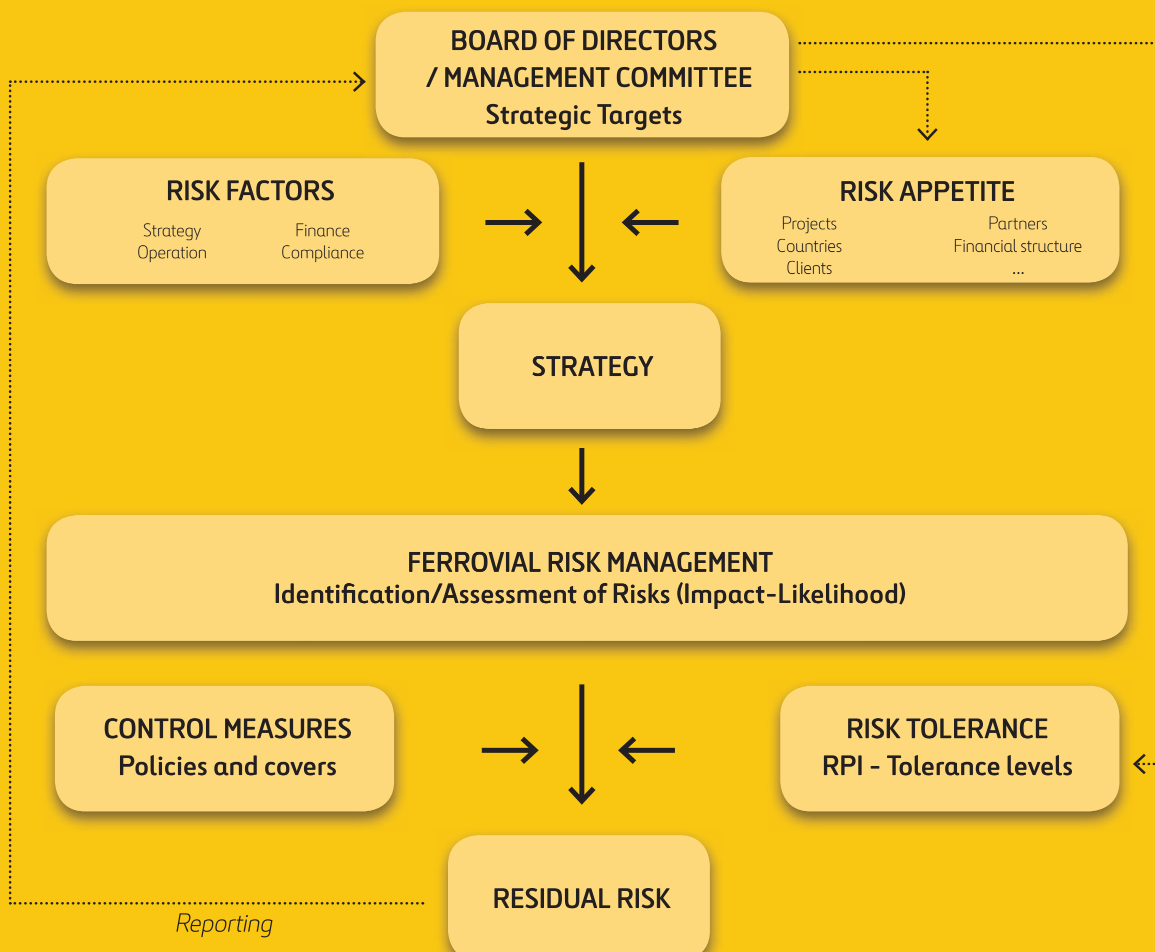
RISK MANAGEMENT

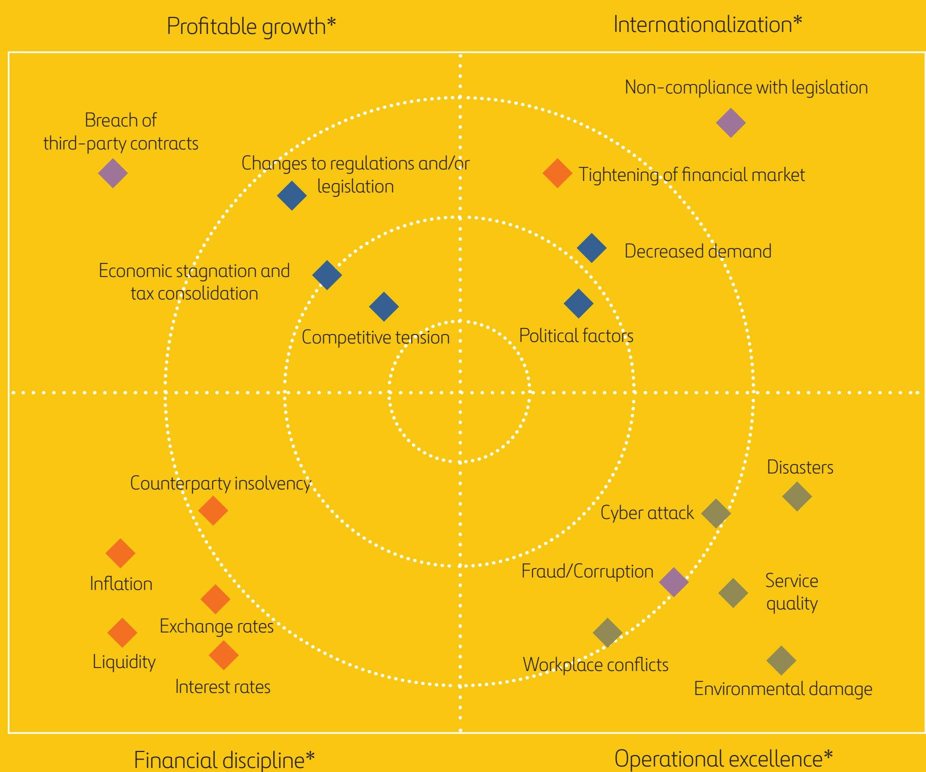
Ferrovial has a risk identification and assessment process, called Ferrovial Risk Management (FRM), supervised by the Board of Directors and the Management Committee, which is implemented in all business areas. This process makes it possible to forestall risks; once they have been analyzed and assessed based on their potential impact and likelihood, the most appropriate management and protection measures are taken, depending on the risk nature and location.

Ferrovial Risk Management



This analysis graph is based on a series of risk events shared by all business areas, making it possible to identify the most relevant risk events. Two evaluations of the identified risk events are conducted based on common metrics: an inherent assessment, prior to specific control measures being implemented to mitigate the risk, and a residual assessment, after specific control measures are implemented. In addition to determining the relative importance of each risk event in the risk matrix, it is possible to assess the efficiency of the risk control measures.

Risk event matrix
(Residual assessment)



* Strategic priorities

Please note: The closer a risk is to the diagram's center, the higher its relative importance. The circled areas indicate tolerance levels. Risk events that threaten several strategic priorities have been placed in the section with the highest relative importance.

Strategic risks
Analysis is performed on risk factors related to the market and the environment in which each business operates; those derived from applicable regulations and legislation; those derived from alliances with partners; and associated with the company's own organization, and its relationships with external agents.

Operational risks
Following the value chain of each business, an analysis is conducted for the potential occurrence of risks associated with product processes, service provision and revenue and expense generation. Particular attention is paid, among others, to risks linked with inadequate or delayed service provision to customers and users, and to occupational risks.

Compliance risks
Analysis of potential risks associated with compliance with obligations linked to applicable legislation, contracts with third parties and obligations self-imposed by the companies, mostly through their codes of ethics and conduct.

Financial risks
Analysis of risks associated with changes to financial data, access to the financial markets, cash management, the reliability of financial information and tax-related risks.

5. RISKS


Lighting in Madrid. Spain

Below is a description of the most relevant risk events, and a list of the main control measures implemented to mitigate their potential impact and/or likelihood. The areas of activity that would be most affected if the risk did occur are shown. For more information on the Risk Management Process and the most relevant risk events, see the section E of the ACGR and Financial Statements.

	Risk event
Strategic	Competitive tension
	Political factors
	Economic stagnation and tax consolidation
	Decreased demand
	Changes to regulations and/or legislation
Operational	Cyber-attack
	Workplace conflicts
	Service quality
	Disasters
	Environmental damage

Most relevant risk events

Description/Control measures	Construction	Services	Infrastructures	Airports
Actions of current competitors or emergence of new competitors that affect the company's competitive advantages, or squeeze the prices of goods and services provided by the company	*	*	*	*
Study of the competitive environment of target geographical areas. Procedure for approving investment and divestment operations. Limits on acceptable risk by activity and project type				
Political changes creating a political situation unfavorable to the company's interests and adversely affecting the management and implementation of business plans			*	*
Ferrovial's strategy is run mostly in OECD countries, which are considered to be stable and solvent in terms of political, socio-economic and legal conditions. Contract clauses safeguarding the company's rights in case of non-compliance by the counterparty				
Deteriorating macro-economic conditions in countries where Ferrovial operates, and increased tax pressure on companies and individuals	*	*	*	*
Ferrovial operates in geographical areas where socio-economic and tax regulation stability already exists and is expected to remain unchanged				
Reduced financial resources for customers and/or changes in customer needs for which the company is unprepared, and that have a negative impact on business continuity or profitability	*	*	*	*
Continued analysis of business opportunities by activity and geographical area, which makes it possible to predict changes and/or reductions in demand				
Changes to regulations or legislation that alter the legal and regulatory framework under which the company operates, and that affect the company's ability to manage and capitalize its business			*	*
Continued supervision of the regulatory and legislative procedures that affect the company's activity, with a view to predicting possible changes, addressing such changes and maximizing any potential opportunities				
Criminal acts that, whether or not they are committed against the company, can affect its assets and lead to long inactivity periods			*	*
Monitoring and assessment of the vulnerability of critical systems. Contingency and activity recovery plans. Access security policy				
Individual or group conflicts with employees that affect the company's productive capacity and/or its corporate reputation		*		*
Human Rights Policy. Code of Business Ethics that ensures compliance with labor laws and respect for the rights and liberties of workers. Occupational safety system in accordance with legal requirements. Periodic audits of prevention systems. Continuous contact with committees and organizations that represent company employees				
Non-fulfillment of quality levels and/or deadlines agreed with third parties. Inadequate quality assurance systems for goods and services provided by the company	*	*	*	*
Quality Policy. Quality management system by business area (ISO 9001), and implementation of key indicators to measure quality levels during project execution and service provision. Auditing Plan to ensure compliance with quality systems and fulfillment of contractual commitments (deadlines, service levels, etc.)				
Unexpected events that result in damages to individuals or property, and located in or caused by assets owned and/or managed by the company, including natural disasters and terrorist or criminal actions	*	*	*	*
Workplace health and safety system, implemented in all areas of activity. Contingency plans by event type. Insurance policy with coverage and compensation limits for accident liability, including accidents resulting from terrorist attacks or sabotage against company-managed facilities and infrastructure				
Company actions that can have a significant impact on the environment and area where the company operates	*	*		
All business areas have implemented management systems (ISO 14001 or EMAS) that aim to manage environmental risks and include specific procedures for industrial facilities. Every business area has a program of environmental assessment and audits; higher risk areas (Construction and Services) have integrated indicators for environmental conduct				

Construction
Services
Infrastructures
Airports


M4 highway, Kilcock, Ireland

	Risk event
Financial*	Tightening of financial market
	Counterparty insolvency
	Exchange rates
	Interest rates
	Inflation
	Liquidity
Compliance	Fraud/Corruption
	Non-compliance with legislation
	Breach of third-party contracts

* Financial Risk management is analyzed in more detail in the Consolidated Financial Statements: Note 3. Management of financial risks and capital; Note 17: Provisions; Note 18.1 Net cash position; Note 22. Contingent liabilities, contingent assets and commitments

Most relevant risk events

Description/Control measures	Construction	Services	Infrastructures	Airports
Difficulty in obtaining external financing for the company's operations and investment under reasonable terms. Company rating downgrade rendering it difficult and/or more expensive to obtain financing			*	*
Monitor Ferrovial's credit rating: currently, BBB by S&P and BBB- by Fitch; in both cases, there is a stable outlook in the "Investment grade" category. Financing from capital market as an alternative to banking. High liquidity position, lines of credit and cash, making it possible to capitalize on business opportunities				
Solvency problems in financial counterparties that make it difficult or impossible to freely use the financial resources deposited or invested by the company. Solvency or liquidity problems affecting customers or third parties after contracts have been signed, and that affect the company's collection conditions	*	*	*	
Definition of credit quality levels that guarantee the recoverability of financial counterparties, with the same subject to periodic review. Analysis of the financial solvency of commercial customers prior to contracting, thus guaranteeing the future recoverability of accounts receivable. Monitoring the quality of commercial debt, as well as the possibility of monetizing the same or, if applicable, allocating provisions				
Unfavorable exchange rate fluctuations vs. euro, affecting revenue/collection rights or expenses/payment obligations	*	*	*	*
Seeking to minimize the negative impact on cash flows and on the valuation of investments had by exchange rate fluctuations between the euro and other currencies that the company operates with, a forex cash flow risk management procedure is in place. Likewise, hedging mechanisms are used, prioritizing natural hedges.				
Unfavorable progression of interest rates associated with credit obligations taken on by the company		*	*	*
Definition of optimal hedging levels that ensure optimal financing costs and alignment of cost progression with revenue generation. 85% of company total debt is hedged, either at a fixed rate or by financial derivatives (interest rate swap)				
Unfavorable progression of inflation ratio with negative impact on operational profitability		*	*	*
Addition of contract clauses that ensure revenue progression in line with inflation. Subscription of hedging mechanisms if deemed necessary				
Insufficient liquidity to meet current investment and operational requirements	*	*	*	*
Efficient management of working capital. Monetization of financial assets (factoring and discount). Prioritization of long-term credit facilities and optimal management of short-term liquidity facilities. Comprehensive cash management. Financing from capital market as an alternative to banking. No significant debt maturities are due in 2015				
Fraudulent conduct by company employees who, with or without external help, wish to obtain benefits for the company or obtain personal benefits at the expense of the company's assets, the assets of its customers or the assets of third parties	*	*	*	*
Code of Business Ethics. Internal Rules of Conduct on Stock Markets. Crime Prevention Protocol. Corporate procedure for Asset Protection and Fraud Prevention. Whistleblowing Channel. Anti-Corruption Policy				
Non-compliance with trade, civil, labor or criminal law by the company or its directors. Breach of regulatory framework applicable to areas of activity	*	*	*	*
Basic principle of ethical conduct in relation to compliance with applicable legislation wherever Ferrovial operates. Process for identifying, assessing and reporting potential legal and regulatory non-compliance and adopting corrective measures				
Breaches of contractual obligations with third parties (customers, providers, financial institutions, government organizations, etc.) that may be subject to penalties or jeopardize project continuity and/or the company's financial position	*	*	*	*
The FRM process makes it possible to detect, assess and monitor risks of breach of obligations early enough to be able to take appropriate corrective measures				

The most relevant risks materialized during the year were as follows:
· Bankruptcy proceedings (Chapter 11) at the Indiana toll Road concession (United States), 50% owned by Ferrovial.
· Amendments to fiscal legislation applicable to businesses in Spain.
· Fiercer competition in international markets.

Construction
Services
Infrastructures
Airports

FINANCIAL RISKS

To complement the description of the control measures implemented to mitigate financial risks, the management goals and policies in relation to the main financial risks are highlighted below in greater detail: interest-rate risk, exchange-rate risk, share-price risk, liquidity risk and financial counterparty risk (credit risk). The analysis makes a distinction between the policies applied in infrastructure project companies and the other companies, in those cases where such a difference is relevant. An overview of Ferrovial's current exposure to such risks is also presented (note 3 to the consolidated Financial Statements provides more details on the level of exposure to those risks).

Interest-rate risk

Objective: To minimize variations in capital due to misalignment between the assets and liabilities on the balance sheet, combined with financial cost optimization.

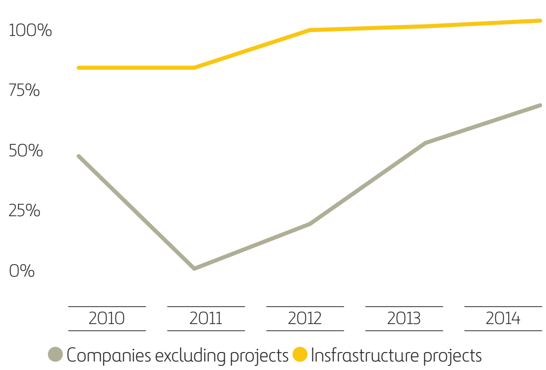
Policies: Ferrovial establishes two different interest rate strategies:

At ex Project level (companies excluding projects), the aim is to align cyclical flows of revenue, with a tendency to finance at variable rates.

At Project level, fixed-rate financing structures are established either through fixed-coupon debt instruments or through derivatives that set the interest rate, based on bank demand and rating agencies.

Details of the hedging contracts can be found in note 11 to the consolidated Financial Statements.

Performance % debt hedged



Exchange rate risk

Objective: To manage the flow in foreign currencies derived from business operations, the main currencies being:

- Dividends receivable (Canadian Dollar and Pound Sterling)

- Investments in new businesses (U.S., Canadian and Australian Dollar, Pound Sterling, Latin American currencies, etc.)

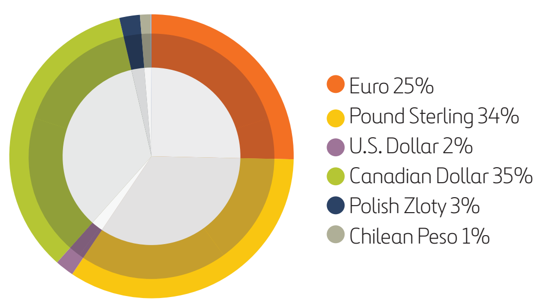
- Payment of share dividend and corporate debt (Euro)

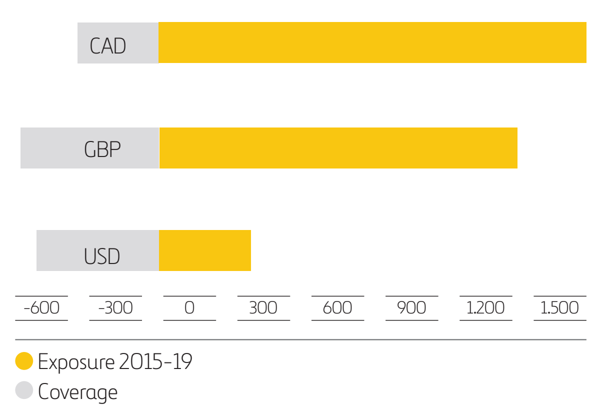
Policies: Ferrovial analyzes the development in currencies both in their fundamental components and in relation to the current situation, establishing two different currency strategies:

At ex Project level (companies excluding projects), Ferrovial establishes a hedging criterion for the coming years with respect to dividends receivable and contributions in stockholder funds.

At Project level, the bond issuance is structured in the currency of future revenue with pre-hedging of future contributions of stockholder funds if they are material or the risk of depreciation is high. Details of the hedging contracts can be found in note 11.

Shareholders equity attributable to the dominant entity





Share-price risk

Objective: To manage the hedging of option and share plans issued as an incentive to employees.

Policies: Ferrovial measures the risk as the value difference between the plans and the derivatives contracted for hedging (swaps on the Ferrovial share)

Any possible differences in the hedging level between the options and the swaps have been managed by applying the excess in hedging to new "performance share" issues and sales for a percentage on hedging. Details of the hedging contracts can be found in note 11 to the consolidated Financial Statements.

Liquidity risk

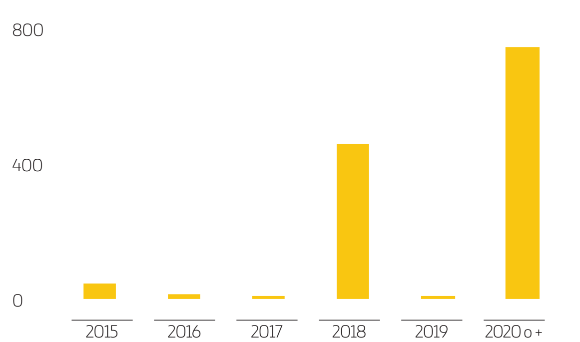
Objective: To ensure the company's solvency, both for short-term payments and for the significant medium and long-term obligations.

Policies: Ferrovial establishes a strict strategy for managing the Group's liquidity:

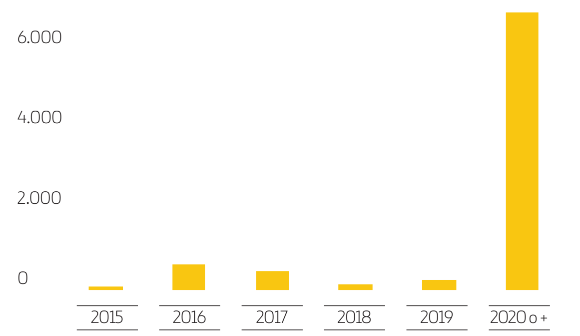
At ex Project level (companies excluding projects), Ferrovial regularly reviews its cash forecasts for the coming months with respect to advance collections and payments, maintaining significant lines of credit available (€ 750 M). Debt refinancing actions are also established under the most favorable market conditions.

At Project level, the project's solvency is ensured without the need for additional capital contributions, promoting the issuance of bonds and long-term bank financing, together with liquidity facilities. Advance refinancing actions are also established.

Maturity schedule ex. project debt



Maturity schedule project debt



Financial counterparty risk (credit risk)

Objective: To manage the risk arising from negotiation with financial institutions in two dimensions:

- The availability of financial products needed for business operations, such as funding instruments, liquidity facilities and banking products (guarantees) that entail a significant consumption of capital for the banks.

- The placement of cash in deposits and other products posing banking risk.

Policies: Ferrovial diversifies its exposure with financial institutions in both assets (placements) and liabilities (liquidity facilities, derivatives).

For liquidity facilities and derivatives, sound counterparties are used (domestic and international banks with high solvency and capitalization ratios).

The liquidity placement requirements are similar to those in place in international corporations (BBB or higher rating, avoiding concentration).

In addition, Ferrovial regularly monitors its aggregate exposure with the main financial institutions along with possible changes in their credit profile.

Exposure to counterparty insolvency risk (credit risk)

M€	Balance Sheet	Consolidated Financial Statements
Investments in financial assets included in the treasury and equivalents account (short term)	3.844	note 18
Non-current financial assets	2.315	note 10
Derivatives	1.415	note 11
Balances pertaining to clients and other accounts receivable	1.726	note 13