ANNUAL REPORT
2009

Algarve International B.V.

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ANNUAL REPORT 2009

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Algarve at a glance

Profile of Algarve

The principal activity of the Company 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 International B.V., has been granted the Concession with respect to a shadow road in Southern Portugal, together with other facilities and works constituting a part of the Concession from time to time.

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 as credit party and Syncora Guarantee Inc., New York as 'Guarantor' for respectively the issued loans and bonds.

The Company directly lends to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon.

Algarve International B.V. was founded in 2001 and has been listed with bonds on the Luxembourg Stock Exchange since 2001.

Supervisory Board

name	**D. Haarsma** (1948)
function	Chairman
nationality	Dutch
first appointed	2010
current term	Until January 2014
expertise	management strategy and risks inherent to the company's business; management selection, recommendation and development; compliance; shareholder and employee relations, Dutch corporate income tax, cross border business, mergers and acquisitions, setup of investment funds, financial sector
other functions	Managing Director of DHA Management B.V. and Pro Credit E.A.D., coach for ING Bank N.V. - Middle Management officers.

name	**P. van Maurik** (1973)
nationality	Dutch
first appointed	2010
current term	Until January 2014
expertise	financial administration, accounting, financing, compliance, internal risk management, cross border business, financial sector
other functions	Managing Director of Lupin Holdings B.V., Valeo Holding Netherlands B.V., Valeo International Holding B.V., Teekay Netherlands European Holdings B.V., Teekay Offshore European Holdings Cooperatief U.A., Lucasfilm Animation Company Singapore B.V., Lucasfilm Animation Company Limited B.V., IPIC International B.V., Waldorf Services B.V., Africatel Holdings B.V., Micron Semiconductors B.V., Agility Logistics International B.V., ArcelorMittal Tailored Blanks Holding B.V., St. Jude Medical Holdings B.V., Underwriters Laboratories B.V. and Underwriters Laboratories Holdings B.V., Proxy Holder A of Trust International Management (T.I.M.) B.V., Management Company Strawinsky B.V. and Europe Management Company 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 year 2009 was again excellent for Algarve, despite the fast developing worldwide economic crisis. The Supervisory Board is convinced that Algarve will be able to withstand the consequences of the worldwide economic downturn and has confidence in the future of Algarve.

Annual accounts

The Annual Report included the 2009 Annual Accounts, which are accompanied by an audit opinion of the external auditor, PricewaterhouseCoopers Accountants N.V. ('PwC'). 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 PwC. We are of the opinion that the Annual Accounts and the report by the Board of Managing Directors provide a true and fair picture of the state of affairs of Algarve and form a good basis on which 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 210.2 of Book 2 of the Dutch Civil Code.

We propose that the shareholders adopt the 2009 Annual Accounts and discharge the Board of Managing Directors for its management and the Supervisory Board for its supervision.

Composition and profile of the Supervisory Board

The Supervisory Board comprises of 2 individuals with the Dutch nationality. Information about each member of the Supervisory Board is included on page 3. The profile of the Supervisory Board describes the range of expertise that should be represented in our Board. The profile relates to knowledge and experience in the fields of strategy, finance, financial control, information technology, management and organization, and the financial sector. The divisions of duties within the Supervisory Board are laid down in a set of regulations. Both the profile and the regulations will be posted on short notice on Algarve's website, www.algarveinternational.eu. In our opinion both the composition of the Supervisory Board and the expertise and experience of the individual members meet the stipulated requirements.

The requirements of the Dutch Corporate Governance Code* (the 'Code') are fulfilled with respect to the independence of the Supervisory Directors. The exception is Mr. P. van Maurik, proxy holder A of Trust International Management (T.I.M.) B.V., Europe Management Company B.V. and Management Company Strawinsky B.V., who is not independent as defined by the Code (provision III.2.2). This exception is in accordance with the Code and as a result of the composition of our Board fulfils the independence stipulation. In addition 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 to the Company nor in the ultimate beneficial owners of the Company.

* *The Dutch Corporate Governance Code applicable for the financial year 2009.*

In the year under review no meetings were convened by the Supervisory Board and the Board of Managing Directors. The decision to formalize the setup of a Supervisory Board at the level of Algarve was taken on December 29, 2009 by the shareholders of the Company. The individual members of the Supervisory Board were appointed on January 8, 2010.

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 did not make longer 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 principle III.5 of the Code the Supervisory Board needs to appoint from among 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. P. van Maurik was acting as the financial expert within the meaning of the Code.

On February 11, 2010 the Supervisory Board met with the external auditor (PwC). The Annual Accounts were discussed during the meeting. Topics such as taxation, claims, disputes and the financial crisis were also discussed in depth. Risk areas, such as the functioning of the internal and external control mechanisms were discussed. The Supervisory Board was informed of important findings from the audit visits. The external auditor (PwC) was given the opportunity, if desired, to discuss issues with members of the Supervisory Board in the absence of Algarve's Board of Managing Directors and staff.

In conclusion

We thank the Board of Managing Directors and staff who has dedicated themselves to Algarve on a daily basis. We are aware of the challenges 2010 will bring us, but we feel confident that Algarve will be able to withstand these challenges from its strong position.

Amsterdam, February 11, 2010

[was signed]

D. Haarsma
P. van Maurik

Report of the Board of Managing Directors

Financial report

Overview of Activities

On December 15, 2009 Bonds were partly repaid for an amount of EUR 6,856,300. During the year under review, the Company recorded a net profit of EUR 489,157.

On July 29, 2009 the Board of Directors of both Cintra Concesiones de Infraestructuras de Transporte S.A. (hereinafter: "Cintra") and Grupo Ferrovial S.A. (hereinafter: "Ferrovial") approved the restructuring of the Ferrovial group which entails the merger between Cintra and Ferrovial. As part of this complex merger operation, Cintra has 'subsidiarized' its business capital - basically consisting of the shares held in the concessionary companies by means of which it develops its business of concession infrastructure - by segregating and transmitting them in block to a vehicle that is fully owned by Cintra - named Cintra Infraestructuras, S.A.U., which include the shares owned by Cintra in Algarve. The segregation did not have an impact on the Company's operations.

Future Developments

The Board of Managing Directors does anticipate that the outstanding Loans and Bonds will be repaid in 14 instalments of which the next one will take place on December 15, 2010. Further there will be no other major changes during the current financial year.

Post Balance Sheet Events

No matters or circumstances of importance have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, the results of those operations or the affairs of the Company.

Financial instruments

The Company's financial instruments comprise the bank loan Tranch A, the guaranteed bonds Tranch B and the funding of these amounts to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon, directly for the group's operations.

The fair value of the Bonds with amortized cost of EUR 109,966,450 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as at December 31, 2009 quotes the Bonds at 117.94 % (2008: 117.94%). The rate has remained unchanged since February 23, 2007 as these bonds have not been traded since said date.

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 4.55% for Tranch A and 3.54% for Tranch B as at December 31, 2009.

As a result the net fair value at December 31, 2009 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, amounted to approximately EUR 5 million.

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

In the opinion of the Board of Managing Directors, the Annual Accounts 2009 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. and give a true and fair view of the financial position as per December 31, 2009, and the course of events during 2009 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, February 11, 2010

[was signed]

Trust International Management (T.I.M.) B.V., as Managing Director A
Management Company Strawinsky B.V. , as Managing Director A
Europe Management Company B.V. , as Managing Director A
F.J. Clemente Sanchez, as Managing Director B
M.A. Cabrera Morales, as Managing Director B
V. Domingues dos Santos, as Managing Director B

General Information

Risk management

Authorization level

Managing Directors are bound by clear restrictions regarding representative authorization. Agreements with a value or risk that exceeds a specific amount must be approved by at least one Managing Director A and one Managing Director B together.

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 functioning of the external auditor.

External audit

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

Advisory roles

The external auditor (PwC) does not act in an advisory capacity except where activities relating to the 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 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.

Corporate Governance

General

It is very important for Algarve to achieve a good balance between the interest of its various stakeholders. Good entrepreneurship, integrity, openness and transparent management as well as good supervision of the management are the starting points for Algarve's Corporate Governance policy.

Approval by the Annual General Meeting of Shareholders

Algarve complies with the Dutch Corporate Governance Code (the 'Code'). Algarve's Corporate Governance was approved by the Shareholders on December 29, 2009. The Company's Articles of Association were amended accordingly on January 7, 2010. All the underlying documentation, including the relevant rules and regulations, the Articles of Association, will be published on short notice on Algarve's website: www.algarveinternational.eu under Corporate Governance.

Compliance with and observation of the Code

During the 2009 financial year Algarve complied with its Corporate Governance Code. In particulate the Board of Managing Directors deems that the Company has complied with Best practice provision II.3.2 to II.3.4 inclusive and III.6.1 to III.6.3. inclusive. No transactions have taken place in which (potentially) conflicting interest of material substance related to the Board of Managing Directors have played a part. No transactions in the context of Best practice provision III.6.4 have taken place (transactions with shareholders holding a 10% or higher interest in Algarve). Algarve will present every substantial amendment to its Corporate Governance Code to the General Meeting of Shareholders for discussion.

The main points of the Corporate Governance Structure

Algarve applied the majority of the Principles and Provision of the Code, in so far they are applicable, with the following exceptions:

<u>Best practice provision II.1.1</u>
The term of appointment of Mr. V. Domingues dos Santos, Mr. F.J. Clemente Sanchez and Trust International Management (T.I.M.) B.V. deviate from this provision. Mr. V. Domingues dos Santos, Mr. F.J. Clemente Sanchez and Trust International Management (T.I.M.) B.V. were appointed before the Code came into force. Algarve cannot rescind rights that have been granted and this agreement will be honored. The other Managing Directors of the Board have been appointed for a maximum period of four years and have been reappointed for additional terms for the maximum period of four years on the contemplated resignation dates.

<u>Best practice provision III.5</u>
Based on best practice principle III.5 of the Code the Supervisory Board needs to appoint from among 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.

Balance Sheet as at December 31, 2009
(before appropriation of results)

	Notes	2009	2008
ASSETS		EUR	EUR
Financial Fixed Assets			
Loan tranches from affiliated companies	(4)	231,453,000	239,966,450
		231,453,000	239,966,450
Current Assets			
Loan tranches from affiliated companies	(4)	8,513,450	6,856,300
Interest receivable loan tranches A and B	(5)	682,190	702,177
Prepaid expenses and other receivables		0	1,040
Corporate income tax receivable		11,020	0
Interest receivable		73	3,446
Intercompany receivable	(6)	124,842	270,682
Total Receivables		9,331,575	7,833,645
Cash at banks	(7)	2,421,150	3,104,971
Total Current Assets		11,752,725	10,938,616
TOTAL ASSETS		243,205,725	250,905,066
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity	(8)		
Issued and fully paid up share capital		18,000	18,000
Retained earnings		2,000,000	2,693,999
Total Equity		489,157	562,055
		2,507,157	3,274,054
Non-Current Liabilities			
Loan tranches A and B payable	(9)	231,453,000	239,966,450
Current Liabilities			
Loan tranches A and B payable	(9)	8,513,450	6,856,300
Interest payable loan tranches A and B	(10)	655,729	674,965
Corporate income tax payable		0	31,343
Accounts payable and accrued expenses	(11)	76,389	101,954
Total Current Liabilities		9,245,568	7,664,562
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		243,205,725	250,905,066

Income Statement for the Year ended December 31, 2009

	Notes	2009	2008
		EUR	EUR
Operating Income/(Expenses)			
Interest income loans receivable	(13)	15,873,726	16,224,342
Interest expense loans payable	(14)	(15,257,421)	(15,594,855)
		616,305	629,487
Other Operating Expenses			
General and administrative expenses	(15)	(512,748)	(464,122)
On charge expenses to Euroscut	(16)	512,748	464,122
		0	0
Financial Income/(Expenses)			
Interest income banks		23,656	94,270
Result sale of securities		0	9,318
Interest on corporate income tax		1,858	1,052
		25,514	104,640
Result before corporate income tax		641,819	734,127
Deferred tax on securities	(17)	0	30,850
Corporate Income tax	(17)	(152,662)	(202,922)
		(152,662)	(172,072)
NET RESULT FOR YEAR		489,157	562,055

Cash flow statement

		2009		2008
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Repayment of loans payable	6,856,300		5,199,150	
Repayment of loans receivable	(6,856,300)		(5,199,150)	
Interest received loans receivable	15,893,713		16,239,457	
Interest paid loans payable	(15,276,656)		(15,609,402)	
Corporate income tax paid	(193,167)		(193,608)	
General and administrative expenses	(537,273)		(441,557)	
On-charge expenses to Euroscut	658,588		259,460	
Subtotal		545,205		254,350
Cash flow from financing activities				
Interest income banks	27,028		93,508	
Dividend paid	(1,256,054)		0	
Subtotal		(1,229,026)		93,508
Cash flow from investment activities				
Sale of securities	0		1,543,588	
Subtotal		0		1,543,588
Increase cash and cash equivalents		(683,821)		1,891,446
Movements in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		3,104,971		1,213,525
Increase cash and cash equivalents		(683,821)		1,891,446
Cash and cash equivalents at the end of the year		**2,421,150**		**3,104,971**

Notes to the Annual Accounts

1 Group Affiliation and Principal Activities

Algarve International B.V. (hereinafter: the "Company"), incorporated on April 23, 2001 is a limited liability company with its statutory seat at Naritaweg 165, Amsterdam, The Netherlands.

2 a Basis of Presentation

The annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands 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, income statement and cash flow statement include references to the notes.

b 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.

3 Significant Accounting Policies

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 year

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

c Financial Fixed Assets

Receivables included in financial fixed 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.

d Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Euro at rates of exchange applicable at the balance sheet date. Any resulting exchange differences are taken to the income statement. Transactions in foreign currencies are translated at the rates in effect at the dates of transactions.

e Recognition of Income and Expense

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

f Corporate income tax

Corporate income tax is calculated by application of the relevant rate times the amount of taxable profit.

(expressed in euro)

g Financial instruments

The Company's financial instruments comprise the guaranteed bonds Tranch A, the bank loan Tranch B and the funding of these amounts to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon (Euroscut), directly for the group's operations.

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

h Deferred taxes

Deferred tax assets and liabilities are recognized to provide for timing differences between the value of the assets and liabilities for financial reporting purposes on the one hand and for tax purposes on the other. Deferred tax liabilities are calculated based on the tax rate prevailing on the balance sheet date or the rates that will apply in the future, insofar as these have been set down by law.

4 Loan Tranches A and B receivable

Tranch A - Loan @ 6.65% to Euroscut	***2009***	***2008***
Facility: EUR 126,500,000 from July 2, 2001 until		
June 15, 2027 at a rate of 6.65%		
Opening balance	109,966,450	116,822,750
Reclassification current assets	(8,513,450)	(6,856,300)
	101,453,000	109,966,450
Tranch B - Loan @ 6.25% to Euroscut		
Facility: EUR 130,000,000 from July 2, 2001 until		
December 15, 2025 at a rate of 6.25%	130,000,000	130,000,000
	231,453,000	239,966,450

The Company directly lends on for the same amount as the amounts raised as is stated in the Loan agreement to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon (Euroscut). The loan is divided into two tranches:

Tranch A

The issuer lends Euroscut Euro 126,500,000, following the issue of bonds for the same amount. The loan was obtained to finance the construction of motorway stretches. Interest is calculated on the same basis as the bonds 6.40% p.a. (being 365 days) plus a spread of 0.25% (6.65%). The Company shall repay the Tranch A loan in accordance with the Tranch A Amortization Schedule. The final repayment has been scheduled accordingly on June 15, 2027.

(expressed in euro)

Tranch B

The agreement foresees that the funds which were received from a loan due to the European Investment Bank of Euro 130,000,000 may be ceded to Euroscut. This loan is incurred to finance the construction of road stretches and bears interest at 6.00% p.a. (being 360 days) plus a spread of 0.25% (6.25%) payable in December each year. The Company shall repay the Tranch B loan in accordance with the Tranch B Amortization Schedule. The final repayment has been scheduled accordingly on December 15, 2025.

5 Interest Receivable Loan Tranches A and B

	2009	2008
Tranch A - Loan 6.65% to Euroscut	343,648	363,635
Tranch B - Loan 6.25% to Euroscut	338,542	338,542
	682,190	702,177

6 Intercompany receivable

	2009	2008
Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon	124,842	270,682

7 Cash at Banks

	2009	2008
Citibank Amsterdam	2,421,150	3,104,971

8 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:

	2008	Changes for the Year	Dividend	2009
Issued and fully paid up share capital	18,000	0	0	18,000
Retained earnings	2,693,999	562,055	(1,256,054)	2,000,000
Net result for the previous year	562,055	(562,055)	0	0
Net result for the year	0	489,157	0	489,157
Total Equity	3,274,054	489,157	(1,256,054)	2,507,157

(expressed in euro)

9 Loan Tranches A and B payable

	2009	2008
Tranch A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until June 15, 2027 at a rate of 6.40%		
Opening balance	109,966,450	116,822,750
Reclassification current liabilities	(8,513,450)	(6,856,300)
	101,453,000	109,966,450
Tranch B - European Investment Bank		
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.00%	130,000,000	130,000,000
	231,453,000	239,966,450

The Company has raised funds through loans and bonds. In relation to these raised funds Citibank N.A. Lisbon has been appointed as 'Security Trustee' for the bonds listed on the Luxembourg Stock Exchange. The European Investment Bank, Luxembourg acts as credit party and Syncora Guarantee Inc., a New York stock insurance company as 'Guarantor' of these loans and bonds. The loan is divided into two tranches as follows:

Tranch A

The Euro 126,500,000 Guaranteed Bonds of Algarve International B.V. 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, with the first one had taken place on December 15, 2006 and the last will take place on June 15, 2027. The loan was obtained to finance the construction of motorway stretches. The Bonds are unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest in respect of the Bonds and as to certain additional amounts in respect of withholding taxes of the Netherlands in respect of the Bonds pursuant to a financial guarantee issued by Syncora Guarantee, Inc.

Tranch B

The agreement foresees that the funds which were received from a loan due to the European investment Bank of Euro 130,000,000 bearing interest at 6.00% p.a. payable in December of each year, may be ceded to Euroscut. This loan is incurred to finance the construction of road stretches.

The EIB loan is unconditionally and irrevocably guaranteed as to scheduled payments of principal interest and certain amounts in respect of the EIB loan pursuant to a financial guarantee issued by Syncora Guarantee, Inc. Repayment of capital is expected to take place in 15 annual variable amount instalments, with the first one due in December 15, 2011 and the last one due December 15, 2025.

(expressed in euro)

Loan tranches repayment schedule	Term 1 year	Term 1-5 year	Term > 5 years
Tranch A - Guaranteed 6.40% Bonds	8,513,450	0	101,453,000
Tranch B - European Investment Bank	0	29,066,000	100,934,000

10 Interest payable Loan Tranches A and B

	2009	*2008*
Tranch A - Bonds 6.40%	330,729	349,965
Tranch B - European Investment Bank 6.00%	325,000	325,000
	655,729	674,965

11 Accounts payable and accrued expenses

	2009	*2008*
Accounts payable	1,300	1,300
Accrued audit fees	22,491	36,486
Accrued tax advisory fees	3,000	5,783
Accrued accounting fees	23,417	55,480
Accrued legal fees	23,893	0
Accrued general expenses	2,288	2,905
	76,389	101,954

12 Fair value financial instruments

The fair value of the Bonds with amortized cost of EUR 109,966,450 has been determined on the basis of its listing at the Luxembourg Stock Exchange. The rate as at December 31, 2009 quotes the Bonds at 117.94% (2007: 117.94%). The rate has remained unchanged since February 23, 2007 as these bonds have not been traded since said date. On the basis that both loans were obtained at the same date, it is assumed that the development in the fair value of the bank loan is of a similar nature.

The fair value of the loans granted to an affiliated party is based on the discounted cash flows future loan repayments and interest payments. The discount rate applied is based on the calculated market rates for the loans obtained and approximates 4.55% for Tranch A and 3.54% for Tranch B as at December 31, 2009. As a result the net fair value at December 31, 2009 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, amounted to approximately EUR 5 million.

(expressed in euro)

Instruments receivable	Book value	Fair value
Tranch A Loan balance	109,966,450	132,357,595
Tranch B Loan balance	130,000,000	155,695,215
		288,052,810
Instruments payable		
Tranch A Loan balance @ 117.94%	(109,966,450)	(129,694,431)
Tranch B Loan balance @ 117.94%	(130,000,000)	(153,322,000)
		(283,016,431)
Net Fair Value		5,036,379

Analysis of the bond quote

The rate used to calculate the fair value of the bonds has remained unchanged since February 23, 2007, as these bonds have not been traded since said date. Taking into account the consequences of the worldwide economic downturn it seems likely that the rate has changed in the last three years.

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 bonds 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%	4,5 million	90%
Bond quote of 110.00%	4,8 million	96%
Bond quote of 117.94%	5,0 million	100%
Bond quote of 120.00%	5,1 million	102%
Bond quote of 130.00%	5,4 million	108%

(expressed in euro)

13 Interest income loans tranches A and B

	2009	2008
Tranch A - Loan 6.65% to Euroscut		
EUR 126,500,000 from July 2, 2001 until		
June 15, 2027 at a rate of 6.65%	7,748,726	8,099,342
Tranch B - Loan 6.25% to Euroscut	8,125,000	8,125,000
Facility: EUR 130,000,000 from July 2, 2001 until		
December 15, 2025 at a rate of 6.25%		
	15,873,726	16,224,342

14 Interest expense loans tranches A and B

	2009	2008
Tranch A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until		
June 15, 2027 at a rate of 6.40%	7,457,421	7,794,855
Tranch B - European Investment Bank	7,800,000	7,800,000
Facility: EUR 130,000,000 from July 2, 2001 until		
December 15, 2025 at a rate of 6.00%		
	15,257,421	15,594,855

15 General and Administrative Expenses

	2009	2008
Guarantee expenses (Syncora Guarantee, Inc.)	(388,932)	(388,932)
Audit fees	(40,192)	(34,153)
Management fees	(24,480)	(16,410)
Accounting fees	(4,483)	(12,078)
Tax advisory fees	(13,789)	(8,994)
Bank charges	0	(85)
General expenses	(16,979)	(3,470)
Legal & Professional fees	(23,893)	0
	(512,748)	(464,122)

16 On-charge expenses to Euroscut

	2009	*2008*
Guarantee expenses (Syncora Guarantee, Inc.)	388,932	388,932
Audit fees	40,192	34,153
Management fees	24,480	16,410
Accounting fees	4,483	12,078
Tax advisory fees	13,789	8,994
Bank charges	0	85
General expenses	16,979	3,470
Legal & Professional fees	23,893	0
	512,748	464,122

Based upon paragraph 7.4 of the July 2, 2001 Loan Agreement between Algarve International B.V. and Euroscut Sociedad Consessionaria da Scut do Algarve, S.A. all fees, expenses and other amounts in reference to the financing will be on-charged to the borrower of the loan.

17 Corporate Income Tax

The corporate tax is based on the fiscal result. The applicable tax rates are 20% over the first Euro 275,000 and 25.5% over the surplus.

	2009	*2008*
Deferred tax on security result	0	(30,850)
Corporate income tax	152,662	202,922
	152,662	172,072

18 Auditor's fee

In accordance with Section 2:382a(1) and (2) of the Dutch Civil Code the audit fee for the auditors of PwC is as follows:

			2009
	Fee PwC Accountants NV	Fee other PwC companies	Total Fee PwC
Audit of the annual accounts	40,192	0	40,192
Other audit engagements	0	0	0
Total	40,192	0	40,192

(expressed in euro)

	2008		
	Fee PwC Accountants NV	Fee other PwC companies	Total Fee PwC
Audit of the annual accounts	28,203	0	28,203
Other audit engagements	0	0	0
Total	28,203	0	28,203

19 Directors and Employees

The remuneration of the Board of Managing Directors for 2008 and 2009 is as follows:

	2009	*2008*
Trust International Management (T.I.M.) B.V.	933	933
Europe Management Company B.V.	933	933
Management Company Strawinsky B.V.	933	933
F.J. Clemente Sanchez	0	0
M.A. Cabrera Morales	0	0
V. Domingues dos Santos	0	0
Total:	2,800	2,800

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 Company has no employees.

20 Supervisory Board

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

	2009
D. Haarsma, Chairman	5,950
P. van Maurik	5,950
Total:	11,900

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, February 11, 2010

The Board of Managing Directors,

[was signed]

Trust International Management (T.I.M.) B.V., as Managing Director A
Management Company Strawinsky B.V. , as Managing Director A
Europe Management Company B.V. , as Managing Director A
F.J. Clemente Sanchez, as Managing Director B
M.A. Cabrera Morales, as Managing Director B
V. Domingues dos Santos, as Managing Director B

The Supervisory Board,

[was signed]

D. Haarsma
P. van Maurik

Supplementary Notes

1 **Proposed Appropriation of Results**

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with the Company's Articles of Incorporation.

Following the proposed profit appropriation of the Board of Directors and pursuant to the Company's Articles of Incorporation, the net result for the previous year has been added to the retained earnings.

On June 5, 2009, the Annual General Meeting of Shareholders of the Company was held and it was resolved that an interim dividend in the amount of EUR 1,256,054 was made available to the shareholders out of the retained earnings, as of May 15, 2009.

The Board of Managing Directors proposes that the net result for the year will be added to the retained earnings.

2 **Post Balance Sheet Events**

No matters or circumstances of importance have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

3 **Auditor's Report**

The Auditor's Report is included on the next page.

PRICEWATERHOUSECOOPERS

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To: the General Meeting of Shareholders of Algarve International B.V.

Auditor's report

Report on the annual accounts

We have audited the accompanying annual accounts 2009 of Algarve International B.V., Amsterdam, as set out on pages 11 to 23 which comprise the balance sheet as at December 31, 2009, the income statement for the year then ended and the notes.

Directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the annual accounts and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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

In our opinion, the annual accounts give a true and fair view of the financial position of Algarve International B.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, February 11, 2010
PricewaterhouseCoopers Accountants N.V.

Original signed by:

P. J. Veerman RA