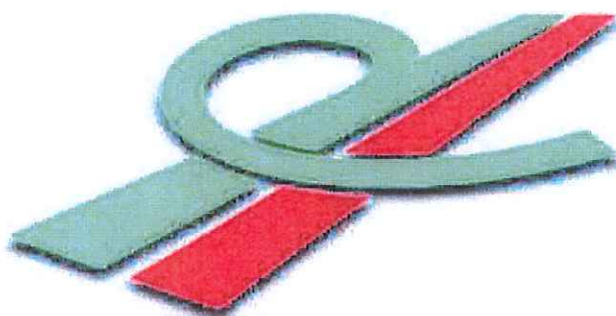


ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018



Algarve International, BV.

ANNUAL REPORT 2018

CONTENTS

| | |
|--|----|
| Algarve at a Glance..... | 2 |
| Profile of the Company | 2 |
| Report of the Board of Managing Directors..... | 3 |
| Financial Report | 3 |
| Annual Accounts and Dividend Proposal | 3 |
| Overview of the Activities | 3 |
| Financial Analysis | 3 |
| Risk Analysis..... | 4 |
| Risk Management..... | 4 |
| Number of employees..... | 5 |
| Future Developments..... | 5 |
| Financial Instruments..... | 5 |
| Report pursuant to Article 5:25c of the Financial Markets Supervision Act in The Netherlands | 6 |
| Annual Accounts | 8 |
| Balance Sheet as at December 31, 2018..... | 8 |
| Income Statement for the year ended December 31, 2018 | 9 |
| Cash Flow Statement for the year ended December 31, 2018..... | 10 |
| Notes to the Annual Accounts | 11 |
| Other information | 23 |
| Statutory Rules Concerning Appropriation of Result | 23 |
| Independent auditor's report | 23 |

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 owned by DIF Infrastructure IV Coöperatief UA ("DIF") through the Luxembourgish company DIF Participations 4 Luxembourg S.à.r.l since September 2017 for 49%, and by the Spanish company Ferrovial S.A., through Cintra Infrastructures, SE for 48%. The remaining participation (3%) is owned 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 364,882.

Annual Accounts and Dividend Proposal

The Annual Report includes the Annual Accounts as per December 31, 2018 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 2018, it was proposed and approved by the Board of Managing Directors to distribute an Annual dividend in the amount of EUR 334,000 out of the net profits for 2017 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.

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 February 28, 2018, the Court of Braga (Portugal) declared the Insolvency of J. Gomes – Sociedade de Construções do Cávado, S.A.

Financial Analysis

In 2018, the operating income decreased by 4.78% to EUR 11,560,941 compared to EUR 12,141,287 in 2017. Likewise, the operating expense decreased by 5.12% to EUR 11,087,764 compared to EUR 11,686,160 in 2017. These variations were mainly due the amortization of the loan and bond (both receivable and payable), in accordance with the contracted cash-flows and the Impairment of Financial Asset due to the application of the new IFRS Standard 9 "Financial instruments" policy.

The general and administrative expenses increased by 29.55% to EUR 315,482 compared to EUR 243,530 in 2017 due to the accrual of the Guarantee Expenses in 2018. The total amount of assets decreased by 8.70% to EUR

159,325,935 compared to EUR 174,506,699 in 2017 due to the amortization of the debt according to the schedule established in the agreement.

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.

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 2018 and that the 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 the process FRM (Ferroviaal Risk Management) - Procedure for the identification and assessment of risks and risk events – has been applied 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, the General functional framework of the System of Internal Control over Financial Reporting (SICFR) was applicable 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

Neither during the year under review nor in the previous year did the Company have any employees.

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 96,367,700 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as per December 31, 2018 quoted the Bonds at 117.94 % (2017: 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 2018 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, 2018. The Annual Report gives a true and fair view of the position as at December 31, 2018 of Algarve International B.V., the developments during 2018 whose details are included in the Annual Financial Statements. The significant risks Algarve International B.V. faces are described in this Annual Report.

According to the Dutch Law any organization of public interest must establish an audit committee. A Dutch B.V. which has securities traded on a regulated market qualifies as an organization of public interest. The Company has issued debt securities that are listed on the Luxembourg Stock Exchange (i.e. a regulated market). Since it is the case of Algarve International, an Audit Committee was established in early 2019.

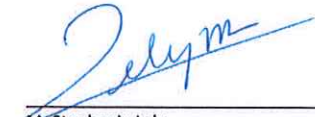
Amsterdam, April 18th, 2019



E. Garcia Alberp
As: Managing Director

DocuSigned by:
Michel Steenbergen
429C8F1629EE4F7...

M. Steenbergen
As: Managing Director



M. Stephanie Lely
As: Managing Director



G.G.W. Hardy
As: Managing Director

Annual Accounts
Balance sheet as at December 31, 2018
(before appropriation of results)

| ASSETS | <i>Notes</i> | 2018 EUR | 2017 EUR |
|---|--------------|--------------------|--------------------|
| Financial Fixed Assets | | | |
| <i>Loan Tranches to Affiliated Companies</i> | | | |
| Tranche A – Loan @ 6.65% to Via do Infante | (5) | 91,609,485 | 96,393,944 |
| Tranche B – Loan @ 6.75% to Via do Infante | (5) | 48,520,522 | 60,353,855 |
| | | <u>140,130,007</u> | <u>156,747,799</u> |
| Current Assets | | | |
| Loan Tranches to Affiliated Companies | (5) | 16,440,110 | 15,058,450 |
| Interest Receivable from Affiliated Companies | (6) | 450,512 | 493,192 |
| Corporate Income Tax Receivable | | 18,297 | 16,252 |
| Intercompany Receivable | (7) | 194,146 | 130,265 |
| Total Receivables | | <u>17,103,065</u> | <u>15,698,159</u> |
| Cash at Banks | (8) | 2,092,864 | 2,060,741 |
| Total Current Assets | | <u>19,195,929</u> | <u>17,758,900</u> |
| TOTAL ASSETS | | <u>159,325,936</u> | <u>174,506,699</u> |
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Issued and fully paid up share capital | (9) | 18,000 | 18,000 |
| Retained earnings | | 1,446,212 | 1,667,570 |
| Net result for the period | | 364,883 | 338,406 |
| Total Equity | | <u>1,829,095</u> | <u>2,023,976</u> |
| Non-Current Liabilities | | | |
| Tranche A – Guaranteed 6.40% Bonds | (10) | 91,740,073 | 96,386,458 |
| Tranche B – European Investment Bank | (10) | 48,568,172 | 60,325,410 |
| Loan Tranches A and B Payable | | <u>140,308,245</u> | <u>156,711,868</u> |
| Current Liabilities | | | |
| Loan Tranches A and B Payable | (10) | 16,469,850 | 15,058,450 |
| Interest Payable Loan Tranches A and B | (11) | 433,670 | 474,764 |
| Accounts Payable and Accrued Expenses | (12) | 284,075 | 236,141 |
| Dividend tax paid | | 1,002 | 1,500 |
| Total Current Liabilities | | <u>17,188,597</u> | <u>15,770,855</u> |
| TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES | | <u>159,325,936</u> | <u>174,506,699</u> |

Income Statement for the year ended December 31, 2018

| | <i>Notes</i> | 2018 <i>EUR</i> | 2017 <i>EUR</i> |
|--|--------------|---------------------------|---------------------------|
| <u>Operating Income/(Expenses)</u> | | | |
| <i>Interest Income Loans Receivable</i> | | | |
| | (14) | | |
| Tranche A – Loan 6.65% to Via do Infante | | 6,662,097 | 6,683,422 |
| Tranche B – Loan 6.75% to Via do Infante | | 4,898,844 | 5,457,865 |
| <u>Total Interest Income Loans Receivable</u> | | 11,560,941 | 12,141,287 |
| <i>Interest Expense Loans Payable</i> | | | |
| | (15) | | |
| Tranche A – Guaranteed 6.40% Bonds | | (6,384,848) | (6,428,527) |
| Tranche B – European Investment Bank | | (4,702,916) | (5,257,633) |
| <u>Total Interest Expense Loans Payable</u> | | (11,087,764) | (11,686,160) |
| | | 473,177 | 455,127 |
| <u>Other Operating Expenses</u> | | | |
| General and Administrative Expenses | (16) | (315,482) | (243,530) |
| On-charge Expenses to Via do Infante | (17) | 315,482 | 243,530 |
| | | 0 | 0 |
| <u>Financial Income/(Expenses)</u> | | | |
| Financial Income/ (Expenses) | | 0 | 0 |
| Result before Corporate Income Tax | | 473,177 | 455,127 |
| Corporate Income Tax | (18) | (108,295) | (116,721) |
| | | (108,295) | (116,721) |
| NET RESULT FOR THE PERIOD | | 364,882 | 338,406 |

Cash Flow Statement for the year ended December 31, 2018

| | <i>Notes</i> | 2018 | | 2017 | |
|--|--------------|------------------|------------------|------------------|------------------|
| | | <i>EUR</i> | <i>EUR</i> | <i>EUR</i> | <i>EUR</i> |
| Cash flow from operating activities | | | | | |
| Repayment of loans receivable | (5) | 15,058,450 | | 8,938,550 | |
| Repayment of loans payable | (5) | (15,058,450) | | (8,938,550) | |
| Interest received loans receivable | (14) | 11,491,947 | | 12,094,705 | |
| Interest paid loans payable | (15) | (11,062,632) | | (11,646,766) | |
| Corporate income tax paid | | (118,069) | | (120,034) | |
| General and administrative expenses | (16) | (300,293) | | (319,136) | |
| On-charge expenses to Via do Infante | (17) | <u>354,168</u> | | <u>485,712</u> | |
| Subtotal | | | 365,121 | | 494,481 |
| Cash flow from financing activities | | | | | |
| Dividend paid | | <u>(332,998)</u> | | <u>(498,500)</u> | |
| Subtotal | | | (332,998) | | (498,500) |
| Increase / (decrease) cash and cash equivalents | | | <u>32,123</u> | | <u>(4,019)</u> |
| Movements in cash and cash equivalents | | | | | |
| Cash and cash equivalents at the beginning of the period | | | 2,060,741 | | 2,064,760 |
| Increase / (decrease) cash and cash equivalents | | | 32,123 | | (4,019) |
| Cash and cash equivalents at the end of the period | | | <u>2,092,864</u> | | <u>2,060,741</u> |

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 owned by DIF Participations 4 Luxembourg s à r.l. 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.

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 Euros.

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 Change in accounting policy

The Company introduced a change in accounting policy, as per the IFRS 9 – “Financial Instruments”, whereby an impairment amount will be calculated based on expectation of default of payments within the group of companies. This change reflected in preview policy of the group previously accounted for under DAS214.

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.

In December 2018, the IFRS 9 “Financial Instruments” accounting policy was implemented through the calculation of the impairment of any account receivable and other financial assets. The impairment calculation was based on the expected losses according to the risk profile of the customer, regardless of the losses that are finally incurred due to real situations of non-payment. As a result of this, the impact of the IFRS 9 first application affected the retained earnings as at January, 1st 2018. Comparatives were not adjusted.

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 Euros.

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 Loans to Affiliated Companies

| | 12/31/2018 | 12/31/2017 |
|--|---------------------|---------------------|
| 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 6.65%. | | |
| Opening balance | 96,367,700 | 99,568,150 |
| Reclassification current assets | <u>(4,667,850)</u> | <u>(3,200,450)</u> |
| | 91,699,850 | 96,367,700 |
| Amortized cost | 53,349 | 26,244 |
| Impairment of Financial Fixed Asset - IFRS 9 | (143,714) | 0 |
| Impairment of Financial Current Assets - IFRS 9 | <u>(8,429)</u> | <u>0</u> |
| | 91,601,056 | 96,393,944 |
| | | |
| 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 | 60,300,000 | 72,158,000 |
| Reclassification current assets | <u>(11,802,000)</u> | <u>(11,858,000)</u> |
| | 48,498,000 | 60,300,000 |
| Amortized Cost | 98,529 | 53,855 |
| Impairment of Financial Fixed Asset - IFRS 9 | (76,007) | 0 |
| Impairment of Financial Current Assets - IFRS 9 | <u>(21,311)</u> | <u>0</u> |
| | 48,499,211 | 60,353,855 |
| | | |
| Total non-current | <u>140,130,007</u> | <u>156,747,799</u> |
| | | |
| Total current | <u>16,440,110</u> | <u>15,058,450</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.

In accordance with the implementation of IFRS 9 – Impairment of financial assets, the retroactive amounts calculated until 2017 were recorded through reserves.

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

| | 2018 | 2017 |
|--|----------------|----------------|
| Tranche A - Loan 6.65% to Via do Infante | 280,918 | 290,248 |
| Tranche B - Loan 6.75% to Via do Infante | 169,594 | 202,944 |
| | <u>450,512</u> | <u>493,192</u> |

7 Intercompany Receivable

| | 2018 | 2017 |
|--|----------------|----------------|
| Autoestrada do Algarve - Via do Infante – Sociedade Concessionária AAVI S.A. | 139,246 | 130,265 |
| Deferred Tax on Impairment of Financial Current Assets - IFRS 9 | 54,900 | 0 |
| | <u>194,146</u> | <u>130,265</u> |

8 Cash at Banks

| | 2018 | 2017 |
|--------------------------------------|------------------|------------------|
| Citibank Amsterdam - current account | 2,092,864 | 2,060,741 |
| | <u>2,092,864</u> | <u>2,060,741</u> |

At December 31, 2018 and December 31, 2017 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 Participations 4 Luxembourg s à r.l. and J. Gomes – Sociedade de Construções do Cávado, S.A.

The Board of Managing Directors proposed, that the result of the financial year 2018 amounting to EUR 364,882 should be transferred to reserves.

The shareholder composition as per December 31, 2018 was:

| Shareholders | Shares | % |
|--|---------------|-------------|
| CIntra Infrastructures SE | 8,640 | 48% |
| DIF Participations 4 Luxembourg s à r.l. | 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:

| | 2017 | Changes for the Period | IFRS 9 adjustment | Dividend | 2018 |
|--|------------------|------------------------------|----------------------|------------------|------------------|
| Issued and fully paid up share capital | 18,000 | 0 | 0 | 0 | 18,000 |
| Retained earnings (a) | 1,667,570 | 338,406 | (225,764) | (334,000) | 1,446,212 |
| Net result for the previous year | 338,406 | (338,406) | 0 | 0 | 0 |
| Net result for the period | 0 | 364,883 | 0 | 0 | 364,883 |
| Total Equity | 2,023,976 | 364,882 | (225,764) | (334,000) | 1,829,095 |

(a) The Company applied IFRS 9 for the first time and the impairment relating to the prior periods are accounted for by adjusting the opening balance of retained earnings as at January, 1 2018

10 Loan Tranches A and B Payable

| | 2018 | 2017 |
|---|--------------------|--------------------|
| 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 | 96,367,700 | 99,568,150 |
| Reclassification current liabilities | (4,667,850) | (3,200,450) |
| | <u>91,699,850</u> | <u>96,367,700</u> |
| Amortized Cost | 40,223 | 18,758 |
| | <u>91,740,073</u> | <u>96,386,458</u> |
| 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 | 60,300,000 | 72,158,000 |
| Reclassification current liabilities | (11,802,000) | (11,858,000) |
| | <u>48,498,000</u> | <u>60,300,000</u> |
| Amortized Cost | 70,172 | 25,410 |
| | <u>48,568,172</u> | <u>60,325,410</u> |
| Total non-current | 140,308,245 | 156,711,868 |
| Total current | 16,469,850 | 15,058,450 |

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 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 instalments, 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 | 4,667,850 | 31,409,950 | 60,289,900 |
| Tranche B - European Investment Bank | 11,802,000 | 40,267,000 | 8,231,000 |

11 Interest Payable Loan Tranches A and B

| | 2018 | 2017 |
|--|----------------|----------------|
| Tranche A - Bonds 6.40% | 270,358 | 279,336 |
| Tranche B - European Investment Bank 6.50% | 163,312 | 195,428 |
| | <u>433,670</u> | <u>474,764</u> |

12 Accounts Payable and Accrued Expenses

| | 2018 | 2017 |
|---------------------------|----------------|----------------|
| Accrued audit fees | 14,484 | 14,484 |
| Accounts payable | 227,433 | 136,440 |
| Accrued tax advisory fees | 0 | 6,379 |
| Accrued accounting fees | 0 | 22,059 |
| Accrued legal fees | 42,157 | 42,445 |
| Accrued general expenses | 0 | 14,334 |
| | <u>284,074</u> | <u>236,141</u> |

13 Fair Value Financial Instruments

The fair value of the Bonds with nominal value of EUR 96,367,700 has been determined on the basis of its listing at the Luxembourg Stock Exchange. The rate as at December 31, 2018 quotes the Bonds at 117.94% (2017: 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, using the implicit effective rate of the fair value of the bond as determine above, due to the terms and conditions being identical with the exception of the margin (i.e. the asset less liability). This is considered the best reflection of the impact on equity changes in the fair value of the asset and liability.

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% | 1.8 million | 85% |
| Bond quote of 110.00% | 1.9 million | 93% |
| Bond quote of 117.94% | 2.1 million | 100% |
| Bond quote of 120.00% | 2.1 million | 102% |
| Bond quote of 130.00% | 2.3 million | 110% |

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

| | 2018 | 2017 |
|---|-------------------|-------------------|
| 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 | 6,611,952 | 6,640,946 |
| Impairment of Financial Assets - IFRS 9 | 27,105 | 42,476 |
| | 23,040 | 0 |
| | <u>6,662,097</u> | <u>6,683,422</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 | 4,837,314 | 5,410,418 |
| Impairment of Financial Assets - IFRS 9 | 44,674 | 47,447 |
| | 16,856 | 0 |
| | <u>4,898,844</u> | <u>5,457,865</u> |
| | <u>11,560,941</u> | <u>12,141,287</u> |

| | Loan Long Term | Loan Short term | Interest & Intercompany | Total |
|--|-------------------|--------------------|----------------------------|----------------|
| Loss allowance – Loans and advances to customers at amortised cost | | | | |
| Loss allowance as at 1 January 2018 | | | | |
| Restatement of the prior year (a) | 263,202 | 26,127 | 112 | 289,441 |
| Changes in the loss allowance | | | | |
| Financial assets that have been derecognised | (43,480) | 3,613 | (28) | (39,895) |
| Loss allowance as at 31 December 2018 | 219,721 | 29,740 | 84 | 249,545 |

(a) The impairment relating to the prior year is accounted for directly in the opening balance of equity as at January, 1 2018.

15 Interest Expense Loans Payable Tranches A and B

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Tranche A - Guaranteed 6.40% Bonds | | |
| EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.38% | (6,363,383) | (6,391,286) |
| Amortized Cost | (21,465) | (37,241) |
| | <u>(6,384,848)</u> | <u>(6,428,527)</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% | (4,658,155) | (5,210,032) |
| Amortized Cost | (44,761) | (47,601) |
| | <u>(4,702,916)</u> | <u>(5,257,633)</u> |
| | <u>(11,087,764)</u> | <u>(11,686,160)</u> |

16 General and Administrative Expenses

| | 2018 | 2017 |
|----------------------------------|------------------|------------------|
| Guarantee expenses (Syncora/EIB) | (215,110) | (130,573) |
| Audit fees | (23,625) | (27,951) |
| Management fees | (42,000) | (42,000) |
| Accounting fees | 0 | (21,750) |
| Tax advisory fees | 0 | (9,415) |
| General expenses | (11,706) | (3,166) |
| Legal & Professional fees | (23,041) | (8,675) |
| | <u>(315,482)</u> | <u>(243,530)</u> |

17 On-charge Expenses to Via do Infante

| | 2018 | 2017 |
|----------------------------------|----------------|----------------|
| Guarantee expenses (Syncora/EIB) | 215,110 | 130,573 |
| Audit fees | 23,625 | 27,951 |
| Management fees | 42,000 | 42,000 |
| Accounting fees | 0 | 21,750 |
| Tax advisory fees | 0 | 9,415 |
| General expenses | 11,706 | 3,166 |
| Legal & Professional fees | 23,041 | 8,675 |
| | <u>315,482</u> | <u>243,530</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.

| | 2018 | 2017 |
|----------------------|------------------|------------------|
| Corporate income tax | <u>(108,295)</u> | <u>(116,721)</u> |
| | <u>(108,295)</u> | <u>(116,721)</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 | <u>26,250</u> | <u>0</u> | <u>26,250</u> |

20. Post-Balance Sheet events

Due to a restructuring of Ferrovial Group on March 27, 2019, the shareholder Cintra Infrastructures SE has been registered in The Netherlands.

No other material event has taken place

21 Directors and Employees

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, 2018 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 Article 394 of Book 2 of the Dutch Civil Code and Article 5:25c(2)(c) Financial Markets Supervision Act.

Amsterdam, April 18th, 2019

The Board of Managing Directors,



E. Garcia Albero
As: Managing Director

DocuSigned by:
Michel Steenbergen
429C8F1629EE4F7...

M. Steenbergen
As: Managing Director



M. Stéphanie Lely
As: Managing Director



G.G.W. Hardy
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.

Algarve International B.V.
Kingsfordweg 151
1043 GR Amsterdam
The Netherlands
Telephone: +31 (0) 20 4919011
Fax: +31 (0) 20 491 9090

www.algarveinternational.eu
Trade Register number: 34155411