

**SOCIEDAD CONCESIONARIA  
AUTOVÍA A-4 MADRID, S.A.**

Independent Audit Report on the Annual Accounts  
and Directors' Report at 31 December 2016



## INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACCOUNTS

For the shareholders of Concesionaria Autovía A-4 Madrid, S.A.

### Report on the annual accounts

We have audited the accompanying annual accounts of Sociedad Concesionaria Autovía A-4 Madrid, S.A., consisting of the balance sheet at 31 December 2016, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended.

### *Directors' Responsibility for the Annual Accounts*

The directors are responsible for the preparation of the accompanying annual accounts such that they present fairly the financial position of Sociedad Concesionaria Autovía A-4 Madrid, S.A., and the results of its operations in accordance with the financial reporting framework applicable to the entity in Spain, which is identified in note 2.a to the accompanying annual accounts and the internal control considered necessary to permit the preparation of annual accounts which are free from material misstatement, due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the accompanying annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the annual accounts taken as a whole.

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



### *Opinion*

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of Sociedad Concesionaria Autovía A-4 Madrid, S.A., as at 31 December 2016, and the results of its operations and cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

### **Report on other legal and regulatory requirements**

The accompanying Directors' Report for 2016 contains the explanations that the Company's directors consider appropriate regarding the situation of Sociedad Concesionaria Autovía A-4 Madrid, S.A., the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' report is in agreement with that of the annual accounts for 2016. Our work as auditors is limited to checking the Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

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Alfredo Aguilera Sanz

17 February 2017

AUDITORS  
SPANISH INSTITUTE OF CHARTERED  
ACCOUNTANTS

PRICEWATERHOUSECOOPERS  
AUDITORES, S.L.

Year 2017 No. 01/17/00073  
EUR 96.00

CORPORATE SEAL:

Audit opinion in accordance with Spanish  
and international audit regulation

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Dña. Vanessa Hernández Varas, Traductora-Intérprete Jurada de Inglés nombrada por el Ministerio de Asuntos Exteriores y de Cooperación, certifica que la que antecede es traducción fiel y completa al inglés de un documento redactado en castellano.

En Madrid, a 20 de febrero de 2017.

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Ms Vanessa Hernández Varas, Sworn Translator and Interpreter of English appointed by the Ministry for Foreign Affairs and Cooperation, hereby certifies that the preceding translation is a true and complete translation into English of a document drafted in Spanish.

Signed in Madrid on February 20, 2017.

Vanessa Hernández Varas  
Traductora-Intérprete Jurada de Inglés  
N.º 985/5  


**SOCIEDAD CONCESIONARIA  
AUTOVÍA A-4 MADRID, S.A.**

**Informe de auditoría independiente, cuentas anuales  
e informe de gestión al 31 de diciembre de 2016**





## INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES

A los accionistas de Sociedad Concesionaria Autovía A-4 Madrid, S.A.

### Informe sobre las cuentas anuales

Hemos auditado las cuentas anuales adjuntas de Sociedad Concesionaria Autovía A-4 Madrid, S.A., que comprenden el balance a 31 de diciembre de 2016, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio terminado en dicha fecha.

#### *Responsabilidad de los administradores en relación con las cuentas anuales*

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de Sociedad Concesionaria Autovía A-4 Madrid, S.A., de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la nota 2.a de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

#### *Responsabilidad del auditor*

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de la entidad de las cuentas anuales, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

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R. M. Madrid, hoja 87.260-1, folio 75, tomo 9.267, libro 8.054, sección 3ª  
Inscrita en el R.O.A.C. con el número 50242 - CIF: B-79 031230

Vanessa Hernández Varas  
Traductora-Intérprete Jurada de Inglés  
N.º 8536

20 FEB. 2017



### Opinión

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Sociedad Concesionaria Autovía A-4 Madrid, S.A. a 31 de diciembre de 2016, así como de sus resultados y flujos de efectivo correspondientes al ejercicio terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

### Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión adjunto del ejercicio 2016 contiene las explicaciones que los administradores consideran oportunas sobre la situación de Sociedad Concesionaria Autovía A-4 Madrid, S.A., la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad.

PricewaterhouseCoopers Auditores, S.L.

Alfredo Aguilera Sanz

17 de febrero de 2017

**AUDITORES**  
MEMORIA DE TRANSACCIONES  
SOCIETARIAS DE ESPAÑA

PRICEWATERHOUSECOOPERS  
AUDITORES, S.L.

2017 Nº 01/17/0073  
Año Nº 50,00 EUR  
SECTO CONSUMIVO

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Informe de auditoría de cuentas sujeto  
a la normativa de auditoría de cuentas  
especial e informativa.  
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Vanessa Hernández Varas  
Traductora-Intérprete Jurada de Inglés  
N.º 2585

20 FEB. 2017

**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

Annual Accounts at 31 December 2016  
Directors' Report for 2016

A free translation from the original in Spanish





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**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

**BALANCE SHEET AS AT 31 DECEMBER 2016**

(Expressed in thousand euro)

<b>ASSETS</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>NON-CURRENT ASSETS</b>		<b>89,089</b>	<b>84,440</b>
Intangible assets	5	70,773	74,470
Property, plant and equipment	6	271	251
Non-current investments in group companies and associates	9, 10 and 21	9,633	-
Loans to companies		9,633	-
Non-current Investments	7 y 9	3,537	4,537
Other financial assets		3,537	4,537
Deferred tax assets	17	4,875	5,182
<b>CURRENT ASSETS</b>		<b>17,407</b>	<b>29,936</b>
Trade and other receivables		6,224	5,098
Trade receivables for sales and services	9 and 10	6,181	4,988
Advance payments to suppliers	9 and 10	15	12
Personnel	9 and 10	-	70
Other credits with Public Administrations	17	28	28
Current investments	7 and 9	4,375	2,736
Other financial assets		4,375	2,736
Prepayments for current assets		17	18
Cash and cash equivalents	8 and 9	6,791	22,084
<b>TOTAL ASSETS</b>		<b>106,496</b>	<b>114,376</b>

Notes 1 to 23 are an integral part of these annual accounts.

**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

**BALANCE SHEET AS AT 31 DECEMBER 2016**  
**(Expressed in thousand euro)**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>EQUITY</b>		<b>(392)</b>	<b>(1,295)</b>
<b>Capital and reserves without valuation adjustments</b>		<b>12,544</b>	<b>12,961</b>
Capital	12	9,413	9,413
Reserves	13	834	1,256
Profit/(loss) for the period	14	2,297	2,292
<b>Value adjustments</b>		<b>(12,936)</b>	<b>(14,256)</b>
Hedging transactions		(12,936)	(14,256)
<b>NON-CURRENT LIABILITIES</b>		<b>98,258</b>	<b>107,743</b>
<b>Non-current provisions</b>	<b>16</b>	<b>5,421</b>	<b>5,625</b>
Provisions for major maintenance		5,421	5,625
<b>Non-current payables</b>		<b>74,787</b>	<b>84,190</b>
Bank loans	9 and 15	48,271	56,926
Derivatives	9, 11 and 15	15,863	16,611
Other financial liabilities	9 and 15	10,653	10,653
<b>Non-current payables to group companies and associates</b>	<b>9, 15 and 21</b>	<b>18,050</b>	<b>17,928</b>
<b>CURRENT LIABILITIES</b>		<b>8,630</b>	<b>7,928</b>
<b>Current provisions</b>		<b>2,994</b>	<b>2,409</b>
Provisions for major maintenance	16	2,994	2,385
Other provisions		-	24
<b>Current payables</b>		<b>3,715</b>	<b>3,410</b>
Bank loans	9 and 15	3,196	3,151
Finance lease creditors	9 and 15	-	2
Other financial liabilities	9 and 15	519	257
<b>Current payables to group companies and associates</b>	<b>9, 15 and 21</b>	<b>265</b>	<b>1,156</b>
<b>Trade and other payables</b>		<b>1,656</b>	<b>953</b>
Trade payables	9 and 15	859	295
Trade payables to group companies and associates	9, 15 and 21	252	6
Personnel (salaries payable)	9 and 15	110	15
Current tax liabilities	17	171	501
Other payables to Public Administrations	17	264	136
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>106,496</b>	<b>114,376</b>

Notes 1 to 23 are an integral part of these annual accounts.

**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**  
**INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016**  
**(Expressed in thousand euro)**

	<u>Nota</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>	<b>18</b>	<b>16,704</b>	<b>15,092</b>
Services rendered (tolls and Other Administrative Compensation)		16,704	15,092
<b>Raw materials and consumables</b>	<b>18</b>	<b>(508)</b>	<b>(459)</b>
Merchandise used		(112)	(135)
Raw materials and other consumables used		(105)	(112)
Subcontracted work		(291)	(212)
<b>Other operating income</b>		<b>355</b>	<b>393</b>
Non-trading and other operating income		355	393
<b>Personnel expenses</b>	<b>18</b>	<b>(1,622)</b>	<b>(1,395)</b>
Salaries and wages		(1,323)	(1,055)
Employee benefit expenses		(299)	(340)
<b>Other operating expenses</b>	<b>18</b>	<b>(2,279)</b>	<b>(1,929)</b>
External services		(1,159)	(936)
Taxes		(27)	(34)
Losses, impairment and changes in trade provisions	16	(1,093)	(959)
<b>Amortization and depreciation</b>	<b>5 and 6</b>	<b>(5,478)</b>	<b>(5,310)</b>
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b><u>7,172</u></b>	<b><u>6,392</u></b>
Financial income		782	-
Financial expenses		(4,891)	(3,208)
<b>FINANCIAL RESULTS</b>	<b>18</b>	<b><u>(4,109)</u></b>	<b><u>(3,208)</u></b>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b><u>3,063</u></b>	<b><u>3,184</u></b>
<b>Income tax expense</b>	<b>17</b>	<b><u>(766)</u></b>	<b><u>(892)</u></b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>14</b>	<b><u>2,297</u></b>	<b><u>2,292</u></b>

Notes 1 to 23 form an integral part of these annual accounts.



SOCIEDAD CONCESIONARIA A-4 MADRID, S.A.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016 (Expressed in thousand euro)

#### A) STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE PERIOD ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>Profit/(loss) for the period</b>	<b>14</b>	<b>2,297</b>	<b>2,292</b>
<b>Income and expense recognized directly in equity</b>			
Cash-flow hedges	11	(2,073)	(400)
Tax effect	11 and 17	518	112
Updated tax rate (Note 17)	11 and 17	-	(385)
<b>Total income and expense recognized directly in equity</b>		<b>(1,555)</b>	<b>(673)</b>
<b>Amounts transferred to the income statement</b>			
Cash flow hedges	11	3,833	3,070
Tax effect	17	(958)	(860)
<b>Total amounts transferred to the income statement</b>		<b>2,875</b>	<b>2,210</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE</b>		<b>3,617</b>	<b>3,829</b>

Notes 1 to 23 are an integral part of these annual accounts.



**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016**  
(Expressed in thousand euro)

**B) STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016**

2016	Share capital (Note 12)	Reserves (Note 13)	Profit/(loss) for the period (Note 14)	Value adjustments	Total
Opening balance 2016	9,413	1,256	2,292	(14,256)	(1,295)
Total recognised income and expense	-	-	2,297	1,320	3,617
Operations with shareholders or owners	-	(422)	(2,292)	-	(2,714)
- Prior period result distribution	-	230	(230)	-	-
- Distribution of dividends	-	(652)	(2,062)	-	(2,714)
Closing balance 2016	9,413	834	2,297	(12,936)	(392)

**B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR PERIOD ENDED 31 DECEMBER 2015**

2015	Share capital (Note 12)	Reserves (Note 13)	Profit/(loss) for the period (Note 14)	Value adjustments	Total
Opening balance 2015	9,413	532	724	(15,793)	(5,124)
Total recognised income and expense	-	-	2,292	1,537	3,829
Operations with shareholders or owners	-	724	(724)	-	-
- Prior period result distribution	-	724	(724)	-	-
- Distribution of dividends	-	-	-	-	-
Closing balance 2015	9,413	1,256	2,292	(14,256)	(1,295)

Notes 1 to 23 are an integral part of these annual accounts.



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016 (Expressed in thousand euro)

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		3,063	3,184
Adjustments for:			
- Amortization and depreciation	5 and 6	5,478	5,310
- Change in provisions	16	1,093	959
- Financial income	18	(782)	-
- Financial expenses	18	4,891	3,208
Changes in working capital:			
- Trade and other receivables	10	(384)	3,639
- Other current assets		1	1
- Trade and other payables	15	1,091	(614)
- Other current liabilities		(1,100)	(310)
Other cash flows from operating activities			
- Interest paid		(6,173)	(3,970)
- Income tax received / (paid)		(963)	(587)
<b>Cash flows from operating activities</b>		<b>6,215</b>	<b>10,820</b>
<b>Cash flows from investing activities</b>			
Payments for investments:			
- Group companies and associates	10	(9,600)	-
- Financial assets	7	(632)	-
- Intangible assets	5	(8)	(739)
- Property, plant and equipment	6	(102)	(9)
Proceeds from sale of investments:			
- Investments	7	-	143
<b>Cash flows from investing activities</b>		<b>(10,342)</b>	<b>(605)</b>
<b>Cash flows from financing activities</b>			
Proceeds from and payments for financing activities			
- Bank borrowings		(8,452)	(1,563)
- Payable to group companies		-	-
Proceeds from and payments for equity instruments			
- Dividends	13 and 14	(2,714)	-
<b>Cash flows from financing activities</b>		<b>(11,166)</b>	<b>(1,563)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>(15,293)</b>	<b>8,652</b>
Cash and cash equivalents at beginning of period	8	22,084	13,432
Cash and cash equivalents at end of period	8	6,791	22,084

Notes 1 to 23 are an integral part of these annual accounts.



## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)**

#### **1. General information:**

Sociedad Concesionaria Autovía A-4 Madrid, S.A. (the Company) was incorporated as a limited liability company ("sociedad anónima") in Madrid on 27 November 2007; its registered office for mercantile and tax purposes is at "callo Hornani 59, 28020 Madrid".

Its corporate objects are as follows:

Its sole purpose is the exercise of rights and fulfilment of obligations under the administrative concession for public works (the Concession) relating to the maintenance and operation of the A-4 motorway from kilometer 3.78 to kilometer 67.50; section: Madrid – kilometer 67.5 (R-4) (the Motorway), and the performance of all work and/or administrative formalities associated with or related to such work that may be necessary or advisable, specifically including Area 1 construction work (new-build projects and refurbishment work), and the activities included in Area 2 (replacement projects and major repairs) and Area 3 (infrastructure maintenance), in addition to operating the infrastructure.

In order to carry out the work referred to above, the Company must make all improvements that may be necessary or advisable, obtaining the necessary funds, performing the construction work using its own means or by contracting third parties, and operating the infrastructure, all subject to the terms and conditions stipulated in the administrative concession awarded for these tasks.

At 31 December 2016 the Company is controlled by the Roadis Group (formerly named Grupo Isolux Infrastructure), parented by Roadis Transportation Holding, S.L.U. (formerly named Isolux Infrastructure Netherlands B.V.) with registered office at calle Hornani 59, 28021 Madrid (formerly 1101 CM Amsterdam Zuidoost, Holland). This Company prepares the consolidated annual accounts in Spain (in the Netherlands until 2015), which are filed with the Madrid Mercantile Registry.

Since 29 April 2016, following the winding - up of the joint venture Isolux Infrastructure Netherlands B.V., the ultimate parent of the now named Roadis Group is the Canadian pension fund Public Sector Investment Board (PSP).

#### **2. Basis of presentation**

##### **a) Fair presentation**

These annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of and RD 602/2016 the Chart of Accounts approved under Royal Decree 1514/2007 (PGC 2007), as amended by Royal Decree 1159/2010 and Royal Decree 602/2016, and Order EHA/3362/2010 (23 December), containing regulations to adapt the Chart of Accounts for public infrastructure concession companies (NAECIP). They have been prepared by the Company's directors in order to present fairly the Company's equity, financial position, results of its operations, changes in equity and cash flows in accordance with current legislation as mentioned above.

The annual accounts are presented in thousands of euro, being the euro the Company's functional and presentation currency.

These Annual Accounts, prepared on 15 February 2017 by the Company's Directors, will be submitted for the approval of the General Meeting of Shareholders, and are expected to be approved without any modification.

##### **b) Critical measurement issues and estimation of uncertainty**

The preparation of the annual accounts requires the use by the Company of certain estimates and judgments in relation to the future that are assessed constantly and are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.





## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)**

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Amortisation of intangible assets – Concession Agreement

The Company's concession agreement has a finite useful life; its cost is amortised based on the pattern of usage that best reflects the asset's economic usefulness: traffic.

The Company calculates amortisation on this concession asset based on best estimates of traffic, as set out in the Business Financial Plan (Note 5.c).

#### Income tax and deferred tax assets

The calculation of income tax requires interpretations of tax legislation applicable to the Company.

There are several factors mainly, but not exclusively, linked to changes in tax laws and changes in the interpretation of tax laws already in force, which require the application of estimates by Company management.

Management assesses the recoverability of deferred tax assets based on estimates of future tax profits, analyzing whether they will be sufficient in the periods during which such deferred tax assets may be deducted. Deferred tax assets are recognised when their future recoverability is probable. The recognition and recoverability of deferred tax assets is assessed at the time they are generated and subsequently at each balance sheet date, in accordance with the evolution of the Company's results forecast in its business plan. Management considers that the deferred tax assets recognised by the Company will probably be recovered. Nonetheless, estimates may change in the future because of changes in tax legislation or the impact of future transactions on tax balances.

Although these estimates were made by management using the best information available at the year-end, based on their best estimates and market knowledge, possible future events may force the Company to make adjustments in coming years.

#### Fair value of unlisted financial instruments

The Company calculates the fair value of financial instruments (financial assets and liabilities) that are not traded on an active market through estimates made based on the selection of methods and assumptions that are mainly based on existing market conditions at each balance sheet date.

#### Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require the application of resources and when the amount of the obligation may be reliably estimated. Significant estimates are necessary to comply with accounting regulations.

Provisions for infrastructure maintenance are estimated based on best estimates of future replacements and major repairs contained in the Company's Business Financial Plan and taking into account the Company's annual technical reports.

Although these estimates were prepared using the best information available at the 2016 period end, future events may make it necessary to change them in subsequent years; any such changes would be made prospectively.

#### Deferred financial expense on motorway financing

The Company capitalizes interest on motorway financing during the operating phase. This expense is taken to the income statement based on the Business Financial Plan prepared following the approval of the Company's

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economic and financial re-balance in 2011 (Note 5).

#### c) Going concern

The annual accounts have been prepared on a going- concern basis, i.e. assuming that the Company will realize its assets and meet its commitments in the ordinary course of business.

At 31 December 2016, the Company's equity is less than 50% of its share capital as a result of the hedging reserve. Royal Decree Law 10/2008 under which Final Provision 1 amended Article 36, section 1, c) of the Code of Commerce, governs this situation from a mercantile perspective. This regulation excludes from the definition of equity, solely for the purposes of capital reductions, distribution of profits and causes for dissolution (Articles 317 and 327 of the Spanish Companies Act, Article 273 of the Spanish Companies Act, Article 360,363 and 368 of the Spanish Companies Act and Articles 179,180 and 181 of the Spanish Companies Act) value adjustments deriving from cash flow hedges not yet taken to the income statement, recognised in the accounting records and including any participating loans from shareholders.

The Company's Directors have therefore prepared these annual accounts on a going- concern basis as they consider there is no doubt regarding the Company's ability to continue as a going concern.

#### d) Comparability

In accordance with legislation in force, for each item in the balance sheet, income statement and statement of change in equity, the figures for the previous year are included together with the figures for 2016 for purposes of comparison.

### 3. Accounting policies

#### 3.1 Intangible assets

The intangible assets indicated below are carried at acquisition cost less accumulated amortisation and any impairment losses, their useful lives being evaluated based on prudent estimates.

The carrying amount of intangible assets is tested for possible impairment when certain events or changes indicate that carrying amount may not be recoverable.

##### a) Concession agreement, regulated assets

The Chart of Accounts for public infrastructure concession companies (in force as from 1 January 2011) regulates the accounting treatment of concession agreements for services, defining them as arrangements in which the grantor entrusts to a concession company the construction, including improvements, and operation, or solely the operation, of infrastructures to be used in the provision of public services having an economic nature during the time period stipulated in the agreement, in exchange for the right to receive remuneration.

Concession arrangements should fulfil the following requirements:

- The grantor controls or regulates which public services must be provided by the concession company using the infrastructure, to whom they must be provided and at what price; and
- The grantor controls any significant residual interest in the infrastructure at the end of the concession period.

Under such concession arrangements, the concession holder acts as a service provider specifically of infrastructure construction or improvement services and operation and maintenance services. The consideration received by the concession company related to the infrastructure construction or improvement service is carried at the fair value of such service, as an intangible asset, in cases where the company is entitled to charge a price to users of the public service, which is not unconditional but depends on the actual usage of the service.



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The consideration received for the construction or improvement service is recognised as an intangible in the item "Concession agreement, regulated asset", in Intangible assets, in accordance with the intangible model in which demand risk is assumed by the concession entity.

The Company calculates amortisation on this concession asset based on best estimates of traffic, as set out in the Business Financial Plan (Note 5.c).

#### b) Concession agreement, capitalization of interest expense

When remuneration for the construction or improvement services consists of an intangible asset, interest incurred on infrastructure financing as from the date on which the infrastructure is ready for use is capitalized, provided there is reasonable evidence that it will be recovered through future revenue. Capitalized interest is recognised in "Concession agreement, capitalization of interest expense". It is taken to the income statement in proportion to the revenue envisaged in the Company's Business Financial Plan, on the understanding that the future revenue envisaged in the plan will allow the interest expense to be recovered. With respect to forecast revenue, annual toll revenue is determined as a percentage of total toll revenue. This percentage is applied to total forecast interest over the term of the concession in order to determine the amount to be recognised each year as interest for the year. In the event that actual revenue for the year exceeds forecast revenue, the percentage will be calculated based on the actual revenue and forecast total toll revenue.

#### c) Computer software

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over the assets' estimated useful lives (5 years).

Computer software maintenance expenses are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed five years.

### 3.2 Property, plant and equipment

Property, plant and equipment is carried at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognised as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Investments which, due to their timing, have an economic life that is longer than their useful life (residual concession period in each case), give rise to the recognition of an intangible asset and a provision for the same amount at the beginning of the concession, reflecting the present value of the commitment acquired and equal to the asset's theoretical carrying amount at the end of the concession in the event of the asset not having to be handed over to the granting Administration, i.e. on the basis of its economic life rather than the concession period.

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Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. Assets attributable to the motorway investment, the useful life of which exceeds the concession period, are depreciated over the concession period. The estimated useful lives are as follows:

	<u>Estimated useful life, years</u>
Plant	6-14
Machinery and tooling	6-10
Furnishings	6-20
Data processing equipment	4-8
Vehicles	7-13

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

When an asset's carrying amount exceeds its estimated recoverable amount, carrying amount is written down immediately to the recoverable amount.

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale revenue with the carrying amount and are recognised in the income statement.

### 3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of fixed assets that require more than one year before they may be brought into use are included in the cost of the assets until they are ready for use.

See Note 3.1.b) with regard to interest expense incurred after the motorway is brought into operation.

### 3.4 Financial assets

#### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, barring amounts maturing more than 12 months after the balance sheet date, which are classed as non-current assets and receivables when applying the financial model to the recognition of certain concession agreements subject to the Chart of Accounts for public infrastructure concession companies. This right is initially measured at amortised cost using the effective interest method.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

Loans and receivables are tested for impairment at least at each reporting date and the corresponding impairment losses are recognised when there is objective evidence that all amounts will not be collected.

Impairment losses are recognised at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the initial recognition date. Impairment losses and any subsequent reversals are recognised in the income statement.



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#### b) Financial assets held for trading and other financial assets at fair value through profit or loss:

All those assets held for trading, purchased for sale in the short term or that form part of an instrument portfolio, identified and managed jointly to obtain short-term gains, are considered financial assets at fair value through profit or loss together with the financial assets designated by the Company upon initial recognition for inclusion in this category for the purposes of a fairer presentation. Derivatives are also classified as held for trading provided that they do not consist of a financial guarantee and have not been designated as hedging instruments.

These financial assets are measured, both initially and subsequently, at fair value and any changes affecting this value are taken to the income statement for the year. Directly attributable transaction costs are recognised in the income statement for the year.

#### 3.5 Financial derivatives and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. Resulting gains and losses are recognised depending on whether the derivative is designated as a hedging instrument or not and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

**Cash flow hedges:** The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is transitionally recognised in a hedging reserve account in equity. These amounts are recycled to profit or loss in the year(s) in which the hedged forecast transaction affects profit or loss, unless the hedge corresponds to a forecast transaction that ultimately results in the recognition of a non-financial asset or liability, in which case the gains or losses previously deferred in equity are included in the initial cost of the asset when it is acquired or liability when it is assumed.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the hedged item's residual maturity is more than twelve (12) months and as a current asset or liability if it is less than twelve (12) months.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement for the year.

The Company has no hedges of net investments in foreign operations in subsidiaries.

Hedging instruments are measured and recognised by nature to the extent that they are not or cease to be effective hedges.

In the event that derivatives do not qualify for hedge accounting, the related fair value gains and losses are recognised immediately in the income statement for the year.

#### 3.6 Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions and other short-term highly liquid investments with an original maturity of three (3) months or less.

When Company cash is restricted, e.g. it is not freely available owing to restrictions imposed by the bank, it is not classified under "cash and cash equivalents".

#### 3.7 Equity

Share capital consists of ordinary shares.

In the event that the Company acquires treasury shares, the compensation paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or

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otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

#### 3.8 Financial liabilities

##### a) Creditors and payables

This includes trade and non-trade payables. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying value of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year that do not carry a contractual interest rate are carried at their nominal value upon both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the event of the renegotiation of existing debts, the financial liability is not deemed to change significantly when the lender of the new loan is the same as the initial lender and the present value of cash flows, including net fees, is not more than 10% higher or lower than the present value of cash flows payable on the original liability, calculated using the same method.

#### 3.9 Prepayments for current assets

This heading includes the part of income, which, while recognised in one period, should be recognised in the following period, i.e., the period in which it accrues. In other words, it should be recognised as and when the service is provided.

#### 3.10 Current and deferred income taxes

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effects of items recognised directly with a credit or charge to equity are also recognised in equity.

Current tax assets and liabilities are carried at the amounts that are expected to be payable to or recoverable from the tax authorities, in accordance with prevailing legislation or regulations that have been approved and are pending publication at the period end.

Deferred tax is calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination that at the time of the transaction has no effect on the tax or accounting gain or loss, they are not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised insofar as future tax profits will probably arise against which to offset the temporary differences.

Deferred taxes on temporary differences arising on investments in subsidiaries, associates and joint ventures are recognised, except where the Company is able to control the reversal date of the temporary differences and such differences are unlikely to reverse in the foreseeable future.





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#### **3.11 Employee benefits**

##### **Severance indemnities**

Severance indemnities are paid to employees as a result of the Company's decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. The Company recognizes these benefits when it has demonstrably undertaken to make workers redundant in accordance with a detailed formal plan which cannot be withdrawn or to provide severance indemnities as a result of an offer to encourage employees to take up voluntary redundancy. Benefits not falling due within 12 months of the balance sheet date are discounted to present value.

#### **3.12 Provisions and contingent liabilities**

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are stated at the present value of the disbursements expected to be necessary to settle the liability. Adjustments to the provision deriving from restatements are recognised as a financial expense as they accrue.

Provisions maturing in one year or less with an insignificant financial effect are not discounted.

For concession agreements, under which the consideration received is recognised under intangible assets, for accounting purposes the infrastructure work carried out during the concession period is recognised as follows:

- a) Maintenance services: recognised as an expense for the period in which they are incurred.
- b) Replacements and major repairs required to keep the infrastructures in an optimal condition: provisions are systematically charged to the income statement based on infrastructure use. They are calculated using best estimates of future replacements and major repairs included in the Company's Business Financial Plan.
- c) Activities necessary to revert the infrastructure to the grantor at the end of the concession period, in the conditions of use and operation stipulated in the concession agreement: provisions are systematically charged as indicated in letter b) above, unless the obligations in question are similar to decommissioning or withdrawal obligations, in which case the initially estimated present value of the commitments acquired in connection with these activities will form part of the value of the intangible assets.
- d) Improvements or capacity increases: these activities are treated as a new concession for accounting purposes and the consideration received is recognised. Nonetheless, if these actions are not compensated through a possible increase in revenues, a provision is recognised for the best estimate of the present value of the necessary disbursement to settle such actions. The balancing entry is an increase in the acquisition price of the intangible asset.

When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party the reimbursement is recognised as an independent asset, provided that receipt of the reimbursement is practically certain.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. These contingent liabilities are not reflected in the accounts although they are disclosed in the notes to the same (Note 19).



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#### **3.13 Revenue recognition**

Revenue comprises the fair value of the consideration receivable and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's business, net of returns, rebates, discounts and VAT.

The Company recognizes revenue when it can be reliably measured and when it is probable that future economic benefits will flow to the Company and the specific conditions for each activity are met.

##### **a) Interests income**

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on loans that have become impaired is recognised using the effective interest method.

#### **3.14 Leases**

##### **a) Finance lease**

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company holds substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalized at inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Present value is calculated using the interest rate implicit in the lease agreement and, if this rate cannot be determined, the interest rate applied by the Company on similar transactions.

Each lease payment is made up of the liability and financial charges. The total financial charge is apportioned over the lease term and taken to the income statement in the period of accrual, using the effective interest method. Contingent instalments are expensed in the year they are incurred. Lease obligations, net of financial charges, are recognised in "Finance lease creditors". Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

##### **b) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are charged against the income statement for the year in which they accrue on a straight-line basis over the lease period.

#### **3.15 Related-party transactions**

Transactions between group companies are initially recognised at fair value. Where the agreed price differs from fair value, the difference is recognised based on the economic reality of the transaction. Subsequent measurement is made in line with the relevant accounting standards.

#### **3.16 Environment**

The Company has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to its equity, financial situation and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the annual accounts.

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### 4. Financial risk management

#### Main financial risk factors

The Company manages, assesses and hedges its main financial risks applying policies approved by the Board of Directors.

Its comprehensive risk management program focuses on prevailing financial market uncertainty in an attempt to mitigate any potential adverse effects on its financial returns.

The Board of Directors provides policies for overall risk management and written policies covering specific areas such as interest rate risk, liquidity risk, use of derivatives and non-derivatives and investing excess liquidity.

#### Foreign exchange risk exposure:

The Company is not exposed to foreign exchange risk since all its transactions are effected in euro.

#### Interest rate risk exposure:

The Company's interest rate risk relates mainly to long-term bank borrowings. The Company's borrowings bear interest at variable rates linked to the Euribor.

It is Company policy to contract interest rate swaps to convert the variable rates to fixed rates on long-term bank borrowings.

Exposure to variable interest rates at the year-end is analyzed below:

	Thousand Euro	
	2016	2015
Bank borrowings (Note 15.a)	51,955	60,416
Notional amounts hedged (Note 11)	51,816	54,482
Position hedged by financial derivatives	99%	90%

Note 11 provides a breakdown of the derivative instruments contracted by the Company.

#### Liquidity risk exposure:

Cash is managed at the Group level. The Company contributes or receives cash to or from the Group depending on circumstances and needs.

The Group's liquidity management is based on:

- Detailed management of working capital to ensure timely fulfilment of customers' payment commitments.
- Monetization of financial assets, provided this is feasible due to reasonable market conditions, through factoring.
- Implementation of an integrated treasury system to optimize daily liquidity positions in the Group companies.

Cash generation from operating activities is historically positive and usually covers investment and financing activities (except in 2016 due to loans granted to shareholders and voluntary early repayment of debt with credit institutions).

The Directors do not consider that there is a liquidity risk because of the reasons explained in Note 2.c).



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### 5. Intangible assets

Set out below is an analysis of and movements in the accounts recorded under Intangible assets for the years 2016 and 2015:

	Concession agreement, regulated asset	Computer software	Concession agreement, capitalization of interest expense	Total
<b>At 31 December 2015</b>				
Cost	92,545	113	10,859	103,517
Accumulated amortisation and impairment	(28,981)	(66)	-	(29,047)
<b>Carrying amount</b>	<b>63,564</b>	<b>47</b>	<b>10,859</b>	<b>74,470</b>
<b>At 31 December 2016</b>				
Carrying amount at the beginning of the period	63,564	47	10,859	74,470
Additions	-	8	1,691	1,699
Amortisation	(5,373)	(23)	-	(5,396)
<b>Carrying amount</b>	<b>58,191</b>	<b>32</b>	<b>12,550</b>	<b>70,773</b>
<b>At 31 December 2016</b>				
Cost	92,545	121	12,550	105,216
Accumulated amortisation and impairment	(34,354)	(89)	-	(34,443)
<b>Carrying amount</b>	<b>58,191</b>	<b>32</b>	<b>12,550</b>	<b>70,773</b>
	Concession agreement, regulated assets	Computer software	Concession agreement, capitalization of interest expense	Total
<b>At 31 December 2014</b>				
Cost	91,809	110	8,995	100,914
Accumulated amortisation and impairment	(23,832)	(39)	-	(23,871)
<b>Carrying amount</b>	<b>67,977</b>	<b>71</b>	<b>8,995</b>	<b>77,043</b>
<b>At 31 December 2016</b>				
Carrying amount at the beginning of the period	67,977	71	8,995	77,043
Additions	736	3	1,864	2,603
Amortisation	(5,149)	(27)	-	(5,176)
<b>Carrying amount</b>	<b>63,564</b>	<b>47</b>	<b>10,859</b>	<b>74,470</b>
<b>At 31 December 2015</b>				
Cost	92,545	113	10,859	103,517
Accumulated amortisation and impairment	(28,981)	(66)	-	(29,047)
<b>Carrying amount</b>	<b>63,564</b>	<b>47</b>	<b>10,859</b>	<b>74,470</b>



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Additions recognised in the 2015 period amounting to €736 thousand relate to the restatement of the initial value of intangible assets related to the contingent price of expropriations. There are no additions in 2016.

#### **Concession agreement**

##### **a) Description, nature and scope**

On 27 December 2007, the Company entered into a 19-year concession agreement for the maintenance and operation of the A-4 motorway from kilometer 3.78 to kilometer 67.50. Section: Madrid-R4 with the Secretary of State's Office for Infrastructures and Planning (Ministry of Development). This concession has been classified as an intangible asset since the consideration received consists of the right to collect the relevant tariffs based on the level of use of the public service.

The project is divided into three areas:

- Area 1: New-build projects and refurbishment work on the existing section of the motorway and on relief roads
- Area 2: Replacement projects and major repairs
- Area 3: Operation and maintenance of the motorway section

The concession company is entitled to operate the A4 motorway section between kilometer 3.78 and kilometer 67.50 for the period stipulated in the concession agreement; to date there have been no changes in the concession period or in the assets managed and all the obligations deriving from the original concession agreement remain applicable.

Tariffs are updated annually in line with the change in the National Consumer Price Index published by the National Institute of Statistics.

The Company will carry out all the activities related to the preservation and maintenance of the principal asset that is the subject matter of the concession agreement, receiving revenue based on motorway traffic and on service quality. Receivables are calculated by multiplying the traffic count by the tariff. A maximum amount to be received from the Ministry of Development is fixed.

The Company performs all the activities envisaged in the Business Financial Plan as part of the ordinary maintenance and replacement work necessary to keep the asset in the optimal condition stipulated. The initial investment was made during the construction phase (2008-2010).

Article 75.1.2 of the Specific Administrative Clauses defines the obligations that must be fulfilled to hand over the assets at the end of the concession period and the obligation to return the asset in perfect condition.

The Specific Administrative Clauses do not envisage the renewal of the agreement but they do require the grantor to maintain the economic and financial balance. The Law on Government Contracting (TRLCAP) regulates the rest of the Company's rights and obligations.

##### **b) Amendments to the agreement**

On 7 June 2011, the Secretary of State's Office approved the rebalancing of the concession's economic and financial balance requested by the Company to maintain the internal rate of return envisaged in the bid, taking into account excess costs incurred in additional work not included in the draft tender documents.



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This consisted of an increase in the tariff to offset the excess costs derived from the recognised additional investment of 9,925 thousand euro in Area 1 and estimated 7,497 thousand euro in Area 2. Additionally, this has led to the consequent amendment in the maximum annual amounts.

Moreover, the Ministry of Development granted a participating loan to the Company for the additional investment in Area 1 recognised in the same amount (Note 15.e).

#### c) Business Financial Plan

Ruling 70.943/07 (15 November), published in the Official State Gazette on 26 November 2007, whereby the motorway concession was awarded, also approved the Business Financial Plan submitted by the Company, which was amended on 9 June 2011 to include the approved rebalancing.

The main criteria applied to calculate the main figures in the Business Financial Plan are as follows:

- Best estimate of future traffic based on an independent third-party study.
- Tariffs approved in the rebalancing increased by annual inflation (estimated at 2.5%).
- Best estimate of replacement projects and major repairs to be carried out on the infrastructure, taking into account work envisaged in the bid and work recognised in the economic and financial rebalancing.
- Reference interest rate curve for the Company's loans.
- 4% discount rate.

#### Concession agreement, capitalization of interest expense

The Company capitalizes interest expense during the motorway operation phase in accordance with the NAECIP, since the expense is identifiable and can be reliably measured, and the Business Financial Plan approved during the year shows that the amount capitalized will be recovered out of future revenue.

Set out below is an analysis of the item Concession agreement, capitalization of interest expense, showing movements during the year, as per the accounting policies explained in Note 3.1.b:

	Capitalization of interest expense
<b>At 31 December 2014</b>	<b>8,995</b>
<b>Carrying amount at 1 January 2015</b>	<b>8,995</b>
Increases/(Decreases)	1,864
<b>At 31 December 2015</b>	<b>10,859</b>
<b>Carrying amount at 01 January 2016</b>	<b>10,859</b>
Increases/(Decreases)	1,691
<b>At 31 December 2016</b>	<b>12,550</b>

Amounts apportioned in this item to 2016 total 12,550 thousand euro (10,859 thousand euro in 2015), of which 1,691 thousand euro was credited to the 2016 income statement (1,864 thousand euro in 2015). Financial expense forecast in the Business Financial Plan for the period 1 January 2011 to 27 December 2026 totals approximately 71 million euro.

Financial expense is taken to the income statement by applying to forecast total interest expense the percentage represented by forecast revenue for the year in relation to total shadow toll revenue as per the Concession's financial model.





## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)**

Moreover, given the novation of the Business Economic Plan approval of rebalancing the concession in 2011, the Company considers the amount capitalized until 31 December 2010 as part of the total interest expense expected for the purposes of the calculation.

Set out below is a breakdown of forecast and actual financial expense used to calculate the amount capitalized during the period:

	<b>2016</b>	<b>2015</b>
Forecast expense to be capitalized	1,691	1,864
Forecast expense to be expensed	3,931	3,825
<b>Total forecast financial expense</b>	<b>5,622</b>	<b>5,689</b>
<b>Total actual financial expense</b>	<b>5,361</b>	<b>4,883</b>
<b>Departure forecast expense - actual expense</b>	<b>(261)</b>	<b>(806)</b>

#### Fully amortised intangible assets

At 31 December 2016 and 2015, there were no fully amortised intangible assets still in use.

#### Insurance

The Company has taken out a number of insurance policies to cover risks relating to intangible fixed assets. The coverage provided by these policies is considered sufficient.



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD

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#### a) Finance lease

The item "Machinery, tooling and vehicles" includes the following assets being acquired by the Company under a finance lease agreement:

	Thousand Euro	
	2016	2015
Capitalised finance lease cost	109	109
Accumulated depreciation	(80)	(63)
<b>Carrying amount</b>	<b>29</b>	<b>46</b>

Finance lease liabilities and residual values are analysed in Note 15d.

#### b) Insurance

The Company has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

### 7. Non-current and current financial investments

#### a) Non-current financial investments

Set out below is an analysis of this heading showing movements during 2016 and 2015:

	Thousand Euro	
	Other financial assets	Total
<b>At 31 December 2014</b>	<b>4,537</b>	<b>4,537</b>
Increases	-	-
Reclassifications	-	-
<b>At 31 December 2015</b>	<b>4,537</b>	<b>4,537</b>
Increases	-	-
Reclassifications	(1,000)	(1,000)
<b>At 31 December 2016</b>	<b>3,537</b>	<b>3,537</b>

During 2016, reclassifications to short-term investments have been recognised in accordance with clause 25 of the Senior loan contract (Note 15.a).

#### b) Current investments

Short-term financial assets relate mainly to current account balances totaling 4,375 thousand euro not available for a period of more than three months but less than 12 months (2015: 2,736 thousand euro), pursuant to Clause 25 of the senior loan agreement (Note 15.a).



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

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### 8. Cash and cash equivalents

	Thousand euro	
	2016	2015
Banks	6,791	22,084
<b>Cash and cash equivalents</b>	<b>6,791</b>	<b>22,084</b>

The cash balance relates to freely distributable current account balances.

### 9. Analysis of financial instruments

#### 9.1 Analysis by category

The carrying amount of each category of financial instruments stipulated in recognition and measurement standard "Financial instruments" is as follows:

	Thousand euro			
	Non-current financial assets			
	Credits and others		Total	
	2016	2015	2016	2015
<b>Trade and other receivables (Note 7):</b>				
- Loans to group companies and associates (Notes 10 and 21)	9,633	-	9,633	-
- Other financial assets	3,537	4,537	3,537	4,537
	<b>13,170</b>	<b>4,537</b>	<b>13,170</b>	<b>4,537</b>
	Thousand euro			
	Current financial assets			
	Credits and others		Total	
	2016	2015	2016	2015
<b>Trade and other receivables:</b>				
- Loans and receivables (Note 10)	6,196	5,070	6,196	5,070
- Other financial Assets	4,375	2,736	4,375	2,736
<b>Cash and cash equivalents (Note 8)</b>	<b>6,791</b>	<b>22,084</b>	<b>6,791</b>	<b>22,084</b>
	<b>17,362</b>	<b>29,890</b>	<b>17,362</b>	<b>29,890</b>

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	Thousand euro					
	Non-current financial liabilities					
	Bank loans		Derivatives and Others		Total	
	2016	2015	2016	2015	2016	2015
<b>Creditors and payables:</b>						
- Bank loans (Note 15)	48,271	56,926	-	-	48,271	56,926
- Hedging derivatives (Note 11)	-	-	15,863	16,611	15,863	16,611
- Other non-current payables (Note 15)	-	-	10,653	10,653	10,653	10,653
- Payables to group companies and associates (Notes 15 and 21)	-	-	18,050	17,928	18,050	17,928
	<b>48,271</b>	<b>56,926</b>	<b>44,566</b>	<b>45,192</b>	<b>92,837</b>	<b>102,118</b>

	Thousand euro					
	Current financial liabilities					
	Bank loans		Derivatives and Others		Total	
	2016	2015	2016	2015	2016	2015
<b>Creditors and payables:</b>						
- Bank loans (Note 15)	3,196	3,151	-	-	3,196	3,151
- Trade and other payables (Note 15)	-	2	1,221	316	1,221	318
- Other current debts (Note 15)	-	-	519	257	519	257
- Payables to group companies and associates (Notes 15 and 21)	-	-	265	1,156	265	1,156
	<b>3,196</b>	<b>3,153</b>	<b>2,005</b>	<b>1,729</b>	<b>5,201</b>	<b>4,882</b>

### 9.2 Analysis by maturity

Payables having fixed or determinable maturities are shown below by year of maturity at the 2016 period end:

	Thousand euro						
	Financial assets						
	2017	2018	2019	2020	2021	Subsequent years	Total
Trade and other receivables (Note 10)	6,196	-	-	-	-	9,633	15,829
Other financial assets	4,375	886	969	903	779	-	7,912
	<b>10,571</b>	<b>886</b>	<b>969</b>	<b>903</b>	<b>779</b>	<b>9,633</b>	<b>23,741</b>

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CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD  
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	Thousand euro						
	Financial liabilities						
	2017	2018	2019	2020	2021	Subsequent years	Total
- Bank loans (Note 15)	3,196	3,653	4,369	4,820	5,239	30,190	51,467
- Creditors and payables (Note 15)	1,221	-	-	-	-	-	1,221
- Hedging derivatives (Note 11)	-	-	-	-	-	15,863	15,863
- Other liabilities (Note 15)	519	-	-	-	-	10,653	11,172
- Payables to group companies and associates (Notes 15 and 21)	265	-	-	-	-	18,050	18,315
	<b>5,201</b>	<b>3,653</b>	<b>4,369</b>	<b>4,820</b>	<b>5,239</b>	<b>74,756</b>	<b>98,038</b>

### 10. Trade and receivables

	Thousand euro	
	2016	2015
<b>Non-current loans and receivables</b>		
Loans to group companies and associates (Note 21)	9,633	-
<b>Current loans and receivables</b>		
- Trade receivables for sales and services rendered	6,181	4,988
- Advance payments to suppliers	15	12
- Personnel	-	70
<b>Total loans and receivables</b>	<b>15,829</b>	<b>5,070</b>

Short-term loans and receivables maturing in less than one year are carried at face value, since there is no evidence of impairment at 31 December 2016 and 2015.

#### a) Loans to group companies and associates

On 30 November 2016, the Company's shareholders approved the formalization of a shareholder loan agreement for an initial amount of €9,600 thousand, distributed on a pro-rata basis with respect to their shareholding in the Company.

The terms of this financing at 31 December 2016 are as follows:

Company	Grant date	Maturity date	Interest rate applied	Thousand euro	
				Limit	Drawdown balance (Capital + Interest)
Roadis Concesiones de Infraestructuras, S.L.U.				4,920	4,920
Elsamex, S.A.	30/11/2016	28/05/2026	Fix rate: 4%	4,440	4,440
Grusamar Ingeniería y Consulting, S.L.				240	240
Accrued interests payables					33
<b>TOTAL</b>					<b>9,633</b>

According to the agreement, the fixed interest rate is 4% p.a. on the principal of the loan. Interest accrues on a daily basis in annual interest periods in favor of the Company over the entire loan term although a four year grace period is established (until 31 December 2020) as from which time accrued interest will be due and payable in annual periods upon maturity.



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

#### b) Trade receivables for sales and services rendered

- Trade receivables for sales and services include the amounts receivable for the certifications issued by the Company to the Ministry of Development for vehicles using the concession infrastructure within the framework of the concession agreement, from which amounts have been withheld until the following official communications are received from the Madrid Traffic Authorities (Demarcación de Carreteras del Estado).

On 15 October 2014 and 26 November 2014, the Company received official communications from the Madrid Traffic Authorities requiring the regularisation of €2,213,600 and €4,000,000 as a result of the retroactive application of indicators "I18. Road safety. Hazard Index and "I19". Road safety fatality index within the framework of the concession agreement, for 2012 and 2013, respectively. Such amounts were withheld from the certifications issued by the Company in the period September to December 2014. On 31 August 2015 the Contract Inspector recognised a recalculation in the Road Safety and Fatality indicators. €4,041,400 was regularised in favor of the Company while €2,172,000 was pending regularisation. An appeal has been filed in the judicial phase with the National Court and is in the allegation phase with the State Attorney.

- Secondly, the procedures initiated following the official communication received on 4 March 2014 from the Madrid Traffic Authorities, requiring a deduction of €2,034,409 in relation to the Sideways Force Coefficient for 2013 and 2014, which was withheld from the certifications for February and March 2014, are still being processed. The appeal phase is on-going and the Company is awaiting the decision of the National Court, following the appeal filed on 5 July 2016 regarding the Resolution of the Secretariat of State for Infrastructure, Transport and Housing, through which it was agreed to process the incident set forth "in accordance with the Administration's proposal relating to the considerations declared by the Concession Holder in the certificates for 2013 and 2014 related to status and quality indicator I-1 Skid Resistance". On 19 January 2016, the Company received the favorable report regarding this joinder from the State Attorney. An appeal has currently been filed with the National Court against this process and the parties' allegations in the allegation phase have been finalised.
- Thirdly, the Company has claimed through administrative proceedings the refund of the amounts deducted from the certification for November 2015 in respect of the application of hazard and fatality indicators amounting to €666,600. These balances are recognised on the Company's balance sheet for prudence.
- Fourthly, the Company has also claimed through administrative proceedings the refund of amounts which were deducted from the certification of May 2016 in respect of surface structural capacity amounting to €200,015. These balances are recognised on the Company's balance sheet for prudence.
- Lastly, in 2016 the Company recognised financial income on the late-payment interest on the amounts recognised and collected in 2015 (described in the first paragraph), the relevant appeal having been filed with the National Court amounting to €742 thousand. These balances are recognised on the Company's balance sheet in view of the agreement held with the Administration for the partial regularization of the amounts withheld in 2014 unlike in the case of the other procedures, for which there is no decision covering the right to claim late-payment interest.

The Company's Directors and its legal advisors consider that the resolution of the aforementioned claims in favor of the Company is probable, and therefore, consider probable the recoverability of the amounts withheld as a result of the above-mentioned proceedings.

Overdue trade receivables, which are less than three months old, are not considered to be impaired. At 31 December 2016 accounts receivable amounting to €4,217 thousand had fallen due (2015: €4,217 thousand), although they were not impaired, based on the content of this note. These accounts are more than 6 months old.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD  
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### 11. Financial derivatives

	Thousand euro			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	-	15,863	-	16,611
<b>Total</b>	<b>-</b>	<b>15,863</b>	<b>-</b>	<b>16,611</b>
<b>Less current portion</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-current portion:</b>	<b>-</b>	<b>15,863</b>	<b>-</b>	<b>16,611</b>

At 31 December 2016 and 2015 the Company has arranged with BNP and BBVA financial institutions an interest rate swaps arranged on 1 August 2008 and with final maturity on 16 June 2025, which insure a rate of 5.7% and 5.7%, respectively, with a total notional amount at the year end of 51,816 thousand euro (2015: 54,482 thousand euros), in relation to the long-term syndicated loan which it arranged on 26 June 2008 for a maximum of 64,459 thousand euros, utilized in an amount of 51,933 thousand at 31 December 2016 (2015: 60,385 thousand euro) (Note 15).

The effective portion recognised in equity in respect of cash flow hedges amounts to a loss of 2,073 thousand euros (2015: loss of 400 thousand euro) less the tax effect recognised as a deferred tax asset (Note 17) and the update of the tax rate for a positive amount of 518 thousand euro (2015: negative amount of 273 thousand euro).

The settlement of this derivative in 2016 generated a loss before the tax effect of €3,091 thousand (2015: €3,070 thousand). In addition, in 2016 the Company recognised a loss amounting to €742 thousand mainly because of the appropriation of results to the hedging reserve associated with the temporary loss of cover of the derivative in 2013 and the last quarter of 2015. The accumulated hedging reserve until the time hedging was interrupted is recognised in the income statement on a gradual basis to maturity.

The provision for interest on the Company's financial instruments amounts to 133 thousand euro (2015: 135 thousand euro) (Note 15a).

### 12. Share capital

Share capital in 2016 and 2015 is as follows:

	Thousand euro	
	2016	2015
Authorised capital	9,413	9,413
<b>Total</b>	<b>9,413</b>	<b>9,413</b>

Authorised capital consists of 1,882,674 ordinary bearer shares (2015: 1,882,674 shares) with a par value of 5 euro each; no payments on shares were outstanding at 31 December 2016 and 2015.

There are restrictions on the free transfer of shares, pursuant to concession requirements.

The shares are also pledged to secure the loan described in Note 15.a.



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(Expressed in thousand euro)

At 31 December 2016 and 2015, the following companies hold interests in the company's share capital:

Sociedad	2016		2015	
	Number of shares	Percentage interest	Number of shares	Percentage interest
Roadis Concesiones de Infraestructuras, S.L.U. (*)	917,803	48,75%	917,803	48,75%
Elsamox, S.A.	870,737	46,25%	870,737	46,25%
Grusamar Ingeniería y Consulting S.L.	47,067	2,50%	47,067	2,50%
Eyser Estudios y Servicios, S.A.	47,067	2,50%	47,067	2,50%
<b>Total</b>	<b>1,882,674</b>	<b>100,00%</b>	<b>1,882,674</b>	<b>100,00%</b>

(\*) On 2 September 2016, the Company's name was changed from Isolux Corsán Concesiones de Infraestructuras, S.L.U., to its current name Roadis Concesiones de Infraestructuras, S.L.U.

### 13. Reserves

Set out below is an analysis of this heading showing movements during 2016 and 2015:

	Thousand euro	
	2016	2015
<b>Legal and bylaw:</b>		
- Legal reserve	834	604
<b>Other reserves:</b>		
- Voluntary reserve	-	652
	<b>834</b>	<b>1,256</b>

#### Legal reserve

Appropriations to the legal reserve are made in compliance with Article 274 of the Spanish Companies Act 2010, which stipulates that 10% of the profits for each year must be transferred to this reserve until it represents at least 20% of share capital.

The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits.

#### Voluntary reserves

On 22 February 2016 and following the audit of the Debt Service Coverage Ratio for 2015 (2.63x), the Extraordinary General Shareholders' Meeting approved the distribution of an extraordinary dividend against voluntary reserves amounting to €652 thousand. This related to the dividends which could not be distributed in 2015 against profit for 2014 because the minimum ratio required (1.10x) to authorize the distribution of dividends under the financing agreement dated 12 September 2008 had not been met at 31 December 2014.



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

#### 14. Profit/ (loss) for the period

##### a) Proposed distribution of profits

Set out below is the proposed distribution of results for 2016 to be submitted to the General Shareholders' Meeting, and the distribution approved for 2015 by the General Shareholders' Meeting dated 30 June 2016:

	Thousand euro	
	2016	2015
<b>Basis of distribution</b>		
Profit and loss (profit)	2,297	2,292
	<b>2,297</b>	<b>2,292</b>
<b>Application</b>		
Legal reserve	230	230
Dividends	2,067	2,062
	<b>2,297</b>	<b>2,292</b>

##### b) Restrictions for the dividends distribution

The amounts distributed did not exceed the profits obtained since the previous period end, less estimated corporate income tax payable on such profits, in accordance with Article 277 of the Spanish Companies Act of Royal Decree 1/2010.

There are restrictions on the distribution of dividends, imposed by Clause 25.2 of the loan agreement detailed in Note 15.a), whereby the debt service coverage ratio for the previous period cannot be reduced to less than 1.10x.

The Debt Service Coverage Ratio for 2015 amounted to 2.63x (2014: 0.36x). Therefore, the lenders under the Loan Agreement described in Note 15.a) allowed the Company to pay out a dividend for 2014 against "Other reserves", which could not be distributed because the minimum ratio of 1.10x was not met at 31 December 2014 and the distribution of the relevant dividend for 2015.

At 31 December 2016, the debt service coverage ratio is expected to exceed 1.10.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

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### 15. Trade and payables

	Thousand euro	
	2016	2015
<b>Non-current payables:</b>	<b>74,787</b>	<b>84,190</b>
- Borrowings (a)	48,271	56,926
- Derivatives (Note 11)	15,863	16,611
- Other non-current payables (e)	10,653	10,653
<b>Payables to group companies and associates (b) (Note 21)</b>	<b>18,050</b>	<b>17,928</b>
<b>Total non-current payables</b>	<b>92,837</b>	<b>102,118</b>
<b>Current payables:</b>	<b>3,715</b>	<b>3,410</b>
- Borrowings (a)	3,196	3,151
- Finance lease liabilities (d)	-	2
- Other current payables (e)	519	257
<b>Payables to group companies and associates (b) (Note 21)</b>	<b>265</b>	<b>1,156</b>
<b>Trade and other payables:</b>	<b>1,221</b>	<b>316</b>
- Trade payables	859	295
- Trade payables to group companies and associates (Note 21)	252	6
- Personnel (salaries payable)	110	15
<b>Total current payables</b>	<b>5,201</b>	<b>4,882</b>

#### a) Bank loans

On 26 June 2008, the Company obtained a loan solely to cover the financeable costs of the investment in the administrative concession awarded (Note 5).

The terms of such financing are as follows:

2016	Agent bank	Maturity	Interest rate	Thousand euro	
				Nominal limit 31/12/2016	Drawdown balance 31/12/2016
Senior loan	BNP Paribas	15/06/2025	Euribor+Spread	64,459	51,933
	Accrued unpaid interest				22
	Amortised cost effect				(621)
	<b>Total</b>				<b>51,334</b>
2015	Agent bank	Maturity	Interest rate	Thousand euro	
				Nominal limit 31/12/2015	Drawdown balance 31/12/2015
Senior loan	BNP Paribas	15/06/2025	Euribor+Spread	64,459	60,385
	Accrued unpaid interest				31
	Amortised cost effect				(475)
	<b>Total</b>				<b>59,941</b>



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The agent bank is BNP Paribas, which financed 50% of the loan, while the remainder has been financed by BBVA.

On 23 January 2012, a novation was signed, modifying but not extinguishing the Financing Agreement. Some definitions were modified with respect to the initial contract signed on 12 September 2008, regarding the debt service coverage ratio (hereinafter DSCR).

On 30 November 2016, the Company signed another modifying novation of the Financing Agreement through which it agreed to the early repayment on a voluntary basis of €6,105 thousand and the adequation in future repayments until the loan's original maturity. This operation generated renegotiation fees of €295 thousand, which was paid by the Company and included in the amortised cost of the loan.

The spread applicable to the senior loan until the project came into operation was 1.1%. The project was not declared operational until January 2011.

From that date to the first interest period following the first annual calculation of the DSCR, the applicable spread was 1.25%, and as from the first DSCR calculation, the applicable spread is determined based on the last DSCR certified. If this is greater than or equal to 1.20 the applicable spread will be 1.15%, otherwise it will be 1.25%. In any event, the ratio may not be less than 1.05.

The last debt service coverage ratio at the 2015 year end amounted to 2.63. The margin applicable in the year of 1.15% is subject to that exemption.

The principal is repaid every six months, the first instalment was paid on 15 June 2011, and the last will be paid on 15 June 2025. During the year the principal was repaid in an amount of €8,452 thousand (2015: €1,753 thousand) including the early repayment of €6,105 thousand which was made on a voluntary basis.

The loan agreement includes a hedging clause whereby the risk of interest rate fluctuations must be hedged for at least 90% and at most 100% of the loan's nominal value to final maturity (Note 11).

At 31 December 2016, the loans bore monthly interest at an average rate of 1.08% (2015: 1.23%).

The loan agreement provides for compliance with the usual ratios under this type of arrangements, which the Company's Directors consider, have been met at 31 December 2016.

The loan agreement also requires reserve accounts to be recognised; these reserves have properly established at 31 December 2016 and 2015 pursuant to Clause 25 of the loan agreement. They are subject to certain restrictions, causing the reserve balances at the 2016 and 2015 year ends to be classed as Non-current financial investments (Note 7.a), Current financial investments (Note 7.b) and Cash and cash equivalents (Note 8).

Additionally, as an essential condition to obtain the loan, the Company's shareholders also signed a Shareholder Commitment Agreement, providing the following guarantees:

- **Initial fund contribution commitments:** the shareholders undertake to contribute shareholders' funds to the Company in the total amount required to fulfil the above-mentioned ratios.
- **Completion guarantee:** the shareholders undertake to contribute the necessary funds to ensure that the project becomes operational.
- **Operating guarantee:** the shareholders undertake to guarantee all payment commitments acquired by the Company in the financing agreements, in an amount limited to 13 million euro, to 31 August 2025, when the commitments secured will be fully repaid or fulfilled, or to the date on which payment of the maximum amount of the forecast liability falls due. This guarantee has been reduced to 6,9 million euro, as part of the agreement amount 30 November 2016.

Additionally, accrued interest payable on the derivative is recognised under this item amounting 135 thousand euro (2015: 135 thousand euro).



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#### b) Payables to group companies, jointly controlled entities and associates

On 21 November 2008, the Company obtained a participating loan to partially finance project development, the Lender granting the borrower acceptable financial terms and assuming the financial and economic risk of interest payments based on the borrower's profits. The loan was granted in compliance with Article 20 of Royal Decree-Law 7/1996 (7 June).

The terms of such financing are as follows:

2016					Thousand euro	
Company	Loan type	Grant/ renewal date	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interest)
Roadis Concesiones de Infraestructuras, S.L.U.	Participating loan	21/11/2008	15/06/ 2025	Fixed rate: 4% Variable rate: 3% of operating income	8,933	8,933
Elsamex, S.A.					8,061	8,061
Grusamar Ingeniería y Consulting, S.L.					436	436
Accrued Interests payables						265
Amortized cost effect						620
<b>Total</b>						<b>18,315</b>

  

2015					Thousand euro	
Company	Loan type	Grant/ renewal date	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interest)
Isolux Corsán Concesiones de Infraestructuras, S.L.U. (*)	Participating loan	21/11/2008	15/06/ 2025	Fixed rate: 4% Variable rate: 3% of operating income	8,933	8,933
Elsamex, S.A.					8,061	8,061
Grusamar Ingeniería y Consulting, S.L.					436	436
Accrued interests payables						1,156
Amortized cost effect						498
<b>Total</b>						<b>19,084</b>

(\*) Currently named Roadis Concesiones de Infraestructuras, S.L.U.

The original loan was novated twice, on 28 May 2009 and 30 December 2010, for operating and financial reasons, the original loan having been increased by 14,927 thousand euro and 1,930 thousand euro, respectively, making a total equity loan of 15,500 thousand euro following the first novation and 17,430 thousand euro following the second.

The agreement establishes a fixed interest rate of 4% per annum on the loan principal and a variable rate applicable based on operating revenue (variable or participating interest rate). Interest accrues daily in six-monthly interest periods throughout the loan term. The variable interest rate applicable to the loan principal throughout the loan term is 3% of the borrower's operating revenue for each six-monthly interest period.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

#### c) Information on the deferral of payments to suppliers

The detail of the information required in relation to the average period of payment to suppliers, under Law 31/2014 of 3 December and the Resolution of the ICAC 29 January 2016 is as follows:

	Year 2016 (days)	Year 2015 (days)
Average payment period	41	70
Paid transactions ratio	36	73
Outstanding transactions ratio	68	58
	Year 2016 (thousand euro)	Year 2015 (thousand euro)
Total payments made	3,882	1,690
Total outstanding balances	743	361

#### d) Finance lease liabilities

The Company is acquiring machinery, tools and vehicles under finance leases (Note 6).

These liabilities mature as follows:

	Thousand euro	
	2016	2015
Less than 1 year	-	2
Between 2 and 3 years	-	-
More than 5 years	-	-
<b>Current debt</b>	-	2
<b>Non-current debt</b>	-	-
<b>Total</b>	-	2

Finance lease liabilities by bank or lessor at 31 December de 2015:

2015					Thousand euro			
Supplier	Number of contract	Start date	Expiration date	Number of Instalments	Amount outstanding	Residual value	Interest	Total payable
Banco Pastor	40025654	01/01/2012	17/01/2016	48 months	-	2	-	2
					-	2	-	2

The carrying amount and fair value of long-term lease liabilities do not differ significantly and therefore the liabilities are recognised at their repayment value less arrangement costs recognised in the past.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD  
(Expressed in thousand euro)

### e) Other non-current payables

On 13 June 2011, the Company obtained a participating loan as part of the rebalancing approved by the Ministry of Development (Note 5.b), as analysed below:

2016				Thousand euro	
Loan type	Company	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interest)
Participating loan	Ministry of Development	27/06/2026	(*)	9,925	9,925
	Capitalised interest				728
	Accrued interest payable				519
	<b>Total</b>				<b>11,172</b>
2015				Thousand euro	
Loan type	Company	Maturity date	Interest rate applied	Limit	Drawdown balance (Capital + Interest)
Participating loan	Ministry of Development	27/06/2026	(*)	9,925	9,925
	Capitalised interest				728
	Accrued interest payable				257
	<b>Total</b>				<b>10,910</b>

(\*) El tipo de interés se calcula como la mayor de las cantidades siguientes:

a) La cantidad resultante de aplicar sobre el saldo del préstamo un tipo de interés fijo de 175 puntos básicos.

b) La cantidad resultante de aplicar la siguiente fórmula:

$R = 0,5 \times Tir \times \text{Canon anual real} / \text{Canon anual máximo} \times \text{saldo del préstamo participativo otorgado}$ .

There is a three-year grace period for interest payments on the loan. Interest accrued in this period is added to the loan principal and treated as principal for all purposes.

In November 2015 the Government Office in National Toll Motorway Concession- holder Companies reported a change in the methodology used to calculate loan interest, taking into account revenue by indicator in the actual and maximum royalty each year.





SOCIEDAD CONCESIONARIA - TRAMO 1

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

#### 16. Other provisions

Set out below are movements in the provisions recognised on the balance sheet (provisions for infrastructure maintenance):

	Thousand euro		
	Motorway surfaces	Vertical signs and other	Total
<b>Balance at 31 December 2014</b>	<b>4,681</b>	<b>2,515</b>	<b>7,196</b>
Transfers (Note 18.d)	938	21	959
Financial addition (Note 18.e)	186	3	189
Applications	(129)	(205)	(334)
<b>Balance at 31 December 2015</b>	<b>5,676</b>	<b>2,334</b>	<b>8,010</b>
Transfers (Note 18.d)	486	607	1,093
Financial addition (Note 18.e)	285	71	356
Applications	(686)	(358)	(1,044)
<b>Balance at 31 December 2016</b>	<b>5,761</b>	<b>2,654</b>	<b>8,415</b>

Provisions recognised by the Company relate to replacement projects and major repairs to the infrastructure expected to be necessary during the concession period.

The Company annually re-assesses its estimate using its best forecast of the actions to be taken.

In this respect, the timeline of the investments forecast in the plan has been taken into account, using the best forecast at that date, while future investments are updated using a financial method.

On 31 December 2016, all provisions are classified as non-current, 5,421 thousand euro (On 2015, 5,625 thousand euro) and 2,994 thousand euro under current liabilities (On 2015 2,385 thousand euro).

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD  
(Expressed in thousand euro)

### 17. Corporate income tax and tax situation

The general corporate income tax rate is 25%.

The reconciliation between the net amount of income and expense for the year and the taxable base is set out below:

		Thousand euro					
		Income statement			Income and expenses transferred directly to equity		
2016							
Income and expenses for the period before Income tax		3,063			1,760		
		Increases	Decreases	Total	Increases	Decreases	Total
<b>Income tax</b>							
Permanent differences		-	-	-	-	-	-
Temporary differences			(468)	(468)	2,073	(3,833)	1,760
- Arising during the period		-	-	-	2,073	-	2,073
- Arising in prior years		-	(468)	(468)	-	(3,833)	(3,833)
Taxable income		2,595			-		
2015							
		Income statement			Income and expenses transferred directly to equity		
Income and expenses for the period before income tax		3,184			2,670		
		Increases	Decreases	Total	Increases	Decreases	Total
<b>Income tax</b>							
Permanent differences		-	-	-	-	-	-
Temporary differences		-	(795)	(795)	400	(3,070)	(2,670)
- Arising during the period		-	-	-	400	-	400
- Arising in prior years		-	(795)	(795)	-	(3,070)	(3,070)
Taxable Income		2,389			-		

Income tax expense is analysed below:

		Thousand euro	
		2016	2015
Current income tax		627	669
Deferred income tax		139	223
<b>Total</b>		<b>766</b>	<b>892</b>

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

Current income tax results from applying a tax rate of 25% (2015: 28%) to the tax base. Withholdings and payments on account have amounted to 462 thousand euro (2015: 168 thousand euro) and therefore tax payable totals 171 thousand euro (2015: 501 thousand euro). Deferred tax relates to the temporary differences generated by the amortisation / depreciation expense and the non-deductible financial expense.

Set out below is an analysis of deferred tax:

	Thousand euro	
	2016	2015
<b>Deferred tax assets:</b>		
- Other tax credits (hedging derivatives)	3,963	4,131
- Other tax credits (net financial expenses for the period)	184	225
- Other tax credits (depreciation not deductible in the period)	728	826
<b>Total deferred tax assets</b>	<b>4,875</b>	<b>5,182</b>

Movements during the year in deferred tax assets, not taking into account the offset of balances, are as follows

	Thousand euro			
	Derivatives	Net financial expenses for the period	Depreciation not deductible in the period	Total
<b>Balance at 31 December 2014</b>	<b>5,264</b>	<b>363</b>	<b>911</b>	<b>6,538</b>
Debited/ (credited) to income statement	-	(138)	(85)	(223)
Charged to equity	(1,133)	-	-	(1,133)
<b>Balance at 31 December 2015</b>	<b>4,131</b>	<b>225</b>	<b>826</b>	<b>5,182</b>
Debited/ (credited) to income statement	-	(41)	(98)	(139)
Charged to equity	(440)	-	-	(440)
Others movements	272	-	-	272
<b>Balance at 31 December 2016</b>	<b>3,963</b>	<b>184</b>	<b>728</b>	<b>4,875</b>

In 2015, the Company has recognised the impact of the change in the Spanish corporate tax rate, which was reduced from 30% to 28% in 2015 and to 25% in 2016, on deferred tax assets. The impact of this in 2015 amounts in corporate income tax and 385 thousand euro in equity.

All the Company's tax returns for the period 2012 to 2016 for the principal taxes to which it is subject are open to inspection by the tax authorities.

As a result, among other things, of the different interpretations to which current tax legislation lends itself, additional liabilities could arise as a result of an inspection. In any event, the directors consider that any such liabilities will not have a significant effect on the annual accounts.

Additionally, the Company has the following tax position with the Public Administrations for taxes on its operating activities. The closing balance is as follows:

	Thousand euro	
	2016	2015
<b>Current assets</b>		
Other credits with Public Administrations	28	28
<b>Current liabilities</b>		
Other payables with Public Administrations	264	136





SOCIEDAD CONCESIONARIA-TRAMO 1

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

#### 18. Income and expenses

##### a) Revenue

Revenue from the concession business totalled 16,704 thousand euro in 2016 (2015: 515,092 thousand euro).

##### b) Raw materials and consumables

	Thousand euro	
	2016	2015
<b>Merchandise used:</b>		
Purchases in Spain	217	247
Subcontracted work	291	212
<b>Total</b>	<b>508</b>	<b>459</b>

##### c) Personnel expenses

	Thousand euro	
	2016	2015
Salaries and wages	1,323	1,055
Employee benefit expenses:		
- Employer social security	260	324
- Other staff welfare expenses	39	16
<b>Total</b>	<b>1,622</b>	<b>1,395</b>

The average number of employees by category during the period is as follows:

	2016	2015
Director	1	1
Titulados	9	8
Administrativos	8	7
Operarios	28	30
<b>Total</b>	<b>46</b>	<b>46</b>

The average number of employees by category during the period is as follows:

	2016			2015		
	Hombres	Mujeres	Total	Hombres	Mujeres	Total
Executive	1	-	1	1	-	1
Graduates	4	5	9	4	4	8
Administrative personnel	7	1	8	5	2	7
Operators	28	-	28	30	-	30
<b>Total</b>	<b>40</b>	<b>6</b>	<b>46</b>	<b>40</b>	<b>6</b>	<b>46</b>

At 31 December 2016 the Company is not required to comply with Article 42.1 of the General Law on the Rights of the Disabled (Royal Decree 1/2013 of 29 November 2013) as it does not exceed the minimum threshold of 50 workers. Therefore, there are no employees with a recognised disability of 33% or more.

## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

d) Other operating expenses

	Thousand euro	
	2016	2015
External services:		
- Rent and royalties	62	67
- Repairs and maintenance	78	103
- Independent professional services	608	326
- Insurance premiums	123	123
- Banking and similar services	38	38
- Advertising and public relations	4	5
- Supplies	199	236
- Other services	48	38
- Other taxes	26	34
- Losses, impairment and change in trade provisions (Note 16)	1,093	959
<b>Total</b>	<b>2,279</b>	<b>1,929</b>

e) Financial income/ (expense)

	Thousand euro	
	2016	2015
<b>Financial income:</b>		
Other financial income	782	-
	<b>782</b>	<b>-</b>
<b>Financial expenses:</b>		
- On payables to group companies	(1,198)	(1,157)
- On payables to third parties	(3,337)	(1,862)
- Financial discounting of provisions	(356)	(189)
	<b>(4,891)</b>	<b>(3,208)</b>
<b>Financial results</b>	<b>(4,109)</b>	<b>(3,208)</b>

Other financial income includes recognised late-payment interest amounting to 742 thousand euro relating to the regularization of the amounts withheld due to non-compliance with Road safety and fatality indicators (described in Note 10) against which the relevant appeals have been filed with the National Court. The Company's directors and their legal advisors consider it probable that the outcome of this appeal will be favorable to the Company as a favorable decision has already been obtained for the part of the principal.

## 19. Contingencies

### Contingent liabilities

At 31 December 2016, the Company records third-party guarantees amounting to 6,171 thousand euro (6,171 thousand euro in 2015).

Pursuant to Article 36 of Royal Decree 1098/2001 (12 October), whereby the Enabling Regulations for the Law on Government Contracting were introduced, the concession company furnished a definitive guarantee deposit for the above-mentioned amount, in the form of bank guarantees from Banco Pastor, to the awarding



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

authority (Ministry of Development), covering the commitments acquired under the "Concession agreement for the maintenance and operation of the A-4 motorway".

The Company has no contingent liabilities owing to litigation arising in the ordinary course of business other than those mentioned in the preceding paragraphs.

#### 20. Directors' and Senior Management remuneration

##### a) Board of Directors and senior management remuneration

Remuneration paid in 2016 to the Board of Directors and senior management totaled 118 thousand euro (2015: 105 thousand euro).

No contributions were made to pension plans or funds for former or current members of the Company's Board of Directors or senior management. No commitments have been entered into in this respect during the year.

The members of the Company's Board of Directors and senior management did not receive any remuneration with respect to profit sharing or bonuses. They received no shares or stock options during the year and no options were exercised. Nor have any options yet to be exercised.

The Company has not paid amounts of civil liability insurance premiums of the members of the Board of Directors and Senior Management for damages caused or omissions during the year.

##### b) Conflicts of interests of the Directors

As part of the duty to avoid conflicts with the Company's interests, during the year the directors who have held positions on the Board of Directors have discharged the obligations set forth in Article 228 of the Spanish Companies Act 2010. Additionally, they and parties related to them have not come under the provisions concerning conflict of interests in Article 229 of this Law, except where the pertinent authorization was obtained.

#### 21. Other related party transactions

The following transactions were carried out with related parties:

##### a) Transactions made and financial results

	Thousand euro	
	2016	2015
<b>Services rendered:</b>		
Elsamex, S.A.	-	4
Roadis Concesiones de Infraestructuras, S.L.U. (*)	-	23
	-	27
<b>Services received:</b>		
Grupo Isolux Corsán, S.A. (**)	(1)	(15)
Elsamex, S.A.	(134)	(18)
Roadis Concesiones de Infraestructuras, S.L.U. (*)	(128)	(3)
	(263)	(36)



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD (Expressed in thousand euro)

On 30 November 2016, the Company signed management support services contracts (management fee) with its shareholders Roadis Concesiones de Infraestructuras, S.L. and Elsamex, S.A. under which the shareholders will provide several services to the Company on an on-going basis for fees of €256 thousand a year. The duration of the contract is 10 years, which may be extended.

	Thousand euro	
	2016	2015
<b>Financial income</b>		
Elsamex, S.A.	15	-
Grusamar Ingeniería y Consulting, S.L.	1	-
Roadis Concesiones de Infraestructuras, S.L.U. (*)	17	-
	<b>33</b>	<b>-</b>
<b>Financial expenses</b>		
Elsamex, S.A.	(554)	(549)
Grusamar Ingeniería y Consulting, S.L.	(30)	(30)
Roadis Concesiones de Infraestructuras, S.L.U. (*)	(614)	(578)
	<b>(1,198)</b>	<b>(1,157)</b>
<b>Total financial results</b>	<b>(1,165)</b>	<b>(1,157)</b>

(\*) At 31 December 2015, named Isolux Corsán Concesiones de Infraestructuras, S.L.U.

(\*\*) On 29 April 2016, Grupo Isolux Corsán, S.A. ceased to be a shareholder of the parent of the Roadis Group and therefore ceased to be considered a related party from that date.

#### b) Loans granted to and received from related parties

	Thousand euro	
	2016	2015
<b>- Loans granted (***)</b>		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	4,937	-
Elsamex, S.A.	4,455	-
Grusamar Ingeniería y Consulting, S.L.	241	-
<b>Total Non-current loans granted</b>	<b>9,633</b>	<b>-</b>
<b>- Loans received</b>		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	9,251	9,188
Elsamex, S.A.	8,348	8,292
Grusamar Ingeniería y Consulting, S.L.	451	448
<b>Total Non-current loans received</b>	<b>18,050</b>	<b>17,928</b>
<b>- Current interests of loans received</b>		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	136	592
Elsamex, S.A.	123	535
Grusamar Ingeniería y Consulting, S.L.	6	29
<b>Total Current interest of loans received</b>	<b>265</b>	<b>1,156</b>

(\*) At 31 December 2015, named Isolux Corsán Concesiones de Infraestructuras, S.L.U.

(\*\*) Includes accrued interest receivable.



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

CONTENT OF THE NOTES TO THE ANNUAL ACCOUNTS FOR 2016 PERIOD  
(Expressed in thousand euro)

### c) Period end balances arising from sales and purchases of goods and services

	Thousand euro	
	2016	2015
<b>Accounts payable to related parties</b>		
Roadis Concesiones de Infraestructuras, S.L.U. (*)	128	-
Elsamex, S.A.	123	-
Grupo Isolux Corsán, S.A. (**)	1	6
<b>Total Trade payables, group companies and associates</b>	<b>252</b>	<b>6</b>

(\*) At 31 December 2015, named Isolux Corsán Concesiones de Infraestructuras, S.L.U.

(\*\*) On 29 April 2016, Grupo Isolux Corsán, S.A. ceased to be a shareholder of the parent of the Roadis Group and therefore ceased to be considered a related party from that date.

Board of Directors consider that all transactions with related entities have been made at market prices.

### 22. **Events after the balance sheet date**

No other subsequent events have occurred which could have significant impact in the present annual accounts.

### 23. **Auditors' fees**

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. for audit and other verification services totaled 25.9 thousand euro and 3.5 thousand euro for other items (2015: 25.9 thousand euro and 3.5 thousand euro for other items).

**SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

**Directors' Report**  
*31 December 2016*





## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### DIRECTORS' REPORT FOR 2016 (Expressed in thousand euro)

#### 1. Marco-economic environment

Actively picked up in the last few months of the year. Specifically, GDP could have increased by 0.7% in Q4, driven by the strength of domestic spending. In particular, the extension of the internal job creation process and the continuing existence of favourable financial terms would have continued to fuel household spending in consumer goods and services at a similar rate to that in the recent past.

Investment by non-financial companies may have picked up following a certain slowdown in the third quarter. Similarly, contemporary indicators in construction point to an upturn in this demand component following the levelling off growth observed in the third quarter.

The uncertainty concerning the direction of economic policies in Spain tended to decline in the wake of the formation of the Government following a lengthy interim period, which took up most of the year. Specifically, on the tax policy front, Parliament validated Royal Decree- Law of 2 December, which defines a set of budget consolidation measures. Although these actions may entail some cost in the short term, in terms of activity, balancing the budget is a priority to mitigate the vulnerability of the Spanish economy given its reliance on external financing. Nonetheless, uncertainties persist in relation to the definition of the agenda for the structural reforms required to increase the rate of growth of activity and create long-term employment. Consumer prices rose notably in the last few months, rates being positive as from September. In November, the year -on-year variation in inflation stood at 0.7%. This development bears out the impact of the performance of oil prices on the energy component while underlying inflation remained remarkably stable in the last few months as it has done since mid-2015. The negative difference between inflation in Spain and the Eurozone, which before the summer, stood at around 1 percentage point, decreased markedly in the last few months to -0.1 percentage points in November. This resulted from the evolution described of the inflation differential of the energy component ,which went from being negative by more than 5 percentage points at the start of the summer to slightly positive in November, while in terms of underlying inflation, a small negative differential remains. If the recent performance of crude oil prices continues, inflation could comfortably be running at more than 2% in the first few months of 2017. In any event, insofar as this rise in inflation is driven by changes in the oil price, it can be expected to be largely transitory.

In the past two years, inflation in Spain (approximate owing to the increase in the consumer price index) posted negative values, averaging -0.5% in 2015 and - 0.8% in the first half of 2016. This performance was fuelled by plummeting oil prices on international markets, which had a direct impact on energy prices and through these, on consumer prices. In fact, the negative variation in the general index from mid-2014 to 2016 is explained by the evolution of the energy component, as the contribution of other goods and services is positive. In fact, the general index without energy increased 0.7% on average in 2015 and 0.9% in the first half of 2016. As from September 2016 the year-on-year, variation in inflation turned positive as a result of the energy component .This evolution is expected to steady in the next few months. In part, this performance of inflation is the mechanical reflection of what is known in specialised literature as the base effect. Given that the year-on-year variation in the inflation rate shows how it changes in one month as compared with the same month in the previous year, this rate is impacted by events in the last month and by what has happened in the previous 11 months. At present, this means that the inflation rate in the next few months will reflect rising oil prices from the minimum levels recorded in January this year. Additionally, in the wake of the agreement adopted by OPEC and other producers to reduce supply, oil prices have risen on international markets. This increase has been passed on with virtually the same intensity to futures market, maintaining a positive trend, and further driving the forecast inflation rate. In late 2015 and early 2016, the month-on-month variation in energy inflation recorded very negative month-on-month rates, linked to the performance of fuel prices and electricity prices.

Those falls in price levels would explain, as a reflection of the aforementioned base effect, the rise in inflation in the last few months of this year. In this respect, a breakdown of the change in the year-on-year rate compared with the previous month shows what is known as the "current effect", which reflects the variation in prices triggered by contemporary factors (e.g., the recent announcement of a cut in global oil supplies) and the base effect attributable to the variation in the same month in the previous year. As may be expected the base effect was considerable in the period August to October 2016 and will again be significant in the period December 2016 to February 2017. Given the recent rise in oil prices, forecasts will be revised upward although on a smaller scale. In this context, with respect to the next few months, based on the information received until 14 December, the year-on-year variation in inflation would peak in February when it would be





## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **DIRECTORS' REPORT FOR 2016 (Expressed in thousand euro)**

expected to stand at more than 2.5%. Similarly, the average inflation rate for 2017 as a whole could exceed 2%, meaning that the Bank of Spain's latest forecasts, based on the information available until mid-November last year, would have to be revised upwards.

This jump in inflation in the next few months would in principle be transitory and the impact of the base effect on the year-on-year inflation rate would disappear as may be gathered from the negative contribution of the base effect since March. The upward trend in inflation forecast for the short term should not in itself have repercussions on the direction of monetary policy insofar as it does not alter medium-term inflation projections. In fact, for the increase in the rate of the variation of the energy component to have a more persistent impact, it would need to be passed on in the price of other goods and services and salaries. In this respect, it is essential to take into account that a prime consideration when determining labour costs should be the need to preserve the competitive advantages secured in the past few years in order to favour job creation.

Within the context of the economic recession of the past few years, interest has again been triggered in the relationship between the cyclical position of an economy and inflation. Specifically, the debate focuses on the effect that economic decline has on price performance and more recently, having emerged from the crisis and the subsequent closing of the production gap, in determining the extent to which it would be possible to hazard a guess as regards future inflation increases.

Recent discussion has set out empirical evidence that the relationship between the use of the production capacity of the Spanish economy and the inflation process is not a linear relationship as is usually assumed. Specifically, the predictive capacity of the production gap with respect to inflation is significant when its level exceeds certain thresholds, particularly in growth phases where the production gap reaches very high levels. On the basis of these results, the gradual closing of the production gap observed in the context of the current phase of economic recovery would be compatible with the absence of inflationary pressure insofar as such gap is still far short of the estimated thresholds for its positive relationship with inflation to be significant.

#### **1.1. Infrastructure Sector and Public - Private Collaboration Arrangements**

Public - private collaboration (PPC) can be an arrangement to reignite investment in infrastructure in the public interest in the current context of budget restrictions at all levels of the Spanish Administration. Use of this arrangement is currently difficult because of the present situation of the financial sector that has limited the financing available and tightened requirements concerning the quality of the risks inherent in projects. In order to promote this arrangement, it would be necessary to reform the legislative framework, enabling financing sources to be diversified, in addition to the use of bank loans, increasing public involvement in financing operations and facilitating project access to capital markets by increasing government guarantees.

Residential housing construction not only has not been negatively affected by the rising uncertainty but also has even reaffirmed its status as the segment with the most upbeat short-term outlook: 7.2% estimated for 2016 and 4.8% for 2017. If we focus only on the larger markets, both Spain and Italy will continue to produce housing at levels, which are below their average. France, Germany and even the UK, however, are returning to their comfort zones. Of the smaller countries, there are also cases where production is looking up, often because demand has picked up and found a market with a housing shortage resulting from the lack of development activity in the past few years. The timely lowering of lending costs is undoubtedly a stimulating factor although there are concerns that its significance will be limited. For the period 2018 - 2019, a more prudent projection has been made of only 2.8%.

Residential building construction is still in an extremely early stage of recovery since 2016 will be its first year of growth (1.5%) following a lengthy digression brought about by a seven-year recession. Therefore, the lowering of economic expectations comes at a very inconvenient time, cooling what is already weak demand for industrial and tertiary surface areas. We rule out that there will be a substantial improvement: we forecast 1.5% for 2017 and 2.1% for both 2018 and 2019. Office construction will increase somewhat above these averages given its significant downturn in the past few years. However, there is some concern about the lack of drive in the industrial and logistics sector to reach the average even. This bears out the downbeat outlook for demand (domestic, European and global). The UK is affected by the non-residential sector and growth forecasts existing before the referendum have vanished. The slowdown in non-residential construction in Germany was confirmed within a context of limited demand and much caution in investment. The difficult times in Germany and UK cannot be fully offset by the improvement in markets such as the Netherlands, Belgium and Denmark.





## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **DIRECTORS' REPORT FOR 2016 (Expressed in thousand euro)**

Civil engineering is the market segment where the outlook has worsened most, and was negative in 2016 (-1%). When identifying the countries most affected, it becomes obvious that the causes differ. Poland, the Czech Republic, Slovakia and Hungary were already aware that the replacement with respect to EU structural fund programs was a risk although not to the extent of bringing the rate of construction to a complete halt in 2016. The situation in Portugal and Spain, two countries with known tax imbalance problems, worsened in the last few months. Lastly, the UK again saw expectations plummet. Civil engineering digressed from being risk free to a period of low activity, which could last three years although this will depend on whether a specific infrastructure incentive programme is rolled out as an anti-recession measure. In any event, as soon as the flow of structural funds to Eastern European countries resumes, European civil engineering would again be in a position to grow in 2017 (1.8%), turning the fall in 2016 into a one-off situation. It is hoped that the improvement is not interrupted in 2018 (2.9%) and 2019 (3.2%).

The return to growth of civil engineering in 2014 and 2015 was short-lived in the wake of the intense election timeline. In 2016, we can openly refer to a deterioration. The lengthy digression caused by the interim government has been a major determinant. However, the critical factor as regards Spanish infrastructure investment is the new deficit limit agreed in Brussels. Even before the formation of the new government, the interim executive approved severe containment measures, reducing the portfolio of new projects and cutting the rate of work in progress. The impact on construction activity was already considerable in 2016 (-11%) and will probably filter through to 2017 (-6%). In a scenario marked by the slowdown and the threats of penalties for exceeding the deficit thresholds, we do not expect an overly positive reaction in 2018 (1.2%) or 2019 (3.5%).

### **2. Company's development and performance in 2016**

Revenue grew compared with the previous year by 10.68% to €16,704 thousand (€15,092 thousand in 2015) mainly due to the positive performance of heavy vehicle revenues, thanks to the general economic recovery, which enabled the recovery of road transport of freight and economic activity in the industrial areas adjoining the motorway.

This increase in traffic revenue was also strengthened by the improvement in income from the application of service provision indicators, as set out in the Technical Specifications of the Concession Contract as a result of the different actions carried out by the Company in 2016 aimed at the improvement and upkeep of infrastructure, which mainly focused on maintaining the road surface and adjusting structures.

It may therefore be asserted that the Company's revenues have steadied enabling it to assume both its current and future contractual and financial obligations.

Given the characteristics of the Concession Contract the Company is subject to the risk of demand. Therefore, the main risk or uncertainty to which it is exposed is the fall in traffic levels, which will have a negative impact on its income statement if there is a slowdown or decline in the economic recovery, specifically, in the industrial area of influence of the motorway or freight road traffic from, or to the south of Spain. Therefore, this is the main risk to which the Company is exposed since the situation of toll roads means that the risk of new competitors is limited.

During 2016, the Concession Holder carried out its ordinary operations under the Financial Economic Plan (FEP). In general, savings were obtained in current and operations expenses as compared with the FEP, particularly in relation to ordinary maintenance thanks to the mechanisms implemented to optimise the Company's resources in the execution of such operations, the improvement in weather conditions, reducing purchases of salt, the implementation of energy efficient systems in the consumption of electricity (public lighting) and the general fall in energy and fuel prices.

The Company has also carried out those actions in relation to upkeep and maintenance of the installations under the concession contract aimed at returning them in perfect state of repair as established therein, as per the planned programme.

On 31 December 2016, the Company complies with accounting legislation published in Order EHA/3362/2010, which approved new rules on the adaptation of the General Chart of Accounts to public infrastructure concession companies.





## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **DIRECTORS' REPORT FOR 2016 (Expressed in thousand euro)**

Similarly, at 31 December 2016 the Company complies with all applicable tax regulations in effect and is up to date with its tax obligations vis-à-vis the relevant Public and Tax bodies. At the date of this report, there are no on-going inspection processes with any of them.

During 2016, the Company carried out the audit review of its 2012 certification. The outcome was satisfactory and at 31 December, it complies with current legislation on quality, safety and the environment and has obtained the renewal of the certificates in question.

Similarly, in 2016 and as part of its on-going efficiency improvement policies and commitment undertaken by Company management with regard to road safety and safety at the workplace, the Company obtained health and safety certificates OHSAS 18001 and Road Safety Management Systems UNE-ISO 39001.

As regards the outlook for next year traffic levels is expected to remain at similar, slightly higher levels than 2016, basically in heavy vehicle units, as supported by the projections of an increase in Spanish GDP, with traffic revenues steadying together with income from the application of service indicators. Costs are expected to be reduced through savings policies and the optimisation of general services, an improvement in the functioning of energy saving measures and the continuation of the efficient planning of maintenance work.

### **3. Treasury shares**

There were no movements in treasury shares during the period.

### **4. Research and development activities**

There were no R&D activities in 2016 although the Company is examining the possibility of undertaking actions to upgrade applications enabling the study and improvement of road safety on the motorway. These actions are in the study phase and will be developed by the Company in 2017.

### **5. Environmental activities**

The Company is committed to the environment and the optimization of natural resources in its processes and carries out its activities in accordance with the quality standards established in ISO 14001, which following the audit, was renewed in December 2016.

This commitment to the environment and Road Safety are the cornerstone of the Company's current Integrated Quality System, within its on-going improvement objectives and commitments in relation to both the environment and road safety.

### **6. Use of hedging instruments**

With respect to the loan of €64,459 thousand, arranged with BNP and BBVA dated 26 June 2008, novated on 30 November 2016, currently maturing on 15 June 2025 and whose current margin is 1.15% plus Euribor, on 20 August 2008 the Company arranged an interest rate swap with the following characteristics at 31 December 2016:

#### **BNP**

Date:	20 August 2008
Notional amount:	25.908.199 euros
Hedged rate:	Euribor
Fixed rate:	5,55%
Maturity	15 June 2025

#### **BBVA**

Date:	20 August 2008
Notional amount:	25.908.199 euros
Hedged rate:	Euribor
Fixed rate:	5,55%
Maturity	15 June 2025



## SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.

### DIRECTORS' REPORT FOR 2016 (Expressed in thousand euro)

The Company has a treasury management system based on:

- Detailed management of working capital, seeking compliance with payment commitments with customers.
- Start-up of a treasury system in order to optimise treasury positions
- Compliance with legal payment deadlines

During 2016, the Company reduced borrowings by €2,347 thousand, as described in the original repayment schedule of the current contract with BNP Paribas and BBVA, with maturity in June 2025, and made an early repayment as part of an operation to apply free cash flows amounting to €6,105 thousand. This repayment was possible due to the generation of a cash surplus and it continues with the management's objectives to reduce borrowings.

In order to maximise the return on its financial resources, the Company made investments in Group and associated companies during the year amounting to €9,6000 thousand through the grant of long-term loans maturing in 2026, ensuring an interest rate of 4 p.a.

#### 7. Human resources

Employee numbers remained consistent with the previous year. The average number of employees at 31 December 2016 is 46 workers, distributed by gender, 13% women and 87% men.

	2016	2015
Executivo	1	1
Graduates	9	8
Administrative Staff	8	7
Operators	28	30
<b>Total</b>	<b>46</b>	<b>46</b>

At 31 December 2016, the Company has no employees with a recognised disability of 33% or more as it does not exceed the 50 workers limit established in current legislation.

#### 8. Average payment period

In accordance with the duty to report the average creditor payment period under Additional Provision Three of Law 15/2010 (in accordance with the wording afforded by Final Provision Two of Law 31 /2014 on the amendment of the Spanish Companies Act), as per the resolution published in the Official State Gazette of 4 February 2016, taking into account the resolution of 29 January 2016 of the Spanish Institute of Accountants and Auditors, the Company reports that the average supplier payment period in 2016 was 41 days (70 days in 2015), slightly lower than the maximum legal period.

The Company's directors will establish the relevant measures to improve and optimize invoice management periods to keep payment periods below the limits established in current legislation.



## **SOCIEDAD CONCESIONARIA AUTOVÍA A-4 MADRID, S.A.**

### **PREPARATION OF THE ANNUAL ACCOUNTS AND DIRECTORS' REPORT FOR 2016**

The Board of Directors of "Sociedad Concesionaria Autovía A-4 Madrid S.A." in their meeting of 15 February 2017, and in accordance with the requirements of articles 253.2 of the Spanish Companies Act and Article 37 of the Code of Commerce, prepare the Annual Accounts and Directors' Report (Balance sheet, Income Statement, Statement of recognised income and expense, Total statement of changes in equity, Cash flow statement and the Notes to the annual accounts) for the year ended 31 December 2016, as set out in the preceding documents attached hereto.

#### **Signed by:**

\_\_\_\_\_  
Mr. José Antonio Labarra Blanco – Chairman  
(For Roadis Mexicana de Infraestructuras, S.L.)

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Mr. Miguel Garrido Espá  
(For Roadis Concesiones, S.A.)

\_\_\_\_\_  
Mr. Javier Prados Mateos  
(For Roadis Brasileña de Infraestructuras, S.L.)

\_\_\_\_\_  
Ms. María Esther Ayuso Gil  
(For Roadis Concesiones de Infraestructuras,  
S.L.)

\_\_\_\_\_  
Mr. Raúl Cristóbal García  
(For Grusamar Ingeniería y Consulting, S.L.)

\_\_\_\_\_  
Mr. Mukund Sapre  
(For Elsamex Internacional, S.L.U.)

\_\_\_\_\_  
Mr. Fernando Jaime Bardisa Jordá  
Secretary of the Board  
(For Elsamex, S.A.)