

ANNUAL REPORT

DECEMBER 31, 2010



Algarve International B.V.

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ANNUAL REPORT 2010

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Algarve at a glance

Profile of Algarve

The principal activity of Algarve International B.V. 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 directly lends to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon.

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.

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

Algarve International B.V. is part of the Ferrovial Group, with Ferrovial SA as the 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

name **D. Haarsma (1948)**
function Chairman
nationality Dutch
first appointed 2010
current term until AGM 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 Director of DHA Management B.V., Pro Credit E.A.D. and Guess? Europe B.V., Board Member of Stichting For Advanced Research in Electronics

name **P. van Maurik (1973)**
nationality Dutch
first appointed 2010
current term until AGM 2014
expertise financial administration, accounting, financing, compliance, internal risk management, cross border business, financial sector
other functions Managing Director of Lupin Holdings 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., Agility Logistics International B.V., Midstream Holding B.V., PWC Logistics Services 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

In 2010 some signs of recovery from the financial crisis that kept the world in its grip in 2008/2009 became noticeable. These fragile recovery signs were tempered by financial problems in a number of European countries, amongst others Portugal. The financial crisis is still affecting the Portuguese economy severely, causing a wide range of domestic problems specifically related to the levels of public deficit in the economy, as well as the excessive debt levels.. It has been predicted that the Portuguese economy will not significantly recover until 2012.

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, 2010, 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 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 paragraph 2 of Book 2 of the Dutch Civil Code.

We propose that the shareholders adopt the 2010 Annual Accounts and discharge 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 to maintain the dividend for the net result of the first half year of 2010 at EUR 13.13 (gross) per ordinary share and that the remaining result for the financial year 2010 amounting to EUR 226,938 (total profit in 2010: EUR 463,392) should be transferred to reserves, without payment of dividend.

Composition and profile of the Supervisory Board

The Supervisory Board comprises 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. 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 Directors. The exception is Mr. P. van Maurik, who is proxy holder A of Trust International Management (T.I.M.) B.V., Europe Management

¹ the Dutch Corporate Governance Code applicable for the financial year 2010.

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 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 neither to the Company nor in the ultimate beneficial owners of the Company.

In the year 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 were present during this meeting. The major issues discussed during this meeting included amongst others the findings of the external audit (by PricewaterhouseCoopers (financial statements as per December 31, 2009) and Deloitte (interim financial statements as per June 30, 2010).

In the Extraordinary General Meeting held on January 8, 2010, Mr. D. Haarsma was appointed as member and Chairman of the Supervisory Board and Mr. P. van Maurik was appointed as member of the Supervisory Board.

In the Extraordinary General Meeting held on February 8, 2010, Trust International Management (T.I.M.) B.V. was reappointed as Managing Director A, effective as per November 23, 2005, for an additional term of four years. Mr. V. Domingues dos Santos was reappointed as Managing Director B, effective as per June 18, 2005 for an additional term of four years. Mr. V. Domingues dos Santos was reappointed as Managing Director B, effective as per June 18, 2009, for an additional term of four years. Mr. F.J. Clemente Sanchez was reappointed as Managing Director B, effective as per June 18, 2005, for an additional term of four years. Mr. F.J. Clemente Sanchez was reappointed as Managing Director B, effective as per June 18, 2009, for an additional term of four years. Europe Management Company B.V. was reappointed as Managing Director A, effective as per December 30, 2008, for an additional term of four years. Management Company Strawinsky B.V. was reappointed as Managing Director A, effective as per December 30, 2008, for an additional term of four years. Mr. M.A. Cabrera Morales was reappointed as Managing Director B, effective as per May 2, 2009, for an additional term of four years.

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 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.

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 the remaining and future years will bring us, but we feel confident that Algarve will be able to withstand these challenges from its strong position.

Amsterdam, February 15, 2011

[was signed]

D. Haarsma

[was signed]

P. van Maurik

Report of the Board of Managing Directors

Financial report

Overview of Activities and Business Outlook

The financial crisis has led to a world-wide stagnation of economic growth, and Algarve had to mark time in the year 2010 after several years of growth in revenue and profit. In the financial year 2010 both the revenue and profit reduced slightly compared to the previous year. Nevertheless, in 2010 some signs of recovery from the financial crisis that kept the world in its grip in 2008/2009 became noticeable. These fragile recovery signs were tempered by financial problems in a number of European countries, amongst others Portugal. The financial crisis is still affecting the Portuguese economy severely, causing a wide range of domestic problems specifically related to the levels of public deficit in the economy, as well as the excessive debt levels.. It has been predicted that the Portuguese economy will not significantly recover until 2012. Algarve depends on the performance of Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon, with respect to the on-charge of expenses, the repayment of the principal on the loans and the interest thereof.

The Board of Managing Directors have not received any indications that Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon is dealing with financial difficulties and therefore, are convinced that Algarve will be able to withstand the consequences of the financial crisis in Portugal and has confidence in the future of Algarve.

Financial Analysis

In 2010, the operating income increased by 1.36% to EUR 16,090,035, compared to EUR 15,873,726 in 2009. The increase was mainly due to the increased interest rates from the European Investment Bank on the loan in the amount of EUR 130,000,000 and consequently the on-charge of expenses on Euroscut.

The general and administrative expenses increased by 59.88% to EUR 819,766, compared to EUR 512,748 in 2009. The increase was mainly due to the waiver fee to be paid to the European Investment Bank, we refer for more information to Note 4 on page 20.

The total amount of assets was decreased by 3.25% to EUR 235,291,832, compared to EUR 243,205,725 in 2009. The decrease of the total assets is mainly due to the payment of an instalment to the Bond holders.

During the year under review, the Company recorded a net profit of EUR 463,392.

Number of employees

At the end of 2010 Algarve did not have any employees (2009: 0).

Future Developments

The Board of Managing Directors does anticipate that the outstanding Loans and Bonds will be repaid in 13 instalments of which the next one will take place on December 15, 2011.

Financial instruments

The Company's financial instruments comprise the bank loan Tranche A, the guaranteed bonds Tranche 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 101,453,000 has been determined on the basis of its listing on the Luxembourg Stock Exchange. The rate as at December 31, 2010 quotes the Bonds at 117.94 % (2009: 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 4.58% for Tranche A and 3.74% for Tranche B as at December 31, 2010.

As a result the net fair value at December 31, 2010, 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 4.6 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 Annual Accounts as per December 31, 2010, 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, 2010, and the course of events during 2010 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 15, 2011

[was signed]

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

[was signed]

F.J. Clemente Sanchez
As: Managing Director B

[was signed]

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

[was signed]

M.A. Cabrera Morales
As: Managing Director B

[was signed]

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

[was signed]

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 two Managing Directors 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 (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 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 interests 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 (hereinafter referred to as: 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.

Compliance with and observation of the Code

During the financial year 2010, Algarve complied with its Corporate Governance Code. In particular the Board of Managing Directors deems that the Company has complied with best practice provisions 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, insofar as they are applicable, with the following exception:

Best practice provision III.5

Based on best practice provision 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, 2010 (before appropriation of results)

ASSETS	<i>Notes</i>	2010 EUR	2009 EUR
Financial Fixed Assets			
Loan tranches from affiliated companies	(4)	221,562,000	231,453,000
		221,562,000	231,453,000
Current Assets			
Loan tranches from affiliated companies	(4)	9,891,000	8,513,450
Interest receivable loan tranches A and B	(5)	684,456	682,190
Prepaid expenses and other receivables		181,523	0
Corporate income tax receivable		3,388	11,020
Interest receivable		605	73
Intercompany receivable	(6)	35,060	124,842
Total Receivables		10,796,032	9,331,575
Cash at banks	(7)	2,933,800	2,421,150
Total Current Assets		13,729,832	11,752,725
TOTAL ASSETS		235,291,832	243,205,725
SHAREHOLDER'S EQUITY AND LIABILITIES			
Equity			
Issued and fully paid up share capital	(8)	18,000	18,000
Retained earnings		1,763,546	2,000,000
Net result for the year		463,392	489,157
Total Equity		2,244,938	2,507,157
Non-Current Liabilities			
Loan tranches A and B payable	(9)	221,562,000	231,453,000
Current Liabilities			
Loan tranches A and B payable	(9)	9,891,000	8,513,450
Interest payable loan tranches A and B	(10)	658,928	655,729
Accounts payable and accrued expenses	(11)	27,832	76,389
Intercompany payable		181,523	0
Dividend payable	(8)	725,611	0
Total Current Liabilities		11,484,894	9,245,568
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		235,291,832	243,205,725

Income Statement for the Year ended December 31, 2010

	<i>Notes</i>	<i>2010</i>	<i>2009</i>
		<i>EUR</i>	<i>EUR</i>
<u>Operating Income/(Expenses)</u>			
Interest income loans receivable	(13)	16,090,035	15,873,726
Interest expense loans payable	(14)	<u>(15,491,052)</u>	<u>(15,257,421)</u>
		598,983	616,305
<u>Other Operating Expenses</u>			
General and administrative expenses	(15)	(819,766)	(512,748)
On-charge expenses to Euroscut	(16)	<u>819,766</u>	<u>512,748</u>
		0	0
<u>Financial Income/(Expenses)</u>			
Interest income banks		9,284	23,656
Interest on corporate income tax		<u>(417)</u>	<u>1,858</u>
		8,867	25,514
Result before corporate income tax		<u>607,850</u>	<u>641,819</u>
Deferred tax on securities	(17)	0	0
Corporate Income tax	(17)	<u>(144,458)</u>	<u>(152,662)</u>
		(144,458)	(152,662)
NET RESULT FOR YEAR		<u>463,392</u>	<u>489,157</u>

Cash flow statement 2010

	2010		2009	
	EUR	EUR	EUR	EUR
Cash flow from operating activities				
Repayment of loans payable	(4)	8,513,450	6,856,300	
Repayment of loans receivable	(4)	(8,513,450)	(6,856,300)	
Interest received loans receivable	(13)	16,087,769	15,893,713	
Interest paid loans payable	(14)	15,487,853	15,276,656	
Corporate income tax paid		(137,243)	(193,167)	
General and administrative expenses	(15)	(518,321)	(537,273)	
On-charge expenses to Euroscut	(16)	559,546	658,588	
		503,898	545,205	
Subtotal		503,898	545,205	
Cash flow from financing activities				
Interest income banks		8,752	27,028	
Dividend paid		0	(1,256,054)	
		8,752	1,229,026	
Subtotal		8,752	1,229,026	
Cash flow from investment activities				
		0	0	
Subtotal		0	0	
Increase cash and cash equivalents		512,650	(683,821)	
Movements in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		2,421,150	3,104,971	
Increase cash and cash equivalents		512,650	(683,821)	
Cash and cash equivalents at the end of the year		2,933,800	2,421,150	

Notes to the Annual Accounts

1 General

a Group Affiliation and Principal Activities

Algarve International B.V. (hereinafter: the "**Company**" or "**Algarve**"), incorporated on April 23, 2001, 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 SA as the parent company, which is listed on the Madrid Stock Exchange. Ferroviaal SA 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 SA. Copies of the consolidated financial statements of Ferroviaal SA 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 2010.

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 Netherlands 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 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 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

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

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 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 amortised 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 amortised 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.

e 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.

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 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

g Non-current Liabilities

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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). Retained earnings (i.e. profit for the year) are 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 funding of these amounts to Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon (hereinafter referred to as: “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.

j Recognition of Income and Expense

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

k Finance income and costs

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.

Changes in financial instruments at fair value

Changes in the value of the following financial instruments are recognized directly through profit or loss:

- Financial assets and liabilities that are held for trading
- Derivatives with an underlying instrument that is quoted in an active market
- Purchased loans, bonds (unless held to maturity) and equity instruments that are quoted in an active market.

Decreases in value of financial instruments at fair value are recognized through profit or loss. Realized increases in the value of financial instruments at fair value initially recognized in equity are taken into profit or loss when the financial instruments are derecognized.

I Corporate income tax

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

3 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 does not have any significant concentrations of credit risk. Services are being provided subject to payment deadlines ranging between eight and 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 associates. These counterparties do not have a history of non-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.

4 Loan Tranches A and B receivable**Tranche A - Loan @ 6.65% to Euroscut**

Facility: EUR 126,500,000 from July 2, 2001 until June 15, 2027 at a rate of 6.65%

	2010	2009
Opening balance	101,453,000	109,966,450
Reclassification current assets	<u>0</u>	<u>(8,513,450)</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%

	130,000,000	130,000,000
Reclassification current assets	<u>(9,891,000)</u>	<u>0</u>
	120,109,000	130,000,000
	<u>221,562,000</u>	<u>231,453,000</u>

The Company directly lends on for the same amount as the amounts raised 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 obtained 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 June 15, 2027.

Tranche B

The agreement foresees that the funds which were received from a loan due to the European Investment Bank 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 Guarantee, Inc. the interest has increased by 0.50% as per December 31, 2009, 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, 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:

a) the Borrower paying to EIB the amount of EUR 350,000 (three hundred and fifty thousand euros) by no later than 10 (ten) Business Days from the date of this letter.

b) 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.

5 Interest Receivable Loan Tranches A and B

	2010	2009
Tranche A - Loan 6.65% to Euroscut	318,831	343,648
Tranche B - Loan 6.75% to Euroscut	<u>365,625</u>	<u>338,542</u>
	<u>684,456</u>	<u>682,190</u>

6 Intercompany receivable

	2010	2009
Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon	<u>35,060</u>	<u>124,842</u>

7 Cash at Banks

	2010	2009
Citibank Amsterdam	<u>2,933,800</u>	<u>2,421,150</u>

At December 31, 2010 and December 31, 2009 all cash and cash equivalents are freely available to the Company.

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:

	2009	Changes for the Year	Dividend	2010
Issued and fully paid up share capital	18,000	0	0	18,000
Retained earnings	2,000,000	489,157	(725,611)	1,763,546
Net result for the previous year	489,157	(489,157)	0	0
Net result for the year	0	463,392	0	463,392
Total Equity	2,507,157	463,392	(725,611)	2,244,938

9 Loan Tranches A and B payable

	2010	2009
Tranche 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	101,966,450	109,966,450
Reclassification current liabilities	0	(8,513,450)
	<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%		
Reclassification current liabilities	(9,891,000)	130,000,000
	<u>120,109,000</u>	<u>130,000,000</u>
	<u>221,562,000</u>	<u>231,453,000</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 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 EUR 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. The first instalment 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.

Tranche B

The agreement foresees that the funds which were received from a loan due to the European Investment Bank 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.

The EIB loan is unconditionally and irrevocably guaranteed as to scheduled payments of principal and 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 December 15, 2011 and the last one due December 15, 2025. Due to the downgrade of Syncora Guarantee, Inc. the interest has increased by 0.50% as per December 31, 2009. This increase has been taken into account in this Annual Report.

<u>Loan tranches repayment schedule</u>	<u>Term 1 year</u>	<u>Term 1-5 year</u>	<u>Term > 5 years</u>
Tranche A - Guaranteed 6.40% Bonds	0	822,250	100,630,750
Tranche B - European Investment Bank	9,891,000	30,536,000	89,573,000

10 Interest payable Loan Tranches A and B

	2010	2009
Tranche A - Bonds 6.40%	306,845	330,729
Tranche B - European Investment Bank 6.50%	352,083	325,000
	<u>658,928</u>	<u>655,729</u>

11 Accounts payable and accrued expenses

	2010	2009
Accounts payable	1,300	1,300
Accrued audit fees	8,925	22,491
Accrued tax advisory fees	2,500	3,000
Accrued accounting fees	1,534	23,417
Accrued legal fees	11,900	23,893
Accrued general expenses	1,673	2,288
	<u>27,832</u>	<u>76,389</u>

12 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, 2010 quotes the Bonds at 117.94% (2009: 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 of future loan repayments and interest payments. The discount rate applied is based on the calculated market rates for the loans obtained and approximates 4.58% for Tranche A and 3.74% for Tranche B as at December 31, 2010.

As a result the net fair value at December 31, 2010 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 4.6 million.

Instruments receivable	<u>Book value</u>	<u>Fair value</u>
Tranche A Loan balance	101,453,000	122,157,426
Tranche B Loan balance	130,000,000	<u>155,434,369</u>
		277,591,795
Instruments payable		
Tranche A Loan balance @ 117.94%	(101,453,000)	(119,653,668)
Tranche B Loan balance @ 117.94%	(130,000,000)	<u>(153,322,000)</u>
		<u>(272,975,668)</u>
Net Fair Value		<u><u>4,616,127</u></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 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 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%	4.1 million	89%
Bond quote of 110.00%	4.4 million	96%
Bond quote of 117.94%	4.6 million	100%
Bond quote of 120.00%	4.7 million	102%
Bond quote of 130.00%	5.0 million	109%

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 to XL Capital Assurance, Inc. (currently known as: Syncora Guarantee, Inc.).

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 Guarantee, Inc. 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.

Syncora has been severely hit by the financial crisis and reported a policyholders' deficit of approximately USD 3.8 billion at March 31, 2009. To remediate its previously reported policyholders' deficit of approximately USD 3.8 billion at March 31, 2009 and reestablish compliance with its regulatory minimum policyholders' surplus requirement of USD 65.0 million, on July 15, 2009, Syncora consummated a master transaction agreement with certain of its financial counterparties to CDS contracts insured by its financial guaranty insurance policies and certain related transactions. For more information, we refer to the Annual Statement for the year ended December 31, 2009 of the condition and affairs of the Syncora Guarantee, Inc., available at <http://www.syncora.com>.

Algarve does not have the intention to procure the replacing of Syncora by another monoline insurer for the purpose of providing a guarantee in respect to the Bonds, as the risk for an XL Event of Default is being assumed by the Bondholders.

The Group's treasury department was unable to calculate a fair value market value for the Bonds, they have no information available from companies with a similar bond/loan structure as Algarve and the valuation of the bonds by an external valuation specialist would cause a disproportional amount of costs.

13 Interest income loans tranches A and B

	2010	2009
Tranche A - Loan 6.65% to Euroscut		
Facility: EUR 126,500,000 from July 2, 2001 until June 15, 2027 at a rate of 6.65%	7,287,952	7,748,726
Tranche B - Loan 6.75% to Euroscut	8,802,083	8,125,000
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.75%	16,090,035	15,873,726

14 Interest expense loans tranches A and B

	2010	2009
Tranche A - Guaranteed 6.40% Bonds		
EUR 126,500,000 from July 2, 2001 until June 15, 2027 at a rate of 6.40%	7,013,969	7,457,421
Tranche B - European Investment Bank	8,477,083	7,800,000
Facility: EUR 130,000,000 from July 2, 2001 until December 15, 2025 at a rate of 6.50%		
	<u>15,491,052</u>	<u>15,257,421</u>

15 General and Administrative Expenses

	2010	2009
Guarantee expenses (Syncora Guarantee, Inc.)	(390,000)	(388,932)
Audit fees	(15,644)	(40,192)
Management fees	(39,525)	(24,480)
Accounting fees	(14,280)	(4,483)
Tax advisory fees	(3,885)	(13,789)
Waiver fees	(350,000)	0
General expenses	(5,392)	(16,979)
Legal & Professional fees	(1,040)	(23,893)
	<u>(819,766)</u>	<u>(512,748)</u>

Waiver fees

On June 9, 2010, the European Investment Bank (the "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, 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:

a) the Borrower paying to EIB the amount of EUR 350,000 (three hundred and fifty thousand Euros) by no later than 10 (ten) Business Days from the date of this letter.

b) 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 there under.

16 On-charge expenses to Euroscut

	2010	2009
Guarantee expenses (Syncora Guarantee, Inc.)	390,000	388,932
Audit fees	15,644	40,192
Management fees	39,525	24,480
Accounting fees	14,280	4,483
Tax advisory fees	3,885	13,789
Waiver fees	350,000	0
General expenses	5,392	16,979
Legal & Professional fees	1,040	23,893
	<u>819,766</u>	<u>512,748</u>

Based upon paragraph 7.4 of the July 2, 2001 Loan Agreement between Algarve International B.V. and Euroscut Sociedad Consessionária 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 income tax is based on the fiscal result. The applicable tax rates are 20% over the first EUR 200,000 and 25.5% over the surplus.

	2010	2009
Corporate income tax	<u>144,458</u>	<u>152,662</u>
	<u>144,458</u>	<u>152,662</u>

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 Deloitte is as follows:

	12/31/2010		
	Fee Deloitte Accountants B.V.	Fee other Deloitte companies	Total Fee Deloitte
Audit of the annual accounts	19,140	0	19,140
Other audit engagements	0	0	0
Total	<u>19,140</u>	<u>0</u>	<u>19,140</u>

12/31/2009

	Fee PwC	Fee other	Total Fee
	Accountants N.V.	PwC companies	PwC
Audit of the annual accounts	40,192	0	40,192
Other audit engagements	0	0	0
Total	40,192	0	40,192

19 Directors and Employees

The remuneration of the Board of Managing Directors for the period ended December 31, 2009 and December 31, 2010 is as follows:

	2010	2009
Trust International Management (T.I.M.) B.V.	693	933
Europe Management Company B.V.	693	933
Management Company Strawinsky B.V.	693	933
F.J. Clemente Sanchez	0	0
M.A. Cabrera Morales	0	0
V. Domingues dos Santos	0	0
Total:	2,080	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:

	12/31/2010
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 15, 2011

The Board of Managing Directors,

[was signed]

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

[was signed]

F.J. Clemente Sanchez
As: Managing Director B

[was signed]

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

[was signed]

M.A. Cabrera Morales
As: Managing Director B

[was signed]

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

[was signed]

V. Domingues dos Santos
As: Managing Director B

The Supervisory Board,

[was signed]

D. Haarsma

[was signed]

P. van Maurik

Supplementary Notes

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 **Appropriation of result for the financial year 2009**

The annual report 2009 was adopted in the general meeting of shareholders held on March 9, 2010, at the offices of the Company. During that meeting the positive result in the amount of EUR 489,157 was added to the retained earnings.

On December 31, 2010, the shareholders have decided on the proposal of the Board of Managing Directors, with approval from the Supervisory Board, to distribute a dividend distribution in the amount of EUR 489,157. This reflects a dividend in the amount of EUR 27.17 (gross) per ordinary share. Although the decision was made on December 31, 2010, the payment of the dividend has been arranged for in the beginning of 2011.

3 **Proposed appropriation of result for the financial year 2010**

Following the profit appropriation proposed by the Board of Managing Directors, with the approval of the Supervisory Board and pursuant to Article 21 of the Articles of Association, an amount of EUR 236,454 of the profit for 2010 will be distributed to the holders of the ordinary shares, as per December 31, 2010. Although the decision was made on December 31, 2010, the payment of the dividend has been arranged for in the beginning of 2011. The Board of Managing Directors proposes, with the approval of the Supervisory Board, that the remaining result for the financial year 2010 amounting to EUR 226,938 (total profit in 2010: EUR 463,392) should be transferred to reserves, without payment of dividend.

4 **Post Balance Sheet Events**

The Portuguese Government (hereinafter referred to as: the “Grantor”) has decided on the implementation of a new management and financial model for the Portuguese motorway infrastructure sector, this affects the SCUT Algarve motorway being maintained and managed by Euroscut Sociedad Concessionária da Scut do Algarve, S.A., Lisbon (hereinafter referred to as: “Euroscut”).

Euroscut has been required to attend meetings with the Grantor concerning the introduction of a real toll collection system to the SCUT Algarve motorway and the later change of the payment mechanism to an availability-based structure.

The Grantor's requirement, in accordance with the Resolution of the Council of Ministers (Conselho de Ministros) number 75/2010 (published in 'Diário da República' number 185, 1st Série, of 22 September 2010) (the Resolution), is that a real toll collection system be introduced by April 15, 2011 (the "**MLFF System Deadline**"). The introduction of a real toll collection system naturally requires the installation and operability of all equipment necessary for the collection of real tolls from users of the SCUT Algarve motorway (the "**MLFF System**") by such date, as further described in the draft joint order executed by the Portuguese Ministries of Finance and Public Administration and for Public Works, Transportation and Communications on 18 January 2011 (the "**Joint Order**"). The Grantor has made it clear that it requires the MLFF System Deadline to be met and that the obligation to construct and install the MLFF System will either be set out in an agreement with the Company or will be the subject of a unilateral order under the Concession Agreement.

If the requirement of the Grantor has a binding effect on Euroscut as an additional activity to be carried out as part of the SCUT Algarve motorway concession, whether this occurs by way of an agreement or by way of a unilateral order, and is not complied with by Euroscut, there are a number of contractual mechanisms/sanctions that can be pursued against Euroscut. These may include:

- (a) the imposition of contractual sanctions by way of financial penalties under Article 78 of the Concession Agreement (in an amount of between EUR 5,000 and EUR 100,000, to be determined by the Grantor);
- (b) the direct enforcement of the Joint Order, which means that the Grantor can make use of its public authority, ordering EP - Estradas de Portugal, S.A., or any other entity, to perform the necessary works for the installation of the equipment needed in order to implement the real tolls system; and/or
- (c) if the failure becomes sufficiently material or long-lasting, the termination of the Concession pursuant to Article 82 of the Concession Agreement.

In the course of the meetings referred to in aforementioned paragraphs, the Grantor and Euroscut have been discussing terms relating to the procurement, installation and maintenance of the MLFF System. In order to protect Euroscut, to the furthest extent possible, from the risks involved in the installation of such infrastructure, and in relation to its subsequent operation and maintenance, the Grantor and Euroscut intend for the procurement, installation and maintenance of the MLFF System to be entirely carried out by a separate legal entity, Vialivre, S.A. or another special purpose company to be formed by the shareholders of Vialivre S.A. (either such company being referred to herein as: "**Vialivre**"), which Euroscut and Vialivre have agreed will bear all the risks and obligations inherent to said procurement, installation, maintenance and related obligations. Such risks and obligations shall remain with Vialivre until the Phase II Effective Date. Nonetheless, Euroscut needs to be party to the arrangements considering that it is a party to the Concession Agreement, which underlies the whole Project.

Vialivre is a special purpose vehicle, constituted specifically for the purpose of carrying out the procurement, installation, financing and subsequent operation of the MLFF System, and is owned by a majority of the shareholders of Euroscut. As a result, Vialivre benefits from access to the same technical and operational expertise of Euroscut, in particular that of Cintra Infraestructuras, S.A. (Cintra), who has been providing technical analysis of the activities involved in the procurement of the MLFF System.

5 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 financial statements

We have audited the accompanying financial statements of Algarve International B.V., Amsterdam, which comprise the balance sheet as at December 31, 2010, the profit and loss account 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 financial statements and for the preparation of the management board report, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

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

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 financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Algarve International B.V. as at December 31, 2010 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 management board report, 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 management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, February 15, 2011

Deloitte Accountants B.V.

already signed: B.E. Savert

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*This yearly report is also available on
www.algarveinternational.eu*