

ANNUAL REPORT DECEMBER 31, 2013



Algarve International B.V.

ANNUAL REPORT 2013

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Algarve at a Glance

Profile of Algarve International B.V.

The principal activity of Algarve International B.V. (hereinafter referred to as the **"Company"** or **"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.

Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon, an affiliated company of Algarve, has been granted the concession with respect to a shadow 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 Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon (hereinafter referred to as **"Euroscut"**).

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 loans and bonds.

Algarve was founded in 2001.

Algarve is part of the Ferrovial Group ("hereinafter referred to as **"Ferrovial"**), with Ferrovial SA as its parent company which is listed on the Madrid Stock Exchange. Ferrovial operates as a manager of transportation infrastructure companies in Spain and internationally. Its construction activities include civil engineering and building activities comprising roads, railways, infrastructure, hydraulic, maritime, hydroelectric, industrial, and environmental works, as well as residential and non-residential building works; and engineering activities, such as road design, civil engineering and construction, and geotechnics, as well as water works, including dams, ports, and pipes. Ferrovial's construction activities also comprise structure pre-stressing; building water, waste treatment, and electricity generation plants; centralized works; design and production of modified bitumen and emulsions; design, planning, and construction of industrial chimneys, piles for bridges, and telecommunications towers; and sliding formwork. In addition, it operates and manages eight airports and manages 23 toll roads in Spain, Ireland, Portugal, Greece, Chile, Canada, and the United States. Further, Ferrovial is involved in facility management, infrastructure maintenance, airport handling, municipal and waste treatment services, waste management, gardening, and municipal and industrial cleaning services. Ferrovial SA was founded in 1952 and is based in Madrid, Spain.

Supervisory Board

<i>name</i>	D. Haarsma (1948)
<i>function</i>	Chairman
<i>nationality</i>	Dutch
<i>first appointed</i>	2010
<i>current term</i>	until AGM 2014
<i>expertise</i>	management strategy and risks inherent to the company's business; management selection, recommendation and development; compliance, shareholder and employee relations, Dutch corporate income tax, cross border business, mergers and acquisitions, setup of investment funds, financial sector
<i>other functions</i>	Director of DHA Management B.V., Guess? Europe B.V., Ninive International B.V., Venini Netherlands B.V., Acordis Beheer B.V. and Sybil Investments B.V. and Supervisory Board Member of Verizon Nederland B.V.

<i>name</i>	M.A.H. Martis (1968)
<i>nationality</i>	Dutch
<i>first appointed</i>	2012
<i>current term</i>	until AGM 2016
<i>expertise</i>	financial administration, accounting, financing, compliance, internal risk management, cross border business, financial sector
<i>other functions</i>	Managing Director of Ansas Investments B.V., Aurigen Europe Holdings B.V., Coats Industrial Europe Holdings B.V., Coats Industrial Thread Holdings B.V., Coats Northern Holdings B.V., Coats South America Holdings B.V., Coats South Asia Holdings B.V., Coats Southern Holdings B.V., Czech Real Estate Fund B.V., ERB New Europe Funding II B.V., ERB New Europe Funding B.V., ERB New Europe Holding B.V., Guinness Peat Group International Holdings B.V., Lucasfilm Animation Company Limited B.V., Lucasfilm Animation Company Singapore B.V., Bebidas Americas Investments B.V., CDMI Investments B.V., Aguas Minerales International Investments B.V., Africatel Holdings B.V., St. Jude Medical Holdings B.V., Teekay Offshore European Holdings Cooperatief U.A., Teekay Netherlands European Holdings B.V., Waldorf Services B.V., Lucasfilm Animation Company Singapore B.V., Lucasfilm Animation Company Limited B.V., Cimnet Systems B.V., Underwriters Laboratories Holdings B.V., Underwriters Laboratories B.V., IPL Services B.V., Investass Adviesbureau voor het Bank- en verzekeringswezen B.V., Ansas Investments B.V., Premium Enterprise management B.V., Gadin Investments B.V., Proxy Holder A of Trust International Management (T.I.M.) B.V., Europe Management Company B.V. and Management Company Strawinsky B.V., Account Manager Financial at Citco Nederland B.V.

Secretary to the Supervisory Board
J.P.V.G. Visser (1981)

Report of the Supervisory Board

The past year remained quite turbulent given the ongoing effects of the global financial crisis that started in 2008.

The Supervisory Board is convinced that Algarve will be able to withstand the consequences of the financial crisis in Portugal and has confidence in the future of Algarve.

Annual Accounts and Dividend Proposal

The Annual Report includes the Annual Accounts as per December 31, 2013 which are accompanied by an unqualified audit opinion from the external auditor, Deloitte Accountants B.V. ('Deloitte'). These Annual Accounts were prepared in accordance with the statutory provisions of section 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

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

We propose that the shareholders adopt the 2013 Annual Accounts and grant discharge to the Board of Managing Directors for its management and the Supervisory Board for its supervision. We endorse the proposal of the Board of Managing Directors that the net result for the financial year 2013 amounting to EUR 424,445 is being transferred to the reserves without payment of dividend.

Composition and Profile of the Supervisory Board

The Supervisory Board comprises of 2 individuals with Dutch nationality. Information about each member of the Supervisory Board is included on page 2. The profile of the Supervisory Board describes the range of expertise that should be represented in our Supervisory Board. The profile relates to knowledge and experience in the fields of strategy, finance, financial control, information technology, management and organization in the financial sector. The divisions of duties within the Supervisory Board are laid down in a set of regulations. In our opinion both the composition of the Supervisory Board and the expertise and experience of the individual members meet the stipulated requirements.

The requirements of the Dutch Corporate Governance Code¹ (hereinafter referred to as the "Code") are fulfilled with respect to the independence of the Supervisory Board members. Exception hereof is Mr. Martis, who is proxy holder A of Trust International Management (T.I.M.) B.V., Europe Management Company B.V. and Management Company Strawinsky B.V., and is therefore not independent as defined by the Code (provision III.2.2). This exception together with the composition of our Supervisory Board does not interfere with the independence stipulation. In addition both Supervisory Board members do not carry out any other functions that could jeopardize their independence.

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

¹ the Dutch Corporate Governance Code applicable for the financial year 2013.

In the year under review two scheduled meetings were convened by the Supervisory Board and the Board of Managing Directors. Both Supervisory Board members, at least three members of the Board of Managing Directors and a representative from Euroscut (via telephone) were present during these meetings. The major issues discussed during these meetings included amongst others the findings of the external audit performed by Deloitte.

Audit Committee

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

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

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

In Conclusion

We thank the Board of Managing Directors who has dedicated themselves to Algarve on a daily basis. We are aware of the challenges that the remaining and future years will bring us but we feel confident that Algarve will be able to withstand these challenges through its strong position.

Amsterdam, April 11, 2014

[was signed]

[was signed]

D. Haarsma

M.A.H. Martis

Report of the Board of Managing Directors

Financial Report

During the year under review, the Company recorded a net profit of EUR 424,445.

Overview of the Activities

The financial crisis of recent years in European Union countries and the U.S. has led to an economic stagnation, it seems that the measure taken by governments have had little impact.

Based on traffic figures in December 2013, the traffic has declined (-0.02) compared with December 2012 (8.719 versus 8.721). Nevertheless, it has no impact because Euroscut Algarve is operating under the "Tripartido Agreement" which guarantees revenues based on the base case traffic figures.

Risk Analysis

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

Euroscut does not expect to have any problems since the current agreement ("*Tripartido Agreement*") guarantee revenues even superior to those foreseen in the base case.

Risk Management

Authorization level

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

Audit Committee

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

External Audit

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

Advisory Roles

The external auditor (Deloitte) does not act in an advisory capacity except where activities relating to the annual accounts are concerned. Professional advice is provided by third party experts, such as tax advisors, Dutch notaries and Civil-Law lawyers.

Declaration

The Board of Managing Directors believes that the internal risk management and control systems described above provide a reasonable level of assurance that the annual accounts do not contain any material misstatements and that these systems operated properly during the year under review. The Board of Managing Directors has no indication that these systems will not operate properly during the current year.

Financial Analysis

In 2013, the operating income decreased by 0.86% to EUR 14,721,997, compared to EUR 14,849,288 in 2012. The decrease was mainly due to the repayment of EUR 6,872,000 on the loan from the EIB.

The general and administrative expenses decreased by 4.68% to EUR 438,900, compared to EUR 460,467 in 2012.

The total amount of assets decreased by 2.89% to EUR 217,230,759 compared to EUR 223,703,438 in 2012. The decrease of the total assets is mainly due to the payment of an installment of the Loan. During the year under review, the Company recorded a net profit of EUR 424,445.

Number of employees

During the year 2013, Algarve did not have any employees (2012: 0).

Future Developments

The Board of Managing Directors does anticipate that the outstanding Loans and Bonds will be repaid in 10 installments of which the next one will take place on December 15, 2014.

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 Euroscut directly for the group's operations.

The fair value of the Bonds with amortized cost of EUR 101,453,000 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as per December 31, 2013 quoted the Bonds at 117.94% (2012: 117.94%).

The fair value of the loans granted to an affiliated party is based on the discounted cash flows of future loan repayments and interest payments. The discount rate applied is based on the calculated market rates for the loans obtained and approximates 4.24% for Tranche A and 3.03% for Tranche B as at December 31, 2013.

As a result the net fair value at December 31, 2013, of the loans obtained and granted represents the discounted value of the 0.25% margin between the interest rates on the loans obtained and the interest rates on the loans granted, amounting to approximately EUR 3.5 million.

Textual errors in the interim reports June 2012 and June 2013 and the annual report for the year ended December 31, 2012

Reference is made to the notice as published on the website of the Company on October 18, 2013, regarding the textual errors in (i) the interim report for the half-year ending June 30, 2012, (ii) the

annual report for the year ending December 31, 2012 and (iii) the interim report for the half-year ending June 30, 2013 (hereinafter referred to as the “**Notice**”). The amended wording and the auditors’ report as issued on October 30, 2013, have been filed with the AFM (*Autoriteit Financiële Markten, the Dutch Authority for the Financial Markets*) and have been published on the website of the Company. The company emphasizes that the textual errors have not affected the reported or still to be reported financial figures.

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

In the opinion of the Board of Managing Directors, the Annual Accounts as per December 31, 2013, 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 per December 31, 2013 and further give a true and fair view of the course of events during 2013 of Algarve International B.V., whose details are included in the Annual Accounts. The significant risks Algarve International B.V. faces are described in this annual report.

Amsterdam, April 11, 2014

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Trust International Management (T.I.M.) B.V.
As: Managing Director A

F.J. Clemente Sanchez
As: Managing Director B

[was signed]

[was signed]

Management Company Strawinsky B.V.
As: Managing Director A

V. Domingues dos Santos
As: Managing Director B

[was signed]

Europe Management Company B.V.
As: Managing Director A

Balance Sheet as at December 31, 2013

(before appropriation of results)

	Notes	2013	2012
ASSETS		EUR	EUR
Financial Fixed Assets			
<i>Loan Tranches from Affiliated Companies</i>			
Tranche A – Loan @ 6.65% to Euroscut	(5)	101,453,000	101,453,000
Tranche B – Loan @ 6.75% to Euroscut	(5)	100,934,000	111,568,000
		202,387,000	213,021,000
Current Assets			
Loan Tranches from Affiliated Companies	(5)	10,634,000	6,872,000
Interest Receivable from Affiliate	(6)	632,616	651,944
Corporate Income Tax Receivable		14,378	14,854
Interest Receivable		199	319
Intercompany Receivable	(7)	55,717	55,714
Total Receivables		11,336,910	7,594,831
Cash at Banks	(8)	3,506,849	3,087,607
Total Current Assets		14,843,759	10,682,438
TOTAL ASSETS		217,230,759	223,703,438
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity	(9)		
Issued and fully paid up share capital		18,000	18,000
Retained earnings		3,119,331	2,685,254
Net result for the year		424,445	434,077
Total Equity		3,561,776	3,137,331
Non-Current Liabilities			
Tranche A – Guaranteed 6.40% Bonds	(10)	101,453,000	101,453,000
Tranche B – European Investment Bank	(10)	100,934,000	111,568,000
Loan Tranches A and B Payable	(10)	202,387,000	213,021,000
Current Liabilities			
Loan Tranches A and B Payable	(10)	10,634,000	6,872,000
Interest Payable Loan Tranches A and B	(11)	609,008	627,620
Accounts Payable and Accrued Expenses	(12)	38,975	45,487
Total Current Liabilities		11,281,983	7,545,107
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		217,230,759	223,703,438

Income Statement for the Year ended December 31, 2013

	<i>Notes</i>	<i>2013</i>	<i>2012</i>
		<i>EUR</i>	<i>EUR</i>
<u>Operating Income/(Expenses)</u>			
<i>Interest Income Loans Receivable</i>	(14)		
Tranche A – Loan 6.65% to Euroscut		6,746,625	6,746,625
Tranche B – Loan 6.75% to Euroscut		<u>7,975,372</u>	<u>8,102,663</u>
<u>Total Interest Income Loans Receivable</u>		14,721,997	14,849,288
 <i>Interest Expense Loan Payable</i>	(15)		
Tranche A – Guaranteed 6.40% Bonds		6,492,992	6,492,992
Tranche B – European Investment Bank		<u>7,679,988</u>	<u>7,802,565</u>
<u>Total Interest Expense Loan Payable</u>		(14,172,980)	(14,295,557)
		<u>549,017</u>	<u>553,731</u>
 <u>Other Operating Expenses</u>			
General and Administrative Expenses	(16)	(438,900)	(460,467)
On-charge Expenses to Euroscut	(17)	<u>438,900</u>	<u>460,467</u>
		0	0
 <u>Financial Income/(Expenses)</u>			
Interest Income Banks		1,787	7,775
Interest on Corporate Income Tax		<u>1,788</u>	<u>3,409</u>
		3,575	11,184
 Result before Corporate Income Tax		<u>552,592</u>	<u>564,915</u>
 Corporate Income Tax	(18)	<u>(128,147)</u>	<u>(130,838)</u>
		(128,147)	(130,838)
 NET RESULT FOR YEAR		<u>424,445</u>	<u>434,077</u>

Cash Flow Statement 2013

		2013	2012
		EUR	EUR
Cash flow from operating activities			
Repayment of loans payable	(5)	6,872,000	1,669,000
Repayment of loans receivable	(5)	(6,872,000)	(1,669,000)
Interest received loans receivable	(14)	14,741,324	14,853,982
Interest paid loans payable	(15)	(14,191,592)	(14,300,077)
Corporate income tax paid		(125,884)	(134,227)
General and administrative expenses	(16)	(445,411)	(450,070)
On-charge expenses to Euroscut	(17)	438,898	452,103
		<hr/>	<hr/>
Subtotal		417,335	421,711
Cash flow from financing activities			
Interest income banks		1,907	8,224
		<hr/>	<hr/>
Subtotal		1,907	8,224
		<hr/>	<hr/>
Increase / (decrease) cash and cash equivalents		419,242	429,935
		<hr/>	<hr/>
Movements in cash and cash equivalents			
Equivalents			
Cash and cash equivalents at the beginning of the year		3,087,607	2,657,672
Increase / (decrease) cash and cash equivalents		419,242	429,935
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		3,506,849	3,087,607
		<hr/>	<hr/>

Notes to the Annual Accounts

1 General

a Group Affiliation and Principal Activities

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

b Group structure

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

c Changes in the accounting policies

The accounting policies have not changed in 2013.

d Related-party transactions

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

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

e Estimates

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

f Basis of Presentation

The annual accounts were prepared in accordance with the statutory provisions of Part 9, 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. The annual accounts are denominated in Euro.

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

g Notes to the cash flow statement

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

2 Accounting Policies for the Balance Sheet and P&L

a General

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

b Comparison with Prior Period

The principles of valuation and determination of result remained unchanged compared to the prior year.

c Financial Fixed Assets

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

d Current Assets

Receivables included in current assets are valued at the amounts at which they were acquired or incurred, or fair value. 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 had the impairment 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 profits 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 Euroscut, directly for the group's operations.

Expenses related to the financial instruments are charged on to Euroscut.

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. When recognizing interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

c Dutch Corporate Income Tax

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

4 Financial Instruments and Risk Management

a Price Risk

Currency risk

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

Where floating-interest loans and receivables are concerned, the Company incurs risk regarding future cash flows. In addition, the Company incurs risks on fixed interest loans and receivables with respect to the fair value due to changes in the market rate of interest. No financial derivatives for interest rate risk are contracted with regard to the receivables.

b Credit Risk

The Company has a significant concentration of credit risk, as the Company depends on the (generated) income at the level of Euroscut, whereas Euroscut has only one client (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 supplies, in which case additional securities are demanded, including guarantees.

For 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 on only one material client (the Portuguese State) for its turnover/financial performance.

c Liquidity Risk

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

5 Loan Tranches from Affiliated Companies

Tranche A - Loan @ 6.65% to Euroscut	2013	2012
Facility: EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.65%		
Opening balance	<u>101,453,000</u>	<u>101,453,000</u>
	101,453,000	101,453,000
Tranche B - Loan @ 6.75% to Euroscut		
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75%		
Reclassification current assets	<u>111,568,000</u>	<u>118,440,000</u>
	(10,634,000)	(6,872,000)
	100,934,000	111,568,000
	<u>202,387,000</u>	<u>213,021,000</u>

The Company directly lends on for the same amount as the amounts borrowed from EIB and Bonds, as is stated in the Loan agreement to Euroscut.

The loan is divided into two tranches:

Tranche A

The issuer lends Euroscut 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%). The Company 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 Euroscut. 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. The Company 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.

Increase of interest

On June 9, 2010, the European Investment Bank ('EIB') sent a letter to the Company with a copy addressed to Cintra Concesiones de Infraestructuras de Transporte, S.A., Syncora Guarantee, Inc. and Citibank N.A., with respect to the Scut Algarve PPP. In the letter the Company was notified that Syncora Guarantee, Inc. (formerly known as: XL Capital Assurance, Inc.), has been downgraded by three approved rating agencies.

Due to the downgrading of Syncora Guarantee, Inc., the EIB has advised that, without altering or affecting the nature, extent, validity or enforceability of the EIB Financial Guarantee (Syncora's Financial Guarantee granted in favour of the EIB), the EIB will waive its rights under the EIB Facility Agreement, exclusively, in relation to the aforementioned downgrades (the "EIB Waiver").

The EIB Waiver is subject to and conditional upon the Borrower paying to EIB interest in respect of the Loan at a nominal interest rate equivalent to the Rate of Interest currently applicable in respect of the Loan plus an additional margin of 0.50% (zero point fifty percent) per annum, with effect from the latest Payment Date, i.e. from December 15, 2009 and until full repayment of the Loan and unconditional payment of all amounts due thereunder.

6 Interest Receivable from Affiliate

	2013	2012
Tranche A - Loan 6.65% to Euroscut	318,831	318,831
Tranche B - Loan 6.75% to Euroscut	<u>313,785</u>	<u>333,113</u>
	<u>632,616</u>	<u>651,944</u>

7 Intercompany Receivable

	2013	2012
Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon	<u>55,717</u>	<u>55,714</u>

8 Cash at Banks

	2013	2012
Citibank Amsterdam – current account	66,849	647,607
Citibank Amsterdam – deposit account	<u>3,440,000</u>	<u>2,440,000</u>
	<u>3,506,849</u>	<u>3,087,607</u>

At December 31, 2013 and December 31, 2012 all cash and cash equivalents are freely available to the Company.

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.

Movements in the equity accounts are as follows:

	2012	Changes for the Year	2013
Issued and fully paid up share capital	18,000	0	18,000
Retained earnings	2,685,254	434,077	3,119,331
Net result for the previous year	434,077	(434,077)	0
Net result for the year	0	424,445	424,445
Total Equity	<u>3,173,331</u>	<u>424,445</u>	<u>3,561,776</u>

10 Loan Tranches A and B Payable

	2013	2012
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	<u>101,453,000</u>	<u>101,453,000</u>
	<u>101,453,000</u>	<u>101,453,000</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%	111,568,000	118,440,000
Reclassification current liabilities	<u>(10,634,000)</u>	<u>(6,872,000)</u>
	<u>100,934,000</u>	<u>111,568,000</u>
	<u>202,387,000</u>	<u>213,021,000</u>

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

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

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

The loan is divided into two tranches as follows:

Tranche A

The EUR 126,500,000 Guaranteed Bonds of Algarve were issued on July 2, 2001. The bonds mature May 11, 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 Euroscut. This loan is incurred to finance the construction of road stretches.

Repayment of capital will take place in 15 annual variable amount installments, with the first one due December 15, 2011 and the last one due December 15, 2025. Due to the downgrade of Syncora (the “guarantor”) 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	Term 1 year	Term 1-5 year	Term > 5 years
Tranche A - Guaranteed 6.40% Bonds	0	5,085,300	96,367,700
Tranche B - European Investment Bank	10,634,000	40,634,000	60,300,000

11 Interest Payable Loan Tranches A and B

	2013	2012
Tranche A - Bonds 6.40%	306,845	306,845
Tranche B - European Investment Bank 6.50%	320,163	320,775
	<u>609,008</u>	<u>627,620</u>

12 Accounts Payable and Accrued Expenses

	2013	2012
Accounts payable	6,050	5,149
Accrued audit fees	14,369	14,012
Accrued tax advisory fees	3,966	1,612
Accrued accounting fees	0	5,355
Accrued legal fees	11,460	16,900
Accrued general expenses	3,130	2,459
	<u>38,975</u>	<u>45,487</u>

13 Fair Value Financial Instruments

The fair value of the Bonds with amortized cost of EUR 101,453,000 has been determined on the basis of its listing at the Luxembourg Stock Exchange. The rate as at December 31, 2013 quotes the Bonds at 117.94% (2012: 117.94%).

The fair value of the loans granted to an affiliated party is based on the discounted cash flows of future loan repayments and interest payments. The discount rate applied is based on the calculated market rates for the loans obtained and approximates 4.24% for Tranche A and 3.03% for Tranche B as at December 31, 2013.

As a result the net fair value at December 31, 2013 of the loans obtained and granted represents the discounted value of the 0.25% margin between the interest rates on the loans obtained and the interest rates on the loans granted, amounting to approximately EUR 3.5 million.

Instruments receivable	Book value	Fair value
Tranche A Loan balance	101,453,000	121,759,972
Tranche B Loan balance	111,568,000	133,023,631
		<u>254,783,603</u>
Instruments payable		
Tranche A Loan balance @ 117.94%	(101,453,000)	(119,653,668)
Tranche B Loan balance @ 117.94%	(111,568,000)	(131,583,299)
		<u>(251,236,967)</u>
Net Fair Value		<u><u>3,546,636</u></u>

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 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%	3.1 million	89%
Bond quote of 110.00%	3.4 million	97%
Bond quote of 117.94%	3.5 million	100%
Bond quote of 120.00%	3.6 million	103%
Bond quote of 130.00%	3.8 million	109%

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

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

with some intermediary steps, the S&P rating for Syncora was changed from 'BBB-' to 'Not Rated' on November 18, 2008.

14 Interest Income Loan Tranches A and B

	2013	2012
Tranche A - Loan 6.65% to Euroscut		
Facility: EUR 126,500,000 from July 2, 2001 until		
May 11, 2027 at a rate of 6.65%	6,746,625	6,746,625
Tranche B - Loan 6.75% to Euroscut	7,975,372	8,102,663
Facility: EUR 130,000,000 from July 2, 2001 until		
December 15, 2025 at a rate of 6.75%		
	<u>14,721,997</u>	<u>14,849,288</u>

15 Interest Expense Loan Tranches A and B

	2013	2012
Tranche A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until		
May 11, 2027 at a rate of 6.40%	6,492,992	6,492,992
Tranche B - European Investment Bank	7,679,988	7,802,565
Facility: EUR 130,000,000 from July 2, 2001 until		
December 15, 2025 at a rate of 6.50%		
	<u>14,172,980</u>	<u>14,295,557</u>

16 General and Administrative Expenses

	2013	2012
Guarantee expenses	(345,040)	(357,337)
Audit fees	(29,488)	(28,458)
Management fees	(34,837)	(32,465)
Accounting fees	(14,520)	(16,125)
Tax advisory fees	(7,012)	(11,067)
General expenses	(2,756)	(4,038)
Legal & Professional fees	(5,247)	(10,977)
	<u>(438,900)</u>	<u>(460,467)</u>

17 On-charge Expenses to Euroscut

	2013	2012
Guarantee expenses	345,040	357,337
Audit fees	29,488	28,458
Management fees	34,837	32,465
Accounting fees	14,520	16,125
Tax advisory fees	7,012	11,067
General expenses	2,756	4,038
Legal & Professional fees	5,247	10,977
	<u>438,900</u>	<u>460,467</u>

Based upon paragraph 7.4 of the July 2, 2001 Loan Agreement between Algarve and Euroscut 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.

	2013	2012
Corporate income tax	<u>128,147</u>	<u>130,838</u>
	<u>128,147</u>	<u>130,838</u>

19 Auditor's fee

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

12/31/2013

	Fee Deloitte Accountants B.V.	Fee other Deloitte companies	Total Fee Deloitte
Audit of the annual accounts	14,369	0	14,369
Audit of the accounts as per June 30, 2013	9,922	0	9,922
Other audit engagements	5,197	0	5,197
Total	<u>29,488</u>	<u>0</u>	<u>29,488</u>

12/31/2012

	Fee Deloitte Accountants B.V.	Fee other Deloitte Companies	Total Fee Deloitte
Audit of the annual accounts	14,012	0	14,012
Audit of the accounts as per June 30, 2012	9,520	0	9,520
Other audit engagements	4,926	0	4,926
Total	<u>28,458</u>	<u>0</u>	<u>28,458</u>

20 Directors and Employees

The remuneration of the Board of Managing Directors for the year ended December 31, 2012 and December 31, 2013 is as follows:

	2013	2012
Trust International Management (T.I.M.) B.V.	693	693
Europe Management Company B.V.	693	693
Management Company Strawinsky B.V.	694	694
F.J. Clemente Sanchez	0	0
M.A. Cabrera Morales	0	0
V. Domingues dos Santos	0	0
Total:	<u>2,080</u>	<u>2,080</u>

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.

Effectively as per April 8, 2014, Mr. M.A. Cabrera Morales has been dismissed as Managing Director B of the Company.

The Company has no employees (2012: 0).

21 Supervisory Board

The remuneration of the Supervisory Board is as follows:

	12/31/2013	12/31/2012
D. Haarsma, Chairman	6,050	5,950
M. Martis	6,050	5,950
Total:	<u>12,100</u>	<u>11,900</u>

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

The Board of Managing Directors and the Supervisory Board have signed the annual accounts pursuant to their statutory obligations under Articles 210 of Book 2 of the Dutch Civil Code and Article 5:25c(2)(c) Financial Markets Supervision Act.

Amsterdam, April 11, 2014

The Board of Managing Directors,

[was signed]

[was signed]

Trust International Management (T.I.M.) B.V.
As: Managing Director A

F.J. Clemente Sanchez
As: Managing Director B

[was signed]

[was signed]

Management Company Strawinsky B.V.
As: Managing Director A

V. Domingues dos Santos
As: Managing Director B

[was signed]

Europe Management Company B.V.
As: Managing Director A

The Supervisory Board,

[was signed]

[was signed]

D. Haarsma

M.A.H. Martis

Other Information

1 Statutory Rules Concerning Appropriation of Result

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 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 interim distributions on Shares and/or to make distributions on Shares at the expense of any reserve of the Company. In addition, the Management Board may decide to make interim 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 Proposed Appropriation of Result for the Financial Year 2013

The Board of Managing Directors proposes, with the approval of the Supervisory Board, that the result for the financial year 2013 amounting to EUR 424,445 should be transferred to reserves, without payment of a dividend.

3 Post Balance Sheet Events

We are not aware of any post balance sheet event.

4 Independent Auditor's Report

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

Independent auditor's report

To: the shareholders of Algarve International B.V.

Report on the annual accounts

We have audited the accompanying annual accounts 2013 of Algarve International B.V., Amsterdam, which comprise the balance sheet as per December 31, 2013, the income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these annual accounts and for the preparation of the Report of the Board of Managing Directors, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the annual accounts

In our opinion, the annual accounts give a true and fair view of the financial position of Algarve International B.V. as per December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Managing Directors, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Board of Managing Directors, to the extent

we can assess, is consistent with the annual accounts as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 28, 2014

Deloitte Accountants B.V.

Signed on the original: J. Penon

Algarve International B.V.
Naritaweg 165
1043 BW Amsterdam
The Netherlands
Telephone: +31 (0) 20 572 2300
Fax: +31 (0) 20 572 2650

Algarve International B.V.
Naritaweg 165
1043 BW Amsterdam
The Netherlands
Telephone: +31 (0) 20 572 2300
Fax: +31 (0) 20 572 2650
Trade Register number: 34155411