

ANNUAL FINANCIAL REPORT

DECEMBER 31st, 2017

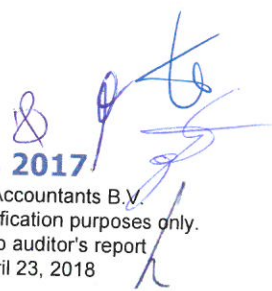


Algarve International B.V.

ANNUAL REPORT 2017

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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. (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 participated by DIF Infrastructure IV Coöperatief UA ("DIF") through the Luxemburgish company DIF Participations 4 Luxembourg S.à.r.l since September 2017 in 49%, and by the Spanish company Ferrovial S.A., through Cintra Infrastructures, SE. in 48%. The remaining participation (3%) is owed by the Portuguese company J. Gomes – Sociedade de Construções do Cávado, S.A.

Report of the Board of Managing Directors

Financial Report

During the year under review, the Company recorded a net profit of EUR 338,406.

Annual Accounts and Dividend Proposal

The Annual Report includes the Annual Accounts as per December 31, 2017 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.

In December 2017, it was proposed and approved by the Board of Managing Directors to distribute an Annual dividend in the amount of EUR 500,000 out of the net profits for 2016 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**").

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 1, 2015. The amended Algarve Concession Agreement was formalized on October 2, 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.

On June 10, 2016, an agreement was concluded between Cintra Infrastructures SE and DIF Infrastructure IV Coöperatief UA DIF ("**DIF**") for the sale of a 49% stake in the Company to DIF. The sale was closed on September 26, 2017. Effective on September 26, 2017, the Board of Managing Directors has changed by means of the appointment of Raúl Barrueco González, Guillaume Gerardus Wilhelmus Hardy, Michel Steenbergen and Ester Garcia Albero.

Currently the Company has three shareholders: Cintra Infrastructures SE, DIF Participations 4 Luxembourg, s. à r.l. ("**DIF**") and J. Gomes – Sociedade de Construções do Cávado, S.A..

On September 26, 2017, the closing of the operation of sale of shares took place representing 49% of equity in Algarve International BV to DIF Participations 4 Luxembourg, s. à r.l.

In the course of such closing the shareholders agreed to modify the company's bylaws and among other amendments the Supervisory Board was abolished.

Financial Analysis

In 2017, the operating income decreased by 4.57% to EUR 12,141,287 compared to EUR 12,723,279 in 2016. Likewise, the operating expense decreased by 4.29% to EUR 11,686,159 compared to EUR 12,209,556 in 2016. 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 decreased by 47.60% to EUR 243,530 compared to EUR 464,775 in 2016. The total amount of assets decreased by 4.85% to EUR 174,610,481 compared to EUR 183,507,721 in 2016.

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 between Cintra Infrastructures SE and DIF for the sale of a 49% stake in the Company to DIF was concluded successfully with 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 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 B.V.. The fact that the sale was 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 it would have not been 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 two Managing Directors, 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 two Managing Directors acting jointly. Unless there is a power of attorney in place that allows to sign to other proxies.

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.

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 2017 and that the Internal Control and Management Procedure provides a reasonable assurance that the financial reporting does not contain any errors of material importance.

(expressed in euro)

Moreover, the last months have been applied by the process FRM (Ferrovia 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 Ferrovia 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, 2017, Algarve did not have any employees (2016: 0).

Future Developments

There are no relevant future developments.

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 recognized at fair value net of transaction costs and are subsequently measured at amortized 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 99,568,150 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as per December 31, 2017 quoted the Bonds at 117.94 % (2016: 117.94%).

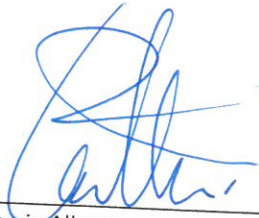
Report pursuant to Article 5:25c of the Financial Markets Supervision Act in The Netherlands

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:

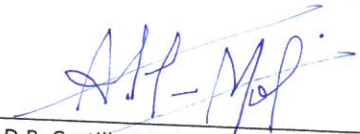
The Annual Financial Statements of 2017 of Algarve International B.V. give a true and fair view of the assets, liabilities, the financial position, and the profit or loss of Algarve International B.V. as at December 31, 2017. The Annual Report gives a true and fair view of the position as at December 31, 2017 of Algarve International B.V., the developments during 2017 whose details are included in the Annual Financial Statements. The significant risks Algarve International B.V. faces are described in this Annual Report.

Following the entry of a new shareholder, the Company is currently in the process of establishing an Audit Committee. It is envisaged to conclude such procedure over the next weeks.

Amsterdam, April 23, 2018



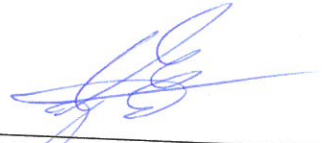
E. Garcia Albero
As: Managing Director



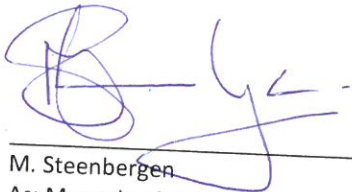
A.D.R. Castillo Molina-van der Laan
As: Managing Director



R. Barrueco González
As: Managing Director



G.G.W. Hardy
As: Managing Director



M. Steenbergen
As: Managing Director

Annual Accounts
Balance sheet as at December 31, 2017
(before appropriation of results)

ASSETS	<i>Notes</i>	2017 EUR	2016 EUR
Financial Fixed Assets			
<i>Loan Tranches from Affiliated Companies</i>			
Tranche A – Loan @ 6.65% to Via do Infante	(5)	96,393,944	99,584,383
Tranche B – Loan @ 6.75% to Via do Infante	(5)	60,353,855	72,153,801
		<u>156,747,799</u>	<u>171,738,184</u>
Current Assets			
Loan Tranches from Affiliated Companies	(5)	15,058,450	8,938,550
Interest Receivable from Affiliated Companies	(6)	493,192	518,393
Corporate Income Tax Receivable		16,252	4,898
Intercompany Receivable	(7)	130,265	242,936
Total Receivables		15,698,159	9,704,777
Cash at Banks	(8)	2,060,741	2,064,760
Total Current Assets		<u>17,758,900</u>	<u>11,769,537</u>
TOTAL ASSETS		<u>174,506,699</u>	<u>183,507,721</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Issued and fully paid up share capital	(9)	18,000	18,000
Retained earnings		1,667,570	1,772,278
Net result for the period		338,406	395,292
Total Equity		<u>2,023,976</u>	<u>2,185,570</u>
Non-Current Liabilities			
Tranche A – Guaranteed 6.40% Bonds	(10)	96,386,458	99,544,905
Tranche B – European Investment Bank	(10)	60,325,410	72,154,068
Loan Tranches A and B Payable	(10)	156,711,868	171,698,973
Current Liabilities			
Loan Tranches A and B Payable	(10)	15,058,450	8,938,550
Interest Payable Loan Tranches A and B	(11)	474,764	521,251
Accounts Payable and Accrued Expenses	(12)	236,141	161,528
Dividend tax paid		1,500	1,849
Total Current Liabilities		<u>15,770,855</u>	<u>9,623,178</u>
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		<u>174,506,699</u>	<u>183,507,721</u>

Income Statement for the year ended December 31, 2017

	Notes	2017	2016
		EUR	EUR
<u>Operating Income/(Expenses)</u>			
<i>Interest Income Loans Receivable</i>			
	(14)		
Tranche A – Loan 6.65% to Via do Infante		6,683,422	6,706,813
Tranche B – Loan 6.75% to Via do Infante		5,457,865	6,016,466
<u>Total Interest Income Loans Receivable</u>		12,141,287	12,723,279
<i>Interest Expense Loans Payable</i>			
	(15)		
Tranche A – Guaranteed 6.40% Bonds		(6,428,527)	(6,415,810)
Tranche B – European Investment Bank		(5,257,633)	(5,793,746)
<u>Total Interest Expense Loans Payable</u>		(11,686,160)	(12,209,556)
		455,127	513,723
<u>Other Operating Expenses</u>			
General and Administrative Expenses	(16)	(243,530)	(464,775)
On-charge Expenses to Via do Infante	(17)	243,530	464,775
		0	0
<u>Financial Income/(Expenses)</u>			
		0	0
		0	0
Result before Corporate Income Tax		455,127	513,723
Corporate Income Tax	(18)	(116,721)	(118,431)
		(116,721)	(118,431)
NET RESULT FOR THE PERIOD		338,406	395,292

(expressed in euro)

Cash Flow Statement for the year ended December 31, 2017

	2017		2016	
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Repayment of loans receivable (5)	8,938,550		9,539,050	
Repayment of loans payable (5)	(8,938,550)		(9,539,050)	
Interest received loans receivable (14)	12,094,705		12,738,924	
Interest paid loans payable (15)	(11,646,766)		(12,262,613)	
Corporate income tax paid	(120,034)		(116,293)	
General and administrative expenses (16)	(319,136)		(386,960)	
On-charge expenses to Via do Infante (17)	485,712		333,678	
Subtotal		494,481		306,736
Cash flow from financing activities				
Dividend paid	(498,500)		(616,349)	
Subtotal		(498,500)		(616,349)
Increase / (decrease) cash and cash equivalents		(4,019)		(309,613)
Movements in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		2,064,760		2,374,373
Increase / (decrease) cash and cash equivalents		(4,019)		(309,613)
Cash and cash equivalents at the end of the period		2,060,741		2,064,760

Notes to the Annual Accounts

1 General

a Group Affiliation and Principal Activities

Algarve International B.V. (hereinafter the "Company" or "Algarve"), with KvK-number: 34155411, was 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.

b Group structure

The Company is mainly participated by DIF Infrastructure IV Coöperatief UA and Cintra Infrastructures, SE. The Company is part of the Ferrovial Group, as associate, with Ferrovial, S.A. This company is listed on the Madrid Stock Exchange. The financial statements of the Company are included in the consolidated financial statements of Ferrovial, S.A. which are available at www.ferrovial.com.

c 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.

d 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.

e Basis of Presentation

The annual accounts were prepared in accordance with the statutory provisions of Part 9 of Book 2 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.

f 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 income statement

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 Ferrovia 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, an 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.

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

Tranche A - Loan @ 6.65% to Via do Infante	12/31/2017	12/31/2016
Facility: EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.65%.		
Opening balance	99,568,150	100,162,700
Reclassification current assets	(3,200,450)	(594,550)
	96,367,700	99,568,150
Amortized cost	26,244	16,233
	96,393,944	99,584,383
Tranche B - Loan @ 6.75% to Via do Infante		
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75%		
Opening balance	72,158,000	80,502,000
Reclassification current assets	(11,858,000)	(8,344,000)
	60,300,000	72,158,000
Amortized Cost	53,855	(4,194)
	60,353,855	72,153,806
Total non-current	156,747,799	171,738,189
Total current	15,058,450	8,938,550

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 Affiliated Companies

	2017	2016
Tranche A - Loan 6.65% to Via do Infante	290,248	291,981
Tranche B - Loan 6.75% to Via do Infante	<u>202,944</u>	<u>226,412</u>
	<u>493,192</u>	<u>518,393</u>

7 Intercompany Receivable

	2017	2016
Autoestrada do Algarve - Via do Infante – Sociedade Concessionária AAVI S.A.	<u>130,265</u>	<u>242,936</u>

8 Cash at Banks

	2017	2016
Citibank Amsterdam - current account	<u>2,060,741</u>	<u>2,064,760</u>
	<u>2,060,741</u>	<u>2,064,760</u>

At December 31, 2017 and December 31, 2016 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 DIF.

Currently the Company has three shareholders: Cintra ISE, DIF Infrastructure IV Coöperatief UA and J. Gomes – Sociedade de Construções do Cávado, S.A.

Proposed Appropriation of Result for the Financial Year 2017

The Board of Managing Directors proposed, that the result of the financial year 2017 amounting to EUR 338,406 should be transferred to reserves.

The shareholder composition as per December 31, 2017 was:

Shareholders	Shares	%
Cintra Infrastructures SE	8,640	48%
DIF Infrastructure IV Coöperatief UA	8,820	49%
J. Gomes-Sociedade Construções do Cávado, S.A.	540	3%
Total	18,000	100%

Movements in the equity accounts are as follows:

	2016	Changes for the Period	Dividend	2017
Issued and fully paid up share capital	18,000	0	0	18,000
Retained earnings	1,772,278	395,292	(500,000)	1,667,570
Net result for the previous year	395,292	(395,292)	0	0
Net result for the period	0	338,406	0	338,406
Total Equity	2,185,570	338,406	(500,000)	2,023,976

10 Loan Tranches A and B Payable

	2017	2016
Tranche A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.40%		
Opening balance	99,568,150	100,162,700
Reclassification current liabilities	(3,200,450)	(594,550)
Amortized Cost	96,367,700	99,568,150
	18,758	(23,245)
	96,386,458	99,544,905

(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	72,158,000	80,502,000
Reclassification current liabilities	(11,858,000)	(8,344,000)
	60,300,000	72,158,000
Amortized Cost	25,410	(3,932)
	60,325,410	72,154,068
Total non-current	156,711,868	171,689,973
Total current	15,058,450	8,938,550

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 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 on June 15, 2027 and bear annual interest of 6.40% payable in December of each year and capital is repaid over 18 variable installments. The first installment 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.

Loan tranches repayment schedule (nominal value)

	Term 1 year	Term 2-5 year	Term > 5 years
Tranche A - Guaranteed 6.40%			
Bonds	3,200,450	28,032,400	68,335,300
Tranche B - European Investment Bank	11,858,000	45,194,000	15,106,000

11 Interest Payable Loan Tranches A and B

	2017	2016
Tranche A - Bonds 6.40%	279,336	303,225
Tranche B - European Investment Bank 6.50%	195,428	218,026
	<u>474,764</u>	<u>521,251</u>

12 Accounts Payable and Accrued Expenses

	2017	2016
Accrued audit fees	14,484	14,484
Accrued management fees	0	1,688
Accounts payable	136,440	59,440
Accrued tax advisory fees	6,379	6,379
Accrued accounting fees	22,059	22,059
Accrued legal fees	42,445	42,445
Accrued general expenses	14,334	15,033
	<u>236,141</u>	<u>161,528</u>

13 Fair Value Financial Instruments

The fair value of the Bonds with nominal value of EUR 99,568,150 has been determined on the basis of its listing at the Luxembourg Stock Exchange. The rate as at December 31, 2017 quotes the Bonds at 117.94% (2016: 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 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.

Bond quotes	Fair value 0.25% margin	Variance to fair value 117.94%
Bond quote of 100.00%	1.9 million	90%
Bond quote of 110.00%	2.0 million	98%
Bond quote of 117.94%	2.1 million	100%
Bond quote of 120.00%	2.1 million	102%
Bond quote of 130.00%	2.2 million	108%

(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 were 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

	2017	2016
Tranche A - Loan 6.65% to Via do Infante		
Facility: EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.67%		
Amortized cost	6,640,946	6,690,580
	<u>42,476</u>	<u>16,233</u>
	<u>6,683,422</u>	<u>6,706,813</u>
Tranche B - Loan 6.75% to Via do Infante		
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.72%		
Amortized Cost	5,410,418	6,020,660
	<u>47,447</u>	<u>(4,194)</u>
	<u>5,457,865</u>	<u>6,016,466</u>
	<u>12,141,287</u>	<u>12,723,279</u>

15 Interest Expense Loans Payable Tranches A and B

	2017	2016
Tranche A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.38%		
Amortized Cost	(6,391,286)	(6,439,055)
	<u>(37,241)</u>	<u>23,245</u>
	<u>(6,428,527)</u>	<u>(6,415,810)</u>
Tranche B - European Investment Bank		
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.47%		
Amortized Cost	(5,210,032)	(5,797,678)
	<u>(47,601)</u>	<u>3,932</u>
	<u>(5,257,633)</u>	<u>(5,793,746)</u>
	<u>(11,686,160)</u>	<u>(12,209,556)</u>

(expressed in euro)

16 General and Administrative Expenses

	2017	2016
Guarantee expenses (Syncora/EIB)	(130,573)	(254,782)
Audit fees	(27,951)	(31,635)
Management fees	(42,000)	(42,795)
Supervisory Board fees	0	(12,550)
Accounting fees	(21,750)	(90,543)
Tax advisory fees	(9,415)	(7,101)
General expenses	(3,166)	(2,279)
Legal & Professional fees	(8,675)	(23,090)
	<u>(243,530)</u>	<u>(464,775)</u>

17 On-charge Expenses to Via do Infante

	2017	2016
Guarantee expenses (Syncora/EIB)	130,573	254,782
Audit fees	27,951	31,635
Management fees	42,000	42,795
Supervisory Board fees	0	12,550
Accounting fees	21,750	90,543
Tax advisory fees	9,415	7,101
General expenses	3,166	2,279
Legal & Professional fees	8,675	23,090
	<u>243,530</u>	<u>464,775</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.

	2017	2016
Corporate income tax	(116,721)	(118,431)
	<u>(116,721)</u>	<u>(118,431)</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 income statement account for the auditors of Deloitte is as follows:

	Fee Deloitte Accountants B.V.	Fee other Deloitte Companies	Total Fee Deloitte
Audit of the annual accounts	13,650	0	13,650
Audit of the interim accounts	12,600	0	12,600
Total	26,250	0	26,250

20. Post-Balance Sheet events

No major post-balance sheet events affecting the financial statements have occurred to date.

21 Directors and Employees

The remuneration of the Board of Managing Directors for the year ended December 31, 2017 and December 31, 2016 is as follows:

	2017	2016
Trust International Management (T.I.M.)B.V.	0	346
Europe Management Company B.V.	0	347
Management Company Strawinsky B.V.	0	347
F.J. Clemente Sanchez	0	0
A.D.R. Castillo Molina-van der Laan	0	0
Total:	0	1,040

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.

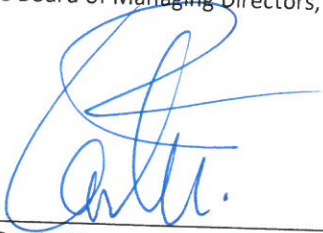
The remuneration of the current Managing Directors, who as at December 31, 2017 receive no direct remuneration from Algarve International B.V., is included within the Management fees (Note 16).

The Company has no employees.

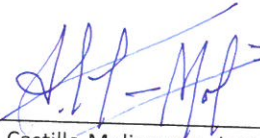
The Board of Managing Directors have signed the annual accounts pursuant to their statutory obligations under Articles 394 of Book 2 of the Dutch Civil Code and Article 5:25c(2)(c) Financial Markets Supervision Act.

Amsterdam, April 23, 2018

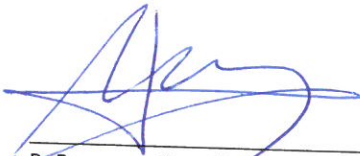
The Board of Managing Directors,



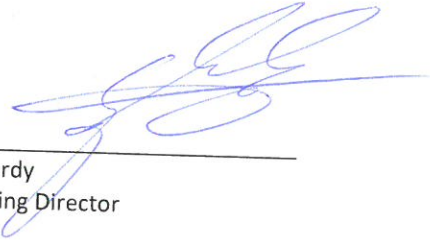
E. García Albero
As: Managing Director



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



R. Barrueco González
As: Managing Director



G.G.W. Hardy
As: Managing Director



M. Steenbergen
As: Managing Director

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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