

# ANNUAL REPORT

DECEMBER 31, 2016



*Algarve International B.V.*

## ANNUAL REPORT 2016

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## Algarve at a Glance

### Profile of the Company

The principal activity of Algarve International B.V. (hereinafter referred to as the "Company" or as "Algarve") is the financing of affiliated companies and enterprises and to borrow, to lend or to raise funds, including the issuance of bonds and debentures and to create security in connection therewith.

Autoestrada do Algarve – Via do Infante – Sociedade Concessionária AAVI S.A. (formerly known as Euroscut Sociedade Concessionária da Scut do Algarve, S.A.), Lisbon, an affiliated company of Algarve, has been granted the concession with respect to a system toll road in Southern Portugal (hereinafter referred to as the "Concession"), together with other facilities and works constituting a part of the Concession from time to time.

The Company directly lends to Autoestrada do Algarve – Via do Infante - Sociedade Concessionária AAVI S.A. (formerly known as Euroscut Sociedad Concessionária da Scut do Algarve, S.A. and hereinafter referred to as "Via do Infante").

The Company has raised funds through the issuance of loans and bonds. Citibank N.A. Lisbon has been appointed as 'Security Trustee', the European Investment Bank, Luxembourg, (hereinafter referred to as "EIB") as credit party and Syncora Guarantee, Inc., New York (hereinafter referred to as "Syncora") as "Guarantor" for respectively the issued term loans and bonds.

Algarve was founded in 2001.

Algarve is part of the Ferrovial Group (hereinafter referred to as "Ferrovial"), with Ferrovial S.A. as its parent company which is listed on the Madrid Stock Exchange. Ferrovial is one of the world's leading infrastructure operators and municipal services companies, committed to developing sustainable solutions. Ferrovial S.A. operates as a manager of transportation infrastructure companies in Spain and internationally.., The company has more than 96,000 employees and a presence in over 15 countries. It is a member of Spain's blue-chip IBEX 35 index and is also included in prestigious sustainability indices such as the Dow Jones Sustainability Index and FTSE4Good.

The company's activity is carried out through four business lines:

- ✓ Services: efficient provision of urban and environmental services and maintenance of infrastructures and facilities.
- ✓ Toll Roads: promotion, investment and operation of toll roads and other infrastructures.
- ✓ Construction: the design and construction of infrastructures in the areas of civil engineering work, building and industrial construction.
- ✓ Airports: airport investment and operation.

It operates and manages four (4) airports and manages 27 (twenty seven) toll roads in Canada, US, Spain, the UK, Portugal, Ireland, Greece, Slovakia, Colombia and Australia. Furthermore, Ferrovial SA is involved in facility management, infrastructure maintenance, airport handling, municipal and waste treatment services, waste management, gardening, and municipal and industrial cleaning services. Ferrovial SA was founded in 1952 and is based in Madrid, Spain.

## Supervisory Board

*Name* **D. Haarsma (1948)**  
*Function* Chairman  
*Nationality* Dutch  
*first appointed* 2010  
*current term* until AGM 2018  
*Expertise* management strategy and risks inherent to the company's business; management selection, recommendation and development; compliance, shareholder and employee relations, Dutch corporate income tax, cross border business, mergers and acquisitions, setup of investment funds, financial sector.

*other functions* Director of DHA Management B.V., DHA Management International B.V., Alcedo Theo B.V., Guess? Europe B.V., Guess? Euro-Canada B.V., Avast Holding B.V., Ole Investments B.V., and Supervisory Board Member of Verizon Nederland B.V.

*Name* **M.A.H. Martis (1968)**  
*Nationality* Dutch  
*first appointed* 2012  
*current term* until AGM 2016  
*Expertise* financial administration, accounting, financing, compliance, internal risk management, cross border business, financial sector  
*other functions* Managing Director of Africatel Holding B.V., Aurigen Europe Holdings B.V., Guinness Peat Group International Holdings B.V., Bebidas Americas Investments B.V., Bergen Finance Company B.V., Bratel B.V., Broadstreet European Holdings B.V., CDMI Investments B.V., CVTEL B.V., Molson Coors Netherlands B.V., Prebon Holdings B.V., Rhine American Holdings Coöperatie B.A., Semetao Holding B.V., Waldorf Services B.V., Walsh Western Finance B.V., Walmart Investments Coöperatie U.A., Underwriters Laboratories Holdings B.V., Underwriters Laboratories B.V., Lupin Holdings B.V. and Gadin Investments B.V., WMX Holdings B.V., Supervisory Board Member of CEE Property Development Portfolio B.V. and Czech Real Estate Fund B.V., Proxy Holder A of Trust International Management (T.I.M.) B.V., Europe Management Company B.V. and Management Company Strawinsky B.V., Senior Account Manager Financial at Citco Nederland B.V..



## Report of the Supervisory Board

The Company performed reasonably stable. During the year 2015, an amendment to the concession agreement was concluded, which has resulted in a stabilization of the income at the level of the toll road Via do Infante for 2015 and future years.

### Annual Accounts and Dividend Proposal

The Annual Report includes the Annual Accounts as per December 31, 2016 which are accompanied by an unqualified audit opinion from the external auditor, Deloitte Accountants B.V. ("**Deloitte**"). These Annual Accounts were prepared in accordance with the statutory provisions of section 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

We have discussed the Annual Accounts with the Board of Managing Directors in the presence of Deloitte. We are of the opinion that the Annual Accounts and the report of the Board of Managing Directors provide a true and fair picture of the state of affairs of Algarve and form a good basis to hold the Board of Managing Directors accountable for the management policies pursued and the Supervisory Board accountable for its supervision of the management policies pursued. We have signed the Annual Accounts pursuant to our statutory obligation under Article 210 paragraph 2 of Book 2 of the Dutch Civil Code.

We are of the opinion that the Annual Report and the Report of the Board of Managing Directors provide a true and fair view of the state of affairs of Algarve including the management policies pursued.

We propose that the Shareholders adopt the 2016 Annual Accounts and discharge the members of the Board of Managing Directors in office in the financial year 2016 for their management of the Company and its affairs during 2016, and the members of the Supervisory Board in office for their supervision over said management.

In December 2016, it was proposed and approved by the Board of Managing Directors to distribute an Annual dividend in the amount of EUR 616,349 out of the net profits for 2015 and a part of the reserves of previous years, to be provided in cash to the shareholders pro rata the percentage of shares held by each shareholder ("**the Distribution**"). The Supervisory Board has acknowledged and approved the Distribution, effective as per December 15<sup>th</sup>, 2016, by means of a written unanimous resolution.

### Composition and Profile of the Supervisory Board

The Supervisory Board comprises of two individuals with the Dutch nationality. Information about each member of the Supervisory Board is included on page 3. The profile of the Supervisory Board describes the range of expertise that should be represented in our Supervisory Board. The profile relates to knowledge and experience in the fields of strategy, finance, financial control, information technology, management and organization in the financial sector. The divisions of duties within the Supervisory Board are laid down in a set of regulations. In our opinion both the composition of the Supervisory Board and the expertise and experience of the individual members meet the stipulated requirements.

The requirements of the Dutch Corporate Governance Code<sup>1</sup> (hereinafter referred to as the "**Code**") are fulfilled with respect to the independence of the Supervisory Board members. Both Supervisory Board members do not carry out any other functions that could jeopardize their independence.

During the period under review none of the Supervisory Board members held any shares, or certificates of shares in the Company or securities related neither to the Company nor in the ultimate beneficial owners of the Company.

In the year under review two (2) scheduled meeting were convened by the Supervisory Board and the Board of Managing Directors. The Supervisory Board Members, one member of the Board of Managing Directors was

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<sup>1</sup> the Dutch Corporate Governance Code applicable for the financial period ended December 31, 2016.

physically present and representatives of the other Managing Director and Via do Infante (*formerly known as Euroscut Sociedade Concessionária da Scut do Algarve, S.A.*) were present via telephone.

## Audit Committee

According to Dutch regulations a Public-Interest Entity has the obligation to install an Audit Committee, as from August 25, 2008. However, pursuant to Article 3, paragraph a of the Decree dated July 26, 2008, ("*AMvB, Staatsblad 2008, Nr. 323*") a Public-Interest Entity could apply for the exemption to avoid installing an Audit Committee, in case the parent company of the Company installed an Audit Committee which met the requirements of the Code. As from December 3, 2009, the Company no longer made use of the aforementioned exemption. On December 29, 2009, the shareholders of the Company decided to install a Supervisory Board at the level of the Company itself.

Based on best practice provision III.5 of the Code the Supervisory Board needs to appoint amongst its members an audit committee, a remuneration committee and a selection and appointment committee, in case the Supervisory Board consists of more than four members. The function of the committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board decided, after approval from the shareholders on February 8, 2010, not to appoint an audit committee, remuneration committee or selection and appointment committee and therefore best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.14, V.1.2, V.2.3, V.3.1, V.3.2 and V.3.3 of the Code apply to the entire Supervisory Board.

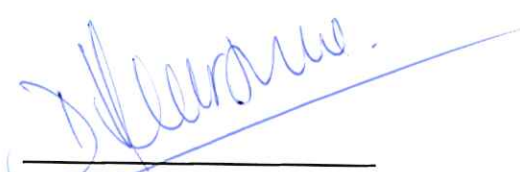
The composition of the Supervisory Board is in accordance with the requirements of the Code. Collectively the members possess the required experience and financial expertise to supervise the Company's financial activities, annual accounts and risk profile. Mr. M.A.H. Martis has been acting as the financial expert within the meaning of the Code.

## In Conclusion

In our view, in the end the commitment and dedication of the Board of Managing Directors determine the success of our company.

Therefore, we would like to thank the Board of Managing Directors and Financial Managers for their hard work and contribution to the Company's performance in 2016. The year 2017 will certainly bring new challenges, but we feel confident that Algarve will be able to withstand these challenges keeping its strong position.

Amsterdam, April 26th, 2017



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D. Haarsma



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M.A.H. Martis



## Report of the Board of Managing Directors

### Financial Report

During the year under review, the Company recorded a net profit of EUR 370,999.

### Overview of the Activities

In 2011, the Portuguese State initiated negotiations with the purpose of introducing real tolls on the A22. Nevertheless, by a unilateral decision from the Portuguese State, 10 toll collection points (*gantries*) were installed on the A22 and tolls were charged as of December 8, 2011.

The *"Preliminary Agreement with reference to the Memorandum of Understanding for the adjustment of the Euroscut Algarve Concession Agreement"* was signed on July 11, 2014. This agreement specifies the revision terms of the current operating conditions of the concession and the amendments to be made to the Concession Agreement. As a result of the negotiations of the preliminary agreement on July 29, 2015 a Minute of the Conclusion of Negotiation Procedures was signed thus allowing the Minute of the Concession Agreement to be approved by the Council of Ministers through Resolution number 83-C/2015 on October 1st, 2015. The amended Algarve Concession Agreement was formalized on October 2nd, 2015 specifying the revision terms of the current operating conditions of the concession and the new levels of operation on the consigned stretches of motorway from a shadow toll SCUT basis payment to availability payments. The amended agreement became legally binding on November 9, 2015 and prior approval was waived by the Court of Auditors.

On May 12, 2016, an agreement was concluded between Cintra Infrastructures SE (*"Cintra ISE"*) and three minority shareholders, namely Construções Gabriel A. S. Couto, S.A., Elevation Engenharia, S.A. and Casaisinvest-Gestão de Participações Sociais, SGPS, S.A. These minority shareholders sold their participation in the Company to Cintra ISE.

The insolvency trustee of Aurélio Martins Sobreiro & Filhos, S.A. (*"Aurelio MSF"*) sold the ownership interest of Aurelio MSF in the Company to Cintra ISE in November 2016.

Currently the Company has two remaining shareholders Cintra ISE and J. Gomes – Sociedade de Construções do Cávado, S.A. .

On June 10, 2016, an agreement has been concluded between Cintra Infrastructures SE and Dutch Infrastructure Management Fund DIF (*"DIF"*) for the sale of a 49% stake in the Company to DIF. More details of this transaction are being disclosed under Future Developments.

On June 28, 2016, the board of managing directors has changed by means of the dismissal of Europe Management Company B.V. (Managing Director A), Trust International Management (T.I.M.) B.V. (Managing Director A), Management Company Strawinsky B.V. (Managing Director A), Manuel Jose Barrero (Managing Director B), Christian Torrell Torrente (Managing Director B) and the appointment of Ana del Rosario Castillo Molina-van der Laan, as Managing Director A. Since this date, Algarve has one Managing Director A and one Managing Director B.

### Financial Analysis

In 2016, the operating income decreased by 5.80% to EUR 12,723,279 compared to EUR 13,506,395 in 2015. Likewise, the operating expense decreased by 6.10% to EUR 12,209,556 compared to EUR 13,002,402 in 2015. These variations were mainly due the amortization of the loan and bond (both receivable and payable), in accordance with the contracted cash-flows.

The general and administrative expenses increased by 18.31% to EUR 464,775 compared to EUR 392,859 in 2015. The total amount of assets decreased by 5.04% to EUR 183,507,721 compared to EUR 193,251,096 in 2015.

## Risk Analysis

Algarve has no operations of its own, so holders of the bonds and other creditors must depend on Via do Infante to provide Algarve with sufficient funds to make payments on the notes and any invoices when due.

Via do Infante does not expect to have any problems since the current agreement guarantees revenues until the end of the concession agreement in 2030.

The agreement that has been concluded between Cintra Infrastructures SE and Dutch Infrastructure Management Fund DIF ("DIF") for the sale of a 49% stake in the Company to DIF contemplates no impact or risks neither to Via do Infante nor to the Company that can affect the collectability of the receivable from Via do Infante after the contemplated sale of the shares.

Neither the Company nor Via do Infante acquire any additional risk because of the agreement that has been concluded between Cintra Infrastructures SE and Dutch Infrastructure Management Fund DIF ("DIF") for the sale of a 49% stake in the Company to DIF, since obligations remain outstanding to Via do Infante on the Intercompany Loan held with Algarve International, BV. The fact that the sale must be approved by financial institutions which participate in the financing agreements, among which is said Intercompany Loan, gives even more force to this argument, because without the approval of the financial institutions will not be possible to complete the operation.

## Risk Management

### Authorization level

Managing Directors are bound by clear restrictions regarding representative authorization. All agreements and instruments must be approved and signed by both the Dutch resident Managing Director A and the Managing Director B, unless a power of attorney has been issued in this respect.

### Price Risk

#### Currency Risk

The Company mainly operates in the European Union. The Company has currently no currency risks, all transactions are in Euros.

#### Interest Rate Risk

The Company incurs interest rate risks on interest bearing receivables (*in particular those included in financial assets, securities and cash*) and on interest bearing non-current and current liabilities (including borrowings).

### Credit Risk

The Company has a significant concentration of credit risk, as the Company depends on the (generated) income at the level of Via do Infante, whereas Via do Infante has only one client (*being the Portuguese State*). In addition services are being provided subject to payment deadlines ranging between eight (8) and thirty (30) days. A different payment period may apply to major suppliers, in which case additional securities are demanded, including guarantees.

With respect to banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The Company has issued loans to an associate. This counterparty does not have a history of non-performance, but relies only on one material client (*being the Portuguese State*) for its turnover and financial performance.



#### Liquidity Risk

The Company does not use several banks in order to avail itself of a range of overdraft facilities.

#### Internal Fraud Risk

The Company applies a transaction monitoring procedure on all its incoming and outgoing transactions, to clearly identify the source and/or destination of funds, including identification of the senders and/or beneficiaries. Besides that, the Company has a payment procedure in place, which includes that payment instructions can only be executed by one Managing Director A and one Managing Director B, acting jointly. Unless there is a power of attorney in place that allows to sign to other proxies.

#### Audit Committee

The duties of the Audit Committee are performed by the Supervisory Board, ensuring an independent monitoring of the risk management process from the perspective of its supervisory role. The Supervisory Board focuses on the quality of the internal and external reporting and the performance of the external auditor.

#### External Audit

The accounts of Algarve are audited every six months by an external auditor (Deloitte). These audits take place on the basis of generally accepted auditing standards within the Netherlands.

#### Advisory Roles

The external auditor (Deloitte) does not act in an advisory capacity as it only provides audit services relating to the annual accounts. Professional advice is provided by third party experts, such as tax advisors, Dutch notaries and Civil-Law lawyers.

#### In Control Statement and Responsibility Statement

The Board of Managing Directors is responsible for Algarve's Internal Control and Management Procedure. This procedure is designed to manage the risks that may prevent Algarve from achieving its objectives. However, this procedure cannot provide absolute assurance that material misstatements, fraud and violations of laws and regulations can be avoided. The Board of Managing Directors reviewed and analyzed the financial, financial reporting and regulatory and compliance risks and the design and operating effectiveness of the Internal Control and Management Procedure.

The outcome of this review and analysis was shared with the Supervisory Board and discussed with Algarve's external auditors.

With reference to best practice provision II.1.5 of the Dutch Corporate Governance Code, the Board of Managing Directors, to the best of its knowledge, believes that the Internal Control and Management Procedure, with regard to financial reporting, worked properly over 2016 and that Internal Control and Management Procedure provides a reasonable assurance that the financial reporting does not contain any errors of material importance.

Moreover, the last months have been applied the process FRM (Ferroviaal Risk Management) - Procedure for the identification and assessment of risks and risk events - which is applicable for all companies or any other form of partnership where Ferroviaal has the majority shareholding and/or is responsible for the management. Additionally, it was also applicable the General functional framework of the System of Internal Control over Financial Reporting (SICFR) which includes a series of best practices and operating principles related with aspects of the System of Internal Control over Financial Reporting which targets to improve the reliability of financial reporting.

## Number of Employees

As per December 31, 2016, Algarve did not have any employees (2015: 0).

## Future Developments

The Board of Managing Directors does anticipate that the outstanding Loans and Bonds will be repaid in accordance with the agreed terms and that the next installment will take place on December 15, 2017.

On June 28, 2016, the board of managing directors has changed by means of the dismissal of Europe Management Company B.V. (Managing Director A), Trust International Management (T.I.M.) B.V. (Managing Director A), Management Company Strawinsky B.V. (Managing Director A), Manuel Jose Barrero (Managing Director B), Christian Torrell Torente (Managing Director B) and the appointment of Ana del Rosario Castillo Molina – van der Laan, as Director A. Since this date, Algarve International B.V. has one Managing Director A and one Managing Director B.

On June 10, 2016, an agreement has been concluded between Cintra Infrastructures SE and Dutch Infrastructure Management Fund DIF (“DIF”) for the sale of a 49% stake in Algarve International B.V. and Via do Infante to DIF, Cintra Infrastructures SE will remain as one of the minority shareholders with an ownership interest of 48% in Via do Infante and in the Company.

### DIF

Founded in 2005, DIF is one of the main infrastructure fund managers with approx. EUR 3 billion of funds under management investing in Europe, North America and Australia. The transaction will be realized through its EUR 1.15 billion DIF Infrastructure IV fund.

This contemplated transaction will only take effect after the approval of the competent Portuguese authorities.

Subject to such approvals, Cintra ISE will maintain its position as the relevant industrial partner for both the Company and Via do Infante.

## Financial Instruments

The Company's financial instruments comprise of the bank loan Tranche A, the guaranteed bonds Tranche B and the funding of these amounts to Via do Infante directly for the group's operations.

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments up to the maturity of the liability to the amount initially received. If the effective interest rate is initially considered to differ from the market interest rate, the liability is measured based on the present value of future cash flows at the market rate in the case of interest-bearing loans. Where no effective interest rate is specified, the cash flows are also measured using the market interest rate.

The fair value of the Bonds with nominal value of EUR 100,162,700 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as per December 31, 2016 quoted the Bonds at 117.94 % (2015: 117.94%).

(expressed in euro)

**Report pursuant to Article 5:25c of the Financial Markets Supervision Act in The Netherlands**

With reference to Section 5.25c paragraph 2c of the Financial Markets Supervision Act, the Board of Managing Directors states that, to the best of its knowledge.

The Annual Financial Statements of 2016 of Algarve International B.V. give a true and fair view of the assets, liabilities, the financial position, and the profit or loss of Algarve International B.V. as at December 31, 2016. The Annual Report gives a true and fair view of the position as at December 31, 2016 of Algarve International B.V., the developments during 2016 whose details are included in the Annual Financial Statements. The significant risks Algarve International B.V. faces are described in this Annual Report.

Amsterdam, April 26<sup>th</sup>, 2017



A.D.R. Castillo Molina-van der Laan  
As: Managing Director A



F.J. Clemente Sanchez  
As: Managing Director B



## Balance sheet as at December 31, 2016 (before appropriation of results)

| <b>ASSETS</b>                                     | <i>Notes</i> | <b>2016</b><br>EUR | <b>2015</b><br>EUR |
|---|--------------|--------------------|--------------------|
| <b>Financial Fixed Assets</b>                     |              |                    |                    |
| <i>Loan Tranches from Affiliated Companies</i>    |              |                    |                    |
| Tranche A – Loan @ 6.65% to Via do Infante        | (5)          | 99,584,383         | 100,162,700        |
| Tranche B – Loan @ 6.75% to Via do Infante        | (5)          | 72,153,801         | 80,502,000         |
|   |              | <u>171,738,184</u> | <u>180,664,700</u> |
| <b>Current Assets</b>                             |              |                    |                    |
| Loan Tranches from Affiliated Companies           | (5)          | 8,938,550          | 9,539,050          |
| Interest Receivable from Affiliated Companies     | (6)          | 518,393            | 545,270            |
| Corporate Income Tax Receivable                   |              | 4,898              | 15,864             |
| Interest Receivable                               |              | 0                  | 2,735              |
| Intercompany Receivable                           | (7)          | 242,936            | 109,104            |
| Total Receivables                                 |              | <u>9,704,777</u>   | <u>10,212,023</u>  |
| Cash at Banks                                     | (8)          | 2,064,760          | 2,374,373          |
| <b>Total Current Assets</b>                       |              | <u>11,769,537</u>  | <u>12,586,396</u>  |
| <b>TOTAL ASSETS</b>                               |              | <u>183,507,721</u> | <u>193,251,096</u> |
| <b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>       |              |                    |                    |
| <b>Equity</b>                                     |              |                    |                    |
| Issued and fully paid up share capital            | (9)          | 18,000             | 18,000             |
| Retained earnings                                 |              | 1,772,278          | 2,000,000          |
| Net result for the period                         |              | 395,292            | 388,627            |
| <b>Total Equity</b>                               |              | <u>2,185,570</u>   | <u>2,406,627</u>   |
| <b>Non-Current Liabilities</b>                    |              |                    |                    |
| Tranche A – Guaranteed 6.40% Bonds                | (10)         | 99,544,905         | 100,162,700        |
| Tranche B – European Investment Bank              | (10)         | 72,154,068         | 80,502,000         |
| Loan Tranches A and B Payable                     | (10)         | 171,698,973        | 180,664,700        |
| <b>Current Liabilities</b>                        |              |                    |                    |
| Loan Tranches A and B Payable                     | (10)         | 8,938,550          | 9,539,050          |
| Interest Payable Loan Tranches A and B            | (11)         | 521,251            | 547,132            |
| Accounts Payable and Accrued Expenses             | (12)         | 161,528            | 83,329             |
| Provision Corporate Tax                           |              | 0                  | 0                  |
| Dividend tax paid                                 |              | 1,849              | 10,258             |
| <b>Total Current Liabilities</b>                  |              | <u>9,623,178</u>   | <u>10,179,769</u>  |
| <b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b> |              | <u>183,507,721</u> | <u>193,251,096</u> |

(expressed in euro)

## Income Statement for the Year ended December 31, 2016

|  | <i>Notes</i> | <i>2016</i>         | <i>2015</i>         |
|--|--------------|---------------------|---------------------|
|  |              | <i>EUR</i>          | <i>EUR</i>          |
| <b><u>Operating Income/(Expenses)</u></b>            |              |                     |                     |
| <i>Interest Income Loans Receivable</i>              | (14)         |                     |                     |
| Tranche A – Loan 6.65% to Via do Infante             |              | 6,706,813           | 6,744,228           |
| Tranche B – Loan 6.75% to Via do Infante             |              | 6,016,466           | 6,762,167           |
| <b><u>Total Interest Income Loans Receivable</u></b> |              | <b>12,723,279</b>   | <b>13,506,395</b>   |
| <br>   |              |                     |                     |
| <i>Interest Expense Loans Payable</i>                | (15)         |                     |                     |
| Tranche A – Guaranteed 6.40% Bonds                   |              | (6,415,810)         | (6,490,685)         |
| Tranche B – European Investment Bank                 |              | (5,793,746)         | (6,511,717)         |
| <b><u>Total Interest Expense Loans Payable</u></b>   |              | <b>(12,209,556)</b> | <b>(13,002,402)</b> |
|  |              | <b>513,723</b>      | <b>503,993</b>      |
| <br>   |              |                     |                     |
| <b><u>Other Operating Expenses</u></b>               |              |                     |                     |
| General and Administrative Expenses                  | (16)         | (464,775)           | (392,859)           |
| On-charge Expenses to Via do Infante                 | (17)         | 464,775             | 392,859             |
|  |              | 0                   | 0                   |
| <br>   |              |                     |                     |
| <b><u>Financial Income/(Expenses)</u></b>            |              |                     |                     |
| Charge on Dividend Withholding Tax                   |              | 0                   | (1,030)             |
| Interest on Corporate Income Tax                     |              | 0                   | 2,215               |
|  |              | 0                   | 1,185               |
| <b>Result before Corporate Income Tax</b>            |              | <b>513,723</b>      | <b>505,178</b>      |
| <br>   |              |                     |                     |
| Corporate Income Tax                                 | (18)         | (118,431)           | (116,551)           |
|  |              | (118,431)           | (116,551)           |
| <br>   |              |                     |                     |
| <b>NET RESULT FOR PERIOD</b>                         |              | <b>395,292</b>      | <b>388,627</b>      |

## Cash Flow Statement 2016

|   | 2016 |                         | 2015                    |     |
|---|------|-------------------------|-------------------------|-----|
|   | EUR  | EUR                     | EUR                     | EUR |
| <b>Cash flow from operating activities</b>                |      |                         |                         |     |
| Repayment of loans receivable                             | (5)  | 9,539,050               | 12,183,250              |     |
| Repayment of loans payable                                | (5)  | (9,539,050)             | (12,183,250)            |     |
| Interest received loans receivable                        | (14) | 12,738,924              | 13,559,670              |     |
| Interest paid loans payable                               | (15) | (12,262,613)            | (13,053,702)            |     |
| Corporate income tax paid                                 |      | (116,293)               | (117,575)               |     |
| General and administrative expenses                       | (16) | (386,960)               | (386,400)               |     |
| On-charge expenses to Via do Infante                      | (17) | 333,678                 | 430,284                 |     |
| Subtotal  |      | 306,736                 | 432,277                 |     |
| <b>Cash flow from financing activities</b>                |      |                         |                         |     |
| Dividend paid   |      | (616,349)               | (470,929)               |     |
| Subtotal  |      | (616,349)               | (470,929)               |     |
| Increase / (decrease) cash and cash equivalents           |      | (309,613)               | (38,652)                |     |
| <b>Movements in cash and cash equivalents</b>             |      |                         |                         |     |
| Cash and cash equivalents at the beginning of the period  |      | 2,374,373               | 2,413,025               |     |
| Increase / (decrease) cash and cash equivalents           |      | (309,613)               | (38,652)                |     |
| <b>Cash and cash equivalents at the end of the period</b> |      | <b><u>2,064,760</u></b> | <b><u>2,374,373</u></b> |     |



## Notes to the Annual Accounts

### 1 General

#### a Group Affiliation and Principal Activities

Algarve International B.V. (hereinafter the "Company" or "Algarve"), has been incorporated on April 23, 2001 and is a private company with limited liability, with its statutory seat in Amsterdam and having its place of business at Kingsfordweg 151, Amsterdam, the Netherlands (in 2015: Naritaweg 165, Amsterdam).

#### b Group structure

The Company is part of the Ferrovial Group, with Ferrovial, S.A., as the parent company, which is listed on the Madrid Stock Exchange. Ferrovial, S.A., was founded in 1952 and is based in Madrid, Spain. The interim statements of the Company are included in the consolidated financial statements of Ferrovial, S.A. Copies of the consolidated financial statements of Ferrovial, S.A., are available at cost price from the offices of the Company.

#### c Changes in estimates

As of December 2016, the calculation of the amortized cost was changed in order to give a more accurate figure and align with the procedure that has been adopted within the Ferrovial Group. The impact of this change in estimate was clearly trivial for the financial statements of the Company, and is clearly noted in Notes 5, 10, 14 and 15 of these Annual Accounts. Based on the insignificance of the amounts, no further disclosures or analysis of the impact are deemed relevant for the true and fair view of these financial statements.

#### d Related-party transactions

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is required for to provide the true and fair view.

#### e Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

#### f Basis of Presentation

The annual accounts were prepared in accordance with the statutory provisions of Part 9, Book2 of the Dutch Civil Code and the firm pronouncements in the Dutch Guidelines for Annual Reporting in The Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in Euro's.

The balance sheet and income statement include references to the notes.

#### g Notes to the cash flow statement

The cash flow statement has been prepared applying the direct method. The cash and cash equivalents in the cash flow statement comprise the balance sheet item cash at banks.

## 2 Accounting Policies for the Balance Sheet and P&L

### a General

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or amortized cost. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

### b Comparison with Prior Period

As referred in note 1c, the Company introduced a change in the calculation of the amortized cost in line with the procedure that has been adopted within the Ferrovial Group, which is considered a change in estimate (the principal of valuation remains the same). The application of this procedure resulted in a clearly immaterial impact, reason why it is considered that the comparative period is not affected, and the principles of valuation and determination of result remained unchanged compared to the prior year.

### c Financial Fixed Assets

Other receivables disclosed under financial assets include issued loans and other receivables as well as purchased loans and debentures that will be held to their maturity date. These receivables are initially measured at fair value, and subsequently carried at amortized cost. If debentures are acquired or loans are issued at a discount or premium, the discount or premium is recognized through profit or loss over the maturities of the debentures or loans using the effective interest method. Also transaction costs are included in the initial valuation and recognized in profit or loss as part of the effective interest method. Impairment losses are deducted from amortized cost and expensed in the income statement.

### d Current Assets

Receivables included in financial fixed assets are valued at the amounts at which they were acquired or incurred, or amortized cost. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred.

### e Impairment of Non-Current Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognized in the income statement.

The amount of an impairment loss incurred on financial assets stated at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been if the impairment had not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

### f Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than twelve (12) months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at nominal value.

### g Non-Current Liabilities

Borrowings are initially measured against cost price plus transactions costs incurred in obtaining the liability at first recognition and hereafter at amortized cost. Borrowings are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognized as interest in the income statement over the period of the borrowings using the effective interest method.



#### **h Dividends**

This annual report contains a balance sheet before profit appropriation (as recommended by the Dutch Accounting Standards Board). Distribution of profit shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

#### **i Financial Instruments**

The Company's financial instruments comprise the guaranteed bonds Tranche A, the bank loan Tranche B and the lending of these amounts to Via do Infante, directly for the group's operations.

The Expenses related to the financial instruments are charged on to Via do Infante, based on the agreement concluded between both parties.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

### **3 Accounting Policies of the Income Statement**

#### **a Recognition of Income and Expense**

Income and expenses are recognized in the year they are realized, unless stated otherwise.

#### **b Financial Income and Expenses**

##### *Interest paid and received*

Interest paid and received is recognized on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned (amortized cost). When recognizing interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

#### **c Dutch Corporate Income Tax**

The Company is subject to Dutch Corporate Income Tax and therefore, the tax payable is calculated by application of the relevant rate to the amount of taxable profit.

### **4 Financial Instruments and Risk Management**

#### **a Price Risk**

##### *Currency risk*

The Company mainly operates in the European Union. The Company has currently no currency risks, all transactions are in Euro's.

##### *Interest rate and cash flow risk*

The Company incurs interest rate risk on interest bearing receivables (*in particular those included in financial assets, securities and cash*) and on interest bearing non-current and current liabilities (*including borrowings*).



**b Credit Risk**

The Company has a significant concentration of credit risk, as the Company depends on the (*generated*) income at the level of Via do Infante, whereas Via do Infante has only one client (*being the Portuguese State*). In addition services are being provided subject to payment deadlines ranging between eight (8) and thirty (30) days. A different payment period may apply to major suppliers, in which case additional securities are demanded, including guarantees.

With respect to banks and financial institutions, only independently rated parties with a minimum credit rating of 'A' are accepted.

The Company has issued loans to an associate. This counterparty does not have a history of non-performance, but relies on only one material client (*being the Portuguese State*) for its turnover and its financial performance.

**c Liquidity Risk**

The Company does not use several banks in order to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

**5 Loan Tranches from Affiliated Companies**

| <b>Tranche A - Loan @ 6.65% to Via do Infante</b>                                      | <b>12/31/2016</b>  | <b>12/31/2015</b>  |
|--|--------------------|--------------------|
| Facility: EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.65%.     |                    |                    |
| Opening balance  | 100,162,700        | 100,630,750        |
| Reclassification current assets  | (594,550)          | (468,050)          |
| Amortized cost   | 16,233             | 0                  |
|  | <u>99,584,383</u>  | <u>100,162,700</u> |
| <br>   |                    |                    |
| <b>Tranche B - Loan @ 6.75% to Via do Infante</b>                                      |                    |                    |
| Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75% |                    |                    |
| Opening balance  | 80,502,000         | 89,573,000         |
| Reclassification current assets  | (8,344,000)        | (9,071,000)        |
| Amortized Cost   | (4,194)            | 0                  |
|  | <u>72,153,801</u>  | <u>80,502,000</u>  |
| <br>   |                    |                    |
| Total non-current  | <u>171,738,184</u> | <u>180,664,700</u> |
| <br>   |                    |                    |
| Total current  | <u>8,938,550</u>   | <u>9,539,050</u>   |

The Company directly lends on for the same amount as the amounts borrowed from EIB, as is stated in the Loan agreement with Via do Infante.

The loan is divided into two tranches:

Tranche A

The issuer lends Via do Infante EUR 126,500,000, following the issue of bonds for the same amount. The loan was provided to finance the construction of motorway stretches. Interest is calculated on the same basis as the bonds at 6.40% p.a. (being 365 days) plus a spread of 0.25% (6.65%). Via do Infante shall repay the Tranche A loan in accordance with the Tranche A Amortization Schedule. The final repayment has been scheduled accordingly on May 11, 2027.

Tranche B

The agreement foresees that the funds which were received from a loan due to the EIB of EUR 130,000,000 may be ceded to Via do Infante. This loan is incurred to finance the construction of road stretches and bears interest at 6.50% p.a. (being 360 days) plus a spread of 0.25% (6.75%) payable in December each year. Via do Infante shall repay the Tranche B loan in accordance with the Tranche B Amortization Schedule.

The final repayment has been scheduled accordingly on December 15, 2025. Due to the downgrade of Syncora, the guarantor, the interest has increased by 0.50% as per December 31, 2010, these changes have been reflected in the aforementioned percentages.

**6 Interest Receivable from Affiliate**

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
| Tranche A - Loan 6.65% to Via do Infante | 291,981        | 293,346        |
| Tranche B - Loan 6.75% to Via do Infante | <u>226,412</u> | <u>251,924</u> |
|  | <u>518,393</u> | <u>545,270</u> |

**7 Intercompany Receivable**

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
| Autoestrada do Algarve - Via do Infante – Sociedade Concessionária AAVI S.A. | <u>242,936</u> | <u>109,104</u> |

**8 Cash at Banks**

|                                      | <b>2016</b>      | <b>2015</b>      |
|--------------------------------------|------------------|------------------|
| Citibank Amsterdam - current account | <u>2,064,760</u> | <u>2,374,373</u> |
|                                      | <u>2,064,760</u> | <u>2,374,373</u> |

At December 31, 2016 and December 31, 2015 all cash and cash equivalents are freely available to the Company. No interest was received on the current account held with Citibank Amsterdam.

## 9 Equity

The authorized share capital of the Company is EUR 90,000 divided into 90,000 shares of EUR 1 each. At balance sheet date a total of 18,000 shares were issued and fully paid.

On May 12, 2016, an agreement was concluded between Cintra Infrastructures SE ("**Cintra ISE**") and three minority shareholders, namely Construções Gabriel A. S. Couto, S.A., Elevation Engenharia, S.A. and Casaisinvest-Gestão de Participações Sociais, SGPS, S.A.

These minority shareholders sold their participation in the Company to Cintra ISE.

The insolvency trustee of Aurélio Martins Sobreiro & Filhos, S.A. ("**Aurelio MSF**") sold the ownership interest of Aurelio MSF in the Company to Cintra ISE in November 2016.

Currently the Company has two remaining shareholders Cintra ISE and J. Gomes – Sociedade de Construções do Cávado, S.A. .

### Proposed Appropriation of Result for the Financial Year 2016

The Board of Managing Directors proposes, with the approval of the Supervisory Board, that the result of the financial year 2016 amounting to EUR 395,292 should be transferred to reserves.

The shareholder composition as per December 31, 2016 was:

| Shareholders                                  | Shares | %    |
|---|--------|------|
| Cintra Infrastructures, S.E.                  | 17.460 | 97%  |
| J. Gomes-Sociedade Construções do Cávado, S.A | 540    | 3%   |
| Total   | 18.000 | 100% |

Movements in the equity accounts are as follows:

|  | 2015      | Changes for the Period | Dividend  | 2016      |
|--|-----------|------------------------|-----------|-----------|
| Issued and fully paid up share capital | 18,000    | 0                      | 0         | 18,000    |
| Retained earnings                      | 2,000,000 | 388,627                | (616,349) | 1,772,278 |
| Net result for the previous year       | 388,627   | (388,627)              | 0         | 0         |
| Net result for the period              | 0         | 395,292                | 0         | 395,292   |
| Total Equity                           | 2,406,627 | 395,292                | (616,349) | 2,185,570 |

## 10 Loan Tranches A and B Payable

### Tranche A - Guaranteed 6.40% Bonds

EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.40%

|                                      | 2016        | 2015        |
|--------------------------------------|-------------|-------------|
| Opening balance                      | 100,162,700 | 100,630,750 |
| Reclassification current liabilities | (594,550)   | (468,050)   |
|                                      | 99,568,150  | 100,162,700 |
| Amortized Cost                       | (23,245)    | 0           |
|                                      | 99,544,905  | 100,162,700 |



(expressed in euro)

### Tranche B - European Investment Bank

Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.50%

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Opening balance                      | 80,502,000         | 89,573,000         |
| Reclassification current liabilities | (8,344,000)        | (9,071,000)        |
|                                      | <u>72,158,000</u>  | <u>80,502,000</u>  |
| Amortized Cost                       | (3,932)            | 0                  |
|                                      | <u>72,154,068</u>  | <u>80,502,000</u>  |
| Total non-current                    | <u>171,689,973</u> | <u>180,664,700</u> |
| Total current                        | <u>8,938,550</u>   | <u>9,539,050</u>   |

The Company has raised funds through loans and bonds. In relation to these raised funds Citibank N.A. Lisbon has been appointed as 'Security Trustee' for the bonds listed on the Luxembourg Stock Exchange. The EIB acts as credit party and Syncora, a New York stock insurance company has acted as 'Guarantor' of these loans and bonds.

On November 8, 2011, by means of an agreement of release and assignment, made between Syncora and EIB, Syncora has assigned to EIB all of its right, title, interest and benefit, present and future, in, to and under the fee payments due from Algarve after November 8, 2011 pursuant to the fee letter dated July 2, 2011 (hereinafter referred to as the "Fee Letter").

Algarve has been authorized and instructed henceforth to deal with EIB in relation to the rights from Syncora to the payment under the Fee Letter without further reference to Syncora. Syncora remains the guarantor.

The loan is divided into two tranches as follows:

#### Tranche A

The EUR 126,500,000 Guaranteed Bonds of Algarve were issued on July 2, 2001. The bonds mature June 15, 2027 and bear annual interest of 6.40% payable in December of each year and capital is repaid over 18 variable instalments. The first instalment had taken place on December 15, 2006 and the last will take place on May 11, 2027. The loan was obtained to finance the construction of motorway stretches.

#### Tranche B

The agreement foresees that the funds which were received from a loan due to EIB of EUR 130,000,000 bearing interest at 6.50% p.a. payable in December of each year, may be ceded to Via do Infante. This loan is incurred to finance the construction of road stretches.

Repayment of capital is expected to take place in 15 annual variable amount installments, with the first one due December 15, 2011 and the last one due December 15, 2025. Due to the downgrade of Syncora the interest has increased by 0.50% as per December 31, 2009. This increase has been taken into account in this Annual Report.

| <b>Loan tranches repayment schedule (nominal value)</b> | <b>Term 1 year</b> | <b>Term 2-5 year</b> | <b>Term &gt; 5 years</b> |
|---|--------------------|----------------------|--------------------------|
| Tranche A - Guaranteed 6.40%                            |                    |                      |                          |
| Bonds   | 594,550            | 31,232,850           | 68,335,300               |
| Tranche B - European Investment Bank                    | 8,344,000          | 57,052,000           | 15,106,000               |

(expressed in euro)

## 11 Interest Payable Loan Tranches A and B

|  | <b>2016</b>    | <b>2015</b>    |
|--|----------------|----------------|
| Tranche A - Bonds 6.40%                    | 303,225        | 304,538        |
| Tranche B - European Investment Bank 6.50% | 218,026        | 242,594        |
|  | <u>521,251</u> | <u>547,132</u> |

## 12 Accounts Payable and Accrued Expenses

|                           | <b>2016</b>    | <b>2015</b>   |
|---------------------------|----------------|---------------|
| Accrued audit fees        | 14,484         | 14,484        |
| Accrued management fees   | 1,688          | --            |
| Accounts payable          | 59,440         | 24,440        |
| Accrued tax advisory fees | 6,379          | 6,379         |
| Accrued accounting fees   | 22,059         | 7,260         |
| Accrued legal fees        | 42,445         | 23,704        |
| Accrued general expenses  | 15,033         | 7,062         |
|                           | <u>161,528</u> | <u>83,329</u> |

## 13 Fair Value Financial Instruments

The fair value of the Bonds with nominal value of EUR 100,162,700 has been determined on the basis of its listing at the Luxembourg Stock Exchange. The rate as at December 31, 2016 quotes the Bonds at 117.94% (2015: 117.94%).

The fair value of the loans granted to an affiliated party is based on the discounted cash flows of future loan repayments and interest payments.

The issue price of the Bonds was 100 per cent. The Bonds are unconditionally and irrevocably guaranteed by Syncora as the scheduled payments of principal and interest in respect to the Bonds and as to certain additional amounts in respect to the withholding taxes in the Netherlands in respect of the Bonds pursuant to a financial guaranty issued by Syncora.

### Analysis of the bond fair value

We have made several calculations with different rates of the bond quote to reflect some alternative fair values in these Interim Accounts. The calculations reflect the impact of a significant decrease or increase of the bond quote. The analysis shows that substantial differences in the bond quote have a limited effect on the fair market value.

| <b>Bond quotes</b>    | <b>Fair value 0.25% margin</b> | <b>Variance to fair value 117.94%</b> |
|-----------------------|--------------------------------|---------------------------------------|
| Bond quote of 100.00% | 2.2 million                    | 89%                                   |
| Bond quote of 110.00% | 2.3 million                    | 95%                                   |
| Bond quote of 117.94% | 2.5 million                    | 100%                                  |
| Bond quote of 120.00% | 2.5 million                    | 101%                                  |
| Bond quote of 130.00% | 2.6 million                    | 107%                                  |

(expressed in euro)

The issue price of the Bonds was 100 per cent. The Bonds are unconditionally and irrevocably guaranteed by Syncora as the scheduled payments of principal and interest in respect to the Bonds and as to certain additional amounts in respect to the withholding taxes in the Netherlands in respect of the Bonds pursuant to a financial guaranty issued by Syncora.

In 2001, the bonds have been rated AAA by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (hereinafter referred to as "S&P"). This rating was based solely upon the financial strength of Syncora. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. Although with some intermediary steps, the S&P rating for the Bonds was changed from 'BBB-' to 'Not Rated' on November 18, 2008.

**14 Interest Income Loans Receivable Tranches A and B**

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
| <b>Tranche A - Loan 6.65% to Via do Infante</b>   |                   |                   |
| Facility: EUR 126,500,000 from July 2, 2001 until<br>May 11, 2027 at a rate of 6.67%      | 6,690,580         | 6,744,228         |
| Amortized cost  | 16,233            | 0                 |
| <b>Tranche B - Loan 6.75% to Via do Infante</b>   |                   |                   |
| Facility: EUR 130,000,000 from July 2, 2001 until<br>December 15, 2025 at a rate of 6.72% | 6,020,660         | 6,762,167         |
| Amortized Cost  | (4,194)           | 0                 |
|   | <u>12,723,279</u> | <u>13,506,395</u> |

**15 Interest Expense Loans Payable Tranches A and B**

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
| <b>Tranche A - Guaranteed 6.40% Bonds</b>   |                   |                   |
| EUR 126,500,000 from July 2, 2001 until<br>May 11, 2027 at a rate of 6.38%                | (6,439,055)       | (6,490,685)       |
| Amortized Cost  | 23,244            | 0                 |
| <b>Tranche B - European Investment Bank</b>   |                   |                   |
| Facility: EUR 130,000,000 from July 2, 2001 until<br>December 15, 2025 at a rate of 6.47% | (5,979,678)       | (6,511,717)       |
| Amortized Cost  | 3,932             | 0                 |
|   | <u>12,209,556</u> | <u>13,002,402</u> |



(expressed in euro)

**16 General and Administrative Expenses**

|                                  | <b>2016</b>      | <b>2015</b>      |
|----------------------------------|------------------|------------------|
| Guarantee expenses (Syncora/EIB) | (254,782)        | (286,175)        |
| Audit fees                       | (31,635)         | (26,136)         |
| Management fees                  | (42,795)         | (21,780)         |
| Supervisory Board fees           | (12,550)         | (12,550)         |
| Accounting fees                  | (90,543)         | (14,520)         |
| Tax advisory fees                | (7,101)          | (13,565)         |
| General expenses                 | (2,279)          | (7,849)          |
| Legal & Professional fees        | (23,090)         | (10,284)         |
|                                  | <u>(464,775)</u> | <u>(392,859)</u> |

**17 On-charge Expenses to Via do Infante**

|                                  | <b>2016</b>    | <b>2015</b>    |
|----------------------------------|----------------|----------------|
| Guarantee expenses (Syncora/EIB) | 254,782        | 286,175        |
| Audit fees                       | 31,635         | 26,136         |
| Management fees                  | 42,795         | 21,780         |
| Supervisory Board fees           | 12,550         | 12,550         |
| Accounting fees                  | 90,543         | 14,520         |
| Tax advisory fees                | 7,101          | 13,565         |
| General expenses                 | 2,279          | 7,849          |
| Legal & Professional fees        | 23,090         | 10,284)        |
|                                  | <u>464,775</u> | <u>392,859</u> |

Based upon paragraph 7.4 of the July 2, 2001 Loan Agreement between Algarve and Via do Infante all fees, expenses and other amounts in reference to the financing will be on-charged to the borrower of the loan.

**18 Corporate Income Tax**

The corporate income tax is based on the fiscal result. The applicable tax rates are 20% over the first EUR 200,000 and 25% over the surplus.

|                      | <b>2016</b>      | <b>2015</b>      |
|----------------------|------------------|------------------|
| Corporate income tax | <u>(118,431)</u> | <u>(116,551)</u> |
|                      | <u>(118,431)</u> | <u>(116,551)</u> |

**19 Auditor's fee**

In accordance with Section 2:382a(1) and (2) of the Dutch Civil Code the audit fee included in the Profit and Loss account for the auditors of Deloitte is as follows:

|                               | Fee Deloitte<br>Accountants B.V. | Fee other<br>Deloitte<br>Companies | <b>Total Fee Deloitte</b> |
|-------------------------------|----------------------------------|------------------------------------|---------------------------|
| Audit of the annual accounts  | 13,650                           | 0                                  | 13,650                    |
| Audit of the interim accounts | 12,600                           | 0                                  | 12,600                    |
| <b>Total</b>                  | <b>26,250</b>                    | <b>0</b>                           | <b>26,250</b>             |

**20. Post Balance Sheet events**

The agreement between Cintra Infrastructures SE and Dutch Infrastructure Management Fund DIF has not yet been completed as this operation would only take effect after the approval of the competent Portuguese authorities, and of the financing parties. Up to date, only the financing parties have already given their approval, but this has not yet been signed.

**21 Directors and Employees**

The remuneration of the Board of Managing Directors for the year ended December 31, 2016 and December 31, 2015 is as follows:

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
| Trust International Management (T.I.M.) B.V. | 346          | 693          |
| Europe Management Company B.V.               | 347          | 693          |
| Management Company Strawinsky B.V.           | 347          | 694          |
| F.J. Clemente Sanchez                        | 0            | 0            |
| A.D.R. Castillo Molina-van der Laan          | 0            | 0            |
| <b>Total:</b>                                | <b>1,040</b> | <b>2,080</b> |

There are no options granted and no assets are available to the members of the Board of Managing Directors. There are no loans outstanding to the members of the Board of Managing Directors and no guarantees given on behalf of members of the Board of Managing Directors.

The remuneration of the current Managing Directors, who as at 31 of December 2016 receive no direct remuneration from Algarve International B.V., is included within the Management fees (Note 16).

The Company has no employees.

**22 Supervisory Board**

The remuneration (accrual) of the Supervisory Board is as follows:

|                      | <b>2016</b>   | <b>2015</b>   |
|----------------------|---------------|---------------|
| D. Haarsma, Chairman | 6,500         | 6,500         |
| M.A.H. Martis        | 6,050         | 6,050         |
| <b>Total:</b>        | <b>12,550</b> | <b>12,550</b> |

(expressed in euro)

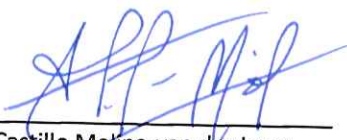
There are no options granted and no assets are available to the members of the Supervisory Board. There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.



The Board of Managing Directors and the Supervisory Board have signed the annual accounts pursuant to their statutory obligations under Articles 394 of Book 2 of the Dutch Civil Code and Article 5:25c(2)(c) Financial Markets Supervision Act.

Amsterdam, April 26<sup>th</sup>, 2017

The Board of Managing Directors,



A.D.R. Castillo Molina-van der Laan  
As: Managing Director A

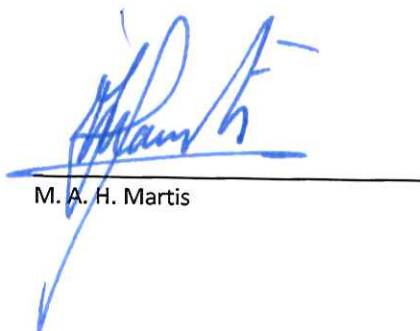


F.J. Clemente Sanchez  
As: Managing Director B

The Supervisory Board,



D. Haarsma



M. A. H. Martis

## Other information

1. **Statutory Rules concerning appropriation of results**

The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. If the Shareholders' Body does not adopt a resolution regarding the allocation of the profit prior to or at the latest immediately after the adoption of the annual account, the profits will be reserved.

Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

The Shareholders' Body may resolve to make distributions on Shares at the expense of any reserve of the Company. In addition, the Management Board may decide to make distributions on Shares. Distributions on Shares shall be made payable immediately after the resolution to make the distribution, unless another date of payment has been determined in the resolution.

2. **Independent Auditor's Report**

Reference is made to the independent auditor's report as included hereinafter.

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