

INTERIM REPORT

JUNE 30, 2014



Algarve International B.V.

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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 “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, S.A. as its parent company which is listed on the Madrid Stock Exchange. Ferrovial, S.A. 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, S.A. is involved in facility management, infrastructure maintenance, airport handling, municipal and waste treatment services, waste management, gardening, and municipal and industrial cleaning services. Ferrovial, S.A. 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 for FS 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., Ole Investments B.V., DHA Management (international) B.V., Briareus Investments B.V., Briareus Holding B.V. and Avast Holding 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 for FS 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., 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

Algarve is a financing company within the Ferroviaal Group of companies and has financed the Euroscut Algarve toll road, which is being managed by Euroscut. Euroscut owns the concession for the Euroscut Algarve toll road which connects Lagos and Vila Real de Santo António, passing through the Portuguese towns of Portimão, Loulé, Faro and Tavira. The road was initially a shadow toll road, however, since December 2011 it has been operating under a temporary agreement with the public authorities until the final agreement is formalized. This agreement enables the concessionaire to receive income according to a formula based on a baseline traffic scenario. Traffic risk is mitigated by a system of traffic bands and rates paid via shadow tolls: a decreasing toll rate is applied per vehicle in three traffic bands as the traffic increases, until it reaches a threshold above which the rate is zero. The rates are indexed in accordance with the consumer price index in Portugal.

In the first half year of 2014 an increase of the number of daily users has slightly risen to 7,589 cars – representing an 11.21% increase. Due to the slowly recovering market in Portugal, the Supervisory Board is convinced that Algarve will continue to withstand the consequences of the financial crisis in Portugal.

Interim Accounts

The Interim Report includes the Interim Accounts as per June 30, 2014 which are accompanied by an unqualified audit opinion from the external auditor, Deloitte Accountants B.V. ('Deloitte'). These Interim Accounts were prepared in accordance with the 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 Interim Accounts with the Board of Managing Directors in the presence of Deloitte. We are of the opinion that the Interim 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 Interim Accounts pursuant to our statutory obligation under Article 210 paragraph 2 of Book 2 of the Dutch Civil Code.

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 3. 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. P. van Maurik, whom is proxy holder A of Trust International Management (T.I.M.) B.V., Europe

¹ the Dutch Corporate Governance Code applicable for the financial period ended June 30, 2014.

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 period 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.

In the period under review two scheduled meetings were convened by the Supervisory Board and the Board of Managing Directors. Both Supervisory Board members and 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. M. A. H. Martis has been acting as the financial expert within the meaning of the Code.

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 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.

(expressed in euro)

Amsterdam, August 29, 2014

[was signed]

[was signed]

D. Haarsma

M. A. H. Martis

Report of the Board of Managing Directors

Financial Report

During the period under review, the Company recorded a net profit of EUR 206,777.

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.

Nevertheless, it has no impact because Euroscut Algarve is operation 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 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 period under review. The Board of Managing Directors has no indication that these systems will not operate properly during the current year.

Financial Analysis

In 2014, the operating income decreased by 3.16% to EUR 7,111,006, compared to EUR 7,342,936 as at December 31, 2013.

The general and administrative expenses increased by 0.62% to EUR 220,075, compared to EUR 218,711 as at December 31, 2013.

The total amount of assets increased by 3.26% to EUR 224,312,612 compared to EUR 217,230,759 in 2013. The increase of the total assets is mainly due to the interest receivable of the Loan.

Number of Employees

As per June 30, 2014, Algarve did not have any employees (2013: 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.

Euroscut is currently under negotiation with the Portuguese grantor to amend the concession contract. The company expects to reach an agreement before the end of the year. This agreement is expected to have no material impact in the concessionaire ability and financial commitments.

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 June 30, 2014 quoted the Bonds at 117.94 % (2013: 117.94%). To the best of the Company's knowledge, the bonds have been traded in low volumes.

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 4.16% for Tranche A and 2.32% for Tranche B as at June 30, 2014.

As a result the net fair value at June 30, 2014, 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 3.4 million.

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 Interim Accounts as per June 30, 2014, 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 June 30, 2014 and further give a true and fair view of the course of events during the 6 months period ending June 30, 2014 of Algarve International B.V., whose details are included in the Interim Accounts. The significant risks Algarve International B.V. faces are described in this interim report.

Amsterdam, August 29, 2014

[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

Interim Accounts

Balance Sheet as at June 30, 2014

(before appropriation of results)

	Notes	06/30/2014	12/31/2013
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	100,934,000
		<u>202,387,000</u>	<u>202,387,000</u>
Current Assets			
Loan Tranches from Affiliated Companies	(5)	10,634,000	10,634,000
Interest Receivable from Affiliate	(6)	7,743,623	632,616
Corporate Income Tax Receivable		88,803	14,378
Interest Receivable		0	199
Intercompany Receivable	(7)	54,684	55,717
Total Receivables		<u>18,521,110</u>	<u>11,336,910</u>
Cash at Banks	(8)	3,404,502	3,506,849
Total Current Assets		<u>21,925,612</u>	<u>14,843,759</u>
TOTAL ASSETS		<u>224,312,612</u>	<u>217,230,759</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity	(9)		
Issued and fully paid up share capital		18,000	18,000
Retained earnings		3,543,776	3,119,331
Net result for the period		<u>206,777</u>	<u>424,445</u>
Total Equity		<u>3,768,553</u>	<u>3,561,776</u>
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	100,934,000
Loan Tranches A and B Payable	(10)	<u>202,387,000</u>	<u>202,387,000</u>
Current Liabilities			
Loan Tranches A and B Payable	(10)	10,634,000	10,634,000
Interest Payable Loan Tranches A and B	(11)	7,454,781	609,008
Accounts Payable and Accrued Expenses	(12)	68,278	38,975
Total Current Liabilities		<u>18,157,059</u>	<u>11,281,983</u>
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		<u>224,312,612</u>	<u>217,230,759</u>

Interim Accounts

Income Statement for the Period ended June 30, 2014

	<i>Notes</i>	<i>6 months to 2014</i>	<i>6 months to 2013</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		3,345,586	3,345,586
Tranche B – Loan 6.75% to Euroscut		<u>3,765,420</u>	<u>3,997,350</u>
<u>Total Interest Income Loans Receivable</u>		7,111,006	7,342,936
 <i>Interest Expense Loans Payable</i>	(15)		
Tranche A – Guaranteed 6.40% Bonds		(3,219,812)	(3,219,812)
Tranche B – European Investment Bank		<u>(3,625,960)</u>	<u>(3,849,300)</u>
<u>Total Interest Expense Loans Payable</u>		(6,845,772)	(7,069,112)
		<u>265,234</u>	<u>273,824</u>
 <u>Other Operating Expenses</u>			
General and Administrative Expenses	(16)	(220,075)	(218,711)
On-charge Expenses to Euroscut	(17)	<u>220,075</u>	<u>218,711</u>
		0	0
 <u>Financial Income/(Expenses)</u>			
Interest Income Banks		2,085	936
Interest on Corporate Income Tax		<u>1,715</u>	<u>1,788</u>
		3,800	2,724
 Result before Corporate Income Tax		<u>269,034</u>	<u>276,548</u>
 Corporate Income Tax	(18)	<u>(62,257)</u>	<u>(64,583)</u>
		(62,257)	(64,583)
 NET RESULT FOR PERIOD		<u>206,777</u>	<u>211,965</u>

Interim Accounts

Cash Flow Statement for the period ended June 30, 2014

	6 months to June 2014		6 months to June 2013	
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Corporate income tax paid	(134,967)		(125,884)	
General and administrative expenses	(190,771)		(233,981)	
On-charge expenses to Euroscut	221,108		231,441	
Subtotal		(104,630)		(128,424)
Cash flow from financing activities				
Interest income banks	2,283		1,227	
Subtotal		2,283		1,227
Increase / (decrease) cash and cash equivalents		(102,347)		(127,197)
Movements in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		3,506,849		3,087,607
Increase / (decrease) cash and cash equivalents		(102,347)		(127,197)
Cash and cash equivalents at the end of the period		3,404,502		2,906,410

Notes to the Interim Accounts

1 General

a Group Affiliation and Principal Activities

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

c Changes in the accounting policies

The accounting policies have not changed in the 6 months ending June 30, 2014.

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 interim accounts were prepared in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. The interim 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 period.

c Financial Fixed Assets

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

d Current Assets

Receivables included in financial fixed assets are valued at the amounts at which they were acquired or incurred, or 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 interim report contains a balance sheet before profit appropriation (as recommended by the Dutch Accounting Standards Board). Profit for the year is recognized as the last item in equity.

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.

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 credit 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****2014****2013**

Facility: EUR 126,500,000 from July 2, 2001 until
May 11, 2027 at a rate of 6.65%

Opening balance	101,453,000	101,453,000
Closing balance	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	111,568,000	111,568,000
	(10,634,000)	(10,634,000)
Closing balance	100,934,000	100,934,000

Closing balance	202,387,000	202,387,000
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The Company directly lends on for the same amount as the amounts borrowed from EIB, 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 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 de Infraestruturas 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 remains the guarantor), 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 (the EIB Guarantor Default Margin"), with effect from the latest Payment Date, i.e. from December 15, 2009 and, subject to (ii) and (iii) below, until full repayment of the Loan and unconditional payment of all amounts due thereunder.

6 Interest Receivable from Affiliate

	6/30/2014	12/31/2013
Tranche A - Loan 6.65% to Euroscut	3,664,418	318,831
Tranche B - Loan 6.75% to Euroscut	4,079,205	313,785
	<u>7,743,623</u>	<u>632,616</u>

7 Intercompany Receivable

	6/30/2014	12/31/2013
Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon	54,684	55,717

8 Cash at Banks

	6/30/2014	12/31/2013
Citibank Amsterdam –current account	75,439	66,849
Citibank Amsterdam- deposit account	<u>3,329,063</u>	<u>3,440,000</u>
	<u>3,404,502</u>	<u>3,506,849</u>

At June 30, 2014 and December 31, 2013 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:

	12/31/2013	Changes for the Period	06/30/2014
Issued and fully paid up share capital	18,000	0	18,000
Retained earnings	3,119,331	424,445	3,543,776
Net result for the previous year	424,445	(424,445)	0
Net result for the period	0	206,777	206,777
Total Equity	<u>3,561,776</u>	<u>206,777</u>	<u>3,768,553</u>

	12/31/2012	Changes for the Period	06/30/2013
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 period	0	211,965	211,965
Total Equity	<u>3,137,331</u>	<u>211,965</u>	<u>3,349,296</u>

10 Loan Tranches A and B Payable

	2014	2013
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>
Closing balance	<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	111,568,000
Reclassification current liabilities	(10,634,000)	(10,634,000)
Closing balance	100,934,000	100,934,000
Closing balance	202,387,000	202,387,000

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 June 15, 2027 and bear annual interest of 6.40% payable in December of each year and capital is repaid over 18 variable instalments. The first instalment had taken place on December 15, 2006 and the last will take place on May 11, 2027. The loan was obtained to finance the construction of motorway stretches.

Tranche B

The agreement foresees that the funds which were received from a loan due to EIB of EUR 130,000,000 bearing interest at 6.50% p.a. payable in December of each year, may be ceded to Euroscut. This loan is incurred to finance the construction of road stretches.

Repayment of capital is expected to take place in 15 annual variable amount installments, with the first one due December 15, 2011 and the last one due December 15, 2025. Due to the downgrade of Syncora the interest has increased by 0.50% as per December 31, 2009. This increase has been taken into account in this Interim 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

	6/30/2014	12/31/2013
Tranche A - Bonds 6.40%	3,526,658	306,845
Tranche B - European Investment Bank 6.50%	<u>3,928,123</u>	<u>320,163</u>
	<u>7,454,781</u>	<u>609,008</u>

12 Accounts Payable and Accrued Expenses

	6/30/2014	12/31/2013
Accrued management fees	5,726	6,050
Accrued audit fees	19,058	14,369
Accrued tax advisory fees	8,689	3,966
Accrued accounting fees	3,630	0
Accrued legal fees	29,858	11,460
Accrued general expenses	<u>1,317</u>	<u>3,130</u>
	<u>68,278</u>	<u>38,975</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 June 30, 2014 quotes the Bonds at 117.94% (2013: 117.94%).

To the best of the Company's knowledge the traded volume for these bonds have been low. 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 similar nature.

As a result the net fair value at June 30, 2014 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 3.4 million (December 31, 2013: EUR 3.5 million).

Instruments receivable	Book value	Fair value
Tranche A Loan balance	101,453,000	121,687,668
Tranche B Loan balance	111,568,000	<u>132,943,445</u>
		254,631,113
Instruments payable		
Tranche A Loan balance @ 117.94%	(101,453,000)	(119,653,668)
Tranche B Loan balance @ 117.94%	(111,568,000)	<u>(131,583,299)</u>
		(251,236,967)
Net Fair Value		<u>3,394,146</u>

Analysis of the bond quote

The rate used to calculate the fair value of the bonds has remained unchanged since February 23, 2007, as trading has been low since said date. Taking into account the consequences of the worldwide economic downturn it seems likely that the rate has changed in the last seven years. We have made several calculations with different rates of the bond quote to reflect some alternative fair values in these Interim 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.

(expressed in euro)

Bond quotes	Fair value 0.25% margin	Variance to fair value 117.94%
Bond quote of 100.00%	3.0 million	88%
Bond quote of 110.00%	3.2 million	94%
Bond quote of 117.94%	3.4 million	100%
Bond quote of 120.00%	3.4 million	101%
Bond quote of 130.00%	3.6 million	106%

The issue price of the Bonds was 100 per cent. The Bonds are unconditionally and irrevocably guaranteed 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 the Bonds was changed from 'BBB-' to 'Not Rated' on November 18, 2008.

14 Interest Income Loans Receivable Tranches A and B

	6/30/2014	6/30/2013
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%	3,345,586	3,345,586
Tranche B - Loan 6.75% to Euroscut	3,765,420	3,997,350
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75%		
	<u>7,111,006</u>	<u>7,342,936</u>

15 Interest Expense Loans Payable Tranches A and B

	6/30/2014	6/30/2013
Tranche A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until May 11, 2027 at a rate of 6.40%	(3,219,812)	(3,219,812)
Tranche B - European Investment Bank	(3,625,960)	(3,849,300)
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.50%		
	<u>6,845,772</u>	<u>7,069,112</u>

16 General and Administrative Expenses

	6/30/2014	6/30/2013
Guarantee expenses	(167,810)	(178,147)
Audit fees	(11,041)	(9,922)
Management fees	(11,171)	(16,310)
Accounting fees	(7,260)	(7,260)
Tax advisory fees	(4,724)	(6,772)
General expenses	(186)	(300)
Legal & Professional fees	(17,883)	0
	<u>(220,075)</u>	<u>(218,711)</u>

17 On-charge Expenses to Euroscut

	6/30/2014	6/30/2013
Guarantee expenses (Syncora/EIB)	167,810	180,164
Audit fees	11,041	9,922
Management fees	11,171	16,310
Accounting fees	7,260	7,260
Tax advisory fees	4,724	6,772
General expenses	186	300
Legal & Professional fees	17,883	0
	<u>220,075</u>	<u>218,711</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.

	6/30/2014	6/30/2013
Corporate income tax	<u>(62,257)</u>	<u>(64,583)</u>
	<u>(62,257)</u>	<u>(64,583)</u>

19 Auditor's fee

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

	6/30/2014		
	Fee Deloitte	Fee other Deloitte	Total Fee
	Accountants B.V.	companies	Deloitte
Audit of the interim accounts	10,164	0	10,164
Other audit engagements	877	0	877
Other non-audit services	0	0	0
Total	<u>11,041</u>	<u>0</u>	<u>11,041</u>

6/30/2013

	Fee Deloitte Accountants B.V.	Fee other Deloitte Companies	Total Fee Deloitte
Audit of the interim accounts	9,922	0	9,922
Other audit engagements	0	0	0
Other non-audit services	0	0	0
Total	9,922	0	9,922

20 Directors and Employees

The remuneration of the Board of Managing Directors for the period ended June 30, 2014 and June 30, 2013 is as follows:

	6/30/2014	6/30/2013
Trust International Management (T.I.M.) B.V.	467	467
Europe Management Company B.V.	467	467
Management Company Strawinsky B.V.	466	466
F.J. Clemente Sanchez	0	0
V. Domingues dos Santos	0	0
Total:	1,400	1,400

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.

21 Supervisory Board

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

	6/30/2014	6/30/2013
D. Haarsma, (chairman)	2,975	2,975
M.A.H. Martis	2,975	2,975
Total:	5,950	5,950

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 interim accounts pursuant to their statutory obligations under Articles 394 of Book 2 of the Dutch Civil Code and Article 5:25c(2)(c) Financial Markets Supervision Act.

Amsterdam, August 29, 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 Post Balance Sheet Events

On July 11, 2014, the "Preliminary Agreement on the implementation of the Memorandum of Understanding for the adjustment of the concession Agreement of Euroscut Algarve" was executed. The Memorandum of Understanding for the adjustment of the concession agreement identifies the terms of the review of the current conditions of the concession and the amendments to the Concession Agreement.

2 Independent Auditor's Report

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

Independent auditor's report

To: the shareholders of Algarve International B.V

Report on the interim accounts

We have audited the accompanying interim accounts for the period ended June 30 2014 of Algarve International B.V., Amsterdam, which comprise the balance sheet as per June 30, 2014, the income statement for the 6 months period 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 interim accounts in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the interim 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 interim 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 interim accounts are free from material misstatement.

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

In our opinion, the interim accounts give a true and fair view of the financial position of Algarve International B.V. as per June 30, 2014 and of its result for the 6 months period then ended in accordance with the Dutch Guideline for Annual reporting 394 on Interim Reports.

Amsterdam, August 29, 2014

Deloitte Accountants B.V.

Signed on the original: J. Penon

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