

TOLL ROADS

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	461	486	-5.3%	15.7%
EBITDA	320	297	7.7%	23.8%
EBITDA margin	69.4%	61.1%		
EBIT	247	214	15.5%	27.1%
EBIT margin	53.7%	44.0%		

Revenues at the division grew +15.7% in comparable terms in 2017, bolstered by the higher contribution from the Managed Lanes toll roads in the USA, traffic growth in the majority of assets and due to the payment of success fees (+EUR19mn). **In comparable terms, the division posted EBITDA growth of +23.8% in 2017.**

The USA accounted for 37.5% of revenue and 42.8% of EBITDA in 2017.

The comparable figures stripped out the FX effect and the changes to the consolidation perimeter in 2016 and 2017. Notably from the disposals of:

- **Chicago Skyway:** sale to a consortium of Canadian pension funds of Cintra's 55% stake in this asset, for EUR230mn. The sale was completed in February 2016 (two months' contribution in 2016).
- **Irish Toll Roads:** sale of 46% of M4 and 75% of M3 to the Dutch fund DIF for EUR59mn. Ferrovial retains 20% in each, and they are now consolidated using the equity method. The sale was completed in February 2016 (two months' contribution in 2016).
- **Norte Litoral and Algarve:** in June 2016, Ferrovial reached an agreement with the Dutch fund DIF to sell a 51% stake in the Norte Litoral toll road and a 49% stake in the Algarve toll road (both contributed 12 months in 2016). In April 2017, the sale of the Norte Litoral stake was completed (aprox. four months contribution in 2017) for EUR104mn; and in September the sale of the Algarve stake was completed (nine months contribution in 2017) for EUR58mn. Both were

consolidated through equity method following the completion of the transactions.

Assets in operation

Traffic performance during 2017 was very positive on Ferrovial's main toll roads, both in terms of light and heavy traffic.

Canada: traffic on the 407 ETR increased by +2.6% in the period (light traffic +2.3% and heavy traffic +6.3%), bolstered by the positive impact of the opening of the 407 East Extension Phase I toll road (open to traffic in June 2016, toll free until February 2017) and by the calendar effect and stronger economic growth in the Ontario region.

USA: traffic growth was driven by the very positive performance of the Managed Lanes toll roads (NTE +10.9% and LBJ +9.3%), which are still in the ramp up phase.

Spain: traffic trended upwards, boosted by the country's economic growth. Traffic at Ausol I grew by +10.3% in 2017 and Ausol II by +5.7%.

Portugal: performance has been positive in 2017, aided by the economic recovery and, in Azores (+6.7%), due to the increase of tourism on the back of the airline market liberalisation. In Algarve (+17.0%), traffic was positively affected by works on the alternative route.

Ireland: continued positive performance thanks to the upturn in employment. 2017 ended with similar growth to 2015 and 2016, around +6% at M4 and close to +9% at M3.

Greece: lower Ionian Roads ADT (-29.3%) due to the opening of new segments in 2017, which has distorted the average daily traffic calculation. Excluding this impact, IMD variation would have been +5.6%.

Globally consolidated toll roads

(EUR million)	TRAFFIC (ADT)			REVENUES			EBITDA			EBITDA MARGIN		NET DEBT 100%	
Global consolidation	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	DEC-17	SHARE
NTE	33,814	30,485	10.9%	82	67	22.8%	66	51	28.5%	80.8%	77.2%	-855	63.0%
LBJ	34,526	31,582	9.3%	89	69	28.8%	71	53	33.1%	79.6%	77.0%	-1,217	54.6%
NTE35W*				3	0	n.a.	1	0	n.s.	46.4%		-587	53.7%
I-77*						n.a.	0	0	n.a.			-239	50.1%
TOTAL USA				173	135	27.7%	137	104	32.1%			-2,898	
Ausol I	16,148	14,637	10.3%	61	56	8.5%	51	47	10.1%	84.0%	82.8%	-467	80.0%
Ausol II	17,801	16,837	5.7%										
Autema	17,871	16,835	6.2%	104	98	6.4%	95	89	7.3%	91.7%	90.9%	-608	76.3%
TOTAL SPAIN				165	154	7.2%	147	135	8.2%			-1,075	
Azores	9,831	9,215	6.7%	26	32	-16.6%	22	28	-20.4%	83.0%	87.0%	-305	89.2%
Algarve**	14,555	12,442	17.0%	27	38	-26.8%	24	33	-25.7%	89.0%	87.6%	-131	48.0%
Norte Litoral**	25,258	24,052	5.0%	14	44	-68.4%	12	38	-67.3%	89.2%	86.3%	-161	49.0%
Via Livre				15	14	6.9%	2	2	8.9%	13.8%	13.6%	3	84.0%
TOTAL PORTUGAL				82	127	-35.1%	61	100	-39.4%			-594	
DECONSOLIDATED TOLL ROADS IN 2016***					50			4					
TOTAL HEADQUARTERS				40	20	101.0%	-25	-47	48.6%				
TOTAL TOLL ROADS				461	486	-5.3%	320	297	7.7%			-4,567	

* Assets under construction. ** Algarve contribution to 26/09/2017 and Norte Litoral to 21/04/2017, when they then began to be consolidated by the equity method. ***Deconsolidated toll roads in 2016 (SH-130, Chicago Skyway and the Irish Toll roads M3 and M4).

Toll roads consolidated using the equity method

(EUR million)	TRAFFIC (ADT)			REVENUES			EBITDA			EBITDA MARGIN		NET DEBT 100%	
Equity accounted	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	VAR.	DEC-17	DEC-16	DEC-17	SHARE
407 ETR (VKT 000)	2,708,589	2,640,770	2.6%	859	778	10.5%	748	675	10.8%	87.1%	86.8%	-4,621	43.2%
M4	32,098	30,377	5.7%	28	27	5.7%	18	18	1.5%	63.1%	65.7%	-95	20.0%
M3	37,311	34,325	8.7%	23	22	3.3%	16	17	-2.2%	71.4%	75.4%	-151	20.0%
A-66 Benavente Zamora				24	24	0.0%	22	22	0.0%	91.4%	91.4%	-162	25.0%
Central Greece	13,183	12,151	8.5%	47	50	-5.7%	39	43	-8.2%	83.8%	86.1%	-346	21.4%
Ionian Roads	17,663	24,979	-29.3%	101	77	31.8%	34	15	130.8%	33.7%	19.2%	-67	21.4%
Serrano Park				6	5	3.4%	3	3	6.0%	61.2%	59.7%	-43	50.0%
Algarve	14,555	12,442	17.0%	10		n.s.	9		n.s.	87.1%	n.a.	-131	48.0%
Norte Litoral	25,258	24,052	5.0%	30		n.s.	26		n.s.	86.9%	n.a.	-161	49.0%

407 ETR

Profit and loss account

(CAD million)	DEC-17	DEC-16	VAR.
Revenues	1,268	1,135	11.7%
EBITDA	1,104	985	12.1%
EBITDA margin	87.1%	86.8%	
EBIT	998	880	13.4%
EBIT margin	78.7%	77.6%	
Financial results	-358	-373	3.9%
EBT	640	507	26.1%
Corporate income tax	-169	-134	-26.1%
Net Income	470	373	26.1%
Contribution to Ferrovial equity accounted result (EUR mn)	125	98	27.8%

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

Revenues at 407 ETR increased by +11.7% in local currency in 2017.

- **Toll revenues** (93% of the total): grew by +11.6% to CAD1,178mn, mainly due to the tariff increases applied since February 2017 and the improvement in traffic.
- **Fee revenues** (6.5% of the total): reached CAD82mn (+20.1%), mainly due to starting to manage the 407 East Ext Phase I toll road, coupled with an increase in the number of transponders and higher tariffs.

Average revenues per journey rose +10.4% (CAD9.96 vs. CAD9.02 in 2016).

The toll road also recorded an **increase in EBITDA of +12.1%** in 2017, with an EBITDA margin of 87.1% vs. 86.8% in 2016.

Financial result: -CAD358mn, CAD14mn fewer expenses vs. 2016 (+3.9%). Main components:

- **Interest expenses:** -CAD364mn. CAD14mn higher than in 2016, largely due to the increase in debt, after the recent issuance of CAD800mn in senior bonds in September 2017 and CAD250mn in March 2017.
- **Non-cash financial expenses linked to inflation:** -CAD9mn vs. -CAD34mn expenses in 2016 (up by +CAD25mn), due mainly to the positive impact of falling inflation over 2017, partially compensating for the negative impact resulting from the decrease in the discount rate.

- **Other financial income:** CAD16mn (vs. CAD11mn in 2016) due to greater returns on investment and higher average cash balance.

407 ETR contributed EUR125mn to Ferrovial's equity-accounted results (+27.8% vs. 2016), after the annual amortization of the goodwill following the sale of 10% in 2010, which is being written down over the life of the asset on the basis of the traffic forecast.

407 ETR dividends

In 2017, 407 ETR distributed dividends of CAD845mn, **+7.0% vs. 2016**. Of these, EUR262mn were distributed to Ferrovial (EUR244mn in 2016). At the February Board meeting, the 1Q 2018 dividend payment was approved in the amount of CAD226.25mn (**+9.0% vs. 1Q 2017**).

(CAD million)	2017	2016	2015	2014	2013	2012
Q1	207,5	187,5	188	175	100	87,5
Q2	207,5	187,5	188	175	130	87,5
Q3	215,0	207,5	188	175	200	87,5
Q4	215,0	207,5	188	205	250	337,5
Total	845	790	750	730	680	600

407 ETR traffic

Traffic (kilometers travelled) rose by +2.6%, with an increase in the number of journeys (+1.0%) and an increase in the average distance travelled (+1.6%). Traffic has been bolstered by the positive impact of the opening of the 407 East Extension Phase I toll road (open to traffic in June 2016, toll free up to February 2017) and by the calendar effect and stronger economic growth in the Ontario region.

407 ETR net debt

The net debt figure for 407 ETR at 31 December 2017 was CAD6,958mn (average cost of 4.43%). 53% of the debt matures in more than 15 years' time. The next maturity dates are CAD14mn in 2018, CAD15mn in 2019 and CAD738mn in 2020.

407 ETR carried out various bond issues over the year:

- **In March**, a senior bonds issue was carried out worth **CAD250mn**, maturing in 16 years (maturing in 2033) with an annual coupon of 3.43%.
- **In September**, it issued bonds worth **CAD800mn**:
 - CAD500mn of 27 year bonds (maturing in 2044) and a coupon of 3.65%.

- CAD300mn of 5 year bonds (maturing in 2022) and a coupon of 2.47%.
- Simultaneously to this issue, it announced the early payment of a CAD300mn bond, with maturity date of November 2017.

407 ETR credit rating

- S&P: on 31 May 2017, the company remained at a rating of "A" (Senior Debt), "A-" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.
- DBRS: on 17 November 2017, the company remained at a rating of "A" (Senior Debt), "A low" (Junior Debt) and "BBB" (Subordinated Debt), with a stable outlook.

407 ETR Tariffs

In 2017, the tariffs were increased on 1 February, and a new tariff structure was announced, including variations depending on the direction of travel (as well as by area, day and time of travel, which was already taking place). Tariffs applied from 1 February 2017 for light vehicles (expressed in CAD cents/km):

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

In December 2017 a new tariff structure was announced and tariffs increased from 1 February 2018. [For more information on the new tariffs, please click on the following link.](#)

[For further information on the 407 ETR toll road results, please click here to see the 407 ETR MD&A report.](#)

NTE

NTE Profit & loss account

(USD million)	DEC-17	DEC-16	VAR.
Revenues	93	73	26.8%
EBITDA	75	57	32.6%
EBITDA margin	80.8%	77.2%	
EBIT	55	40	39.0%
EBIT margin	59.3%	54.1%	
Financial results	-62	-61	-1.5%
Net Income	-7	-21	67.9%

In 2017, Ferrovial increased its stake in NTE by +6.3%, reaching 62.97% (see Other Events chapter)

During 2017, **revenue rose by +26.8% compared to the year before**, on the back of traffic growth and higher tariffs.

EBITDA reached USD75mn (+32.6% vs. 2016). EBITDA margin reached 80.8% during 2017 (+360 basis points), as a result of the growth in revenues and operational cost management.

Toll road traffic continues to increase its market share of traffic on the corridor. The average toll rate per transaction has also risen during the year (+9.9%). Construction progress on the I35W corridor is helping to draw traffic back onto the corridor (that connects to NTE1-2), and the opening of Segment 3B in July 2017 has also benefitted NTE users, by increasing the length of the Managed Lanes network. Finally, the connectivity improvements implemented at Segment 2 of NTE since 2Q 2017, have also had a positive effect on growth.

NTE Quarterly Traffic and EBITDA

In terms of traffic: **in 4Q 2017, NTE recorded 6.9 million transactions, +14.2% more than in 4Q 2016** (6.0 million transactions).

Very positive EBITDA performance, with growth of +25.3% between 4Q 2017 and 4Q 2016, as a result of good revenue performance and operating expense management.

Quarterly results	4Q'17	4Q'16	VAR.
Transactions (millions)	6.9	6.0	14.2%
EBITDA (USD mn)	19.0	15.2	25.3%

The average toll rate per transaction in 4Q 2017 at NTE reached USD3.5 vs. USD3.2 in 4Q 2016 (+9.9%).

NTE net debt

As of 31 December 2017, net debt for the toll road amounted to USD1,028mn (USD1,032mn in December 2016), at an average cost of 5.35%.

NTE credit rating

	PAB	TIFA
Moody's	Baa3	
FITCH	BBB-	BBB-

LBJ**LBJ Profit and Loss Account**

(USD million)	DEC-17	DEC-16	VAR.
Revenues	101	76	33.0%
EBITDA	80	59	37.4%
EBITDA margin	79.6%	77.0%	
EBIT	57	39	47.8%
EBIT margin	56.7%	51.0%	
Financial results	-86	-85	-1.6%
Net Income	-29	-46	37.0%

In 2017, Ferrovial increased its stake in LBJ by +3.6%, reaching 54.6% (see Other Events chapter).

During 2017, the toll road generated **revenues of USD101mn (+33.0% compared with the same period in 2016)**, as a result of both the continued growth in traffic during the ramp-up phase and higher tariffs.

EBITDA reached USD80mn (+37.4% vs. 2016) helped by a strong surge in traffic. The EBITDA margin reached 79.6%, aided by the significant growth in revenues.

Toll road traffic continued to register robust growth, as did the corridor, which continues to be in its growth phase, exceeding the existing volumes prior to construction of the project. At the same time, the average toll rate per transaction has significantly increased compared to the previous year. Completion of works on the I35E corridor, incorporating the new Managed Lanes operated by TxDOT, has led to a gradual increase in traffic on this corridor that connects directly to LBJ, above the average for other toll roads in the area.

LBJ Quarterly Traffic and EBITDA

In terms of traffic, a total of **10.6 million transactions took place during the fourth quarter of 2017, +5.2% in comparison with 4Q 2016** (10.1 million transactions).

EBITDA in 4Q 2017 reached USD21.4mn, a significant increase compared to 4Q 2016 (+29.8%):

Quarterly results	4Q'17	4Q'16	VAR.
Transactions (millions)	10.6	10.1	5.2%
EBITDA (USD mn)	21.4	16.5	29.8%

The average toll rate per transaction at LBJ reached USD2.60 in 4Q 2017 vs. USD2.1 in 4Q 2016 (+21.1%).

LBJ net debt

As of 31 December 2017, net debt for the toll road amounted to USD1,463 (USD1,449mn in December 2016), at an average debt cost of 5.44%.

LBJ credit rating

	PAB	TIFA
Moody's	Baa3	
FITCH	BBB-	BBB-

FINANCIAL ASSETS

Under the terms of IFRIC 12, concession contracts are classified as intangible and financial assets. **Intangible assets** (where the operator assumes the traffic risk) are those for which remuneration is earned from charging the corresponding rates depending on level of use. **Financial assets** (no traffic risk for the concession holder) in which payment consists of an unconditional contractual right to receive cash or other financial assets, either because the body awarding the concession guarantees the payment of specific sums, or because it guarantees the recovery of any shortfall between the sums received from users of the public service and the aforementioned specific sums.

The financial assets in operation are: Autema, 407 East Ext Phase I, M8, Algarve, A66, Norte Litoral and Eurolink M3 (except for Autema, all of them are equity-accounted).

ASSETS UNDER DEVELOPMENT

(EUR million)	INVESTED CAPITAL	PENDING COMMITTED CAPITAL	NET DEBT 100%	SHARE
Global Consolidation				
Intangible Assets	-165	134	-826	
NTE 35W	-164	26	-587	54%
I-77	-1	108	-239	50%
Equity Consolidated				
Intangible Assets		633	-663	
I-66		633	-663	50%
Financial Assets	-58	54	-378	
407-East Extension II		10	-320	50%
Ruta del Cacao	-47	14	64	40%
Toowoomba	-11		58	40%
Bratislava		30	-179	35%
OSARs		31		50%

NTE 35W: financing close was reached in September 2013. Work is proceeding on schedule (98.9% of design and construction works were completed at December 2017, with the full opening scheduled for the second half of 2018).

I-77: construction works began in November 2015. In December 2017 the design and construction works were 49% complete, and the toll road is expected to open at the end of 2018.

407 East Extension Phase II: At end-December 2017, the design and construction works were 67% complete.

I-66: in October 2016, Cintra won the Transform I-66 Project (Virginia, USA), the commercial negotiations of which were completed on 8 December 2016 and includes the construction of 35 km along the I-66 corridor (between Route 29, close to Gainesville, and the Washington DC Beltway, the I-495, in Fairfax County).

Financial close was completed in November 2017 with the issue of PAB bonds for an amount of USD800mn. The committed capital for this project is estimated at EUR633mn (for Cintra's stake). The term allocated for construction of the project runs until 2022, while the concession is granted for 50 years since the commercial close, which took place in 2016.

Awarding of the “Western Roads Upgrade” contract, Melbourne

In Australia, in October 2017, Cintra was awarded the “Western Roads Upgrade” project (OSARs), an availability payment project with a concession term of 22 and a half years, which consists of the improvement and maintenance of the Melbourne toll road and inter-city motorway network. The commercial agreement was completed on 11 December and the financial agreement on 19 December 2017.

TENDERS PENDING

In the **USA**, Ferrovial continues to pay close attention to private initiatives.

- In September, the **Maryland Department of Transport (MDOT)**, issued a Request For Information (RFI) for the I-495/I-95 (Capital Beltway) and I-270 Congestion Relief Improvements projects. The MDOT is considering a design, construction, financing, operation and/or maintenance project for both projects, which would take the form of Managed Lanes. These projects fit perfectly with the Cintra strategy, as they are High Complexity Concessions, which Cintra has been extremely competitive on in the past.
- The pre-qualification of the **I-10 Mobile River Bridge** in Alabama, was presented on 17 November 2017. Cintra was pre-qualified on this project on 2 February 2018.
- We also continue to follow various processes in different states (primarily in Illinois, Maryland, Virginia and Texas).

In **Canada**, Cintra has been pre-qualified for the **Hurontario LTR** (Ontario) project, which consists of 20 kilometres of light railway under an availability payment system.

In **other markets**, Cintra has been pre-qualified for the **Silvertown Tunnel** project in London (United Kingdom), with an estimated investment of EUR1,230mn.

PROJECT DIVESTMENTS

Norte Litoral & Algarve Toll Roads

In June 2016, Ferrovial, through its toll roads subsidiary Cintra, reached an agreement with the Dutch infrastructure fund DIF to sell 51% of the

Norte Litoral and 49% of the Algarve toll roads. After this transaction, Ferrovial will continue to hold 49% of the Norte Litoral and 48% of the Algarve, as well as its position as the principal industrial partner in both assets.

On 21 April 2017, the sale of a 51% stake in Norte Litoral was approved, for which EUR104mn was received. On 26 September 2017, the sale of the stake in Algarve (49%) was approved, for which EUR58mn was received.

OTHER EVENTS

Acquisition of the Dallas Fire & Police Pension Scheme stake for Managed Lanes

Cintra, along with the other Managed Lanes partners (Meridiam and APG), acquired the Dallas Fire & Police Pension Scheme's stake in NTE (10%) and LBJ (7%) in September 2017. **Cintra acquired 6.3% in NTE and 3.6% in LBJ**, and now holds 62.97% in NTE and 54.6% in LBJ. The total amount paid by Cintra for the stakes stands at USD107mn (NTE 65mn and LBJ 42mn).

Autema

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

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

Both of these legal actions have been adjoined in one single action by the TSJC. The co-defendants (Generalitat de Catalunya and the Consell Comarcal de Bagés) have already submitted their briefs in response to the demands and the procedure is awaiting the start of the test phase.



PHOTO: 407 ETR Toll Road, Toronto (Canada).

AIRPORTS

The Airports division contributed EUR89mn to Ferrovial's equity-accounted results during 2017 (vs. -EUR46mn in 2016).

- **HAH:** EUR87mn in 2017 (-EUR57mn in 2016), was due mainly to the positive mark to market performance of the hedging instruments in 2017, as compared with the negative impact seen in 2016, as a result of an uptick in the expected inflation figure and the cut in interest rates.
- **AGS:** EUR2mn in 2017 (EUR12mn in 2016) primarily due to the positive non-recurrent non-cash item in 2016, due to changes in the pension plan conditions (EUR7mn) and the two percentage point drop in tax rate to 17% (EUR6mn).

In terms of distributions to shareholders:

- **Heathrow paid out GBP525mn (100%),** which is significantly more than in 2016 (GBP325mn) and the figure forecasted at the start of the year (GBP375mn). This extraordinary increase was due to the good operating performance and the uptick in inflation. In 2017 Ferrovial received EUR153mn for its stake.
- **AGS distributed GBP146mn (100%),** of which GBP75mn resulted from an extraordinary distribution following the refinancing carried out in 1Q 2017, which led to optimisation of the financing structure, the extension of maturity terms and the partial repayment of shareholder debt. Ferrovial received EUR84mn in 2017.

CORPORATE OPERATIONS

On 24 August 2017, Great Hall Partners, the consortium led by Ferrovial Airports, signed a contract for the redesign and retail operation of the main terminal at the Denver International Airport for an investment of USD650mn and a term of 34 years. [For more information, please visit the following link.](#)

HEATHROW

Heathrow Traffic

Heathrow achieved a new record in traffic in 2017: 78 million passengers (+3.1%) with 471,082 passenger flights (470,764 in 2016), which reflects the plan launched in 4Q 2017 to increase the use of limited free capacity, which resulted in more than 1,300 additional flights in 4Q.

The higher occupancy levels registered (78% vs. 76% in 2016) represent an increase in inbound demand to United Kingdom, particularly from the Middle East and Asia Pacific. The average number of seats per aircraft increased +0.4% to 212.3 (2016: 211.5).

Million passengers	DEC-17	DEC-16	VAR.
UK	4.8	4.6	3.3%
Europe	32.4	31.7	2.4%
Intercontinental	40.8	39.3	3.6%
Total	78.0	75.7	3.1%

Intercontinental traffic (+3.6%) has headed up growth thanks to improved occupancy levels. Traffic was particularly robust on the Middle East routes (+9.5%), with larger aircraft and more flights to the Asia Pacific region (+4.5%), introduced as a result of higher occupancy levels on existing routes to Malaysia and new or more services to Thailand,

Philippines and Vietnam. In North America (+1.1%) cargo traffic played a greater role. Latin American traffic rose by +5.5%, due to more flights and higher occupancy levels on the planes.

European traffic increased (+2.4%) as a result of larger aircraft and higher occupancy levels, with notable growth on the routes to Italy, Russia, Belgium, Denmark, Holland and Portugal, with more than 70,000 additional passengers on each route and market. **Domestic traffic** grew by +3.3%, including the new Flybe services to Scotland.

More than 30% (in value) of non-EU **exports** from the United Kingdom currently pass through Heathrow. In 2017, cargo volumes at Heathrow increased by +10.2%, making it one of the strongest periods in the last five years, with notable increases in North America and the Middle East.

Heathrow SP Revenue and EBITDA

Revenue grew by +2.7%, thanks to growth in retail revenue (+7.7%), aeronautical revenues (+1.0%) and others (+2.6%).

(GBP million)	DEC-17	DEC-16	VAR.
Aeronautic	1,716	1,699	1.0%
Retail	659	612	7.7%
Others	509	496	2.6%
TOTAL	2,884	2,807	2.7%

Average aeronautical revenue per passenger decreased -2.0% to GBP22.00 (GBP22.45 in 2016), but was offset by the increase in traffic (+3.1%), which generated additional revenues by GBP51mn.

Retail revenue (+7.7%), was aided by greater traffic and growth in retail concessions (+10.5%) reflecting the improvement in Duty Free stores and specialist stores, due to the depreciation of sterling after the referendum to leave the EU at the end of June 2016, although this trend has subsided slightly. The remodeling of the luxury goods stores at T4, which was completed at the end of 2016, also contributed to this growth. Restaurant income also registered strong growth, due to the increase in traffic and the refurbishment of restaurants in T5. Net retail revenues per passenger reached GBP8.45, +4.5% compared to 2016.

Heathrow SP's EBITDA increased by +4.6% in 2017 vs. sales growth of +2.7%. The EBITDA margin reached 61.4% (59.9% in 2016). In addition, greater cost control has also helped to reduce operating costs per passenger by -3.1%. Amortization grew by +3.3% vs. 2016.

User satisfaction

Customer satisfaction remained at record highs in 2017, with the airport achieving a scoring of 4.16 out of 5. According to Airport Service Quality (ASQ), 82% of the passengers surveyed classified their experience in the airport as "excellent" or "very good". Heathrow ranked first out of European airports in this service quality survey for the past 13 consecutive quarters. In 2017, Heathrow was nominated "Best Airport in Western Europe" for the third time running by Skytrax World Airport Awards. As well as this award, which was voted for by passengers all around the world, Heathrow as also recognised was the "Best Shopping Airport" for the eighth year running. Heathrow also improved its punctuality and luggage management, reducing the number of suitcases lost to 10 out of 1,000 passengers (14 in 2016).

[For further information, please see the note on HAH's results.](#)

Regulatory aspects

Regulatory Asset Base (RAB): At 31 December 2017, the RAB reached GBP15,786mn (GBP15,237mn in December 2016).

Regulatory period: in December 2016, the Civil Aviation Authority (CAA) confirmed the extension of the current regulatory period (Q6) until 31 December 2019, maintaining the annual maximum tariff increase per passenger: RPI-1.5%. The latest consultation states that a further extension of Q6 to at least the end of 2020 is expected to be needed, with the CAA emphasising the need for flexibility to better align the start of H7 with commencement of the expansion construction programme.

In 2017, the CAA stated the importance of the regulatory framework of the expansion being based on a system developed over the past 30 years; including the RAB and the single till scheme. We expect to have greater clarity on these matters in April and September 2018, when the CAA publishes its next update.

Expansion: in October 2016, the British Government selected a third runway at Heathrow to increase airport capacity in the South East of England. The expansion requires parliamentary approval of the NPS (National Policy Statement) and the DCO (Development Consent Order) by the Secretary of State, respectively expected between 1H 2018 and 2021. In January 2018, Heathrow launched a consultation on expansion options, which would help to design a plan of action, which help define a preferred masterplan that will be presented in a second consultation in 2019. In December, Heathrow confirmed the possibility of an expansion plan that would be GBP2,5bn less than the one presented to the Airport Commission. The total cost would therefore stand at GBP14bn, which would help to reach the government's proposed target of maintaining airport charges close to current levels.

Heathrow Airports Holding (HAH) profit and loss account

GBP million	DEC-17	DEC-16	VAR.
Revenues	2,883	2,809	2.6%
EBITDA	1,760	1,683	4.6%
EBITDA margin %	61.0%	59.9%	
Depreciation	750	708	-5.9%
EBIT	1,010	975	3.6%
EBIT margin %	35.0%	34.7%	
Impairments & disposals		-7	n.a
Financial results	-628	-1,231	49.0%
EBT	383	-263	245.7%
Corporate income tax	-79	74	-207.9%
Net income	303	-189	260.4%
Contribution to Ferrovial equity accounted result (EUR mn)	87	-57	250.9%

HAH net debt

At 31 December 2017, the average cost of Heathrow's external debt was 5.62%, including interest-rate, exchange-rate & inflation hedges in place (vs. 5.26% in December 2016).

(GBP million)	DIC-17	DIC-16	Var.
Loan Facility (ADI Finance 2)	0	306	-100.0%
Subordinated	1,325	1,098	20.7%
Securitized Group	12,234	12,292	-0.5%
Cash & adjustments	-40	-20	100.9%
Total	13,519	13,677	-1.2%

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

UK REGIONAL AIRPORTS (AGS)

AGS Results

(GBP million)	DEC-17	DEC-16	VAR.
Glasgow	122	112	8.4%
Aberdeen	56	56	0.6%
Southampton	31	29	9.1%
Total Revenues AGS	209	197	6.3%
Glasgow	58	53	10.3%
Aberdeen	22	21	8.0%
Southampton	11	10	18.3%
Total EBITDA AGS	92	83	10.7%
Glasgow	47.6%	46.8%	
Aberdeen	39.6%	36.9%	
Southampton	36.5%	33.6%	
Total EBITDA margin	43.8%	42.1%	

AGS Traffic

	DEC-17	DEC-16	VAR.
Glasgow	9.9	9.4	5.7%
Aberdeen	3.1	3.1	1.9%
Southampton	2.1	2.0	6.1%
Total AGS	15.1	14.4	4.9%

Glasgow: 9.9 million passengers (+5.7%). Domestic traffic (-1.1%) reflected fewer routes to Stansted and more regional routes on Flybe and Loganair. International traffic grew (+11.5%) via European traffic with new Ryanair routes to Lisbon, Valencia, Palanga and Frankfurt, Jet2's new service to Dubrovnik and more capacity to the Canary Islands, Alicante, Cyprus and Malaga. Long-distance traffic volumes demonstrate the strength of Emirates and the new Delta service to New York.

Aberdeen: 3.1 million passengers (+1.9%). Domestic traffic (+1.3%), mainly reflected the London Heathrow route operated by Flybe. International traffic volumes increased (+3.2%) due to new Ryanair routes to Alicante, Malaga and Faro, the new Wizz services to Warsaw and Air Baltic services to Riga. The increase was partially offset by less routes to international airports (Paris CDG and Amsterdam) and lower Scandinavian passenger numbers.

Southampton: 2.1 million passengers (+6.1%) with greater domestic traffic (+3.7%) and more Flybe flights to Manchester, Glasgow and Newcastle, partly compensating for the fewer routes to Guernsey in 1Q; and international growth (+9.8%) due to greater capacity on routes to Amsterdam, Munich, Malaga and Cork.

AGS Revenue and EBITDA

In 2017, EBITDA improved by +10.7%, primarily due to a +6.3% increase in revenue, due to higher traffic, and good retail and parking revenue performance, coupled with the +3.0% increase in operating costs.

AGS net bank debt

At 31 December 2017, the airports' net bank debt stood at GBP656mn.

CONSTRUCTION

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	4,628	4,194	10.3%	11.0%
EBITDA	199	342	-41.8%	-41.8%
EBITDA margin	4.3%	8.1%		
EBIT	162	313	-48.1%	-48.1%
EBIT margin	3.5%	7.5%		
Order book	11,145	9,088	22.6%	26.7%

Revenues increased by +11.0% in Like for Like terms, with positive performance in all areas. International revenues were responsible for 83% of the Division's revenues, very much focused on traditional strategic markets: Poland (32%) and North America (30%).

Profitability declined compared to 2016 (EBIT margin 3.5% vs. 7.5%), due to large projects in their preliminary stages and a lower proportion of toll road concession contracts in the portfolio of projects currently in progress. In 2017, relevant losses were incurred primarily, as the result of an unfavourable ruling on a project carried out in Colombia in 2012/2013 and losses from an already completed contract in the United Kingdom.

BUDIMEX

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	1,457	1,270	14.8%	11.8%
EBITDA	131	111	17.7%	14.4%
EBITDA margin	9.0%	8.7%		
EBIT	122	105	16.2%	12.9%
EBIT margin	8.4%	8.3%		
Order book	2,467	2,027	21.7%	15.3%

In 2017, 3.9% stake in Budimex was sold, which did not impact Ferrovial's P&L (as it retained its controlling 55.1% share), it did have an impact on cash flow, which was up by +EUR59mn.

The same positive trend as previous years continues to be displayed. Revenues in comparable terms increased by +11.8%, with growth in all business segments, with the faster completion of Industrial projects and Residential and Non-Residential construction being particularly notable. Profitability increased (+14.4% of EBITDA in LfL terms), primarily due to final payment on the infrastructure projects that have been completed.

The order book reached an all-time record high (EUR2,467mn) up by +15.3% in comparable terms as compared with December 2016. In 2017, new contracts reached more than EUR1,754mn, of which approximately 62% relate to the signing of Civil Works contracts awarded under the 2014-20 New Highway Plan. We would highlight the awarding of the Ricibórz Dam (EUR160mn), the Lagiewnicka Highway in Krakow (EUR154mn), the S3 Miękowo-Brzozów Beltway (EUR70mn) and rail works for approximately EUR310mn. Budimex also has contracts that are currently pending signing or have been signed since 31 December 2017 worth a total of more than EUR500mn.

WEBBER

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	784	708	10.7%	18.5%
EBITDA	36	44	-17.7%	-17.7%
EBITDA margin	4.6%	6.2%		
EBIT	27	36	-24.7%	-25.2%
EBIT margin	3.4%	5.0%		
Order book	1,171	1,084	8.1%	23.2%

Revenues were up +18.5%, thanks to the incorporation of Pepper Lawson for the full year, a company that specialises in water projects and non-residential construction and which was acquired in March 2016, and whose revenues in 2017 increased by EUR82mn for a contribution of EUR179mn in 2017. The fall in the EBIT margin to 3.4% was due to the lower proportion of toll road concession contracts in the portfolio of projects currently in progress.

New contracts in 2017 exceeded EUR980mn, more than double the amount contracted in 2016. We highlight the 30% stake in the Houston beltway (EUR235mn, Ferrovial Agroman holds 40%), as well as a section of the US 281 toll road in San Antonio for EUR181mn. The higher number of contracts has meant an increase in the order book of +23.2% LfL.

FERROVIAL AGROMAN

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	2,387	2,217	7.7%	8.3%
EBITDA	32	187	-82.9%	-82.6%
EBITDA margin	1.3%	8.4%		
EBIT	13	172	-92.4%	-92.3%
EBIT margin	0.5%	7.7%		
Order book	7,507	5,977	25.6%	31.6%

Revenues increased (+8.3% in Like for Like terms), driven by the awarding of new projects, though profitability decreased in 2017 (EBITDA margin 1.3%), mainly as the result of relevant losses resulting from an unfavourable ruling on a project carried out in Colombia in 2012/2013 and those incurred in an already completed contract in the United Kingdom, due to tight completion deadlines and failure to reach an agreement with the client on the implementation of alternative technical solutions. In addition, profitability was affected by several projects in initial phases of execution, with lesser level of complexity.

ORDER BOOK

(EUR million)	DEC-17	DEC-16	VAR.
Civil work	8,635	7,088	21.8%
Residential work	382	344	10.9%
Non-residential work	1,347	873	54.2%
Industrial	782	783	-0.1%
Total	11,145	9,088	22.6%

The order book reached a record figure (EUR11,145mn), with comparable growth of +26.7% compared to December 2016. This growth is primarily due to the introduction to the order book, after the financial close, of the I-66 (EUR1,9bn), the Denver Airport (EUR541mn) and the Houston Grand Parkway beltway in the USA (EUR784mn) projects.

The civil works segment remains the largest segment (at 77%). The international order book amounted to EUR9,836mn, far more than the domestic order book (EUR1,309mn), and represented 88% of the total.

The order book figure at December 2017 does not include pre-awarded contracts or contracts for which commercial or financial agreement has not been finalised. These amount to over EUR1bn, notable among which are the aforementioned Budimex contracts, as well as the construction of a Toll road in Colombia (Bucaramanga-Barrancabermeja-Yondó) and another in Chile (Rutas del Loa).

SERVICES

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	7,069	6,078	16.3%	1.9%
EBITDA	423	325	30.2%	14.2%
EBITDA margin	6.0%	5.4%		
EBIT	163	99	64.1%	29.5%
EBIT margin	2.3%	1.6%		
Order book	19,329	22,205	-13.0%	-9.9%
JVs order book	1,589	2,226	-28.6%	-25.4%
Global order book+JVs	20,918	24,431	-14.4%	-11.3%

In 2017, Services revenues reached EUR7,069mn, +16.3% vs. 2016.

In 2017, Broadspectrum was included for the whole year, compared to the consolidated 7 months in 2016 (from 31 May 2016).

From January 2017, and with the aim of optimising business opportunities in the different geographical territories, the Continental American businesses were separated from Broadspectrum's other activities and included under International Services.

In comparable terms, excluding the exchange rate impact and Broadspectrum, revenue rose by +1.9% compared to 2016. In Spain, revenue increased by +7.7%, in the UK -2.7% and International +13.6% (Lfl). EBIT increased by +29.5% vs 2016.

EBITDA margin stood at 6.0%, above the 5.4% reported in December 2016, mainly as a consequence of the positive performance in the UK.

In December 2017, the order book reached EUR20,918mn, -14.4% down vs. December 2016 (-11.3% Lfl). In general, the reduction in the order book has been in the UK (-17.0%).

SPAIN

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	1,898	1,762	7.7%	7.7%
EBITDA	197	188	4.7%	5.1%
EBITDA margin	10.4%	10.7%		
EBIT	107	100	7.1%	8.0%
EBIT margin	5.7%	5.7%		
Order book	4,992	5,450	-8.4%	-8.4%
JVs order book	268	291	-8.0%	-8.0%
Global order book+JVs	5,260	5,741	-8.4%	-8.4%

Revenues in Spain grew by +7.7% compared with 2016, although there continues to be a background of fewer public tendering processes. Revenue growth stems from the extension of contracts and higher volumes of waste treatment, which have partly offset the delayed awarding of contracts by Local Authorities. In addition, the incorporation of several acquisitions in the industrial maintenance sector, which account for 5.3% of revenues. These activities usually offer lower returns than the average. EBIT grew in line with revenue growth.

The order book volume stood at EUR5,260mn in December 2017 (-8.4% compared with December 2016). The reduced size of the order book is directly related to the slowdown in competitive tendering processes, whose impact in revenues is offset with contract extensions. Particularly notable among the contracts awarded during 2017 were the renewal of on board customer services contract for Renfe (2 years EUR134mn), the contract to provide cleaning services at the Virgen del Rocío and Virgen Macarena Hospitals in Seville (2 years, EUR38mn), and the contract to manage the health transport service in La Rioja (4 years EUR27mn).

UK

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	2,501	2,732	-8.5%	-2.7%
EBITDA	86	41	113.1%	49.6%
EBITDA margin	3.5%	1.5%		
EBIT	53.0	0	n.s.	168.5%
EBIT margin	2.1%	0.0%		
Order book	8,895	10,636	-16.4%	-13.0%
JVs order book	983	1,262	-22.1%	-18.9%
Global order book+JVs	9,878	11,898	-17.0%	-13.6%

The business climate in the United Kingdom continues to be affected by the budgetary restrictions imposed on public sector clients, which has had an impact on the number of opportunities that come on to the market. In turn, from a commercial point of view, the company continues to apply a strict selection policy regarding the opportunities for which bids are to be submitted. As a result, revenues have fallen by -8.5% (-2.7% Lfl by exchange rate).

EBITDA reached EUR86mn in 2017, reaching a margin of 3.5%. EBITDA Growth in Lfl terms compared to the previous year was +49.6%. This improvement is due to measures implemented to adapt the Company to the complicated market situation in UK. The company continues to focus on improving contracts with low rates of return, or withdrawing from unprofitable contracts where relevant (ASC 6&8 in Highways or Affinity Water).

In 2017, the Birmingham contract contributed losses (-EUR10mn) which have been virtually fully offset by part of the provision set aside in 2015. On February 22nd 2018, the appeals court in UK has ruled in favour of the Birmingham City Council, cancelling the High Court's previous sentence in favor of Amey from September of 2016. Amey is considering the possibility of appealing the resolution before the Supreme Court. At the same time, and following the Court's mandate, in the following weeks, Amey and Birmingham City Council will negotiate the best way to make this sentence effective. Currently, Amey counts with a provision of GBP74.4mn, of which GBP37.9mn correspond to the balance from the provision registered for this litigation in 2015 and GBP36.5mn correspond to the adjustment from the application of IFRS 15.

In December, the order book stood at EUR9,878mn (-13.6% Lfl compared with December 2016). The trend in this area was marked by the stricter project selection process mentioned above, and by consumption in the business portfolio for utilities that will be offered for tender in 2019 and 2020, coinciding with the regulatory periods imposed by clients. The most significant contracts awarded this year are the waste collection contract in Surrey (EUR131mn, ten years) and the contract to maintain the Manchester light railway (EUR181mn, seven years). The latter of these two amounts corresponds to Amey's 40% share in the joint venture that will perform the contract.

BROADSPECTRUM (AUSTRALIA*)

(*) Reported information regarding Australia & the rest of the Pacific Islands.

(EUR million)	BROADSPECTRUM DEC-17	INTANGIBLE AMORTIZATION	BROADSPECTRUM POST INTANGIBLE
Revenues	2,206		2,206
EBITDA	120		120
EBITDA margin	5.5%		5.5%
EBIT	75	-72	3
EBIT margin	3.4%		0.1%
Order book	3,981		3,981
JVs order book	265		265
Global order book+JVs	4,246		4,246

As previously mentioned, Broadspectrum's financial statements have been consolidated since 31 May 2016. Thus, the P&L to December 2016 includes a seven-month contribution from the company, compared to 12 months in 2017. As mentioned above, since 1 January 2017, the Company's business activity in Continental America has also been separated off into a separate management unit and now forms part of Ferrovial International Services (headquartered in Austin, Texas).

The EBITDA figure includes EUR6mn of restructuring costs in Australia, the bulk of which are related to personnel reduction.

The Broadspectrum account includes an expense of -EUR72mn relating to the amortization of the intangible fixed asset created by the acquisition (EUR60mn in 2016). Excluding this impact, EBIT would stand at EUR75mn with a 3.4% EBIT margin compared to 4.5% in 2016 (where the EUR6mn acquisition costs were included). In December 2017, the net intangible reached EUR94mn; its amortization will be progressively reduced over the coming 8 years.

The integration of Broadspectrum was carried out in line with the proposed plan. Its integration into Ferrovial, now provides Broadspectrum with greater investment capacity and complementary competences and credentials with other business activities within the Group, which should aid future growth. To take advantage of these opportunities, the Company has reorganised itself around four sectors in Australia and New Zealand, where activity was as follows.

- **Government (EUR1,197mn):** includes all the current contracts with regional and central governments.
- **Urban Infrastructure (EUR441mn):** includes activities in the water, electricity, energy and telecommunications sectors.
- **Natural Resources (EUR352mn):** focused on the maintenance and operation of wells and oil, gas, mining and agricultural installations, as well as on solutions for industrial clients.
- **Transport (EUR221mn):** includes activities related to the highway, railway and public transport networks.

In line with previous statements made by Ferrovial, since the end of October 2017, the Company has not serviced the contracts with the Australian Department of Immigration and these contracts and all relations therewith have now ended.

The order book amounts to EUR4,246mn compared to EUR4,624mn in 2016. Notable are the maintenance contract awards for the Melbourne highway network (EUR340mn, 23 years) and the extension of the National Defence facilities management contract (EUR304mn, one year).

INTERNATIONAL SERVICES

(EUR million)	DEC-17	DEC-16	VAR.	LIKE FOR LIKE
Revenues	463	137	238.3%	13.6%
EBITDA	19	13	51.9%	-13.1%
EBITDA margin	4.2%	9.3%		
EBIT	0	4	-101.1%	-124.5%
EBIT margin	0.0%	3.0%		
Order book	1,460	530	175.4%	-0.6%
JVs order book	73	145	n.s.	n.s.
Global order book+JVs	1,533	675	127.1%	-14.0%

Since January 2017, International business has included Broadspectrum's business activity in Continental America (primarily USA, Canada and Chile). This activity has contributed a total of EUR306mn in revenues and an EBITDA of EUR8mn.

Transformers, a waste treatment company based in Poland, was incorporated in the second half of 2017 for EUR36mn, which has now been fully integrated. Revenues increased by EUR16mn, as a result of this incorporation.

In 2017, excluding the changes for perimeter variations, revenue grew by +13.6%, whilst EBITDA fell EUR2mn, primarily weighed down by Chile, associated with the extra costs created by factory stoppages and other operating issues.

As regards the order book, this stood at EUR1,533mn vs. EUR675mn in 2016. Notable are the incorporation of Transformers (EUR67mn), the awarding of the Washington DC tunnel maintenance contract (EUR22mn, five years) and the full maintenance of the S7 toll road in Kielce (EUR18mn, five years).