RISKS

FACING CHALLENGES

An effective process of risk identification and assessment is a competitive differentiator.

The Board of Directors is responsible for supervising the operation of internal risk management and control systems. Therefore, it periodically evaluates their design and effectiveness in identifying, assessing and mitigating risks that may impact the achievement of the strategic objectives of Ferrovial.

The Risk Control and Management Policy, approved by the Board of Directors, establishes the general framework of action for the control and management of risks of different nature that the executive team may encounter in the achievement of the business objectives.The policy is reviewed periodically to update the risk appetite and tolerance levels to be considered in the development of the corporate business plan.

The Audit and Control Committee of the Board of Directors is entrusted, among others, for supervising and evaluating the control and management systems for financial and non-financial risks relating to the Ferrovial Group, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks. The Audit and Control Committee reviewed the Ferrovial risk map in May 2023 and its update in December 2023.

Risk Appetite

In the performance of its corporate objectives Ferrovial is exposed to diverse risk factors deriving from the nature of the sectors in which it operates, the countries where its activities are located and the different regulations to which it is subject.

The Board of Directors of Ferrovial establishes in the Risk Control and Management Policy the risk appetite and the admissible tolerance level for each risk factor. This policy aims to provide all the employees of the company with a general framework of action for the control and management of the risks of any nature that they may face in the performance of the business objectives and the general strategy of Ferrovial.

Risk appetite levels are set per risk factor on a scale from risk aversion to risk assumption. For instance, a risk aversion appetite has been set for risks related to ethics, integrity and compliance, and a risk assumption appetite has been set for risks related to strategic innovation.

	Risk Appetite Levels for most relevant Risk Events				
	aversion	reduced	neutrality	moderate	assumption
Mobility patterns					
Availability of value-generating projects					
Talent attraction and retention					
Cyberthreats					
Macroenvi-ronment					
Non-compliance with sustainability objectives					
Health and safety					
Company reorganization					
Climate change					
Ethics and integrity					
Financial risks					

EFFECTIVE RISK MANAGEMENT: FERROVIAL RISK MANAGEMENT

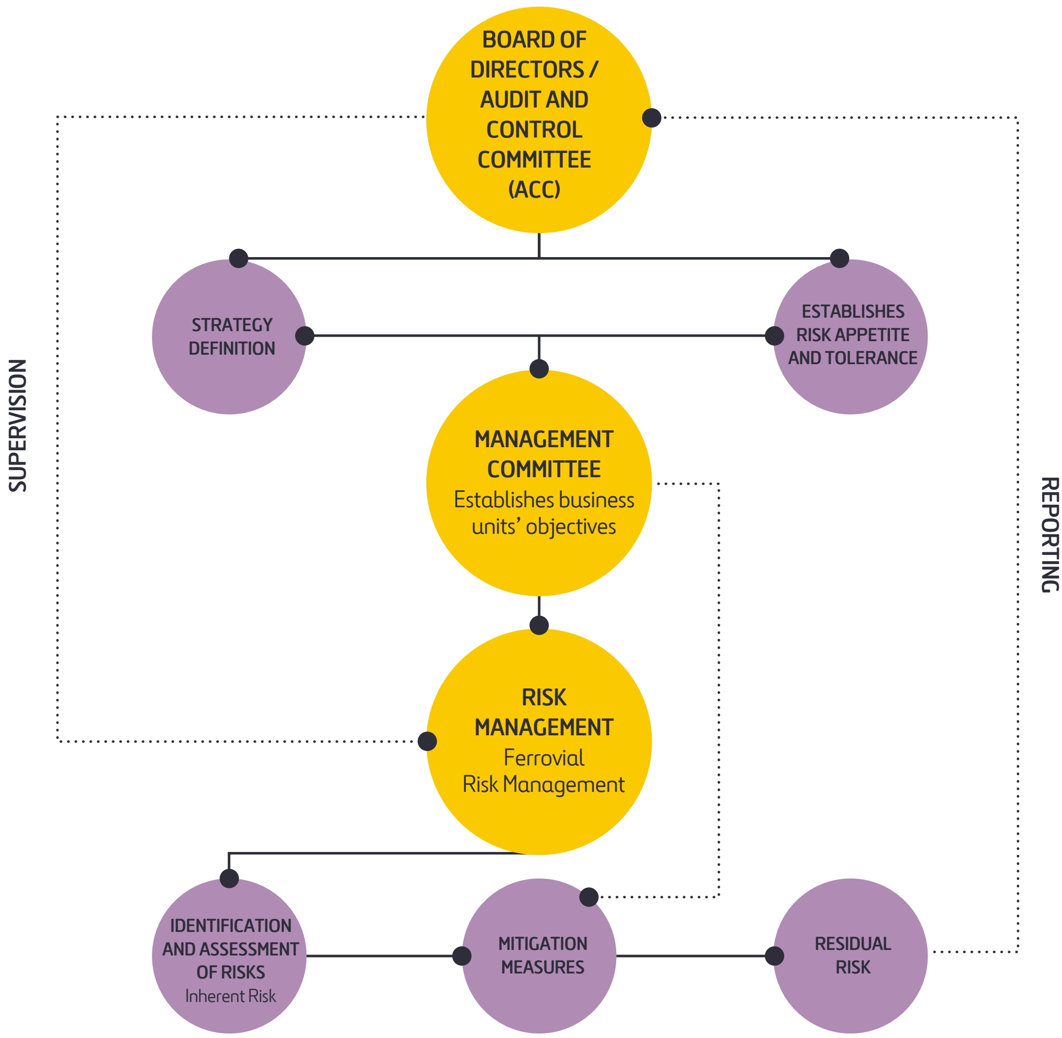
The materialization of the Risk Control and Management Policy and its basic principles is embodied, among others, in the risk identification and assessment process, called Ferrovial Risk Management (FRM), which is managed by the Compliance and Risk Department and reports directly to the Audit and Control Committee of the Board of Directors. FRM is implemented in all the company's areas of activity and is carried out twice a year.

The Compliance and Risk Department, independent of the business lines, reports half-yearly to the Audit and Control Committee, and at least once a year to the Board of Directors, on the risks that threaten the achievement of the business objectives.

The FRM process, through the application of a common metric, enables the identification and assessment of risk events based on their probability of occurrence and their potential impact on business objectives and corporate reputation. Two evaluations are made for each risk event identified: an inherent assessment, without considering the specific control measures implemented to mitigate the risk, and a residual assessment, including the specific control measures. In this way, Ferrovial can implement the most appropriate mitigation measures according to the nature of the risk and evaluate their effectiveness.

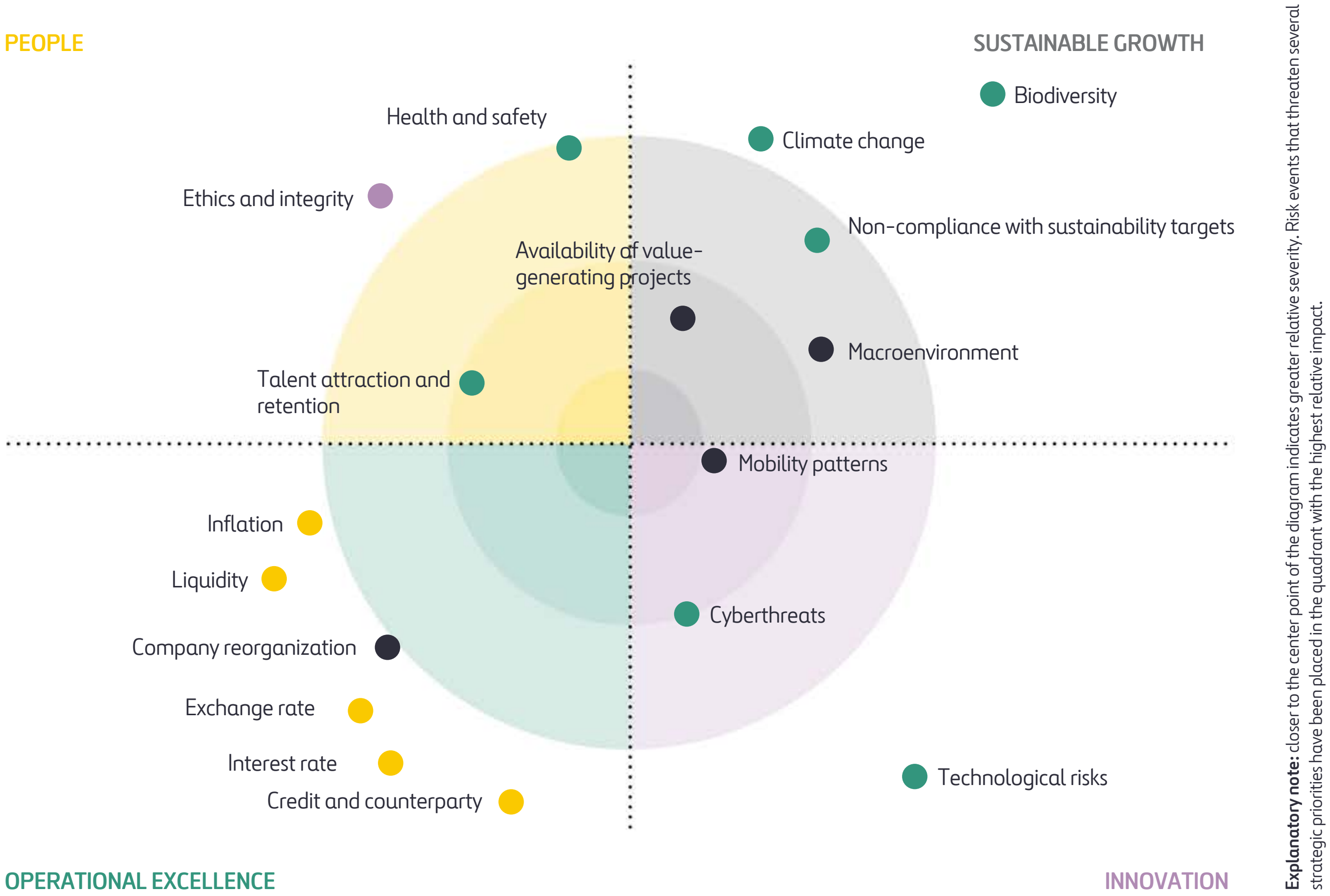
In a process of continuous improvement, during the last fiscal year Ferrovial has reviewed the risk management process by conducting an internal audit and an external consultancy to analyze and improve the performance of the process. As a result, the integration between the risk management system and the strategic processes and the definition of the medium and long-term business plan has been improved, and the quantification of certain risk variables has been optimized, reinforcing the second lines of defense.

FERROVIAL RISK MANAGEMENT



MAIN RISKS

The chart shows the most relevant risk events that threaten the execution of Ferrovial's corporate strategy.



Strategic risks: related to the market and the environment in which each business operates.

Financial risks: associated with changes in financial figures, access to financial markets, cash management, reliability of financial information and tax risks.

Operational risks: associated with the bidding process, production, service provision and generation of revenues and costs incurred.

Compliance risks: linked to compliance with applicable legislation, commitments to third parties and self-imposed obligations arising from the Code of Ethics and Business Conduct.

The most relevant risk events, their potential impact and the main control measures implemented to mitigate their impact and/or probability of occurrence are described below.

Risk Event	Description	Potential Impact	Control Measures
Mobility patterns	The trend towards digitalization in social interaction has accelerated in recent years, especially due to teleworking and e-commerce. This evolution, together with the current context of global economic slowdown, in an inflationary environment and rising interest rates, may negatively impact the traffic volume of the company's main assets, posing a risk to its performance and value.	• Valuation of assets. • Liquidity. • Margins and flows in infrastructure projects in operation.	– Analysis and study of medium-term mobility trends, as well as review of scenarios and alternatives. – Implementation of traffic promotion plans.
Availability of value-generating projects	Large transportation infrastructure development and operation projects are exposed to a highly competitive market and subject to political decisions and social movements, with an impact on the availability of attractive mobility projects for the company. This may affect the company's growth and its ability to achieve its strategic objectives.	• Reduction of value-generating business opportunities. • Fulfillment of growth objectives. • Reduction of margins due to increased risk.	– Analysis of new markets. – Unsolicited proposals for infrastructure projects. – Review of risk profile by type of project.
Talent attraction and retention	High demand for skilled professionals and low unemployment rates in some of the target markets in which Ferrovial operates increase the risk of attracting and retaining talent. Additionally, the pandemic has caused a change in employee habits, priorities and value expectations, which intensifies this risk.	• Loss of business opportunities due to lack of qualified personnel. • Non-fulfillment of commitments with clients (deadline, quality, etc.). • Reduced margins due to increased costs.	– Plan for the identification and empowerment of talent in the organization. – Promote the attraction of local talent. – Specific plans for key positions.
Cyberthreats	Cyberthreats are a constant risk in today's information society, especially for businesses that are increasingly dependent on technology and connectivity. The wars in the Middle East and Ukraine and the development of new technologies in the field of AI have increased the severity and frequency of attacks (supply chain attacks, asset disruption, phishing, digital identity theft, etc.). In this context, infrastructures can be vulnerable to these threats, which can affect the normal operation of the assets, their ability to generate the expected value and the company's reputation.	• Degradation or impossibility to operate the assets. • Economic loss due to the costs of recovering the activity. • Sanctions for regulatory and/or contractual non-compliance. • Impact on the business plan with the consequent reduction in the value of the asset. • Damage to corporate reputation and competitive advantage, compromising potential business opportunities. • Loss or theft of know-how and/or intellectual and industrial property. • Information kidnapping. • Fraud impact.	– Global Security Model, based on NIST CSF and ISO 27002, ISO 27001 certified (audited annually). – Periodically evaluated security capabilities and controls that implement the security model. – Committee and Global Cybersecurity Community as levers for the deployment of security capabilities. – Insurance policies with coverage against cyberincidents of various kinds. – Establishment of formal collaboration agreements with national and international cybersecurity agencies. – Deployment of advanced protection capabilities.

Risk Event	Description	Potential Impact	Control Measures
Macroenvironment	The global economic situation shows a scenario marked by geopolitical and socioeconomic tensions that have led to an inflationary environment of low growth and high interest rates, aggravated by the wars in Ukraine and the Middle East. In this context, Ferrovial faces the risk of higher than estimated increases in raw material costs and interest rates, which could jeopardize compliance with delivery deadlines and expected returns.	• Reduced margins due to increased costs. • Increase in financial cost. • Non-compliance with commitments to customers. • Failure to meet growth objectives.	– Introduction of price review mechanisms in contracts. – Negotiation of pre-contracts with suppliers and subcontractors. – Planning of supplies, from the study and bidding phase. – Market trend monitoring and supply planning. – Hedging of materials and interest rates.
Non-compliance with sustainability objectives (emissions reduction and taxonomy)	Increasingly, infrastructure investors and funds are giving priority to Environmental, Social and Governance aspects (ESG) in their decision making. Any failure to comply with Ferrovial's climate change objectives could have a negative impact on its reputation, analysts' ratings, financing cost and third parties' investment decisions. Moreover, the identification of any of the company's activities as ineligible and/or unaligned under the EU Taxonomy would aggravate the risk.	• Damage to corporate reputation. • Difficulty of access to financing and/or deterioration of terms and conditions. • Tightening of project financing conditions. • Penalization by potential investors. • Loss of positioning in sustainability indexes.	– The Horizon 24 Strategic Plan, focused on the promotion, construction and management of sustainable infrastructures. – Presence in the most internationally recognized sustainability indexes, among others: Dow Jones Sustainability Index, FTSE4Good, Sustainalytics, Moody's, CDP or ISS ESG. – Development and implementation of the sustainability strategy.
Health and safety	The risk of accidents is inherent to the nature of Ferrovial's activities. Failure to have appropriate mitigation measures in place could jeopardize the health and safety of people (employees, customers, etc.) and may also have a negative impact on the Group's operations. Failure to comply with the company's health and safety policies and processes could result in physical harm, reputational risk or even loss of business opportunities.	• Physical damages to employees and third parties. • Operational impacts due to interruption in operations. • Civil/criminal liability. • Damage to corporate reputation. • Difficulty of access to financing and/or deterioration of terms and conditions.	– Integration of health and safety at work as a fundamental value of the company. – Implementation of a health, safety and wellbeing strategy. – Implementation of health and safety prevention systems. – Continuous training for employees. – Management systems audit plan. – Civil and professional liability coverage. – Establishment of a tolerance level for this risk factor as “risk aversion”,
Company reorganization	Failure to meet liquidity and growth expectations following the company's corporate reorganization and listing on the Amsterdam stock exchange and planned listing in the United States. Likewise, listing in new markets implies compliance with information and control requirements, failure to comply with these could result in sanctions from regulatory bodies, as well as the loss of confidence of investors, clients and analysts.	• Loss of credibility with investors, customers, analysts and rating agencies. • Decrease in liquidity to meet the business plan. • Loss of value. • Sanctions for non-compliance with requirements.	– Listing plan for new markets. – Strategic plan for investor and analyst relations. – Development of internal control over the financial reporting process under the US Sarbanes Oxley (SOX) act. – Stakeholder communication campaign.

Risk Event	Description	Potential Impact	Control Measures
Climate change	Ferrovial is exposed to risks derived from climate change. On the one hand, there are physical risks, such as extreme weather events, which may affect infrastructures. In addition, there are transition risks, given that global trends to reduce the causes and consequences of climate change may entail economic (such as an increase in the cost of raw materials), regulatory, technological and/or reputational effects.	• Interruption of operations due to physical damage to infrastructures. • Decrease in productivity under extreme weather conditions. • Increase in coverage premiums. • Increase in operating costs due to increases in raw material prices, increase in fossil fuel taxes or adaptation to new technologies, among others.	– Process of identifying and assessing the risks associated with climate change to which the company may be exposed. – Review of Deep Decarbonization Path. – Control and monitoring tools. – Implementation of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
Ethics and integrity	The company is at risk of committing, by its employees or collaborators, acts that may involve a breach of the rules and requirements of integrity, transparency and respect for legality and human rights, in particular acts of corruption.	• Criminal liability of individuals and legal entities. • Reduction of business opportunities due to non-compliance with ethical requirements. • Damage to corporate reputation. • Economic impact from sanctions.	– Compliance Program aimed at preventing acts contrary to ethics and integrity. – Certified criminal and anti-bribery prevention system (UNE-ISO 19601 and ISO 37001). – Specific training plan to promote an ethical culture and prevent irregularities, especially corruption. – Establishment of a tolerance level for this risk factor as “risk aversion” according to the Risk Policy.
Financial Risks (see section 5.4 of Consolidated Financial Statements for more information)	The company's business is affected by changes in financial variables such as interest rates, exchange rates, inflation, credit or liquidity.	• Loss of opportunities due to reduced project financing capacity. • Reduction of net margins. • Compliance with financial commitments.	– Financial risk management policies. – Analysis and active management of the risk exposure of the main financial variables. – Effective management of financial alternatives.

It is worth mentioning that the risks materialized during the year that had an impact on the company's profitability are: (i) higher than expected costs incurred in the completion of major construction projects in the US and (ii) landslide on a project in Colombia, which led to formalize a provision at year-end for the preliminary potential cost estimate of the project, whose completion and delivery as contractually designed has rendered impossible due to this event. However, in both cases, claims have been filed in order to mitigate the impact.

EMERGING RISKS

In addition, the FRM process also identifies, assesses and monitors emerging risks caused by external agents with a potentially significant long-term impact on the business. Among others, the following risks are highlighted:

Risk event	Description	Potential impact	Control measures
Protection of biodiversity and natural capital	Biodiversity is a fundamental element for the ecological balance of the planet, playing a key role in the provision of ecosystem services. However, several risks threaten its preservation, such as the loss and fragmentation of natural habitats, the introduction of invasive exotic species, environmental pollution, climate change and the overexploitation of natural resources. Ecosystem degradation can affect the availability of natural resources, such as water and energy, and increase production costs.	• Reduction of margins and flows in projects. • Reduction of business opportunities. • Loss of license to operate and/or stoppage of activities. • Reputational impact.	– Biodiversity Policy. – Commitment as Adopter of the Task Force on Nature-related Financial Disclosure (TNFD). – Implementation of an environmental management system that considers biodiversity as a key aspect. – Development of a methodology and tool for measuring natural capital debt called INCA (Integrated Natural Capital Assessment).
Technological risks-quantum computing	The progressive development of quantum technology applied to computing provides it with exponentially greater processing capacity compared to the traditional system, based on binary code. The proliferation of new technologies that take advantage of this extraordinary increase in computing capacity could significantly increase exposure to the risk of cyber threats, as traditional encryption methods could prove insufficient in the face of the processing power of quantum computing.	• Increased vulnerability to cyber-attacks. • Information theft. • Stoppage of the operation of assets.	– Tracking the progress of technology and use cases in the sector. – Strategic partnerships with partners with sufficient capabilities to develop technologies to protect against the challenges of quantum computing.

The inherent risk factors that may affect Ferrovial's business are described below:

RISK FACTORS

1. Risks Related to Our Business and Structure

1.1. A deterioration of global economic and political conditions could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our business performance is closely linked to the economic cycle and political conditions in the countries, regions, and cities in which we operate. As a result of our diverse geographical operations, in 2023 we generated the majority of our revenues across several core jurisdictions, including the United States (33.8%), Poland (25.4%), Spain (17.3%), the United Kingdom (9.0%) and Canada (1.9%).

Typically, robust economic growth in the areas where we operate results in greater demand for our services, while slow economic growth or economic contraction adversely affects such demand. For example, the toll roads and aviation businesses are cyclical by nature and are closely linked to general economic conditions.

All revenues, dividends, and investments from our Companies are exposed to risks inherent to economic conditions in the countries in which they operate. Operations in the countries where we do business are exposed to factors such as: (i) fluctuations in local economic growth; (ii) changes in inflation rates; (iii) devaluation, depreciation or excessive appreciation of local currencies; (iv) foreign exchange controls or restrictions on profit repatriation; (v) changing interest rate environment; (vi) changes in financial, economic and tax policies;(vii) instances of fraud, non-compliance, bribery or corruption; (viii) social conflicts; (ix) political and macroeconomic instability, and (x) changes in applicable law.

Geopolitical conflict, political uncertainty and instability risks have been on the rise across many economies, resulting in some cases in inward-looking policies and protectionism, which could in turn lead to increased pressures for policy reversals or failure to implement needed reforms. The conflicts in Ukraine and the Middle East and COVID-19 have contributed to greater political uncertainty and instability, as further discussed under "—7. The conflict in Ukraine and the related sanctions and export controls may adversely impact our global activities and could have a material adverse effect on our business, financial condition, results of operations, and prospects," "—14. COVID-19 or other pandemics could cause significant uncertainties and disruptions that may adversely impact our business, financial condition, results of operations, and prospects." and "—20 Terrorist attacks or other acts of violence or geopolitical unrest may particularly affect our operations and profitability."

Economic growth, globally and in the EU, has been subject to constraints on private sector lending and increases in the cost of financing. Recent examples of downside risks to the global economy that have also affected our results include: (i) the conflict in Ukraine, (ii) COVID-19, (iii) the sharp rise in inflation and (iv) increasingly volatile global financial conditions. In addition, many developed economies where we operate, such as the United States, Spain, the United Kingdom, and Canada, have experienced high inflation rates and a corresponding tightening of monetary policies as a result of the strong and persistent upturn in prices.

Continued weakness in many emerging economies where we operate has also contributed to the risk of deterioration of global economic and political conditions. For example, we believe that in Latin America, political systems and institutions may be subject to increased stress as a consequence of the aforementioned global macroeconomic events, including (i) the conflicts in Ukraine and the Middle East, (ii) the slow economic rebound from restrictions imposed in connection with COVID-19, and (iii) high food and energy costs as a result of inflationary pressures exacerbated by high U.S. interest rates, all of which have contributed to increased risks of sovereign defaults and social unrest within the area. Although a number of measures have been implemented by the public sector to mitigate these risks (such as the United States' Infrastructure Investment and Jobs Act, the European Union's Next Generation EU (NGEU) fund, and the UK Build Back Better plan, among others), these measures may prove to be ineffective or insufficient to prevent the deterioration of the economies of the countries in which we operate.

Regionally, U.S. politics continue to be marked by high polarization and uncertainty regarding potential changes to federal, state, and local policy, including tax policies, which could lead to unexpected changes involving the governmental level of oversight and focus on the infrastructure business within the United States. The nature, timing, and economic and political effects of these potential changes to the current legal and regulatory framework affecting our activities remain highly uncertain. In addition, the Federal Reserve has raised interest rates to help curb inflation in the United States, which is at its highest level in decades (for example, the annual rate of change of the consumer price index (CPI) in the United States had increased 3.4% in December 2023 when compared to 2022 levels). High inflation has impacted and is impacting mainly the Construction Business Division (for further details on the impact of inflation on our operations, see "—3. Risks Relating to Our Structure and Financial Risks—3. An increase in inflation may negatively affect our results of operations (mainly in the Construction Business Division) and an increase in real rates or an increase in inflation with no economic growth may decrease the value of our assets, which could have a material adverse effect on our business, financial condition, and results of operations". Rising interest rates also have a negative impact on the financing of our projects.

In Spain (where, in 2023, we generated 17.3% of our revenue), a number of concerns continue to exist in respect to the Spanish economy. In recent years, Spain has made progress to control public deficit and correct the country's economic imbalances, resuming its growth and, supported by external demand as well as by higher domestic demand, reflecting improved financial conditions and rising confidence. However, the conflict in Ukraine and the crisis resulting from COVID-19 have abruptly and significantly deteriorated economic conditions in the country. Currently, inflation is the main concern for the Spanish economy, with the annual CPI's change rate increasing by 3.1% in December 2023 when compared to 2022 levels, according to the Spanish National Institute of Statistics, and rates likely to remain at relatively high levels for the foreseeable future, although financial market participants have recently revised their expectations downwards slightly, according to the Quarterly Report on the Spanish Economy published in December 2023 by Banco de España. Additionally, in 2023, the Spanish gross domestic product (GDP) slowed down, accounting for a 2.5% increase compared to the same period of 2022, with even lower increase predictions for years 2024 (1.4%), and 2025 (1.8%), pointing towards a stagnation of economic growth. The Spanish economy is particularly sensitive to economic conditions in the Eurozone, and any decline in European economic activity could have an adverse effect on Spanish economic growth, which in turn could adversely affect demand for our services in Spain.

The Spanish economy may further be affected by (i) an increase of political uncertainty in Spain (including any resurgence of political and social tensions in Catalonia), which could result in volatile capital markets or otherwise adversely affect financing conditions in Spain or the environment in which we operate and (ii) other external factors, such as the geopolitical uncertainty originated by, among other circumstances, (a) the exit of the U.K. from the European Union, (b) the international trade tensions between the United States and China, or (c) the volatility in commodity prices, any of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. These events could cause an increase of Spain's political uncertainty, which could impact the Spanish economy and, in turn, have a material adverse effect on our business, financial condition, results of operations, and prospects.

We also have operations in a number of Latin American countries, which tend to be more vulnerable to the effects of macroeconomic events and political instability. In those countries, we are exposed to, among others, macroeconomic factors such as inflation, geopolitical tensions, environmental factors, and other socioeconomic and political factors. For example, we have significant operations in Chile, where in the year ended December 31, 2023, we generated EUR 401 million in revenue.

In addition, other factors or events may affect global and national economic conditions, such as heightened geopolitical tensions, war, acts of terrorism, natural disasters, pandemics, or other similar events outside our control.

Even in the absence of an economic downturn, we are exposed to substantial risk stemming from volatility in areas such as consumer spending, business investment, financial conditions, government spending, capital markets conditions, and price inflation, which affect our business and our economic environment and, consequently, our size and profitability. Increases in national public debt may lead countries to increase taxes and to reduce investment in infrastructures. Unfavorable economic conditions could also lead to decreased use of, and related income from, toll roads projects, reduced air travel, and reduced investment in the construction sector and energy infrastructure and mobility sector. Furthermore, any financial difficulties suffered by our sub-contractors or suppliers could increase our costs or adversely affect our project schedules.

Any deterioration of the economies or political conditions of the countries in which we operate could have a material adverse effect on our business, financial condition, results of operations, and prospects.

1.2. We operate in highly competitive industries and our profitability could be affected by our failure to accurately estimate revenue, project risks, the availability and cost of resources, and time when bidding on projects, which could have a material adverse effect on our business, financial condition, and results of operations.

The market for infrastructure development and operation projects is highly competitive and is exposed to political and social factors that are difficult for operators to manage. Most of our competitors are multinational companies bidding on projects worldwide, which places the competitive focus on the attractiveness of each individual project as opposed to its geographical location. These circumstances may have an impact on the achievement of our growth objectives.

In our ordinary course of business, we compete against various groups and companies that may have more local experience, resources, or awareness than we do. Furthermore, the economic slowdown in Europe and the financial difficulties faced by emerging countries are negatively affecting public and private clients' investment capacity and, by extension, our business opportunities in those geographies. This lack of investment opportunities in Europe has pushed capital flows towards markets with greater availability of resources in which we also operate, increasing the competitive tension within those markets and resulting in pressures on prices and profit margins in projects in which the customer risk transfer dynamic is not balanced.

Technological developments in terms of digitalization of processes may also pose a risk to our business if our competitors develop an advantage over us in this area. Specifically, if we fail to develop differential competitive capabilities at the same or a higher pace than our competitors due to the rapid deployment of generative artificial intelligence by said competitors, this may pose a significant risk to our business, financial condition, and results of operations, as the engineering and construction industry is highly dependent on technology. Failure to adequately keep up with technological advances could result in our decreased profitability and loss of market share.

In recent years, the construction sector has been experiencing, at an international level, low profitability margins, which we believe to be partly driven by aggressive commercial strategies, imbalances in customer risk transfer, and cost inflation. These financial considerations may be further accentuated by the political and economic environment created as a result of the conflict in Ukraine and COVID-19. In addition, the increase in infrastructure-focused investment funds requiring lower rates of return in their investments, coupled with these funds' readiness to take on more segments of a project's value chain, may increase competition in our target markets.

If we are unable to obtain contracts for new projects to sustain our current order book (the "Order Book") volume, or if these projects are only awarded under less favorable terms as a result of macroeconomic and competitive pressures, our business, financial condition, and results of operations may be adversely affected.

Furthermore, particularly when operating under fixed fee contracts in the Construction Business Division, we realize a profit only if we can successfully estimate our costs and prevent any cost overruns on contracts. Cost overruns can result in lower profits or operating losses on projects, which could have an adverse effect on our business, financial condition, and results of operations. Our estimates and predictions can be difficult to make, particularly in a highly competitive and uncertain environment (for additional information on the worsening of the global economic and political conditions and their impact on our business, see "—1. A deterioration of global economic and political conditions could have a material adverse effect on our business, financial condition, results of operations, and prospects," "—7. The conflict in Ukraine and the related sanctions and export controls may adversely impact our global activities and could have a material adverse effect on our business, financial condition, results of operations, and prospects," and "—14. COVID-19 or other pandemics could cause significant uncertainties and disruptions that may adversely impact our business, financial condition, results of operations, and prospects"), and may turn out to be inaccurate. If we fail to identify key risks or effectively estimate costs for projects where we are exposed to the risk of cost overruns, this could have an adverse effect on our business, financial condition, and results of operations.

For example, most of our customers in the public infrastructure sector are public entities. These or other customers may, from time to time, request amendments or alterations to agreed projects plans, even after the project has commenced, or ask to renegotiate terms. Any of this could lead to project delays, increased project development costs for us, or even termination of contracts. We may not always be able to recoup the increased costs in such cases. Any potential project amendments or renegotiations with our customers could therefore significantly reduce the revenue and profit we are able to realize. Our claims against customers in this context, to which we assign a high probability of success, may be recognized as revenue. However, if we are unsuccessful in such claims, there can be a reduction in the expected revenues and profit of such projects, which could have an adverse effect on our business, financial conditions, and results of operations.

If we fail to identify key risks or effectively estimate costs for projects where we are exposed to the risk of cost overruns, or if client renegotiations cause a project to incur additional, unexpected costs, this could have an adverse effect on our business, financial condition, and results of operations.

1.3. We depend on funds allocated to public sector projects in the countries in which we operate, and any decrease in allocation of such funds may adversely impact our project volume, which could adversely affect our business, financial condition, and results of operations.

The effects of the economic downturn have led to a sharp reduction in public sector projects, although a number of measures have been implemented by the public sector to mitigate this deterioration.

While we currently indirectly benefit from funds granted by the European Union to its member states (the "Member States") and allocated to those Member States' public entities, due to political, economic, or other considerations, these funds may no longer be available to us, or there may be delays in receipt of such funds. A cancellation or delay in the receipt of such funds may adversely affect our business, financial condition, results of operations, and prospects.

In particular, our Construction Business Division depends on public sector projects. For example, clients from the public sector accounted for 83% of the total Order Book of our Construction Business Division, which amounted to EUR 15,632 million as of December 31, 2023. A reduction in the number of public sector projects available and awarded could negatively affect our results of operations. For example, in Spain, during 2020, there was a slowdown in both private and public tender processes, and public tender processes were delayed on account of COVID-19. As a result of these delays in the start-up of new projects, the Construction Business Division's results were impacted, although they increased when compared to the previous year.

The toll roads industry, generally, and our Toll Roads Business Division, specifically, depend mainly on the continued availability of attractive levels of government funds and incentives to attract private investments, in particular as it pertains to public-private risk sharing in connection with private toll roads development. Such government funds are generally granted in connection with the construction and operation of toll roads for the benefit of the general public. For instance, in the United States, we currently benefit from the Transportation Infrastructure Finance and Innovation Act ("TIFIA")'s credit assistance program as granted by the United States Department of Transportation to leverage limited federal resources and stimulate capital market investment in transportation infrastructure by providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit (rather than grants) to projects of national or regional significance, such as our development of additional highway lanes within existing highways that incorporate dynamic tolls that change in real-time based on traffic conditions (the "Managed Lanes"). As of December 31, 2023, our projects in the United States have been granted USD 2,785 million through different financial instruments under the TIFIA credit assistance program.

If, due to political, economic, or other considerations, funds like those received through TIFIA are no longer available or the TIFIA credit assistance program is cancelled, this could have a material adverse effect on our ability to develop new projects. Furthermore, decreases in the funds allocated to public sector projects may force private sector construction companies, such as us, to halt projects that are already underway. For these reasons, a continued and further decrease in the spending on the development and execution of public sector projects by governments and local authorities in the markets in which we already operate or in those in which we could operate in the future could adversely affect our business, financial condition, and results of operations.

1.4. The increase in digitalization and consequently, the increased risk of cyber threats and misuse of quantum technology, may affect our normal operation of assets and our ability to generate expected value, which could have a material adverse effect on our business, financial condition, and results of operations.

In a highly digitalized and interconnected economic environment, the risk of cyber security failures potentially harming us has exponentially increased in recent years. In this context, our infrastructures are exposed to threats in the cyber space (by, among others, hostile government agencies, hacktivists, insiders, and criminals), which can impact the normal operation of our assets, impact our ability to generate expected value of the assets, or potentially undermine our reputation. For example, there may be an increase in cyber threats in connection with the conflict in Ukraine, as discussed under "—7. The conflict in Ukraine and the related sanctions and export controls may adversely impact our global activities and could have a material adverse effect on our business, financial condition, results of operations, and prospects."

In particular, cyber threats may impact the normal operation of our assets, which, in turn, may impact our ability to generate expected value of such assets. Cyber threats may cause different types of impact, such as disruption of activities, disclosure of our sensitive information, and failure to comply with laws, regulations, and contractual agreements addressing data security and privacy, among others. The extent to which a cyber threat can impact an asset depends on the asset's nature, the cyber threat agent's origin, the scope of the security breach, and the extent to which we are prepared to respond to such a cyber threat. Critical infrastructures (such as airports, highways, and energy infrastructure), which are the main assets of our business, are a common target for such threats. Additionally, if a cyber threat is not successfully managed, it could impact our ability to generate expected value. For instance, a ransomware attack affecting one of our airports could cause flight cancellations, which in turn could materially affect our operating revenues and financial results. In this respect, the rapid development of the quantum computing industry is also relevant as it is shortening the time in which quantum computers can break encryption systems and compromise sensitive data security.

During 2023, we managed a significant number of suspicious activities, or security events, some of which were associated with malicious, harmful, or potentially malicious and/or harmful activities (known as "security incidents"). None of these incidents had a significant impact on our assets, as all were successfully managed through the different cybersecurity capabilities in place (including protection, detection, response, and recovery mechanisms). The impact that cyber threats have on us and the preventative and defensive measures we have in place against these events are illustrated by some of our cyber data. For example, in 2023, on a monthly average basis, over 6,083 suspicious phishing emails were reported by Ferrovial's systems users and over 13,375 accesses to malicious domains and 80,195 phishing and malicious e-mails were blocked by our systems.

There is a potential risk the attacks may render our assets temporarily inoperative. Furthermore, this increased risk may impact our business plan due to a consequent reduction in the value of the asset, may lead to loss or theft of know-how and intellectual and industrial property, as well as lead to economic loss tied to resuming operations, and may damage our reputation and related competitive advantage, compromising potential business opportunities. In addition, we may face sanctions as a consequence of potential regulatory and contractual non-compliance resulting from an asset's lack of operations following a cyber-attack.

These factors could have an adverse effect on our business, financial condition, and results of operations.

1.5. Our business is derived from a small number of major projects, which, if terminated or otherwise materially affected, may have a material adverse effect on our business, financial condition, and results of operations.

Our main projects in terms of valuation and equity invested are (i) in the Toll Roads Business Division, the 407 Express Toll Road (the "407 ETR") and several Managed Lanes' projects such as the North Tarrant Express toll road ("NTE"), the North Tarrant Express 35W toll road ("NTE 35W"), the I-66 toll road ("I-66"), the I-77 Express lane ("I-77"), and the Lyndon B. Johnson Expressway ("LBJ") and (ii) in the Airports Business Division, the Heathrow airport.

According to market analysts' reports, as of December 2023, Toll Roads and Airports concession projects amounted to approximately 91% of Ferrovial's valuation. On November 28, 2023, we announced the planned divestment of our stake in Heathrow airport.

Aside from the planned Heathrow divestment, we cannot guarantee that any of the aforementioned projects, or our performance thereunder, will not be terminated or otherwise materially affected by developments outside of our control, such as regulatory developments, other factors related to our operations in highly regulated environments, or the public and/or governmental nature of our clients in all of the abovementioned projects, as well as inflationary pressures, foreign exchange rate fluctuations, factors affecting traffic and infrastructure use, adverse weather, availability of financing in favorable terms, or other conditions. The termination of any of these projects or any material impact to our performance as a result of these factors could potentially have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, our reliance on a relatively small number of projects may adversely affect the development of our business. As such, the loss of, or a material adverse effect to, any of our main projects may in turn have a material adverse effect on our business, financial condition, and results of operations.

1.6. The re-domiciliation to the Netherlands could potentially have a negative impact on our brand in Spain, which, in turn, could have a material adverse effect on our competitive position and, in turn, our share price and business, financial condition, results of operations, and prospects.

Our business depends on our strong brand and the markets in which we operate are highly competitive. Specifically, our business largely depends on projects and project orders with governments as well as private clients that are awarded through a competitive bidding process, which is complex and sometimes lengthy. Any bidding costs associated with tendering, particularly for public sector construction projects (whether it is for new contracts, extensions in the scope of work, or renewals of existing contracts) may be significant and, if these costs do not result in the award of a contract, they are generally not recoverable. For further information on the costs of tendering and contract renewal, see "—16. We may be required to bear the costs of tendering for new contracts, contract renewals, and/or extensions with no control over the selection process nor certainty of winning the tender, which may adversely affect our business, financial condition, results of operations, and prospects."

We expect that many of the opportunities we will seek in the foreseeable future will continue to be awarded through competitive bidding. Some of our competitors are larger and have greater resources, larger client bases, and greater brand recognition. For further information on risks related to our competition, see "—2. We operate in highly competitive industries and our profitability could be affected by our failure to accurately estimate revenue, project risks, the availability and cost of resources, and time when bidding on projects, which could have a material adverse effect on our business, financial condition, and results of operations." There is a risk that our re-domiciliation of to the Netherlands, which was completed in June 2023, could potentially have a negative impact on the perception of our brand in Spain, which, in turn, could potentially harm our competitive position as compared to other companies not affected by these or other potential reputational issues.

Furthermore, any reputational harm that we may potentially suffer as a result of the re-domiciliation to the Netherlands as perceived by our customers, suppliers, employees, investors, shareholders, peers, and any other third party could have a negative impact on the price of our ordinary shares as well as our business, financial condition, results of operations, and prospects.

1.7. The conflict in Ukraine and the related sanctions and export controls may adversely impact our global activities and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

On February 24, 2022, Russia began its invasion of Ukraine. As of the date of this Annual Report, the conflict has not come to an end. Although our direct exposure to the conflict is limited and mostly concentrated on our operations in Poland and our operations at the Dalaman International Airport ("Dalaman") in Turkey, which has experienced lower demand from Russian and Ukrainian passengers in part due to inflation and currency devaluation related to the Ukrainian conflict, the macroeconomic scenario triggered by this situation includes broad-based price rises essentially affecting energy and commodities, supply issues, and difficulties in the distribution chain for certain materials, particularly in the construction industry. Additionally, and as a result of these financial pressures, interest rates are rising, impacting the banking and financing markets.

As a result of the invasion, the EU, together with the United States and most NATO countries, condemned the attack and put in place coordinated sanctions and export-control measure packages against Russia, Belarus, and some other territories related to the conflict in Ukraine. The uncertain nature, magnitude, and duration of Russia's war in Ukraine and the potential effects of the war, actions taken by Western and other states and multinational organizations in response thereto (including, among other things, sanctions, export- control measures, travel bans, and asset seizures), as well as of any Russian retaliatory actions (including, among other things, restrictions on oil and gas exports and cyber-attacks) on the world economy and markets have contributed to increased market volatility and uncertainty.

Our activities in Poland (through Budimex's construction business), as a neighboring country to Ukraine, are at an increased risk of being disrupted by the conflict. Although as of the date of this Annual Report, our revenue generated in Poland, which, in year ended December 31, 2023, amounted to 25.4% of our revenues was not materially affected as a result of the conflict, it cannot be excluded that such risk may materialize in the future. This potential risk has been evidenced by the unattributed missile strike on an area close to Poland's south-eastern border with Ukraine on December 15, 2022 that killed two people as well as by the disruption in the infrastructures of Poland and Ukraine as a consequence of refugees from Ukraine entering Poland to flee the war and by the transportation of western military equipment to support the Ukrainian front. Another country in which we operate that is close to Ukraine's borders, and which could be at risk of disruption in operations, is Slovakia, where we hold a concession for the D4R7 Bratislava ring road (although, as of the date of this Annual Report, the impact of the Ukraine conflict in Slovakia has not significantly impacted our Slovak business, other than through an increase of our labor costs due to the decreased access to employees from Ukraine, which constituted a significant market for employees carrying out our projects in Slovakia).

Additionally, as a result of the Ukrainian conflict, there is also an increased risk of cyber-attacks, and we are particularly exposed to these attacks as a holder of so-called "critical assets," due to our position as a provider of critical infrastructure services and solutions. Infrastructures are exposed to a variety of existing threats in cyberspace (such as hostile government agencies, hacktivists, insiders, and mafias), which may impact or impede (i) the normal operation of assets, (ii) our ability to generate the expected value, and (iii) our reputation. For more information on our increased risk of cyber-attacks, see "—4. The increase in digitalization and consequently, the increased risk of cyber threats and misuse of quantum technology, may affect our normal operation of assets and our ability to generate expected value, which could have a material adverse effect on our business, financial condition, and results of operations."

Although we do not foresee material effects to our results of operations as a direct result of the Ukrainian conflict, the Construction Business Division is the most vulnerable to such effects due to the potential impact the conflict could have on raw materials within the surrounding area, including cost increases of certain materials and decreasing availability.

In contrast, our Toll Roads Business Division has been positively impacted by raising toll rates in those assets with pricing models directly linked to inflation, although it is adversely exposed to possible negative impacts of significant rises of fuel prices on traffic. Finally, no relevant impact is expected in the Airports Business Division other than the aforementioned impact to Dalaman airport in Turkey due to the scant exposure to passenger traffic (the total number of incoming and outcoming passengers at the airport in a particular period) from these regions in the airports managed by us, although the effects of inflation on ticket prices as a result, among others, of the aforementioned fuel cost increases could have a certain consumer dissuasive effect that could affect our results of operations. For additional information on the worsening of the global economic conditions and their impact on our business, see "—1. A deterioration of global economic and political conditions could have a material adverse effect on our business, financial condition, results of operations, and prospects."

In addition, the increase in political tensions worldwide because of the conflict in Ukraine increases the risk of a large-scale armed conflict. In this context, countries tend to boost regional economies at the expense of global integration by applying competition and trade restrictions, sanctions, investment controls, expropriations, or other restrictions, which could lead to a global recession with serious effects on global economy.

All of the above factors, as well as any further escalation of the conflict in Ukraine, could have a material adverse effect on our business, financial condition, results of operations, and prospects.

1.8.The increase in demand for skilled labor in the geographic areas in which we are active makes it more difficult for us to attract and retain talent, which could impact our competitiveness and have an adverse effect on our business, financial condition, and results of operations.

The increase in demand for skilled labor (i.e., STEM positions requiring higher education degrees, and more specifically civil, industrial, or computer engineers, which are normally the main positions required for delivering our projects and managing our assets) in our main markets and particularly in those markets in which the operations of toll roads and other transportation-related construction are concentrated, such as in the United States, Spain, and the United Kingdom, as well as several other western countries, makes it more difficult for us to attract and retain talent, which could impact our competitiveness. We believe that the reasons for the increase in the demand of these profiles are principally:

i. plans for infrastructures development in our main markets, especially the United States, Canada, and the United Kingdom;
ii. a global increase in the demand for STEM positions;
iii. an increased number of competitors for talent (besides our traditional competitors, many technology companies and consulting, banking, and private equity funds are trying to attract STEM professionals); and
iv. the impact of post-COVID-19 employment trends, such as the increased preference of employees to work remotely and the increase of voluntary resignations.

We may lose certain business opportunities and may not be able to fulfill certain commitments to clients, such as commitments regarding contractual deadlines or the pre-established quality of work, due to hiring difficulties and/or understaffing in the event of a potential lack or scarcity of qualified staff. This inability to acquire and retain skilled labor and the resulting inability to fulfill contractual requirements could have an adverse effect on our business, financial condition, and results of operations, and may impact our competitiveness. Furthermore, we may experience lower profit margins due to increased labor costs resulting from a higher demand of skilled labor. This could have an adverse effect on our business, financial condition, and results of operations.

1.9. Regulators and other stakeholders may demand that our business objectives become more sustainable and may be willing to penalize us if we do not meet them, and we could be affected by degradation of ecosystems, which could have a material adverse effect on our business, financial condition, and results of operations.

Both regulators and other stakeholders may demand that our business objectives become more sustainable, both from an environmental and social point of view, and may be willing to penalize us if we do not meet their expectations and demands, for example if our activities do not qualify as environmentally sustainable in accordance with EU Taxonomy, or in accordance with our own commitments in relation to reduction of CO2 emissions. A misalignment between our strategy and the expectations and demands of regulators and other stakeholders with regards to sustainability would compromise the fulfillment of our growth and investment objectives. Furthermore, increasing demands in connection with sustainability by our stakeholders may result in increase in our compliance costs in this regard.

We also run the risk that our subsidiaries may perform work on projects for governments and public institutions that do not meet our environmental standards, potentially impacting protected areas or endangered fauna or flora.

In particular, if we are not able to adhere to a call for increased sustainability by certain regulators or stakeholders, we may face penalties by said regulators and stakeholders, including shareholders, suffer damage to our corporate reputation, lose our positioning in sustainability indexes, experience an increase in our financing costs, and experience a negative impact in analysts' ratings. Furthermore, as a consequence of the financial demands derived from our need to become more sustainable or of our potential failure to become more sustainable, project financing and our access to sources of financing may worsen.

Furthermore, if we or our counterparties fail to comply with environmental requirements in the relevant jurisdictions, we may be subject to investigation or litigation and our reputation and business could be adversely affected.

In addition, biodiversity plays a key role in the provision of ecosystem services that support the economy and social well-being. The degradation of ecosystems and natural capital entails operational, economic, and reputational risks for the development of business activities. Particularly, we could be affected by the loss of quality of certain ecosystem services, such as the lack of water or the reduced availability of certain raw materials. Any of the above factors could have an adverse effect on our business, financial condition, and results of operations.

1.10. Accidents may occur at our project sites and facilities and at our infrastructure assets, which may severely disrupt our operations and cause harm to our employees or customers, which could in turn have a material adverse effect on our business, financial condition, results of operations, and reputation.

Promoting robust standards for health and safety in our operations is one of our strategic priorities in connection with employee well-being. This priority includes implementing strong management systems, employee training and leveraging of data to prevent accidents. For this purpose, we have our 2020-2024 health and safety strategy (the "Health and Safety Strategy") approved by the Board of Directors in December 2019 and extended to 2026, which seeks to align the health and safety management systems of each Business Division and make sure the necessary resources and tools are available to deliver safer operations. Notwithstanding our implementation of the Health and Safety Strategy and the commitment of our top management to invest resources in employee health and safety, the occurrence of low-probability high-impact events such as accidents is a material risk to us.

The frequency rate of serious injuries and fatal accidents, calculated by reference to the total number of serious injuries and fatal accidents against the total number of hours worked, has decreased by 20.3% in 2023, compared to 2022, mainly due to the implemented improvements, such us leadership engagement initiatives, supervisor and management trainings, as well as the continuous commitment of our employees. Nevertheless, this risk remains relevant to us due to, among others, the fact that the risk of an accident is inherent to the nature of our activities, the variability of the subcontractor's safety cultures, or uncontrolled risks caused by third parties in this respect (e.g. driving behaviors of the general public).

Our project sites and facilities, such as toll roads, airports, and construction project sites, may be exposed to incidents such as fires, explosions, toxic product leaks, and other environmental incidents. In addition, these sites and facilities' respective employees may be exposed to accidents (for example, falling from a significant height, being hit by vehicles and machinery, overturning of heavy equipment, and coming in contact with electricity). Any such accidents may cause death and injury to employees, contractors, and also residents in surrounding areas, and may cause damage to the assets and property owned by us and third parties, as well as damage to the environment. We are also exposed to a risk of negative impacts to our business, financial conditions, and results of operations resulting from various types of damage, including temporary interruption of services as a result of accidents during the course of operations, as well as impacts connected to accidents involving land and air transport, substances, goods, and equipment.

If an accident occurs at one of our facilities or project sites, in addition to the internal investigation to be carried out in accordance with our internal policies and protocols, legal proceedings could be initiated by the relevant authorities to identify the causes of the accident and assess any potential civil, labor, or criminal liability. Such legal proceedings could result in the relevant facility or project site being closed while the investigation is conducted, disrupting our operations during the time of such closure. In addition, sanctions may be imposed on us or victims of such accidents may claim compensation from us and hence may expose us to civil liability.

Furthermore, accidents may occur on our infrastructure assets to the users of the infrastructures, such as incidents on the toll roads we currently operate, which are more likely when the area is affected by heavy and severe weather events. For instance, there was a multiple vehicle accident that took place on February 11, 2021 on the NTE 35W in Dallas, Texas involving 133 vehicles and resulting in six deaths and many people injured. As a result of this incident, the concession company NTE Mobility Partners Segment 3 LLC, of which Cintra owns 53.7%, together with several of our U.S. Companies, have been named parties in 29 claims that have been filed and are in the early stages of legal proceedings. We could be found liable in relation to such accidents, including for, but not limited to, non-compliance or defective performance of the relevant contracts. However, the concession company believes, in accordance with the opinion of its external legal advisors, that even in the event of an unfavorable ruling, no material impact to us is expected given the insurance policies contracted and, consequently, no provision has been recorded in relation thereto.

Any accidents, incidents, and consequential claims for damages, including any reputational damage, and disruptions at our project sites or facilities, or related to our infrastructure assets, could have a material adverse effect on our business, financial condition, results of operations, and reputation.

1.11. Beneficiaries of guarantees provided by our Group Companies could request their execution, which could have a material adverse effect on our business, financial condition, and results of operations.

Some of our Group Companies provide guarantees to cover liability to customers for improper performance of obligations under construction contracts. Such guarantees are subject to potential enforcement by customers if a project were not carried out or failed to meet contractual specifications and requirements. In order to protect ourselves from any exposure arising from potential liability, we obtain guarantees issued by banks and insurance companies to cover such exposure. As of December 31, 2023, the balance of such guarantees amounted to EUR 8,739 million (EUR 8,093 million as of December 31, 2022).

Despite the significant amount of guarantees detailed above, the historical impact arising from them is low, since our Group have to date performed their contractual obligations in accordance with the terms and conditions agreed upon with the customers and have recognized accounting provisions against the results of each contract for potential performance-related risks. However, this may not be indicative of any future potential performance and guarantee enforcement.

Should any beneficiary enforce any guarantee, such enforcement will have a specific follow-up investigation to verify whether the request is based on a justified claim. Should a claim be justified, and the guarantees of a relevant or significant amount be successfully enforced, or should multiple guarantees amounting to relevant or significant amounts be successfully enforced simultaneously or within short periods of time, such events may have a material adverse effect on our business, financial condition, and results of operations.

1.12. We may face increased risks due to climate change, which could have a material adverse effect on our business, financial condition, and results of operations.

We may be subject to physical and transitional risks in connection with our activities due to climate change. Physical risks include extreme weather events that may affect our infrastructure and the development of our activity in most of our Business Divisions. In this sense, our infrastructure needs to adapt to climate change effects and be resilient to extreme weather events. Global trends related to climate change and extreme weather may result in further economic, regulatory, technological, and reputational effects and may require us to reassess our operations. For instance, we may be forced to discontinue certain operations due to physical damage to infrastructure, productivity may decrease under certain extreme weather conditions, and hedging and insurance premiums relating to climatological events may increase.

We periodically perform an assessment and quantification of physical and transition risks related to climate change, which include the following:

i. an increase in the cost of energy, both fossil fuels and electricity, and other raw materials specific to each activity;

ii. a change in customer behavior by users of transportation modes;

iii. an increase in reporting obligations on emissions and other environmental and climate considerations;

iv. the loss of competitiveness in tender processes due to any potential failure to comply with environmental requirements;

v. new regulations limiting the use of certain modes of transportation, which would have a significant impact on the use of the infrastructure we operate;

vi. increased investor concern about our environmental performance and impact.

vii. increased maintenance and extraordinary repairs of our infrastructure assets as a result of climatic hazards such as heat waves or drought; and.

viii. lack of availability of new technologies.

Transitional risks, particularly increases in the cost of energy, both fossil fuels and electricity, and other raw materials specific to each activity, and changes in customer behavior users' transportation modes, may affect our Business Divisions.

The above factors could have an adverse effect on our business, financial condition, and results of operations.

1.13. Our insurance cover may not be adequate or sufficient, which could have a material adverse effect on our business, financial condition, and results of operations.

In carrying out our activities, which are mainly related to high-value infrastructure assets such as toll roads and airports, we are subject to possible contingent liabilities arising from the performance of various contracts entered into by the Companies within our Business Divisions. To protect ourselves from those contingent liabilities, we have retained insurance cover in relation to:

i. property damage and business interruption caused by direct material damage;

ii. general liability;

iii. employers' liability;

iv. directors' and officers' liability;

v. environmental liability;

vi. damage caused by cyber-attacks; and

vii. in the United States, employment practices' liability.

Accidents may occur at our infrastructure projects that may severely disrupt the operations and damage our reputation. In particular, our toll roads and other infrastructure assets, such as airports, may suffer damages as a consequence of disruptions caused by natural disasters (as, for example, was the case in connection with a number of toll roads in Chile following the 2010 earthquake), epidemics or pandemics, extreme weather, wars, riots or political action, acts of terrorism, or cybersecurity attacks resulting in losses, including loss of revenue, which may not be compensated for under our insurance contracts, either fully or at all.

Furthermore, certain types of the aforementioned losses, generally, those of a catastrophic nature, such as wars, acts of terrorism, earthquakes, and floods may be uninsurable or not economically insurable. For example, the impact on our revenues of governmental authorities' measures to mitigate the potential effects of COVID-19 is not covered under our existing insurance policies, as the trigger of such policies' obligation to ensure (physical damage to assets) is not a direct effect of COVID-19.

In addition, even where adequately insured against potential unexpected events and damages, we may also be unable to recover losses, in part or at all, in the event of insolvency of our insurers.

Moreover, there can be no assurance that if our current insurance cover is cancelled or not renewed, replacement cover will be available on commercially reasonable terms, or at all.

Any material uninsured or insured, but non-recoverable, losses could have a material adverse effect on our business, financial condition, results of operations, and prospects.

1.14. COVID-19 or other pandemics could cause significant uncertainties and disruptions that may adversely impact our business, financial condition, results of operations, and prospects.

The World Health Organization ("WHO") declared COVID-19 a global pandemic in March 2020. COVID-19 negatively impacted the global economy, including as a result of the institution of measures such as the isolation, confinement and quarantine of individuals and restrictions on the free movement of people, the closure of public and private premises, border closures, and a drastic reduction in air, sea, rail, and land transport, disrupted global supply chains, lowered equity and capital markets valuations, created significant volatility and disruption in the financial markets, and increased unemployment levels. COVID-19 and the measures taken by the governments of many countries to fight against it led to a GDP weakening in many of the countries in which we operate.

In 2022, the countries in which we operate lifted the restrictions on mobility and on economic activities that were in force since the start of the pandemic, although at an uneven rate. The direct result of this lifting of the restrictions is the recovery in demand for the activities we carry out. Accordingly, although our business, financial condition, results of operations, and prospects were materially affected in 2020 and 2021, in 2022 our activities were no longer directly affected by COVID-19 and the associated restrictions, except for the negative effects on traffic related to the Omicron variant at the beginning of the year.

Nevertheless, should COVID-19 and the institution of related measures resurge or should the acceleration of the widespread adoption by businesses of teleworking and other related policies and business practices paired with the current context of global economic slowdown, negatively affect mobility scenarios and prevent the air and ground traffic from reaching pre-COVID-19 levels, the performance and value of our assets depending on such mobility may be adversely affected. If these trends sustain and/or increase, they may result in long-term and permanent declines in airport, toll roads, and other traffic, and, therefore, lead to a significant decline in the future performance and value of the infrastructures we operate. These factors may consequently materially adversely affect our business, financial condition, results of operations, and prospects.

Furthermore, the occurrence of any future pandemics could adversely affect the global economy and the markets in which we operate and could have a material adverse effect on our business, financial condition, results of operations, and prospects. The extent of this impact is uncertain and cannot be predicted, including its duration and severity as well as the scope and economic impact of actions taken to contain the spread of such pandemic or to treat its impact, in addition to the impact of each of these items on macroeconomic conditions, including changes of social patterns and behaviors.

1.15. Our business and operations may be adversely affected by violations of applicable anticorruption laws, in particular the U.S. Foreign Corrupt Practices Act, the EU anti-corruption legislation, the United Kingdom Bribery Act, or similar worldwide anti-bribery laws.

Our international operations require us to comply with international and national laws and regulations regarding anti-bribery and anti-corruption, including the U.S. Foreign Corrupt Practices Act, the EU anti-corruption legislation, the United Kingdom Bribery Act, or similar anti-bribery laws that may be applicable to our business. These laws and regulations, for example, prohibit improper payments to foreign officials and private individuals for the purpose of obtaining or retaining business and may include reporting obligations to relevant regulatory and governmental bodies. The scope and enforcement of anti-corruption laws and regulations may vary. However, many of such laws and regulations have a broad extraterritorial reach.

Some of the markets in which we operate have experienced governmental corruption to some degree, and some of them are high risk markets. Therefore, in certain circumstances, strict compliance with anti-bribery laws and reporting obligations may conflict with local customs and practices. In addition, we use third parties, such as joint venture partners, in these high-risk markets, which pose an inherent risk to strict compliance with anti-bribery and anti-corruption laws.

Our compliance programs, internal controls, policies, and procedures may not always protect us from reckless or negligent acts including bribery of government officials and private individuals, petty corruption, and misuse of corporate funds committed by our employees or associated third parties, particularly given our decentralized nature and our use of joint venture arrangements. Violations of these laws, or allegations of such violations, may lead to fines, findings of criminal responsibility, or harm to our reputation and could result in inaccurate books and records, each of which may have a material adverse effect on our business, results of operations, financial condition, and prospects. For some examples of the potential materialization of this risk, see "—2. Risks Related to Legal, Regulatory, and Industry Matters—3. We are subject to litigation risks, including claims and lawsuits arising in the ordinary course of business, which could have a material adverse effect on our reputation, business, financial condition, and results of operations".

1.16. We may be required to bear the costs of tendering for new contracts, contract renewals, and/or extensions with no control over the selection process nor certainty of winning the tender, which may adversely affect our business, financial condition, results of operations, and prospects.

A substantial portion of our work is subject to competitive tender processes. It is difficult to predict whether we will be awarded contracts due to multiple factors such as qualifications, experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe, and cost-efficient manner. Bidding costs associated with tendering for new contracts, extensions in the scope of work, or renewals of existing contracts can be significant and may not necessarily result in the award of a contract. Furthermore, preparation for bids occupies management and operating resources.

If we fail to win a particular tender, bidding costs are generally unrecoverable. We participate in a significant number of tenders each year and the failure to win such tenders may adversely affect our business, financial condition, results of operations, and prospects.

1.17. We are dependent on the continued availability, effective management, and performance of subcontractors and other service providers, the absence of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

In the ordinary course of operations, we rely on subcontractors to provide certain services. As a result, our business, financial condition, results of operations, and prospects may be adversely affected if we are not able to locate, select, monitor, and manage our subcontractors and service providers effectively. Additionally, subcontractors to whom we have awarded work may become insolvent, which would require us to select a new subcontractor at the risk of delays and/or at higher cost. For example, in the Construction Business Division, billing by subcontractors and services providers represented 76% of the total operating cost for the year ended December 31, 2023.

If we are not able to locate, select, monitor, and manage subcontractors and service providers effectively, our ability to complete contracts on schedule and within forecasted costs to the requisite levels of quality could be adversely impacted and there may be a material adverse effect on our business, financial condition, results of operations, and prospects.

1.18. We may face risks related to past and future acquisitions or divestments, generally, and the divestment of the Services Business Division, specifically, which could have a material adverse effect on our business, results of operations, and financial condition.

We deploy capital in mergers and acquisitions from time to time. This deployment is subject to various general risks, including:

- the inability to sufficiently integrate newly acquired businesses;
- the inability to achieve the anticipated benefits from the acquisition;
- a loss of critical talent;
- the transmission of actual or potential liabilities in connection with such past or future acquisitions including, but not limited to, third-party liability and other tort claims;
- claims or penalties as a result of breach of applicable laws or regulations;
- financial liabilities relating to employee claims;
- claims for breach of contract;
- claims for breach of fiduciary duties;
- employment-related claims;
- environmental liabilities ;
- tax liabilities; or
- cybersecurity incidents.

For example, we may be subject to environmental liabilities at sites we acquire even if the damage relates to activities prior to our ownership of such sites. Although acquisition agreements may include covenants and indemnities in our favor, these covenants and indemnities may not always be insurable or enforceable, or may expire or be limited in amount, and we may have disputes with the sellers or guarantors, who might become insolvent, regarding their enforceability or scope.

In addition, we may be unable to cost-effectively integrate the new activities from an acquisition into our business and realize the performance that we anticipate when acquiring a business. Acquired companies may have lower profitability or require more significant investments than anticipated, which could affect our profitability margins.

As part of our strategic plans, we may also from time to time divest businesses or assets we no longer deem profitable or in strategic alignment. For example, on November 28, 2023, we entered into agreement to divest our stake in the Heathrow airport. The planned Heathrow divestment is expected to close in the second or third quarter of 2024 and is conditional upon, among other things, the pre-emption and full tag-along rights in favour of the other Heathrow shareholders. In January 2024, in accordance with the tag-along process, some of FGP Topco shareholders have exercised their tag-along rights in respect of shares representing 35% of the share capital of FGP Topco (the "Tagged Shares"). It is a condition under the Heathrow SPA for the completion of the transactions that the Tagged Shares are also sold. The parties are working towards satisfaction of such condition by exploring different options. Completion of the transaction continues to be subject to the satisfaction of the tag-along condition, together with applicable regulatory conditions and, consequently, there can be no certainty that the transaction will be completed. Any failure to complete our planned divestments in timely manner or on favorable terms, could have a material adverse impact on our assets, profitability and business operations. Furthermore, if we are unable to complete the announced divestments in a timely manner it may also impact our brand and reputation. We are also subject to risks related to the divestment process, in particular with regard to warranties and indemnities given within the scope of such process and any other potential seller's liability under the applicable law. Specifically, we may remain subject to potential environmental liability in relation to entities and businesses we no longer own due to covenants and indemnities in favor of such entities or the entities' purchasers under the relevant sale agreements and related transaction documents. For example, we are subject to certain potential environmental liability pursuant to the sale agreements pursuant to which we completed the sale of Amey in the U.K.

Environmental, health, and safety requirements and regulations and labor disputes will affect not only activities in connection with businesses that have been acquired and are in operation, but also activities at businesses that have been divested or that will be acquired or divested in the future. The divestment of Amey, which was part of the broader divestment of our Services Business Division, in particular, was financed through a vendor loan and as a result we may be unable to recover the sale price of Amey.

As a result, past and future acquisitions and divestments expose us to potential losses and liabilities, and lower than anticipated benefits, which could have an overall material adverse effect on our business, results of operations, and financial condition.

1.19. We have experienced, and expect to continue to experience, quarterly fluctuations in our results of operations.

Our results of operations have fluctuated from quarter to quarter in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations may not be meaningful. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control and may be difficult to predict. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Factors that may cause fluctuations in our quarterly financial results include, but are not limited to:

- Unforeseen extraordinary events, such as natural disasters, geopolitical events like the recent Ukraine and Middle East conflicts, pandemics like COVID-19, or accidents at our project sites and facilities could have a significant impact in our infrastructure assets demand, or result in a reduction in construction activity, negatively impacting our financial results.
- Regulatory changes in the highly regulated environments in which we operate, such as decisions taken by governmental authorities, like the unilateral termination of a concession agreement that, although rare, could adversely affect our financial results.
- Internal update of contract end results. We periodically perform a complete review of contract end results for our construction activities. The complexity and size of some of our contracts and the existing risks inherent to them may lead to contract end losses arising between quarterly financial results, which would have a negative impact in our financial results.
- Seasonality. Typically, construction activity will be higher over the spring and summer months, due to improved weather conditions. Toll roads traffic and passengers demand will generally also be higher during spring and summer. Thus, we may expect our second and third quarters revenues to be higher than that of other quarters.
- Dividends collected from infrastructure assets, which may vary significantly from quarter to quarter due to various factors, including project debts refinancing, changes in regulation and traffic levels.
- Non-recurring events, such as acquisitions, divestments, potential claims and legal disputes, or legal settlements may have a significant impact in our financial results, especially in our cash flow generation.
- Other events impacting the normal operations of our assets, such as cyber-attacks.

Any significant fluctuations to our quarterly results of operations could adversely affect our operations, financial reporting and/or results of operations and affect the price of our ordinary shares.

1.20. Terrorist attacks or other acts of violence or geopolitical unrest may particularly affect our operations and profitability.

Our operations, particularly those in the Airports and Toll Roads Business Divisions, cover a broad geographic scope and are subject to many hazards and operational risks, including a risk of disruptions due to terrorist attacks, or other acts of violence or geopolitical unrest and similar events. Any geopolitical unrest, including the recent escalated conflict in the Middle East, is likely to adversely affect the airport passenger traffic and, consequently, our results in the Airports Business Division. In the event of a terrorist attack or similar event we may be unable to continue operations and may endure system interruptions, reputational harm, breaches of data security, and loss of critical data, all of which could have an adverse effect on future operating results.

Moreover, we do not have any insurance coverage to cover our liabilities related to such hazards or operational risks. The occurrence of a significant uninsured claim, or a claim in excess of the insurance coverage limits maintained by us, could harm our business, financial condition and results of operations.

1.21. Risks relating to the Toll Roads Business Division

1.21.1 Reduced vehicle use on the toll roads operated by our toll roads concession companies may adversely impact our business, results of operations, and financial condition.

If our concession companies are unable to have an adequate level of vehicle traffic on their toll roads in the future, our toll receipts and profitability will suffer and a prolonged and significant reduction in traffic could result in the bankruptcy of a specific project or concession. The tolls collected by the concession companies on their toll roads depend on the number of vehicles using such toll roads, their capacity to absorb traffic, their toll rates, and the existence of competing alternative roads. In turn, traffic volumes and toll receipts depend on a number of factors, including economic growth, toll rates, the quality, convenience, and travel time on competing roads, toll-free roads or toll roads that are not part of our portfolio, the increase in capacity of those competing roads, the quality and state of repair of the toll roads, the economic climate and fuel prices, environmental legislation (including potential measures to restrict internal combustion engine vehicle use and/or incentives to electric vehicles), and the viability and existence of alternative means of transportation, such as air and rail transport, buses, and urban mass transportation. In addition, traffic volumes and toll revenues may be affected by the occurrence of natural disasters and other exceptional events such as earthquakes, forest fires, and meteorological conditions in the countries in which our concession companies operate (for example, in Canada and some of the Texas lanes, where climate disruptions caused by usual winter conditions, as it pertains to the former, and unusual winter conditions, as it pertains to the latter, have affected the operation of the assets in the past). Work from home policies could affect mobility or change transportation patterns, which in turn affects the profitability of operations. Measures taken by governments in response to potential future COVID-19 outbreaks, similar to those introduced in the past, may also have an adverse impact in this respect due to the travel restrictions and the institution of social distancing measures (see "—14. COVID-19 or other pandemics could cause significant uncertainties and disruptions that may adversely impact our business, financial condition, results of operations, and prospects").

In particular, a specific financial risk regarding toll roads usage in connection with 407 ETR exists. The concession agreement relating to the 407 ETR provides that certain 407 ETR annual traffic levels are to be measured against annual minimum traffic thresholds prescribed by Schedule 22 to the concession agreement and which are increased annually up to a pre-established lane capacity. If the actual annual traffic level measurements are below the corresponding pre-established traffic thresholds, certain amounts calculated under the concession agreement are payable to the province of Ontario, Canada, in the following year. In April 2020, an amount of CAD 1,775,000 (EUR 1,199,338) corresponding to 2019 traffic calculations was paid to the province of Ontario. In 2020, annual minimum traffic thresholds prescribed by Schedule 22 could not be met due to COVID-19. We agreed with the province of Ontario that COVID-19 should be considered a force majeure event under the provisions of the 407 ETR concession agreement and, therefore, we were not subject to further payments for below-threshold traffic levels for the duration of 2020 and until the end of the force majeure event. We were also in agreement with the province of Ontario that the force majeure event should terminate at such time when the traffic volumes on 407 ETR reached pre-pandemic levels (pre-pandemic levels measured as the average traffic volume during the 2017 to 2019 period) or when there was an increase in toll rates or user charges pursuant to the terms of the concession agreement, which is a unilateral decision of the concession company. During 2021, 2022, and 2023, the force majeure event has continued to apply, as neither the toll rates have been raised nor have the traffic levels reached the average traffic volume during the 2017 to 2019 period. On December 29, 2023, the concession company announced a new toll rates schedule that increases the 407 ETR rates starting in February 2024. As a result, the force majeure event will terminate as set forth in the 407 ETR concession agreement with the province of Ontario and the concession company will be subject to payments for below-threshold traffic levels, if applicable, commencing in 2025, with a potential first payment due in early 2026. There is a risk that a substantial payment may be required by the concession company to the province of Ontario as a result of the termination of the force majeure event, if annual traffic level measurements are below the pre-established traffic thresholds, as described above.

For the year ended December 31, 2023, our net profit from the Toll Roads Business Division was EUR 548 million, representing 87.0% of our total net profit (compared to EUR 156 million for the year ended December 31, 2022, representing 51.7% of our total net profit). Similarly, our Adjusted EBITDA from the Toll Roads Business Division was EUR 799 million, representing 80.6% of our total Adjusted EBITDA (compared to EUR 550 million for the year ended December 31, 2022, representing 75.5% of our total Adjusted EBITDA). We received EUR 704 million in dividends from our toll roads assets (an increase of 81.0%, compared to EUR 388 million in dividends from our toll roads concession companies for the year ended December 31, 2022).

The revenues generated by, and dividends distributed from, our Toll Roads Business Division are dependent in part on our toll rates, with the toll rate structure being usually established under each individual concession agreement.

If we are unable to maintain an adequate level of traffic or traffic toll rates, our business, financial condition, and results of operations may be adversely affected.

1.22. Risks relating to the Airports Business Division

1.22.1. Our aeronautical and non-aeronautical income is subject to risks related to a reduction in flights, passengers, or other factors outside our control, which could have a material adverse effect on our business, financial condition, and results of operations.

In relation to our Airports Business Division, the number of passengers using the Aberdeen, Glasgow and Southampton airports ("AGS"), the Dalaman airport and the Heathrow airport (together with the New Terminal One at John F. Kennedy International Airport ("NTO at JFK" or "NTO"), the "Airports"), which is a direct driver of the Airports Business Division's revenues, may be affected by a number of factors, including:

- adverse macroeconomic developments (including changes in fuel prices and currency exchange rates), whether affecting the global economy or the domestic economies of the countries in which the Airports are located;
- an increase in airfares;
- large-scale epidemics or pandemics, which could have an adverse impact due to potential travel restrictions, quarantine requirements, and social distancing measures in the countries in which the Airports are located;
- heightened geopolitical tensions or war such as the conflicts in Ukraine, the Middle East and any associated sanctions, which may disrupt the operations of airlines and the Airports;
- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology, and the increased use of communications technology;
- route operators facing financial difficulties or becoming insolvent, such as the collapse of Thomas Cook in September 2019 and of Flybe in March 2020 and in January 2023;

- an increase in competition from other airports or terminals, including the risk of increase of capacity of these airports and terminals;
- decisions by airlines regarding the number, type, and capacity of aircraft (including the mix of premium and economy seats), as well as the routes utilized (for instance, the decision by Ryanair in 2018 to cease using Glasgow airport as a base);
- implementation of additional security measures or new security equipment;
- changes in domestic or international regulation, for instance international trade liberalization developments such as Open Skies, or government intervention, such as the powers vested in the U.K. Secretary of State for Transport under the Civil Aviation Act 2006, as it amends the Airports Act 1986, to give directions to airport operators in the interests of national security, including orders requiring the closure of airports;
- disruptions caused by natural disasters, extreme weather, riots, or political action or acts of terrorism or cybersecurity threats and attacks;
- restrictions on the use of certain aircraft imposed by national regulatory safety bodies;
- efforts to decarbonize air travel, including potential limitations to airline and airport capacity; and
- new taxes that could affect flight demand.

There can be no guarantee that the Airports' contingency plans will be effective in anticipating and addressing the effects of the factors listed above. Any of these factors could negatively affect the Airports' reputation and day-to-day operations and may result in a decrease in the number of passengers using the Airports, which in turn could have a material adverse effect on our business, financial condition, and results of operations. A prolonged and significant reduction in passenger volume could result in the bankruptcy of a specific project or concession.

In nominal terms, there is almost a linear relationship between the number of passengers and our revenue. The companies operating Heathrow and AGS and, in the future, NTO at JFK are equity-accounted and not fully consolidated into the Group. Therefore any potential impacts would not directly affect our revenues, but instead the concession companies' results. Furthermore, on November 28, 2023, we announced the planned divestment of our stake in Heathrow airport.

Passenger numbers and the propensity of passengers to spend in the restaurants and shops located within the Airports also drive retail concession fees. Changes in the mix of long- and short-haul and transfer and origin and destination passengers, economic factors, retail tenant defaults, lower retail yields on lease renegotiations, and redevelopments or reconfigurations of retail facilities at the Airports may also affect levels of retail income at the Airports. Occurrence of any of these circumstances may result in:

i. a temporary or permanent decline in retail concession fees;
ii. reduced competitiveness of the airport retail offering;
iii. stricter hand luggage and other carry-on restrictions; and
iv. reduced shopping time as a result of more rigorous and time consuming security procedures.

Car parking revenues could also decline as a result of increased competition from other ways of transportation to the Airports, such as buses and trains, as well as increased competition from off-site car parks and the potential rise in environmental taxes (for example, in the case of the Heathrow airport, the City of London's Ultra Low Emission Zone ("ULEZ") charge expanded to the airport starting in August 2023). Other non-aeronautical income could decline as a result of a decrease in demand from airport users, such as car rental operators and airlines leasing check-in counters.

As a general matter, passenger and cargo traffic volumes and air traffic movements depend on many factors beyond our control, including economic conditions in the countries in which the airports are located, the political situation in those countries and globally, public health crises, the attractiveness of the destinations that the Airports serve relative to those of other competing airports, fluctuations in petroleum prices, disruptions of global debt markets and changes in regulatory policies applicable to the aviation industry. Any of these factors could have a material adverse effect on our business, financial condition, and results of operations.

1.22.2. Heathrow is subject to economic regulation by the CAA, which may be subject to adverse change and may as a result have a material adverse effect on our operations at Heathrow, which could have a material adverse effect on our business, financial condition, and results of operations.

Heathrow Airport Holdings ("HAH") is the entity through which Heathrow airport is operated and in which we have a 25.0% ownership interest through our interest in FGP Topco Limited ("FGP"), which is a direct shareholder of HAH. HAH operations at Heathrow are subject to regulatory review that results in, among other things, the setting of price caps on Heathrow's average charges to airlines by the Civil Aviation Authority ("CAA"). This regulatory review generally takes place every five years. The most recent regulatory period is the H7 regulatory period (the "H7 Regulatory Period"), which encompasses the years 2022 to 2026.

There can be no assurance that the price caps (i.e., the price caps in place after the H7 Regulatory Period) set by the CAA will be sufficient to allow Heathrow to operate at a profit or to obtain adequate profitability given the risk profile of this particular asset. We also cannot assure that the methodology of the CAA's review process would not have a material adverse effect on HAH's revenue in subsequent reviews.

The CAA has established performance-linked requirements that can negatively impact aeronautical income. For instance, the CAA can reduce the permitted yield in respect to airport charges at Heathrow if prescribed milestones are not met on certain capital investment projects. Additionally, there are service quality rebate schemes in place at Heathrow for the current regulatory period. These schemes contemplate rebates of up to 7.0% of airport charges due to the failure to meet specified targets, such as: airport cleanliness, security queuing times, flight information displays, and stand and jetty availability. Any of these factors could have a material adverse effect on our business, financial condition, and results of operations.

Due to the extended timetable for the final decision under the H7 Regulatory Period, the CAA implemented a 2022 interim price cap of GBP 30.2 per passenger on December 16, 2021 and a 2023 interim price cap of GBP 31.6 per passenger on February 1, 2023. The difference between the interim caps and the final price cap set forth in the CAA's final decision will be trued up through the remaining years of the H7 Regulatory Period.

The CAA published its final proposals for the new H7 Regulatory Period (the "CAA's Final Decision") on March 8, 2023. According to the CAA's Final Decision, charges for 2023 would remain at GBP 31.6 per passenger as set out in the CAA's interim decision on February 1, 2023. The average maximum price per passenger is then expected to fall by approximately 20.0% to GBP 25.4 per passenger in 2024 and until the end of 2026, with an average of GBP 27.5 per passenger over the new H7 Regulatory Period. The charge established in the CAA's Final Decision from 2024 onwards is slightly lower than that set out in the CAA's previous proposals published in June 2022. The change assumes that passenger volumes will return to pre-COVID-19 levels and passengers should therefore benefit from lower unit costs. It also assumes that the lower cap, paired with a larger number of passengers, will allow Heathrow to continue investing in facilities for passengers and supporting its ability to finance its operations.

HAH and the three airlines (British Airways, Virgin Atlantic and Delta Air Lines) independently sought permission to appeal the CAA's price control decision with the UK Competition and Markets Authority (the "CMA") on April 17, 2023, which the CMA granted on May 11, 2023. The appeals were brought under section 25 of the Civil Aviation Act 2012. In particular, the focus of HAH's appeal was that the price cap determined by the CAA does not allow HAH to earn sufficient revenues to support related investments. Conversely, the airlines' appeal claimed that the price cap is too high. The CMA issued a provisional determination in connection with these appeals on September 8, 2023. In its provisional determination, the CMA found that, although the CAA's decision-making was largely correct, the CAA erred in certain aspects of its decision. On October 17, 2023, the CMA released its final decision, which was in line with its provisional determination. The CAA now needs to reconsider the small number of issues raised by the CMA's decision.

On November 28, 2023, we announced the planned divestment of our stake in the Heathrow airport. The transaction is subject to a number of conditions, including obtaining of the necessary regulatory approvals and compliance with provisions relating to the pre-emption and full tag-along rights. The transaction is expected to close in the second or third quarter of 2024.

1.22.3 The successful implementation of the capital investment program of Heathrow and the investment in NTO are subject to, among others, risks related to unanticipated construction and planning issues, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

The capital investment program of Heathrow, as well as the investment program regarding NTO at JFK, include major construction projects and are subject to a number of risks.

For example, as it pertains to the operation of Heathrow, if HAH is unable to achieve consensus in support of capital investment projects among its airline customers, it could affect the willingness of the CAA to include the costs of such projects in the airport's allowed investment and regulated asset base ("RAB").

NTO is also a significant design and construction endeavor, with multiple milestones and a schedule that contemplates completion in phases; as with any major construction effort, the project involves many risks that could result in cost overruns, in delays or in a failure to complete the project.

Difficulties in obtaining any requisite permits, consents (including environmental consents), licenses, planning permissions, compulsory purchase orders, or easements could adversely affect the design or increase the cost of the investment projects or delay or prevent the completion of the project or the commencement of its commercial operation. We may also experience difficulties in coordination with other projects at JFK, which could affect our schedule or impact our cost.

Although contractors typically share in cost and schedule risks, HAH and NTO may face higher-than- expected construction costs and delays (in respect of the former, not all of which may be permitted by the CAA to be included in Heathrow airport's RAB) and possible shortages of equipment, materials, and labor due to the number of major construction projects in the London or New York areas, respectively. The commencement of commercial operations of a newly constructed facility may also give rise to start-up problems, such as the breakdown or failure of equipment or processes, failures in systems integration or lack of readiness of airline operators, closure of facilities, and disruptions of operations and compliance with budget and specifications. The ability of contractors to meet their financial or other liabilities in connection with these projects cannot be assured. The construction contracts of HAH and NTO contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract.

The failure of HAH or NTO to recognize, plan for or manage the extent of the impact of construction projects could result in projects overrunning budgets, operational disruptions, capital expenditure trigger rebates to airlines, unsatisfactory facilities, safety and security performance deficiencies, and higher-than- expected operating costs.

Furthermore, Heathrow halted its expansion work in February 2020 and will review the project and the circumstances surrounding the aviation industry at present, prioritizing its recovery from COVID-19, which is expected to enable Heathrow to better assess and subsequently resume the completion of the planning application for expansion. The U.K. Government's Airports National Policy Statement continues to provide policy support for Heathrow's plans for a third runway and the related infrastructure required to support expanded airport operations. If Heathrow's expansion is further disrupted in any way that is material, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Any of these risks could affect Heathrow's and, in due course, NTO's day-to-day operations and impact their reputation and, consequently, have a material adverse effect on our business, financial condition, and results of operations.

These unanticipated construction and planning issues are not the only issues that could affect the successful implementation of the capital investment program of Heathrow and the investment in NTO, respectively. For example, in deciding to commit to certain investments in connection with these airports, we make certain forecasts and projections, including projections of traffic flows, which are based on assumptions that we believe are reasonable. Any differences between our forecast and projections and actual results of these airports could adversely affect our business, results of operations, prospects, and financial condition. In particular, due to the early stage of the project, NTO's actual results have a greater likelihood to differ from the forecasts and projections made at the outset, such that revenues generated from the operation of the new terminal facilities may be insufficient to support our investment obligations at NTO.

On November 28, 2023, we announced the planned divestment of our stake in the Heathrow airport. The transaction is subject to a number of conditions, including obtaining of the necessary regulatory approvals and compliance with provisions relating to the pre-emption and full tag-along rights. The transaction is expected to close in the second or third quarter of 2024.

1.23 Risks relating to the Construction Business Division

1.23.1 Difficulties in securing private sector projects may adversely affect our business, financial condition, results of operations, and prospects.

Procurement by private sector companies has decreased as a result of the effects of the economic downturn. Difficulties in securing private sector projects as a result of this decrease may adversely affect our business, financial condition, results of operations, and prospects.

In addition, private sector companies may be forced to halt projects that are already underway due to a lack of funds, or they may decide to delay or abandon studies of potential projects while they await more favorable investment conditions. Whilst standard practice in the private sector is for the construction company to be paid as the works are executed, we are exposed to loss of revenue if such works are delayed or cancelled.

Reductions in project procurement and delays in the completion of projects by the private sector may adversely affect our business, financial condition, results of operations, and prospects.

1.23.2 Any failure to meet construction project deadlines and budgets may have a material adverse effect on our business, financial condition, results of operations, and prospects.

There are certain risks that are inherent to large-scale construction projects, such as supply chain shortages and increased costs of materials, machinery, and labor. If any of our contractors and sub-contractors fail to meet agreed deadlines and budgets, or if there are any interruptions arising from adverse weather conditions, unpredictable geological conditions, or unexpected technical or environmental difficulties, there may be resulting delays and excess construction costs.

Contractor and sub-contractor liability clauses, included in most standard construction agreements entered into with contractors and sub-contractors, generally cover these situations, although they may not cover the total value of any resulting losses.

In the event of construction delays, we may receive revenues later than expected and could face penalties and even contractual termination. These eventualities could increase our expenses and reduce our income, particularly if we are unable to recover any such expenses from third parties under our concessions, in which case our business, financial condition, results of operations, and prospects may be materially adversely affected.

1.24. Risks relating to the Energy Infrastructure and Mobility Business Division.

1.24.1 The triggering of performance guarantees in relation to our waste management plants in the U.K. could have a material adverse effect on our business, financial condition, and results of operations.

We operate waste management plants in four main locations in the United Kingdom and most of those plants are part of four separate concession contracts with different local authorities. The four concession contracts represent the majority of our waste management operations and are expected to expire between 2026 and 2043. Other current waste management contracts expire earlier, starting in 2024. All our waste management contracts are in their operational phase, except the provision of energy from waste management plan, which forms part of our contract with the Isle of Wight Council and is in its commissioning phase.

Our waste management contracts include parent company guarantees related to the fulfillment of the respective underlying contract. The maximum value supported by these guarantees as of December 31, 2023, amounted to of GBP 358 million (EUR 413 million); however, in specific scenarios such as fraud, willful misconduct, or abandonment of the asset, the value to be supported by the guarantees is not capped.

The waste management business was developed, operated and guaranteed by Amey and Cespa. However, it was carved out from both groups before we sold them. Therefore, we are currently responsible for the execution of the existing contracts, including the liabilities associated to all their associated parent company guarantees, and we provided indemnities to the acquirers of Amey and Cespa for any damage either of them may suffer in relation to the UK waste management business we have retained.

In recent years, the plants have faced issues in both their construction phase and their commissioning and operation phase, particularly in the case of the Milton Keynes, Isle of Wight, and North Yorkshire (AWRP) plants. As of December 31, 2023, we recognized a provision for future losses covering these plants in the amount of GBP 39.6 million (EUR 45.7 million). The provision does not include structural costs of the business estimated at GBP 8 million (EUR 9 million) per annum.

The triggering of performance guarantees or the occurrence of further issues in connection with the operation or commissioning of the waste management plants may materially and adversely affect our business, financial condition, and results of operations.

1.24.2 We provide services to a limited number of customers in the mining sector in Chile, which is a highly regulated sector and is subject to risks.

We provide services to the mining sector in Chile. Mining is a highly-regulated activity, in large part due to its inherent risks to health and safety. Health and safety standards in this sector are particularly stringent. Changes in laws, regulations and standards applicable to our businesses or the business of our customers could increase our costs of doing business, which could have a material adverse effect on our results of operations. Furthermore, any accidents or incidents involving our operations in this sector may damage our reputation and expose us to claims and litigation, increased insurance premiums or otherwise adversely impact our operations.

Currently we provide our services in this sector in Chile to a limited number of large mining companies that primarily focus on extraction and refinement of copper. Any factors that could impact our clients' financial condition or demand for our services, such as international copper prices, a downturn in the copper mining industry due to lower demand, higher competition or other factors, could materially impact the need for our services and, in turn, have an adverse effect on our business, financial condition, and results of operations.

Furthermore, mining services and our activities in this sector are also labor intensive. Any changes in legislation that may impact labor costs, increases in salaries or lack of availability of qualified labor force could lead to increases in costs that we may not be able to pass on under our contracts in the short-term. Furthermore, lack of available qualified personnel could lead to non-compliance with requirements under our existing contracts. Any of the abovementioned factors could materially and adversely affect our business, financial condition, and results of operations.

2. Risks Related to Legal, Regulatory, and Industry Matters

2.1. We operate in highly regulated environments that are subject to changes in regulations and are subject to risks related to contracts with government authorities, which could have a material adverse effect on our business, financial condition, and results of operations.

General and industry-specific considerations. We must comply with both (i) specific aviation, toll road, waste management and treatment, public procurement, and construction and energy infrastructure sector regulations, as well as (ii) general regulations in the various jurisdictions where we operate. Each jurisdiction where we provide our services has a different risk profile and may present different risks to mitigate, including political and social tensions, locations with limited access, legal uncertainty, local content requirements, increased tax pressures, or heightened complexity of the profit margin allocation process. The current context of geoeconomic crisis encourages economic policies aimed at prioritizing national or regional interests, and increasing fiscal pressure in some markets. These interventions could affect asset management and the development of future projects.

The rise of protectionist policies and political instability in some areas where we operate may lead to regulatory changes that adversely impact management of assets and expose us to new risks, a risk which has been accentuated by the macroeconomic situation generated by the conflicts in Ukraine and the Middle East and COVID-19. As in all highly regulated sectors, any regulatory changes in any of these sectors could adversely affect our business, financial condition, and results of operations.

Environmental considerations. In the countries where we operate, there are local, regional, national, and supranational bodies which regulate our activities and establish applicable environmental regulations. These laws may impose strict liability in the event of damage to natural resources, pollution over established limits, or threats to public safety and health. Strict and/or criminal liability may mean that we could be held jointly and severally liable with other parties for environmental damage regardless of whether we have acted negligently, or that we owe fines whether or not effective or potential damage exists or is proven. Significant liability could be imposed on us for damages, clean-up costs, or penalties in the event of certain discharges into the environment and environmental contamination and damage, as has occurred in the past.

Granting and retention of concessions. Our concessions are granted by governmental authorities and are subject to special risks, including the risk that governmental authorities will take action contrary to our interests or rights under the concession agreements (this may include unilaterally terminating, amending or expropriating the concessions on public interest grounds, or imposing additional restrictions on toll rates).

This risk may be especially relevant in infrastructure assets, where we enter into most of our contracts with governmental authorities. For example, in August 2019, the City of Denver notified the concessionaire of the Great Hall Project (a consortium participated in by a subsidiary of Ferrovial Airports at the time) of its decision to unilaterally terminate the concession agreement which regulated the refurbishment, operation, and management of the Great Hall of the Denver International Airport. However, such scenarios are rare and, if they occur, fair compensation may be paid to the concessionaire in accordance to the terms of the agreement and applicable laws and regulations. For example, following termination of the concession agreement in connection with the Denver International Airport's Great Hall Project, the concessionaire received fair payment as compensation.

Should any actions such as the above be taken by government authorities in any of the jurisdictions in which we operate, there is no certainty that adequate compensation for any losses arising from such risks will be provided by the relevant government, which could have a material adverse effect on our business, financial condition and results of operations.

2.2. We operate in highly regulated environments and are subject to risks related to the granting of permits and rights-of-way and securing land rights, which could have a material adverse effect on our business, financial condition, and results of operations.

Approvals, licenses, permits, and certificates. We require various approvals, licenses, permits, and certificates in the conduct of our business. We cannot assure that we will not encounter significant problems in obtaining new or renewing existing approvals, licenses, permits, and certificates required for the conduct of our business, nor that we will continue to satisfy the conditions under which authorities grant such authorizations. In addition, there may be delays on the part of the regulatory, administrative, or other relevant bodies in reviewing our applications and granting the required authorizations. If we fail to obtain or maintain the necessary approvals, licenses, permits, and certificates required for the conduct of our business, we may lose contracts or be required to incur substantial costs or suspend the operations of one or more of our projects. Furthermore, to bid, develop, and complete a construction project or an energy project, we may also need to obtain permits, licenses, certificates, and other approvals from the relevant administrative authorities. We cannot assure that we will be able to obtain or maintain such governmental approvals or fulfil the conditions required for obtaining the approvals or adapt to new laws, regulations, or policies that may come into effect from time to time, without undue delay or at all. Obtaining environmental permits and the acquisition of the relevant rights-of-way are key elements in the pre-construction phase of many toll roads and transmission line or energy generation projects in which we are or may be involved in the future.

Land rights and related governmental action. Additionally, we may not be able to secure, timely or at all, the land rights we need to obtain to build or extend the toll roads, develop the infrastructure assets, or develop energy infrastructure projects for the concessions in which we have an interest. We principally depend on governmental action to secure such land rights, as it often involves governmental authorities taking action to expropriate the land on which the relevant infrastructure asset is to be constructed.

The entry into force of new regulations and the imposition of new or more stringent requirements as part of permits or authorizations, or a stricter application of existing regulations, may cause delays or increase our costs or impose new responsibilities, leading to lower earnings and liquidity available for our activities and the business, in turn materially adversely affecting our financial condition and results of operations.

2.3 We are subject to litigation risks, including claims and lawsuits arising in the ordinary course of business, which could have a material adverse effect on our reputation, business, financial condition, and results of operations.

We are, and in the future may be, a party to judicial, arbitration, and regulatory proceedings. We are exposed to risks derived from potential lawsuits or litigation of different kinds arising, including in the ordinary course of business. In relation to these legal risks, and according to prevailing accounting standards, when such risks are deemed probable, we must make accounting provisions. When such risks are less likely to materialize, we recognize contingent liabilities. For example, as of December 31, 2023, our litigation and tax provisions amounted to EUR 156 million, including provisions of EUR 71 million to account for possible risks resulting from lawsuits and litigation in progress. The litigation provision amount remained relatively stable compared to the previous year.

Our business strategy is to focus on technically complex projects with long periods of maturation and the development of that, due to such long period of maturation, may result in non-compliance with agreed quality levels and committed deadlines. Any such non-compliance or perceived non-compliance risk may give rise to disputes with clients, counterparties, partners, or stakeholders and potential litigation. In addition, the budgetary constraints faced by some of our public clients may increase their need or willingness to litigate, and consequently increase our exposure to the risk of contractual disputes on construction and maintenance projects, as has been the case in the past with regards to certain of our projects in the United Kingdom, which can negatively impact our return on investment.

Several types of claims may arise in connection with this risk, including:

i. claims relating to compulsory land purchases required for toll roads construction;

ii. claims relating to defects in construction projects performed or services rendered;

iii. claims for third party liability in connection with the use of our assets or the actions of our employees;

iv. employment-related claims;

v. environmental claims; and

vi. claims relating to tax inspections.

Also, criminal claims against our employees may arise, such as the proceedings relating to potential irregularities in tenders organized by the Warsaw Municipal Wastewater Treatment Works for contracts for municipal waste disposal.

An unfavorable outcome, including an out-of-court settlement, in one or more of such proceedings beyond our total litigation provisions, as well as material new claims and proceedings, could have a material adverse effect on our reputation, business, financial condition, and results of operations.

3. Risks Relating to Our Structure and Financial Risks

3.1. The Company is a holding company with no direct cash generating operations and relies on our operating Group Companies to provide itself with funds necessary to meet its financial obligations, which could have an adverse effect on our business, financial position, results of operations, and prospects.

The Company is a holding company with no material, direct business operations. The principal assets of the Company are its equity interests in the Group Companies. The Company depends on our operating Group Companies to meet its financial obligations, including its expenses as a publicly traded company and the payment of dividends. The funds the Company receives from our Group Companies are in the form of dividend distributions, loans, and other payments.

Regarding our Companies' dividend distributions, the amount and timing of such distributions will depend, among other factors, on the laws of our operating Group Companies' respective jurisdictions, their operating performance, the decisions of other shareholders of such entities, any restrictions arising in connection with any anticipated actions from the rating agencies, as well as any financing arrangements entered into by such Group Companies which restrict their ability to distribute dividends.

For example, due to the impact of COVID-19, HAH requested a waiver of the Heathrow Finance plc applicable interest cover ratio ("ICR") covenant in 2021. The conditions of such waiver do not permit dividend payments until the regulatory asset ratio ("RAR") is below 87.5%. In addition, due to the impact of COVID-19, AGS entered into an agreement to amend and extend its debt facility. The agreement does not allow dividend distribution for its duration. Similarly, due to the impact of COVID-19, 407 ETR experienced significant declines in traffic volumes, which decreased operating revenues and the resulting dividends. As a result of these impacts, in 2023, Heathrow and AGS did not distribute dividends, and 407 ETR paid dividends of EUR 281 million. In 2022, Heathrow and AGS did again not distribute dividends, and 407 ETR paid dividends of EUR 237 million (compared to EUR 164 million in 2021).

Additionally, as an equity investor in our Group Companies, the Company's right to receive assets upon such Group Companies' liquidation or reorganization would be effectively subordinated to the claims of creditors. To the extent that the Company is recognized as a creditor of subsidiaries, the Company's claims may still be subordinated to any security interest in, or other lien on, the relevant Group Company's assets and to any of its debt or other (lease) obligations that are senior to the Company's claims.

3.2. Our joint venture and partnership operations could be affected by our reliance on our partners' financial condition, performance, and decisions, which could have a material adverse effect on our business, financial position, results of operations, and prospects.

A relevant number of our operations are conducted through joint ventures and partnerships, including holding non-controlling interests in companies that operate some of our main infrastructure assets, such as Heathrow and the 407 ETR.

We may continue to enter into arrangements subject to joint control, such as joint ventures or minority ownership. Joint ventures, related partnerships, and minority ownership interests are subject to risks related to oversight and control, compliance, competing business interests, financial liabilities, and difficulties to dispose of the stake due to the existence of preemptive rights. Disputes with joint venture partners may result in the loss of business opportunities or intellectual property or disruption to, or termination of, the relevant joint venture, as well as to litigation or other legal proceedings. In the event that risks related to oversight and control, compliance, competing business interests, financial liabilities, and difficulties to dispose of the stake, in respect of joint ventures, joint venture partners and minority shareholders materialize, this could result in financial, reputational, and legal consequences, which could have a material adverse effect on our business, results of operations, and financial condition.

Investment partners may have economic or other interests that do not align with our interests. Furthermore, investment partners may be in a position to take or influence actions contrary to our interests and plans, which may create impasses on decisions and affect our ability to implement our strategies and dispose of the affected concession or entity.

In certain situations, we may not have a controlling stake, and consequently, payment of dividends to us may be blocked by our partners, which may result in us not being able to optimize the management and value of the specific joint venture or partnership. Finally, as a result of different interests between the partners, disputes may develop, resulting in us incurring litigation or arbitration costs and distracting our management from its other tasks. Any of these factors may adversely affect our business, financial condition, and results of operations.

Examples of projects in which we do not have a controlling stake include some of our main assets, such as our 43.2% ownership interest in 407 International Inc., the concession operator of the 407 ETR, our 24.9% ownership interest in IRB Infrastructure Developers ("IRB"), an Indian toll road builder and operator, and our indirect 49.0% ownership interest in JFK NTO, the concessionaire entity that manages the NTO at JFK concession.

For the year ended December 31, 2023, our total dividends received from our infrastructure assets amounted to EUR 741 million, of which EUR 417 million were received from consolidated entities (56.3% of such total dividends) and EUR 324 million were received from equity-accounted companies (i.e., business activities with companies in which joint control is identified) from joint venture and partnership operations (43.7% of such total dividends).

In addition, the success of our joint ventures and partnerships depends on the partner's satisfactory performance of their obligations. If our partners fail to satisfactorily perform their obligations as a result of financial or other difficulties, the joint venture or partnership may be unable to adequately perform contracted services. Under these circumstances, we may be required to make additional investments to ensure the adequate performance of the contracted services.

Furthermore, mainly in connection with the Construction Business Division, we could be jointly and severally liable for both our obligations and those of our partners (although we generally execute counter guarantees with our partners in order to be left harmless). In addition, in the ordinary course of our business, we undertake to provide guarantees and indemnities in respect of the performance of the contractual obligations of our joint venture entities and partnerships. These guarantees and obligations may give rise to a liability to the extent the respective entity fails to perform its contractual obligations. A partner may also fail to comply with applicable laws, rules, or regulations, which may further result in our liability.

Any of the above factors could have a material adverse effect on our business, financial condition, results of operations, and prospects.

3.3. An increase in inflation may negatively affect our results of operations (mainly in the Construction Business Division) and an increase in real rates or an increase in inflation with no economic growth may decrease the value of our assets, which could have a material adverse effect on our business, financial condition, and results of operations.

Although we are positively exposed to inflation risk in general terms, through toll rates with a great degree of flexibility or inflation indexation, under scenarios of low or negative economic growth and high inflation, the additional revenue generated by the toll rate increases may be limited by the negative impact of such increases on traffic volumes. In addition, if real rates (interest rates adjusted for the effects of inflation) increase, the value of our assets may be affected, as the effect on present value of discount rates would be offsetting the benefits of inflation in toll highways.

The recent rise in inflation may have an adverse effect on operating margins under the construction contracts due to increases in the cost of raw materials and energy, which may affect expected profitability. Although this risk is partially mitigated in certain jurisdictions by inflation-related price adjustment clauses in contracts (such as in Poland and in certain contracts in Spain), the risk may not be adequately hedged from the effects of inflation, which could have a material adverse effect on our business, financial condition, and results of operations.

We have entered into an inflation derivative in connection with Autema, a toll road project in Spain, in order to fix the inflation component of our revenue from this project. An increase in inflation would have a negative fair value impact on this derivative, and could as such have a material adverse effect on our business, financial condition, and results of operations.

3.4. Exchange rate fluctuations could have a material adverse effect on our business, financial condition, and results of operations.

We have exposure to foreign currency, mainly to the pound sterling, the U.S. dollar, the Indian rupee, the Canadian dollar, the Polish zloty, the Chilean peso, the Colombian peso, and the Australian dollar.

Our foreign exchange rate risks arise primarily from:

i. our international presence, through our investments and businesses in countries that use currencies other than the euro;
ii. debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt; and
iii. trade receivables or payables in a foreign currency to the currency of the company with which the transaction was registered.

In analyzing sensitivity to exchange rate effects, we estimate that a 10% depreciation in the value of the euro at year-end 2023 against the main currencies in which we hold investments would have an impact on our equity attributable to shareholders of EUR 215 million, of which 26% would relate to the impact of the Canadian dollar, 21% to the U.S. dollar, 12% to the pound sterling and 19% to the Indian rupee.

We establish our hedging strategy by analyzing past fluctuations in both short- and long-term exchanges rates and have monitoring mechanisms in place, such as future projections and long-term equilibrium exchange rates. These hedges are made by arranging foreign currency indebtedness, foreign currency deposits, or financial derivatives.

Although we enter into foreign exchange derivatives to cover our significant future expected operations and cash flows, any current or future hedging contracts or foreign exchange derivatives we enter into may not adequately protect our operating results from the effects of exchange rate fluctuations which could have a material adverse effect on our business, financial condition, and results of operations. We are subject to the creditworthiness, and, in certain circumstances, the early termination of the hedging agreements by hedge counterparties.

We cannot assure that future exchange rate fluctuations will not have a material adverse effect on our business, financial condition, and results of operations.

3.5. Interest rate fluctuations may affect our net financial expense, which could have a material adverse effect on our business, financial condition, and results of operations.

Interest rate fluctuations affect our business, which may impact our net financial expense due to the variable interest on financial assets and liabilities, as well as the measurement of financial instruments arranged at fixed interest rates.

Certain of our indebtedness bears interest at variable rates, generally linked to market benchmarks such as EURIBOR, Secured Overnight Financing Rate ("SOFR"), London Interbank Offered Rate ("LIBOR"), and Sterling Overnight Interbank Average Rate ("SONIA"). Any increase in interest rates would increase our finance costs relating to variable rate indebtedness and increase the costs of refinancing existing indebtedness and of issuing new debt. This interest rate fluctuation risk is particularly important in the financing of infrastructure projects and other projects, which are heavily leveraged in their early stages and the performance of which depends on possible changes in the interest rate.

For example, a linear increase of 100 basis points in market interest rate curves as of December 31, 2023 would increase financial expenses in our income statement by an estimated EUR 4 million, of which EUR 1 million would relate to our interest in infrastructure project companies and EUR 3 million would relate to our interest in ex-infrastructure project companies. This impact would be offset by any increases in financial results due to the expected higher return of cash held by us as of that specific date.

Although we enter into hedging arrangements to cover interest rate fluctuations on a portion of its debt, any current or future hedging contracts or financial derivatives entered into by us may not adequately protect our operating results from the effects of interest rate fluctuations, which could have a material adverse effect on our business, financial condition, and results of operations. We are subject to the creditworthiness of hedge counterparties and, in certain circumstances, the early termination of the hedging agreements by hedge counterparties in the context of interest rate risk arrangement.

We cannot assure that future interest rate fluctuations would not have a material adverse effect on our business, financial condition, and results of operations.

3.6. We may not be able to effectively manage the exposure of our liquidity risk, which could have a material adverse effect on our business, financial condition, and results of operations.

Our assets, especially our infrastructure assets, must be able to secure significant levels of financing for us to be able to carry out our operations (for example, regarding the NTO at JFK or AGS). Certain industries in which we operate, such as airports and toll roads, are by nature capital-intensive businesses. Therefore, the development and operation of our assets, especially infrastructure concession assets, require a high level of financing.

Our ability to secure financing depends on several factors, many of which are beyond our control, including:

i. general economic conditions;

ii. developments in the debt or capital markets;

iii. the availability of funds from financial institutions; and

iv. monetary policy in the markets in which we operate.

Our ability to make payments on and to refinance our debt, as well as to fund future working capital and capital expenditures, will also depend on our future operating performance and ability to generate sufficient cash. Credit markets are subject to fluctuations that may result in periodic tightening of the credit markets, including lending by financial institutions, which will be a source of credit for us, and affect our customers' and suppliers' borrowing and liquidity. There is a risk that the markets that provide funding will not always be available to us due to unexpected events, which may lead to a situation where we cannot honor our liabilities in time. This could also lead to an increase in cost of capital. In such an environment, it may be more difficult and costly for us to refinance our maturing financial liabilities. In addition, if the financial condition of our customers or suppliers is negatively affected by illiquidity, their difficulties could also have a material adverse effect on us.

For example, AGS finances its activities through funds generated from operations and has access to external debt and shareholders' loan facilities. In 2021, Ferrovial injected GBP 35 million in AGS through a combination of equity and a shareholder loan and negotiated amendments and an extension of AGS' debt facility with unanimous approval from all lenders. Under the aforementioned agreement, AGS's debt facility will mature on June 18, 2024. As of the date of this Annual Report an additional GBP 30 million equity commitment remains undrawn (GBP 15 million of which corresponds to our stake in AGS). AGS and its shareholders are confident that new financing facilities will be concluded to support AGS's operational funding needs beyond June 2024. However, if AGS is not able to effectively refinance its debt facility to fund its operational financing needs beyond June 2024, this may have a material adverse effect on our business, financial condition, results of operations, and prospects. Apart from the aforementioned AGS debt facility, there are no other material maturities in the short term (i.e., in 2024) in connection with the financing of infrastructure projects. As it pertains to ex-infrastructure borrowings, there are a number of facilities and bonds maturing in 2024. If we are unable to secure additional financing on favorable terms, or at all, out growth opportunities would be limited and our business, financial condition, and results of operations may be materially adversely affected.

Our ability to effectively manage our credit risk exposure may affect our business, financial condition, and results of operations. We are exposed to the credit risk implied by default on the part of a counterparty (customer, provider, partner, or financial entity), which could impact our business, financial condition, and results of operations.

In spite of signs of recovery in the global economy, the risk of late payments in both the public and private sectors is currently increased due to the effects of the global financial crisis. The cost of government financing and financing of other public entities has also increased due to financial stress in Europe, and this may represent an increased risk for our public sector clients.

Although we actively manage this credit risk through credit scoring and eventually, in certain cases, the use of non-recourse factoring contracts and credit insurance, our risk management strategies may not be successful in limiting our exposure to credit risk, which could adversely affect our business, financial condition, and results of operations.

3.7. We have entered into equity swaps which could result in losses and have a material adverse effect on our business, financial condition, and results of operations.

We entered into equity swaps linked to our share price in order to hedge any potential asset losses derived from the different incentive share plans to which we are a party. Under the general terms of these equity swaps, if, at the maturity date of each equity swap, our share price decreases below a reference share price (i.e., the strike price agreed at the inception of each equity swap), we will make a payment to the counterparty. However, if, at the maturity date of each swap, the share price increases above the reference price, we will receive payment from the counterparty. During the lifetime of the equity swaps, the counterparty will pay us cash amounts equal to the dividends generated by those shares and we will pay the counterparty a floating interest rate.

Further, whilst the equity swaps are not deemed to be hedging derivatives under International Accounting Standards ("IAS"), their market value during a given period of time has an effect on our income statement, which will be positive if the share price increases or negative if the share price decreases during that period. If our share price decreases below the reference price, the market value of the swap will decrease and our business, financial condition, and results of operations may be materially adversely affected.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3.8. The level of some of our Group Companies' contributions to pension schemes in specific entities we participate in the U.K. may vary, which could have a material adverse effect on our business, financial condition, and results of operations.

We have to contribute to the public employee pension scheme in the United Kingdom in connection with our investment in HAH through our interest in FGP, a direct shareholder of HAH. The funding position of Heathrow pension schemes may vary from time to time, including due to fluctuations in investment fair values or changes on actuarial assumptions, thereby affecting the level of Heathrow's pension costs. On November 28, 2023, we announced the planned divestment of our stake in the Heathrow airport. Increased pension costs resulting from variations to our Group Companies' pension schemes' funding positions could, in turn, have a material adverse effect on our business, financial condition, and results of operations.

3.9 Our shareholders in the United States may have difficulty bringing actions and enforcing judgements, against us, our directors, and our executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof.

We are incorporated in the Netherlands and the vast majority of our directors and executive officers reside outside the United States, primarily in Spain or the Netherlands. As a result, our shareholders' ability to bring an action against these individuals or us in the United States in the event that the shareholders believe their rights have been infringed under the U.S. federal securities laws or otherwise, or the procedures in relation thereto, may be subject to uncertainties. Even if our shareholders are successful in bringing an action of this kind, whether they can successfully enforce a judgment against our directors, executive officers, or us outside the United States is subject to substantial uncertainty.

4. Risks Relating to Tax

4.1. The Spanish Tax authorities may consider the Merger to fall outside of the Special Tax Neutrality Regime's protection, which could have a material adverse effect on our business, financial condition, and results of operations.

The Company has applied the special tax neutrality regime implemented in Spain pursuant to Chapter VII of Title VII of the Spanish Law 27/2014 of November 27 on Corporate Income Tax and its implementing regulations, as approved by Decree Law 634/2015 of July 10 (the "Spanish CIT Law"), implementing in Spain the Council Directive 2009/133/EC of 19 October 2009 on the common system of taxation applicable to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office of an SE or SCE between Member States (the "EU Merger Directive"), to the Merger completed on June 16, 2023. Under this tax neutrality regime, the Merger benefits from total or partial tax neutrality consisting in the deferral of tax due to the capital gains or losses that may have arisen in connection with the Merger while maintaining the tax basis of the assets and shares affected by the Merger.

In connection with the application of the special tax neutrality regime, there is a potential risk of a challenge by the Spanish tax authorities. Specifically, the Spanish tax authorities may, in the course of a tax audit, consider that the Merger did not take place for a valid business reason and instead occurred with the main intention of obtaining a tax advantage, a position that the Company expressly rejects. In such case, the Spanish Tax Authorities may deny the application of such special regime and reverse the intended tax advantages.

Should the Spanish Tax Authorities make such a determination, they will seek to eliminate any intended tax advantage. The main difference in taxation between the Spanish and the Dutch Corporate Income Tax ("CIT") regimes is the participation exemption—while the Netherlands has full participation exemption, in Spain, although the tax payers enjoy a participation exemption, 5.0% of such exempt dividends and gains are included in the CIT taxable base. If the Spanish Tax Authorities conclude that avoidance of the inclusion of 5.0% of the exempt dividends and gains in the CIT taxable base is a tax advantage the Company sought, they may as a result assess the CIT due on the difference between the fair market value of our assets transferred as a result of the Merger not allocated to a branch in Spain and the assets' tax basis. In this regard, the main impact would derive from the gains on the transfer of the Shares; however, only 5.0% of the gains would be effectively subject to taxation at a 25.0% CIT rate; such part of the gains would be further reduced by the carry-forward losses that Ferrovial had and deductible expenses, including financial expenses and pending tax credits.

Although the Company does not believe the foregoing would materially affect our overall business or financial condition, the tax impact will depend on the appraisal of transferred assets market value made by the competent authorities, and it could nevertheless result in a significant additional cost.

4.2. We are subject to complex tax laws, including changes thereof, in the jurisdictions in which we operate which could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects.

We are subject to complex tax legislation in the jurisdictions in which we operate. Our tax treatment depends on the determination of facts and interpretation of complex provisions of applicable tax law, for which no clear precedent or authority may be available. Any failure to comply with the tax laws or regulations applicable to us may result in reassessments, late payment interest, fines, and penalties.

We are exposed to risks based on transfer pricing rules applying to intragroup transactions. Pursuant to such rules, related companies and enterprises are required to conduct inter-company transactions at arm's length (i.e., on terms which would also apply among unrelated third parties in comparable transactions) and to sufficiently document the relevant transactions. Although we endeavor to follow such arm's length principle, tax authorities might challenge the transfer pricing model we have implemented, which may result in disputes, double taxation in two or more jurisdictions, and the imposition of interest and penalties on underpaid taxes.

The tax rules applicable to us are consistently under review by persons involved in the legislative process and tax authorities, which may result in the passing of new tax laws, new or revised interpretations of established concepts, statutory changes, new reporting obligations, revisions to regulations, and other modifications and interpretations. Our present tax treatment may be modified by administrative, legislative, or judicial interpretation at any time, and any such action may apply on a retroactive or retrospective basis.

Any change in current tax legislation (including conventions for the avoidance of double taxation) in the countries where we operate or a change in the interpretation of such legislation by the tax authorities, as well as any change in accounting standards as a result of the application of tax regulations, could have a material adverse effect on our business, operating results, and financial position of the Company and our Group Companies. There is also a risk that unexpected tax expenses may arise or that tax authorities may challenge the general transfer pricing policy we have adopted, which could have a material adverse effect on our business, operating results, and financial position.

We continue to assess the impact of changes in tax laws and interpretations on our businesses and may determine that changes to our structure, practice, tax positions, or the manner in which we conduct our businesses are necessary in light of such changes and developments in the tax laws of the jurisdictions in which we operate. Such changes may nevertheless be ineffective.

For example, the G20/OECD Inclusive Framework has been working on addressing the tax challenges arising from the digitalization of the economy. One of the solutions to address the impact and consequence of the digitalization of the global economy is the Organization for Economic Cooperation and Development's (the "OECD") Pillar One and Pillar Two blueprints, released on October 12, 2020. Pillar One refers to the re-allocation of taxing rights to jurisdictions where sustained and significant business is conducted, regardless of a physical presence, and Pillar Two contains a minimum tax to be paid by the multinational enterprises. On December 14, 2022, the EU approved implementation of Pillar Two.

The Dutch legislative proposal to transpose Pillar Two in the Dutch corporate tax system, titled "Minimum Tax Act 2024 (Pillar Two)", entered into force on January 1, 2024.

This measure aims to ensure that multinationals are subject to a corporation tax rate of at least 15.0%, preventing them from shifting profits to low-tax jurisdictions in order to minimize the tax that they pay. The Company's current view is that the Minimum Tax Rate Act 2024 should not lead to adverse tax consequences for the Group, but this measure could have an adverse effect on the Company's tax compliance burden. In principle, the Minimum Tax Rate Act 2024 should not lead to an increase in taxes payable by us, as we develop our activity in jurisdictions with a nominal tax rate for CIT purposes above the minimum 15.0% threshold, but it could have an adverse effect due to the potential increase in our tax compliance obligations.

The original treatment of a tax-relevant matter in a tax return, tax assessment, or otherwise could later be found incorrect and as a result, we may be subject to additional taxes, interest, penalty payments, and social security payments. Such reassessment may be due to an interpretation or view of laws and facts by tax authorities in a manner that deviates from our view.

We are subject to tax audits by the respective tax authorities on a regular basis. As a result of ongoing and future tax audits or other reviews by the tax authorities, additional taxes could be imposed that exceed the provisions reflected in previous financial statements. This could lead to an increase in our tax obligations, either as a result of the relevant tax payment being assessed directly against the Company or as a result of becoming liable for the relevant tax as a secondary obligor due to the primary obligor's failure to pay such taxes. Consequently, we may have to engage in tax litigation to defend or achieve results reflected in prior estimates, declarations, or assessments which may be time-consuming and expensive. We are subject to pending litigation on tax matters which could result in a material amount of tax becoming payable. For further details, see "—3. The final outcome of ongoing tax proceedings could adversely affect our after-tax profitability and financial results."

The materialization of any of the above risks could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects.

4.3. The final outcome of ongoing tax proceedings could adversely affect our after-tax profitability and financial results.

We are a Dutch-based Group with operations in several countries and, thus, are subject to tax in multiple jurisdictions. Significant judgment is required in determining our global provision for income taxes, deferred tax assets and liabilities and in evaluating our tax positions in these jurisdictions. For further details, see "—2. We are subject to complex tax laws, including changes thereof, in the jurisdictions in which we operate which could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects." We are subject to tax audits and tax litigation, which could be complex and may require an extended period of time to resolve. While we believe that our tax positions are consistent with the tax laws of the jurisdictions in which we conduct our business, it is possible that these positions may be overturned by the relevant tax authorities.

Specifically, we are currently involved in a tax proceeding relating to a previous tax assessments at a supranational level. The outcome of this or any future tax proceedings may have a significant impact on our tax provisions and could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects.

4.4 Potential amendments on the convention for the avoidance of double taxation between the Netherlands and Spain may provide less benefits to the Group and the Company's shareholders, which can potentially lead to adverse tax consequences for either the Group or the Company's shareholders.

The convention for the avoidance of double taxation between the Netherlands and Spain, entered into by those countries on June 16, 1971, is currently being renegotiated. The existing tax treaty provides for rules that reduce or eliminate double taxation of income earned by residents of either country from sources within the other country. Consequently, the Group and the Company's shareholders may currently, under the terms of the existing tax treaty, be entitled to tax benefits, such as exemption from certain income taxation, reduced tax rates, and other benefits. As a consequence of the treaty renegotiation, a new or amended tax treaty may be concluded which differs from the current tax treaty, which can potentially lead to adverse tax consequences for either the Group or the Company's shareholders, or both, to the extent they are currently entitled to benefits of the existing tax treaty.

4.5 The recoverability of our deferred tax assets may be subject to certain limitations, which could have a material adverse effect on our business, financial position, results of operations, and prospects.

As of December 31, 2023, a significant portion of our recognized deferred tax assets were tax loss carry-forwards and prepaid taxes from losses incurred by the Company and its subsidiaries. In Spain, for the purpose of assessing the recoverability of tax loss carry-forwards by our Spanish tax consolidated group, we have decided not to record all the tax credits for accounting purposes, in view of a reasonable doubt that they may be recovered in the short- or medium-term.

Our current and deferred income taxes may be further impacted by events and transactions arising in the normal course of business, as well as by special non-recurring items or changes in the applicable tax laws. Changes in the assumptions and estimates made by our management may result in our inability to recover our deferred tax assets if we consider that it is not probable that a taxable profit will be available against which the deductible temporary difference can be used. A future change in applicable tax laws could also limit our ability to recover our deferred tax assets. Additionally, currently ongoing or potential future tax audits and adverse determinations by the Spanish tax authorities may affect the recoverability of our deferred tax assets.

Specifically, we currently have ongoing litigation with respect to our CIT assessments pertaining to the tax years 2016 through 2023. On January 18, 2024, the Spanish Supreme Court issued a decision declaring unconstitutional the Royal Decree-Law 3/2016, on tax measures aimed at the consolidation of public finances. This decision could affect the outcome of our ongoing CIT litigation. Should the final outcome of the CIT litigation be favorable, which we believe is likely following the Spanish Supreme Court's unconstitutionality decision, it may results in our tax credits being recoverable and available to the Group in connection with its future CIT filings.

Moreover, as a result of the Merger, the Company's and its Dutch subsidiaries' ability to use carry-forward losses and other tax attributes for Dutch tax purposes that arose prior to the Merger to offset taxable income that arises after the Merger may be subject to certain limitations, as certain rules apply to restrict such an entity's use of carry-forward losses incurred prior to the Merger only to profits arising after the Merger that are attributable to such entity. Any such limitation on the Company's or its Dutch subsidiary's use of carry-forward losses or other tax attributes may adversely affect our business, financial position, results of operations, and prospects.

The Company and its Spanish subsidiaries that apply the special CIT group regime ("CIT Group Regime") allowing entities residing in Spain and permanent establishments forming part of a group regime to be taxed as a single CIT payer (the "Spanish CIT group") would also face restrictions on its ability to use carry-forward losses and other tax attributes for Spanish tax purposes.

4.6 If the Company ceases to be a resident in the Netherlands for the purposes of a tax treaty concluded by the Netherlands and in certain other events, the Company's shareholders could potentially be subject to a proposed Dutch dividend withholding tax in respect of a deemed distribution of the entire market value of the Company less paid-up capital.

Under a law proposal currently pending before the Dutch parliament, the DWT Exit Tax, the Company will be deemed to have distributed an amount equal to its entire market capitalization less recognized paid-up capital immediately before the occurrence of certain events, including if the Company ceases to be a Dutch tax resident for purposes of a tax treaty concluded by the Netherlands with another jurisdiction and becomes, for purposes of such tax treaty, exclusively a tax resident of that other jurisdiction, which is the "qualifying jurisdiction." A qualifying jurisdiction is a jurisdiction other than a member state of the EU/EEA that does not impose a withholding tax on distributions, or that does impose such tax but that grants a step-up for earnings attributable to the period prior to the Company becoming exclusively a resident in such jurisdiction. This deemed distribution would be subject to a 15.0% tax insofar it exceeds a franchise of EUR 50 million. The tax is payable by the Company as a withholding agent. A full exemption applies to entities and individuals who are resident in an EU/EEA member state or a state that has concluded a tax treaty with the Netherlands that contains a dividend article, provided the Company submits a declaration confirming the satisfaction of applicable conditions by qualifying shareholders within one month following the taxable event. The Company would be deemed to have withheld the tax on the deemed distribution and have a statutory right to recover this from the shareholders. Dutch resident shareholders qualifying for the exemption are entitled to a credit or refund, and non-Dutch resident shareholders qualifying for the exemption are entitled to a refund, subject to applicable statutory limitations, provided the tax has been actually recovered from them.

The DWT Exit Tax has been amended several times since its initial proposal and is under ongoing discussion. It is therefore not certain whether the DWT Exit Tax would be enacted and if so, in what form. If enacted in its present form, the DWT Exit Tax will have retroactive effect as from December 8, 2021.

4.7. The Company operates so as to be treated exclusively as a resident of the Netherlands for tax purposes, but other jurisdictions may also claim taxation rights over the Company, which could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects, and on the net cash proceeds received by the Company's shareholders in respect of distributions by the Company.

The Company has established its organizational and management structure in such a manner that the Company should be regarded to have its residence for tax purposes exclusively in the Netherlands and to exclusively qualify as a Dutch tax resident for purposes of the Dutch Dividend Withholding Tax Act (the "DWTA") and the Dutch Corporate Income Tax Act.

However, the determination of the Company's residency for tax purposes depends primarily upon its place of effective management, which is largely a question of fact, based on all relevant circumstances. Therefore, no assurance can be given regarding the final determination of the Company's tax residency by the relevant tax authorities. If the tax authorities of a jurisdiction other than the Netherlands take the position that the Company should be treated as a tax resident of exclusively that jurisdiction (including for purposes of a tax treaty), the Company may be liable to pay an exit tax for Dutch income tax purposes and may also become subject to income tax in such other jurisdiction. See "—6. If the Company ceases to be a resident in the Netherlands for the purposes of a tax treaty concluded by the Netherlands and in certain other events, the Company's shareholders could potentially be subject to a proposed Dutch dividend withholding tax in respect of a deemed distribution of the entire market value of the Company less paid-up capital." In addition, this assessment would result in the Company no longer being part of the Dutch fiscal unity headed by it, which may subsequently result in certain deconsolidation charges becoming due, and the loss or restriction of certain tax assets such as carry-forward tax losses.

If the Company is regarded to also have its residence for tax purposes in any other jurisdiction(s) than the Netherlands, the shareholders could become subject to dividend withholding tax in such other jurisdiction(s), as well as in the Netherlands.

In each case, this could have a material adverse effect on our business, financial condition, results of operations, cash flows, and prospects, and on the net cash proceeds received by shareholders in respect of distributions by the Company. The impact of these risks differs depending on the jurisdictions and tax authorities involved and the Company's and its shareholders' ability to resolve double taxation issues, for instance through mutual agreement procedures and other dispute resolution mechanisms under an applicable tax treaty, the dispute resolution mechanism under Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union (the "EU Arbitration Directive") (in the case of an EU jurisdiction), or judicial review by the relevant national courts. These procedures require substantial time, costs, and efforts, and it is not certain that double taxation issues can be resolved in all circumstances.

4.8 If the Company is classified as a passive foreign investment company for U.S. federal income tax purposes, U.S. investors in the Company's ordinary shares may be subject to adverse U.S. federal income tax consequences.

A non-U.S. corporation will be classified as a passive foreign investment company ("PFIC") for any taxable year if, either: (i) 75.0% or more of its gross income for the taxable year consists of "passive income" for the purposes of the PFIC rules (including dividends, interest, and other investment income, with certain exceptions) or (ii) at least 50.0% of the value of its assets for the taxable year (determined based upon a quarterly average) is attributable to assets that produce or are held for the production of "passive income." The PFIC rules also contain a look-through rule whereby the Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25.0% or more (by value) of the stock.

Whether the Company is treated as a PFIC is a factual determination to be made annually after the close of each taxable year and thus may be subject to change. The Company's PFIC status for each taxable year will depend on facts including the composition of the Company's assets and income, as well as the value of the Company's assets (which may fluctuate with the Company's market capitalization) at such time. Based on the nature of the Company's business, the ownership, and the composition of the income, assets, and operations of the Company, although not free from doubt, the Company believes it was not a PFIC for the taxable year ending December 31, 2023.

The determination of the Company's PFIC status is complex and subject to ambiguities. In addition, the Company's PFIC status for the current and future taxable years depends, in large part, on the expected value of its goodwill, which could fluctuate significantly. Moreover, the U.S. Internal Revenue Service ("IRS") or a court may disagree with the Company's determinations, including the manner in which the Company determines the value of the Company's assets and the percentage of the Company's assets that are passive assets under the PFIC rules. Therefore, there can be no assurance that the Company will not be classified as a PFIC for the current taxable year or for any future taxable year.

4.9 Changes to applicable tax laws and regulations or exposure to additional income tax liabilities could affect our future business and profitability.

We are a Dutch company and thus subject to Dutch corporate income tax as well as other applicable local taxes on our operations. Our subsidiaries are subject to the tax laws applicable in their respective jurisdictions of incorporation. New local laws and policy relating to taxes, whether in the Netherlands or in any of the jurisdictions in which our subsidiaries operate, may have an adverse effect on our future business and profitability. Further, existing applicable tax laws, tax rates, statutes, rules, regulations, treaties, administrative practices and principles, judicial decisions or ordinances could be interpreted, changed, modified or applied to us or our subsidiaries in a manner that could adversely affect our after-tax profitability and financial results, in each case, possibly with retroactive effect.

Additionally, there is also a high level of uncertainty in today's tax environment stemming from both global initiatives put forth by the OECD, and unilateral measures being implemented by various countries due to a lack of consensus on these global initiatives. As an example, the OECD has put forth two proposals, Pillar One and Pillar Two, that revise the existing profit allocation and nexus rules (profit allocation based on location of sales versus physical presence) and ensure a minimal level of taxation, respectively (as of November 4, 2021, the OECD published that 137 countries have agreed on Pillar Two at a rate of 15.0%. The Dutch legislative proposal to transpose Pillar Two in the Dutch corporate tax system, titled "Minimum Tax Act 2024 (Pillar Two)", entered into force on January 1, 2024. Further, unilateral measures, such as digital services tax and corresponding toll rates in response to such measures, are creating additional uncertainty. If these initiatives are implemented, they may negatively impact our financial condition, tax liability, and results of operations and could increase our administrative costs.

4.10. Our tax obligations may change or fluctuate, become significantly more complex, or become subject to greater risk of examination by taxing authorities, including as a result of plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, any of which could adversely affect our after-tax profitability and financial results.

We currently operate in several jurisdictions in addition to the Netherlands and Spain, such as the United States, Canada, the United Kingdom and Poland, among others. In the event that our business expands to additional jurisdictions, our effective tax rates may fluctuate widely. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under the International Financial Reporting Standards ("IFRS"), changes in deferred tax assets and liabilities, or changes in tax laws. Factors that could materially affect our future effective tax rates include, but are not limited to:

i. changes in tax laws or the regulatory environment;

ii. changes in accounting and tax standards or practices;

iii. changes in the composition of operating income by tax jurisdiction; and

iv. pre-tax operating results of our business.

Outcomes from audits or examinations by taxing authorities could have an adverse effect on our after-tax profitability and financial condition. Additionally, foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.