OR LOSS	CHARGE/ CREDIT TO EQUITY	EXCHANGE RATE EFFECT	BALANCE AT 31/12/16
Tax assets	600	24	-42	-268	0	-3	311
Differences between tax and accounting income and expense recognition methods	459	103	-13	3	0	2	554
Deferred tax assets arising from valuation adjustments	173	-19	11	-5	-7	-9	144
Other	23	10	7	8	0	0	48
Total	1,255	119	-37	-263	-7	-10	1,057

LIABILITIES (Millions of euros)	BALANCE AT 01/01/16	TRANSFERS AND OTHER	CHANGE IN ESTIMATE OF PRIOR YEARS' TAXES	CHARGE/ CREDIT TO PROFIT OR LOSS	CHARGE/ CREDIT TO EQUITY	EXCHANGE RATE EFFECT	BALANCE AT 31/12/16
Deferred tax liabilities relating to goodwill	197	84	-1	-11	0	1	269
Differences between tax and accounting income and expense recognition methods	735	-31	-12	-124	0	7	575
Deferred tax liabilities arising from valuation adjustments	103	1	0	0	-15	-7	82
Other	88	-39	6	1	0	-4	52
Total	1,123	15	-7	-134	-15	-3	979

2.8.4. Years open to tax audit

With respect to Ferrovial S.A. and its consolidated tax group, on 19 July 2017 the Large Taxpayers Central Office of the State Tax Agency announced the commencement of a tax audit of Ferrovial S.A., Ferrovial Agroman and Ferrovial Servicios S.A. in relation to the following taxes:

- Income tax for 2012 to 2014.
- VAT for tax periods from June 2013 to December 2015.
- Tax withholdings and pre-payments relating to salary income for tax periods from June 2013 to December 2015.
- Non-resident income tax withholdings for tax periods from June 2013 to December 2015.

The tax audit is currently at the documentation submission stage. The criteria that the tax authorities might adopt in relation to the years open for review could give rise to contingent tax liabilities which cannot be objectively quantified. It is considered that any possible material tax contingencies were adequately provisioned at year-end.

2.8.5. Tax regime applicable to Ferrovial S.A.

Ferrovial, S.A. has filed consolidated tax returns since 2002. The companies composing the consolidated tax group together with Ferrovial, S.A. in 2017 are shown in Appendix II. Also, in 2014 the Company opted to be taxed under the tax regime provided for in Articles 107 and 108 of Spanish Income Tax Law 27/2014, of 27 November. Since the application of that tax regime affects the taxation of possible dividends or gains obtained by the Company's shareholders, attached as Appendix I to these consolidated financial statements is a note describing the tax treatment applicable to the shareholders, together with information on the taxable profits obtained by Ferrovial, S.A. that the shareholders should be aware of for the purpose of applying that regime.

2.8.6. Change in the tax legislation in the US

In December 2017 the US administration approved a change in the tax regime involving new adjustments with an impact on the US consolidated tax group. The most far-reaching impacts, inter alia, are the change in the income tax rate from 35% to 21%, the use of tax loss carryforwards of up to 80% without any time limit and the limitation on the deductibility of finance costs to 30% of EBITDA (2018-2021) or EBIT (from 2022).

From the accounting standpoint these changes had a positive impact on the deferred taxes recognised in the consolidated statement of financial position and the consolidated statement of profit or loss of EUR 31 million, and did not affect cash flow.

From a business standpoint, this reform would give rise to lower tax payments in the future on Ferrovial's infrastructure projects in the US, and the timing effect that the other two measures discussed might have would not offset the positive impact of the reduction in the tax rate.

2.9. PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

In 2017 the profit attributable to non-controlling interests amounted to EUR -53 million (December 2016: loss of EUR -7 million).

This figure relates to profits obtained by Group companies that are attributable to the other shareholders that hold interests in these companies. The figures are shown in such a way that if the investee has reported a profit, the profit attributable to non-controlling interests is presented with a negative sign, and if it has reported a loss, the loss attributable to non-controlling interests is shown with a positive sign.

(Millions of euros)	2017	2016	CHANGE 17/16	% NON-CONTROLLING INTERESTS
Budimex Group	-49	-38	-11	44.9%
US 460 Mobility Partners LLC	0	-4	4	30.0%
Autopista del Sol	-1	1	-2	20.0%
Autop. Terrasa Manresa, S.A.	-15	-13	-1	23.7%
SH-130 Concession Company, LLC	0	14	-14	35.0%
Skyway Concession Co. LLC.	0	5	-5	45.0%
LBJ Infrastructure Group	12	21	-8	45.4%
NTE Mobility Partners	2	8	-6	37.1%
Other companies	-4	-2	-2	
Total	-53	-7	-46	

The main change arose as a result of the departure from the scope of consolidation in 2016 of the Cintra companies Chicago Skyway and SH-130, the improvement in the results recognised by the North Tarrant Express and LBJ toll roads, and the increase in the ownership interest in the two toll roads (see Note 1.1.3).

2.10. NET PROFIT AND EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the Parent is as follows:

(Millions of euros)	2017	2016
Net profit attributable to the Parent (millions of euros)	454	376
Weighted average number of shares outstanding (thousands of shares)	738,216	738,112
Less average number of treasury shares (thousands of shares)	-7,324	-7,188
Average number of shares to calculate basic earnings per share	730,892	730,923
Basic/diluted earnings per share (euros)	0.62	0.51

Diluted earnings per share. At 31 December 2017 and 2016, the Group did not have any dilutive potential ordinary shares, since no convertible debt instruments were issued and the share-based remuneration schemes described in Note 6.7 will not give rise to any capital increases at the Group, as explained in that Note. Consequently, no dilutive impact is envisaged when employee rights under the plans are exercised.

The detail of net profit by geographical area is as follows:

(Millions of euros)	2017	2016	CHANGE 17/16
Spain	73	101	-28
UK	66	-113	179
US	34	87	-53
Australia (*)	-23	5	-28
Canada	105	93	12
Poland	60	53	7
Other	138	151	-13
Total	454	376	78

(*) The information reported relates to Australia and the other Pacific islands.

The earnings by business segment are shown in Appendix III.