

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021



ANNUAL REPORT, DECEMBER 31, 2021

CONTENTS

Algarve at a Glance.....	3
Profile of the Company.....	3
Report of the Board of Directors.....	4
Financial Report.....	4
Annual Accounts and Dividend Proposal	4
Overview of the Activities	4
Financial Analysis	4
Risk Analysis	5
Number of Employees	5
Future Developments	5
Audit Committee	5
Report pursuant to Article 5:25c of the Financial Markets Supervision Act in the Netherlands	5
COVID -19 Pandemic	6
Annual Accounts	7
Balance Sheet as at December 31, 2021	7
Income Statement for the year ended December 31, 2021.....	8
Cash Flow Statement for the year ended December 31, 2021	9
Notes to the Annual Accounts.....	10

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 the raise of funds, including the issuance of bonds, creating security in connection therewith.

In 2000, Autoestrada do Algarve – Via do Infante – Sociedade Concessionária AAVI, S.A. (*formerly known as Euroscut Sociedade Concessionária da Scut do Algarve, S.A.*), hereinafter referred to as “**Via do Infante**”, a group company of Algarve, based in Lisbon, was 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, incorporated in 2001, raised funds through the issuance of loans and bonds, that lends to Via do Infante. Citibank N.A. was 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 the issued term loans and bonds, respectively.

On September 14, 2020, Cintra Infrastructures, S.E. signed an agreement (Share Purchase Agreement) with FADOS II B.V. to sell 8,640 shares that represent 48% of the total share capital of the Company, subject to certain conditions.

On December 17, 2020, Cintra Infrastructures, S.E. sold 5,040 shares to FADOS II B.V. representing 28% of the share capital of the Company.

As at 31 December 2021, Algarve is owned by DIF Participations 4 Luxembourg S.à.r.l (“DIF”) since September 2017 for 49%, Fados II B.V. who owns 28% since December 17, 2020, Cintra Infrastructures SE for 20%, J. Gomes – Sociedade de Construções do Cávado, S.A for 3%.

Report of the Board of Directors

Financial Report

During the year under review, the Company recorded a net profit of EUR 327,090.

Annual Accounts and Dividend Proposal

The Annual Report includes the Annual Accounts as per December 31, 2021 which are accompanied by an unqualified audit opinion from the external auditor, Ernst & Young Accountants LLP ("EY"). These Annual Accounts were prepared in accordance with the statutory provisions of section 9 of Book 2 of the Dutch Civil Code.

In May 2021 and November 2021, it was proposed and approved by the Board of Directors to distribute dividend advance in the amount of EUR 230,000 and 170,000 respectively out of the net profits for 2020 and a part of the reserves from previous years, to be provided in cash to the shareholders pro rata to the percentage of shares held by each shareholder ("the **Distribution**").

Overview of the Activities

By a unilateral decision from the Portuguese Government, 10 toll collection points (*gantries*) were installed on the Via do Infante 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 specified the revised 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, on July 29, 2015 a Minute of the Conclusion of Negotiation Procedures was signed 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 revised terms of the operating conditions of the concession and the new levels of operation on the consigned stretches of motorway from a shadow toll SCUT basis payment regime to an availability payment. The amended agreement became legally binding on November 9, 2015 and prior approval was waived by the Court of Auditors.

Currently the Company has four shareholders: DIF Participations 4 Luxembourg, S.à.r.l, FADOS II B.V, Cintra Infrastructures SE and J. Gomes – Sociedade de Construções do Cávado, S.A.

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 2021, the interest income decreased by 12.97% to EUR 8,184,745 compared to EUR 9,404,570 in 2020. Likewise, the interest expense decreased by 12.80% to EUR 7,878,854 compared to EUR 9,035,486 in 2020. These variations were mainly due the repayments of the loan and bond (both receivable and payable), in accordance with the contracted cash-flows.

The general and administrative expenses decreased by 33.76% to EUR 271,848 compared to EUR 410,380 in 2020 due to the renegotiation of the Security & Bond Trustee fees from previous years carried out in 2020. The total amount of assets decreased by 15.32% to EUR 105,658,983 compared to EUR 124,776,672 in 2020, 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 depend on Via do Infante to provide Algarve with enough funds to make payments on the notes and any invoices when due.

Via do Infante does not foresee to have liquidity issues since the current agreement with the Portuguese Government guarantees revenues, with a set up payment calendar with no traffic risk, until the end of the concession agreement in 2030.

Number of Employees

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

Future Developments

On September 14, 2020, Cintra Infrastructures, S.E. signed an agreement (Share Purchase Agreement) with FADOS II B.V. to sell 8640 shares that represents 48% of the total share capital of the Company, subject to certain conditions. On December 17, 2020, Cintra Infrastructures, S.E. sold 5040 shares to FADOS II, B.V. representing 28% of the share capital of the Company. The remaining 20% of the share capital is expected to be transferred to FADOS II B.V. in 2022 subject to certain Conditions Precedent as defined in the relevant agreements.

There are no other known risks or uncertainties that the directors consider would have a significant impact on the performance of the company. The directors do not anticipate that there will be any significant changes to the activities of the company for the foreseeable future.

Audit Committee

Following the Royal Decree of July 26, 2008, concerning the implementation of Article 41 of EC directive 2006/43, Public Interest Entities are required to have an Audit Committee. The Company established the Audit Committee in 2019 whose actual members are Marieke Stephanie Lely, Dennis Jong and Raul Barrueco Gonzalez.

Two meetings were held during 2021 on **April 29th** regarding the audited annual financial statements for 2020 and on June 18th, regarding the appointment of the external auditor.

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 Directors states that, to the best of its knowledge:

The Annual Financial Statements of 2021 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, 2021, the developments during 2021, whose details are included in the Annual Financial Statements. The significant risks Algarve International B.V. faces are described in this Annual Report.

COVID -19 Pandemic

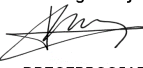
On March 11, 2020, the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business.

After considering the business plan and the availability of committed financing facilities the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. The Company is constantly monitoring the evolution of the situation in order to successfully face any possible impacts, both financial and non-financial, that may occur.


Considering all the aforementioned factors and the characteristics of the Via do Infante concession (availability payment regime backed by the State of Portugal), the Board of Directors consider that, also considering the ongoing COVID-19 crisis, the financial statements properly reflect the current financial situation of the Company.

The 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, May 27, 2022

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R. Barrueco Gonzalez
 As: Director


 J.A. Tamariz - Martel Goncer
 As: Director


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M. Stéphanie Lely
 As: Director

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B. Meseguer
 As: Director

DocuSigned by:

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D. Jong
 As: Director

Annual Accounts

Balance Sheet as at December 31, 2021

(before appropriation of results)

ASSETS	<i>Notes</i>	2021 <i>EUR</i>	2020 <i>EUR</i>
<i>Loan Tranches to group Companies</i>			
Tranche A – Loan @ 6.65% to Via do Infante	(3)	68,437,900	78,062,527
Tranche B – Loan @ 6.75% to Via do Infante	(3)	15,298,213	25,795,091
Non-Current Assets		83,736,113	103,857,618
Loan Tranches to Affiliated Companies	(3)	20,507,731	19,290,130
Corporate Income Tax Receivable		37,496	-
Other Receivables	(4)	80,121	70,958
Deferred tax asset	(5)	14,624	27,667
Total Receivables		20,639,972	19,388,776
Cash at Banks	(6)	1,282,898	1,530,278
Current Assets		21,922,870	20,919,054
TOTAL ASSETS		105,658,983	124,776,672
SHAREHOLDERS' EQUITY AND LIABILITIES			
Issued and fully paid up share capital		18,000	18,000
Retained earnings		1,007,184	1,139,966
Net result for the period		327,090	267,220
Total Equity (7)		1,352,274	1,425,186
<i>Debt issued and other borrowed funds</i>			
Tranche A – Guaranteed 6.40% Bonds	(8)	68,441,583	78,097,057
Tranche B – European Investment Bank 6.50% Loan	(8)	15,279,270	25,798,647
Non-Current Liabilities		83,720,853	103,895,704
Tranches A and B Payable	(8)	20,509,582	19,297,272
Accounts Payable and Accrued Expenses	(9)	76,274	157,010
Dividend tax		-	1,500
Current Liabilities		20,585,856	19,455,782
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		105,658,983	124,776,672

Annual Accounts

Income Statement for the year ended December 31, 2021

	Notes	2021 EUR	2020 EUR
<i>Interest Income</i>	(11)		
Tranche A – Loan 6.65% to Via do Infante		5,700,775	6,122,946
Tranche B – Loan 6.75% to Via do Infante		2,483,970	3,281,624
Total Interest Income		<u>8,184,745</u>	<u>9,404,570</u>
<i>Impairment of financial assets</i>	(12)		
Tranche A – Loan 6.65% to Via do Infante		37,879	(33,915)
Tranche B – Loan 6.75% to Via do Infante		21,414	(7,464)
Other receivable		(8)	(21)
Total Impairment on Financial Instruments		<u>59,285</u>	<u>(41,400)</u>
<i>Interest Expense</i>	(13)		
Tranche A – Guaranteed 6.40% Bonds		(5,486,013)	(5,874,237)
Tranche B – European Investment Bank 6.50% Loan		(2,392,841)	(3,161,249)
Total Interest Expense		<u>(7,878,854)</u>	<u>(9,035,486)</u>
Operating Income/(Expenses)		<u>365,176</u>	<u>327,684</u>
General and Administrative Expenses	(14)	(271,848)	(410,380)
Income originated on rebilled expenses to Via do Infante	(15)	256,344	404,179
Other Operating Income/(Expenses)		<u>(15,504)</u>	<u>(6,201)</u>
Result before Corporate Income Tax		<u>349,672</u>	<u>321,483</u>
Corporate Income Tax	(16)	(22,582)	(54,263)
NET RESULT FOR THE PERIOD		<u>327,090</u>	<u>267,220</u>

Annual Accounts

Cash Flow Statement for the year ended December 31, 2021

	Notes	2021 EUR	2020 EUR
Repayment of loans receivable	(3)	18,956,850	17,578,450
Repayment of loans payable	(3)	(18,956,850)	(17,578,450)
Interest received loans receivable	(12)	8,191,093	9,371,655
Interest paid loans payable	(13)	(7,884,545)	(9,021,160)
Corporate income tax paid		(102,428)	(91,135)
General and administrative expenses		(268,011)	(410,380)
Income originated on rebilled expenses to Via do Infante		216,511	404,179
Cash flow from operating activities		<u>152,620</u>	<u>253,159</u>
Dividend paid		<u>(400,000)</u>	<u>(500,000)</u>
Cash flow from financing activities		<u>(400,000)</u>	<u>(500,000)</u>
Increase / (decrease) cash at Banks		<u>(247,380)</u>	<u>(246,841)</u>
Cash at the beginning of the period		1,530,278	1,777,119
Increase / (decrease) cash		<u>(247,380)</u>	<u>(246,841)</u>
Cash at the end of the period		<u>1,282,898</u>	<u>1,530,278</u>

Annual Accounts

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.

The principal activity of Algarve International B.V. is the financing of group companies and the raise of funds, including the issuance of bonds, creating security in connection therewith.

b. Group structure

The Company has four shareholders: DIF Participations 4 Luxembourg, S.à.r.l (49%), FADOS II, B.V. (28%), Cintra Infrastructures SE (20%) and J. Gomes – Sociedade de Construções do Cávado, S.A (3%).

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 are disclosed if this is required for to provide the true and fair view.

The funds raised by Algarve are lend to Via do Infante which is a group company, with the same main shareholders as Algarve.

Algarve does not have any related party transaction with any group company different than Via do Infante.

d. Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. 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 2.a and 4 to the financial statements.

e. Basis of presentation

The annual accounts were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The annual accounts are denominated in Euro.

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. Financial Instruments

Initial recognition

Financial assets and liabilities are initially recognised on the trade date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, transaction costs are added to, or subtracted from, this amount.

The Company mainly classifies its financial assets and financial liabilities at amortised cost, based on the business model for managing the instrument and the contractual terms.

Financial assets and liabilities by financial statements line item

- Loan tranches to group companies (current and non-current including accrued interest): these loans are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate.
- Debt issued and other borrowed funds (current and non-current including accrued interest): after initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

A financial asset is derecognised when all risks and rewards have been transferred and the rights to receive cash flows from the financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

b. Impairment of financial assets

In determining the impairment of financial assets the Company applies Expected Credit Loss methodology which is allowed under Dutch GAAP. The Company records an allowance for expected credit loss (ECL) for all loans in this section.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Company makes use of the low credit risk simplification in the calculation of the ECL.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3, as described below:

- Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECL.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon (See Note 4).
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments (See Note 4).
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time (See Note 4).

The receivables under the current assets are initially measured at fair value plus transaction costs and subsequently carried at amortized cost less impairment when necessary. 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.

This line item mainly includes the receivables relating to expenses that are re-billed to Via do Infante, based on the agreement between the parties.

c. Cash

Cash include, 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 are stated at nominal value.

d. Equity

This annual report contains a balance sheet before profit appropriation (as recommended by the Dutch Accounting Standards Board). Profit for the period is recognized as the last item in equity. The presentation of debt versus equity is based on its legal form, which is in conformity with Dutch regulation.

e. Operating Income / (Expenses)

Interest income / expense of the Loans are recognized on a time-weighted basis and according to the effective interest rate of the corresponding assets and liabilities (amortized cost).

f. Other operating Income / (Expenses)

This line item includes all fees, expenses and other amounts in reference to the financing that are paid by the Company and entirely re-billed to Via do Infante. Income and expense are recognized in the year they are realized, unless stated otherwise.

g. 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.

h. Impairment charges

Impairment charges related to financial instruments held by the Company are presented separately in the Income Statement (see Note 12).

3 Loan Tranches to group Companies

	2021	2020
Tranche A – Loan @ 6.65% to Via do Infante		
<i>Facility: EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.65%.</i>		
Opening balance	78,012,550	85,716,400
Reclassification Current Assets	(9,677,250)	(7,703,850)
Total Nominal Amount	68,335,300	78,012,550
Movement Amortized Cost	146,223	123,815
Impairment of Financial Fixed Asset	(43,623)	(73,838)
Total non-current Tranche A	68,437,900	78,062,527
Current Tranche A	9,677,250	7,703,850
Impairment of Financial Current Assets – Principal	(6,164)	(7,858)
Interest Tranche A	227,412	249,186
Impairment of Financial Current Asset - Interest	(145)	(254)
Total current Tranche A	9,898,353	7,944,924
Tranche B – Loan @ 6.75% to Via do Infante		
<i>Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75%</i>		
Opening balance	25,650,000	36,903,000
Reclassification Current Assets	(10,544,000)	(11,253,000)
Total Nominal Amount	15,106,000	25,650,000
Movement Amortized Cost	201,964	177,296
Impairment of Financial Fixed Asset	(9,751)	(32,205)
Total non-current Tranche B	15,298,213	25,795,091
Current Tranche B	10,544,000	11,253,000
Impairment of Financial Current Assets – Principal	(6,717)	(11,478)
Interest Tranche B	72,141	103,790
Impairment of Financial Current Assets – Interest	(46)	(106)
Total current Tranche B	10,609,378	11,345,206
 Total Non- Current	 83,736,113	 103,857,618
 Total Current	 20,507,731	 19,290,130

Tranche A

The Company lent to 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. The effective interest rate is 6.49%

The Company received the payment, on 15 December 2021, of EUR 7,703,850 referring to the Principal Value of the Bonds. Future payments will be as follows:

<i>Date</i>	<i>Principal Amount</i>
15/12/2022	9,677,250
15/12/2023	8,045,400
15/12/2024	9,550,750
15/12/2025	19,202,700
15/12/2026	21,024,300
11/05/2027	10,512,150

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 used to grant the loan 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. The effective interest rate is 6.67%

The Company received the payment, on 15 December 2021, of EUR 11,253,000, referring to the Principal Value of the EIB Loan. Future payments will be as follows:

<i>Date</i>	<i>Principal Amount</i>
15/12/2022	10,544,000
15/12/2023	6,875,000
15/12/2024	5,938,000
15/12/2025	2,293,000

Impairments of Financial Assets

The expected credit losses (ECL) for these financial instruments are calculated considering: the outstanding balance to obtain the Exposure at Default (EAD) and, other parameters observed in the market to obtain the Probability of Default (PD) and the Loss Given Default (LGD).

The PD of the Portuguese State, which is the main client of Via do Infante was used for the ECL calculation (In 2020 PD of Ferrovial was used).

The maximum credit risk exposure equals the carrying amount disclosed in the balance sheet.

The financial assets are classified as stage 1, thus no significant increase in credit risk has been observed since initial recognition of the exposures. During the year under review covered by the annual accounts there has been the following movement in the provision balance:

	Loan Long Term	Loan Short term	Intercompany	Total
Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2021	106,043	19,696	21	125,760
Changes in the loss allowance	(52,669)	(6,624)	8	(59,285)
Loss allowance as at 31 December 2021	53,374	13,072	29	66,475

	Loan Long Term	Loan Short term	Intercompany	Total
Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2020	73,571	10,789	-	84,360
Changes in the loss allowance	32,472	8,907	21	41,400
Loss allowance as at 31 December 2020	106,043	19,696	21	125,760

4 Other Receivable

	2021	2020
<i>Autoestrada do Algarve – Via do Infante – Sociedade Concessionária AAVI S.A.</i>	80,150	70,979
<i>Impairment of financial assets</i>	(29)	21
	<u>80,121</u>	<u>70,958</u>

5 Deferred tax asset

	2021	2020
<i>Deferred tax asset</i>	14 624	27 667
	<u>14 624</u>	<u>27 667</u>

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits shall be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits shall be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is disposed of based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited in net equity, in which case the deferred tax is also recognized in net equity.

6 Cash at Banks

	2021	2020
<i>Citibank Amsterdam – current account</i>	<u>1,282,898</u>	<u>1,530,278</u>
	<u>1,282,898</u>	<u>1,530,278</u>

At December 31, 2021 and December 31, 2020 all cash at Banks are freely available to the Company. No interest was received on the current account held with Citibank Amsterdam. Moody's long-term rating for Citibank N.A. is set to Aa3 (high grade).

7 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 December 17, 2020, 28% of the share capital of the Company was transferred from Cintra Infrastructures SE to FADOS II B.V..

Currently the Company has four shareholders: DIF Participations 4 Luxembourg, S. à r.l., FADOS II B.V., Cintra Infrastructures SE and J. Gomes – Sociedade de Construções do Cávado, S.A.

The shareholder composition as of December 31, 2021 was:

Shareholders	Shares	%
DIF Participations 4 Luxembourg, S. à r.l	8,820	49%
FADOS II B.V.	5,040	28%
Cintra Infrastructures SE	3,600	20%
J. Gomes-Sociedade de Construções do Cávado, S.A.	540	3%
Total	18,000	100%

Movements in the equity accounts are as follows:

	2020	Changes for the Period	Dividend	2021
<i>Issued and fully paid up share capital</i>	18,000	-	-	18,000
<i>Retained earnings</i>	1,139,966	267,218	(400,000)	1,007,184
<i>Net result for the previous year</i>	267,220	(267,220)	-	-
<i>Net result for the period</i>	-	<u>327,090</u>	-	<u>327,090</u>
<i>Total Equity</i>	<u>1,425,186</u>	<u>327,088</u>	<u>(400,000)</u>	<u>1,352,274</u>

	2019	Changes for the Period	Dividend	2020
Issued and fully paid up share capital	18,000	-	-	18,000
Retained earnings	1,261,095	378,871	(500,000)	1,139,966
Net result for the previous year	378,871	(378,871)	-	-
Net result for the period	-	267,220	-	267,220
Total Equity	<u>1,657,966</u>	<u>267,220</u>	<u>(500,000)</u>	<u>1,425,186</u>

8 Tranches A and B Payable

	2021	2020
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	78,012,550	85,716,400
Reclassification current liabilities	<u>(9,677,250)</u>	<u>(7,703,850)</u>
Total Nominal Amount	68,335,300	78,012,550
Movement Amortized Cost	<u>106,283</u>	<u>84,507</u>
	68,441,583	78,097,057
Current assets Tranche A – Principal	9,677,250	7,703,850
Current assets Tranche A – Interest	218,863	240,476
Total current Tranche A	<u>9,896,113</u>	<u>7,944,326</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	25,650,000	36,903,000
Reclassification current liabilities	<u>(10,544,000)</u>	<u>(11,253,000)</u>
Total Nominal Amount	15,106,000	25,650,000
Movement Amortized Cost	<u>173,270</u>	<u>148,647</u>
	15,279,270	25,798,647
Current assets Tranche B	10,544,000	11,253,000
Current assets Tranche B – Interest	69,469	99,946
Total current Tranche B	<u>10,613,469</u>	<u>11,352,946</u>
Total non-current	<u>83,720,853</u>	<u>103,895,704</u>
Total current	<u>20,509,582</u>	<u>19,297,272</u>

The Company has raised funds through loans and bonds. In relation to these raised funds, Citibank N.A. has been appointed as 'Security Trustee' for the bonds listed on the Luxembourg Stock Exchange (Tranche A). The EIB acts as credit party (Tranche B loan provider) and Syncora, a New York based 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 (Moody's withdrew the rating for Syncora on 8 Nov 2012 and S&P no longer rates Syncora as of 28 Jul 2010) and EIB, Syncora assigned to EIB all of its rights, titles, interests and benefits, present and future, in, to and under the same repayment terms due from Algarve after November 8, 2011 pursuant to the agreement between the parties dated July 2, 2011.

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. Still, Syncora remains as the guarantor.

Tranche A

The EUR 126,500,000 Guaranteed Bonds of Algarve were issued on July 2, 2001. The bonds mature June 15, 2027 and bear annual interest of 6.40% payable in December of each year and capital is repaid over 18 variable instalments. The first instalment took 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.

The balance movement of the year for the Tranche A was:

Bond (Tranche A)	2021	2020
Opening Balance	86,041,383	92,019,385
Accrued Interest	5,486,013	5,874,237
Interest paid	(5,485,850)	(5,868,789)
Principal paid	(7,703,850)	(5,983,450)
Ending balance	78,337,696	86,041,383

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 transferred 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. Interest increased by 0.50% as per December 31, 2009.

The balance movement of the year for the Tranche B was:

Loan (Tranche B)	2021	2020
Opening Balance	37,151,593	48,737,714
Accrued Interest	2,392,841	3,161,249
Interest paid	(2,398,695)	(3,152,370)
Principal paid	(11,253,000)	(11,595,000)
Ending balance	25,892,739	37,151,593

Loan tranches repayment schedule (nominal value)	Term 1 year	Term 2-5 years	Term > 5 years
<i>Tranche A - Guaranteed 6.40% Bonds</i>	9,677,250	57,823,150	10,512,150
<i>Tranche B - European Investment Bank</i>	10,544,000	15,106,000	-

9 Accounts Payable and Accrued Expenses

	2021	2020
<i>Accrued audit fees</i>	25,440	24,000
<i>Accrued management fees</i>	10,500	-
<i>Accounts payable (a)</i>	34,997	127,970
<i>Accrued general expenses</i>	5,337	5,040
	<u>76,274</u>	<u>157,010</u>

(a) Includes Corporate Income Tax Provision in 2020.

10 Fair Value Financial Instruments

The Bonds issued by Algarve are listed at the Luxembourg Stock Exchange, with a current quotation of 117.94%, however there is not an active trading volume for this instrument, therefore it cannot be considered a fair value level 1 instrument.

The company calculates the FV of the bond using the zero-coupon curve, given that this is an internal model where no market observable parameters are being used, this is considered a FV level 3 financial instrument. The FV of the bond as at 31 December 2021 is 115,60%

The Company has therefore performed a fair value analysis on the quoted rate to assess the impact of changes to the bond quote on the fair value.

The fair value of the loans granted to a group company 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 determined 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

The Company has made several calculations with different rates of the bond quote to reflect some alternative fair values in these Annual 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%	0.7 million	85%
Bond quote of 110.00%	0.7 million	93%
Bond quote of 117.94%	0.8 million	100%
Bond quote of 120.00%	0.8 million	102%
Bond quote of 130.00%	0.9 million	110%

11 Interest Income Loans Receivable Tranches A and B

	2021	2020
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%	5,677,683	6,080,598
Movements Amortized cost	<u>23,092</u>	<u>42,348</u>
	<u>5,700,775</u>	<u>6,122,946</u>
	2021	2020
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%	2,459,303	3,241,004
Movements Amortized Cost	<u>24,667</u>	<u>40,620</u>
	<u>2,483,970</u>	<u>3,281,624</u>
	8,184,745	9,404,570
Total Interest Income		

12 Impairment of financial assets

	2021	2020
Tranche A – Loan 6.65% to Via do Infante	37,879	(33,915)
Tranche B – Loan 6.75% to Via do Infante	21,414	(7,464)
Other receivable	<u>(8)</u>	<u>(21)</u>
	<u>59,285</u>	<u>(41,400)</u>

13 Interest Expense Loans Payable Tranches A and B

	2021	2020
Tranche A - Guaranteed 6.40% Bonds		
<i>EUR 126,500,000 from July 2, 2001 until</i>		
<i>May 11, 2027 at a rate of 6.38%</i>	(5,464,237)	(5,852,004)
<i>Movements Amortized Cost</i>	<u>(21,776)</u>	<u>(22,233)</u>
	<u>(5,486,013)</u>	<u>(5,874,237)</u>
Tranche B - European Investment Bank		
<i>Facility: EUR 130,000,000 from July 2, 2001 until</i>		
<i>December 15, 2025 at a rate of 6.47%</i>	(2,368,218)	(3,120,967)
<i>Movements Amortized Cost</i>	<u>(24,623)</u>	<u>(40,282)</u>
	<u>(2,392,841)</u>	<u>(3,161,249)</u>
	<u>(7,878,854)</u>	<u>(9,035,486)</u>

14 General and Administrative Expenses

	2021	2020
<i>Guarantee expenses (Syncora/EIB)</i>	(109,217)	(144,000)
<i>Audit fees</i>	(43,840)	(40,918)
<i>Management fees</i>	(42,000)	(42,000)
<i>Bank fees</i>	(13,083)	(122,282)
<i>General expenses</i>	(15,894)	(40,189)
<i>Legal & Professional fees</i>	<u>(47,814)</u>	<u>(20,991)</u>
	<u>(271,848)</u>	<u>(410,380)</u>

15 Expenses Invoiced to Via do Infante

	2021	2020
<i>Guarantee expenses (Syncora/EIB)</i>	109,217	144,000
<i>Audit fees</i>	42,400	31,660
<i>Management fees</i>	42,000	42,000
<i>Bank fees</i>	13,083	122,282
<i>General expenses</i>	15,591	38,246
<i>Legal & Professional fees</i>	<u>34,053</u>	<u>25,991</u>
	<u>256,344</u>	<u>404,179</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. Under normal market conditions a write-up of these expenses would be more appropriate, this is not the case and therefore this transaction is considered not to be at arm's length. The Company does not have the goal to profit from this related party transaction.

The difference between the General and Administrative Expenses (Note 14) and Expenses Invoiced to Via do Infante is due to the accrued expenses not invoiced.

Audit fees included in disclosure are based on actual hours.

16 Corporate Income Tax

The corporate income tax is based on the fiscal result. The applicable tax rates are 15% over the first EUR 245,000 and 25% over the surplus are the tax rates used to calculate the Corporate Income Tax.

	2021	2020
Corporate Income Tax	(62,918)	(63,371)
Deferred Corporate Income Tax	(13,043)	9,108
Adjustments Previous Years	53,379	-
Corporate Income Tax	(22,582)	(54,263)

	2021	Rate	2020	Rate
Profit before tax	349,672		321,483	
Tax expense (benefit)	87,418	25.00%	80,371	25.00%
Permanent differences				
Step up in tax rate	(24,500)	-7.01%	(17,000)	-5.29%
Deferred Corporate Income Tax	13,043	3.73%	(9,108)	-2.83%
Adjustments Previous Years	(53,379)	-61.06%	-	-
Total tax expense (benefit)	22,582	6.46%	54,263	16.88%

17 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 Ernst & Young Accountants LLP is as follows:

	Audit Fee
2020 annual accounts	1,440
2021 annual accounts	25,440
2021 interim accounts	16,960
Total	43,840

18 Post Balance Sheet Events

After balance sheet date, the European and global financial markets have been and are expected to continue to be significantly impacted in 2022 by the Russia/Ukraine conflict.

The Company exposure to the conflict is limited, however, the potential impact of the conflict and sanctions regime remains uncertain. All developments and the related potential risks will be closely monitored.

19 Financial risk management

Authorization level

The 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, almost all of the transactions are in Euros.

Interest Rate Risk

The Company is exposed to 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).

All the payable and receivable interest are indexed to a fixed interest rate, according to Financial Agreements.

The Company does not incur in any interest rate risk because the Financial Assets and Liabilities have a fixed interest rate dispose on the Financial Terms Agreement.

Credit Risk

The Company has a significant concentration of credit risk, as the Company depends on the sole performance of Via do Infante, who has only one client, the Portuguese Government.

Via do Infante only has one client, being the Portuguese government who, according to the agreement between the parties, has the commitment of providing Via do Infante with sufficient funds to meet its financial obligations.

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

Liquidity Risk

The Company makes use of only one bank (Citibank) and all the available cash is in current accounts.

All the loans payable and receivable are guaranteed by Syncora Guarantee, in the amount of EUR 25,650,000, which is a stock insurance company based in New York that acts as 'Guarantor' of these loans and bonds.

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.

The Company and Via do Infante have similar contracts, with equivalent dates and terms, meaning that the collections are matched with the payments resulting in a limited liquidity risk.

In addition, Via do Infante, according to the Financing contracts, has a Debt Service Reserve account with 85% of the amount of debt and interest for the subsequent year of the Contracts consisting of Tranche A- Bond and Tranche B - EIB loan.

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 attorneys to sign.

External Audit

The accounts of Algarve are audited every six months by an external auditor. These audits take place in accordance with the auditing standards as included in Dutch law. On June 18, 2020 the Management Board of the Company decided to appoint Ernst & Young Accountants LLP as the Company's auditors.

Advisory Roles

The external auditor (Ernst & Young Accountants LLP) does not act in an advisory capacity as it only provides assurance 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 Procedures. These internal controls and procedures are designed to manage the risks that may prevent Algarve from achieving its objectives. However, these internal controls and procedures cannot provide absolute assurance that material misstatements, fraud and violations of laws and regulations can be avoided. The Board of Managing Directors reviewed and analysed the financial reporting and regulatory and compliance risks, and the design and operating effectiveness of the Internal Control and Management Procedures.

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 Procedures, with regard to financial reporting, worked properly over 2021 and that the Internal Control and Management Procedures provide a reasonable assurance that the financial reporting does not contain any errors of material importance.

Moreover, during the year 2021 the FRM (Ferrovial Risk Management) - Procedure has been applied for the identification and assessment of risks and risk events. Additionally, 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 has been applied.

20 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 Board of Managing Directors did not receive any remuneration from Algarve International B.V. during the year.

The Company has no employees.

21 Related Parties

The related parties balances and transactions are the ones related to Via do Infante as disclosed in the previous notes. There are no other related parties balances and transactions.

22 COVID-19 Pandemic

On March 11, 2020, the World Health Organization elevated the public health emergency situation caused by the coronavirus outbreak (COVID-19) to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business.


After considering the business plan and the availability of committed financing facilities the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. The Company is constantly monitoring the evolution of the situation in order to successfully face any possible impacts, both financial and non-financial, that may occur.

Considering all the aforementioned factors and the characteristics of the Via do Infante concession (availability payment regime backed by the State of Portugal, the Board of Managing Directors consider that, also considering the ongoing COVID-19 crisis, the financial statements properly reflect the current financial situation of the Company.

The 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, May 27, 2022

The Board of Managing Directors,

DocuSigned by:

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R. Barrueco Gonzalez
As: Director




J.A. Tamariz - Martel Goncer
As: Director


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M. Stéphanie Lely
As: Director

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B. Meseguer
As: Director

DocuSigned by:

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D. Jong
As: Director

Other information

1. Independent Auditor's Report

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

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